

3 May 2001

UNAUDITED RESULTS - 3 MONTHS ENDED 31 MARCH 2001

- **Record level of worldwide long-term savings new business sales at £3.7 billion, 22% up in the UK**
- **Operating profit before tax from ongoing business* up 12% to £445 million (2000: £393 million).** On a modified statutory basis, operating profit before tax was £310 million (2000: £298 million)
- **New bancassurance ventures contributed to growth in life achieved operating profit, up 13% to £444 million**
- **Improving general insurance results, up 38% to £155 million**
- **Integration on course to complete by end of this year, £172 million of annualised savings achieved to date**

* Including life achieved operating profit and excluding results from US general insurance operations to be discontinued and the discontinued London Market operations.
All growth rates quoted are at constant rates of exchange.

Richard Harvey, Group Chief Executive, commented:

"The Group has made a strong start to the year with record long-term savings new business and operating profits from ongoing business up 12% to £445 million.

"Our life achieved operating profit is up 13% underpinned by the record level of worldwide long-term savings new business at £3.7 billion. Record sales in the UK, up 22% to £2.2 billion, have been achieved with good margins. We are seeing the benefits of our increasing bancassurance distribution capability in Italy and Spain and continue to work closely with all our bancassurance partners to grow our long-term savings business aggressively and profitably.

"We are positioning the Group's general insurance business to deliver sustainable profitability. We have achieved a 38% increase in operating profit, and are beginning to see the benefits of the actions we have taken to improve performance. The sale of our US general business remains on track and will conclude the major re-positioning of our general business portfolio announced at the time of the merger.

"Integration progress continues apace and we are on course to complete this process and realise the cost savings by the end of the year as planned. We are well placed to build on the progress achieved in the first three months of this year for further growth and increased shareholder returns."

Enquiries:

Richard Harvey	Group Chief Executive	Telephone +44 (0)20 7662 2286
Mike Biggs	Group Finance Director	Telephone +44 (0)20 7662 2031

Analysts:		
Steve Riley	Investor Relations Director	Telephone +44 (0)20 7662 8115

Media:		
Hayley Stimpson	Director of External Affairs	Telephone +44 (0)20 7662 7544
Alex Child-Villiers	Financial Dynamics	Telephone +44 (0)20 7269 7107

There will be a conference call today for wire services at 7.45 am on 020 8240 8241. This conference call will be hosted by Richard Harvey, Group Chief Executive.

A press conference will take place at 10.45 am at St Helen's, 1 Undershaft, London, EC3P 3DQ.

A presentation to analysts will take place at 12.15 pm at St Helen's, 1 Undershaft, London, EC3P 3DQ. The presentation slides will be available on the Group's website, www.cgnu-group.com

FINANCIAL HIGHLIGHTS

	3 months 2001 £m	3 months 2000 £m
Total premiums written (after reinsurance) and investment sales – ongoing business	7,356	6,938
Worldwide long-term savings new business sales		
Life and pensions	3,296	2,649
Retail investments	412	772
New business contribution (before effect of solvency margin)	136	111
Achieved operating profit before tax – ongoing business		
Life achieved operating profit	444	385
Health	17	16
Fund management	16	10
General insurance	155	113
Non-insurance operations	(4)	(4)
Corporate costs	(40)	(41)
Unallocated interest charges	(111)	(77)
	477	402
Wealth management	(32)	(9)
Achieved operating profit before tax – ongoing business	445	393
Modified statutory operating profit – ongoing business	310	298
Achieved operating earnings per share – ongoing business	12.6p	12.0p
Modified statutory operating earnings per share – ongoing business	8.6p	8.8p
Equity shareholders' funds	13,082	13,433 [†]
Total shareholders' funds	13,282	13,633 [†]
Net asset value per ordinary share	591p	606p [†]
Assets under management	215bn	220bn [†]

Notes

Definitions of Group key performance indicators are set out on page 6

[†] Denotes amount at 31 December 2000

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GROUP CHIEF EXECUTIVE'S STATEMENT

The Group made a strong start to the year with record long-term savings new business levels and increased operating profits across all of our classes of business, up 12% to £445 million.

Long-term savings

In the first three months of the year the Group achieved record sales levels, both in the UK and worldwide. This was despite recent volatility in equity markets, which created difficult conditions for retail investment sales. Life achieved operating profit was up 13% with improvements in the majority of our major businesses.

In the UK, record new business sales, up 22% to £2.2 billion, were achieved - an exceptional performance following the launch of the merged life business in October last year. We have seen a reduction in overall margins compared to the full year 2000 (rebased to 2001 economic assumptions) which is largely attributable to changes in product mix. We recorded very strong pension sales in the first quarter, up 43% to £598 million (2000: £419 million) and we successfully launched our stakeholder pensions products on 6 April. We are well placed, having the distribution, financial and brand strength, to achieve a leading position in the new stakeholder market. Our bancassurance partnership with The Royal Bank of Scotland Group plc (RBSG) contributed to total sales for the first time, and we are working closely with RBSG to develop and introduce a new market-leading product range during 2001.

In continental Europe, France remains a key contributor to the Group's sales volumes at £564 million. We are particularly encouraged by the impressive new business sales performance achieved in both Italy and Spain, up 269% and 419% respectively, boosted by our new bancassurance agreements, which are producing good margins. Elsewhere margins are at broadly similar levels compared to the full year 2000 (rebased to 2001 economic assumptions).

Fund management

Operating profits from our fund management operations grew by 60% to £16 million (2000: £10 million). In the UK we completed the disposal of Quilter Holdings Limited, a stockbroking operation, generating a profit on sale of £70 million. Our French fund management business, Victoire Asset Management, was declared "best fund manager" in France by La Tribune and Standard & Poor's, recognising the excellent fund performance achieved by our investment managers.

General insurance

Our general business saw a 38% increase in operating profit with notable improvements in our UK and French general insurance businesses, which benefited from the steps we are taking to improve profitability. The Group combined operating ratio from ongoing business was 105% (2000: 108%) and we remain committed to achieving the target combined operating ratio of 102% by the end of 2001, through strict underwriting and cost reduction. The worldwide expense ratio (excluding commission) from ongoing business improved to 12.0% (2000: 12.3%) and in the UK we continue to be amongst the lowest cost providers.

The sale of our US general business remains on track and will conclude the major re-positioning of our general business portfolio announced at the time of the merger. The decision to exit the US general insurance market is consistent with our stated strategy of focusing on personal and small commercial lines. While this disposal was not without significant cost, we believe this was the correct action to take and will improve the quality of our general business future earnings. We also completed the sale of State Insurance Limited, one of our two general insurance businesses in New Zealand, which generated a profit on sale of £52 million.

Integration

We continued to make rapid integration progress and are on course to complete this process and realise the cost savings by the end of the year as planned. Annualised savings at the end of March totalled £172 million with £32 million included within the results.

The strong results achieved in the first three months provide an excellent base for further growth and increased shareholder returns.

Richard Harvey
Group Chief Executive

OPERATING AND FINANCIAL REVIEW

Group operating profit

The Group's achieved operating profit before tax from ongoing business was £445 million (2000: £393 million), and is after an investment of £32 million (2000: £9 million) in our on-line UK wealth management proposition. Before this investment achieved operating profit from ongoing business is 17% higher than last year. On a modified statutory basis operating profit before tax from ongoing business was £310 million (2000: £298 million).

In arriving at the Group achieved operating profit from ongoing business, we have excluded the results from our US general insurance business, the sale of which was announced in September 2000, and the UK London Market operations following our withdrawal from this business last year. Our US general insurance business to be discontinued returned an operating profit of £27 million (2000: £79 million). Although included in the results, the US general business has no economic impact on the Group as further explained on page 5 of this announcement. Other operations sold or announced to be sold in the year, are included within the results from ongoing business as the results of these businesses are not considered to be material in the context of the Group's total result.

Profit before tax on a modified statutory basis, which comprises the operating result, short-term fluctuations in investment returns and other non-operating movements, was lower at £155 million (2000: £503 million). The negative short-term fluctuations in investment returns of £284 million (2000: positive £135 million) represents a shortfall in the actual return experienced during the quarter compared to the Group's longer-term assumptions. The shortfall was primarily due to investment valuation losses on equities held by the Group's ongoing non-life businesses, reflecting the decline during the quarter of equity markets worldwide.

Profit before tax on an achieved basis includes an additional adverse investment return variance in respect of life business, principally reflecting the impact of the equity market decline on the Group's life embedded value. This is predominantly attributable to the UK, where the FTSE All-Share index has fallen from 2,984 to 2,711 in the period.

Long-term savings

Our long-term savings businesses achieved a record level of new business in the first three months of 2001. This was an excellent performance given the volatile equity markets around the world that created difficult conditions for retail investment sales. Total life and pensions new business sales were up by 23% to £3,296 million (2000: £2,649 million) although retail investment sales were lower at £412 million (2000: £772 million) following a disappointing performance in the Netherlands, where sales of mutual funds declined along with the rest of the market.

	3 months 2001 £m	3 months 2000 £m	Local currency growth %
Life and pensions sales:			
United Kingdom	1,856	1,533	21%
Europe (excluding UK)	1,305	998	26%
International	135	118	14%
	3,296	2,649	23%
Investment sales	412	772	(47%)
Long-term savings total new business sales	3,708	3,421	7%

Life achieved operating profit

	3 months 2001 £m	3 months 2000 £m
New business contribution (after the effect of solvency margin)	113	94
Profit from existing business – expected return	212	214
– experience variances	2	(1)
– operating assumption changes	28	2
Development costs	-	(7)
Expected return on shareholders' net worth	84	78
	439	380
Other life and savings activities	5	5
Life achieved operating profit before tax	444	385

Group life achieved profit increased by 13% to £444 million (2000: £385 million) reflecting the benefit of higher new business volumes and operating assumption changes. Expected returns from existing business and on shareholders' net worth were broadly unchanged at £296 million (2000: £292 million), which reflects the application of lower economic assumptions on the start of year life embedded value. Development costs in 2000 represented investment in our Dublin-based offshore life and investment business, together with investment in our Polish life business. The 2001 result benefits from an operating assumption change in Germany following revised terms of business leading to an increase in the assumed proportion of earnings allocated to shareholders.

	Annual premium equivalent ⁽¹⁾		New business contribution ⁽²⁾		New business margin ⁽⁴⁾		
	3 months	3 months	3 months	3 months	3 months	3 months	Full year
	2001	2000	2001	2000 ⁽³⁾	2001	2000 ⁽³⁾	2000 ⁽³⁾
	£m	£m	£m	£m	%	%	%
Life and pensions business							
United Kingdom	294	228	81	59	27.6%	25.9%	28.6%
Europe (excluding UK)	214	247	56	51	26.2%	19.4%	20.4%
International	26	22	(1)	1	-	4.5%	6.0%
	534	497	136	111	25.5%	21.6%	23.9%

(1) Annual premium equivalent represents regular premiums plus 10% of single premiums.

(2) Before effect of solvency margin.

(3) Restated using 2001 economic assumptions and rates of exchange.

(4) New business margin represents the ratio of new business contribution to annual premium equivalent, expressed as a percentage.

UK

Our UK life business achieved record new business sales up 22% at £2,166 million (2000: £1,781 million), an exceptional achievement following the launch of the merged life businesses under the new Norwich Union brand in October 2000. Pension sales were particularly strong, up 43%, and position the UK life business as a leading player ready for the introduction of stakeholder pensions, launched in early April. We are the leading IFA provider and also operate through partnerships, a salaried direct salesforce and a telesales operation. Reporting for the first time, our partnership with The Royal Bank of Scotland Group plc (RBSG) achieved total sales of £84 million, and in reporting the Group numbers we have included our 50% share of partnership results.

New business contribution increased to £81 million (2000: £59 million on 2001 economic assumptions). The overall new business margin has declined relative to the full year 2000 (rebased to 2001 economic assumptions). This is largely attributable to changes in product mix, with a higher proportion of pension sales where margins are lower.

Europe (excluding UK)

France, our second-largest life business, returned exceptional sales at £564 million (2000: £523 million) against a strong first quarter in 2000, and margins were held in line with prior year. Sales of AFER "French Franc" products of £249 million (2000: £207 million) made a significant contribution against a backdrop of difficult equity markets. Given these difficulties, the outlook for the French market in 2001 is a contraction of 5% - 10% compared to 2000. Our business in the Netherlands saw life and pensions sales up 26% to £161 million (2000: £124 million), although volatile equity markets affected consumer confidence and held back investment sales at £15 million (2000: £371 million).

In Italy, new business sales increased significantly to £238 million (2000: £62 million) following the recently announced agreement with UniCredito Italiano, which expanded further our distribution network. New business contribution increased to £9 million (2000: £2 million) and new business margin was 31.0% (full year 2000: 34.5%, at 2001 economic assumptions and rates of exchange). In March we agreed to sell our small life business, NU Vita, to Helvetia, and expect this to complete in the second half of the year once regulatory approval has been received. In Spain, sales increased to £133 million (2000: £25 million) benefiting from the bancassurance agreement with Bancaja, Spain's fourth-largest savings bank, which commenced in the summer of 2000 and returned improved new business contribution of £12 million (2000: £nil). Margins improved significantly to 50.0% (full year 2000: 38.6%, at 2001 economic assumptions and rates of exchange).

International

Our international businesses grew life and pensions new business sales by 14% to £135 million (2000: £118 million) and in the United States single premium business was up 44% to £64 million (2000: £40 million), with good progress in annuity sales. Achieved operating profits were lower at £8 million (2000: £12 million) and reflected adverse experience variances in both our United States and Australian businesses.

Health

Health premiums increased by 9% with double-digit growth in the UK and France. Operating profit was higher at £17 million (2000: £16 million) with increased profits from our business in the Netherlands, which returned £17 million (2000: £13 million).

Fund management

Operating profit from our fund management operations increased by 60% to £16 million (2000: £10 million), reflecting improved profits in the UK, the Netherlands and Australia. In the UK, increased profits of £4 million (2000: £1 million) benefited from merger savings and were after continuing investment of £9 million (2000: £6 million) in our UK retail investment business. In the Netherlands increased profits of £3 million (2000: £1 million) were achieved following the significant volume of external retail funds procured during 2000.

Our business in France, Victoire Asset Management, was declared “best fund manager” in France by La Tribune and Standard & Poor’s for performance over a one-year period, out of 76 organisations offering more than 10 funds. In addition, Victoire also came third in the 10-year performance category. These awards testify to the strength of Victoire’s business underpinned by excellent long-term investment performance.

Sales from the Navigator product in Australia, which are not included in Group new business figures, increased by 30% to £200 million (2000: £166 million), continuing the excellent growth record achieved in this business. The operating results of the Navigator business are included within the Group’s operating profit calculated on a statutory basis. Calculated on an achieved profit basis new business contribution would be £3 million (2000: £3 million) and operating profit would be £4 million (2000: £4 million), after the impact of development spend on the next generation of information technology. Navigator funds under administration amount to A\$6.8 billion (31 December 2000: A\$6.4 billion).

Total assets under management decreased by £5 billion to £215 billion (31 December 2000: £220 billion), principally as a result of the disposal of Quilter Holdings Limited (Quilter), which held some £5 billion of third party mandates, and difficult equity markets. The sale of Quilter was completed in March and generated a profit of £70 million.

General insurance

The Group general insurance operating profit increased 38% to £155 million (2000: £113 million), with exceptional weather costs broadly neutral at £7 million (2000: £9 million). The underwriting result improved £62 million to a loss of £129 million (2000: £191 million) with particular improvements in our UK and French businesses.

The Group’s worldwide combined operating ratio from ongoing business was 105% (2000: 108%) and the Group continues to target a combined operating ratio of 102% by the end of 2001, through strict underwriting and reducing costs. The worldwide expense ratio (excluding commission) from ongoing business improved to 12.0% (2000: 12.3%).

	Underwriting result*		Operating profit*	
	3 months 2001 £m	3 months 2000 £m	3 months 2001 £m	3 months 2000 £m
United Kingdom	(57)	(77)	100	79
Europe (excluding UK)	(43)	(75)	22	(8)
International	(29)	(39)	33	42
Ongoing business	(129)	(191)	155	113
Businesses discontinued and to be discontinued				
United States (to be discontinued)	(66)	(26)	27	79
London Market (discontinued)	-	(11)	-	7

* Excludes the change in the equalisation provision of £13 million (2000: £6 million).

UK

Our UK business returned a stronger underwriting result and operating profit grew 27% to £100 million (2000: £79 million) benefiting from targeted rating actions and our continuing rigorous approach to risk selection. Improvements at the underwriting level were achieved in commercial property and also the commercial motor class. We are continuing to seek further rating increases across all classes as we re-shape our book, and in commercial property and liability we are prepared to lose business unless adequate rates are obtained. Commercial motor premiums have increased on average by 20% over the prior year, while commercial liability and personal motor premiums are 15% higher.

There is no increase in severe weather costs following the autumn storms charged in the fourth quarter of last year and we are on target to close the majority of claims by the end of May.

The combined operating ratio was 105% (2000: 107%), in line with our expectations as we move to deliver the combined operating ratio target of 102% by the end of 2001. The expense ratio at 10.7% (2000: 10.8%) maintains our position as one of the lowest cost producers in the UK insurance market. We are progressing a number of key initiatives, including the extension of our leading Total Incident Management service across our portfolio and the Partner Self Service Programme, which connects us directly with intermediaries and corporate partners through the deployment of web-based technology. These developments are integral to achieving and sustaining our target combined operating ratio.

Europe (excluding UK)

Our business in France achieved improved underwriting and operating profits, the latter up £23 million (2000: loss of £13 million, including £9 million for exceptional weather related claims). This improvement is the result of rate increases in 2000 and a continued focus on sound underwriting. Our business in the Netherlands reported a broadly unchanged operating and underwriting result. Our other European businesses reported increased operating profits of £12 million (2000: £6 million) driven by improvements in a number of countries as underwriting actions take effect.

International

Our international businesses returned an operating profit of £33 million (2000: £42 million). The reduction in operating profit reflected a deterioration in the Australia and New Zealand result to £11 million (2000: £20 million) primarily attributable to adverse weather and the disposal of one of our two businesses in New Zealand, State Insurance Limited, the sale of which was completed in February and resulted in a profit on disposal of £52 million. The Group will continue to develop its remaining business in New Zealand.

The sale of our US general insurance business remains on track to complete by the end of June this year. In accordance with the sale agreement the Group does not bear any continuing operating risk from 31 August 2000, nor provide any guarantees in respect of its claims reserves or balance sheet beyond that date, except for the pre-closing adjustments announced in February 2001 and charged in the year ended 31 December 2000. Despite the Group retaining no economic interest beyond this date, accounting standards require that we consolidate the results up to the date of completion of the transaction. In the first three months of the year the US reported a pre-tax operating profit of £27 million (2000: £79 million) and post-tax loss, including short-term fluctuations, of £13 million. The post-tax loss was offset by a compensating reduction in the provision for loss on sale of £13 million, resulting in no net profit or loss to the Group.

Non-insurance operations

The overall non-insurance loss was in line with the equivalent period of 2000 at £4 million. Reduced profits from Hill House Hammond, our UK general insurance broking business, were offset by a reduced loss in Your Move, our UK estate agency business. Non-insurance profits from our European businesses fell from £12 million in 2000 to £2 million, reflecting lower levels of commission in our banking operations in the Netherlands.

Corporate costs

Corporate costs for the first three months of the year were £40 million (2000: £41 million), beginning to benefit from merger savings.

Unallocated interest charges

Unallocated interest charges include interest on intra-group loans with the central group function, and external borrowings not allocated to local business operations. The increase in unallocated interest costs at £111 million (2000: £77 million) reflected the corporate activity over the course of 2000, and includes the cost of funding the RBSG venture for the first time this quarter.

Shareholders' funds

Equity shareholders' funds reduced in value to £13.1 billion (2000: £13.4 billion) adversely impacted by the fall in the value of equity markets during the quarter and a negative foreign exchange movement of £48 million. As a consequence, net assets per ordinary share, based on equity shareholders' funds, also fell to 591 pence per share (31 December 2000: 606 pence per share) after adding back the equalisation provision of £229 million (31 December 2000: £216 million).

Integration update

The integration process continued rapidly as planned in each of our businesses around the world. Building upon our achievements of last year, which saw the rationalisation of our portfolio of businesses and the implementation of integrated product offerings, the focus in 2001 is on the delivery of operational cost savings. Activity is concentrated on three main areas – conversion of business administration to common operational platforms, rationalisation of IT and business support infrastructures and restructuring of back office support operations. We are making excellent progress in each of these three main areas and are realising the benefits as planned. Annualised cost savings of £172 million had been achieved by 31 March 2001 resulting in a £32 million benefit to the profit and loss account.

Integration savings

	Profit and loss account impact 3 months 2001 £m	Annualised cost savings achieved to date £m	Total projected integration savings £m
Life insurance	8	41	91
General insurance	11	65	116
Other operations	13	66	68
	32	172	275

On-line developments and wealth management

We continue to invest in developing a leading UK Wealth Management business. The public introduction of our on-line service norwichunion.com will take place during May. The first phase will be a virtual advisory service, offering individuals access to a wealth of planning tools and impartial information on personal finance matters.

This is a brand new venture for Norwich Union, giving customers the ability to manage their money and assets more effectively on-line. The virtual advisory service has been designed to attract customers who will then be able to buy a growing range of financial products from the summer of this year. Costs incurred on norwichunion.com in the first three months of the year amounted to £28 million (2000: £4 million).

In May 2000, we launched [assertahome](http://assertahome.com). Within a year [assertahome](http://assertahome.com) has become the UK's leading on-line property portal. In the first quarter of this year, five independent surveys (including the Financial Times and The Net magazine) placed [assertahome](http://assertahome.com) as the best UK property site, confirming its position as market leader. Investment in our [assertahome](http://assertahome.com) business in the quarter amounted to £4 million (2000: £5 million).

Notes to editors

- CGU plc and Norwich Union plc 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 from ongoing business of over £27 billion and assets under management of more than £210 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
- The 2000 new business contribution quoted in the financial highlights and the operating and financial review has been shown using the application of 2001 economic assumptions and foreign exchange rates.

Life profits reporting

In reporting the headline operating profit, life profits have been included using the achieved profit basis. 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 more realistic measure of the performance of life businesses than the modified statutory basis. The modified statutory basis is used in our financial statements and, on this basis, the life operating profit before tax amounted to £309 million. The basis used for reporting achieved profit is consistent with the draft guidance set out by the Association of British Insurers.

Definitions of Group key performance indicators

Achieved operating earnings per share	- operating profit on an achieved profit basis before amortisation of goodwill and exceptional items, after taxation, attributable to equity shareholders in respect of ongoing business.
Achieved operating profit	- excludes the operating result of businesses discontinued and to be discontinued, and is stated before amortisation of goodwill and exceptional items.
Modified statutory operating profit	- excludes the operating result of businesses discontinued and to be discontinued, and is stated before amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items.
Ongoing business	- total business operations excluding the discontinued London Market operations and US general insurance operations to be discontinued.
Net asset value per ordinary share	- is calculated based on equity shareholders' funds, adding back the equalisation provision of £229 million (31 December 2000: £216 million).
Assets under management	- represents all assets managed by the Group including funds held on behalf of third parties.

Summarised consolidated profit and loss account – achieved profit basis

For the three months ended 31 March 2001

Page	3 months 2001 €m		3 months 2001 £m	3 months 2000 £m	Full year 2000 £m
		Operating profit			
8	705	Life achieved operating profit	444	385	1,569
23	27	Health	17	16	68
28	25	Fund management	16	10	61
24	246	General insurance	155	113	412
29	(6)	Non-insurance operations	(4)	(4)	(24)
29	(64)	Corporate costs	(40)	(41)	(185)
28	(176)	Unallocated interest charges	(111)	(77)	(361)
	757		477	402	1,540
29	(51)	Wealth management	(32)	(9)	(133)
	706	Operating profit – ongoing business before tax, amortisation of goodwill and exceptional items	445	393	1,407
		Businesses discontinued and to be discontinued			
24	43	United States general insurance (to be discontinued)	27	79	(550)
24	-	London Market (discontinued)	-	7	(4)
	749		472	479	853
	(22)	Amortisation of goodwill	(14)	(9)	(92)
22	-	Exceptional items	-	-	(425)
	727	Operating profit before tax	458	470	336
	(1,262)	Variation from longer-term investment return	(795)	234	213
	-	Effect of economic assumption changes	-	(4)	(269)
	(21)	Change in the equalisation provision	(13)	(6)	(27)
20	198	Net profit arising on the sale of subsidiary undertakings	125	-	12
		Provision for loss on sale for businesses to be discontinued			
20	21	- United States general insurance	13	-	(1,070)
	-	Loss on withdrawal from London Market operations	-	-	(448)
	-	Merger transaction costs	-	-	(59)
	(337)	(Loss)/profit on ordinary activities before tax	(212)	694	(1,312)
		Tax on operating profit – ongoing business before amortisation of goodwill and exceptional items	(141)	(111)	(437)
	(224)		59	(149)	174
	94	Tax on profit on other ordinary activities			
	(467)	(Loss)/profit on ordinary activities after tax	(294)	434	(1,575)
	(21)	Minority interests	(13)	(11)	(65)
	(488)	(Loss)/profit for the financial period	(307)	423	(1,640)
25	(6)	Preference dividends	(4)	(4)	(17)
	(494)	(Loss)/profit for the financial period attributable to equity shareholders	(311)	419	(1,657)
25	-	Ordinary dividends	-	-	(855)
	(494)	Retained (loss)/profit for the financial period	(311)	419	(2,512)

Earnings per share

	Operating profit on an achieved profit basis before amortisation of goodwill and exceptional items, after taxation, attributable to			
20.0 c	equity shareholders in respect of ongoing business	12.6 p	12.0p	39.7 p
(21.9)c	(Loss)/profit attributable to equity shareholders	(13.8)p	18.7p	(73.8)p
(21.9)c	(Loss)/profit attributable to equity shareholders – diluted	(13.8)p	18.7p	(73.7)p

Basis of preparation

The achieved profit statement on page 7 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 15 to 27. In the directors' opinion 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 latest draft 'Guidance on accounting in Group accounts for proprietary companies long-term insurance business', circulated by the Association of British Insurers. Further details on the methodology and assumptions are set out on pages 12 to 14.

The results of the Group's life operations under the modified statutory basis, which is the basis used in the annual statutory accounts, can be found on pages 15 to 27.

The contribution from the Group's share of the alliance with The Royal Bank of Scotland Group plc (RBSG) is incorporated within the total life revenues and achieved operating profits. Goodwill amortised in the period in respect of the Group's holding in the associated company, RBS Life Investments Limited, is included within the 'Amortisation of goodwill' on page 7.

Components of total life achieved profit

Total life achieved profit, including the Group's share from the alliance with RBSG, 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 including risk margins;
- 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.

	3 months 2001 £m	3 months 2000 £m	Full year 2000 £m
New business contribution	113	94	392
Profit from existing business			
– expected return	212	214	839
– experience variances	2	(1)	10
– operating assumption changes	28	2	(7)
Development costs	-	(7)	(20)
Expected return on shareholders' net worth	84	78	319
	439	380	1,533
Other life and savings activities*	5	5	36
Life achieved operating profit before tax and exceptional items	444	385	1,569
Exceptional items **	-	-	(106)
Investment return variances	(520)	111	(43)
Effect of economic assumption changes	-	(4)	(269)
Total life achieved profit before tax	(76)	492	1,151
Attributed tax	19	(158)	(375)
Total life achieved profit after tax	(57)	334	776

* Profits from other life and savings activities, which include service companies, have been calculated on a statutory basis.

** Exceptional items in 2000 comprise one-off integration costs.

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		
	3 months	3 months	Local	3 months	3 months	3 months
	2001	2000	currency growth	2001	at 2001 assumptions **	2000
	£m	£m	%	£m	£m	£m
United Kingdom	294	228	29%	81	59	62
Europe (excluding UK)						
France	66	63	1%	19	18	19
Ireland	25	24	2%	6	5	6
Italy	29	7	273%	9	2	2
Netherlands	30	26	12%	6	3	5
Poland – Life	9	12	(35%)	2	4	4
– Pensions	8	86	(92%)	1	18	16
Spain	24	5	348%	12	-	-
Other	23	24	(1%)	1	1	1
International	26	22	20%	(1)	1	1
Total annualised premiums	534	497	4%			
Total new business contribution before effect of solvency margin***				136	111	116
Effect of solvency margin				(23)	(22)	(22)
Total new business contribution including effect of solvency margin				113	89	94

* Annual premium equivalent represents regular premiums plus 10% of single premiums.

** 2000 new business contribution has been shown using the application of year 2001 economic assumptions and exchange rates.

*** New business contribution before effect of solvency margin includes minority interests in 2001 of £11 million (three months to 31 March 2000: £6 million). This comprises minority interests in France of £1 million (three months to 31 March 2000: £1 million), Italy £4 million (three months to 31 March 2000: £1 million), Poland £nil (three months to 31 March 2000: £4 million), Spain £6 million (three months to 31 March 2000: £nil).

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 effect of solvency margin represents the impact of holding the minimum European Union (EU) solvency margin (or equivalent for non-EU operations) and discounting to present value the projected future releases from the solvency margin to shareholders.

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.

	3 months 2001 £m	3 months 2000 £m	Full year 2000 £m
United Kingdom*	236	232	903
Europe (excluding UK)			
France	54	49	204
Ireland	17	15	68
Italy	11	5	29
Netherlands	46	46	174
Poland – Life	16	9	58
– Pensions*	7	15	36
Spain	16	2	42
Other	28	(5)	(10)
International	8	12	29
Total life achieved operating profit before tax, and exceptional items**	439	380	1,533

* Excludes other life and savings activities.

** Life achieved operating profit includes minority interests in 2001 of £17 million (three months to 31 March 2000: £8 million, full year 2000: £42 million). This comprises minority interests in France of £2 million (three months to 31 March 2000: £1 million, full year 2000: £6 million), Italy £5 million (three months to 31 March 2000: £2 million, full year 2000: £12 million), Poland £3 million (three months to 31 March 2000: £5 million, full year 2000: £15 million), Spain £7 million (three months to 31 March 2000: £nil, full year 2000: £10 million) and International £nil (three months to 31 March 2000: £nil, full year 2000: £(1) million).

Embedded value of life business

	3 months 2001 £m	3 months 2000 £m	Full year 2000 £m
Embedded value at the beginning of the period	11,234	10,518	10,518
Total life achieved profit after tax*	(60)	331	813
Exchange rate movements	1	(136)	81
Embedded value from business (disposed)/acquired**	(3)	57	437
Amounts injected into life operations	10	47	167
Amounts released from life operations	(67)	(205)	(782)
Embedded value at the end of the period***	11,115	10,612	11,234

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

** Embedded value from business disposed of in 2001 comprises Other Europe (Greece Life).

Embedded value from businesses acquired in 2000 comprises Hibernian Group in Ireland (£57 million), Aseval in Spain (£94 million), and the Group's share of the associated partnership in RBS Life Investments Limited (£343 million). Embedded value from business disposed of comprises the Norwich Union Poland life and pensions operations (£57 million). Of these, only the Hibernian Group transaction was concluded in the three months to 31 March 2000.

*** Embedded value at the end of the period includes minority interests in 2001 of £215 million (31 March 2000: £121 million, 31 December 2000: £208 million). This comprises minority interests in France of £35 million (31 March 2000: £30 million, 31 December 2000: £34 million), Italy £72 million (31 March 2000: £55 million, 31 December 2000: £70 million), Poland £46 million (31 March 2000: £31 million, 31 December 2000: £42 million), Spain £58 million (31 March 2000: £nil, 31 December 2000: £57 million) and Other Europe £4 million (31 March 2000: £5 million, 31 December 2000: £5 million).

Segmental analysis of embedded value of life business

	Net worth* at 31 March		Valuation of in-force at 31 March		Embedded value at 31 March	
	2001 £m	2000 £m	2001** £m	2000 £m	2001 £m	2000 £m
United Kingdom	1,769	1,796	4,216	4,390	5,985	6,186
Europe (excluding UK)						
France	855	755	404	377	1,259	1,132
Ireland	214	191	284	232	498	423
Italy	101	75	74	63	175	138
Netherlands	1,337	1,135	758	681	2,095	1,816
Poland	88	78	225	173	313	251
Spain	62	33	148	44	210	77
Other	74	74	72	66	146	140
International	346	357	88	92	434	449
	4,846	4,494	6,269	6,118	11,115	10,612

* 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.

** The effect of holding the minimum statutory solvency margin and allowing for projected future releases was £680 million.

Minority interests in life achieved profit

	3 months 2001			3 months 2000	Full year 2000
	Shareholders' interest £m	Minority interest £m	Group £m	Group £m	Group £m
New business contribution before effect of solvency margin	125	11	136	116	483
Effect of solvency margin	(21)	(2)	(23)	(22)	(91)
New business contribution including effect of solvency margin	104	9	113	94	392
Life achieved operating profit	422	17	439	380	1,533
Other life and savings activities	5	-	5	5	36
Life achieved operating profit before tax and exceptional items	427	17	444	385	1,569
Total life achieved profit before tax	(84)	8	(76)	492	1,151
Attributed tax	22	(3)	19	(158)	(375)
Total life achieved profit after tax	(62)	5	(57)	334	776
Closing life embedded value	10,900	215	11,115	10,612	11,234

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 margin.

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 margin, adjusted for any amounts released from or invested in life operations.

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 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 deduction for the effect of holding the minimum statutory solvency margin. This effect of solvency margin is the difference between the nominal value of the solvency margin and the present value at risk discount rates of the projected release of the solvency margin and investment earnings on the assets deemed to back the solvency margin.

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			
	31 March 2001	31 December 2000	31 March 2000	31 December 1999	31 March 2001	31 December 2000	31 March 2000	31 December 1999
Risk discount rate	7.4%	7.4%	7.6%	7.8%	8.5%	8.5%	8.6%	8.7%
Pre-tax investment returns:								
Base government fixed interest	4.7%	4.7%	5.0%	5.2%	5.0%	5.0%	5.3%	5.5%
Ordinary shares	7.2%	7.2%	7.5%	7.7%	7.0%	7.0%	7.3%	7.5%
Property	6.2%	6.2%	6.5%	6.7%	6.5%	6.5%	6.8%	7.0%
Future expense inflation	3.7%	3.7%	3.8%	4.1%	2.5%	2.5%	2.5%	2.5%
Tax rate	30.0%	30.0%	30.0%	30.0%	37.8%	37.8%	40.0%	40.0%
	Ireland				Italy			
	31 March 2001	31 December 2000	31 March 2000	31 December 1999	31 March 2001	31 December 2000	31 March 2000	31 December 1999
Risk discount rate	9.1%	9.1%	9.1%	9.0%	7.5%	7.5%	7.7%	7.7%
Pre-tax investment returns:								
Base government fixed interest	5.3%	5.3%	5.6%	5.6%	5.3%	5.3%	5.6%	5.6%
Ordinary shares	8.3%	8.3%	8.6%	8.6%	8.3%	8.3%	8.6%	8.6%
Property	6.8%	6.8%	7.1%	7.1%	6.8%	6.8%	7.1%	7.1%
Future expense inflation	5.0%	5.0%	4.0%	4.0%	3.3%	3.3%	2.5%	2.5%
Tax rate	19.0%	20.0%	23.0%	28.0%	43.0%	43.0%	43.0%	43.0%
	Netherlands				Poland – Life			
	31 March 2001	31 December 2000	31 March 2000	31 December 1999	31 March 2001	31 December 2000	31 March 2000	31 December 1999
Risk discount rate	8.0%	8.0%	8.3%	8.3%	20.0%	20.0%	19.8%	19.8%
Pre-tax investment returns:								
Base government fixed interest	5.0%	5.0%	5.5%	5.5%	12.5%	12.5%	12.5%	12.5%
Ordinary shares	7.9%	7.9%	8.4%	8.4%	12.5%	12.5%	12.5%	12.5%
Property	6.5%	6.5%	7.0%	7.0%	n/a	n/a	n/a	n/a
Future expense inflation	2.5%	2.5%	2.5%	2.5%	9.2%	9.2%	9.2%	9.2%
Tax rate	25.0%	25.0%	25.0%	25.0%	28.0%	28.0%	30.0%	33.0%
	Poland – Pensions				Spain			
	31 March 2001	31 December 2000	31 March 2000	31 December 1999	31 March 2001	31 December 2000	31 March 2000	31 December 1999
Risk discount rate	17.3%	17.3%	17.1%	17.1%	8.4%	8.4%	9.1%	9.1%
Pre-tax investment returns:								
Base government fixed interest	12.5%	12.5%	12.5%	12.5%	5.4%	5.4%	5.6%	5.6%
Ordinary shares	12.5%	12.5%	12.5%	12.5%	8.4%	8.4%	8.6%	8.6%
Property	n/a	n/a	n/a	n/a	6.9%	6.9%	7.1%	7.1%
Future expense inflation	9.2%	9.2%	9.2%	9.2%	4.0%	4.0%	3.0%	3.0%
Tax rate	28.0%	28.0%	30.0%	33.0%	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 effect of holding solvency margins equal to the minimum EU solvency requirement (or equivalent for non-EU operations). Solvency margins relating to with-profit business are assumed to be covered by the surplus within the with-profit funds and no effect 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 three months to 31 March 2001

Page	3 months 2001 €m	Premium income (after reinsurance) and investment sales	3 months 2001 €m	3 months 2000 €m	Full year 2000 €m
		Ongoing business			
22	6,957	Life premiums	4,383	3,589	14,848
22	654	Investment sales	412	772	2,501
23	502	Health premiums	316	282	687
	8,113		5,111	4,643	18,036
24	3,563	General insurance premiums	2,245	2,295	8,990
	11,676	Total ongoing business	7,356	6,938	27,026
		Businesses discontinued and to be discontinued			
24	1,019	General insurance premiums – United States (to be discontinued)	642	680	3,021
24	-	– London Market (discontinued)	-	112	192
	12,695	Total	7,998	7,730	30,239
		Operating profit			
23	491	Modified statutory life profit	309	290	1,190
23	27	Health	17	16	68
28	25	Fund management	16	10	61
24	246	General insurance	155	113	412
29	(6)	Non-insurance operations	(4)	(4)	(24)
29	(64)	Corporate costs	(40)	(41)	(185)
28	(176)	Unallocated interest charges	(111)	(77)	(361)
	543		342	307	1,161
29	(51)	Wealth management	(32)	(9)	(133)
	492	Operating profit – ongoing business before tax, amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items	310	298	1,028
		Businesses discontinued and to be discontinued			
24	43	United States general insurance (to be discontinued)	27	79	(550)
24	-	London Market (discontinued)	-	7	(4)
	535		337	384	474
	(22)	Amortisation of goodwill	(14)	(9)	(92)
	(15)	Amortisation of acquired additional value of in-force long-term business	(9)	(1)	(29)
22	-	Exceptional items	-	-	(425)
	498	Operating profit/(loss) before tax	314	374	(72)
	(450)	Short-term fluctuation in investment returns	(284)	135	258
	(21)	Change in the equalisation provision	(13)	(6)	(27)
20	198	Net profit arising on the sale of subsidiary undertakings	125	-	12
		Provision for loss on sale for businesses to be discontinued			
20	21	– United States general insurance	13	-	(1,070)
	-	– Loss on withdrawal from London Market operations	-	-	(448)
	-	– Merger transaction costs	-	-	(59)
	246	Profit/(loss) on ordinary activities before tax	155	503	(1,406)
25	(306)	Tax on profit on ordinary activities	(193)	(197)	(255)
	(60)	(Loss)/profit on ordinary activities after tax	(38)	306	(1,661)
	(23)	Minority interests	(14)	(10)	(52)
	(83)	(Loss)/profit for the financial period	(52)	296	(1,713)
25	(6)	Preference dividends	(4)	(4)	(17)
	(89)	(Loss)/profit for the financial period attributable to equity shareholders	(56)	292	(1,730)
25	-	Ordinary dividends	-	-	(855)
	(89)	Retained (loss)/profit transferred to reserves	(56)	292	(2,585)

Earnings per share – modified statutory basis

For the three months to 31 March 2001

Page		3 months 2001	3 months 2000	Full year 2000
26	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	8.6 p	8.8p	28.3 p
26	(Loss)/profit attributable to equity shareholders	(2.5)p	13.0p	(77.0)p
26	(Loss)/profit attributable to equity shareholders – diluted	(2.5)p	13.0p	(76.9)p

Consolidated statement of total recognised gains and losses

For the three months to 31 March 2001

Page		3 months 2001 £m	3 months 2000 £m	Full year 2000 £m
15	(Loss)/profit for the financial period	(52)	296	(1,713)
	Movement in internally-generated additional value of in-force long-term business*	(255)	127	73
	Foreign exchange (losses)/gains	(48)	(157)	303
Total recognised gains and losses arising in the period		(355)	266	(1,337)

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

Reconciliation of movements in consolidated shareholders' funds

For the three months to 31 March 2001

Page		3 months 2001 £m	3 months 2000 £m	Full year 2000 £m
	Shareholders' funds at the beginning of the period	13,633	15,673	15,673
	Total recognised gains and losses arising in the period	(355)	266	(1,337)
25	Dividends	(4)	(4)	(872)
	Increase in capital	1	6	54
	Merger reserve arising during the period	-	-	5
	Other movements	7	(2)	110
Shareholders' funds at the end of the period		13,282	15,939	13,633

Summarised consolidated balance sheet

	31 March 2001 £m	31 March 2000 £m	31 December 2000 £m
Assets			
Goodwill	733	541	747
Investments			
Land and buildings	817	818	820
Investments in Group undertakings and participating interests	287	210	264
Variable yield securities	5,052	6,956	5,868
Fixed interest securities	14,477	13,303	13,813
Mortgages and loans, net of non-recourse funding	1,236	1,098	1,233
Deposits	921	1,265	1,112
Additional value of in-force long-term business	6,352	6,533	6,605
	29,142	30,183	29,715
Reinsurers' share of technical provisions	3,702	2,607	3,709
Assets of the long-term business	148,495	142,189	148,551
Other assets	10,716	10,684	10,596
Total assets	192,788	186,204	193,318
Liabilities			
Shareholders' funds			
Equity	13,082	15,739	13,433
Non-equity	200	200	200
Minority interests	538	562	584
Total capital and reserves	13,820	16,501	14,217
Liabilities of the long-term business	144,169	138,088	144,301
General insurance liabilities	23,815	22,463	23,786
Borrowings	2,530	2,131	2,592
Other creditors and provisions	8,454	7,021	8,422
Total liabilities	192,788	186,204	193,318

Consolidated cash flow statement

For the three months to 31 March 2001

	3 months 2001 £m	3 months 2000 £m	Full year 2000 £m
Net cash inflow from operating activities excluding exceptional items and merger transaction costs	34	46	738
Exceptional items and merger transaction costs paid	(63)	(17)	(251)
Net cash outflow from servicing of finance	(39)	(53)	(257)
Corporation tax paid (including advance corporation tax)	(16)	(26)	(210)
Net purchases of tangible fixed assets	(6)	(15)	(119)
Acquisitions and disposals of subsidiary and associated undertakings	192	(225)	(277)
Equity dividends paid	-	-	(816)
Net cash (outflow)/inflow from financing activities	(82)	394	493
Net cash flows	20	104	(699)
Cash flows were invested as follows:			
Increase/(decrease) in cash holdings	56	(11)	119
Net portfolio investment			
Net (sales)/purchases of investments	(143)	133	(1,541)
Non-trading cash outflow to/(inflow from) long-term business operations	107	(18)	723
Net investment of cash flows	20	104	(699)

The cash flows presented in this statement relate to non-life transactions only.

1. Basis of preparation

- (a) 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 a scheme of arrangement of Norwich Union plc under section 425 of the Companies Act 1985. Under the terms of the scheme, Norwich Union shareholders had their existing shares replaced by new shares in CGNU plc. CGU shareholders' rights were unaffected. The merger became effective on 30 May 2000 and on that date 931 million new shares in CGNU plc, 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 plc 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 2000 has been presented as if CGU plc and Norwich Union plc had been combined throughout the year. Merger accounting principles have given rise to a merger reserve.

Costs of integrating and reorganising the business are included within operating profit. Merger transaction costs of £59 million were incurred in 2000 and are shown after operating profit within the profit on ordinary activities before taxation.

- (b) The results for the three months to 31 March 2001 have been prepared on the basis of the accounting policies set out in CGNU plc's 2000 Annual Report and Accounts. In preparing the comparative information for the three months to 31 March 2000, certain adjustments from previously published information were made to align the accounting policies to those adopted by CGNU plc. 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;
 - (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 for the three months to 31 March 2000 by £9 million (full year 2000: increase by £7 million) and increase shareholders' funds at 31 March 2000 by £75 million (31 December 2000: increase by £110 million).

- (c) The results for the three months to 31 March 2001 and 31 March 2000 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 2000 have been taken from the Group's 2000 Report and Accounts. The joint auditors have reported on the 2000 accounts and their reports were unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985. The CGNU plc 2000 Report and Accounts have been filed with the Registrar of Companies.

- (d) 'Business discontinued' disclosures relate solely to the exit from London Market business in 2000.

'Business to be discontinued' relate solely to the general insurance business in the United States, a material discrete operation where sales contracts have been exchanged with a prospective purchaser but all conditions of sale have not been achieved, and sales proceeds have not yet been received by the Group. The results of all other operations are entitled 'Ongoing business'. In instances where the carrying value of businesses to be disposed of is more than the likely sales proceeds, a provision for loss on sale has been included in the results.

- (e) The contribution from the Group's share of the alliance with The Royal Bank of Scotland Group plc (RBSG) is incorporated with the total life revenues and modified statutory life profits. Goodwill amortised in the period in respect of the Group's holding in the associated company, RBS Life Investments Limited, is included within the 'Amortisation of goodwill' on page 15.

2. Exchange rates

The principal rates of exchange used for translation are:

Average rates

		3 months 2001	3 months 2000	Full year 2000
Canada	– dollars	2.22	2.33	2.25
United States	– dollars	1.45	1.60	1.51

Closing rates

		31 March 2001	31 March 2000	31 December 2000
Canada	– dollars	2.24	2.32	2.24
United States	– dollars	1.42	1.59	1.49

The euro rates employed in this announcement are an average rate of 1 euro = £0.63 (three months to 31 March 2000: 1 euro = £0.61, full year 2000: 1 euro = £0.61) and a closing rate of 1 euro = £0.62 (31 March 2000: 1 euro = £0.60, 31 December 2000: 1 euro = £0.63).

3. Disposals and business to be discontinued

(a) Disposals

In February 2001, the Group completed the disposal of its wholly-owned New Zealand subsidiary, State Insurance Limited, for a cash consideration of £125 million. The net assets disposed of amounted to £69 million and the profit on disposal, after transaction costs, was £52 million.

In March 2001, the Group completed the disposal of its holding in Quilter Holdings Limited for a cash consideration of £102 million. The cash consideration reflected the value of the Group's 56.7% interest in Quilter Holdings Limited following the exercise of management options immediately before the change of ownership. The Group's share of the net assets disposed of amounted to £24 million and the profit on disposal, after transaction costs and writing back £6 million of goodwill previously charged to reserves, was £70 million.

The disposal of other smaller operations gave rise to a net gain of £3 million.

(b) Business to be discontinued – United States general insurance

The Group has entered into an agreement to sell its US general insurance operations for US\$2,063 million and, in addition, an inter-company loan of US\$1,100 million will be repaid to the Group. The settlement will comprise cash, the transfer of businesses to be retained and subordinated loan notes of US\$260 million. This sale is subject to the satisfaction of certain conditions, including US regulatory approval, and is expected to be completed later this year.

Subject to the satisfaction of certain conditions:

- The total proceeds for the sale of the US general business of US\$3,163 million were fixed by reference to the operation's net assets as at 31 August 2000 and will not be adjusted to reflect the business' results in the period from 1 September 2000 to completion; and
- 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.

Consequently, had the transaction been completed on 31 August, 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 the operations of this business beyond 31 August 2000, the US general business' post-tax operating loss 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 also reflects goodwill previously written off against reserves but which needs to be reinstated and charged to the profit and loss account.

The after-tax provision for the loss on the sale, including pre-closing adjustments of US\$200 million (£141 million), recorded in the Group's consolidated profit and loss account at 31 March 2001 is US\$1,453 million or £1,023 million retranslated at the exchange rate prevailing at 31 March 2001.

3. Business to be discontinued - United States general insurance (continued)**Impact of disposal of United States general insurance business**

	Full year 2000 £m	Trading movements £m	Exchange rate movements £m	3 months 2001 £m
Value to the Group	2,092	-	106	2,198
Represented by:				
Net assets to which proceeds apply, including capital injection	3,092	(13)	157	3,236
Goodwill write back	70	-	-	70
	3,162	(13)	157	3,306
Loss on sale				
- Provision for loss on sale after tax and goodwill write back	(989)	13	(47)	(1,023)
- Tax attributed to loss on sale	(81)	-	(4)	(85)
Pre-tax provision for loss on sale	(1,070)	13	(51)	(1,108)
Proceeds, net of transaction costs	2,092	-	106	2,198

The cash component of the proceeds, net of the pre-closing adjustment, of US\$1,846 million (£1,298 million) is receivable upon completion.

The Group has hedged an element of its exposure to the sales proceeds, the effect of which is to reduce the exchange gain from £106 million disclosed above to £83 million.

The final accounting loss on completion will differ from the post-tax loss of £1,023 million above. This is due to the consolidation of profits or losses of this business from 1 April 2001 to the date of completion, and fluctuations in the exchange rate.

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

Abridged statement of operating and investment gains	3 months 2001 £m	3 months 2000 £m	Full year 2000 £m
Underwriting result	(66)	(26)	(967)
Longer-term investment return	93	105	417
General insurance operating profit/(loss)	27	79	(550)
Unallocated interest charges*	(12)	(11)	(42)
Operating profit/(loss)	15	68	(592)
Amortisation of goodwill	(1)	(1)	(3)
Short-term fluctuation in investment returns	76	34	66
Profit/(loss) on ordinary activities before tax	90	101	(529)
Tax on profit/(loss) on ordinary activities	(103)	(3)	110
Profit/(loss) for the financial period	(13)	98	(419)
Retranslation to closing rate	-	1	(4)
Retained profit/(loss)	(13)	99	(423)

* Unallocated interest charges are eliminated at Group level.

4. Exceptional items

Exceptional items in 2000 comprise merger integration costs and reflect the costs of integrating and reorganising the businesses of the former CGU plc and Norwich Union plc.

5. 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		3 months 2001 £m	3 months 2000 £m	Full year 2000 £m
	3 months 2001 £m	3 months 2000 £m	3 months 2001 £m	3 months 2000 £m			
Life and pensions sales							
United Kingdom	1,736	1,450	120	83	2,272	2,029	8,548
Europe (excluding UK)							
France	554	511	10	12	640	584	2,124
Ireland	109	103	14	14	173	147	539
Italy	232	61	6	1	283	101	378
Netherlands	146	109	15	15	421	298	1,030
Poland – Life	2	3	9	12	71	61	247
– Pensions	-	-	8	86	112	87	371
Spain	121	22	12	3	168	38	428
Other	48	25	19	21	72	98	512
International	121	107	14	11	171	146	671
Total life and pensions	3,069	2,391	227	258	4,383	3,589	14,848
Investment sales							
United Kingdom	308	247	2	1	310	248	897
Netherlands	15	371	-	-	15	371	1,025
Europe (excluding UK)	45	68	-	-	45	68	284
International	42	85	-	-	42	85	295
Total long-term business	3,479	3,162	229	259	4,795	4,361	17,349

Single premiums are those relating to products issued by the Group, which provide for the payment of one premium only.

Regular premiums are those where there is a contractual obligation to pay on an ongoing basis.

6. Geographical analysis of modified statutory life profit

	3 months 2001 £m	3 months 2000 £m	Full year 2000 £m
United Kingdom			
With-profit	72	65	275
Non-profit	132	140	497
Europe (excluding UK)			
France	38	31	143
Ireland	7	12	45
Italy	3	3	21
Netherlands	38	32	159
Poland – Life	10	7	31
– Pensions	3	(5)	(9)
Spain	5	2	14
Other	(5)	(10)	(22)
International	6	13	36
Total modified statutory life profit	309	290	1,190

7. Geographical analysis of health premiums after reinsurance and operating result**a) Premiums after reinsurance:**

	3 months 2001 £m	3 months 2000 £m	Full year 2000 £m
United Kingdom	65	53	204
France	29	25	92
Netherlands	222	204	391
	316	282	687

b) Operating result:

	Operating profit			Underwriting result		
	3 months 2001 £m	3 months 2000 £m	Full year 2000 £m	3 months 2001 £m	3 months 2000 £m	Full year 2000 £m
United Kingdom	(1)	-	6	(2)	(1)	2
France	1	3	12	(1)	1	-
Netherlands*	17	13	50	(6)	(6)	(22)
	17	16	68	(9)	(6)	(20)

* The basis for allocating the longer-term investment return between general business and health business was refined in 2000 and is based on underlying technical and associated solvency assets. The effect of this refinement on the three months to 31 March 2000 has been to reclassify £7 million of longer-term investment return from general insurance into health.

8. Geographical analysis of general insurance premiums after reinsurance and operating result**a) General insurance premiums after reinsurance:**

	3 months 2001 £m	3 months 2000 £m	Full year 2000 £m
United Kingdom	1,209	1,216	4,937
Europe (excluding UK)			
France	244	218	640
Ireland	112	90	382
Netherlands	112	103	465
Other	162	190	625
International			
Australia and New Zealand	128	158	634
Canada	197	195	940
Other	81	125	367
Ongoing business	2,245	2,295	8,990
Businesses discontinued and to be discontinued			
United States	642	680	3,021
London Market	-	112	192
	2,887	3,087	12,203

b) Operating result:

	Operating profit*			Underwriting result*		
	3 months 2001 £m	3 months 2000 £m	Full year 2000 £m	3 months 2001 £m	3 months 2000 £m	Full year 2000 £m
United Kingdom	100	79	296	(57)	(77)	(387)
Europe (excluding UK)						
France	10	(13)	(115)	(15)	(37)	(208)
Ireland	5	5	21	(8)	(7)	(30)
Netherlands**	-	(1)	(4)	(9)	(10)	(40)
Other	7	1	20	(11)	(21)	(55)
International						
Australia and New Zealand	11	20	82	(7)	(4)	(7)
Canada	11	12	78	(21)	(19)	(53)
Other	11	10	34	(1)	(16)	(41)
Ongoing business	155	113	412	(129)	(191)	(821)
Businesses discontinued and to be discontinued						
United States	27	79	(550)	(66)	(26)	(967)
London Market	-	7	(4)	-	(11)	(59)
	182	199	(142)	(195)	(228)	(1,847)

* The general insurance operating profit and underwriting result are stated before the change in the equalisation provision of £13 million (three months to 31 March 2000: £6 million, full year 2000: £27 million).

** The basis for allocating the longer-term investment return between general business and health business was refined in 2000 and is based on underlying technical and associated solvency assets. The effect of this refinement on the three months to 31 March 2000 has been to reclassify £7 million of longer-term investment return from general insurance into health.

9. Taxation

The tax charge in the profit and loss account comprises:

	3 months 2001 £m	3 months 2000 £m	Full year 2000 £m
UK corporation tax	5	34	(65)
Overseas tax	90	48	49
Other	3	25	(103)
Total taxation charge for the period	98	107	(119)
Tax attributable to the long-term business technical result	95	90	374
Charge to profit and loss account	193	197	255
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	98	88	326
– businesses discontinued and to be discontinued	9	18	(130)
Profit on other ordinary activities	86	91	59
	193	197	255

10. Dividends

a) The preference dividends in the profit and loss account comprise:

	3 months 2001 £m	3 months 2000 £m	Full year 2000 £m
Preference dividends	4	4	17

The preference dividends are in respect of the cumulative irredeemable preference shares of £1 each in issue.

b) The ordinary dividends in the profit and loss account comprise:

	3 months 2001 £m	3 months 2000 £m	Full year 2000 £m
Ordinary dividends			
Interim – 14.25 pence	-	-	320
Final – 23.75 pence	-	-	535
Total ordinary dividends	-	-	855

11. Earnings per share

a) Basic earnings per share

	3 months 2001			3 months 2000		Full year 2000	
	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	310	194	8.6	197	8.8	636	28.3
Adjusted for the following items:							
– operating profit/(loss) on business to be discontinued	27	18	0.8	62	2.8	(420)	(18.7)
– operating profit/(loss) on discontinued business	-	-	-	6	0.2	(3)	(0.1)
– amortisation of goodwill	(14)	(14)	(0.6)	(9)	(0.4)	(92)	(4.1)
– amortisation of acquired additional value of in-force long-term business	(9)	(6)	(0.3)	(1)	-	(22)	(1.0)
– exceptional items	-	-	-	-	-	(352)	(15.7)
– short-term fluctuation in investment returns	(284)	(357)	(15.9)	41	1.8	(117)	(5.2)
– change in the equalisation provision	(13)	(9)	(0.4)	(4)	(0.2)	(19)	(0.8)
– net profit arising on the sale of subsidiary undertakings	125	105	4.7	-	-	12	0.5
– provision for loss on business to be discontinued	13	13	0.6	-	-	(989)	(44.0)
– loss on withdrawal from London Market operations	-	-	-	-	-	(314)	(14.0)
– merger transaction costs	-	-	-	-	-	(50)	(2.2)
Profit/(loss) attributable to equity shareholders	155	(56)	(2.5)	292	13.0	(1,730)	(77.0)

Earnings per share has been calculated based on the operating profit from 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 figure provides a better indication of operating performance. The calculation of basic earnings per share uses a weighted average of 2,251 million (three months to 31 March 2000: 2,242 million, full year 2000: 2,247 million) ordinary shares in issue.

The actual number of shares in issue at 31 March 2001 was 2,251 million (31 March 2000: 2,243 million, 31 December 2000: 2,251 million).

b) Diluted earnings per share

	3 months 2001			3 months 2000		Full year 2000	
	Total £m	Weighted average number of shares m	Per share p	Weighted average number of shares m	Per share p	Weighted average number of shares m	Per share p
(Loss)/profit attributable to equity shareholders	(56)	2,251	(2.5)	2,242	13.0	2,247	(77.0)
Dilutive effect of options	-	3	-	3	-	4	0.1
Diluted earnings	(56)	2,254	(2.5)	2,245	13.0	2,251	(76.9)

12. Longer-term investment return

The longer-term investment return is calculated separately for each principal general insurance business and certain long-term operations. 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 period, by the longer-term rate of investment return. The longer-term rate of investment return is determined using consistent assumptions between operations, having regard to local economic and market forecasts of investment return. The allocated longer-term return for other investments is the actual interest income receivable for the period.

The principal assumptions underlying the calculation of the longer-term investment return are:

	Longer-term rates of return			
	Equities		Properties	
	2001	2000	2001	2000
	%	%	%	%
United Kingdom	8.1%	8.1%	6.6%	6.6%
France	7.5%	7.5%	6.5%	6.5%
Ireland	8.7%	8.7%	6.7%	6.7%
Netherlands	8.4%	8.4%	6.5%	6.5%
Australia and New Zealand	10.0%	10.0%	8.0%	8.0%
Canada	9.3%	9.3%	7.3%	7.3%
United States	9.3%	9.3%	7.3%	7.3%

Statistical supplement

Segmental analysis of Group operating profit* at constant currency - achieved profit basis

	3 months 2001	3 months 2000 at 2001 exchange rates	3 months 2000
	£m	£m	£m
Ongoing business			
Life achieved operating profit			
United Kingdom	241	237	237
France	54	51	49
Ireland	17	16	15
Italy	11	5	5
Netherlands	46	47	46
Poland life and pensions	23	28	24
Spain	16	2	2
Other Europe	28	(5)	(5)
International	8	11	12
	444	392	385
Health			
United Kingdom	(1)	-	-
France	1	3	3
Netherlands	17	13	13
	17	16	16
Fund management			
United Kingdom	4	1	1
France	3	3	3
Netherlands	3	1	1
Other Europe	-	1	1
Australia and New Zealand	5	3	3
United States	1	1	1
	16	10	10
General insurance			
United Kingdom	100	79	79
France	10	(13)	(13)
Ireland	5	5	5
Netherlands	-	(1)	(1)
Other Europe	7	1	1
Australia and New Zealand	11	18	20
Canada	11	13	12
Other	11	10	10
	155	112	113
Non-insurance operations	(4)	(4)	(4)
Corporate costs	(40)	(42)	(41)
Unallocated interest charges	(46)	(29)	(28)
– external	(46)	(29)	(28)
– intra-group	(65)	(49)	(49)
	477	406	402
Wealth management	(32)	(9)	(9)
Group operating profit before tax* - ongoing business	445	397	393

* Group operating profit before tax, amortisation of goodwill and exceptional items

Restating 2000 modified statutory life profits to account for the impact of exchange rate movements in 2001 would result in modified statutory life profits increasing from £290 million to £291 million for the three months to 31 March 2000.

Supplementary analyses**a) New business contribution – including effect of solvency margin**

	3 months 2001 £m	2000 at 2001 assumptions* £m	3 months 2000 £m
United Kingdom	78	56	59
Europe (excluding UK)			
France	11	11	12
Ireland	6	5	6
Italy	7	1	1
Netherlands	1	1	3
Poland – Life	1	2	2
– Pensions	1	14	12
Spain	10	-	-
Other	1	1	1
International	(3)	(2)	(2)
	113	89	94

* 2000 new business contribution has been shown using the application of the 2001 economic assumptions and exchange rates.

b) Non-insurance operations – operating profit

	3 months 2001 £m	3 months 2000 £m	Full year 2000 £m
United Kingdom			
Hill House Hammond	2	4	12
Norwich Union Direct Financial Services	-	(3)	(7)
Norwich Union Equity Release and other personal finance subsidiaries	(3)	(3)	(7)
Your Move	(7)	(12)	(39)
Other	2	(2)	(3)
Europe (excluding UK)	2	12	20
	(4)	(4)	(24)

c) Corporate costs

	3 months 2001 £m	3 months 2000 £m	Full year 2000 £m
Staff profit share scheme costs	(16)	(14)	(57)
Other corporate costs	(24)	(27)	(128)
	(40)	(41)	(185)

d) Wealth management – operating result

	3 months 2001 £m	3 months 2000 £m	Full year 2000 £m
United Kingdom			
assertahome	(4)	(5)	(23)
Other wealth management	(28)	(4)	(110)
	(32)	(9)	(133)

Supplementary analyses (continued)**e) General business – investment return information**

	Actual investment return			Longer-term investment return		
	3 months 2001 £m	3 months 2000 £m	Full year 2000 £m	3 months 2001 £m	3 months 2000 £m	Full year 2000 £m
United Kingdom	109	117	489	157	156	683
Europe (excluding UK)						
France	8	8	52	25	24	93
Ireland	11	10	41	13	12	51
Netherlands	5	9	14	9	9	36
Other	13	14	53	18	22	75
International						
Australia and New Zealand	14	20	73	18	24	89
Canada	27	26	110	32	31	131
Other	3	17	61	12	26	75
Total longer-term investment return – ongoing business				284	304	1,233
Total actual investment income	190	221	893			
Realised gains	7	165	507			
Unrealised (losses)/gains	(249)	23	82			
Total actual investment return – ongoing business	(52)	409	1,482			
Businesses discontinued and to be discontinued						
United States	169	139	483	93	105	417
London Market	-	15	45	-	18	55
	117	563	2,010	377	427	1,705

Reconciliation between general business investment return information and short-term fluctuation in investment returns incorporated in the summarised consolidated profit and loss account – modified statutory basis.

For the three months to 31 March 2001

	Actual investment return £m	Longer-term investment return £m	Short-term fluctuation in investment returns £m
General business	117	377	(260)
Health business	11	26	(15)
	128	403	(275)
Life business			(9)
Total short-term fluctuation in investment returns			(284)

Supplementary analyses (continued)**f) General business information – adverse weather/catastrophe claims costs**

	3 months 2001 £m	3 months 2000 £m	Full year 2000 £m
United Kingdom*	-	-	195
Europe (excluding UK)			
France	-	9	95
Ireland	-	-	4
International			
Australia and New Zealand	2	-	4
Canada	5	-	15
Other	-	-	18
	7	9	331

* Adverse weather/catastrophe claims costs are the costs above the 10-year average weather pattern.

g) Disposals – impact on operating profit

The Group's operating profit in 2001 and 2000 from ongoing business excludes the result from the United States general insurance business and London Market operations. All other disposals and businesses in the process of being sold are not considered sufficiently material to merit separate disclosure in the Group results or do not meet Financial Reporting Standard 3, "Reporting Financial Performance" definition of discontinued business. A summary of the contribution to the Group's operating profit from these operations is as follows:

	3 months 2001 £m	3 months 2000 £m	Full year 2000 £m
Disposals			
United Kingdom – fund management	3	3	11
Poland – life *	-	(1)	(6)
Other Europe – life *	-	(1)	(10)
Other Europe – general	-	-	5
New Zealand – general	-	3	10
Other International – general	-	(4)	8
Businesses being disposed of			
Italy – life *	1	-	2
Other International – life *	3	3	19
	7	3	39

* Impact on operating profit is stated on an achieved profit basis.

The longer-term investment return component of the general business results included in the table above was £nil (three months to 31 March 2000: £9 million, full year 2000: £29 million).

General insurance – geographical ratio analysis

	Claims ratio		Expense ratio		Combined operating ratio	
	3 months	3 months	3 months	3 months	3 months	3 months
	2001	2000	2001	2000	2001	2000
	%	%	%	%	%	%
United Kingdom	72.8%	77.1%	10.7%	10.8%	105%	107%
France	72.8%	90.5%	10.9%	11.2%	103%	120%
Ireland	85.1%	87.9%	9.8%	10.1%	106%	108%
Netherlands	67.0%	72.4%	17.9%	15.5%	106%	108%
Australia and New Zealand	74.4%	72.0%	15.5%	18.1%	105%	103%
Canada	78.4%	77.3%	14.3%	14.5%	111%	109%
Group - ongoing business	73.8%	78.3%	12.0%	12.3%	105%	108%

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 analyses**a) United Kingdom – ongoing business**

	Net written premiums		Underwriting result		Combined operating ratio	
	3 months 2001 £m	3 months 2000 £m	3 months 2001 £m	3 months 2000 £m	3 months 2001 %	3 months 2000 %
Personal						
Motor	356	337	(25)	(22)	106%	109%
Homeowner	277	319	7	9	98%	97%
Creditor	151	108	6	2	100%	101%
Other	25	26	-	(3)	94%	107%
	809	790	(12)	(14)	102%	103%
Commercial						
Motor	178	175	(20)	(33)	109%	119%
Property	133	168	(10)	(19)	109%	111%
Liability	55	57	(16)	(14)	128%	123%
Other	34	26	1	3	94%	87%
	400	426	(45)	(63)	110%	114%
	1,209	1,216	(57)	(77)	105%	107%

During the three months to 31 March 2001, annualised rating increases for commercial motor have been 20%, with 15% for personal motor and commercial liability, while homeowners and commercial property have seen increases of 4% and 7% respectively.

b) France

	Net written premiums		Underwriting result		Combined operating ratio	
	3 months 2001 €m	3 months 2000 €m	3 months 2001 €m	3 months 2000 €m	3 months 2001 %	3 months 2000 %
Agents/brokers						
Motor	120	117	(21)	(26)	117%	122%
Property	173	156	1	(26)	99%	117%
Other	77	69	(3)	(3)	104%	105%
Direct	17	15	(1)	(6)	104%	138%
	387	357	(24)	(61)	103%	120%

General insurance – class of business analyses (continued)**c) Netherlands**

	Net written premiums		Underwriting result		Combined operating ratio	
	3 months 2001	3 months 2000	3 months 2001	3 months 2000	3 months 2001	3 months 2000
	€m	€m	€m	€m	%	%
Domestic	31	29	2	(1)	92%	102%
Motor	68	64	(5)	(4)	109%	105%
Commercial fire	39	32	(8)	(4)	115%	112%
Liability	17	17	(4)	(4)	125%	134%
Inward reinsurance	1	1	-	(1)	120%	164%
Other	22	26	1	(2)	94%	106%
	178	169	(14)	(16)	106%	108%

d) Canada

	Net written premiums		Underwriting result		Combined operating ratio	
	3 months 2001	3 months 2000	3 months 2001	3 months 2000	3 months 2001	3 months 2000
	C\$m	C\$m	C\$m	C\$m	%	%
Automobile	269	274	(26)	(33)	110%	111%
Property	128	135	(20)	(15)	116%	111%
Liability	32	37	(2)	1	111%	99%
Other	8	7	1	2	78%	67%
	437	453	(47)	(45)	111%	109%

Assets under management

	Long-term business 31 March 2001 £m	General business and other 31 March 2001 £m	Group 31 March 2001 £m	Group 31 December 2000 £m
Financial investments				
Shares, other variable yield securities and units in unit trusts	42,727	5,052	47,779	50,910
Debt and fixed income securities at market value	12,011	14,477	26,488	25,273
Debt and fixed income securities at amortised cost	36,252	-	36,252	35,095
Loans secured by mortgages and other loans, net of non-recourse funding	11,770	1,236	13,006	12,311
Deposits with credit institutions	1,794	773	2,567	2,841
Total financial investments	104,554	21,538	126,092	126,430
Investments in Group undertakings and participating interests	752	287	1,039	992
Land and buildings	8,161	817	8,978	8,826
Total investments	113,467	22,642	136,109	136,248
Assets held to cover linked liabilities	24,002	-	24,002	27,255
Other assets included in the balance sheet	11,026	21,651	32,677	29,815
Total assets included in the balance sheet	148,495	44,293	192,788	193,318
Third party funds under management:				
Unit trusts, Oeics, Peps and Isas			4,788	5,295
Segregated funds			16,954	21,302
Total assets under management			214,530	219,915

Shareholder information

Financial calendar 2001

Payment of 2000 final dividend	3 May 2001
Announcement of life new business – six months to 30 June	18 July 2001
Announcement of unaudited six months results	2 August 2001

Shareholder enquiries

Shareholders who have any administrative enquiries about their shareholding in CGNU plc should contact the Company's Registrar:

Lloyds TSB Registrars
The Causeway
Worthing
West Sussex
BN99 6DA

0870 600 3952

Internet addresses

There are various internet sites within the Group, most of which inter-link to enable quick reference direct to specific sites. Principal UK internet sites are as follows:

CGNU Group	www.cgnu-group.com
UK long-term savings and general insurance	www.norwichunion.co.uk
Fund management	www.morleyfm.com
Wealth management	www.norwichunion.com
Buying a home	www.your-move.co.uk
	www.assertahome.com

CGNU plc
Registered in England no: 2468686
Registered Office: St Helen's, 1 Undershaft, London EC3P 3DQ