

Pearl Group Holdings (No. 1) Limited – Update on Tier 1 Notes – 23 March 2010

Pearl Group Holdings (No.1) Limited (PGH1)

**Deferral of Coupon Payment due on 25 April 2010 in respect of the
£500,000,000 6.5864 per cent. Fixed/Floating Rate Perpetual Reset Capital Securities
(the "Tier 1 Notes")**

Common Code: 023524520 ISIN: XS0235245205

Pursuant to Condition 4(a) of the Tier 1 Notes, PGH1 hereby gives notice that it has elected to defer the Coupon Payment scheduled to be paid on the Coupon Payment Date falling on 25 April 2010.

In accordance with Condition 4(a), a copy of this notice has been sent to each of the Trustee and the Principal Paying Agent.

Capitalised terms used in this notice that are not otherwise defined have the meaning given to them in the Conditions of the Tier 1 Notes.

Background

On 12 March 2010, Phoenix Group Holdings ("Phoenix", and together with its subsidiaries, the "Group") announced that it was in substantive and positive discussions with the Ad Hoc Committee representing a substantial proportion of the holders (the "Noteholders") of the Tier 1 Notes to resolve the issues between them. It noted that any agreement would be subject to approval by the Group's regulators and other stakeholders as well as by a vote of Noteholders.

Following these discussions, Phoenix can now confirm that it is seeking approval from the Group's lenders and the FSA to terms that it would then put to a vote of Noteholders.

The proposals envisage a reduction in the face amount of the Tier 1 Notes of 15%, with a payment in respect of, and in the full amount of, the deferred 2009 coupon by the end of this year and payment of the 2010 coupon in full (both payments to be based on the pre-reduction £500,000,000 principal balance of the Tier 1 Notes). The proposals also provide for certain changes to the trust deed governing the terms and conditions of the Tier 1 Notes that include changes proposed in the January consent solicitation, and also a further adjustment so that interest on the loan owed by Phoenix subsidiary, Impala Holdings Limited to PGH1 is paid in cash in the amount necessary to service interest on the Tier 1 Notes.

The next coupon on the Tier 1 Notes is due to be paid on 25 April 2010 and PGH1 is required to give notice by 24 March 2010 if it intends to defer the 2010 coupon. Taking into account, *inter alia*, the consequences for the broader group, and the potential impact on PGH1 itself, the Board of PGH1 is currently unable to authorise payment of the 2010 coupon until the agreement is concluded.

The coupon deferral notice will be withdrawn and the 2010 coupon will be paid in full (as envisaged in the amended terms of the Tier 1 Notes forming part of the proposals which PGH1 intends to put to Noteholders following the approval of the FSA and the Group's lenders) if a successful vote on the proposals by Noteholders is achieved before the date on which the coupon is due for payment.

Phoenix will make a further statement at or before its results presentation on 31 March.

Media:

Daniel Godfrey, Director of Corporate Communications, Phoenix Group

+ 44 (0) 20 7489 4517 (DD)

+ 44 (0) 7894 937 890 (M)

Andrew Grant, James Bradley, Mal Patel, Tulchan Communications

+ 44 (0) 20 7353 4200

Investors:

Fiona Clutterbuck, Director, Corporate Office, Phoenix Group

+ 44 (0) 20 7489 4881

Lorraine Rees, Head of Investor Relations, Phoenix Group

+44 (0) 20 7489 4456