

# ING's mortgages and Income Plus funds – Additional information

28 MAY 2010

In this document, the terms 'we' and 'our' refer to ING Funds Management Limited (ING Funds Management).

This document contains important information for investors in ING's mortgages and Income Plus funds. This document sets out additional information that may assist you to better understand your investment in the relevant fund. This information will be updated quarterly and will be posted in the 'Resources' section of the ANZ website.

## ING's mortgages and Income Plus funds

ING's mortgages and Income Plus funds invest in ING's Mortgage Pool ARSN 089 455 425 (Fund). The investment funds listed below have at least 50% exposure to the Fund:

Investment fund	Constitutional name	Benchmark allocation to ING Mortgage Pool
ING Mortgages	ANZ OA ING Mortgage Trust	100%
ANZ Mortgage Fund (Series 1 and 2)*	ANZ Mortgage Fund	100%
ING Income Plus	ANZ OA ING Income Plus Trust	50%
ING Original Income Plus*	ANZ OA ING Income Plus Trust	50%

\* This fund is closed to new investments.

The above funds are collectively referred to in this document as ING's mortgages and Income Plus funds. Unless stated otherwise, the information in this document relates to the Fund.

Investors in ING Income Plus and ING Original Income Plus should note that the information provided in this document relates only to the mortgages component of their investment and not the Australian shares and property securities assets.

## Temporary suspension of the Fund

In late 2008, there was a significant increase in withdrawal requests to the Fund, due to the uncertainty created by the Federal Government's decision to provide an unlimited guarantee on bank deposits. On 24 October 2008, we decided to suspend withdrawals from (and applications into) the Fund and all of ING's mortgages and Income Plus funds. This action has been taken to protect the best interests of all investors and is not a reflection of the strength or quality of these funds. As a result of this, withdrawals (including switch requests) from ING's mortgages and Income Plus funds can only be made after we make an offer of withdrawal.

We expect that we will be able to offer withdrawals from ING's mortgages and Income Plus funds each quarter. We will determine the amount available for withdrawals based on our estimate of the available liquidity in the Mortgage and Income Plus funds and market conditions that prevail at that time.

At the time of making such an offer, we will write to you to explain the process for submitting a withdrawal request and to inform you of the total amount available for withdrawals. If withdrawal requests submitted exceed the amount available for a particular offer, then requests will be satisfied proportionally in accordance with the Corporations Act. The method of dealing with oversubscribed withdrawal requests is required under the Corporations Act to be determined as follows:

$$\frac{\text{Amount of money available} \times \text{Amount requested by unitholder}}{\text{Total of all amounts unitholders request to withdraw}}$$

That is, the actual withdrawal amount paid to each investor will depend on the value of all withdrawal requests received during the withdrawal offer period and the level of cash available within the relevant fund to meet the requests at that time. All withdrawal requests will receive the same proportion of their request, irrespective of when the request is received.

### Liquidity

Liquidity refers to the proportion of cash or cash equivalents within the Fund. Typically these cash assets are used to meet the Fund's short-term commitments. There are numerous factors that impact on the liquidity of the Fund, including the value of:

- investments into the Fund
- monthly interest payments by borrowers
- loans repaid by borrowers
- redemptions from the Fund
- new loans
- any undrawn loans
- market conditions.

We maintain and update cash flow estimates for the Fund on a regular basis by taking into account all of the above factors. These estimates are used to ensure the Fund has enough liquid assets to meet its projected cash needs for at least the next three months.

We have currently suspended withdrawals from (and applications into) ING's mortgages and Income Plus funds until further notice. This action has been taken to protect the best interests of all investors in the Fund

### Borrowing

The Fund does not borrow funds or use credit facilities for any purpose.

### Portfolio diversification

The Fund's portfolio of loans is well diversified across geographic region, property type, loan type and borrowers. The policies governing the lending of the Fund's assets specify limits for each of these elements, ensuring a conservative approach to lending.

This section provides information on the portfolio's diversification using data as at 11 May 2010 (unless otherwise specified).

### Class of activity – (property type)

Property Type		
Type	Number	\$'000
Commercial office	72	375,444
Residential	31	147,637
Retail	51	167,902
Industrial	96	251,884
Vacant land	19	100,321
Other	7	66,976
Total	276	1,110,164

A full review of mortgage portfolio Key Risk Indicators (KRIs) is undertaken annually in May and current exposures within each of the above property types are within approved KRI

#### Geographic region

Geographic region		
Location	Number	\$'000
NSW	119	374,381
VIC	102	477,209
QLD	52	221,419
WA	2	24,430
ACT/NT/TAS/SA	1	12,725
Total	276	1,110,164

A full review of mortgage portfolio Key Risk Indicators (KRIs) is undertaken annually in May and current exposures within each of the above property types are within approved KRI.

#### Defaults

Borrowers that are in material default		
	Number	\$'000
Default	13	96,073
Total	13	96,073

#### Security type

All loans are secured by a Registered First Mortgage over investment and owner occupied industrial, retail, commercial office, vacant land and residential property.

Joint and several guarantees are generally required from all shareholders/directors of the borrowing entity and any corporate shareholders of the borrowing entity. Guarantees may be required from other corporate entities controlled by the borrower or any guarantor, if the income from those entities is to be relied upon for loan servicing.

#### Borrower concentration – Largest borrower and largest group exposure as a percentage of mortgages under management

Borrower concentration		%
Largest borrower		9.09
Ten largest borrowers		41.50
Largest group exposure		9.09

#### Undrawn loan commitments – the amount that can be drawn down under approved limits

Undrawn loan commitments		
	Number	\$'000
Approved limits	16	56,292
Undrawn portion of approved limits		15,730

## Maturity profile

Maturity profile		
Maturity in months	Number	\$'000
Matured	36	211,895
0 – 3 months	41	127,524
3 – 6 months	17	46,149
6 – 12 months	48	135,040
1 – 2 years	47	272,830
2 – 3 years	49	204,371
3 – 4 years	27	77,367
4 – 5 years	11	34,988
Total	276	1,110,164

## Loan to security valuation ratios

Loan valuation ratios		
Loan to value ratio	Number	\$'000
0.00% – 50.00%	75	184,965
50.01% – 60.00%	61	365,038
60.01% – 66.00%	46	204,827
66.01 – 70.00%	54	146,638
70.01% – 75.00%	18	85,430
75.01% +	22	123,266
Total	276	1,110,164

## Interest rates

Interest rates		
Interest rate mix	Number	\$'000
0.00% – 5.99%	104	392,313
6.00% – 6.49%	66	179,933
6.50% – 6.99%	26	122,899
7.00% – 7.49%	37	208,582
7.50% – 7.99%	15	80,949
8.00% – 8.49%	9	26,556
8.50% – 8.99%	5	17,086

### Interest rates

9.00% – 9.49%	7	51,322
9.50% +	7	30,524
Total	276	1,110,164

### Interest capitalisation loans – Loans where interest is capitalised within the approved limits

#### Capitalisation

Loans capitalised	Number	\$'000
Approved limits	7	54,120
Undrawn portion of approved limits		2,254

### Related party transactions

The Fund does not lend any assets to related parties.

A portion of the Fund's non-loan assets are invested with the Australia and New Zealand Banking Group Limited (ANZ). These investments are made on commercial terms into ANZ's banking products.

From May 2002 until November 2009, ING Australia Limited (ING Australia) operated as a joint venture between the global ING Group and ANZ. On 30 November 2009, ANZ acquired all of ING Group's shareholding in ING Australia, and now owns 100% of the company.

### Valuations

Valuations on properties (excluding development properties) are based on their current state ('as is'). For development properties, valuations are based on 'as is' and 'on completion' basis.

Valuations are obtained prior to loan approval and properties are revalued after three years if applicable. Valuations may be no more than 90 days old on the date of settlement.

Valuations for the Fund are conducted by valuers selected from a panel of registered valuers and must comply with industry standards and codes. One valuer cannot conduct more than 1/3 of valuations for the Fund by dollar value.

ING maintains a panel of external valuers (formally reviewed by ING every six months) that are used to value security properties. The panel comprises mainly large independent firms with a national presence, as well as more specialist valuers selected on their known level of experience in the type of property being valued. All valuations must be conducted pursuant to ING's Valuation Policy, under ING instructions and must be counter-signed by a director if the valuer is not a director. Valuations may be no more than 90 days old on the date of loan settlement. There can be no more than two consecutive valuations that may be conducted by the same valuation firm or the individual valuer on the same security property. Vacant possession value is adopted where security property is substantially owner occupied. For loan rollovers, valuation may be waived in some circumstances provided an up to date rental income schedule is provided and verified by ING and security property is re-inspected by an ING Mortgage Investment team member or a panel valuer.

### Lending principles – loan-to-valuation ratios

A loan-to-valuation ratio (LVR) is determined by dividing the loan amount by the property's value. The higher the LVR, the greater the risk that the Fund will not be able to fully recover the loan amount if property prices reduce. The maximum LVR on the Fund's loans is 75%, with the standard LVR being 70%.

For construction loans (where the property is being developed for future use or sale) the maximum LVR is limited to the lesser of 80% of total development costs or 70% of the 'as if complete' or net realisable value.

The initial advance should not exceed 65% of the site value, including reasonable value attributed to the development application or permit by the ING Australia Panel Valuer. This is provided that pre-sales/pre-lease requirements are satisfied at the time of the initial advance otherwise the maximum initial advance is limited to 60%.

These loans stipulate that monies are only released on a cost to complete basis as certified by ING Australia's appointed Panel Quantity Surveyor.

## Distributions

Monthly distributions from the Fund are provided to investors based solely on the level of income earned in the month. This income is derived from the monthly interest paid on the Fund's loans, as well as interest and movements in capital value of the Fund's cash and fixed interest assets.

Distributions from the investment funds that invest in the Fund (refer to page 1) are made from income they receive from the Fund. For ING Income Plus and ING Original Income Plus, monthly distributions also take into account an estimate of income earned by share and property assets, as well as any capital gains within the funds.

## Withdrawals

The constitution sets out your ability and ING Funds Management's obligations in relation to withdrawing from the Mortgage and Income Plus funds. When the ING Mortgage and Income Plus funds are liquid, ING Funds Management is required to pay a withdrawal request within the time prescribed by the constitution. That time period is different for each fund and ING Funds Management may have the power, in certain circumstances, to extend that timeframe to a further period as authorised by the relevant constitution

Investment fund	Constitutional name	When the fund is liquid, period when a redemption request must be paid
ING Mortgages	ANZ OA ING Mortgage Trust	Within 30 days.
ANZ Mortgage Fund (Series 1 and 2)	ANZ Mortgage Fund	Within 90 days.
ING Income Plus	ANZ OA ING Income Plus Trust	Within 30 days.  We have the power to extend that time by an additional 28 days under certain circumstances.
ING Original Income Plus	ANZ OA ING Income Plus Trust	Within 30 days.  We have the power to extend that time by an additional 28 days under certain circumstances.

The information contained in this update is current as at May 2010 and may be subject to change. This update is provided by ING Funds Management Limited ABN 21 003 002 800 AFSL 238342 (ING Funds Management) and should be regarded as general information only, rather than advice. It has been prepared without taking any person's objectives, financial situation or needs into account. Therefore, before making a decision based on this information, a potential investor should consider its appropriateness having regard to their objectives, financial situation and needs. ING Funds Management is the issuer of interests in the Fund and the Mortgage and Income Plus funds. The Fund and the Mortgage and Income Plus funds are closed to new investments. ANZ OneAnswer Investment Portfolio and ANZ OneAnswer Investment Portfolio //Select are issued by ING Funds Management. Before acquiring the product, or deciding whether to continue to hold the product, investors should consider the relevant Product Disclosure Statement (PDS) which is available at [www.anz.com](http://www.anz.com) or by calling Customer Services on 13 38 63. Investment performance, earnings and returns in the Suspended Funds is not guaranteed. Past performance is not indicative of future performance.

From May 2002 until late 2009, ING Australia operated as a joint venture between Australia and New Zealand Banking Group Limited (ANZ) and the global ING Group (ING). ANZ recently purchased all of ING's shareholding in ING Australia, and now owns 100% of the company. ING Australia now operates as ANZ's Australian specialist wealth management and protection business.

During the transition there are likely to be changes to the names of companies, products, investment funds and investment options that are operated by ING Australia and its subsidiaries. Information about these changes and other transition updates will be made available via regular investor and adviser communications and the ING website at [www.ing.com.au](http://www.ing.com.au). You can request a paper copy of any updated information at any time. This information will be provided free of charge by contacting Customer Services on 13 38 63.

ING Funds Management Limited is a subsidiary of ANZ. ANZ is an authorised deposit taking institution (ADI) under the Banking Act 1959. The issuer is not an ADI. Except as described in the PDSs, an investment in any of the products above is not a deposit or liability of ANZ or any other member of the ANZ Group other than ING Life Limited ABN 33 009 657 176 for any insurance product it issues or ANZ in relation to any ANZ bank account. Neither ANZ nor any member of the ANZ Group stands behind or guarantees the issuer or the capital or performance of any securities issued to, or assets held by, you. Your investment is subject to investment risk, including possible delays in repayment and loss of income and principal invested.