



U.S. Investor Website Update

May 10, 2018

Supplement to risk factors

Changes in classifications for residential mortgage loans

The current classification of ANZ's residential mortgage loans, as reported to regulators and the market, is generally determined during the loan origination process (i.e., loan application, processing and funding), based on information provided by the customer or subsequently when a customer requests changes to the loan.

Classification of residential mortgage loans may change due to:

- Incorrect classification at origination: To the extent that customers inaccurately advise ANZ of their circumstances at origination, there is a risk that loans may be incorrectly classified, and such loans may be reclassified;
- Changes in customer circumstances: Ongoing appropriateness of a given classification relies on the customer's obligation to advise ANZ of any changes in the customer's circumstances and on ANZ's ability to independently validate the information provided by its customers. To the extent that customers advise of any changes in their circumstances or when ANZ makes such a determination based on its verification processes, a loan may be reclassified; and
- Regulatory or other changes: The criteria for loan classifications, and their interpretation, may change in the future for one or more reporting purposes, which may affect the classification of certain loans. For example, the Australian Prudential Regulation Authority and the Reserve Bank of Australia have announced that they plan to implement changes in the reporting of data including the classification of loans to reflect guidelines specified in "Reporting Practice Guide RPG 701.0 ABS/RBA Reporting Concepts for the EFS Collection".

Incorrect classification or re-classification of loans may affect a customer's ability to meet required repayments, such as when owner-occupied property loans are later re-classified as investment property loans, which currently attract a higher interest rate. As of the date of this U.S. Investor Website Update, the standard variable rate is 5.2% for owner-occupied property loans and 5.8% for investment property loans. The inability of customers to meet repayment obligations on re-classified loans may increase the risk of default on such loans, which may adversely affect the ANZ Group's business, operations and financial condition.