

Press release

07:00 A.M. Friday 22 October 2010

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Pearl Group Holdings (No.1) Limited ("PGH1") announces its intention to satisfy the deferred coupon payment in respect of the £500,000,000 - 6.5864 per cent. fixed/floating rate perpetual reset capital notes (the "Notes")

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On 22 April 2010, pursuant to a resolution of the Noteholders, a restructuring of the Notes took place including certain amendments to the terms and conditions of the Notes (the "**Conditions**"). These amendments included an undertaking by PGH1 and Phoenix Group Holdings ("**Phoenix Group**") that the operation of the alternative coupon satisfaction mechanism ("**ACSM**") in respect of the 2009 deferred coupon payment on the Notes (the "**2009 Deferred Coupon**") will be concluded by PGH1 and Phoenix Group no later than 31 December 2010.

In this context, with a view to satisfying this obligation, Phoenix Group is today announcing that it intends to issue new ordinary shares to the trustee of the Notes which will then be placed through an accelerated bookbuild by Deutsche Bank and J.P. Morgan Cazenove in order to raise approximately £33 million to satisfy the 2009 Deferred Coupon in accordance with the ACSM requirements. It is intended that notification of the payment date of the 2009 Deferred Coupon will be given by PGH1 in accordance with the Conditions.

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Notes to editors

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