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31 March 2010

PEARL GROUP HOLDINGS (NO.1) LIMITED (THE "COMPANY") ANNOUNCES A SOLICITATION OF CONSENTS FROM THE HOLDERS OF ITS OUTSTANDING £500,000,000 6.5864 PER CENT. FIXED/FLOATING RATE PERPETUAL RESET CAPITAL SECURITIES (THE "NOTES") IN RESPECT OF PROPOSED AMENDMENTS TO THE NOTES

The Company has today announced a solicitation of consents from the holders of its outstanding £500,000,000 6.5864 per cent. Fixed/Floating Rate Perpetual Reset Capital Securities for the adoption of certain proposed amendments to the Notes (the "**Proposed Amendments**") as described herein and the convening of a Meeting of Noteholders at 9am (London time) on 22 April 2010, at which the Extraordinary Resolution to approve the Proposed Amendments and their implementation will be considered and, if thought fit, passed.

Group Chief Executive, Jonathan Moss said:

"We are very pleased to be sending these proposals to our Tier 1 Noteholders, which have been supported by the ad hoc Committee of Noteholders and which resolve all the issues between us. The proposals are fair and reasonable and we are confident that they will be successful. It's important to us that we have good relationships with all our stakeholders and are seen to be a company that delivers on its commitments."

The Consent Solicitation is made on the terms and subject to the conditions set out in the Consent Solicitation Memorandum dated 31 March 2010 (the "**Consent Solicitation Memorandum**").

RATIONALE FOR THE CONSENT SOLICITATION

The purpose of the Consent Solicitation is to ask Noteholders to agree to changes to the terms of their Notes. The Company believes that the Proposed Amendments would allow both the Company and Noteholders to move forward in a satisfactory manner.

Under the Proposed Amendments, Phoenix Group Holdings ("**Phoenix**") (previously known as Pearl Group) would be prevented from paying dividends to its shareholders whilst any Coupon Payment (as defined in the Consent Solicitation Memorandum) remained deferred (with the exception of aggregate dividend payments to its shareholders of up to a maximum of £60,000,000 in 2010 but after 22 April 2010). Currently this restriction is only in place at the level of the Company. Furthermore, Consent to the Proposed Amendments would amend the existing ACSM so that, if the ACSM were activated by the Company, the ultimate holding company of the Phoenix group of companies (currently Phoenix Group Holdings) would be required to issue shares or other securities qualifying as tier 1 capital (as well as the Company) in order to raise the amount required to satisfy any Deferred Coupon Payment (as defined in the Consent Solicitation Memorandum).

In addition, Noteholders are being asked to agree to the reduction of the nominal principal amount of the Notes to 85 per cent. of par, on which the original interest rate of 6.5864 per cent. would remain payable.

Subject to the passing and implementation of the Extraordinary Resolution, the Company and Phoenix have agreed to operate the ACSM so as to enable Noteholders to receive the 2009 Deferred Coupon (calculated by reference to the principal amount for the time being outstanding before the passing of the Extraordinary Resolution for the entire Coupon Period applicable to that Coupon Payment) by 31 December 2010.

On 23 March 2010, the Company exercised its right to defer the scheduled Coupon Payment in accordance with the Conditions. Subject to the passing and implementation of the Extraordinary Resolution on 22 April 2010, the Company has undertaken to revoke the deferral of the 2010 Coupon Payment so that it will be paid on 26 April 2010 in accordance with the terms of the Supplemental Trust Deed.

Irrespective of whether the Extraordinary Resolution is successfully passed and implemented, the scheduled 2010 Coupon Payment will be calculated by reference to the principal amount for the time being outstanding before the passing of the Extraordinary Resolution for the entire Coupon Period applicable to that Coupon Payment.

THE CONSENT SOLICITATION

The Company is seeking the consent of the holders of the Notes for, *inter alia*, the adoption of the Proposed Amendments to the Conditions which include, without limitation, (a) amending the ACSM in the terms and conditions of the Notes so that it operates at both the Company and the Phoenix levels and permits the placement of Alternative Securities (as defined in the Consent Solicitation Memorandum) to investors by way of private placement, (b) amending the dividend and capital restriction so that it operates at the Company and the Phoenix levels, (c) including a carve out to the dividend and capital restrictions in the Notes to allow dividend payments in 2010 but after 22 April 2010 in a maximum amount of £60,000,000 by Phoenix to its shareholders, (d) the *pro rata* reduction of the outstanding principal amount of the Notes from £500,000,000 to £425,000,000, (e) incorporating an undertaking from the Company and Phoenix to operate the ACSM so that it concludes no later than 31 December 2010 in respect of the Coupon Payment deferred in April 2009, and (f) permitting the Company to revoke the notification dated 23 March 2010 by which the Company elected to defer the Coupon Payment due in April 2010.

The Company is also seeking the consent of the holders of the Notes to (i) the execution of the Supplemental Trust Deed, the Calculation Agency Agreement and Paying Agency Agreement to reflect the Proposed Amendments, if approved; (ii) the authorisation and instruction of the Trustee to grant an irrevocable waiver of any and all breaches of the obligations in the Existing Supplemental Trust Deed and the Conditions in relation to the requirement to maintain a calculation agent existing as at the date the Proposed Amendments become effective; (iii) the authorisation and instruction to the Trustee to acknowledge and confirm to the Company and Phoenix that the Supplemental Trust Deed is entered into in full and final settlement of all claims, disputes or disagreements relating to the Notes as between the Noteholders, the Company and any other relevant company in the Phoenix group of companies in connection with the Notes to the date of the Supplemental Trust Deed, and (iv) the Company issuing a new debt instrument (being junior to the Notes) to retain the Company's regulatory capital position following the reduction in principal of the Notes.

A meeting of the holders of the Notes is being convened for the purpose of considering and, if thought fit, passing an Extraordinary Resolution relating to the Proposed Amendments. The Meeting will be held at 9am (London time) on 22 April 2010 at the offices of Clifford Chance LLP, 10 Upper Bank Street, London E14 5JJ.

Under no circumstances, will the Proposed Amendments be effected with respect to the Conditions unless the holders of not less than three-quarters of votes cast at the meeting of Noteholders (the "**Meeting**") at which a valid quorum is present have consented to the Proposed Amendments and voted in favour of the Extraordinary Resolution.

PARTICIPATING IN THE CONSENT SOLICITATION

To vote on the Proposed Amendments, a Noteholder should either (i) deliver, or arrange to have delivered on its behalf, via the relevant Clearing System and in accordance with the requirements of such Clearing System, a valid Consent Instruction that is received by the Tabulation Agent via the Clearing Systems, by the Consent Solicitation Deadline, or (ii) obtain a Voting Certificate from a Paying Agent by blocking its Notes and instructing the relevant Clearing System accordingly and attend in person or deliver a Voting Certificate to the person whom it wishes to attend on its behalf. Noteholders who submit a valid Consent Instruction will be included in a block voting instruction (representing all Noteholders who have voted electronically via the relevant Clearing System) to be issued by the Paying Agent.

When considering whether to participate in the Consent Solicitation, Noteholders should take into account that restrictions on the transfer of the Notes by Noteholders will apply from the time of submission of a Consent Instruction. A Noteholder will, on submitting a Consent Instruction, agree that its Notes will be blocked in the relevant account in the relevant Clearing System from the date the relevant Consent Instruction is submitted until the earlier of (i) the Amendment Effective Date, (ii) in the event the Extraordinary Resolution is not duly passed, the end of the Meeting or the end of any adjourned Meeting or (iii) the date on which the Consent Instruction is subsequently revoked, in the circumstances in which such revocation is permitted.

*Noteholders are advised to check with any bank, securities broker or other intermediary through which they hold Notes when such intermediary would require to receive instructions to participate in, or (in the circumstances in which revocation is permitted) revoke their instruction to participate in, the Consent Solicitation in order to meet the deadlines specified in the Consent Solicitation Memorandum. **The deadlines set by any such intermediary and each Clearing System for the submission and withdrawal of Consent Instructions will be earlier than the relevant deadlines specified below.***

EXPECTED TIMETABLE OF EVENTS

The times and dates below are indicative only and are subject to extension or modification. All times are London time.

Events	Times and Dates
<i>Commencement of the Consent Solicitation</i>	
Consent Solicitation announced.	31 March 2010
Consent Solicitation Memorandum available from the Dealer Managers and the Tabulation Agent.	31 March 2010
Notice of Consent Solicitation submitted to the Clearing Systems and published via RNS, a Notifying News Service.	31 March 2010
<i>Consent Solicitation Deadline for submission of Consent Solicitation Instructions</i>	
Deadline for receipt of Consent Solicitation Instructions by the Tabulation Agent via the Clearing Systems.	9 am (London time) 20 April 2010
<i>Meeting of Noteholders</i>	
	9 am (London time) on 22 April 2010
<i>Announcement of Consent Solicitation Results</i>	
Announcement by the Company of the results of the Consent Solicitation or notice of any adjourned meeting through the relevant Clearing Systems.	2.00 p.m. (London time) on 22 April 2010, or earlier on that day at the discretion of the Company but only following the end of the Meeting
<i>Amendment Effective Date</i>	
Subject to the Extraordinary Resolution being passed at the Meeting and receipt by the Trustee of a certificate signed by two Authorised Signatories of the Company certifying that the company has complied with its obligations under Clause 7.1.24(a) of the Supplemental Trust Deed, execution of the Supplemental Trust Deed, the Calculation Agency Agreement, the Paying Agency Agreement and other necessary documentation to give effect to the Extraordinary Resolution.	22 April 2010
<i>Payment of 2010 Coupon Payment</i>	
The 2010 Coupon Payment will be made on 26 April 2010 only if the Extraordinary Resolution is passed at the Meeting. If the Meeting is adjourned because a quorum is not present then the 2010 Coupon Payment will remain deferred in accordance with the terms of the Existing Supplemental Trust Deed.	26 April 2010

GENERAL

The Consent Solicitation is made on the terms and subject to the conditions as further described in the Consent Solicitation Memorandum.

Eligible Noteholders are advised to read carefully the Consent Solicitation Memorandum for full details of, and information on, the procedures for participating in the Consent Solicitation.

Capitalised terms used and not otherwise defined in this announcement have the meaning given in the Consent Solicitation Memorandum.

Requests for information in relation to the Consent Solicitation Memorandum should be directed to the Dealer Managers, being The Royal Bank of Scotland plc and UBS Limited.

Requests for information in relation to the procedures to participate in the Consent Solicitation and for any documents or materials relating to the Consent Solicitation should be directed to the Tabulation Agent.

FOR FURTHER INFORMATION

Requests for information in relation to the Consent Solicitation should be directed to:

THE DEALER MANAGERS

The Royal Bank of Scotland plc
135 Bishopsgate
London EC2M 3UR
United Kingdom
Tel: +44 20 7085 8056
Attention: Andrew Burton
Email: liabilitymanagement@rbs.com

UBS Limited
1 Finsbury Avenue
London EC2M 2PF
United Kingdom
Tel: +44 (0) 20 7568 6185
Attention: Michael Zentz
Email: Michael.Zentz@ubs.com

TABULATION AGENT

Lucid Issuer Services Limited
Leroy House
436 Essex Road
London N1 3QP
United Kingdom
Tel: + 44 20 7704 0880
Attention: Lee Pellicci
Email: pearl@lucid-is.com

DISCLAIMER

This announcement must be read in conjunction with the Consent Solicitation Memorandum. The announcement and the Consent Solicitation Memorandum contain important information which should be read carefully before any decision is made with respect to the Consent Solicitation. If any Noteholder is in any doubt as to the action it should take, it is recommended to seek its own financial advice, including in respect of any tax consequences, immediately from its stockbroker, bank manager, solicitor, accountant or other independent financial adviser. Any individual or company whose Notes are held on its behalf by a broker, dealer, bank, custodian, trust company or other nominee must contact such entity if it wishes to participate in the Consent Solicitation. None of UBS Limited as Lead Dealer Manager, or The Royal Bank of Scotland plc as Dealer Manager, Lucid Issuer Services Limited as Tabulation Agent or HSBC Trustee (C.I.) Limited as Trustee of the Notes makes any recommendation as to whether Noteholders should consent to the Proposed Amendments.

This announcement and the Consent Solicitation Memorandum do not constitute an invitation to participate in the Consent Solicitation in any jurisdiction in which, or to or from any person to or from whom, it is unlawful to make such invitation under applicable securities laws. The distribution of the Consent Solicitation Memorandum in certain jurisdictions may be restricted by law. Persons into whose possession the Consent Solicitation Memorandum comes are required by each of the Company, the Dealer Managers and the Tabulation Agent to inform themselves about, and to observe, any such restrictions.

No action has been or will be taken in any jurisdiction by the Company or the Dealer Managers that would permit a public offering of securities.

RESTRICTIONS

The Consent Solicitation Memorandum does not constitute an invitation to participate in the Consent Solicitation in any jurisdiction in which, or to or from any person to or from whom, it is unlawful to make such invitation under applicable securities laws. The distribution of the Consent Solicitation Memorandum in certain jurisdictions may be restricted by law. Persons into whose possession the Consent Solicitation Memorandum comes are required by each of the Company, the Dealer Managers, and the Tabulation Agent to inform themselves about, and to observe, any such restrictions.

No action has been or will be taken in any jurisdiction by the Company or either of, the Dealer Managers that would permit a public offering of securities.

United States

The Consent Solicitation Memorandum is not an offer of securities for sale in the United States or to U.S. persons. Securities may not be offered or sold in the United States absent registration or an exemption from registration. The purpose of this Memorandum is limited to the Consent Solicitation and this Memorandum may not be sent or given to a person in the United States or to a U.S. person.

For the purposes of this and the above paragraph, "**United States**" means the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia.

United Kingdom

The communication of the Consent Solicitation Memorandum and any other documents or materials relating to the Consent Solicitation is not being made and such documents and/or materials have not been approved by an authorised person for the purposes of section 21 of the Financial Services and Markets Act 2000. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials is being made pursuant to Article 42 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**").

General

The Consent Solicitation Memorandum does not constitute an offer to sell or buy or a solicitation of an offer to sell or buy the Notes.

The foregoing does not affect the rights of Noteholders to attend and vote (or appoint a proxy to attend and vote) at the Meeting in accordance with the provisions of the Existing Supplemental Trust Deed.