

CGNU plc
Worldwide long-term savings new business
Year to 31 December 2001

22 January 2002

- **Full year worldwide long-term new business sales up 10% to £15 billion**
- **Full year worldwide APE* up 12% to £2.5 billion and fourth quarter APE* up 23% to £741 million**
- **Record quarter for worldwide long-term new business sales up 21% at £4.5 billion**
- **Full year UK life and pension sales up 10% at £7.3 billion (on an APE* basis up 30% to £1.3 billion)**
- **Continental European life and pension sales up 39% to £5.5 billion, representing 41% of total life and pension sales**

* Annual premium equivalent (APE) is total of new regular premiums and 10% of single premiums
All growth rates are quoted at constant rates of exchange

Richard Harvey, Group Chief Executive, commented:

“In 2001, our first full year as a merged company, we achieved record long-term new business sales up 10% to £15 billion. This growth, and particularly the excellent growth we achieved in the fourth quarter, is pleasing given challenging market conditions. From strong market positions, our businesses have outperformed their local markets in 2001.

“As the market leader in the UK, we achieved record long-term new business sales of £8.1 billion. These excellent results demonstrate the strength of the Norwich Union brand and our UK life business.

“Our Continental European businesses achieved full year life and pension sales of £5.5 billion (2000: £4.0 billion) with sales in the fourth quarter of £1.8 billion (2000: £1.2 billion). Our businesses in France, Ireland and the Netherlands saw continued organic growth reflecting the strength of their broad product offerings. In Spain and Italy our bancassurance partnerships produced strong new business sales of £1.7 billion (2000: £0.4 billion) driving total sales to £1.9 billion in 2001. We are well placed to continue this momentum into 2002.

“The initiatives we have taken worldwide to develop our business and build a multi-distribution capability position us for further progress in 2002.”

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There will be a conference call today for wire services at 7.45 am on +44(0)20 8781 0577 and for analysts and investors at 9.30am (UK time) on +44(0)20 8781 0576. Both conference calls will be hosted by Philip Scott, Group Executive Director. Replay will be available for 1 week until 29 January. The dial in number for replay is +44(0)20 8288 4459 and the pass code is 645332.

	Long-term savings new business sales					Annual premium equivalent	
	Single		Regular		Total	12 months to 31 December 2001 £m	Local currency growth ¹
	12 months to 31 December 2001 £m	Local currency growth ¹	12 months to 31 December 2001 £m	Local currency growth ¹	Local currency growth ¹		
Life and pensions							
United Kingdom	6,662	7%	603	70%	10%	1,269	30%
France	1,961	6%	37	(11%)	5%	233	3%
Ireland	468	20%	55	31%	21%	102	26%
Italy	924	347%	34	(12%)	291%	126	113%
Netherlands (including Belgium and Luxembourg)	674	35%	103	23%	34%	170	27%
Poland	19	67%	58	(72%)	(64%)	60	(71%)
Spain	885	159%	47	101%	155%	136	136%
Other Europe	188	7%	72	(10%)	2%	91	(7%)
International	619	34%	70	33%	34%	132	33%
Total life and pensions	12,400	22%	1,079	17%	21%	2,319	20%
Investment sales							
United Kingdom	808	(8%)	8	(60%)	(9%)	89	(18%)
Netherlands	85	(92%)	-	-	(92%)	9	(92%)
Other Europe	227	(22%)	-	-	(22%)	23	(22%)
International	347	25%	-	-	25%	35	25%
Total investment sales	1,467	(41%)	8	(60%)	(41%)	156	(43%)
Total long-term savings	13,867	9%	1,087	16%	10%	2,475	12%
Navigator sales (not included above)	930	20%	-	-	20%	-	-

1. All growth rates are quoted in local currency

United Kingdom:

Norwich Union, the UK's largest life and pensions provider with a market share of over 11%, achieved record sales in 2001 up 8% to £8,081 million (2000: £7,505 million). These results demonstrate the excellent performance of our UK life business and the strength of the Norwich Union brand during a period of merger integration. In the fourth quarter of 2001, sales were up 6% over the same period of 2000 to £2,089 million (fourth quarter 2000: £1,969 million). In Annual Premium Equivalent (APE) terms, full year sales were 25% higher at £1,358 million (2000: £1,087 million). In the fourth quarter of 2001, sales on APE basis were up 33% to £364 million (fourth quarter 2000: £275 million).

Total pension sales grew by 39% to £2,469 million (2000: £1,777 million) reflecting our strong brand profile and a highly successful stakeholder pensions advertising campaign. Norwich Union established itself as the market leader in the provision of stakeholder pensions. In the eight months since launch, we have achieved our overall target market share of around 20% and secured about one-third of the market in the important IFA channel.

Individual pension sales increased by 68% to £1,614 million (2000: £959 million) including stakeholder sales of £227 million. Group pension sales grew to £855 million (2000: £818 million) reflecting continued strong growth in annual premium sales, and include group stakeholder sales of £55 million.

Single premium bonds sales held up at £3,697 million (2000: £3,758 million) in a competitive market. Fourth quarter sales were the strongest this year at £1,060 million. Annuity single premiums were £785 million (2000: £772 million) reflecting the benefits of a re-launch of our income and retirement range of products. Mortgage product sales and other life product sales increased to £312 million (2000: £296 million) with mortgage protection sales showing strong growth in a highly competitive market.

Retail investment sales dropped by 8% to £808 million (2000: £877 million), following a difficult quarter for these types of investment products, as investors remained cautious in a period of stock market volatility.

Norwich Union continues to develop its multi-distribution reach. It is a leading IFA provider with around 75% of sales coming through this channel. At the same time, we continue to build and expand our bancassurance and affinity partnership arrangements and invest in our salaried direct sales force and telesales operation. Our broad product range, strong brand, scale and our multi-distribution capability makes us well placed for forthcoming changes in the regulatory system announced in the recent FSA consultation paper.

Our partnership with the Royal Bank of Scotland Group (RBSG) produced stronger sales in the final quarter of 2001 delivering single premium sales for the full year 2001 of £456 million and regular premium sales of £24 million. The momentum reported in the third quarter has been maintained and the relationship is beginning to show its potential. Launches of a new protection product and a with-profits bond are scheduled for the first half of 2002 and will contribute to building this momentum further. In reporting our numbers we have included our 50% share of total sales, single premium sales of £228 million and regular premium sales of £12 million, from the RBSG partnership.

Our on-line wealth management service, norwichunion.com, has now generated approximately one million unique visitors which has resulted in over 90,000 registrations. A fund supermarket and a share dealing service were launched in December 2001 and a range of banking services, including deposits, cards and personal loans, is planned for later in 2002. During 2002 we will finish building this platform by extending the range of products offered to include banking services, and align it more closely with the core UK long-term savings business.

France:

Strong sales continued in the fourth quarter of 2001 and produced an increase in total sales to £1,998 million (2000: £1,861 million) outperforming the market which we estimate contracted by 6% during 2001. This performance demonstrates the strength of our multi-distribution capability and product range in our French life business, the second largest in the CGNU group. The expected downturn in sales in the fourth quarter did not materialise with sales up 15% in this quarter to £536 million (fourth quarter 2000: £451 million).

Total AFER new business sales increased by 10% to £1,135 million (2000: £1,012 million). Single premium "French Franc" AFER business grew by 32% to £930 million (2000: £690 million) which continues to reflect consumer preference for fixed interest investments, AFER's brand strength and its position as the largest savings organisation in France. Unit-linked products continue to suffer as a result of volatile equity markets, however this has been offset in part by the launch of a new unit-linked contract "Victoire 265" which resulted in sales of £57 million in the fourth quarter. Protection business increased to £176 million (2000: £148 million).

Ireland:

Hibernian Life & Pensions is a top five provider of life and pensions products and increased total new business premiums by 21% to £523 million (2000: £424 million) in 2001. Pension sales increased by 81% to £174 million (2000: £95 million).

Sales of the with-profit Celebration Bond continued to grow strongly to £255 million (2000: £155 million), an increase of 62%. This reflected the popularity of this form of investment against the backdrop of volatile equity markets, which have depressed unit-linked bond sales consistent with the trends seen elsewhere. Sales of the Government's Special Savings Investment Account (SSIA) contributed £14 million and are expected to increase strongly as the closing date of 30 April 2002 approaches.

Italy:

Following the expansion of our bancassurance partnerships in 2001, our Italian business has seen excellent growth of 291% to £958 million (2000: £241 million) in total new business premiums, reflecting the strength of our distribution agreements and the traditionally buoyant fourth quarter sales activity. As a result, we expect to increase our new business market share in 2001 to around 5%.

In its first year, our agreement with UniCredito Italiano's subsidiary Cassa di Risparmio di Torino (CRT) contributed sales of £595 million (2000: nil), with £193 million during the fourth quarter. Total new business premiums through our agreement with Banca Popolare di Lodi (BPL) increased significantly to £166 million (2000: £17 million), as a significant number of branches in the BPL network came on stream. We expect this to reach 1,200 branches in 2002. Sales through our other bancassurance partner, Banca delle Marche also

increased strongly during the fourth quarter to £38 million resulting in full year sales of £72 million (2000: £81 million).

Following the introduction of new products in September 2001 to benefit from the new Italian fiscal incentives for retirement savings, we expect sales to grow as consumers become increasingly aware of the need for private pension provision.

Netherlands (including Belgium and Luxembourg):

Delta Lloyd, a top five provider of life and pensions business in the Netherlands, reported an increase of 34% in sales to £777 million (2000: £569 million), building on the strong performance in the first nine months of 2001.

Total pension sales increased to £516 million (2000: £341 million) which was primarily driven by an increase of 42% in individual pensions, with total sales of £202 million. Increasing public awareness of the need for private provision has stimulated the individual pension market and after a slow start in 2001 Delta Lloyd is attracting its share of this growing market. This, combined with the fiscal year end, has resulted in strong fourth quarter sales of £69 million. Group pension sales include the Fokker pension scheme premium of £75 million.

Total life sales rose 12% to £261 million (2000: £228 million), despite new tax reforms, which were expected to reduce the attractiveness of such products.

We completed the acquisition of Bank Nagelmackers, a medium sized Belgian bank, in the fourth quarter. We commenced the roll out of Delta Lloyd products through the distribution network of 100 branches and some 290 agents and expect to see the benefits of the distribution potential that Nagelmackers offer in Belgium in the second half of 2002.

The ongoing volatility in investment markets has seen investors continue to favour traditional deposit-based savings over equity-backed products and this is reflected in investment sales of £85 million (2000: £1,025 million). Whilst not reflected in the new business figures, institutional sales of mutual funds increased to £584 million (2000: £62 million) as a result of attracting a large number of mandates and demonstrates the strength of the Delta Lloyd brand in the Dutch market.

Poland:

CU Polska is the leading provider of individual life and private pensions in Poland and has total assets under management of £2.2 billion.

Flat life new business premiums of £51 million (2000: £52 million) were achieved despite ongoing difficult economic conditions. New regular premium pension sales of £24 million (2000: £139 million) were lower due to the relatively small number of new entrants to the employment market eligible to buy private pensions following the effects of the one-off pension privatisation in 1999, which continued to flow through into 2000.

Spain:

In Spain we achieved growth of 155% in total new business premiums to £932 million (2000: £359 million) with strong sales during the traditionally buoyant fourth quarter. These figures reinforce our fourth place ranking for life business in this key European growth market.

Total new business premiums from the first full year of our partnership with Bancaja increased to £858 million (2000: £276 million), reflecting the attraction of products designed for bancassurance distribution. Sales include £79 million in respect of large single premium corporate pension sales (2000: £152 million). Our more recent agreements with Unicaja and Caixa Galicia contributed £15 million in the fourth quarter in advance of the introduction, early in 2002, of new products based on those successfully sold through the Bancaja network.

In late December 2001 we completed a fourth bancassurance partnership with Caja España, Spain's tenth largest savings bank. Including this new relationship, we have created the fourth largest bancassurance network in Spain with over 3,000 branches giving access to approximately 8 million potential customers.

Sales at our subsidiary Plus Ultra were down at £59 million (2000: £83 million) reflecting lower demand for unit-linked products during a period of uncertain stockmarket conditions.

Other Europe:

Total life and pension sales from our other European businesses were up at £260 million (2000: £250 million). In Germany total new business premiums increased by 19% to £117 million (2000: £97 million) reflecting strong individual pension sales of £31 million. The enactment of the “Riester” pension reforms in Germany from 1 January 2002 generates significant opportunities in this market. We are well placed to benefit from the reforms by leveraging our pensions knowledge and experience from other European markets.

In Turkey we have maintained our strong sales momentum although the impact of the rapid currency devaluation means that in sterling terms total new business premiums were lower at £20 million (2000: £22 million). Delays in enacting the private pensions legislation means that sales are unlikely to commence before the fourth quarter of 2002.

Challenging conditions in international equity markets have had an impact on single premium sales of £93 million (2000: £105 million) from our Dublin-based offshore life and savings business. In addition, sales of Luxembourg UCITS were down 22% at £227 million (2000: £284 million).

In the emerging markets of Central and Eastern Europe we have developing businesses in the Czech Republic and Hungary. In Romania we are successfully distributing life products through Société Générale’s local subsidiary.

International:

Total International life and pension sales were 34% higher at £689 million (2000: £520 million). Our United States business contributed total new business premiums of £371 million (2000: £218 million), up 62%, as a result of continuing strong fixed annuity sales.

In Australia, total life and pension sales were down at £244 million (2000: £255 million). In Singapore, our bancassurance partnership with DBS Group Holdings Limited (DBS) has made an encouraging start with total sales of £63 million in its first four months. We are on plan to have a new financial adviser salesforce operating within the bank branches in the first quarter of 2002. Two new products were launched in November 2001 and we plan to launch further new products in the first half of 2002.

In the first half of 2001 we disposed of our two Canadian life businesses, which contributed single premium sales of £4 million (2000: £30 million) and regular premium sales of £3 million (2000: £14 million).

In Australia, unit trust sales were higher at £347 million (2000: £295 million) due to strong inflows in the fourth quarter including the processing of the bulk of fund manager distributions. Whilst not included in the new business figures, sales of Navigator, a market-leading master trust, increased 20% to £930 million (2000: £824 million).

Notes to Editors

1. 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. CGNU is the world's seventh-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 for the year ended 31 December 2000, and assets under management of more than £200 billion as at 30 June 2001.

From 2 October 2000, the combined life and pensions, retail fund and general insurance businesses in the UK have operated under the Norwich Union brand, and the institutional investment business has operated under the Morley Fund Management brand.

2. New business figures have been translated at average exchange rates applying for the period.

			2001		2000
Australia	- dollars	£1 =	2.79	£1 =	2.62
Poland	- zloty	£1 =	5.89	£1 =	6.57
United States	- dollars	£1 =	1.44	£1 =	1.51

The average euro rates employed in this announcement are 1 euro= £0.62 (year to 31 December 2000: 1 euro= £0.61).

3. All growth rates are quoted in local currency.
4. Definitions:

Annual premium equivalent (APE) is a UK industry standard for calculating life, pensions and investments new business levels. It is the total of new regular premiums and 10% of single premiums.

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Detailed worldwide long-term savings new business analysis

	Single			Regular		
	12 months to 31 December 2001 £m	12 months to 31 December 2000 £m	Local currency growth	12 months to 31 December 2001 £m	12 months to 31 December 2000 £m	Local currency growth
United Kingdom						
Individual pensions	1,479	897	65%	135	62	118%
Group pensions	526	644	(18%)	329	174	89%
Mortgage	-	-	-	50	37	35%
Annuities	785	772	2%	-	-	-
Bonds	3,697	3,758	(2%)	2	5	(60%)
Other life	175	183	(4%)	87	76	15%
Total life and pensions	6,662	6,254	7%	603	354	70%
Peps / Isas / unit trusts / Oeics	808	877	(8%)	8	20	(60%)
	7,470	7,131	5%	611	374	63%
France						
AFER (excluding unit-linked)	930	690	32%	-	-	-
Unit-linked & other savings	874	1,001	(14%)	18	22	(20%)
Protection business	157	130	19%	19	18	(1%)
	1,961	1,821	6%	37	40	(11%)
Ireland						
Life & savings	327	317	1%	22	12	72%
Pensions	141	66	110%	33	29	14%
	468	383	20%	55	41	31%
Italy						
Life & savings	924	203	347%	34	38	(12%)
	924	203	347%	34	38	(12%)
Netherlands (including Belgium and Luxembourg)						
Individual pensions	202	140	42%	-	-	-
Group pensions	280	178	54%	34	23	45%
Life	192	169	11%	69	59	14%
Total life and pensions	674	487	35%	103	82	23%
Unit trusts	85	1,025	(92%)	-	-	-
	759	1,512	(51%)	103	82	23%
Poland						
Life & savings	17	10	53%	34	42	(29%)
Pensions	2	-	-	24	139	(85%)
	19	10	67%	58	181	(72%)
Spain						
Life & savings	738	113	544%	28	15	89%
Pensions	147	223	(35%)	19	8	124%
	885	336	159%	47	23	101%
Other Europe						
Life & pensions	188	172	7%	72	78	(10%)
UCITS and other	227	284	(22%)	-	-	-
	415	456	(11%)	72	78	(10%)
International						
Life & pensions	619	467	34%	70	53	33%
Unit trusts	347	295	25%	-	-	-
	966	762	31%	70	53	33%
Total long-term savings	13,867	12,614	9%	1,087	910	16%
<i>Analysed:</i>						
Life & pensions	12,400	10,133	22%	1,079	890	17%
Investment sales	1,467	2,481	(41%)	8	20	(60%)
Total long-term savings	13,867	12,614	9%	1,087	910	16%
Navigator sales (not included above)	930	824	20%	-	-	-

Analysis of UK long-term savings sales by distribution channel

	Single			Regular		
	12 months to 31 December 2001 £m	12 months to 31 December 2000 £m	Local currency growth	12 months to 31 December 2001 £m	12 months to 31 December 2000 £m	Local currency growth
IFA						
- life and pensions products	4,875	5,014	(3%)	498	274	82%
- investment products	509	654	(22%)	5	12	(58%)
	5,384	5,668	(5%)	503	286	76%
Partnerships / Direct						
- life and pensions products	1,787	1,240	44%	105	80	31%
- investment products	299	223	34%	3	8	(63%)
	2,086	1,463	43%	108	88	23%
Total UK long-term savings	7,470	7,131	5%	611	374	63%

Annual premium equivalent

Annual premium equivalent (APE) is an UK industry standard for calculating life, pensions and investments new business levels. It is the total of new regular premiums and 10% of single premiums.

	<u>Life and pensions sales</u>		<u>Investment sales</u>		<u>Total worldwide sales</u>	
		Local currency growth		Local currency growth		Local currency growth
	£m		£m		£m	
United Kingdom						
IFA	985	27%	56	(28%)	1,041	22%
Partnerships / Direct	284	39%	33	9%	317	36%
	1,269	30%	89	(18%)	1,358	25%
France	233	3%	-	-	233	3%
Ireland	102	26%	-	-	102	26%
Italy	126	113%	-	-	126	113%
Netherlands (including Belgium and Luxembourg)	170	27%	9	(92%)	179	(25%)
Poland	60	(71%)	-	-	60	(71%)
Spain	136	136%	-	-	136	136%
Other Europe	91	(7%)	23	(22%)	114	(10%)
International	132	33%	35	25%	167	32%
Total long-term savings	2,319	20%	156	(43%)	2,475	12%