ASX Announcement

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AMP response to ratings announcement

AMP notes the ratings actions announced today by Standard & Poor's (S&P).

AMP Life has been lowered to A+ from AA-; AMP Group Holdings and AMP Bank to BBB+ from A-; Pearl Assurance and National Provident Life Ltd (NPLL) to BBB from BBB+; and NPI Ltd to BBB+ from A. The outlook for all entities is negative.

The actions bring AMP into line with the ratings it is targeting for its two separate businesses, as announced on 1 May 2003.

AMP plans to create two regionally-focused entities through a demerger. The 'new AMP' will consist of Australian Financial Services (which includes New Zealand), Henderson's Australian and New Zealand operations and Gordian/Cobalt. The 'new Henderson' will comprise Henderson's northern hemisphere asset management operations, UK Life Services, UK Contemporary Financial Services, and AMP's stake in Virgin Money.

The new AMP is targeting a strong 'A' rating and new Henderson a 'BBB' rating.

Chief Executive Officer Andrew Mohl said AMP was targeting these levels as the most appropriate ratings for the two new entities, given the need to balance the differing requirements of debt and equity holders.

"We remain confident that the demerger will create two strong companies and is the best long term solution for shareholders," Mr Mohl said.

"While we understand that S&P has taken execution risk into account in this ratings action, our focus is now fully on successful implementation.

"When the demerger is completed, we expect the ratings on all entities to stabilise."

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In the Australian business, AMP has held market share and operating earnings despite adverse conditions, confirming the underlying strength of this business.

In the UK businesses, the ratings impact is minimal given the revised status of the business. Both Pearl and NPLL are in run-off, while AMP is currently seeking expressions of interest in the NPI business.

The more important measure for AMP in its UK life businesses is regulatory solvency. AMP continues to meet all regulatory solvency requirements and the recently announced actions to reduce equity market risk are further improving the resilience of the life funds.

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