

Summary Terms Sheet.



For an issue of up to NZ\$300,000,000 BNZ Subordinated Notes (with the option to accept unlimited oversubscriptions)

This is a summary only. Full details of the offer are contained in the investment statement dated 11 November 2015 (“**Investment Statement**”). Applications for the Notes can only be made using the application form included in the Investment Statement. This investment is complex and riskier than a bank deposit. **The Notes are not call deposits or term deposits with BNZ and may not be suitable for many investors.** Capitalised terms used but not defined in this Terms Sheet have the meaning given to them in the Investment Statement unless the context otherwise requires.

Issuer	Bank of New Zealand ("BNZ")
Issue Amount	Up to NZ\$300,000,000
Oversubscriptions	BNZ reserves the right to accept unlimited oversubscriptions at its discretion.
No Public Pool	All Notes, including oversubscriptions, will be reserved for subscription by clients of the Joint Lead Managers, Co-Manager, Primary Market Participants and other persons invited to participate in the Bookbuild.
Description	Subordinated unsecured debt securities ("Notes"). In certain circumstances, the Notes may be repaid early or, if a Non-Viability Trigger Event occurs, Converted into ordinary shares ("NAB Shares") in BNZ's ultimate parent company, National Australia Bank Limited ABN 12 004 044 937 ("NAB") or Written Off.
Regulatory Capital	The Notes will be treated as Tier 2 Capital for BNZ and for the NAB Level 2 Group.
Subordination	<p>In a liquidation of BNZ (if the Notes have not been Converted or Written Off) the claims of holders of Notes will rank:</p> <ul style="list-style-type: none">• ahead of the claims of BNZ's shareholders and any creditors whose claims rank below the Notes;• equally with the claims of other holders of Notes and the holders of other securities that rank equally with the Notes; and• behind the claims of BNZ's depositors and all other claims on BNZ. <p>If the Notes are Converted into NAB Shares, holders will rank equally with existing NAB shareholders.</p> <p>If Notes are Written Off, all rights in relation to the Notes will be terminated, and holders will not have their capital repaid.</p>
No Guarantee	The Notes are not deposit liabilities or protected accounts of BNZ or NAB for the purposes of the Australian Banking Act. The Notes are not guaranteed by any person, and NAB does not guarantee the obligations of BNZ. NAB is not a registered bank in New Zealand.
Solvency Condition	Payments of amounts on the Notes will not be made if BNZ is not Solvent or BNZ cannot make the payment and remain Solvent.
Issue Price	Par (NZ\$1.00)
Minimum Denominations	NZ\$5,000 with multiples of NZ\$1,000 thereafter
Issue Date	17 December 2015
Optional Redemption Date	17 December 2020 (but see "Early Repayment" below)
Maturity Date	17 December 2025
Early Repayment	<p>BNZ may at its option:</p> <ul style="list-style-type: none">• repay some or all of the Notes on the Optional Redemption Date or on any Scheduled Interest Payment Date thereafter; or• repay all (but not some) of the Notes on any date if a Regulatory Event or Tax Event occurs. <p>Early repayment is subject to BNZ obtaining the prior written approval of the RBNZ and APRA, the Solvency Condition and certain other conditions and will not occur unless those conditions are complied with. Holders have no right to request that Notes be repaid early, except in limited circumstances if BNZ is in liquidation and the Notes have not been Converted or Written Off.</p>
Conversion following a Non-Viability Trigger Event	Some or all of the Notes will be Converted into NAB Shares if a Non-Viability Trigger Event occurs.

Non-Viability Trigger Event	<p>A Non-Viability Trigger Event occurs if:</p> <ul style="list-style-type: none"> the RBNZ directs BNZ to convert or write off the Notes or a New Zealand statutory manager is appointed to BNZ and decides BNZ must convert or write off the Notes; or APRA notifies NAB that it considers that NAB would become non-viable unless either: (1) the Notes are converted or written off or (2) NAB receives a public sector injection of capital or similar support, <p>and may occur if BNZ or NAB encounters severe financial difficulty.</p>
Conversion	If Notes are Converted, the Notes will be transferred automatically to National Australia Group (NZ) Limited and holders will receive NAB Shares in exchange. If Notes are not Converted when required, they will be Written Off.
How many NAB Shares are issued on Conversion?	<p>The number of NAB Shares a holder of Notes will receive on Conversion will be equal to the Base Conversion Number unless the Maximum Conversion Number applies. The Base Conversion Number is designed to operate so that a holder will receive approximately NZ\$1.01 worth of NAB Shares for each Note that is Converted.</p> <p>If Notes are Converted following a Non-Viability Trigger Event, the value of the NAB Shares received may be significantly less than the aggregate principal amount of those Notes. Following Conversion there is no certainty as to the future value of the NAB Shares.</p>
Maximum Conversion Number	The number of NAB Shares issued on Conversion will be capped at a maximum number (the Maximum Conversion Number) if the NZ dollar equivalent of the volume-weighted average NAB Share price at the time of Conversion has fallen by 80% or more from the NZ dollar equivalent of the volume-weighted average NAB Share price at the Issue Date.
Write Off	If for any reason the Notes are not Converted into NAB Shares when required following a Non-Viability Trigger Event then those Notes will be Written Off. This means a holder will receive nothing further in relation to those Notes, the holder's rights under them (including rights to payment of interest and principal) will be cancelled and the holder will lose all of his or her investment in them. A holder will not receive any compensation, and have no right to take action against BNZ or NAB or any member of the NAB Group, if any of his or her Notes are Written Off.
Substitution of issuer of shares on Conversion	BNZ may, subject to APRA approval, substitute a "non-operating holding company" for NAB as the issuer of ordinary shares on Conversion.
NAB Shares may be issued to a nominee instead of you	If a holder is not a New Zealand or Australian resident at the time of Conversion or if a holder has notified BNZ that he or she does not want to receive NAB Shares or if NAB does not have all information in relation to a holder that it requires in order to issue the NAB Shares to the holder and any of the holder's Notes are to be Converted following a Non-Viability Trigger Event, the NAB Shares may be issued to a nominee instead of the holder. If this occurs, the nominee will sell those NAB Shares and pay the holder the proceeds less the sale charges.
Interest Payment Dates	Interest is scheduled to be paid quarterly in arrear on each of 17 March, 17 June, 17 September and 17 December, commencing on 17 March 2016. Interest payments are subject to BNZ satisfying the Solvency Condition.
Interest Rate	<p>The Interest Rate from the Issue Date until the Optional Redemption Date will be the sum of the Margin and the 5 Year Swap Rate (determined by BNZ and adjusted to a quarterly rate) on the Rate Set Date.</p> <p>The Interest Rate from the Optional Redemption Date to the Maturity Date will be the sum of the Margin and the 5 Year Swap Rate (determined by BNZ and adjusted to a quarterly rate) on the Optional Redemption Date.</p>
Margin	The Margin will be determined on the Rate Set Date through the Bookbuild. The Margin will not change over the term of the Notes.
Early Bird Interest	<p>BNZ will pay interest on subscription money at 3.75% per annum (less any applicable withholding taxes) for the period from (and including) the date on which subscription money is banked to (but excluding) the Issue Date. BNZ will pay the Early Bird Interest within 5 business days of the Issue Date.</p> <p>If BNZ refuses an application or accepts an application in part or the Offer is withdrawn, no Early Bird Interest will be paid on the subscription money returned to the applicant.</p>
Unpaid Amounts Accumulate	Unpaid payments are cumulative. This means that if BNZ does not pay an amount on the Notes because it has not satisfied the Solvency Condition, BNZ must pay that amount on the first date on which it is able to make the payment and satisfy the Solvency Condition. Interest will accrue (at the interest rate then applicable to the Notes) on any interest that is not paid when scheduled as a result of BNZ not satisfying the Solvency Condition on the relevant payment date.

No Event of Default for failure to satisfy the Solvency Condition	No Event of Default arises if BNZ fails to pay an amount on the Notes on account of not satisfying the Solvency Condition.													
Business Days (for interest payment purposes)	Auckland, Wellington													
Record Date (for interest payment purposes)	10 calendar days before the relevant Interest Payment Date													
Purpose	The proceeds of the Offer will be used for general corporate purposes.													
Credit Ratings	<table border="1"> <thead> <tr> <th></th> <th>BNZ Senior Credit Rating</th> <th>Notes Credit Rating</th> </tr> </thead> <tbody> <tr> <td>Standard & Poor's</td> <td>AA-</td> <td>BBB+</td> </tr> <tr> <td>Moody's</td> <td>Aa3</td> <td>A3 (hyb)</td> </tr> <tr> <td>Fitch</td> <td>AA-</td> <td>n/a</td> </tr> </tbody> </table> <p>A credit rating is not a recommendation to buy, sell or hold the Notes or any securities issued by BNZ. Ratings are subject to suspension, revision or withdrawal at any time.</p>			BNZ Senior Credit Rating	Notes Credit Rating	Standard & Poor's	AA-	BBB+	Moody's	Aa3	A3 (hyb)	Fitch	AA-	n/a
	BNZ Senior Credit Rating	Notes Credit Rating												
Standard & Poor's	AA-	BBB+												
Moody's	Aa3	A3 (hyb)												
Fitch	AA-	n/a												
Brokerage	0.75% of the amount issued plus 0.50% of firm allocations, payable by BNZ													
No Underwriting	The Offer is not underwritten.													
Scaling	BNZ may scale oversubscriptions at its discretion.													
Registrar	Computershare Investor Services Limited													
ISIN	NZBNZDT383C8													
NZX Code	BNZ090 Application has been made to NZX for permission to quote the Notes on the NZX Debt Market. All of NZX's requirements relating to that application that can be complied with on or before the date of this Terms Sheet have been complied with. However, the Notes have not yet been approved for quotation and NZX accepts no responsibility for any statement in this Terms Sheet. NZX is a licensed market operator and the NZX Debt Market is a licensed market under the Financial Markets Conduct Act 2013.													
Documents	Investment Statement relating to the offer of Notes dated 11 November 2015 Deed Poll (including the Note Terms) dated 11 November 2015 Coordination Agreement dated 11 November 2015													
Governing Law	New Zealand and the State of Victoria, Australia													
Selling Restrictions	The Investment Statement only constitutes an offer of Notes in New Zealand. BNZ has not taken and will not take any action which would permit a public offering of the Notes, or possession or distribution of any offering material, in any country or jurisdiction where action for that purpose is required (other than New Zealand). The Notes may only be offered for sale or sold in conformity with all applicable laws and regulations in any jurisdiction in which they are offered, sold or delivered. Any information memorandum, investment statement, prospectus, circular, advertisement or other offering material in respect of the Notes may be published, delivered or distributed only in or from any country or jurisdiction under circumstances which will result in compliance with all applicable laws, regulations and listing rules of any applicable securities exchange.													

Important Dates.

Important dates for the Offer	
Bookbuild and Rate Set Date (for setting the Margin and the initial interest rate)	20 November 2015
Opening Date	23 November 2015
Closing Date	14 December 2015
Issue Date	17 December 2015

Important dates for the Notes	
Expected date of quotation and commencement of trading on the NZX Debt Market	18 December 2015
Interest Payment Dates	17 March, 17 June, 17 September and 17 December in each year
First Interest Payment Date	17 March 2016
Optional Redemption Date	17 December 2020
Maturity Date	17 December 2025

Dates may change.

BNZ may change any of the “Important dates for the Offer” (listed above) or withdraw the Offer without notice. If BNZ changes any of the “Important dates for the Offer”, the changes will be announced via NZX as soon as reasonably practicable.

If the Offer is withdrawn, BNZ will refund subscription money (without interest) within 5 business days of the withdrawal.