UNAUDITED RESULTS - 9 MONTHS ENDED 30 SEPTEMBER 2000

- **Operating profit before tax from ongoing businesses* of £1,138 million (1999: £1,120 million) (including life achieved profit)**
  On a modified statutory basis, operating profit before tax was £898 million (1999: £1,014 million)
- **Life achieved operating profit up 24%** to £1,147 million**
- **Worldwide long-term savings new business sales up 14%** to £9 billion**
- **General insurance operating profit from ongoing businesses* of £428 million (1999: £375 million)**
- **Agreement for the sale of US general insurance business and exit from UK London Market**
- **Rapid merger integration progress**

*** Excluding US general insurance and UK London Market result**

**** At constant rates of exchange**

Bob Scott, Group Chief Executive, commented:

"The worldwide long-term savings businesses continued to make excellent progress with new business up 14% to £9 billion. Life achieved operating profit increased 24% to £1,147 million with increased contributions from all our major businesses.

"Our general insurance result from ongoing businesses made good progress, rising to £428 million (1999: £375 million) with a combined operating ratio of 108%, and we continue to take the necessary steps to improve profitability towards our target combined operating ratio of 102% by the end of 2001.

"We have announced that we have successfully reached agreement for the sale of our US general insurance operations and that we are to withdraw from London Market operations.

"This completes the major elements of the restructuring of our business outlined at the time of the merger to reposition CGNU as a leading European-based financial services group focused on the long-term savings markets and the achievement of superior returns from selected general insurance markets. Whilst this is at considerable cost, this completes the major repositioning of general insurance business which would have any material financial consequence for the Group.

"Integration of our businesses is moving ahead rapidly, following our merger at the end of May. On 2 October our UK life, general and retail fund management businesses were launched under the new Norwich Union brand and, on the same day, our Irish business was integrated under the Hibernian brand. The performance of our ongoing businesses during a period of rapid merger integration demonstrates the strength of these businesses and the quality of our people, placing us in a strong position for future growth."

Financial Highlights

	Unaudited 9 months 2000 £m	Restated Unaudited 9 months 1999 £m		Local currency growth %
Total long-term savings new business	9,017	8,104		14%
- life & pensions premiums	7,909	7,097		15%
- investment sales	1,108	1,007		11%
Total premiums written after reinsurance and investment sales from ongoing businesses	19,369	17,552		13%
Operating profit before tax from ongoing businesses(i)	1,138	1,120		4%
(Loss)/profit on ordinary activities after tax(ii)	(959)	535		
Operating earnings from ongoing businesses per ordinary share(i)	34.5p	32.9p		
Shareholders' funds(iii)	14,662	15,673	†	
Net asset value per ordinary share(iv)	652p	700p	†	

Basis of preparation - the CGNU 9 months 2000 results have been prepared according to the principles of merger accounting, using common accounting policies. The 1999 results have been restated to this same basis and have been revised to comply with FRS16 "Current Tax".

(i) Operating profit before tax and earnings shown above include life achieved operating profit and exclude the operating results of businesses to be discontinued £132 million (30 September 1999: £152 million), amortisation of goodwill £31 million (30 September 1999: £25 million) and exceptional items £203 million (30 September 1999: £100 million). They do not incorporate the use of the expected proceeds from businesses sold or sales of businesses to be completed.

(ii) Loss on ordinary activities after tax, including life achieved operating profit, is after providing for the loss on sale of the US general insurance business and withdrawal from London Market operations.

(iii) Based on equity and non-equity shareholders' funds which have been reduced by the equalisation provision of £199 million (31 December 1999: £212 million).

(iv) Based on equity shareholders' funds, adding back the equalisation provision.

† Denotes amount at 31 December 1999.

Life profits reporting
In reporting the CGNU plc headline operating profit, life profits using the achieved profit basis have been included. This is used throughout the CGNU Group and by many in the investment community to assess performance. We have focused on the achieved profit basis, as we believe life achieved operating profit is a better measure of the performance of life businesses than the modified statutory basis, which is deliberately conservative and more concerned with solvency protection and distributability than performance. The modified statutory basis is used in our financial statements and, on this basis, the life operating profit before tax amounted to £907 million. The basis used for reporting achieved profit is consistent with the draft guidance set out by the Association of British Insurers.

- Ends -

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GROUP CHIEF EXECUTIVE'S STATEMENT

At the time of the merger announcement in February 2000, we made clear our commitment to position CGNU plc as a leading European-based financial services group, focused on the long-term savings markets and the achievement of superior returns from selected general insurance markets. Since publishing the Group's half year results on 2 August, I am pleased to report that major progress has been made towards this objective through the agreement for the sale of our US general insurance business and our exit from UK London Market business, actions which have not been without significant cost. This completes the major repositioning of general insurance business which would have any material financial consequence for the Group. At the same time, the Group has continued to press ahead with the integration of its ongoing businesses. These have maintained a successful focus on "business as usual", together with the development of a number of bancassurance arrangements.

The Group operating profit before tax from ongoing business, including life achieved profit, was £1,138 million (1999: £1,120 million). This represents an increase of 13% over the first nine months of 1999 before a charge of £95 million for developing our online wealth management service and after removing the effect of changes in currency exchange rates. On a modified statutory basis, operating profit before tax was £898 million (1999: £1,014 million).

Continued growth in long-term savings
Our worldwide life and savings business made strong progress in the first nine months with new life, pension and investment sales increasing by 14% to £9 billion. Life operating profit on an achieved profit basis increased by an excellent 24% to £1,147 million. On a modified statutory basis, life operating profit was up 10% at £907 million.

On 20 September 2000, we announced the sale of the Norwich Union life and pensions businesses in Poland for £143 million. The sale demonstrates the significant value we have been able to create in this new market in the relatively short period of 19 months since the businesses were started. We are retaining CU Polska, which has a 30% share of the local pension market, measured by assets under management, and a 20% share of the local life market.

I am pleased to announce that we have reached agreement for a new life bancassurance partnership with Wells Fargo Insurance, Inc., a subsidiary of Wells Fargo & Company which is the sixth largest bank in the US. This agreement builds on our extensive bancassurance experience and offers us further opportunity to grow in the US life market.

Strong investment capability
Our retail investment sales increased 11% to £1,108 million and total assets under management increased by £8 billion to £216 billion. We have continued to invest in our UK retail investment business which achieved an increase in sales of 12% to £709 million.

Continuing the trend established in previous periods, sales from our Navigator product in Australia rose by 32% to £606 million and funds under administration totalled £2.2 billion.

Good progress in general insurance
Our ongoing general insurance businesses made good progress with operating profits rising to £428 million (1999: £375 million). The combined operating ratio in the UK, which is our largest general insurance business, improved to 104% (1999: 107%), after excluding the London Market business, and the personal lines business delivered an excellent 100% (1999: 103%).

We are continuing to take the necessary steps to improve profitability in our general insurance businesses, towards the Group's target combined operating ratio of 102% by 2001.

Rapid integration progress
The integration of our businesses continues to make rapid progress. Annualised savings at the end of the third quarter amounted to £50 million, with £9 million included in these results, and integration costs of £203 million have been provided to date.

The Group has made significant progress in refocusing the business in line with the objectives set out at the time of the merger, while maintaining the positive momentum in its ongoing business. We are well positioned for future growth and increased shareholder returns.

Bob Scott
Group Chief Executive

OPERATING AND FINANCIAL REVIEW

Group results to 30 September 2000

The Group's operating profit from ongoing businesses before tax, including life achieved profit, was £1,138 million (1999: £1,120 million). On a modified statutory basis operating profit before tax was £898 million (1999: £1,014 million).

The result is after continued investment in a number of significant development projects, including a £95 million charge for further development of our UK online wealth management business. This includes £20 million for "assertahome", our online home-moving portal.

In arriving at the Group operating profit from ongoing operations, we have excluded the result of the US general insurance business, the sale of which was announced in September, and of the UK London Market operations following the decision to withdraw from this business. Our US general business returned an operating profit of £136 million (1999: £139 million) and the operating loss from our UK London Market business was £4 million (1999: profit £13 million). The results of these businesses are shown under businesses to be discontinued.

General insurance operating profits from ongoing businesses improved to £428 million (1999: £375 million) and are after the French storm-related claims of £90 million reported at the half year. The UK underwriting result improved, reporting a loss of £156 million (1999: loss of £232 million). Consistent with the trend previously reported, longer-term investment returns from ongoing businesses increased by £148 million to £936 million.

	9 months 2000 £m	**Restated 9 months 1999 £m**	**Local currency growth %**
Operating profit before tax – ongoing business*			
Life achieved operating profit	1,147	950	24%
Health	33	20	83%
Fund management	41	46	(11%)
General insurance	428	375	15%
Non-insurance operations	(21)	(14)	(50%)
Associated undertakings	3	11	(70%)
Corporate costs	(136)	(99)	(37%)
Unallocated interest charges	(262)	(169)	(56%)
	1,233	**1,120**	**13%**
Wealth management	(95)	-	-
Operating profit before tax – ongoing business*	**1,138**	**1,120**	**4%**
Businesses to be discontinued			
US general insurance result	136	139	
UK London Market result	(4)	13	

* Operating profit before businesses to be discontinued, tax, change in risk margin, amortisation of goodwill and exceptional items.

Long-term savings new business

In October the Group announced strong new life and pensions and investment sales in the period to 30 September 2000 of £9 billion, an increase of 14% over the first nine months of 1999. Excellent growth was delivered by our UK business with life and pension sales up by 24% and investment sales up 12%. Our continental European businesses are capitalising on growth in unit-linked sales, with particular success in France. The sales reflect both organic growth and acquisition, with a 27% improvement after removing the benefit in 1999 and 2000 from the one-off Poland pensions opportunity and the ending of the Credito Italiano bancassurance agreement.

	9 months 2000 £m	9 months 1999 £m	Local currency growth %
Long-term savings new business			
Life and pensions premiums:			
United Kingdom	4,827	3,899	24%
Europe (excluding UK)	2,691	2,818	3%
International	391	380	2%
	7,909	**7,097**	**15%**
Investment sales	1,108	1,007	11%
	9,017	**8,104**	**14%**

Life insurance

Continuing the trend reported in the first half of the year, life achieved operating profit was up by 24% at £1,147 million. This is after development costs of £20 million, which include our European Navigator business based in Dublin. Strong growth continued in our UK life business, up 17% to £690 million, and in continental Europe profits rose by an excellent 42% to £417 million.

	9 months 2000 £m	9 months 1999 £m	Local currency growth %
Life achieved operating profit*			
New business contribution	287	263	
Profit from existing business - expected return	627	486	
- experience variances	(13)	(9)	
- operating assumption changes	11	-	
Development costs	(20)	(10)	
Expected return on shareholders' net worth	240	198	
	1,132	928	
Other life and savings activities	15	22	
Life achieved operating profit before tax*	**1,147**	**950**	**24%**
Analysed:			
United Kingdom	**690**	**591**	**17%**
Europe (excluding UK)	**417**	**317**	**42%**
International	**40**	**42**	**(7%)**

* Life achieved operating profit is stated before amortisation of goodwill and exceptional items.

New business contribution before cost of capital is up 5% to £349 million (1999: on 2000 assumptions £343 million). The growth in expected return from in-force business and shareholder net worth benefits from the application of higher interest rates on a growing embedded value.

	Annual premium equivalent*		New business contribution**	
	9 months 2000 £m	9months 1999 £m	9 months 2000 £m	9 months 1999*** £m
Life and pensions business				
United Kingdom	726	599	217	172
Europe (excluding UK)	572	680	130	158
International	72	71	2	13
	1,370	**1,350**	**349**	**343**

* Annual premium equivalent represents regular premiums plus 10% of single premiums
** Before cost of capital
*** Restated using 2000 economic assumptions

The new business contribution, before cost of capital, as a percentage of new business sales (on annual premium equivalent basis) was 25% (1999: 25%).

UK
The UK life business was launched under the new Norwich Union brand on 2 October 2000 accompanied by the unveiling of over 50 life, pension, investment and healthcare products. This is the largest value for money product range of any UK life insurer, the best of breed from the merged CGU and Norwich Union businesses.

With a 10% market share, the UK life business is the leading UK life insurer and IFA provider, with an increase of 27% in new business through the IFA channel for the first nine months of 2000. While emphasising and growing our commitment to the IFA channel, the UK life business will operate on a multi-distribution basis. This includes a wide network of partnership arrangements, including an alliance with The Royal Bank of Scotland which is due for completion in the final quarter of this year, a salaried direct sales force and a telesales operation.

Total UK new life and pensions business increased by 24% to £4.8 billion during the first nine months of 2000. Growth in new business contribution, up 26% to £217 million (1999: on 2000 assumptions £172 million), reflects the increase in sales volumes, particularly of single premium bonds.

Continued progress in individual pension and group pension sales, up 37% and 35% respectively over 1999, reflects the success of our pre-stakeholder products. Stakeholder pensions remain a top priority and, having stated the intention to be the leading stakeholder provider, Norwich Union became the first pension provider to apply for stakeholder registration on 1 October 2000. This represents the first step in enabling employers to designate our stakeholder pension as the scheme for their workforce. Many of our personal pensions customers benefit from charges which are at stakeholder levels or below. From April next year, we are extending the benefit of stakeholder type charging levels to existing customers with personal pension contracts.

Europe (excluding UK)
Total new life and pensions sales from our major European businesses increased by 27% after removing the benefit in 1999 and 2000 from the one-off Poland pensions opportunity and the ending of the Credito Italiano bancassurance agreement. This increase reflected both organic growth and acquisitions, including, for the first time, sales of £25 million from our new bancassurance partnership with Bancaja, Spain's fourth largest savings bank.

The French business produced excellent results with life and pensions new business sales increasing 38% to £1,410 million. New single premiums, which dominate the market, increased to £1,380 million, ahead of overall market growth. New business contribution rose by 24% to £52 million which, combined with favourable tax experience, contributed to the rise in life achieved operating profit to £161 million (1999: £103 million).

Hibernian Life & Pensions was launched in Ireland in October 2000 combining the businesses of Norwich Union Life and Hibernian Life. The merger has created a top five provider of new life and pensions business under the strong and established Hibernian brand, with a current market share of 13%. Total new business sales at £333 million were 42% higher than the first nine months of 1999 and included a contribution of £86 million from Hibernian, acquired in January 2000. New business contribution pre-cost of capital increased by 50% to £16 million including a contribution from Hibernian of £4 million.

Delta Lloyd Nuts Ohra (DLNO) is a leading life and pensions insurer in the Netherlands. Total new business sales were up 29% at £359 million, including £64 million from Nuts Ohra, acquired during the second half of 1999. This followed strong single premium individual pensions sales, while annual premium volumes were lower ahead of tax reforms. New business contribution pre-cost of capital was £15 million in the period, down from £21 million, reflecting a change in new business mix towards single premiums.

On 20 September 2000, we announced the sale of the Norwich Union life and pensions businesses in Poland to Sampo Insurance Company plc of Finland for £143 million. The merger of CGU plc and Norwich Union plc led the Polish regulator to require CGNU to sell one of the two existing pension businesses. The sale of the Norwich Union life and pensions businesses does not affect our leading position in this market and we retain CU Polska, the leading private pensions provider.

Lower new business sales from CU Polska at £147 million (1999: £234 million) reflect the concentration of sales in the third and fourth quarters of 1999 arising from the one-off pensions opportunity. CU Polska has also maintained its share of the life market at around 20%. New business contribution from our Polish life and pensions businesses fell in the period to £35 million, reflecting the reduction in sales volumes. However, long-term growth prospects for the life business remain very good, with less than 20% of employed people having an individual life policy.

Our Spanish business is a top 10 life and pensions provider following completion on 31 July 2000 of our new bancassurance partnership with Bancaja, Spain's fourth largest savings bank. Total new business sales of £81 million (1999: £30 million) were up 191% and reflected the success of unit-linked savings products together with £25 million of sales from our new partnership. New business contribution improved from a loss of £3 million to a profit of £3 million, reflecting a strong increase in sales volumes and a contribution of £2 million from our Bancaja partnership.

The cessation of our bancassurance agreement in Italy with Credito Italiano at the end of June 1999 has led to a reduction in both new business sales and new business contribution. Sales from Banca Popolare di Lodi, covering 250 branches, have continued to focus on regular premium sales, up over 150% on the same period last year.

In Turkey, we are optimistic about the new opportunities presented by private pensions and will be applying for a licence as soon as the pensions legislation is finalised. Annual premium sales at £17 million doubled over 1999, reflecting the continuing development of our direct sales force and the attractive product range.

On 11 October 2000, our Romanian operation commenced trading. It offers a new life and savings opportunity by marketing a range of innovative and flexible unit-linked life products. Distribution will initially be through a direct sales force and we also have an agreement to develop a bancassurance business with BRD, part of the Société Générale Group. Romania is one of the largest eastern European markets with a population of 23 million, and offers the opportunity to leverage our success in Poland and benefit from expected future pensions reform.

In the Czech Republic we have signed a binding agreement to acquire a 65% shareholding in a leading Czech pension fund, Všeobecný vzájemný penzijní fond, a.s (VVPF). The acquisition will complement our existing life operation in the Czech Republic, which commenced operations in 1997, and will enable us to provide customers with a full suite of products. The consideration for this transaction is not material in relation to CGNU's net assets. As at 31 December 1999 VVPF had net assets of £3 million.

International
Our international operations saw an increase in total life and pensions new business of 2%. Achieved operating profit was £40 million (1999: £42 million).

We have reached agreement for a new life bancassurance partnership with Wells Fargo Insurance, Inc. in the United States. The agreement will, over the course of 2001, progressively provide access to more than 2,600 branches of Wells Fargo & Company, the sixth largest bank in the US. This partnership significantly extends our current distribution capability, providing a further growth opportunity in the US life market.

Health

	Underwriting result		**Operating profit**	
	9 months 2000 £m	**9 months 1999 £m**	**9 months 2000 £m**	**9 months 1999 £m**
United Kingdom	1	(3)	4	-
Europe (excluding UK)	(15)	2	29	20
	(14)	**(1)**	**33**	**20**

Premium income increased by 148% to £568 million (1999: £237 million) and operating profit increased by 83% to £33 million. These improvements principally reflect the inclusion of the Nuts Ohra business in the Netherlands, acquired during the second half of 1999.

Fund management

Assets under management increased to £216 billion, including third party managed funds of £25 billion. The Group is the second largest UK-based fund manager and among the top 10 in Europe, with strong market positions in the UK, France and the Netherlands and developing positions in Ireland and Poland.

	Operating profit	
	9 months 2000 £m	**9 months 1999 £m**
United Kingdom	14	26
Europe (excluding UK)	12	7
International	15	13
	41	**46**

The first nine months of 2000 have seen significant development in our UK retail investment business, with continued emphasis on a market-leading position in Cat-standard products. We have merged the retail operations of CGU and Norwich Union, which now operate under the new Norwich Union brand and have continued to invest in building up our UK retail fund proposition, which has held back the UK result by £20 million. On 15 September 2000, we announced the intention to sell our majority stake in Quilter Holdings Limited.

The result from our European fund management operations has improved to £12 million and principally reflects a strong performance from Victoire Asset Management in France.

Sales from the Norwich Union Navigator product in Australia, which are not included in new business sales, increased by 32% to £606 million, and funds under administration totalled £2.2 billion. The new business contribution from Navigator and other non-life business sales in Australia was £13 million (1999: £13 million), and includes the impact of expensing the investment in the next generation of information technology.

General insurance

The discrete third quarter general insurance underwriting result from ongoing operations improved by £57 million to an underwriting loss of £101 million (1999: underwriting loss £158 million), driven principally by continued progress in our UK business. The year to date underwriting loss from ongoing operations has been held back by the French storm claims of £90 million reported in the first half of this year.

Net written premiums from our ongoing worldwide general insurance operations increased by 10% to £6.9 billion.

The Group's worldwide combined operating ratio from ongoing businesses was 108% (1999: 107%) or 106% excluding the French storm costs. The worldwide expense ratio from ongoing businesses is lower at 12.5% (1999: 13.6%), with improvements in our UK, French, Irish and Canadian businesses. We remain committed to achieving our target combined operating ratio of 102% by 2001.

Ongoing business	Underwriting result*		Operating profit*	
	9 months 2000 £m	**9 months 1999 £m**	**9 months 2000 £m**	**9 months 1999 £m**
United Kingdom	(156)	(232)	341	187
Europe (excluding UK)	(285)	(103)	(72)	59
International	(67)	(78)	159	129
Ongoing business	**(508)**	**(413)**	**428**	**375**
Businesses to be discontinued				
United States	(175)	(148)	136	139
UK London Market	(59)	(37)	(4)	13

* Excludes the change in the equalisation provision of £12 million (1999: £47 million).

UK
CGNU is the largest general insurer in the UK, with a focus on personal and smaller commercial lines businesses. The successful launch of the Norwich Union general insurance brand on 2 October 2000 has re-affirmed our position in a very crowded insurance market as the market leader with a single set of new business products.

Since the merger, we have been reviewing our London Market business in the context of the Group's general insurance strategy of focusing on personal lines and smaller commercial risks and, during the last six months, the Group has taken a series of steps towards exiting these businesses, withdrawing capacity from two London Market syndicates and closing down the global risks business. We announced on 1 November 2000 an agreement in principle for the sale of Marlborough Underwriting Agency Limited, our wholly-owned Lloyd's managing agency, to the Berkshire Hathaway Group. Under the terms of the agreement, the Berkshire Hathaway Group will also undertake, subject to Lloyd's approval, to replace CGNU as the provider of capacity to the Marlborough-managed syndicates for 2001. This agreement completes CGNU's withdrawal from London Market business.

We have also reached an agreement in principle with Berkshire Hathaway Group to purchase reinsurance to secure protection against any adverse impact of the run-off of claims reserves held by CGNU in respect of business written prior to 1 October 2000, the date of exit, both in respect of historic business through the ILU and other London Market operations and, more recently, Lloyd's. This will provide cover of £1 billion in excess of CGNU's claims reserves of £1.2 billion.

Throughout the review, our objective has been to ensure an orderly withdrawal in the interests of clients and brokers and of our shareholders. The charge of £448 million before tax, which we have taken in the third quarter as an exceptional item, is in respect of the withdrawal from London Market operations and includes the cost of associated reinsurance protection.

Excluding London Market business, the discrete third quarter underwriting loss improved by £66 million to £30 million (1999: discrete third quarter loss £96 million), with particularly strong performance in motor and homeowner classes. On a year to date basis, the ongoing business underwriting loss improved by £76 million to £156 million (1999: £232 million) and the combined operating ratio in the UK improved to 104% (1999: 107%), with an excellent performance in personal lines business at 100% (1999: 103%). The expense ratio in the UK improved to 10.8% (1999: 11.9%).

The strongest improvement in the underwriting result has been achieved in the personal and commercial motor accounts. Annualised rating increases in the region of 13% are being applied to the personal motor account and 20% to the commercial motor account. The liability market remains difficult, but we are pushing through double-digit rating increases and are prepared to sacrifice market share to improve profitability.

The profitability of the commercial property account has been impacted by large losses. However, there has been an improvement in the third quarter. We continue to take a disciplined approach to underwriting and remain focused on small/medium sized risks.

The recent storms and flooding will impact our fourth quarter results but at this stage it is too early to assess the cost of these events with reasonable certainty.

Europe (excluding UK)
The underwriting loss in the discrete third quarter in France was £22 million (1999: loss of £3 million). The year to date underwriting loss is after the late notified claims of £90 million from the December 1999 storms and adverse development of certain claims reported in the first half of the year. Underwriting and rating actions continue to be taken with single-digit rate increases in personal lines and double-digit increases in some commercial lines.

Our other European businesses reported a year to date underwriting loss of £96 million (1999: £79 million) and operating profit of £48 million (1999: £29 million) including for the first time the full impact of the Hibernian general business acquired in January 2000.

International
Our Australian and New Zealand businesses reported improved operating profits of £48 million (1999: £13 million), helped by a reduction in weather-related losses in Australia. In Canada, operating profits were down at £64 million (1999: £71 million), mainly driven by deterioration in the property class.

At the time of the merger announcement, we had concluded it was in the best interests of shareholders to withdraw from the US general insurance market. This decision reflected the difficult conditions in the US property and casualty market and the requirement for substantial investment to achieve a leading market position. On 25 September 2000, we announced a definitive agreement for the sale of the Group's US general insurance operations to White Mountains Insurance Group Limited for a total consideration of $3,163 million including the repayment of an inter-company loan of $1,100 million.

The Group results for the nine months ended 30 September 2000 include an after-tax loss on disposal of $2,060 million (or £1,393 million after tax and translated at the exchange rate prevailing at 30 September 2000) after making appropriate accounting adjustments. Although creating a significant loss, we have achieved a clean-cut exit and, subject to completion, the Group will not bear any continuing operating risk or exposure to the US general business, or provide any guarantees in respect of its claims reserves or balance sheet from 31 August 2000. There will be no price adjustment to reflect the US general business results in the period between 1 September 2000 and completion.

On 27 October 2000, we announced our intention to sell State Insurance Limited. Following the merger, CGNU plc has two leading general insurance businesses in New Zealand, each with around 19% market share. A review of these businesses concluded that greater shareholder value could be generated from a sale of State Insurance than from integrating the businesses. The Group remains committed to the New Zealand market and will continue to develop its ongoing business, New Zealand Insurance Limited.

Non-insurance operations

The Group's non-insurance operations reported a loss of £21 million (1999: loss of £14 million). This included a loss of £30 million from our estate agency business, YourMove, £15 million of which related to increased advertising spend and development of the IT infrastructure in the first half of the year.

Corporate costs and unallocated interest charges

Corporate costs amounted to £136 million (1999: £99 million). As reported at the half year, this includes the crystallisation of the Norwich Union long-term incentive scheme together with an accrual for Norwich Union staff performance-related payments.

Unallocated interest charges include interest on intra-group loans with the centre and external borrowings not allocated to local business operations. The increase in the charge to £262 million reflects in part the funding of corporate activity.

Shareholders' funds

Shareholders' funds fell by £1,011 million to £14.7 billion after deducting the equalisation provision of £199 million (1999: £212 million). The loss attributable to equity shareholders was £1,309 million (full year 1999: profit £1,003 million). Other movements in shareholders' funds included an increase of £451 million in the valuation of in-force life business and equity dividends payable of £320 million.

Net assets per ordinary share were 643 pence (31 December 1999: 690 pence) after deducting the equalisation provision. Adding back the equalisation provision, they were 652 pence (31 December 1999: 700 pence).

The Group's "normalised" after tax return on equity for the nine months (annualised), excluding businesses to be discontinued, was 7%. The normalised return is based on the after tax operating profit including life achieved operating profit, before exceptional items and amortisation of goodwill, as a percentage of the opening equity capital.

Merger update

The integration of businesses continues to make rapid progress.

Annualised cost savings of £50 million have been achieved with £9 million of savings included in the nine months results. One off costs of £203 million have been provided to date and we expect to have committed and provided the greater part of the total anticipated integration costs of £425 million by the year end.

A number of significant integration milestones have been achieved in the period. These include the successful launch of our UK life, general and retail fund management businesses under the new Norwich Union brand on target on 2 October 2000. The launch has been backed by a strong advertising campaign designed to consolidate the new brand rapidly, and will be continuing through into 2001. Our UK life and general businesses now offer improved product ranges, reflecting the best of breed from the merged CGU and Norwich Union businesses, and each operates with a single retrained sales force.

The integration projects for each of our UK Group Office and Central Services units have made excellent progress. The Central Services integration will ensure we achieve benefits from economies of scale and common service platforms through centralising facilities management and IT infrastructure for our UK businesses.

In the UK, over 15,000 staff have now been appointed. The target headcount reduction in the UK remains at 4,000 and an actual headcount reduction of 926 against this target has been achieved.

Our European businesses have also made excellent integration progress. On 2 October 2000, our Irish business launched under the single Hibernian brand. In France, all staff moves have been completed and business teams integrated.

Online developments and wealth management

CGNU remains committed to the development of innovative e-commerce applications across its businesses. Our businesses around the world continue to invest in technology to improve operational efficiency. Our UK life business aims to be in a position to process as much as 50% of our new business electronically, through "no touch" administration, by the end of next year. Our UK general business has announced plans to e-enable the intermediary channel through an initiative called 'i2i-link'. This will streamline and enhance distribution and service by creating a single gateway for transactions with intermediaries.

On 2 August 2000, we announced our intention to launch an online wealth management service in the UK. norwichunion.com delivered its pre-registration facility on 2 October 2000 to coincide with the launch of the new Norwich Union brand in the UK. In quarter one 2001, we will introduce Trusted Partner services, a wide range of impartial information and financial planning tools designed to help customers make better decisions about their money, their assets and their future. This service will act as the gateway to the full, integrated wealth management proposition. This will include a fund supermarket, a share-dealing service and a range of banking products and services.

To date investment in norwichunion.com is £75 million, in line with our previously announced spend of £250 million to the end of 2002. In addition, investment in assertahome is £20 million. assertahome is now attracting over 125,000 unique users a month and is acknowledged as the UK's leading home-moving portal.

Notes to editors

- CGU and Norwich Union merged on 30 May 2000 to create CGNU plc, the UK's largest insurance group and one of the top-five insurers in Europe with substantial positions in other markets around the world, making it the world's sixth largest insurer based on gross worldwide premiums.
- CGNU's principal business activities are long-term savings, fund management and general insurance, with worldwide premium income and retail investment sales of £26 billion and assets under management of more than £200 billion.
- From October 2000, the combined life and pensions, general insurance and retail fund management businesses in the UK operate under the Norwich Union brand, while the institutional investment business operates under the Morley Fund Management brand.
- Overseas currency results are translated at average exchange rates.
- All growth rates are quoted in local currency.
- CGNU's corporate press releases and results presentations are available on the internet: www.cgnu-group.com

Summarised consolidated profit and loss account – achieved profit basis

For the 9 months to 30 September 2000

Page	9 months 2000 €m		9 months 2000 £m	Restated 9 months 1999 £m	Restated full year 1999 £m
		Operating profit			
10	1,880	Life achieved operating profit (excluding change in risk margin)	1,147	950	1,407
27	54	Health	33	20	24
32	67	Fund management	41	46	66
28	702	General insurance	428	375	459
33	(34)	Non-insurance operations	(21)	(14)	(30)
	5	Associated undertakings	3	11	10
	(223)	Corporate costs	(136)	(99)	(162)
32	(430)	Unallocated interest charges	(262)	(169)	(240)
	2,021		1,233	1,120	1,534
33	(156)	Wealth management	(95)	-	-
	1,865	**Operating profit - ongoing business before tax, change in risk margin, amortisation of goodwill and exceptional items**	**1,138**	**1,120**	**1,534**
28		Businesses to be discontinued			
	223	United States general insurance	136	139	176
	(7)	London Market	(4)	13	25
	2,081		1,270	1,272	1,735
	-	Change in risk margin	-	-	89
	(51)	Amortisation of goodwill	(31)	(25)	(34)
25	(332)	Exceptional items	(203)	(100)	(163)
	1,698	**Operating profit before tax**	**1,036**	**1,147**	**1,627**
	604	Variation from longer-term investment return	368	(779)	1,072
	23	Effect of economic assumption changes	14	532	358
	(20)	Change in the equalisation provision	(12)	(47)	(55)
22	(44)	Net loss arising on the sale of subsidiary undertakings	(27)	(9)	(8)
		Provision for loss on sale for businesses to be sold			
23	(2,418)	United States general insurance	(1,475)	-	-
24	(734)	Provision for withdrawal from London Market operations	(448)	-	-
	(97)	Merger transaction costs	(59)	-	-
	(988)	**(Loss)/profit on ordinary activities before tax**	**(603)**	**844**	**2,994**
	(503)	Tax on operating profit - ongoing business before change in risk margin, amortisation of goodwill and exceptional items	(307)	(332)	(428)
	(81)	Tax on profit on other ordinary activities	(49)	23	(425)
	(1,572)	**(Loss)/profit on ordinary activities after tax**	**(959)**	**535**	**2,141**
	(79)	Minority interests	(48)	(53)	(85)
	(1,651)	**(Loss)/profit for the financial period**	**(1,007)**	**482**	**2,056**
29	(21)	Preference dividends	(13)	(13)	(17)
	(1,672)	**(Loss)/profit for the financial period attributable to equity shareholders**	**(1,020)**	**469**	**2,039**
29	(525)	Ordinary dividends	(320)	(278)	(773)
	(2,197)	**Retained (loss)/profit for the financial period**	**(1,340)**	**191**	**1,266**
		Earnings per share			
	56.6c	Operating profit on an achieved profit basis before change in risk margin, amortisation of goodwill and exceptional items, after taxation, attributable to equity shareholders in respect of ongoing business	34.5p	32.9p	45.4p
	(74.5)c	(Loss)/profit attributable to equity shareholders	(45.4)p	21.0p	91.2p
	(74.3)c	(Loss)/profit attributable to equity shareholders - diluted	(45.3)p	20.9p	90.8p

Basis of preparation

The achieved profit statement on page 9 includes the results of the Group's life operations reported under the achieved profit basis combined with the modified statutory basis results of the Group's non-life operations set out on pages 16 to 31. The achieved profit basis provides a more accurate reflection of the performance of the Group's life operations year on year than results under the modified statutory basis. The achieved profit methodology used is in accordance with the draft 'Guidance on accounting in Group accounts for proprietary companies long-term insurance business', circulated by the Association of British Insurers in December 1999. Further details on the methodology and assumptions are set out on pages 13 to 15.

The results of the Group's life operations under the modified statutory basis, which is the basis used in the annual audited accounts, can be found on pages 16 to 31.

Components of total life achieved profit

Total life achieved profit comprises the following components, the first four of which in aggregate are referred to as life achieved operating profit:

- new business contribution written during the year including value added between the point of sale and end of year;
- the profit from existing business equal to:
  - the expected return on the value of the in-force business at the beginning of the period,
  - experience variances caused by the differences between the actual experience during the period and expected experience based on the operating assumptions used to calculate the start of year value,
  - the impact of changes in operating assumptions;
- development costs incurred in establishing new life businesses;
- the expected investment return on the shareholders' net worth, based upon assumptions applying at the start of the year;
- investment return variances caused by differences between the actual return in the period and the expected experience based on economic assumptions used to calculate the start of year value;
- the impact of changes in economic assumptions in the period.

		9 months 2000 £m	9 months 1999 £m	Full year 1999 £m
New business contribution		287	263	403
Profit from existing business	- expected return	627	486	634
	- experience variances	(13)	(9)	80
	- operating assumption changes	11	-	8
Development costs		(20)	(10)	(24)
Expected return on shareholders' net worth		240	198	265
		1,132	928	1,366
Other life and savings activities*		15	22	41
Life achieved operating profit before tax, change in risk margin and exceptional items		**1,147**	**950**	**1,407**
Change in risk margin**		-	-	89
Life achieved operating profit before tax and exceptional items		1,147	950	1,496
Exceptional items		-	-	(12)
Investment return variances		160	(110)	851
Effect of economic assumption changes		14	532	358
Total life achieved profit before tax		1,321	1,372	2,693
Attributed tax		(423)	(415)	(819)
Total life achieved profit after tax		**898**	**957**	**1,874**

* Profits from other life and savings activities, which include service companies, have been calculated on a statutory basis.
** Impact of risk margin changes within economic assumptions.

New business contribution

The following table sets out the contribution from new business written by the long-term business operations. The contribution generated by new business written during the period is the present value of the projected stream of after-tax distributable profit from that business. Contribution before tax is calculated by grossing up the contribution after-tax at the full corporation tax rate for UK business and at appropriate rates of tax for other countries.

	Annual premium equivalent *			New business contribution		
	9 months 2000 £m	9 months 1999 £m	Local currency growth %	9 months 2000 £m	9 months 1999 at 2000 assumptions ** £m	9 months 1999 £m
United Kingdom	726	599	27%	217	172	166
Europe (excluding UK)						
France	168	139	31%	52	45	42
Ireland	64	39	78%	16	12	13
Netherlands	77	81	2%	15	21	14
Poland - Life	32	45	(25)%	9	23	23
- Pensions	125	203	(36)%	26	34	34
Spain	17	11	65%	3	(3)	(2)
Other	89	162	(40)%	9	26	25
International	72	71	(1)%	2	13	13
Total annualised premiums	**1,370**	**1,350**	**5%**			
Total new business contribution before cost of capital				**349**	**343**	**328**
Cost of capital				(62)	(65)	(65)
Total new business contribution after cost of capital				**287**	**278**	**263**

* Annual premium equivalent represents regular premiums plus 10% of single premiums.
** 1999 new business contribution has been shown using the application of year 2000 economic assumptions.

New business contributions have been calculated using the same assumptions as those used to determine the embedded values as at the beginning of each year. The cost of capital represents the cost of holding solvency capital equal to the minimum European Union (EU) solvency margin (or equivalent for non-EU operations).

Analysis of life achieved operating profit

Life achieved operating profit is calculated on an after-tax basis and then grossed up at the full rate of corporation tax for UK business and at appropriate rates of tax for other countries.

	9 months 2000 £m	9 months 1999 £m	Full year 1999 £m
United Kingdom	675	570	798
Europe (excluding UK)			
France	161	103	131
Ireland	47	38	53
Netherlands	129	95	168
Poland - Life	32	42	72
- Pensions	30	22	43
Spain	12	-	13
Other	6	16	32
International	40	42	56
Total life achieved operating profit before tax, change in risk margin and exceptional items*	**1,132**	**928**	**1,366**

* Excludes other life and savings activities.

Embedded value of life business

	9 months 2000 £m	9 months 1999 £m	Full year 1999 £m
Embedded value at the beginning of the period as previously reported:			
- CGU plc	5,675	4,868	4,868
- Norwich Union plc	4,742	4,415	4,415
Merger adjustments arising from alignment of embedded value methodology	101	111	111
Restated embedded value at the beginning of the period	**10,518**	**9,394**	**9,394**
Total life achieved profit after tax*	888	941	1,845
Exchange rate movements	(103)	(290)	(420)
Embedded value from business acquired	153	83	89
Amounts injected into life operations	88	53	164
Amounts released from life operations	(223)	(274)	(554)
Embedded value at the end of the period	**11,321**	**9,907**	**10,518**

* Excluding profits from other life and savings activities after tax.

Segmental analysis of embedded value of life business

	Net worth* at 30 September		Valuation of in-force** at 30 September		Total at 30 September	
	2000 £m	**1999 £m**	**2000 £m**	**1999 £m**	**2000 £m**	**1999 £m**
United Kingdom	1,992	1,789	4,391	4,017	6,383	5,806
Europe (excluding UK)						
France	894	756	381	339	1,275	1,095
Ireland	216	197	246	191	462	388
Netherlands	1,283	971	677	726	1,960	1,697
Poland	96	72	185	104	281	176
Spain	51	43	131	28	182	71
Other	154	117	161	104	315	221
International	361	359	102	94	463	453
Embedded value of life businesses	**5,047**	**4,304**	**6,274**	**5,603**	**11,321**	**9,907**

* The shareholders' net worth comprises the market value of the shareholders' funds and the shareholders' interest in the surplus held in the non-profit component of the long-term business funds determined on a statutory solvency basis and adjusted to add back any non-admissible assets.

** At 30 September 2000, the deduction for the cost of solvency capital was £700 million.

Methodology

(a) Life achieved profit

The achieved profit method of financial reporting is designed to recognise profit as it is earned over the life of an insurance policy. The total profit recognised over the lifetime of a policy is the same as under the modified statutory basis of reporting, but the timing of recognition is different.

Distributable profits from long-term businesses arise when they are released to shareholders following actuarial valuations. These are carried out in accordance with statutory requirements designed to ensure and demonstrate solvency in long-term business funds.

Future distributable profits will depend on experience in a number of areas such as investment return, discontinuance rates, mortality and administration costs. Using realistic assumptions of future experience, we can project releases to shareholders arising in future years from the business in force and associated minimum statutory solvency capital.

The life achieved profit reflects current performance by measuring the movement, from the beginning to the end of the year, in the present value of projected releases to shareholders, together with the movement in the net assets of the long-term operations held in excess of the minimum statutory solvency capital.

The present value of the projected releases to shareholders is calculated by discounting back to the current time using a risk discount rate. The risk discount rate is a combination of a discount rate to reflect the time value of money and a risk margin to make prudent allowance for the risk that experience in future years may differ from the assumptions.

The calculations are carried out on an after-tax basis and the profits are then grossed up for tax at the full rate of corporation tax for the United Kingdom and at an appropriate effective rate for each of the other countries.

(b) Embedded value

The shareholders' interest in the long-term business operations is represented by the embedded value. The embedded value is the total of the net assets of the long-term operations and the present value at risk discount rates (which incorporate a risk margin) of the projected releases to shareholders arising from the business in force, less a charge for the cost of the solvency capital supporting the solvency requirements of the business. This cost of capital is the difference between the nominal value of required solvency capital and the present value at risk discount rates of the projected release of this capital and investment earnings on the capital.

For with-profit funds in the United Kingdom, for the purpose of recognising the value of the estate, it is assumed that terminal bonuses are increased to exhaust all of the free assets over the future lifetime of the in-force with-profit policies.

Principal economic assumptions

The principal economic assumptions used are as follows:

	United Kingdom				France			
	30 September 2000	**31 December 1999**	**30 September 1999**	**31 December 1998**	**30 September 2000**	**31 December 1999**	**30 September 1999**	**31 December 1998**
Risk discount rate	7.7%	7.8%	7.9%	7.2%	8.7%	8.7%	8.5%	7.7%
Pre-tax investment returns:								
Base government fixed interest	5.1%	5.2%	5.4%	4.5%	5.5%	5.5%	5.2%	3.9%
Ordinary shares	7.6%	7.7%	7.9%	7.0%	7.5%	7.5%	7.2%	5.9%
Property	6.6%	6.7%	6.9%	6.0%	7.0%	7.0%	6.7%	5.4%
Future expense inflation	3.7%	4.1%	4.1%	3.4%	2.5%	2.5%	2.5%	2.5%
Tax rate	30.0%	30.0%	30.0%	31.0%	40.0%	40.0%	40.0%	40.0%

	Ireland				Netherlands			
	30 September 2000	**31 December 1999**	**30 September 1999**	**31 December 1998**	**30 September 2000**	**31 December 1999**	**30 September 1999**	**31 December 1998**
Risk discount rate	9.1%	9.0%	8.6%	8.1%	8.2%	8.3%	8.2%	7.2%
Pre-tax investment returns:								
Base government fixed interest	5.5%	5.6%	5.3%	4.6%	5.4%	5.5%	5.4%	3.9%
Ordinary shares	8.5%	8.6%	8.3%	7.6%	8.3%	8.4%	8.3%	6.8%
Property	7.0%	7.1%	6.8%	6.1%	6.9%	7.0%	6.9%	5.4%
Future expense inflation	6.0%	4.0%	4.0%	4.0%	2.5%	2.5%	2.5%	2.5%
Tax rate	21.0%	28.0%	28.0%	33.0%	25.0%	25.0%	25.0%	25.0%

	Poland – Life				Poland – Pensions			
	30 September 2000	**31 December 1999**	**30 September 1999**	**31 December 1998**	**30 September 2000**	**31 December 1999**	**30 September 1999**	**31 December 1998**
Risk discount rate	19.8%	19.8%	20.6%	20.6%	17.1%	17.1%	17.9%	n/a
Pre-tax investment returns:								
Base government fixed interest	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	n/a
Ordinary shares	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	n/a
Property	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Future expense inflation	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	n/a
Tax rate	30.0%	33.0%	35.0%	35.0%	30.0%	33.0%	35.0%	n/a

	Spain			
	30 September 2000	**31 December 1999**	**30 September 1999**	**31 December 1998**
Risk discount rate	9.2%	9.1%	8.9%	8.0%
Pre-tax investment returns:				
Base government fixed interest	5.6%	5.6%	5.3%	4.0%
Ordinary shares	8.6%	8.6%	8.3%	7.0%
Property	7.1%	7.1%	6.8%	5.5%
Future expense inflation	3.0%	3.0%	3.0%	3.0%
Tax rate	35.0%	35.0%	35.0%	35.0%

Other assumptions

- Current tax legislation and rates have been assumed to continue unaltered, except where changes in future tax rates have been announced.
- Assumed future mortality, morbidity and lapse rates have been derived from an analysis of CGNU's recent operating experience.
- The management expenses of CGNU attributable to long-term business operations have been split between expenses relating to the acquisition of new business and to the maintenance of business in force. Certain expenses of an exceptional nature have been identified separately and the discounted value of projected exceptional costs has been deducted from the value of in-force business.
- It has been assumed that there will be no changes to the methods and bases used to calculate the statutory technical provisions and current surrender values.
- The value of in-force business does not allow for future premiums under recurring single premium business or non-contractual increments. The value arising therefrom is included in the value of new business, when the premium is received. Department of Social Security (DSS) rebate premiums have been treated as recurring single premiums.
- The value of the in-force business has been determined after allowing for the cost of holding solvency capital equal to the minimum EU solvency requirement (or equivalent for non-EU operations). Solvency capital relating to with-profit business is assumed to be covered by the surplus within the with-profit funds and no cost has been attributed to shareholders.
- Bonus rates on with-profit business have been set at levels consistent with the economic assumptions and CGNU's medium-term bonus plans. The distribution of profit between policyholders and shareholders within the with-profit funds assumes that the shareholder interest in conventional with-profit business in the United Kingdom and Ireland continues at the current rate of one-ninth of the cost of bonus.

Summarised consolidated profit and loss account – modified statutory basis

For the 9 months to 30 September 2000

Page	9 months 2000 €m		9 months 2000 £m	Restated 9 months 1999 £m	Restated full year 1999 £m
		Premium income after reinsurance and investment sales			
		Ongoing business			
26	17,695	Life premiums	10,794	9,918	13,470
26	1,816	Investment sales	1,108	1,008	1,347
27	931	Health premiums	568	237	402
	20,442		12,470	11,163	15,219
28	11,310	General insurance premiums	6,899	6,389	8,373
	31,752	Total ongoing business	19,369	17,552	23,592
		Businesses to be discontinued			
28	3,600	General insurance premiums - United States	2,196	2,003	2,621
28	315	- London Market	192	182	233
	35,667	**Total**	**21,757**	**19,737**	**26,446**
		Operating profit			
27	1,487	Modified statutory life profit	907	844	1,172
27	54	Health	33	20	24
32	67	Fund management	41	46	66
28	702	General insurance	428	375	459
33	(34)	Non-insurance operations	(21)	(14)	(30)
	5	Associated undertakings	3	11	10
	(223)	Corporate costs	(136)	(99)	(162)
32	(430)	Unallocated interest charges	(262)	(169)	(240)
	1,628		993	1,014	1,299
33	(156)	Wealth management	(95)	-	-
	1,472	**Operating profit - ongoing business before tax, amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items**	**898**	**1,014**	**1,299**
28		Businesses to be discontinued			
	223	United States general insurance	136	139	176
	(7)	London Market	(4)	13	25
	1,688		1,030	1,166	1,500
	(51)	Amortisation of goodwill	(31)	(25)	(34)
	(33)	Amortisation of acquired additional value of in-force long-term business	(20)	(3)	(22)
25	(332)	Exceptional items	(203)	(100)	(163)
	1,272	**Operating profit before tax**	**776**	**1,038**	**1,281**
	359	Short-term fluctuation in investment returns	219	(680)	250
	(20)	Change in the equalisation provision	(12)	(47)	(55)
22	(44)	Net loss arising on the sale of subsidiary undertakings	(27)	(9)	(8)
		Provision for loss on sale for businesses to be sold			
23	(2,418)	United States general insurance	(1,475)	-	-
24	(734)	Provision for withdrawal from London Market operations	(448)	-	-
	(97)	Merger transaction costs	(59)	-	-
	(1,682)	**(Loss)/profit on ordinary activities before tax**	**(1,026)**	**302**	**1,468**
29	(372)	Tax on profit on ordinary activities	(227)	(139)	(382)
	(2,054)	**(Loss)/profit on ordinary activities after tax**	**(1,253)**	**163**	**1,086**
	(71)	Minority interests	(43)	(43)	(66)
	(2,125)	**(Loss)/profit for the financial period**	**(1,296)**	**120**	**1,020**
29	(21)	Preference dividends	(13)	(13)	(17)
	(2,146)	**(Loss)/profit for the financial period attributable to equity shareholders**	**(1,309)**	**107**	**1,003**
29	(525)	Ordinary dividends	(320)	(278)	(773)
	(2,671)	**Retained (loss)/profit transferred to reserves**	**(1,629)**	**(171)**	**230**

Earnings per share – modified statutory basis

For the 9 months to 30 September 2000

Page		9 months 2000	Restated 9 months 1999	Restated full year 1999
30	Operating profit before amortisation of goodwill, amortisation of acquired additional value of in-force long term business and exceptional items, after taxation, attributable to equity shareholders in respect of ongoing business	26.6p	29.6p	39.2p
30	(Loss)/profit attributable to equity shareholders	(58.3)p	4.8p	44.8p
30	(Loss)/profit attributable to equity shareholders - diluted	(58.2)p	4.8p	44.7p

Consolidated statement of total recognised gains and losses

For the 9 months to 30 September 2000

Page		9 months 2000 £m	Restated 9 months 1999 £m	Restated Full year 1999 £m
16	(Loss)/profit for the financial period	(1,296)	120	1,020
	Movement in internally-generated additional value of in-force long-term business*	451	350	909
	Foreign exchange gains/(losses)	27	(307)	(389)
	Total recognised gains and losses arising in the period	**(818)**	**163**	**1,540**

* Stated before the effect of foreign exchange movements which are reported within the foreign exchange gains/(losses) line.

Reconciliation of movements in consolidated shareholders' funds

For the 9 months to 30 September 2000

Page		9 months 2000 £m	Restated 9 months 1999 £m	Restated Full year 1999 £m
	Balance at the beginning of the period			
	As previously reported - CGU plc	9,567	9,039	9,039
	- Norwich Union plc	6,039	5,713	5,713
	Merger adjustments arising from alignment of accounting practices	67	141	141
	Restated shareholders' funds at the beginning of the period	**15,673**	**14,893**	**14,893**
17	Total recognised gains and losses arising in the period	(818)	163	1,540
29	Dividends	(333)	(291)	(790)
	Increase in capital	41	28	23
	Merger reserve arising during the period	5	8	8
	Other movements	94	(11)	(1)
	Balance at the end of the period	**14,662**	**14,790**	**15,673**

Summarised consolidated balance sheet

	30 September 2000 £m	Restated 30 September 1999 £m	Restated 31 December 1999 £m
Assets			
Goodwill	704	490	452
Investments			
Land and buildings	775	738	763
Participating interests	232	320	283
Variable yield securities	6,609	6,163	7,595
Fixed interest securities	14,077	12,607	12,421
Mortgages and loans	1,288	896	1,080
Deposits	1,063	1,078	1,057
Additional value of in-force long-term business	6,915	5,927	6,425
	30,959	27,729	29,624
Reinsurers' share of technical provisions	2,635	2,540	2,638
Assets of the long-term business	145,545	131,417	140,798
Other assets	10,958	8,323	9,672
Total assets	**190,801**	**170,499**	**183,184**
Liabilities			
Shareholders' funds			
Equity	14,462	14,590	15,473
Non-equity	200	200	200
Minority interests	645	534	584
Total capital and reserves	**15,307**	**15,324**	**16,257**
Liabilities of the long-term business	141,097	127,419	136,673
General insurance liabilities	23,455	21,658	22,036
Borrowings	3,283	1,905	2,101
Other creditors and provisions	7,659	4,193	6,117
Total liabilities	**190,801**	**170,499**	**183,184**

Approved by the Board on 7 November 2000.

Consolidated cash flow statement

For the 9 months to 30 September 2000

	9 months 2000 £m	Restated 9 months 1999 £m	Restated Full year 1999 £m
Net cash (outflow)/inflow from operating activities excluding exceptional items and merger transaction costs	(82)	700	827
Exceptional items and merger transaction costs paid	(169)	(64)	(219)
Net cash outflow from servicing of finance	(169)	(128)	(156)
Corporation tax paid (including advance corporation tax)	(167)	(115)	(138)
Net purchases of tangible fixed assets	(51)	(75)	(131)
Acquisitions and disposals of subsidiary and associated undertakings	(382)	(91)	(64)
Equity dividends paid	(496)	(451)	(731)
Net cash inflow from financing activities	1,143	316	428
Net cash flows	**(373)**	**92**	**(184)**
Cash flows were invested as follows:			
(Decrease)/increase in cash holdings	(21)	21	(18)
Net portfolio investment			
Net (sales)/purchases of investments	(217)	67	(226)
Non-trading cash flow (from)/to long-term business operations	(135)	4	60
Net investment of cash flows	**(373)**	**92**	**(184)**

The cash flows presented in this statement relate to shareholder and general business transactions only.

1. Basis of preparation

On 21 February 2000, CGU plc and Norwich Union plc announced plans to merge their respective businesses to form CGNU plc. The merger was effected by way of an exchange of shares in CGNU plc for the shares held in the CGU plc and Norwich Union plc companies. The merger became effective on 30 May 2000 and on that date 931 million new shares in CGNU, with a total market value of £9,528 million, were issued to Norwich Union plc shareholders in return for Norwich Union plc shares in a ratio of 48 CGNU shares for every 100 Norwich Union plc shares.

The merger has been accounted for using the merger accounting principles set out in Financial Reporting Standard 6 "Acquisitions and Mergers". Accordingly, the financial information for the nine months to 30 September 2000, and that for the nine months to 30 September 1999 and the full year results, has been presented as if CGU plc and Norwich Union plc had been combined throughout the current and comparative accounting periods. Merger accounting principles have given rise to a merger reserve.

Costs of integrating and re-organising the business are included within operating profit. Merger transaction costs of £59 million have been incurred and are disclosed separately after operating profit before taxation.

The results of the two periods disclosed are unaudited. The accounts do not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The results for the full year 1999 are based on the statutory Group accounts of CGU plc and Norwich Union plc, both of which received unqualified audit opinions and have been filed with the Registrar of Companies.

'Businesses to be discontinued' represent:

(i) material discrete operations where sales contracts have been exchanged with prospective purchasers but all conditions of sale have not been achieved, and sales proceeds have not yet been received by the Group; or
(ii) material markets from which the Group is in the process of withdrawing.

These disclosures relate to the general insurance business in the United States and the London Market business in the United Kingdom respectively.

The results of all other operations are entitled 'Ongoing business' and are purely the results from such operations. They do not incorporate the use of the expected proceeds from businesses sold or sales of businesses to be completed.

In instances where the carrying value of businesses to be disposed of is less than the likely sales proceeds, a provision for loss on sale has been included in the results for the nine months to 30 September 2000.

2. Basis of accounts

The unaudited accounts for the nine months to 30 September 2000 have been prepared on the basis of the accounting policies used to prepare the CGU plc and Norwich Union plc 1999 Annual Report and Accounts, as modified to align differences in the accounting policies used by the two companies. The accounting policies aligned were such that:

(i) certain general business fixed income and debt securities held by Norwich Union plc were revalued from an amortised cost basis to a market value basis;
(ii) project costs which had formerly been capitalised by Norwich Union plc have been eliminated; and
(iii) embedded value assumptions used by both companies have been brought onto a common basis.

The impact of these changes was to increase profit before tax by £7 million (30 September 1999: reduce by £64 million, full year 1999: reduce by £91 million) and increase shareholders' funds by £99 million (30 September 1999: increase by £166 million, full year 1999: increase by £67 million).

3. Principal exchange rates

Published results have been translated at average rates of exchange, while assets and liabilities have been translated at closing rates of exchange.

The principal average rates were:

		9 months 2000	9 months 1999	Full year 1999
Canada	- dollars	2.26	2.40	2.40
France	- francs	10.73	9.87	9.99
Netherlands	- guilders	3.60	3.31	3.35
United States	- dollars	1.53	1.61	1.62

The results have been translated into euros using the average rate for the nine months to 30 September 2000 of 1 euro = £0.61.

The principal closing rates were:

		30 September 2000	30 September 1999	31 December 1999
Canada	- dollars	2.22	2.42	2.34
France	- francs	10.99	10.14	10.55
Netherlands	- guilders	3.69	3.41	3.54
United States	- dollars	1.48	1.65	1.61

4. Change in accounting policy - dividend income

Financial Reporting Standard 16 "Current Tax" was published by the Accounting Standards Board on 16 December 1999 following recent changes in the United Kingdom tax system. The principal requirement of this standard is that dividends should be recognised at the amount receivable without any attributable tax credit.

In presenting the results for the nine months to 30 September 2000 the CGNU plc Group has complied with Financial Reporting Standard 16. Norwich Union plc adopted FRS16 in its full year 1999 accounts. Accordingly, dividend income within the comparative results for the nine months to 30 September 1999 for both CGU plc and Norwich Union plc, and the full year to 31 December 1999 for CGU plc only, has been restated to a net of tax basis.

UITF abstract 14 "Disclosure of Changes in Accounting Policy" requires the effect of changes in accounting policy to be disclosed in relation to both the reported results in 2000 and 1999.

The change in accounting policy has a purely presentational effect and does not alter the profit of the Group after taxation. Accordingly, shareholders' reserves at 30 September 2000, 31 December 1999 and 30 September 1999 remain at the same level before and after the change in accounting for dividend income.

The impact of the change in accounting policy on operating profit before taxation is a reduction of £4 million (nine months to 30 September 1999: £7 million, full year 1999: £13 million). The impact on profit on ordinary activities before tax is a reduction of £9 million (nine months to 30 September 1999: £11 million, full year 1999: £17 million).

5. Acquisitions and disposals in the nine months to 30 September 2000

(a) Acquisitions
On 18 January 2000, the Group acquired the remaining 72% of the share capital of Hibernian Group plc, formerly an associate of CGU plc, for a cash consideration of £254 million giving rise to goodwill of £107 million. Hibernian Group plc transacts general insurance in the Republic of Ireland and the United Kingdom, life insurance business in the Republic of Ireland and international reinsurance. The transaction was accounted for as an acquisition. Compliance with Financial Reporting Standard 2 "Subsidiary undertakings" requires a departure from the Companies Act 1985 relating to the calculation of goodwill on Hibernian. In the opinion of the directors, in order to give a true and fair view, goodwill has to take account of the share of net assets purchased when Hibernian became an associate. If the provisions of the Companies Act had been followed, goodwill would have been £47 million lower.

On 31 July 2000, the Group entered into a bancassurance partnership with Bancaja, a leading savings bank in Spain. As part of this alliance, the Group purchased 50% of the issued share capital of Aseval, Bancaja's life insurance subsidiary, for a cash consideration of £205 million (including transaction costs), with further amounts payable if Aseval achieves certain performance targets. The Group's share of Aseval's embedded value amounted to £47 million, giving rise to goodwill of £193 million after taking into account the estimated value of the deferred consideration. The transaction has been accounted for as an acquisition and, in view of the management control exercised by the Group, the results of Aseval have been consolidated with those of other Group operations from the date of the purchase.

(b) Disposals
On 31 July 2000, the Group disposed of its wholly-owned general insurance business General Accident Versicherungs AG for a cash consideration of £41 million. The consideration is subject to the net asset value at completion, which to date has not been finalised. Net assets at the date of the disposal, subject to any adjustments yet to be finalised, amounted to £27 million. Under the terms of the sale, the Group has retained some exposure to certain types of run-off losses and is currently in the process of securing reinsurance for the residual risk. A loss on disposal of £31 million has been recorded after allowing for transaction costs and the likely cost of reinsurance and after writing back £31 million of goodwill previously written off against reserves.

During July 2000, the Group disposed of its 50.1% holding of First Australian Property Group Holdings Pty Limited ("Paladin") for a consideration of £16 million. The net assets disposed of, comprising unamortised goodwill, amounted to £12 million, generating a profit on disposal of £4 million.

In addition, during the course of 2000, the Group announced its intention to dispose of its general business operations in South Africa and New Zealand, life operations in Poland, Canada and Greece and stockbroking operations in the United Kingdom. These disposals were not completed by 30 September 2000.

(c) Impact on operating profit
With the exception of the disposal of the Group's United States general insurance operations and the Group's withdrawal from London Market business, the various other acquisitions, disposals and businesses in the process of being sold are not considered sufficiently material to merit the separate disclosures under Financial Reporting Standard 3 "Reporting Financial Performance". The following table summarises the contribution to the Group's operating profit from these operations.

	9 months 2000 £m	9 months 1999 £m	Full year 1999 £m
Acquisitions			
Spain - life (achieved profit basis)	3	-	-
Ireland - life (achieved profit basis)	7	-	-
- general	13	-	-
- fund management	1	-	-
	24	**-**	**-**
Disposals			
Australia - asset management	-	-	-
Other Europe - general	5	5	7
Businesses being disposed of			
Poland - life (achieved profit basis)	(6)	(3)	-
Other Europe - life (achieved profit basis)	1	(1)	(5)
Other International - life (achieved profit basis)	11	12	10
United Kingdom - fund management	8	4	7
New Zealand - general	5	9	12
Other International - general	7	7	10
	31	**33**	**41**

5. Acquisitions and disposals in the nine months to 30 September 2000 (continued)

(d) Businesses to be discontinued

(i) United States general insurance

On 25 September 2000, the Group announced that it had entered into a definitive agreement to sell its US general insurance operations for US$2,063 million. In addition, an inter-company loan of US$1,100 million will be repaid to Group through a combination of US$470 million in cash and the transfer to CGNU of certain assets not related to the operations of the US general business with a value of US$630 million. These assets consisted of Pilot, a Canadian general insurance company, the Group's US life insurance operations and a European listed investment. This sale is subject to the satisfaction of certain conditions, including US regulatory approval, and is expected to be completed in early 2001.

The total proceeds for the sale of the US general business of US$3,163 million have been fixed by reference to the operation's net assets as at 31 August 2000 and will not be adjusted to reflect the business's results in the period from 1 September 2000 to completion. Subject to the completion of the transaction, the Group will not bear any continuing operating risk from 31 August 2000 nor provide any guarantees in respect of its claims reserves or balance sheet beyond this date. Had the transaction been completed on 31 August 2000, the post-tax loss on sale would have been US$2,007 million.

Financial Reporting Standard 2 "Accounting for subsidiary undertakings" requires the results of the US general business to be consolidated with those of the Group's ongoing operations until the completion of the transaction. However, given that, subject to completion, the Group has retained no economic interest in this business beyond 31 August 2000, the US general business's post-tax operating and investment gains incorporated in the Group's consolidated profit and loss account from 1 September 2000 to completion will be offset by a corresponding change to the loss on sale calculated at 31 August 2000. The loss on sale recorded in these financial statements also reflects goodwill previously written off against reserves but which needs to be reinstated and charged in the profit and loss account.

The provision for the loss on the sale recorded in the Group's consolidated profit and loss account at 30 September 2000 is US$2,060 million or £1,393 million retranslated at the exchange rate prevailing at 30 September 2000. The calculation of the loss is summarised below:

	£m	US$ m	Exchange rate $:£
Net assets at 31 December 1999			
(including intercompany loan and excluding Pilot and US Life)	2,831	4,563	1.6117
Add Pilot and US Life	302	487	
	3,133	5,050	
Exchange rate movements	283		1.4785
	3,416		
Actual operating and investment gains			
1 January - 31 August	137	203	
1 September - 30 September	(34)	(50)	
	3,519	**5,203**	
Proceeds	2,139	3,163	1.4785
Less: Net assets to which proceeds apply	(3,519)	(5,203)	
Less: Transaction costs	(25)	(38)	
Provision for loss on sale before tax and goodwill write back	(1,405)	(2,078)	
Goodwill write back	(70)	(103)	
Pre-tax provision for loss on sale	(1,475)	(2,181)	
Tax on provision for loss on sale	82	121	
Loss on sale after tax and goodwill write back	**(1,393)**	**(2,060)**	

The final accounting loss on completion will differ from the post-tax loss of £1,393 million above. This is due to profits or losses of this business from 1 October 2000 to the date of completion, despite there being no economic effect on the Group, and fluctuations in the $:£ exchange rate.

5. Acquisitions and disposals in the nine months to 30 September 2000 (continued)

(d) Businesses to be discontinued

(i) United States general insurance (continued)

The Group's consolidated profit and loss account and balance sheet incorporates the following financial information in respect of the US general insurance business:

Abridged statement of operating and investment gains	**9 months 2000 £m**	**9 months 1999 £m**	**Full year 1999 £m**
Underwriting result	(175)	(148)	(204)
Longer term investment return	311	287	380
General insurance operating profit	136	139	176
Unallocated interest charges*	(36)	(33)	(45)
Operating profit	100	106	131
Amortisation of goodwill	(2)	(2)	(3)
Exceptional items	-	(12)	(32)
Short-term fluctuation in investment returns	(8)	(320)	(237)
Profit on ordinary activities before tax	90	(228)	(141)
Tax on profit on ordinary activities	8	91	34
Profit for the financial period	98	(137)	(107)
Retranslation to closing rate	5	3	(1)
Retained earnings	**103**	**(134)**	**(108)**

* Unallocated interest charges are eliminated at Group level.

Analysis of investments	**30 September 2000 £m**	**30 September 1999 £m**	**31 December 1999 £m**
Land and buildings	73	68	69
Variable yield securities	1,188	1,230	1,538
Fixed interest securities	4,661	4,068	3,933
Mortgages and loans	1	1	1
Deposits	-	-	5
	5,923	**5,367**	**5,546**

(ii) London Market

Since the merger the Group has taken a series of actions to withdraw from London Market operations. These actions have resulted in the announcements in May, July and August respectively, that non-Marine Syndicate 1242, Marine Syndicate 744 and our Global Risks business would cease accepting new business with immediate effect.

On 1 November 2000, the Group announced that it has reached agreement in principle for the sale of Marlborough Underwriting Agency Limited, its wholly owned Lloyd's managing agency, to the Berkshire Hathaway Group. Under the terms of the agreement, the Berkshire Hathaway Group will also undertake, subject to Lloyd's approval, to replace CGNU as the provider of capacity to the Marlborough managed syndicates. This agreement brings to an end the Group's involvement in the London Market.

CGNU has also reached an agreement in principle for the purchase of reinsurance with the Berkshire Hathaway Group. In order to secure protection against any adverse impact of the run-off of claims reserves held by CGNU in respect of business written prior to 1 October 2000, the date of exit, both in the respect of historic business through the ILU and other London Market operations, and, more recently, Lloyd's. This will provide cover of £1 billion in excess of CGNU's claims reserves of £1.2 billion.

The provision for withdrawal from London Market operations of £448 million includes the cost of the associated reinsurance protection.

6. Exceptional items

Exceptional items comprise:

	9 months 2000 £m	9 months 1999 £m	Full year 1999 £m
Merger integration costs	203	100	120
Integration incentive plans	-	-	31
Other integration costs	-	-	12
Total	**203**	**100**	**163**

Merger integration costs for the nine months to 30 September 2000 comprise the costs of integrating and reorganising the businesses of the former CGU and Norwich Union. For prior periods, these relate to the businesses of the former Commercial Union and General Accident.

The 1999 figures for integration incentive plans, which related to the integration of the former Commercial Union and General Accident businesses, comprised the costs of incentive plans payable to staff in certain business units and the costs of cash and share awards to senior management of the Group, which were conditional upon the performance of the Group against pre-defined targets.

Other integration costs related to the integration of the long-term business of Norwich Union's Spanish operation with its acquisition of British Life in 1999.

7. Geographical analysis of life and pensions and investment sales - new business and total income

	New business sales				Premium income after reinsurance and investment sales		
	New single premiums		New regular premiums				
	9 months 2000 £m	9 months 1999 £m	9 months 2000 £m	9 months 1999 £m	9 months 2000 £m	9 months 1999 £m	Full year 1999 £m
Life and pensions sales							
United Kingdom	4,557	3,667	270	232	6,358	5,242	7,405
Europe (excluding UK)							
France	1,380	1,079	30	31	1,584	1,939	2,420
Ireland	299	241	34	15	416	282	375
Netherlands	313	244	46	57	739	560	837
Poland - Life	8	9	31	44	181	158	216
- Pensions	-	-	125	203	275	44	118
Spain	71	21	10	9	126	58	104
Other	283	781	61	84	609	1,203	1,348
International	354	343	37	37	506	432	647
Total life and pensions	**7,265**	**6,385**	**644**	**712**	**10,794**	**9,918**	**13,470**
Investment sales							
United Kingdom	692	624	17	10	709	634	806
Europe (excluding UK)	157	86	-	-	157	87	130
International	242	287	-	-	242	287	411
Total long-term business	**8,356**	**7,382**	**661**	**722**	**11,902**	**10,926**	**14,817**

Single premiums are defined as premiums arising on contracts where there is no expectation of future premiums. Additional single premiums are permitted on most contracts of this type and are also classified as single premiums. All premiums are written by way of direct insurance and the directors consider that premiums written on the destination basis are not materially different from premiums written on an origin basis.

New business premiums from Europe and International businesses have been translated at the average exchange rates applying for the period. Restating new business sales for the nine months to 30 September 1999 to account for the impact of exchange rate movements in the nine months to 30 September 2000 would result in total regular premiums being restated from £722 million to £695 million and from £7,382 million to £7,187 million for total single premiums.

Investment sales include Isas, PEPs, unit trusts and UCITS (collective investments sold throughout Europe).

8. Geographical analysis of modified statutory life profit

	9 months 2000 £m	9 months 1999 £m	Full year 1999 £m
United Kingdom			
With-profit	190	189	244
Non-profit	423	401	556
Europe (excluding UK)			
France	103	80	103
Ireland	29	25	47
Netherlands	108	100	140
Poland - Life	23	18	31
- Pensions	(7)	(20)	(28)
Spain	9	5	11
Other	(3)	10	22
International	32	36	46
Total modified statutory life profit	**907**	**844**	**1,172**

9. Geographical analysis of health premiums after reinsurance and operating result

(a) Premiums after reinsurance:

	9 months 2000 £m	9 months 1999 £m	Full year 1999 £m
United Kingdom	154	134	177
France	71	74	97
Netherlands	343	29	128
Total	**568**	**237**	**402**

(b) Operating result:

	Health operating profit			Underwriting result		
	9 months 2000 £m	9 months 1999 £m	Full year 1999 £m	9 months 2000 £m	9 months 1999 £m	Full year 1999 £m
United Kingdom	4	-	-	1	(3)	(4)
France	8	9	13	(1)	1	2
Netherlands	21	11	11	(14)	1	(3)
Total	**33**	**20**	**24**	**(14)**	**(1)**	**(5)**

10. Geographical analysis of general insurance premiums after reinsurance and operating result

(a) General insurance premiums after reinsurance:

	9 months 2000 £m	9 months 1999 £m	Full year 1999 £m
United Kingdom	3,772	3,526	4,635
Europe (excluding UK)			
France	510	526	657
Ireland	283	117	151
Netherlands	351	258	339
Other	480	518	659
International			
Australia and New Zealand	485	512	674
Canada	699	593	788
Other	319	339	470
Ongoing business	**6,899**	**6,389**	**8,373**
Businesses to be discontinued			
United States	2,196	2,003	2,621
London Market	192	182	233
	9,287	**8,574**	**11,227**

(b) Operating result:

	General insurance operating profit*			Underwriting result*		
	9 months 2000 £m	9 months 1999 £m	Full year 1999 £m	9 months 2000 £m	9 months 1999 £m	Full year 1999 £m
United Kingdom	341	187	290	(156)	(232)	(284)
Europe (excluding UK)						
France	(120)	30	(8)	(189)	(24)	(80)
Ireland	17	6	15	(19)	(8)	(5)
Netherlands	12	14	7	(38)	(18)	(32)
Other	19	9	22	(39)	(53)	(52)
International						
Australia and New Zealand	48	13	15	(20)	(44)	(57)
Canada	64	71	93	(32)	(18)	(25)
Other	47	45	25	(15)	(16)	(58)
Ongoing business	**428**	**375**	**459**	**(508)**	**(413)**	**(593)**
Businesses to be discontinued						
United States	136	139	176	(175)	(148)	(204)
London Market	(4)	13	25	(59)	(37)	(44)
	560	**527**	**660**	**(742)**	**(598)**	**(841)**

* The general insurance operating profit and underwriting result are stated before the change in the equalisation provision of £12 million (nine months to 30 September 1999: £47 million, full year 1999: £55 million).

11. Taxation

The tax charge in the profit and loss account comprises:

	9 months 2000 £m	9 months 1999 £m	Full year 1999 £m
United Kingdom corporation tax	(133)	25	32
Overseas tax	172	(5)	62
Other	(109)	(128)	(42)
Total taxation charge for the period	(70)	(108)	52
Tax attributable to the long-term business technical result	297	247	330
Charge to profit and loss account	**227**	**139**	**382**
Tax charge analysed between:			
Operating profit before tax, amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items			
- ongoing business	248	304	348
- businesses to be discontinued	8	(26)	(13)
(Loss)/profit on other ordinary activities	(29)	(139)	47
	227	**139**	**382**

12. Dividends

The dividends payable in the profit and loss account comprise:

	9 months 2000 £m	9 months 1999 £m	Full year 1999 £m
Preference dividends	**13**	**13**	**17**
Ordinary dividends			
Interim - 14.25 pence (1999: 12.34 pence*)	320	278	278
Final - (1999: 21.96 pence*)	-	-	495
Total ordinary dividends	**320**	**278**	**773**

* Based on the weighted average dividends per share of CGU plc and Norwich Union plc. The 1999 interim and final dividends per share for CGU plc were 14.25p and 23.75p respectively.

The preference dividends are in respect of the cumulative irredeemable preference shares of £1 each in issue, payable on 31 March, 30 June and 30 September 2000.

13. Earnings per share

	9 months 2000			9 months 1999		Full year 1999	
	Before tax £m	Net of tax, minorities and preference dividend £m	Per share p	Net of tax, minorities and preference dividend £m	Per share p	Net of tax, minorities and preference dividend £m	Per share p
Operating profit - ongoing business before amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items	898	598	26.6	662	29.6	877	39.2
Adjusted for the following items:							
- operating profit on business to be discontinued	132	124	5.5	178	8.0	214	9.6
- amortisation of goodwill	(31)	(31)	(1.4)	(25)	(1.1)	(34)	(1.5)
- amortisation of acquired additional value of in-force long-term business	(20)	(14)	(0.6)	(2)	(0.1)	(15)	(0.7)
- exceptional items	(203)	(203)	(9.0)	(77)	(3.4)	(124)	(5.5)
- short-term fluctuation in investment returns	219	18	0.8	(587)	(26.3)	133	5.9
- change in the equalisation provision	(12)	(9)	(0.4)	(33)	(1.5)	(40)	(1.8)
- net loss arising on the sale of subsidiary undertakings	(27)	(27)	(1.2)	(9)	(0.4)	(8)	(0.4)
- provision for loss on businesses to be sold	(1,475)	(1,393)	(62.1)	-	-	-	-
- provision for exit from London Market	(448)	(322)	(14.3)	-	-	-	-
- merger transaction costs	(59)	(50)	(2.2)	-	-	-	-
Profit attributable to equity shareholders	**(1,026)**	**(1,309)**	**(58.3)**	**107**	**4.8**	**1,003**	**44.8**

Earnings per share has been calculated based on the operating profit - ongoing business before amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items, after taxation, attributable to equity shareholders, as well as on the profit attributable to equity shareholders, as the directors believe the former earnings per share figures provide a better indication of operating performance. The calculation of basic earnings per share uses a weighted average of 2,246 million (nine months to 30 September 1999: 2,234 million, full year 1999: 2,237 million) ordinary shares in issue. Diluted earnings per share is calculated by adjusting the weighted average number of shares for the effect of share options. Diluted earnings per share based on the profit attributable to equity shareholders for the period was (58.2)p (nine months to 30 September 1999: 4.8p, full year 1999: 44.7p).

The actual number of shares in issue at 30 September 2000 was 2,250 million (30 September 1999: 2,240 million, 31 December 1999: 2,242 million).

14. Longer-term investment return

The longer-term investment return is calculated separately for each principal country. In respect of equities and properties, the return is calculated by multiplying the opening market value of the investments, adjusted for sales and purchases during the year, by the longer-term rate of investment return. For other investments, the actual income receivable is included. The principal assumptions underlying the calculation of the longer-term investment return are:

	Longer-term rates of return			
	Equities		Properties	
	2000 %	1999 %	2000 %	1999 %
United Kingdom	8.1	6.9	6.6	5.4
France	7.5	5.9	6.5	4.9
Ireland	8.7	7.0	6.7	5.0
Netherlands	8.4	6.8	6.5	4.9
Australia and New Zealand	10.0	8.0	8.0	6.0
Canada	9.3	7.9	7.3	5.9
United States	9.3	7.7	7.3	5.7

Statistical Supplement

Segmental analysis of group operating profit at constant currency

	9 months 2000	9 months 1999 at 2000 exchange rates	9 months 1999
Ongoing business			
	£m	**£m**	**£m**
Life achieved operating profit			
United Kingdom	690	591	591
France	161	95	103
Ireland	47	34	38
Netherlands	129	87	95
Poland life and pensions	62	62	65
Spain	12	-	-
Other Europe	6	15	16
International	40	43	42
	1,147	**927**	**950**
Health			
United Kingdom	4	-	-
France	8	8	9
Netherlands	21	10	11
	33	**18**	**20**
Fund management			
United Kingdom	14	26	26
France	7	4	4
Netherlands	3	2	2
Other Europe	2	1	1
Australia and New Zealand	11	11	11
United States	4	2	2
	41	**46**	**46**
General insurance			
United Kingdom	341	187	187
France	(120)	28	30
Ireland	17	5	6
Netherlands	12	13	14
Other Europe	19	10	9
Australia and New Zealand	48	12	13
Canada	64	75	71
Other	47	43	45
	428	**373**	**375**
Non-insurance operations	(21)	(14)	(14)
Associated undertakings	3	10	11
Corporate costs	(136)	(99)	(99)
Unallocated interest charges - external	(106)	(66)	(66)
- intra-group	(156)	(102)	(103)
	1,233	**1,093**	**1,120**
Wealth management	(95)	-	-
Group operating profit before tax* - ongoing business	**1,138**	**1,093**	**1,120**

* Group operating profit before tax, change in risk margin, amortisation of goodwill and exceptional items.

Restating modified statutory life profits for the nine months to 30 September 1999 to account for the impact of exchange rate movements in the nine months to 30 September 2000 would result in modified statutory life profits being restated from £844 million to £825 million.

Supplementary analyses

(a) Non-insurance operations – operating profit

	9 months 2000 £m	9 months 1999 £m	Full year 1999 £m
United Kingdom			
Hill House Hammond	13	12	13
Norwich Union Direct Financial Services	(7)	(8)	(12)
Norwich Union Equity Release and other personal finance subsidiaries	(6)	(18)	(23)
YourMove	(30)	(5)	(13)
Other	(5)	-	(1)
Europe (excluding UK)	14	5	6
Total	**(21)**	**(14)**	**(30)**

(b) Wealth management – operating result

	9 months 2000 £m	9 months 1999 £m	Full year 1999 £m
United Kingdom			
Assertahome	(20)	-	-
Other wealth management	(75)	-	-
Total	**(95)**	**-**	**-**

(c) General business information - adverse weather/catastrophe claims costs

	9 months 2000 £m	9 months 1999 £m	Full year 1999 £m
United Kingdom	149	165	216
Europe (excluding UK)			
France	90	-	38
Ireland	-	-	-
Netherlands	-	-	-
Other	-	1	4
International			
Australia and New Zealand	4	20	24
Canada	8	7	9
Other	16	10	45
Ongoing business	**267**	**203**	**336**
Businesses to be discontinued			
United States	46	80	83
London Market	-	1	1
Total	**313**	**284**	**420**

Supplementary analyses (continued)

(d) General business – investment return information

	Longer-term investment return			Actual investment return		
	9 months 2000 £m	**9 months 1999 £m**	**Full year 1999 £m**	**9 months 2000 £m**	**9 months 1999 £m**	**Full year 1999 £m**
United Kingdom	497	419	574	400	351	486
Europe (excluding UK)						
France	69	54	72	43	32	43
Ireland	36	14	20	30	14	17
Netherlands	50	32	39	21	18	22
Other	58	62	74	45	49	58
International						
Australia and New Zealand	68	57	72	62	51	69
Canada	96	89	118	80	78	104
Other	62	61	83	42	54	72
Total longer-term investment return – ongoing business	**936**	**788**	**1,052**			
Total actual investment income				723	647	871
Realised gains				484	290	371
Unrealised gains/(losses)				(8)	(497)	293
Total actual investment return – ongoing business				**1,199**	**440**	**1,535**
Businesses to be discontinued						
United States	311	287	380	303	(33)	143
London Market	55	50	69	45	43	59
Total	**1,302**	**1,125**	**1,501**	**1,547**	**450**	**1,737**

General insurance - geographical ratio analysis

	Claims ratio		Expense ratio (excluding commission)		Combined operating ratio	
	9 months 2000 %	9 months 1999 %	9 months 2000 %	9 months 1999 %	9 months 2000 %	9 months 1999 %
United Kingdom	74.2%	75.8%	10.8%	11.9%	104%	107%
France	106.0%	69.6%	13.6%	15.0%	139%	104%
Ireland	85.0%	84.4%	11.0%	12.3%	107%	107%
Netherlands	75.9%	69.0%	15.4%	13.1%	110%	106%
Australia and New Zealand	74.0%	79.7%	17.5%	17.5%	104%	109%
Canada	74.6%	72.4%	12.2%	12.6%	104%	103%
Group – ongoing business	**76.9%**	**75.2%**	**12.5%**	**13.6%**	**108%**	**107%**
Businesses to be discontinued						
United States (statutory basis)	77.3%	76.3%	13.1%	13.6%	106%	106%
London Market	98.2%	87.6%	9.8%	7.5%	134%	117%
Total	**77.5%**	**75.8%**	**12.9%**	**13.4%**	**108%**	**107%**

Ratios are measured in local currency.

The total Group ratios are based on average exchange rates applying to the respective periods.

Definitions:

Claims ratio	-	Incurred claims expressed as a percentage of net earned premiums.
Expense ratio	-	Written expenses excluding commissions expressed as a percentage of net written premiums.
Commission ratio	-	Written commissions expressed as a percentage of net written premiums.
Combined ratio	-	Aggregate of claims ratio, expense ratio and commission ratio.

General insurance – class of business analysis

(a) United Kingdom

	Net written premiums		Underwriting result		Combined operating ratio	
	9 months 2000 £m	**9 months 1999 £m**	**9 months 2000 £m**	**9 months 1999 £m**	**9 months 2000 %**	**9 months 1999 %**
Personal						
Motor	1,111	966	(51)	(92)	106%	111%
Homeowner	940	903	37	7	96%	99%
Creditor	363	257	16	22	97%	103%
Other	82	98	(1)	(2)	104%	92%
	2,496	2,224	1	(65)	100%	103%
Commercial						
Motor	533	497	(71)	(92)	114%	119%
Property	503	522	(43)	(26)	108%	104%
Liability	166	204	(57)	(61)	132%	129%
Other	74	79	14	12	80%	87%
	1,276	1,302	(157)	(167)	112%	113%
Total – ongoing business	**3,772**	**3,526**	**(156)**	**(232)**	**104%**	**107%**

Certain reclassifications have taken place since the publication of the CGU plc and Norwich Union plc 1999 Annual Report and Accounts and the joint merger announcement issued on 21 February 2000. Details of the reclassifications are:

(i) Global Risks has been reclassified from the Commercial classes to London Market;
(ii) London & Edinburgh marine business has been reclassified to London Market;
(iii) Small business vehicles have been reclassified as Commercial;
(iv) Part of Commercial Other has been reclassified to Commercial Property; and
(v) Personal Accident has been reclassified as Personal Other.

The 1999 figures have been restated for the above.

(b) France

	Net written premiums		Underwriting result		Combined operating ratio	
	9 months 2000 €m	**9 months 1999 €m**	**9 months 2000 €m**	**9 months 1999 €m**	**9 months 2000 %**	**9 months 1999 %**
Agents/brokers						
Motor	289	275	(58)	(14)	120%	105%
Property	349	325	(219)	13	163%	94%
Other	154	144	(15)	(13)	110%	109%
Direct	41	48	(16)	(22)	138%	148%
Total	**833**	**792**	**(308)**	**(36)**	**139%**	**104%**

The information in the above table has been translated using the rate of 1 euro = 6.56 FFr.

General insurance – class of business analysis (continued)

(c) Netherlands

	Net written premiums		Underwriting result		Combined operating ratio	
	9 months 2000 €m	**9 months 1999 €m**	**9 months 2000 €m**	**9 months 1999 €m**	**9 months 2000 %**	**9 months 1999 %**
Domestic	98	55	1	2	97%	97%
Motor	191	140	(21)	(29)	111%	121%
Commercial fire	163	80	(9)	8	103%	87%
Liability	39	37	(15)	(10)	146%	130%
Inward reinsurance	6	11	(3)	(2)	143%	114%
Other	78	56	(15)	3	120%	90%
Total	**575**	**379**	**(62)**	**(28)**	**110%**	**106%**

The information in the above table has been translated using the rate of 1 euro = 2.20 NLG.

(d) Canada

	Net written premiums		Underwriting result		Combined operating ratio	
	9 months 2000 C$m	**9 months 1999 C$m**	**9 months 2000 C$m**	**9 months 1999 C$m**	**9 months 2000 %**	**9 months 1999 %**
Automobile	969	850	(21)	(4)	102%	100%
Property	482	441	(54)	(23)	111%	105%
Liability	120	109	(4)	(21)	103%	119%
Other	22	23	6	4	68%	79%
Total	**1,593**	**1,423**	**(73)**	**(44)**	**104%**	**103%**

Assets under management

	Long-term business 30 September 2000 £m	General business and other 30 September 2000 £m	Group 30 September 2000 £m	Group 31 December 1999 £m
Financial investments				
Shares, other variable yield securities and units in unit trusts	46,658	6,609	53,267	54,736
Debt and fixed income securities at market value	12,249	14,077	26,326	24,893
Debt and fixed income securities at amortised cost	32,037	-	32,037	29,757
Loans secured by mortgages and other loans	10,707	1,288	11,995	11,404
Deposits with credit institutions	2,042	1,063	3,105	2,588
Total financial investments	**103,693**	**23,037**	**126,730**	**123,378**
Investments in participating interests	448	232	680	434
Land and buildings	7,516	775	8,291	7,847
Total investments	**111,657**	**24,044**	**135,701**	**131,659**
Assets held to cover linked liabilities	26,138	-	26,138	24,626
Other assets included in the balance sheet	7,750	21,212	28,962	26,899
Total assets included in the balance sheet	**145,545**	**45,256**	**190,801**	**183,184**
Third party funds under management				
Unit trusts, Oeics, PEPs and Isas			6,843	5,596
Segregated funds			18,457	19,691
Total assets under management			**216,101**	**208,471**

CGNU plc

UK GENERAL INSURANCE TRADING CONDITIONS

9 MONTHS ENDED 30 SEPTEMBER 2000

SUMMARY

On 2 October, the new Norwich Union Insurance (NUI) brand was launched. The launch has established NUI in the minds of our customers and business partners as the market leader in an increasingly competitive market place.

Excellent integration progress has been made whilst maintaining business as usual. Major milestones achieved in addition to launching the combined business include establishment of a single sales force and launch of a comprehensive set of single new business products.

The nine months underwriting loss on continuing operations[1] has improved to £156 million (1999: £232 million), reflecting a combination of strong rating action, improved claims experience and handling efficiency together with a continued unwillingness to write unprofitable business. An excellent expense performance on continuing operations produced an expense ratio of 10.8% compared with 11.9% last year.

NUI continues to lead the market with rate increases, particularly in both personal and commercial motor, and success has also been achieved during the third quarter in increasing liability rates.

Comments on premium rates and claim trends are set out below.

PREMIUMS

Personal motor: Annualised rating increases of circa 13% are being applied. The private motor market remains hard but the portfolio is no longer being reduced to the same extent as previously. Vehicle exposure in the quarter is stable.

Homeowners: Market-leading rating increases in 1999, with the rest of the market following in 2000, mean that rates have increased on average by 4% over the same period last year. The account is displaying satisfactory profitability, further enhanced by the absence of any exceptional weather-related incidents in the period to September 2000.

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[1] Excluding London Market business

Personal creditor: Creditor margins are coming under increasing pressure as more competitors enter the market. NUI continues to develop new products and this has secured new corporate partnerships business.

Commercial motor: Rates have been increased on average by 20% over the same period last year, with particular focus on the fleet and motor trade sector. Commercial motor trading conditions are similar to the private motor market. The number of vehicles insured remained stable over the quarter.

Commercial property: Rates have increased on average by 4% compared to the same period last year. Implementation of rating increases has resulted in reduced exposure in some classes and NUI is prepared to lose business rather than sacrifice profitability. The year to date result has been impacted by large losses. NUI is concentrating on refining risk selection and remains focused on small/medium commercial business.

Commercial liability: Average rating increases in the third quarter reached 13% and, as a result of the increasingly litigious environment, it is anticipated that this average will increase further in the fourth quarter. Trading conditions remain very competitive, although there are signs that the market is beginning to harden.

CLAIMS TRENDS

Theft: There has been an overall reduction in theft loss ratios compared to the same period last year, reflecting reduced exposures and stability in current economic conditions.

Subsidence: The number and cost of notified subsidence claims remains comparable with the previous year. The total recorded claims cost is £96 million (1999: £92 million).

Severe weather: Weather losses to 30 September 2000 of £149 million were lower than the previous year (£165 million[1]) with no exceptional weather events being recorded. The recent storms and flooding will impact our fourth quarter results but at this stage it is too early to assess the cost of these events with reasonable certainty.

ends

[1] Excluding London Market business