PEARL GROUP

"The specialist closed life business"

Half year update

24 September 2009

Disclaimer

This half year update in relation to Pearl Group and its subsidiaries (the “Group”) contains forward looking statements concerning future events. Those forward looking statements are based on the current information and assumptions of the Group’s management concerning known and unknown risks and uncertainties. Forward looking statements do not relate to definite facts and are subject to risks and uncertainty. The actual results and financial condition of the Group may differ considerably as a result of risks and uncertainties relating to events and circumstances beyond the Group’s control, including among other things, domestic and global economic and business conditions, market related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the policies and actions of regulatory authorities, the impact of competition, inflation, and deflation; experience in particular with regard to mortality and morbidity trends, and lapse rates; the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries; and the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations in the jurisdictions in which members of the Group operate. The Group cautions that expectations are only valid on the specified dates, and accepts no responsibility for the revision or updating of any information contained in this half year presentation.

Any information contained in this presentation has not been audited by the Group’s auditors.

Any references to IGD Group, IGD sensitivities, or IGD relate to the calculation for Pearl Group Holdings (No.2) Limited, the ultimate EEA Insurance parent undertaking as at 30 June 2009.

Agenda

▶ Introduction and strategy	Jonathan Moss – Group Chief Executive
▶ Half year financial review	Simon Smith – Group Finance Director
▶ Summary and conclusions	Jonathan Moss

1. Introduction and strategy

Jonathan Moss

Group highlights

Industry leader

- The largest specialist closed life fund consolidator in the UK with approximately 6.5m policyholders
- A well established portfolio of life insurance brands
- Gross embedded value of £4.7bn at 30 June 2009(1)

Strong cash generation

- Over £250m of operating cashflow in H1 2009
- No upfront selling costs or new business strain
- Regulatory capital released with run-off

Robust capital position

- Pro forma IGD surplus of £1.1bn at 30 June 2009
- Significant strengthening of balance sheet post Liberty Acquisition transaction

Low cost scale platform

- Strong platform to drive further integration synergies and future consolidation
- Proven expertise in delivering synergy value
- 10% reduction in cost base run rate at June 2009 (vs. June 2008)

Resilient asset management business

- £66bn of assets under management at 30 June 2009
- Capturing senior fee stream from life companies
- Growing third party franchise

Strong governance

- Appointment of Ron Sandler as Chairman

(1) Not pro forma. Represents the gross embedded value of the Pearl businesses before the acquisition by Pearl Group (formerly Liberty Acquisition Holdings (International) Company ("Liberty Acquisition"))

Value enhancing strategy: Closed life funds

Key attributes

- Largest specialist closed fund consolidator
- Strong long term cash generation
- Robust life company solvency, clear capital policies
- Integrator of acquired businesses

Core strategy

- Strong internal operating platform and outsourcing strategy
- Leading platform for further consolidation – acquisition led growth
- Expert capital structuring
- Leading asset liability management

Value creation

- Closure of legacy issues
- Fund mergers and liability management
- Site closures (life offices in Glasgow and Peterborough)
- Outsourcer restructuring
- The annuity opportunity

Value enhancing strategy: Asset management

Key attributes

- Significant AUM of £66bn
- Resilient senior fee streams
- Leading ALM capability
- Innovative product offerings to third parties including through JVs

Core strategy

- Continue to strengthen investment skills to underpin investment performance (including selective use of JVs)
- Standardise investment services (particularly ALM) to all group life companies
- Merger of Ignis and Axial
- Grow third party franchise
- Participate in sector consolidation

Value creation

- Investment outperformance on life company assets
- Recapture of externally managed assets where appropriate
- Synergies through integration of asset management operations
- Acquired European distribution

Group priorities

- ► Continued focus on cash generation
- ► Prudent capital management in operating companies
- ► Ongoing simplification of capital structure (e.g. Tier 1 Bonds)
- ► 2009 dividend payable in April 2010
- ► UK listing - secondary listing on LSE expected in Q4 2009
- ► Seek transition to primary LSE listing in 2010

2. Half year financial review

Simon Smith

Note: The financial information contained in this presentation includes unaudited interim financial information in relation to the UK life insurance group for the six month period to 30 June 2009, together with certain pro forma information in relation to Pearl Group (formerly Liberty Acquisition Holdings (International) Company).

Financial summary

(£)	30 June 2009	31 December 2008
Operating cashflow	**252m**	**-**
Illustrative interest expense on bank debt facilities	45m (1)	-
Group capital (IGD) surplus (2)	**1,092m**	**673m**
Gross embedded value	4,722m	4,749m
Pro forma net embedded value	**2,135m**	**2,215m (3)**
Assets under management	66bn	71bn
Pro forma net embedded value per share (£) (4)	£16.91	
Pro forma net embedded value per share (€) (4)	€19.84	
Current share price (at close on 23 September 2009)	€9.20	

(1) Represents 6 months interest on the Pearl Group bank debt facilities (£2,685m), assuming 6m GBP LIBOR of 1.41% (as at 30 June 2009) and includes impact of hedging arrangements

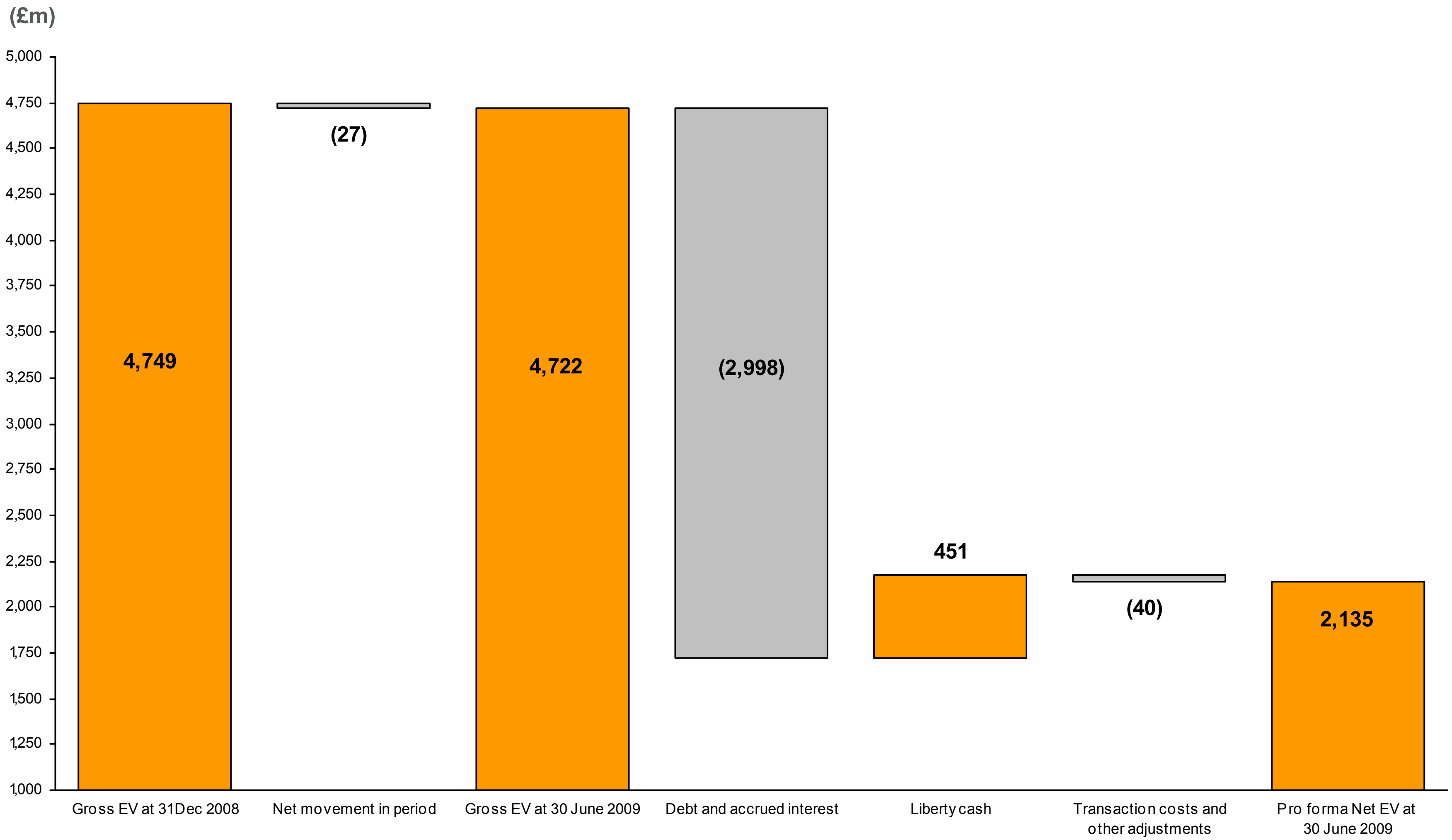
(2) 30 Jun 09 position is pro forma for the Liberty transaction. 31 Dec 08 position (£673m) reflects IGD surplus at 1 Jan 09 following the fund merger of PLL, Scottish Provident and Scottish Mutual

(3) Pro forma net EV at 31.12.08 as stated in the July 2009 Liberty Shareholder Presentation (£2,266m), adjusted for cash redemptions

(4) Based on 126,231,653 shares in issue (pre-dilution), comprising 76,461,653 A shares and 49,770,000 B shares. Exchange rate of £/€1.173 (as at 30 June 2009)

Movement in embedded value

▶ Movement includes expected return less cost of holding more capital for longer, group costs and adjustment of tax shield



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Cash generation in H1 2009

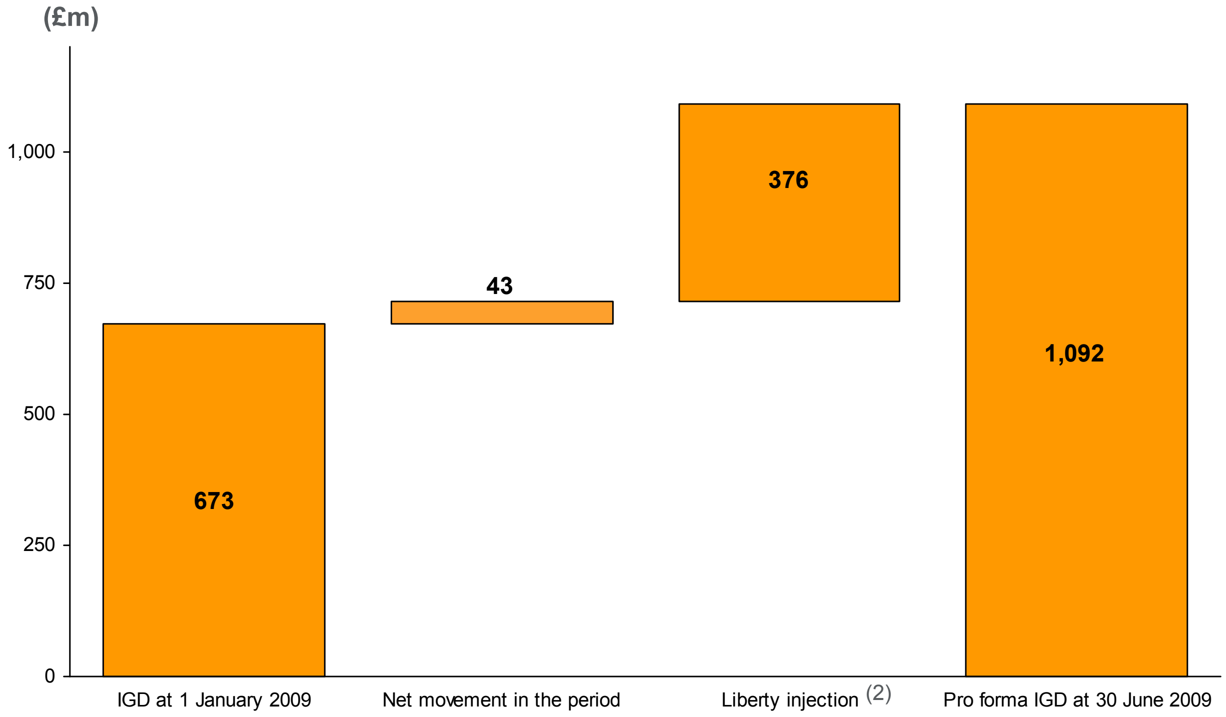
Cashflows into UK holding company for 6 months to 30 June 2009

Cash releases (£m)	**H109**
Cash from life companies	124 (1)
Cash from asset management companies	5
Cash from service companies	28
Tax recoveries from operating companies	95
Total	**252**

- Robust operating cashflow from subsidiaries in H1 2009
- Operating cashflow targeted to be £500m for 2009
- Operating cashflow applied against
  - debt interest
  - dividends
  - corporate costs

(1) Includes £24m of liquid assets transferred from life companies

Group capital (IGD) position



- IGD position significantly strengthened to £1,092m (1)
- Proforma surplus represents 140% of the regulatory capital requirement, compared to a target of 125%

(1) Pro forma IGD calculation for Pearl Group Holdings (No.2) Limited, the ultimate EEA insurance parent undertaking at 30 June 2009. Pro forma reflects the capital injection following the acquisition of the Pearl businesses by Pearl Group

(2) Balance of £451m Liberty cash not included in IGD calculation - reflects investment in Opal Re and 25% minority interest in Impala

IGD sensitivities

- The stress scenarios are based on economics and portfolios at 30 June 2009, when the FTSE100 was at 4,249 (vs. 5,139 on 23 September 2009)

- The 20% equity fall sensitivity therefore represents the impact on IGD group capital of the FTSE falling to approximately 3,400

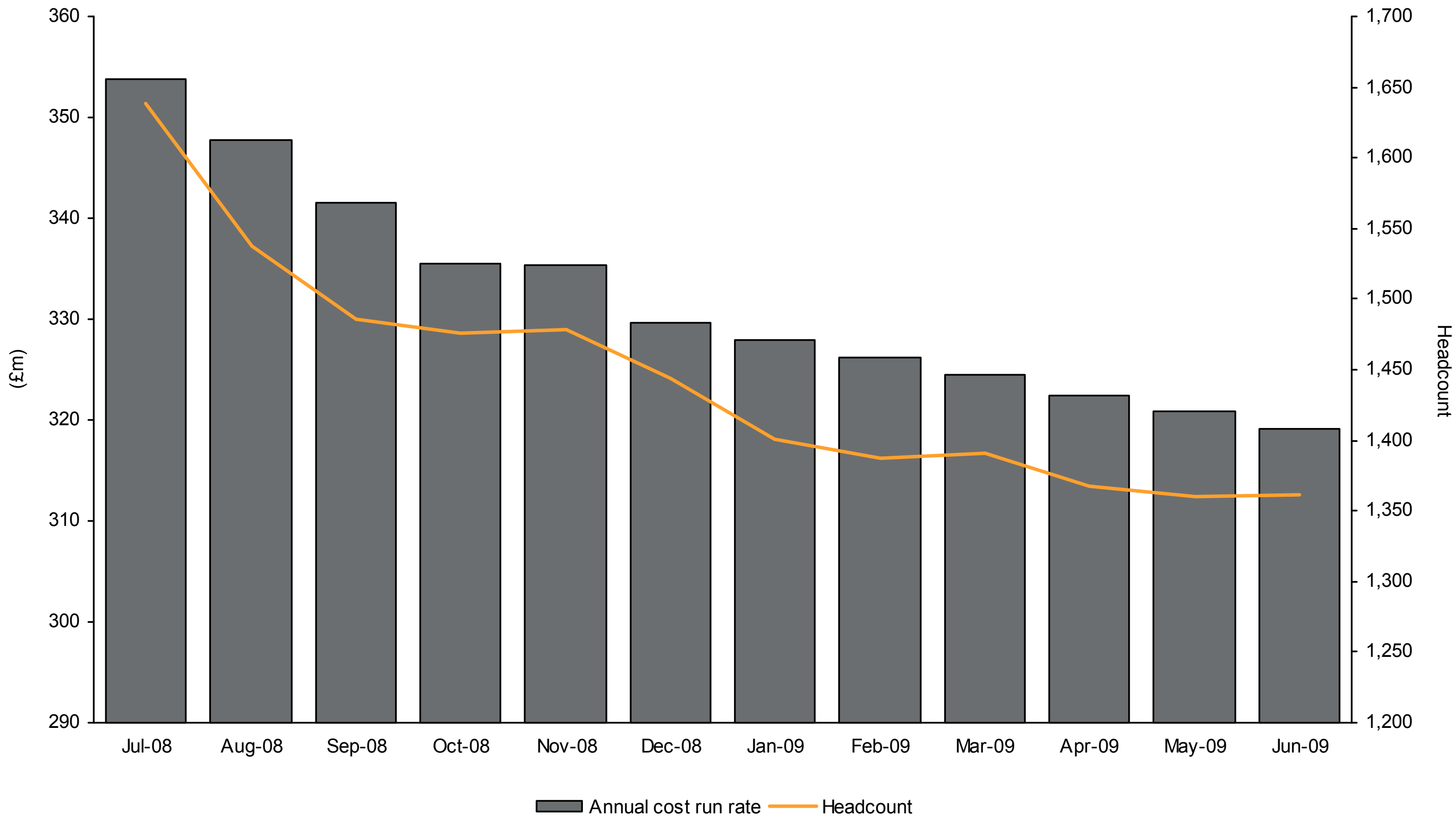
- Even at this level, and in each of the other solo stresses, we expect to have a £1bn surplus at 31 December 2009

- Under the most onerous combined stress scenario, the IGD Group is still able to meet its IGD target and is expected to have approximately £800m of IGD surplus

Summary of projected IGD sensitivities at 31 December 2009	
20% equity fall	137%
15% property fall	141%
50bp credit spread widening	139%
50bp yields up	140%
50bp yields down	142%
Combined - yields up	130%
Combined - yields down	131%

Cost Base and headcount

- Downward trend in cost base and headcount as policies run off and work continues to integrate the businesses
- Future cost savings from the closure of the life office in Glasgow (in 2010) and Peterborough (in 2011)



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Asset mix of life companies

At 30 June 2009	Shareholder funds[2]		Policyholder funds[1] Participating[3]	Policyholder funds[1] Unit-linked	Total
Cash deposits	£2,726m	24%	£5,024m	£891m	£8,641m
Debt securities-gilts	£2,219m	19%	£11,448m	£804m	£14,471m
Debt securities-bonds	£4,636m	41%	£14,449m	£547m	£19,632m
Equity securities	£287m	3%	£6,058m	£7,368m	£13,713m
Property investments	£83m	1%	£1,823m	£235m	£2,141m
Other investments[4]	£1,427m	12%	£1,121m	£5m	£2,553m
Total	**£11,378m**	**100%**	**£39,923m**	**£9,850m**	**£61,151m**

- Limited direct shareholder exposure to equities and property which are mainly held in with-profits and unit-linked funds

(1) Includes assets where policyholders bear most of the investment risk
(2) Includes assets where shareholders of the life companies bear the investment risk
(3) Includes all assets held in with-profits funds
(4) Includes other loans, alternative and derivative investments

Shareholder exposure to debt securities

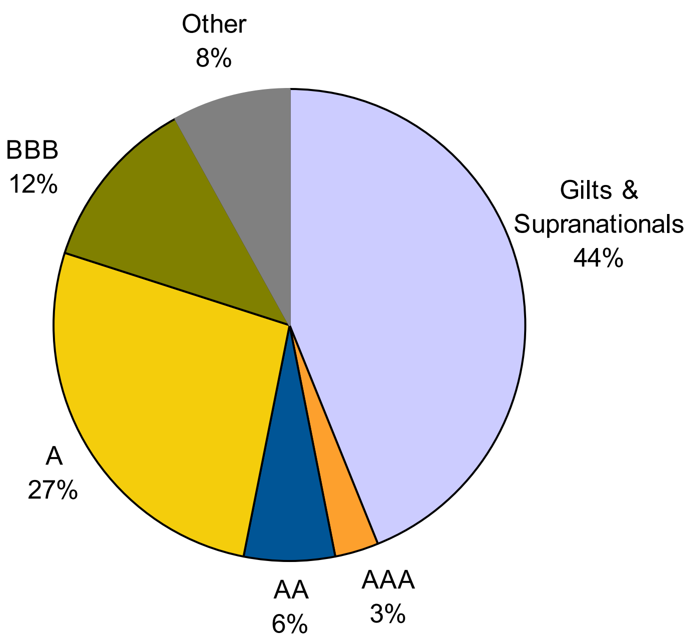
At 30 June 2009	Shareholder funds	
Gilts	£2,219m	32%
Other government	£1,016m	15%
Corporate – financial institutions	£1,408m	21%
Corporate - other	£1,539m	22%
Asset backed securities	£392m	6%
Other	£281m	4%
Total	**£6,855m**	**100%**

- No direct exposure in shareholder funds to US sub-prime mortgages or monoline insurers
- Limited exposure to CDOs and CLOs

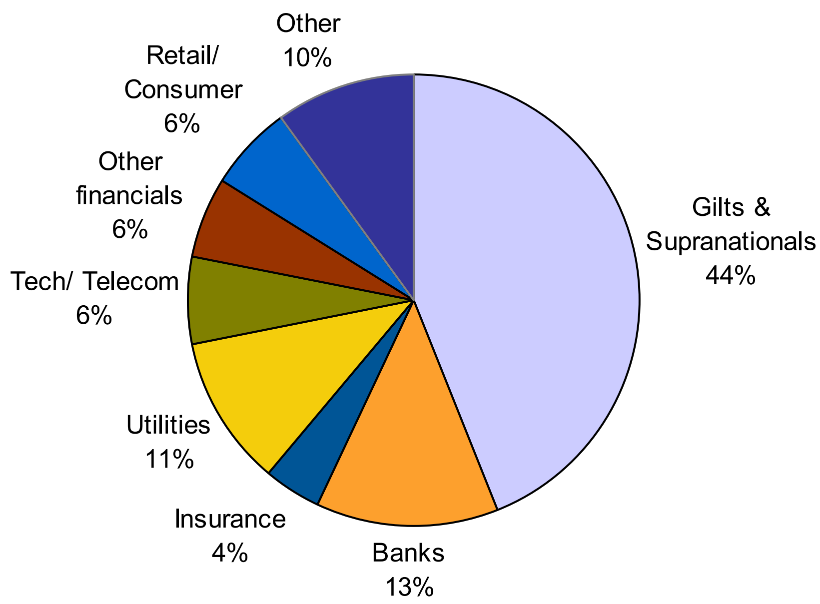
Bond portfolio backing annuity liabilities

Breakdown of total bond portfolio backing annuities (UK and offshore annuity companies)

By credit rating (£5.4bn)



By sector (£5.4bn)



- 27% of bank sector exposures relate to Tier 1 securities (£186m)

Note: Relates to assets held in non profit funds (excludes assets in with profits funds)

Credit risk allowance in annuity reserves

- c.£3bn of corporate bonds used to back annuity in payment liabilities
- 3 annuity portfolios – aggregate allowance for credit defaults of £432m

Phoenix Onshore

- Average allowance for credit defaults in the valuation of annuity liabilities represents 32% of the bond spread
- Average excludes gilts and AAA sovereigns
- Total default allowance (on corporate bonds) of £292m (or 16% of corporate bond portfolio)

Opal Re (Bermuda)

- Average allowance for credit defaults represents 37% of the corporate bond spread
- Average excludes gilts and AAA sovereigns
- Total default allowance (on corporate bonds) of £88m (or 15% of corporate bond portfolio)

Pearl Onshore

- Average allowance for credit defaults represents 32% of the corporate bond spread
- Average excludes gilts and AAA sovereigns
- Total default allowance (on corporate bonds) of £52m (or 9% of corporate bond portfolio)

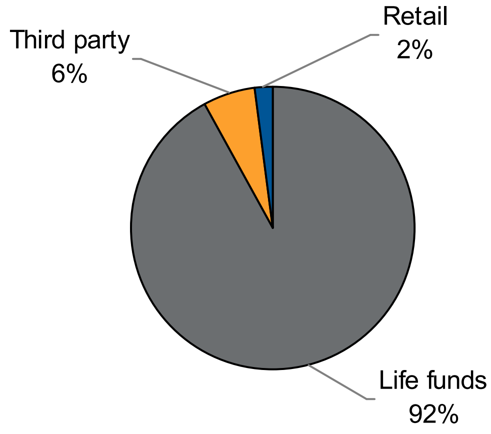
Note: Relates to assets held in non profit funds (excludes assets in with profits funds)

Resilient asset management businesses

- £60.4bn of Pearl life company assets under management
- £5.4bn of third party assets (of which c.£2.5bn relates to Group pension scheme assets). £1.5bn of assets were transferred to Royal London in H1 2009
- Investment outperformance on life company assets
- Ongoing opportunity for efficiency gains through integration of Ignis and Axial

(£m)	30 June 2009	31 December 2008
Revenues	56	116
Operating profit (1)	18	44
Operating margin	32%	38%
AuM	£65.8bn	£70.9bn
No. employees	522	514

Split of AUM (£65.8bn)



(1) Excludes exceptional items and goodwill amortisation.

Trading update

- Balance sheet strengthened by over £1bn following completion of the transaction on 2 September 2009
- EV growth since 30 June 2009 on a pro forma basis
- Cashflow emerging in line with 2009 target
- Group capital (IGD) position remains robust – increase in absolute amount of IGD excess
- IFRS results to be published for the full year ending 31 December 2009

3. Summary and conclusions

Jonathan Moss

Summary

- Solid financial performance in H1 2009
- Positive outlook for second half
- Strong long term cash generation underpins value story
- Significant integration benefits already being realised
- Proven expertise to deliver synergies
- Robust capital position and strong financial discipline
- Well positioned for future consolidation

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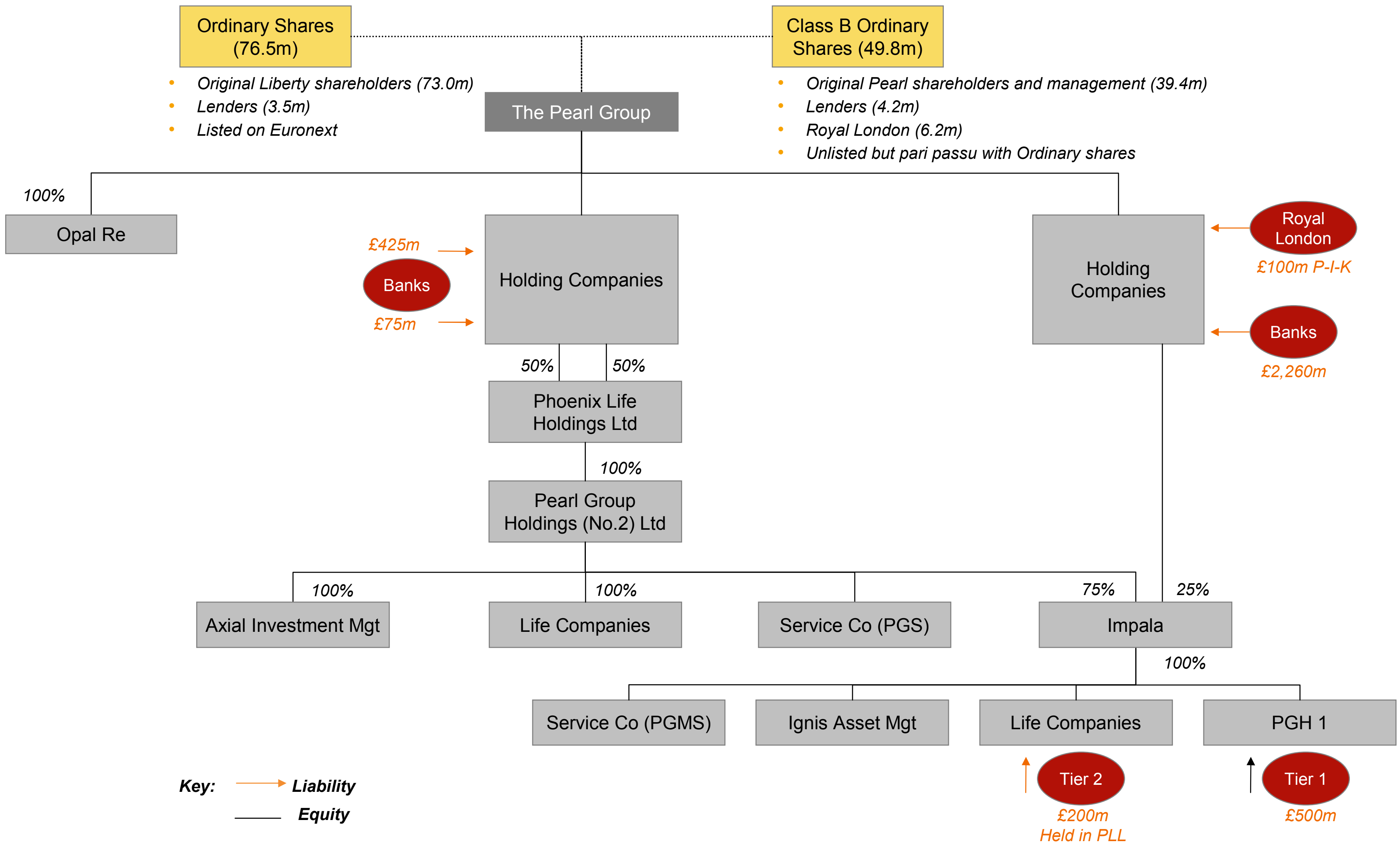
Appendices

Summary of corporate structure



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Pearl Group board and management

Ron Sandler
Chairman

Jonathan Moss
Group Chief
Executive

Simon Smith
Group Finance
Director

NEDs

Ian Ashken	Rene-Pierre Azria	David Barnes	Ian Cormack	Tom Cross-Brown
Manjit Dale	Jonathan Evans	Hugh Osmond	INED (TBC)	INED (TBC)

Other Executive Management

Mike Merrick
MD, Life
Companies

Chris Samuel
MD, Asset
Management

The annuity opportunity

- Retained annuity vestings of £0.8bn per annum from pension maturities of approximately £1.5bn per annum
- Existing annuities in-payment in excess of £8bn in non profit funds and £2bn in with profit funds
- Potential to extract further value from the emerging flow of potential annuity business flowing from the run off life funds
- £16m increase in embedded value in H1 2009 from the existing annuity book

Embedded value sensitivities

	Change in embedded value	
	(£m)	(%)
Gross embedded value at 30 June 2009	4,722	
100bp increase in risk-free rates	(56)	-1%
100bp decrease in risk-free rates	83	+2%
10% decrease in equity and property market values	(165)	-3%
100bp increase in credit spreads	(193)	-4%
25% decrease in lapse rates and paid-up rates	(16)	0%
25% increase in lapse rates and paid-up rates	8	0%
5% decrease in annuitant mortality	(156)	-3%

Life company UKGAAP results

6 months to 30 June 2009 (£m)	Phoenix Life Limited [1]	London Life Limited [2]	NPI Limited	Phoenix & London Assurance Limited	Pearl Assurance Plc [3]
Profit before taxation					
Long-term business profit	109	–	37	1	78
General business loss	–	–	–	–	(1)
Shareholder fund (loss)/ profit	(28)	5	6	19	34
	81	5	43	20	111
Taxation (charge)/ credit [4]	(28)	2	(12)	(1)	(28)
Profit after taxation	**53**	**7**	**31**	**19**	**83**

(1) The entity result of Phoenix Life Limited presented above includes the effect of revaluing its investments in subsidiary undertakings as at 30 June 2009 and therefore includes the period result of its subsidiaries, Phoenix Pensions Limited and Scottish Mutual International Limited

(2) In addition to this profit after taxation, the value of the contingent loan provided to the long-term fund of London Life fell by £27m during the period, creating a shareholder loss

(3) The entity result of Pearl Assurance plc presented above includes the effect of revaluing its investments in subsidiary undertakings as at 30 June 2009 and therefore includes the period result of its subsidiary, National Provident Life Limited

(4) Tax at subsidiary level offset by tax relief on interest at holding company level

(5) The individual results above have been drawn from the consolidated half year UK GAAP results of Pearl Group Holdings (No.2) Limited. The consolidated half year results of Pearl Group Holdings (No.2) Limited have been reviewed by the Group's auditors

Current bank credit facilities

	£m	Margin[1]	Maturity	Repayment
Bank facility	425.0[2]	L+125bps cash	2016	£25m p.a. 2011-2015 Balance in 2016
Lender Loan Notes	75.0	L+100bps cash or PIK	2024	Non-amortising
Total Pearl bank debt	**500.0**			
Facility A	1,275.0	L+100bps cash + 100bps cash or PIK[3]	2014	£125m p.a. from 2011 Balance in 2014
Facility B	492.5	L+125bps cash + 75bps cash or PIK[4]	2015	Non-amortising
Facility C	492.5	L+175bps cash + 25bps cash or PIK[5]	2016	Non-amortising
Total Impala bank debt	**2,260.0**			

Note: "L" represents LIBOR, "bps" represents basis points, "PIK" represents payment in kind whereby the borrower has the option to add, prior to the third anniversary of the closing date for the Impala Bank Debt facilities and for the full maturity of the Lender Loan Notes, any unpaid interest amount to the principal amount outstanding of the relevant tranche

(1) In addition to interest rate margin figures shown, there will be an addition designed to compensate the lenders for the costs of compliance with the requirements of the Bank of England, the FSA and/or the European Central Bank

(2) Senior in right of payment to the Lender Loan Notes

(3) From and after the fourth anniversary of the closing date of the acquisition of the Pearl businesses by Pearl Group, Facility A will bear interest of L+250bps

(4) From and after the fourth anniversary of the closing date of the acquisition of the Pearl businesses by Pearl Group, Facility B will bear interest of L+325bps

(5) From and after the fourth anniversary of the closing date of the acquisition of the Pearl businesses by Pearl Group, Facility C will bear interest of L+375bps

Summary of dilutive instruments

Ordinary share warrants (41.5m shares)	• 41.5m warrants convertible into 41.5m shares; exercise price of €11.0 per share • At exercise, additional €456m will be added to net total EV • Pearl Group has option to redeem warrants if share price is at or above €16.5 for any 20 trading days within a 30 day trading period
Contingent shares (36.0m shares)	• 35.0m Class B shares issuable to pre-acquisition shareholders of Pearl (up to 26.5m shares) and lenders (up to 8.5m shares) in three equal tranches. Issuable for each of three tranches on the share price attaining, and remaining above, €13.0, €14.0 and €15.0 respectively for 20 consecutive trading days • In addition, 1m Class B ordinary shares issuable to original Liberty Sponsors (or their designees) for their commitment under the Contingent Subscription Agreement – issuable on the share price attaining, and remaining above, €15.0 • At issuance, there will be no additional proceeds added to the net total EV
Other warrants (17.4m shares)	• 17.4m warrants exchangeable for 17.4m Class B shares; exercise price of €11 per warrant (on 12.4m) and £15 per warrant (on 5m) • At exercise, additional €136m and £75m will be added to net total EV • Warrant holders can also pay the warrant price by exchanging outstanding debt (principal and/or accrued but unpaid interest) • Pearl Group has option to redeem 12.4m warrants if share price is at or above €16.5, and 5m warrants if the share price is at or above £19.5 for 20 consecutive trading days within certain periods
Shares under incentive plan (3.5m shares)	• A maximum of 3.5m shares issuable to directors and employees under variable compensation incentive plans • At issuance, there will be no impact on the net total EV