

PRESS RELEASE

Auckland, 12 March 2008

Market conditions lead to suspension of Funds

ING (NZ) Limited announced today that the investors in the ING Diversified Yield Fund and the ING Regular Income Fund (the Funds) are receiving notice that all further withdrawals are suspended, due to the current economic conditions affecting financial markets, collectively described as the 'global credit crunch'. The decision has been taken to protect the interests of investors, who could be disadvantaged by difficulties in obtaining reliable market prices, or the forced sale of assets in order to meet withdrawal requests.

The Funds invest largely in Collateralised Debt Obligations (CDOs) and Collateralised Loan Obligations (CLOs), credit securities that have come under increased pressure since mid 2007. Initially, this was driven by a deterioration in the US sub-prime market, and subsequently by the drop in US housing values, increased borrowing costs and the widely debated prospects of a recession in the US.

"This combination of factors has created a general nervousness in investment markets globally, which has reduced the market value of shares and property, as well as credit securities. This nervousness is reflected in declining unit prices for these types of funds resulting in a number of investors choosing to withdraw," said ING New Zealand's Chief Executive Officer, Marc Lieberman.

"The decision to suspend withdrawals from the Funds is a prudent action that seeks to protect the interests of investors. We fully appreciate that those looking to access their money in the near term will be disappointed. However, to continue to allow withdrawals to satisfy a minority of investors could significantly reduce the overall quality and value of the portfolio, to the detriment of the investors as a whole. Furthermore, continued market volatility and illiquidity makes it increasingly difficult to reliably determine the unit price to apply for buying and selling units," continued Mr Lieberman.

Mr Lieberman went on to explain that, in order to meet a higher number of withdrawal requests, the Funds would need to consider selling better quality assets, which in the current market would be difficult, unless they were sold for significantly below their true value. Such asset sales could prejudice investors as a whole by reducing the quality of the overall portfolio.

The Funds' securities are currently well diversified by location and industry with over 180 securities spread across close to 6,000 individual investments. Over 60% of the portfolio is held in senior secured loans and less than 10% of the overall assets are in the problematic sub-prime sector. The majority of securities are individually rated by recognised independent rating agencies, S&P, Moody's or Fitch.

"The decision reflects the impact of extreme conditions on our ability to reliably price assets and maintain liquidity as well as investor equality; it is not an indication of credit quality," added Mr Lieberman. "To date, only about 6% of our CDO and CLO portfolios have experienced any credit impairment and the assets continue to deliver steady income flows. Maintaining overall credit quality is paramount, because, in the longer term, when investment markets are expected to stabilise, good quality assets should see the more positive market conditions reflected in their values."

ING also announced that no management fees would be collected during the period of suspension. The fees will accrue during this period but will not be paid during the period of suspension. "We will only be paid when our investors are able to be paid their withdrawal requests." Mr Lieberman said.

The suspension of withdrawals from the Funds (previously paid out once a month) is effective from 13 March 2008 and will remain in place as long as suspension is considered appropriate to protect investors' interests. This decision, and the overall situation, will be reviewed on an ongoing basis, and investors updated on key developments.

While the suspension is in effect, existing and prospective investors will not be able to purchase additional units in either Fund, either via new applications, reinvestments or additional contributions. Distributions of income in the form of cash will continue to be made from the funds.

ENDS

Press enquiries

Cynthia Church
Steven Giannoulis

+64 9 356 4000
+64 9 356 4000

+64 21 433 284
+64 21 242 7546

cchurch@ingnz.com
sgiannoulis@ingnz.com