

Phoenix Group Holdings – Update on Tier 1 Notes – 23 March 2010

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 £500,000,000 6.5864 per cent Fixed/Floating Rate Perpetual Reset Capital Securities (XS0235245205) (the "Tier 1 Notes") issued by Pearl Group Holdings (No. 1) Limited ("PGH1") 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. Consequently, the directors of PGH1 have resolved to defer the 2010 coupon pending the receipt of approvals from the FSA and the Group's lenders and a subsequent vote of Noteholders.

The coupon deferral notice will be withdrawn and the 2010 coupon will be paid in full (as envisaged in the amended terms of the Tier 1 Notes forming part of the proposals which PGH1 intends to put to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.

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