

DRAWDOWN PROSPECTUS DATED September 4, 2014



**BNZ INTERNATIONAL FUNDING LIMITED,
acting through its London Branch**

(incorporated in New Zealand with limited liability under registered number 1635202 and registered as a branch in England & Wales under numbers BR008377 and FC026206)

Issue of U.S.\$250,000,000 2.350% Notes due 2019
(to be consolidated and form a single series with the issue of
US\$750,000,000 2.350% Notes due 2019 (Series 784, Tranche 1) issued on March 4, 2014)

under the US\$100,000,000 Global Medium Term Note Programme

unconditionally and irrevocably guaranteed by

BANK OF NEW ZEALAND

(incorporated in New Zealand with limited liability under registered number 428849)

The U.S.\$250,000,000 2.350% Notes due 2019 (the "Notes") are being issued by BNZ International Funding Limited, acting through its London Branch (the "Issuer" or "BNZ-IF") under and pursuant to the Issuer's US\$100,000,000,000 Global Medium Term Note Programme (the "Programme") on the issue date of September 10, 2014 (the "Issue Date").

The Notes will be irrevocably and unconditionally guaranteed (the "Guarantee") by Bank of New Zealand (the "Guarantor" or "BNZ"). The Notes are not deposit liabilities of BNZ-IF or BNZ and will not be insured or guaranteed by (1) the government or any governmental agency of New Zealand, (2) the United States of America, the U.S. Federal Deposit Insurance Corporation or any other governmental agency of the United States or (3) the government, government agency or compensation scheme of any other jurisdiction.

Interest on the Notes will accrue from, and including, September 4, 2014 and up to, and including, March 4, 2019 (the "Maturity Date"). Interest on the Notes is payable semi-annually in arrear on March 4 and September 4 in each year, commencing on March 4, 2015.

This Drawdown Prospectus (this "Drawdown Prospectus") comprises a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC (the "Prospectus Directive") as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) and for the purposes of the Prospectus Act.

Application has been made to the *Commission de Surveillance du Secteur Financier* (the "CSSF") in its capacity as competent authority (the "Competent Authority") under the Luxembourg act relating to prospectuses for securities dated July 10, 2005 (*loi relative aux prospectus pour valeurs mobilières*) (the "Prospectus Act") to approve this Drawdown Prospectus for the trading of the Notes on the Regulated Market of the Luxembourg Stock Exchange and listing of the Notes on the official list of the Luxembourg Stock Exchange. The CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Drawdown Prospectus or the quality or solvency of the Issuer in accordance with Article 7(7) of the Prospectus Act.

The obligations of the Issuer and the Guarantor under the Notes will be unsubordinated, direct and unsecured obligations of the Issuer and the Guarantor and will rank *pari passu* with all other unsecured and unsubordinated obligations of the Issuer and the Guarantor (save for certain obligations required to be preferred by law).

The Notes are expected to be rated Aa3 by Moody's Investors Service Pty. Limited ("Moody's") and AA- by Standard & Poor's (Australia) Pty Limited ("S&P"). A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Moody's and S&P are not established in the European Union and have not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "CRA Regulation"). The ratings have been endorsed by Moody's Investors Service Ltd. and Standard & Poor's Credit Market Services Europe Limited, respectively, in accordance with the CRA Regulation. Moody's Investors Service Ltd. and Standard & Poor's Credit Market Services Europe Limited are established in the European Union and registered under the CRA Regulation. As such, Moody's Investors Service Ltd and Standard & Poor's Credit Market Services Europe Limited are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

An investment in the Notes involves certain risks. For a discussion of these risks see “*Risk Factors*” on pages 9 to 28 of this Drawdown Prospectus.

The Notes and Guarantee have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or with any securities regulatory authority of any state or other jurisdiction of the United States. Unless they are so registered, the Notes and Guarantee may be offered only in transactions that are exempt from, or not subject to registration under, the Securities Act or the securities laws of any other jurisdiction of the United States. Accordingly, the Notes may be offered only (i) within the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act (“Rule 144A”) and (ii) outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act (“Regulation S”). Prospective purchasers of Notes are hereby notified that the seller of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For further details about eligible offerees, deemed representations and transfer and resale restrictions, see the “*Subscription and Sale and Transfer and Selling Restrictions*” section of the Programme Offering Circular and the “*Notice to Investors*” and “*Plan of Distribution*” sections of this Drawdown Prospectus.

The Notes will initially be represented by two global notes in registered form (the “Registered Global Notes”), one of which will be issued in respect of the Notes (“Rule 144A Notes”) offered and sold in reliance on Rule 144A (the “Rule 144A Global Notes”) and will be registered in the name of Cede & Co., as nominee for the Depository Trust Company (“DTC”), and one of which will be issued in respect of the Notes (“Regulation S Notes”) offered and sold in reliance on Regulation S (the “Regulation S Global Note”) and will be registered in the name of a nominee of DTC for the accounts of Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking, *société anonyme* (“Clearstream, Luxembourg”).

Dealers

Deutsche Bank Securities

nabSecurities, LLC

Wells Fargo Securities

IMPORTANT INFORMATION

The Issuer and the Guarantor accept responsibility for the information contained in this Drawdown Prospectus. To the best of the knowledge of the Issuer and the Guarantor (having taken all reasonable care to ensure that such is the case) the information contained in this Drawdown Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Drawdown Prospectus is to be read in conjunction with all documents which are incorporated by reference herein (see “*Documents Incorporated by Reference*” below). This Drawdown Prospectus should be read and construed on the basis that such documents are incorporated by reference into, and form part of, this Drawdown Prospectus.

The Trustee has not independently verified the information contained herein. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Deutsche Bank Securities Inc., nabSecurities, LLC or Wells Fargo Securities, LLC (the “*Dealers*”) or the Trustee as to the accuracy or completeness of the information contained or incorporated by reference in this Drawdown Prospectus or any other information provided by the Issuer or the Guarantor in connection with the offering of the Notes or their distribution.

No person is or has been authorized by the Issuer, the Guarantor, the Dealers or the Trustee to give any information or to make any representation not contained in or not consistent with this Drawdown Prospectus or any other information supplied in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer, the Guarantor, the Dealers or the Trustee.

Neither this Drawdown Prospectus nor any other information supplied in connection with the offering of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Guarantor, the Dealers or the Trustee that any recipient of this Drawdown Prospectus or any other information supplied in connection with the offering of the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Guarantor. Neither this Drawdown Prospectus nor any other information supplied in connection with the offering of the Notes constitutes an offer or invitation by or on behalf of the Issuer, the Guarantor, the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Drawdown Prospectus nor the offering or delivery of the Notes shall in any circumstances imply that the information contained herein concerning the Issuer or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Notes or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Drawdown Prospectus when deciding whether or not to purchase any Notes.

The Notes and Guarantee have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “*Securities Act*”) or the securities laws of any state or other jurisdiction of the United States and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes and Guarantee may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act). Notes offered and sold to qualified institutional buyers in reliance upon Rule 144A will be represented by beneficial interests in one or more permanent global notes in fully registered form without interest coupons. Notes offered and sold outside the United States to non-U.S. persons pursuant to Regulation S will be

represented by beneficial interests in one or more permanent global notes in fully registered form without interest coupons. Except as described in this Drawdown Prospectus, beneficial interests in the Registered Global Notes will be represented through accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC, Euroclear and Clearstream, Luxembourg. Except as described in this Drawdown Prospectus, owners of beneficial interests in the Registered Global Notes will not be entitled to have the Notes registered in their names, will not receive or be entitled to receive physical delivery of the Notes in definitive form and will not be considered holders of the Notes under the Notes and the Agency Agreement.

This Drawdown Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Drawdown Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Issuer, the Guarantor, the Dealers or the Trustee represents that this Drawdown Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor, the Dealers or the Trustee which would permit a public offering of the Notes or the distribution of this Drawdown Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Drawdown Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Drawdown Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Drawdown Prospectus and the offering and sale of Notes. For a description of certain restrictions on offers and sales of Notes, and on the distribution of this Drawdown Prospectus and other offering materials relating to the Notes, see “*Subscription and Sale and Transfer and Selling Restrictions*” in the Programme Offering Circular (as defined under “*Documents Incorporated by Reference*” below).

None of the Dealers, the Issuer, the Guarantor or the Trustee makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

In connection with the issue of any Tranche of Notes, any relevant Dealer or Dealers or any persons acting on its or their behalf (the “*Stabilising Manager(s)*”) may over-allot Notes or effect transactions (in each case outside Australia and not on any market in Australia) with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilization or over allocation must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

In this Drawdown Prospectus, unless the context otherwise requires, references to “we”, “us” and “our” are to the Guarantor and its consolidated subsidiaries. In this Drawdown Prospectus, references to “NZ\$” are to New Zealand dollars, references to “US\$” are to U.S. dollars and references to “euro” and “€” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the functioning of the European Union, as amended. Terms not defined in this Drawdown Prospectus shall have the meaning ascribed to them in the Programme Offering Circular.

You should read this Drawdown Prospectus in conjunction with the Programme Offering Circular and other information incorporated by reference. This Drawdown Prospectus may add, update or change information in the Programme Offering Circular, in the manner envisaged and to the extent permitted by applicable securities laws. In addition, the information incorporated by reference herein and in the Programme Offering Circular may have added, updated or changed information in the Programme Offering Circular, in the manner envisaged and to the extent permitted by applicable securities laws. If information in this Drawdown Prospectus is inconsistent with any information in the Programme Offering Circular (or any information incorporated therein or herein, by reference to a document dated prior to the date of this Drawdown Prospectus), this Drawdown Prospectus will apply and will supersede such information.

You should solely rely on the information contained or incorporated by reference in this Drawdown Prospectus and the Programme Offering Circular. Neither the Issuer nor the Guarantor has authorized anyone to make any representation in connection with the Notes or to provide you with information that differs from that contained in this Drawdown Prospectus. You should not assume that the information contained in this Drawdown Prospectus and the Programme Offering Circular, and the information incorporated by reference, is accurate as of any date other than the date of the document in which it appears, regardless of the time of delivery of this Drawdown Prospectus and the Programme Offering Circular or any sales of the Notes.

The distribution of this Drawdown Prospectus and the offer or sale of Notes may be restricted in particular jurisdictions. You should inform yourself about and observe any applicable restrictions. This Drawdown Prospectus does not constitute, and may not be used in connection with, an offer to sell or a solicitation of an offer to buy Notes by anyone in any jurisdiction in which the offer or solicitation is not authorized or in which the person making the offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make the offer or solicitation. For a description of particular restrictions on offers and sales of the Notes and the distribution of this Drawdown Prospectus, see the sections titled “*Notice to Investors*” and “*Plan of Distribution*” in this Drawdown Prospectus and “*Subscription and Sale and Transfer and Selling Restrictions*” in the Programme Offering Circular.

U.S. INFORMATION

NEITHER THE NOTES NOR THE GUARANTEE HAVE BEEN OR WILL BE REGISTERED UNDER THE SECURITIES ACT, OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) UNLESS THE NOTES ARE REGISTERED UNDER THE SECURITIES ACT OR OFFERED OR SOLD IN COMPLIANCE WITH AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS. THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY IN THE UNITED STATES, NOR HAVE THE FOREGOING AUTHORITIES APPROVED THIS DRAWDOWN PROSPECTUS OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THE INFORMATION CONTAINED IN THIS DRAWDOWN PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

NONE OF THE DEALERS, THE ISSUER OR THE GUARANTOR MAKES ANY REPRESENTATION TO ANY INVESTOR IN THE NOTES REGARDING THE

LEGALITY OF ITS INVESTMENT UNDER ANY APPLICABLE LAWS. ANY INVESTOR IN THE NOTES SHOULD BE ABLE TO BEAR THE ECONOMIC RISK OF AN INVESTMENT IN THE NOTES FOR AN INDEFINITE PERIOD OF TIME.

This Drawdown Prospectus has been prepared by the Issuer and the Guarantor for use in connection with the offer and sale of the Notes (1) outside the United States to persons that are not U.S. persons, and who are not acting for the account or benefit of U.S. persons, pursuant to Regulation S under the Securities Act and (2) with respect to Registered Notes within the United States, in reliance upon Rule 144A to qualified institutional buyers within the meaning of Rule 144A (“*QIBs*”) or in transactions otherwise exempt from registration under the Securities Act. Each U.S. purchaser of Registered Notes is hereby notified that the offer and sale of any Registered Notes to it may be being made in reliance upon the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Each purchaser or holder of Notes will be deemed, by its acceptance or purchase of any such Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in “*Subscription and Sale and Transfer and Selling Restrictions*” section of the Programme Offering Circular. Unless otherwise stated, terms used in this paragraph have the meanings given to them in “*Form of the Notes*” section of the Programme Offering Circular.

The Notes may include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered or sold or, in the case of Notes in bearer form, delivered, in the United States or to or for the account or benefit of, U.S. persons as defined in the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.

Notwithstanding anything herein to the contrary, potential purchasers may disclose to any and all persons, without limitation of any kind, the U.S. federal, state or local income tax treatment and tax structure of the offering and all materials of any kind (including opinions or other tax analyses) that are provided to the investors relating to such tax treatment and tax structure. However, any information relating to the U.S. federal, state or local income tax treatment or tax structure shall remain confidential (and the foregoing sentence shall not apply) to the extent reasonably necessary to enable any person to comply with applicable securities laws. For this purpose, “tax structure” means any facts relevant to the U.S. federal, state or local income tax treatment of the offering but does not include information relating to the identity of the issuer of the securities, the issuer of any assets underlying the securities, or any of their respective affiliates that are offering the securities.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (ANNOTATED) (“*RSA 421-B*”) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER *RSA 421-B* IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are “restricted securities” as defined in Rule 144(a)(3) of the Securities Act, the Issuer has undertaken in the Trust Deed to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by such holder or beneficial owner, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, the Issuer is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the “*Exchange Act*”), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer and the Guarantor are corporations organised under the laws of New Zealand. All of the respective officers and directors of the Issuer and the Guarantor named herein reside outside the United States and all or a substantial portion of the assets of each of the Issuer and the Guarantor and of their respective officers and directors are located outside the United States. As a result, it may not be possible for investors to effect service of process outside New Zealand upon the Issuer or the Guarantor or upon such persons, or to enforce judgments against them obtained in courts outside New Zealand predicated upon civil liabilities of the Issuer or the Guarantor, as the case may be, or their respective directors and officers under laws other than New Zealand law, including any judgment predicated upon U.S. federal securities laws. Each of the Issuer and the Guarantor has been advised by Russell McVeagh, its New Zealand counsel, that there is doubt as to the enforceability in New Zealand in original actions or in actions for enforcement of judgments of U.S. courts of civil liabilities predicated solely upon the federal securities laws of the United States.

FORWARD-LOOKING STATEMENTS

This Drawdown Prospectus includes “forward-looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. All statements other than statements of historical facts included in this Drawdown Prospectus, including, without limitation, those regarding the Issuer’s and the Guarantor’s financial position, business strategy, plans and objectives of management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Issuer or the Guarantor, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the present and future business strategies of the Issuer or the Guarantor and the environment in which they will operate in the future. These forward-looking statements speak only as of the date of this Drawdown Prospectus. The Issuer and the Guarantor expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the expectations of the Issuer or the Guarantor with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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NOTICE TO INVESTORS

Because of the following restrictions and other restrictions described in the “*Subscription and Sale and Transfer and Selling Restrictions*” section of the Programme Offering Circular, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any Notes.

Each purchaser of Notes or a beneficial interest therein by its acceptance or purchase thereof, will be deemed to have acknowledged, represented to and agreed as follows (terms used herein that are defined in Rule 144A are used herein as defined therein):

- (a) You (A) (1) are a qualified institutional buyer, (2) are aware that the sale of the Notes to you is being made in reliance on Rule 144A and (3) are acquiring such Notes for your own account or for the account of a qualified institutional buyer, as the case may be, or (B) are not a U.S. person, as such term is defined in Rule 902 under the Securities Act, and are purchasing such Notes in accordance with Regulation S.
- (b) You understand that the Notes and Guarantee have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except (A)(1) to a person whom the purchaser reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (2) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S, (3) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) or (4) pursuant to an effective registration statement under the Securities Act and (B) in accordance with all applicable securities laws of the states of the United States.
- (c) The Notes will bear a legend to the following effect unless the Issuer and the Guarantor determine otherwise in compliance with applicable law:

“THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER ON ITS OWN BEHALF AND ON BEHALF OF ANY ACCOUNT FOR WHICH IT IS PURCHASING SUCH NOTES (A) REPRESENTS THAT IT IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE NOTES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; (B) AGREES THAT IT WILL NOT PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH NOTES, OFFER, RESELL OR OTHERWISE TRANSFER THE NOTES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND THE TRUST DEED AND OTHER THAN (1) TO THE ISSUER OR ANY SUBSIDIARY THEREOF, (2) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES TO BE A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE

EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT COVERING THE NOTES, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS NOTE AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT AND TRUST DEED REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE REGISTERED HOLDERS OF SUCH NOTES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS NOTE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS NOTE SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS NOTE AND ANY NOTES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).”

See also “*Subscription and Sale and Transfer and Selling Restrictions—Transfer Restrictions*” in the Programme Offering Circular.

RISK FACTORS

The Issuer and the Guarantor believe that the following factors may affect their ability to fulfil their obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

The Issuer and the Guarantor believe that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer or the Guarantor based on information currently available to them or which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere or incorporated by reference in this Drawdown Prospectus and reach their own views prior to making any investment decision.

Investors should be aware that the materialisation of any of the below risks may adversely affect the value of any securities.

Factors that may affect the Issuer's ability to fulfill its obligations under the Notes issued under the Programme and the Guarantor's ability to fulfill its obligations under the Guarantee

The Notes and the Guarantee will constitute unsecured obligations of the Issuer and the Guarantor, respectively. A purchaser of the Notes relies on the creditworthiness of the Issuer and the Guarantor and no other person. Investment in the Notes involves the risk that subsequent changes in actual or perceived creditworthiness of the Issuer and the Guarantor may adversely affect the market value of the Notes.

The Issuer is the Guarantor's offshore funding entity

The Issuer is a funding entity, the primary business of which is the carrying out of the Guarantor's offshore wholesale funding through the issuance of debt securities (see "Description of BNZ-IF" on page 198 of the Programme Offering Circular for further details). The Issuer's debt securities have the benefit of a guarantee from the Guarantor to enable the Issuer to carry out such fund-raising activities. As all funds raised by the Issuer will be on-lent to the Guarantor, the ability of the Issuer to fund its debt obligations in respect of Notes will be dependent on the ability of the Guarantor to fund its debt obligations to the Issuer.

By virtue of its dependence on the Guarantor, each of the risks described below that affect the Guarantor will also indirectly affect the Issuer.

Risks specific to the banking and financial services industry

The nature and impact of these external risks are generally not predictable and are often beyond the Guarantor's direct control.

Risk of change in general business and economic conditions in New Zealand

The business activities of the Guarantor are dependent on the level of banking, finance and financial services required by its customers.

In particular, levels of borrowing are heavily dependent on customer confidence, employment trends, the state of the economy and market interest rates at the time. As the Guarantor primarily conducts its business in New Zealand, its performance is influenced by the level and cyclical nature of business activity in New Zealand, which is, in turn, affected by both domestic and international economic and political events. There

can be no assurance that a weakening in the New Zealand economy will not have a material effect on the Guarantor's future results.

A material downturn in the New Zealand economy could adversely impact the Guarantor's results of operations, liquidity, capital resources and financial condition. Economic and political factors and events in New Zealand that could adversely affect the Guarantor's financial performance and position include, but are not limited to, changes in: short-term and long-term interest rates, inflation, monetary supply, commodity prices, debt and/or equity capital markets, foreign exchange rates, consumer and business confidence and the relative strength of the New Zealand economy. A fall in the housing market or the rural property market (including a decline in housing or rural property prices), a sustained decrease in immigration, a sustained increase in unemployment or other events may negatively affect household or corporate incomes in New Zealand.

The Guarantor may be adversely impacted by macroeconomic risks and financial market conditions

Changes in the economic environment may adversely impact the Guarantor's financial performance and position by, for example, decreasing the Guarantor's asset values and the demand for the Guarantor's loan and non-loan products and services and increasing the number of the Guarantor's customers who fail to pay interest or repay principal on their loans.

Economic conditions in New Zealand are normally influenced by changes in the level of global economic activity, typically through variations in the volume and price of New Zealand's exports, the availability of international capital in global financial markets and the risk appetite and cost of capital. Other changes that may impact economic conditions include, but are not limited to, economic growth rates, interest rates, inflation and deflation rates, employment levels, labor costs, consumer sentiment, demand for credit, market volatility, relative changes in exchange rates, changes in commodity prices (e.g. milk solids) and asset prices (e.g., bonds, equity securities, property and derivative instruments), levels of industrial production, taxation levels, domestic and international competition, monetary policy, fiscal policy, domestic and international politics and environmental conditions. Factors causing these changes are many and varied, and include, but are not limited to, the occurrence of major shock events such as natural disasters, war and terrorism, political and social unrest, and sovereign debt restructures and defaults.

Macroeconomic and financial market conditions currently relevant to the Guarantor which could adversely impact its financial performance and position include, but are not limited to:

- Leading global international financial institutions have forecast continuing moderate growth in world output, with this outlook also reflected in the consensus view of private sector forecasts. There are risks and uncertainties underpinning any global economic forecast, including those related to such factors as geo-political events, financial market volatility and natural disasters, that can cause outcomes to deviate from expectations.
- There is widespread market expectation that central banks may tighten their monetary policy to lift interest rates back to levels that appear more "neutral" and nearer the historical norm. A prolonged period of low interest rates carries the risk that market participants have taken on more risk than they expected in a "search for yield", leaving them exposed to a sharper than expected tightening in monetary policy. In the past, periods of tightening monetary policy in the United States have been associated with greater volatility in the volume and pricing of capital flows into emerging market economies. Several emerging market economies (and also Australia and New Zealand) remain vulnerable to a sudden or marked change in United States interest rates despite having strengthened their external positions by increasing reserves and improving their foreign debt maturity and currency positions.
- The economies of Australia and New Zealand are increasingly integrated with those of East Asia and there is a notable exposure in both of these economies to changes in the pace of growth of economic

activity in China. The outlook for the Chinese economy is uncertain as the government is trying to re-balance the composition of growth toward a greater contribution from consumption to lessen reliance on investment.

- Increases in the level of sovereign debt in countries outside the Euro-zone have generally been reflected in a downgrading in the rating of their external liabilities by the various rating agencies. Both the level of Japanese sovereign debt and its ratio to Gross Domestic Product have received particular attention and the importance of low interest rates for the sustainable funding of that debt has been widely recognized. Chinese growth has been reliant on rapid credit growth and the resulting build-up of sovereign debt has raised concern, especially regarding shadow banks including local government financing vehicles.

Potential impacts of macroeconomic and financial market conditions

Volatility in credit, currency and equity markets globally may result in uncertainty in financial markets that may affect all banks, including the Guarantor. Market volatility has led to, and in the future may lead to, events including, but not limited to:

- Increased cost of funding and/or lack of available funding;
- Deterioration in the value and liquidity of assets (including collateral);
- Inability to price certain assets;
- Increased likelihood of counterparty default and credit losses (including on the purchase and sale of protection as part of hedging strategies);
- Higher provisions for bad and doubtful debts;
- Mark to market losses in equity and trading positions;
- Increased cost of insurance and/or lack of available or suitable insurance; and/or lack of available or suitable derivative instruments for hedging purposes; and
- Lower growth, business revenues and earnings.

The financial performance and position of the Guarantor have been, and its future financial performance and position may continue to be, affected by these factors.

The Guarantor is subject to extensive regulation and changes thereto may adversely impact the Guarantor's financial performance and position

The Guarantor is subject to laws, regulations and codes of practice in New Zealand and other jurisdictions in which it operates or in respect of which it has some other connection. These regulations vary from country to country, and to differing degrees, are designed to protect the interests of depositors, policy holders, security holders, and the banking system as a whole. In particular, the Guarantor's banking activities are subject to extensive regulation, mainly relating to its liquidity levels, capital, solvency and provisioning. As a result of the global financial crisis, the Guarantor continues to expect increased regulatory focus on capital and liquidity requirements, customer relations and other aspects of its business that may impose increased regulatory burdens. For example, the Reserve Bank of New Zealand (the "RBNZ"), the Basel Committee on Banking Supervision and regulators in other jurisdictions have revised standards and released discussion papers, proposals and decisions in regards to strengthening the resilience of the banking and insurance sectors, including proposals and decisions to strengthen capital and liquidity requirements for the banking sector (widely known as "Basel III"). Regulatory changes (particularly where they are multi-jurisdictional

and unharmonized in terms of scope, requirements and implementation timeframes) may adversely affect the Guarantor's businesses, operations, corporate structures and ultimately its financial performance and position.

The New Zealand Government and its agencies, including the RBNZ, the Commerce Commission and the Financial Markets Authority (the "FMA"), have supervisory oversight over the Guarantor. To the extent that the Guarantor has operations or has some other connection with countries other than New Zealand, then such activities may be subject to the laws of, and regulation by agencies in, such countries, such as U.S. governmental agencies, including the Federal Reserve Board, the U.S. Department of Treasury and the Office of the Comptroller of the Currency, and United Kingdom agencies, including the *Prudential Regulation Authority* and the *Financial Conduct Authority*, and other financial industry regulatory bodies in those countries and in other relevant countries. To the extent that these regulatory requirements limit the Guarantor's operations or flexibility, they may adversely impact on profitability and prospects. In addition, the Guarantor's failure to comply with applicable laws, regulations or codes of practice could result in the imposition of sanctions by regulatory agencies, compensatory action by affected persons, and could damage the Guarantor's reputation, in any jurisdiction.

These regulatory and other governmental agencies (including revenue and tax authorities) frequently review banking and tax laws, regulations and policies. Changes to laws, regulations or codes of practice, including changes in interpretation or implementation of laws, regulations or policies, could affect the Guarantor in substantial and unpredictable ways and may even conflict with each other. These may include increasing required levels of bank liquidity and capital adequacy, requiring changes to systems and processes, limiting the types of financial services and products the Guarantor may offer, constraining outsourcing or offshoring arrangements and/or increasing the ability of non-banks to offer competing financial services and products, as well as changes to accounting standards, taxation laws and prudential regulatory requirements.

The Credit Contracts and Consumer Finance Amendment Act 2014 (the "Act") was passed by Parliament on May 27, 2014 and received Royal assent on June 6, 2014. The Act will introduce responsible lending principles and strengthen consumer rights in lending transactions and will come into force within 12 months of receiving Royal assent. A responsible lending code is being developed to set out guidance on compliance with the responsible lending principles in the Act.

The Guarantor is registered under the Reserve Bank of New Zealand Act 1989 (New Zealand) (the "RBNZ Act") and supervised by the RBNZ. As part of its registration, the Guarantor is subject to Conditions of Registration imposed by the RBNZ. The Conditions of Registration may be changed at any time, though the RBNZ is required to give the Guarantor notice and consider submissions made by the Guarantor prior to any such change.

Some significant regulatory reforms and changes currently underway include, but are not limited to:

- The RBNZ has implemented the Basel III capital adequacy requirements, as modified to reflect New Zealand conditions. The core Basel III capital adequacy ratios took effect as of January 1, 2013. Since January 1, 2014, the RBNZ also requires most New Zealand incorporated banks, including the Guarantor, to maintain a conservation buffer of 2.5% above the minimum ratios or face restrictions on distributions. The RBNZ also has the discretion since January 1, 2014 to apply a countercyclical buffer of common equity with an indicative range of between 0% and 2.5%, although there is no formal upper limit.
- In Europe, the European Union's final rules to implement Basel III, known as the Capital Requirements Directive IV Package have now been finalized, and in response the Prudential Regulation Authority has issued Policy Statement PS7/13. Implementation of the requirements commenced from January 1, 2014.

- Since April 1, 2010, New Zealand incorporated banks, including the Guarantor, have been required to comply with the RBNZ's Liquidity Policy (BS13). The Liquidity Policy requires banks to meet a minimum core-funding ratio of 75%. Basel III proposes a liquidity policy, which the RBNZ considers broadly similar to the intent of Liquidity Policy (BS13). However, the RBNZ considers that certain aspects of the new liquidity standards are not suitable for adoption in New Zealand. For example, the requirement that government securities comprise the bulk of high quality liquid assets held by banks is not suitable because New Zealand does not have a sufficient volume of government debt on issue. The RBNZ has stated that it does not intend to switch from Liquidity Policy (BS13) to the Basel III liquidity standards in the near term, although the New Zealand standards will continue to be reviewed. Implementation of Basel III reforms could increase the regulatory compliance costs to the Guarantor.
- The U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "**Dodd-Frank Act**") imposes additional supervisory requirements and prudential standards on foreign banking organizations with a United States banking presence and total global consolidated assets of at least US\$50 billion (which includes National Australia Bank Limited ("**NAB**"), the Guarantor's ultimate parent). A number of these regulatory requirements may impact the Guarantor and the Issuer. The legislation and its implementing regulations include, among other things, additional liquidity and risk management requirements, and periodic capital stress testing on NAB. The Dodd-Frank Act also contains the "Volcker Rule" which prohibits proprietary trading and the sponsorship of, and investment in, hedge and private equity funds by certain non-U.S. banking organizations and their affiliates, like the Guarantor and the Issuer. While many regulations implementing the Dodd-Frank Act have been adopted by U.S. regulatory agencies, certain requirements have yet to become effective, and their specific impact on the Guarantor's businesses and the markets in which it operates are not yet clear. The Dodd-Frank Act and its implementing regulations may adversely impact the financial performance and position of the Guarantor.
- Over The Counter ("**OTC**") derivative market reforms, which are a broader commitment of the Group of 20 Finance Ministers and Central Bank Governors, are being implemented in the United States through the Dodd-Frank Act as well as in other countries and Europe. The full extent of these reforms is yet to be determined and may adversely impact the financial performance and position of the Guarantor. In Europe, the European Market Infrastructure Regulation ("**EMIR**") has introduced new requirements to improve transparency and reduce the risks associated with the derivatives market. The EMIR requirements are being progressively implemented over a two-year period from 2013 to 2015, with derivative reporting having commenced in February 2014. There is variation in the scope of requirements adopted across jurisdictions, along with variation in the timeframes for implementation. The lack of harmonization of OTC reforms globally, adds to the cost and complexity of achieving regulatory compliance for the Guarantor.
- Regulators are requiring many banks, including the Guarantor, to develop recovery and/or resolution plans that show how the institution would propose to recover from a significant loss that threatened its viability as a stand-alone entity. These plans include, but are not limited to, liquidity management, capital management, balance sheet reduction, repricing, cost reduction and asset disposal initiatives. If elements of the plan were implemented in response to a crisis, or preparatory actions relating to the plan were mandated by regulators, it is possible that some or all of these actions may have an adverse impact on the financial performance and position of the Guarantor.
- The RBNZ has engaged with banks on the pre-positioning requirements that banks must comply with to implement the Open Bank Resolution (the "**OBR**") policy fully. OBR is a long-standing policy option aimed at resolving a bank failure quickly, in such a way, including by suspending payment of a portion of liabilities, that the bank can be promptly reopened for business, thus minimizing stresses on the overall banking and payments system. Banks were consulted on the systems requirements to ensure the concept can be put into operation. On June 28, 2013, following the consultation process, the RBNZ released its OBR Pre-positioning Requirements Policy (BS17),

which describes the policy, the OBR process, and the requirements on banks. As a standard condition of registration, New Zealand-incorporated registered banks with retail deposits over NZ\$1 billion (which includes the Guarantor) are required to comply with the OBR Pre-positioning Requirements Policy (BS17).

- The RBNZ is introducing new macro-prudential tools that may be used from time to time to manage financial system risks. These tools include: restrictions on high loan-to-value ratio (“**LVR**”) loans; sectoral capital requirements; adjustments to the minimum RBNZ core funding ratio requirements; and the Basel III countercyclical capital buffer. Since October 1, 2013, New Zealand incorporated banks have been required to comply with the requirements of the RBNZ Framework for LVR Restrictions (BS19). This limits the inflow of new high LVR (over 80%) residential mortgage lending to no more than 10% of the dollar value of a bank’s total new residential mortgage lending. The RBNZ will consult on any changes required to enable the operation of the remaining macro-prudential instruments over the coming months.
- As part of its macro-prudential policy, the RBNZ is also undertaking a staged review of New Zealand incorporated banks capital adequacy requirements for housing loans. As a consequence of stage one of the review, higher housing correlation factors for highly leveraged loans (i.e., loans with a loan-to-value ratio of greater than 80%) took effect from September 30, 2013, thereby increasing the capital adequacy requirements for such loans of banks using the internal ratings-based approach for calculating capital adequacy ratios and increasing reported risk weighted assets. The RBNZ also released in June 2014 a summary of submissions and final implementation decision relating to stage two of the housing review. The review mainly focused on remedying definitional inconsistencies and ambiguities currently contained in the RBNZ capital requirements. The implementation of the review will also include formalizing the RBNZ’s appeal process and ongoing requirements for internal models used by banks. The implementation dates for stage two changes vary from July 2014 to December 2014.
- Legislation passed in the United States in March 2010 will require foreign financial institutions to provide information regarding U.S. account holders (such legislation referred to as “**FATCA**”). If this information is not provided in a form satisfactory to the U.S. tax authorities, a foreign financial institution may be subject to a 30% withholding tax applied on certain amounts derived from U.S. sources and certain payments attributable to such amounts (“**Passthru Payments**”). Under U.S. Treasury regulations, no such withholding tax will be imposed on any payments from U.S. sources made prior to July 1, 2014, and no such withholding tax will be imposed on any proceeds from the disposal of U.S. assets and Passthru Payments prior to January 1, 2017. On June 12, 2014, the New Zealand government signed an Intergovernmental Agreement (“**IGA**”) with the U.S. Internal Revenue Service (“**IRS**”) to ease the burden of compliance on New Zealand financial institutions. The New Zealand government intends to pass legislation bringing the obligations under the IGA into New Zealand law. Under the IGA, New Zealand financial institutions will send information on U.S. reportable accounts to New Zealand’s Inland Revenue Department, which will be responsible for collating and passing the information on to the IRS. The Guarantor has registered for FATCA and will be complying with FATCA from July 1, 2014. FATCA has required significant investment by affected institutions in compliance and reporting frameworks that will meet FATCA standards. In the event of significant non-compliance, it is possible that the Guarantor may become subject to onerous U.S. withholding taxes under FATCA.
- The International Accounting Standards Board and the External Reporting Board in New Zealand proposed changes and reviews to consider changes to several of the accounting standards that govern key aspects of the Guarantor’s financial statements. While the outcome of these reviews and proposed changes is uncertain and difficult to predict, these changes may adversely impact the Guarantor’s reported financial performance and position. The main draft accounting standard that will potentially have a significant impact on the Guarantor’s current accounting methods and internal systems is NZ IFRS 9 Financial Instruments. NZ IFRS 9 Financial Instruments has the following

phases: Classification and Measurement; Impairment; and Hedge Accounting. These phases of the draft standard are expected to be finalized in 2014 with effective dates to be announced at that time. Voluntary early adoption of these phases is expected to be available. The potential impact of these phases of draft NZ IFRS 9 Financial Instruments is currently being assessed.

Other regulatory reforms or changes impacting the Guarantor may arise in the future. For example, increasing supervisory expectations for financial institutions to implement data strategies to improve data quality and meet the volume, granularity, frequency and scale of regulatory and other stakeholder reporting requirements and information demands may adversely impact the Guarantor.

The full effect of regulatory reforms or changes on the Guarantor's operations, business and prospects, or how any of the proposals discussed above will be implemented (if at all in some cases) is not known. Depending on the specific nature of any requirements and how they are enforced, they may have an adverse impact on the Guarantor's operations, structure, compliance costs and/or capital requirements and ultimately, its financial performance and position.

Competition or industry consolidation may adversely impact the financial performance and position of the Guarantor

There is substantial competition in the markets in which the Guarantor operates. Increasing competition for customers can lead to compression in profit margins, changes in terms and conditions, increased advertising and other related expenses to attract and retain customers, increased customer turnover, decreased customer loyalty or loss of market share. As technology and customer attitudes are rapidly evolving, this increases the risk of disruptive innovation and competition from new business entrants with lower cost operating models. Consolidation in the financial services industry is creating competitors with broader ranges of product and service offerings, increased access to capital, more customer data and greater efficiency. There has also been an increase in the direct role of governments in the international banking sector arising out of certain consolidations that occurred during the heightened period of instability during the global financial crisis.

The financial services sector in New Zealand is highly competitive, particularly in those segments that are considered to provide higher growth prospects. Factors contributing to this include industry deregulation, mergers and acquisitions, changes in customers' needs and preferences, entry of new participants, development of new distribution and service methods, increased diversification of products by competitors and regulated changes in the rules governing the operations of banks and non-bank competitors. For example, in New Zealand, non-banks are able to offer products and services traditionally provided by banks, such as automatic payment systems, housing loans, and credit cards. In addition, banks organized in jurisdictions outside New Zealand are subject to different levels of regulation and consequently some may have lower cost structures. Competition in the financial services sector can be intense and difficult to predict. Currently, there is significant competition for customer deposits and housing loans among New Zealand banks. This is likely to continue as banks seek to diversify their sources of funding and drive asset based funding.

The Guarantor's financial performance and position have been, and may continue to be, adversely affected by the competitive market conditions and/or industry trends.

Risks specific to the Guarantor

There are a number of risks which arise directly from the operations of the Guarantor as a major participant in the New Zealand banking and financial services industry and from the specific structure of the Guarantor. The Guarantor's financial performance and position have been, and in the future may continue to be, impacted by these risks.

The Guarantor's business model and portfolio mix create a different risk profile compared to its banking peers in a number of ways including, but not limited to, its higher proportion of business lending (and a higher exposure to commercial real estate).

The risks specific to the Guarantor are set out below.

The Guarantor is exposed to credit risk, which may adversely impact its financial performance and position

Credit risk is the potential that a counterparty or customer will fail to meet its obligations to the Guarantor in accordance with agreed terms. Lending activities account for most of the Guarantor's credit risk, however other sources of credit risk also exist including the banking book, the trading book, and other financial instruments and loans (including, but not limited to, acceptances, placements, inter-bank transactions, trade financing, foreign exchange transactions, repurchase and reverse repurchase agreements, swaps, bonds and options), as well as the extension of commitments and guarantees and the settlement of transactions.

The Guarantor's portfolio of credit risk is large and diverse. Major sub-segments within the Guarantor's lending portfolio include housing loans (which as at March 31, 2014 represented approximately 47.1% of gross loans and advances), agricultural lending (which as at March 31, 2014 represented approximately 18.5% of gross loans and advances) and commercial real estate loans (which as at March 31, 2014 represented approximately 11.4% of the portfolio as measured by gross loans and advances), with the majority of the counterparties to these loans domiciled in New Zealand. Currently there are differing external views as to whether or not the New Zealand residential property market is overvalued and likely to experience a price downturn and if so, when such a downturn may occur. A significant downturn in the housing, agricultural, commercial real estate or employment markets in New Zealand may have an adverse impact on the Guarantor's financial performance and position.

Less favorable business or economic conditions, whether generally or in a specific industry sector or geographic region, may cause, and have caused, counterparties and customers to experience an adverse financial situation. This may expose the Guarantor to the risk that those impacted counterparties or customers will fail to meet their obligations in accordance with agreed terms. The Guarantor may also be exposed to the increased risk of counterparty or customer default as interest rates rise above the record lows, or near record lows, of recent years.

Other factors that may have an adverse impact include, but are not limited to, declines in the performance of the New Zealand, Australian and other economies (impacting the Guarantor's retail, small and medium-sized businesses, and large corporate business customer base) or further financial market dislocation which may lead to falling confidence, increased re-financing risk and further contagion risk among market participants, counterparties and customers. The Guarantor's relatively high business lending market share in New Zealand exposes the Guarantor to potential losses greater than its peers should less favorable business and economic conditions be experienced across this sector. Fluctuations in the New Zealand dollar continue to place pressure on customers with businesses exposed to currency movements, including but not limited to New Zealand based tourism, manufacturing, retail, wholesale and agriculture businesses.

The Guarantor provides for losses incurred in relation to loans, advances and other assets. Estimating losses incurred in the loan portfolio is, by its very nature, uncertain and the accuracy of those estimates depends on many factors, including general economic conditions, assumptions of probability of default, loss given default and exposure at default, rating changes, structural changes within industries that alter competitive positions, external factors such as legal and regulatory requirements and a number of assumptions based on available experience and management judgments. If the information (or the assumptions upon which assessments are made) proves to be inaccurate, the provisions for credit impairment may need to be revised, which may adversely impact the Guarantor's financial performance and position.

The Guarantor is exposed to operational and compliance risks, which may adversely impact its financial performance and position

Operational risk, including compliance risk, is the risk of loss resulting from inadequate internal processes and controls, people and systems or from external events (e.g., natural disasters, extreme weather events, biological hazards, terrorism, political, security and social events). Operational risks are a core component of doing business as they arise from the day-to-day operational activities of the Guarantor as well as

organizational changes such as projects and business change initiatives. The Guarantor is experiencing new dimensions of operational and compliance risks through the increased digitalization of banking products and services and the rapid take up of social media. The Guarantor expects ongoing challenges in these areas as digital/technological innovation advances rapidly. Operational risks can also cause other risks to occur. For example, an uncontained biological hazard such as an outbreak of foot and mouth disease may result in increased credit risk across the Guarantor's agriculture portfolio. The Guarantor's day-to-day operational and compliance risks may arise in a number of ways including, but not limited to, the following:

- Fraud and/or malicious acts by employees, customers (for example, money laundering) and external parties seeking to misappropriate funds (including from customer accounts) or gain unauthorized access to customer data, and/or conduct cyber incidents including denial of service and malicious software attacks. The rapid evolution of technology in the financial services industry, driven by the increased expectation by customers for internet and mobile services on demand, increasingly exposes the Guarantor to new threats in these areas. While the Guarantor continues to invest in capabilities to prevent, detect and appropriately respond to threats of this nature, there can be no assurance that such incidents will not adversely impact the Guarantor, including through reputation damage, fines and/or penalties, regulatory censure and/or financial loss.
- Weaknesses in employment practices (including those with respect to diversity and discrimination), workplace health and safety practices and compliance with employment undertakings. This may result in unsafe working environments, staff capability and capacity issues, mistreatment of employees (perceived or real), personal injury, legal or regulatory action, reputation damage, fines and penalties, or financial loss.
- Systems, technology and infrastructure failures arising from poor design and implementation, operational error or ageing. The Guarantor is dependent on:
 - Information systems and technology from a system stability, data quality and information security perspective, including payment systems and technology that interface with wider industry infrastructure. Internal or external failure of these systems and technology (including if such systems cannot be restored or recovered in acceptable timeframes, or adequately protected) may adversely impact the Guarantor's ability to conduct its daily operations, and result in reputation damage and litigation, regulatory investigations and penalties, and/or adversely impact the Guarantor's financial performance and position; and
 - Select external technology providers (both in New Zealand and overseas) to continue to develop and provide its technology solutions. There is increasing regulatory and public scrutiny of outsourced and off-shored activities and their associated risks, including for example, the appropriate management and control of confidential data. The Guarantor also utilizes various external service providers for other business activities. The failure of any external providers to perform their obligations to the Guarantor or the failure of the Guarantor to appropriately manage those providers may adversely impact the Guarantor's reputation and/or financial performance and position.
- Process errors or failures arising from inadequate process design, untimely transaction processing, changes to or removal of key processes and operational failures by third parties (including off-shored and outsourced providers) or other major participants in the financial services industry. This may result in reputation damage and litigation, regulatory investigations and penalties, and may adversely impact the Guarantor's financial performance and position.
- Modelling error or failure arising from inaccurate or invalid assumptions, inappropriate logic, data issues or gaps, or poor management judgments. Models are used extensively throughout the Guarantor (including, but not limited to calculating capital requirements, collective provisioning, financial liabilities, pricing products, measuring and stressing exposures, evaluating businesses

and/or valuing assets). If the model (or assumptions/judgments on which it is based) proves to be inaccurate or incorrect, this may adversely impact the Guarantor's financial performance and position.

- Organizational changes such as projects and business change initiatives. See “— *Risks Specific to the Guarantor—Transformation and change programs*”.
- Deficiencies in product development and maintenance, or sales performance and practices, including unsuitable conduct by employees that is in breach of the Guarantor's policies and regulatory standards (such as selling or coercing customers into inappropriate products/services, or conducting unsuitable/inappropriate market practices and non-adherence to fiduciary requirements), all of which may result in reputation damage and litigation, customer redress, loss of customers, regulatory fines and penalties and may adversely impact the Guarantor's financial performance and position.
- Failure to comply with laws, regulations, license conditions, supervisory requirements, self-regulatory industry codes of conduct and related internal policies, procedures and organizational frameworks and standards. If the Guarantor's compliance controls were to fail significantly, or be set inappropriately, or not meet legal or regulatory expectations (including when they change over time), this may limit the Guarantor's operations or flexibility, or result in fines, settlements, or restitution to customers, regulators or other stakeholders, which may adversely impact the Guarantor's financial performance and position. The global banking and financial services industry is increasingly subject to information requests, scrutiny and investigations by its conduct-based regulators, which have led to a number of international firms facing high profile enforcement actions, including substantial fines, for breaches of laws.

For details of ongoing conduct matters potentially material to the Guarantor, refer to “*Bank of New Zealand Corporate Information—Pending Proceedings or Arbitration*” and to “*Notes to and Forming Part of the Financial Statements*”, Note 17 (Contingent Liabilities and Credit Related Commitments) in the Disclosure Statement for the six months ended March 31, 2014, as defined below (which is incorporated by reference in this Drawdown Prospectus) and to the “*General Information—Litigation*” section below.

Given that operational risks cannot be fully mitigated, the Guarantor determines an appropriate balance between accepting potential losses and incurring costs of mitigation. Where actual losses exceed predetermined limits, it may adversely impact the Guarantor's financial performance and position. Failure in operational risk may also materially damage the Guarantor's reputation.

Transformation and change programs

The Guarantor is now undertaking a significant technology transformation program (“**NextGen**”). NextGen is intended to replace certain core technology infrastructure and systems, including a number of customer-facing and product applications. The new infrastructure and systems aim to provide a more automated, stable, resilient and agile service and to reduce operational complexity and cost.

There is a risk that implementation of the program may not be completed within expected timeframes or budget, or that such changes do not deliver some or all of their anticipated benefits.

The unexpected loss of key personnel may adversely impact the Guarantor's financial performance and position

The Guarantor is dependent on its ability to retain and attract key management and operating personnel. The Guarantor has qualified and experienced management teams and operating personnel that it relies on in order to operate effectively and efficiently. The unexpected loss of any key member of these teams, or the Guarantor's inability to attract the requisite personnel with suitable experience, may adversely impact the Guarantor's financial performance and position.

Litigation and contingent liabilities arising from the Guarantor's business conduct may have an adverse impact on its performance and position

The Guarantor may be involved from time to time in legal proceedings arising from the conduct of its business. The aggregate potential liability in respect thereof cannot be accurately assessed. Any material legal proceedings may adversely impact the Guarantor's financial performance and position.

Refer to “*Bank of New Zealand Corporate Information—Pending Proceedings or Arbitration*” and to “*Notes to and Forming Part of the Financial Statements*”, Note 17 (Contingent Liabilities and Credit Related Commitments) in the Disclosure Statement for the six months ended March 31, 2014, as defined below (which is incorporated by reference in this Drawdown Prospectus) and to the “*General Information—Litigation*” section below, for details in relation to the Guarantor's material legal proceedings and contingent liabilities.

Insufficient holdings of capital may adversely impact the Guarantor's financial performance and position

Capital risk is the risk that the Guarantor does not hold sufficient capital and reserves to meet prudential standard requirements, achieve its strategic plans and objectives, or to cover the risks to which it is exposed and to protect against unexpected losses. The Guarantor is required in all jurisdictions in which it undertakes regulated activities to maintain minimum levels of capital and reserves relative to the size and risk profile of its operations. Any change, including regulatory changes referenced in “—*Risks specific to the banking and financial services industry—The Guarantor is subject to extensive regulation and changes thereto may adversely impact the Guarantor's financial performance and position*” above, that limits the Guarantor's ability to manage its capital, or to deploy capital across its entities within the Guarantor and its controlled entities (the “**Banking Group**”), or requires the Banking Group to hold more capital (including at a higher quality standard) may adversely impact the Guarantor's financial performance and position.

The Guarantor's funding and liquidity position may be adversely impacted by dislocation in global capital markets

Funding risk is the risk that the Guarantor is unable to raise short-term and long-term funding to support its strategic plans and objectives. In particular, the New Zealand banking sector accesses global capital markets to help fund its businesses. Any dislocation in global capital markets may adversely affect the Guarantor's ability to access funds (including at a reasonable cost) to meet its strategic plans and objectives and its obligations to creditors; and reduce investor appetite for holding the Guarantor's securities, all of which may adversely impact the Guarantor's financial performance and position.

Liquidity risk is the risk that the Guarantor is unable to meet its financial obligations as they fall due. These obligations include the repayment of deposits on demand or at their contractual maturity, the repayment of borrowings and loan capital as they mature, the payment of interest on borrowings and the payment of operating expenses and taxes. Any significant deterioration in the Guarantor's liquidity position may adversely impact the Guarantor's financial performance and position.

In addition to the impact caused by any dislocation in global capital markets, the Guarantor's financial performance and position may also be adversely impacted by any reduction in investor appetite for holding the securities of National Australia Bank Limited and its controlled entities (the “**NAB Group**”).

As mentioned in “—*Risks specific to the banking and financial services industry—The Guarantor is subject to extensive regulation and changes thereto may adversely impact on the Guarantor's financial performance and position*” above, there are proposed changes to the minimum required levels of liquidity that the Guarantor is required to hold, which may adversely impact the Guarantor's financial performance.

A downgrade in the Guarantor's credit ratings may adversely impact its financial performance and position

Credit ratings are an important reference for market participants in evaluating the Guarantor or its products and services. A downgrade or potential downgrade in the Guarantor's credit ratings can affect the availability and/or cost of funding for the Guarantor.

Credit rating agencies conduct ongoing review activity which is based on a number of factors including the Guarantor's financial strength, as well as factors not entirely within the control of the Guarantor, such as conditions affecting the financial services industry and markets generally. This review activity can result in changes to credit rating settings and outlooks for the Guarantor, including individual securities issued by the Guarantor and/or the Issuer, particularly in periods of increased market volatility.

A downgrade to the Guarantor's credit ratings may also result from a change in the rating agency's methodology or a change in the credit rating or outlook of NAB or New Zealand's sovereign credit rating or outlook.

A downgrade in the credit ratings of the Guarantor or NAB or the sovereign rating of one or more of the countries in which the Guarantor operates or raises capital, may increase the Guarantor's borrowing costs, limit its access to the capital markets and trigger additional collateral requirements in derivative contracts and other secured funding arrangements, which may adversely impact the Guarantor's financial performance and position.

Changes in interest rates may impact the Guarantor's financial performance and position

Interest rate risk is the risk to the Guarantor's financial performance and position caused by changes in interest rates. As interest rates and yield curves change over time, the Guarantor may be exposed to a loss in earnings and economic value due to the interest rate profile of its balance sheet. In the banking industry, this commonly arises from the mismatch between the maturity profile of a bank's lending portfolio compared to its deposit portfolio (and other funding sources). Interest rate risk also includes the risk arising out of customers' demands for interest rate-related products with various repricing profiles. It is also possible that both short-term and long-term interest rates may change in a way that the Guarantor has not correctly anticipated, and this may have an adverse impact on the Guarantor's financial performance and position.

The Guarantor is exposed to foreign exchange and translation risk, which may adversely impact its financial performance and position

Foreign exchange and translation risk arises from the impact of changes in foreign currency exchange rates on the value of the Guarantor's cash flows and assets and liabilities as a result of participation in the global financial markets and international operations. It includes any currency positions in the banking book emanating from transactions with customers, banks and other counterparties. Any adverse movement in foreign exchange rates may adversely impact the Guarantor's financial performance and position.

The Guarantor and Issuer conduct business in different currencies, mainly New Zealand, Australian and U.S. dollars, British pounds sterling and Euros. The Guarantor's businesses may be affected by a change in currency exchange rates, or a full or partial break-up of the Euro-zone or a change in the reserve status of any of these currencies.

The Guarantor's financial statements are prepared and presented in New Zealand dollars, and any appreciation in the New Zealand dollar against other currencies in which the Guarantor invests or transacts and generates profits may adversely impact its financial performance and position, including by reducing the net cash proceeds, in New Zealand dollars, of any assets or businesses sold in other currencies. Conversely, depreciation in the value of the New Zealand dollar relative to those currencies may magnify any losses incurred in other currencies, when expressed in New Zealand dollars. This may also adversely impact the Guarantor's financial performance and position.

A material reduction in the fair value of an equity investment held by the Guarantor may adversely impact its financial performance and position

The Guarantor carries equity investments in its banking book at fair value. Fair value represents market valuations derived from market prices or independent valuations and methodologies. The fair value of an equity investment is impacted by various risks, including, but not limited to, economic risk, political risk, business and operational risk, legal and regulatory risk, currency risk, price risk and market risk. A material reduction in the fair value of an equity investment in the Guarantor's banking book may adversely impact the financial performance and position of the Guarantor.

The Guarantor may suffer significant losses from trading activities, which may adversely impact its financial performance and position

Traded market risk is the risk of losses arising from trading activities undertaken by the Guarantor as a result of adverse movements in market prices. Losses can arise from a change in the value of positions in financial instruments or their hedges due to adverse movements in market prices (for example, interest rates, foreign exchange, commodities, equities and credit spreads). Any significant losses from such trading activities may adversely impact the Guarantor's financial performance and position.

Damage to the reputation of the Guarantor or other members of the NAB Group may adversely impact the Guarantor's financial performance and position

Reputation risk is the possible impact of negative stakeholder opinion of the Guarantor's actions, behavior, performance and position. This risk may expose the Guarantor to litigation, financial loss, a decline in customer satisfaction and customer base and overall loss of competitiveness or loss of key personnel.

Reputation risk may arise through the actions of the Guarantor or other financial services companies, as well as their employees, suppliers, affiliates and customers, and may adversely affect perceptions of the Guarantor held by the public, shareholders, investors, customers, regulators and/or rating agencies. Additionally, the impact of a risk event (for example, operational, compliance, credit or market) on the Guarantor's reputation and brand may adversely impact the Guarantor's financial performance and position.

As the Guarantor and Issuer are part of a larger business group (the NAB Group) they are vulnerable to financial and reputational damage by virtue of their association with other members of the NAB Group, any of which may suffer the occurrence of a risk event. The damage may be financial and may impact the Guarantor's results if, for example, financial resources are withdrawn from the Guarantor to support another member of the NAB Group.

The Guarantor is exposed to underwriting risk that may adversely impact its financial performance and position

As a financial intermediary, the Guarantor underwrites or guarantees many different types of assets, risks and outcomes, including but not limited to, listed and unlisted debt. The guarantee may be over the pricing and placement of these securities and the Guarantor may therefore suffer losses if it fails to sell down some or all of this risk to other market participants.

Certain strategic decisions may adversely impact the Guarantor's financial performance and position

There is a risk that the assumptions on which the Guarantor's strategic decisions are based are, or will prove to be incorrect, that conditions underpinning strategic decisions may change, that the risks arising exceed the expected and approved appetite for strategic risk or that execution of the Guarantor's strategic initiatives proves ineffective. It is also possible that certain strategic initiatives are unable to be easily reversed once the Guarantor has commenced or completed execution of them. These risks may adversely impact the Guarantor's financial performance and position.

As the Guarantor progressively implements its technology strategy (see “—Risks specific to the Guarantor— The Guarantor is exposed to operational and compliance risks, which may adversely impact its financial performance and position”) there is a risk that on completion, technology has evolved in such a way that the Guarantor’s technology solutions may no longer achieve planned outcomes.

The Guarantor may undertake an acquisition or divestment that may adversely impact its financial performance and position

The Guarantor regularly examines a range of corporate opportunities (including acquisitions, joint ventures and divestments) with a view to assessing whether these opportunities are in line with its strategic priorities and are able to enhance its financial performance, position or prospects.

Any corporate opportunity that is pursued may change the Guarantor’s risk profile and result in possible negative sentiment and outcomes (including the Guarantor’s credit ratings being placed on negative outlook, negative watch or being downgraded). There are also risks associated with a transaction being executed at an incorrect value. This may arise through an over-valuation of the relevant business at the time of the transaction (in the case of an acquisition or joint venture), or through under-valuation (in the case of a divestment or joint venture). Risks may also arise through matters that are inherent in the business being acquired or divested, through problems with the integration of the business (including, but not limited to, the risk that expected synergies will not be realized and that the Guarantor or the relevant business may lose customers, or face disruption to its operations, or incur integration cost greater than originally expected), or in the case of divestments, through problems in separating the business from the Guarantor. These factors may adversely impact the Guarantor’s financial performance and position, particularly when combined with negative sentiment in relation to the Guarantor’s acquisitions, joint ventures and divestments.

There are other commercial risks that may adversely impact the Guarantor’s future prospects, including its financial performance and position

There are a number of general commercial risks, including, but not limited to, the risks associated with:

- new projects, including cost overruns, and delays in (or inability to achieve) revenues or cost benefits intended to flow from such new projects;
- development of new services or technology in competition with the Guarantor’s operations;
- failure to identify and convert business opportunities;
- the level of market acceptance for the products and services provided by the Guarantor; and
- loss of accreditation or regulatory or other licensing for the Guarantor’s operations, causing the loss of contracts, customers or market share.

If any of these risks are realized, they may adversely impact the financial performance and position of the Guarantor.

Geological and other extrinsic events could adversely impact the Guarantor’s operations and financial results

The Guarantor may be exposed to geological events (e.g., volcanic eruptions, seismic activity or tsunamis), plant or animal diseases or other extrinsic events, such as flu pandemics. These may severely disrupt normal business activity and have a negative effect on the Guarantor’s business, operations and financial condition. For example, major earthquakes have recently occurred in the Canterbury and Wellington areas. While much of the widespread property damage in these earthquakes was covered by public (Earthquake Commission) and private insurance, there have been and will continue to be negative impacts on property (and hence collateral) values and on future levels of insurance and reinsurance coverage across New

Zealand. A reduction in the value of New Zealand property as a result of geological events such as earthquakes could increase lending losses, which may adversely affect the Guarantor's business operations and financial condition. As a consequence of the Guarantor's large market share in the New Zealand agricultural sector (particularly the dairy industry), and the importance of the agricultural sector to the performance of the New Zealand economy, climatic, disease and other risks that can have a large impact on these sectors may adversely impact the Guarantor's financial results.

A failure of the Guarantor's risk management framework and processes may adversely impact its financial performance and position

The Guarantor's approach to identifying, assessing, measuring, managing, reporting and governing its risks is subject to the successful application of a number of risk and control frameworks. Should these frameworks (including the assumptions on which they are based) be flawed or change, or the judgment of the people involved in their application, fail, this may adversely impact the Guarantor's financial performance and position.

Furthermore, a series of failures in the Guarantor's risk and control frameworks may be an underlying indicator of its risk culture which, if systemic or perceived to be systemic, may result in negative sentiment in relation to the Guarantor's underlying value and its financial performance and position.

Other risks

The risks outlined above do not represent an exhaustive list of the risks associated with the Guarantor and the Issuer. Other risks not specifically referenced in this Drawdown Prospectus (including a failure to accurately identify and manage all risks faced by the Guarantor) may adversely impact the future financial performance and position of the Guarantor. Accordingly, no assurances or guarantees of future performance, profitability, distributions or returns of capital are given by the Guarantor.

Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

1. have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Drawdown Prospectus;
2. have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
3. have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
4. understand thoroughly the terms of the Notes and be familiar with the behavior of any relevant indices and financial markets; and
5. be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact an investment in the Notes will have on the potential investor's overall investment portfolio.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

Where the Issuer has the right to redeem the Notes, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return

An optional redemption feature of the Notes is likely to limit their market value. During any period when the Issuer may elect to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Senior Notes when its cost of borrowing is lower than the interest rate on those Senior Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Senior Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

If the Issuer has the right to convert the interest rate on the Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that may convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate and such conversion may affect the secondary market and the market value of the Notes. If the Notes convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favorable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

The conditions of the Notes contain provisions which may permit their modification (including for principal and interest) without the consent of all investors and confer significant discretions on the Trustee which may

be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, agree to (i) any modification of, or to the waiver or authorization of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of the Noteholders that any Event of Default or Potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under certain Notes in place of the Issuer, in the circumstances described in Condition 15 of the conditions of the Notes in the Programme Offering Circular.

Withholding under the EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income (the “**Directive**”), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On March 24, 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from January 1, 2017. The changes will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from January 1, 2015, in favour of automatic information exchange under the Directive.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories, including Switzerland, have adopted similar measures (a withholding system in the case of Switzerland).

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Directive or any law implementing or complying with, or introduced in order to conform to, such Directive, neither of the Issuer, Guarantor nor any Paying Agent (as defined in “*Terms and Conditions of the Notes*” in the Programme Offering Circular) or any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required, however, pursuant to Condition 12(d) of the conditions of the Notes described in the Programme Offering Circular, to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive or any law implementing or complying with, or introduced in order to conform to, such Directive.

Investors who purchase Notes in denominations that are not integral multiples of the Specified Denomination may be adversely affected if definitive Notes are subsequently required to be issued

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a Noteholder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, Noteholders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

The value of the Notes could be adversely affected by a change in English law or administrative practice or other applicable laws

The Conditions of the Notes are based on English law in effect as at the date of the Programme Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of the Programme Offering Circular and any such decision or change to English law or administrative practice could materially adversely impact the value of any Notes affected by such decision or change.

Foreign Account Tax Compliance Withholding

While the Notes are in global form and held within Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme (together, the “ICSDs”), in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the ICSDs, see “*Taxation—United States Taxation—Foreign Account Tax Compliance Withholding*” in the Programme Offering Circular. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer’s obligations under the Notes are discharged once it has paid the common depositary or common safekeeper for the ICSDs and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the ICSDs and custodians or intermediaries.

Risks related to the market generally

Set out below is a description of material market risks, including liquidity risk, interest rate risk and credit risk:

An active secondary market in respect of the Notes may never be established or may be illiquid, and this would adversely affect the value at which investors could sell their Notes

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices

that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes

The Issuer will pay principal and interest on the Notes and the Guarantor will make any payments under the Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The value of Fixed Rate Notes may be adversely affected by movements in market interest rates

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

Credit ratings assigned to the Guarantor or any Notes may not reflect all risks associated with investment in those Notes

One or more independent credit rating agencies may assign credit ratings to the Guarantor or to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the relevant rating agency at any time.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**") from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on pages 67 to 68 of the Programme Offering Circular and, where applicable, in the "*Terms and Conditions of the Notes*" herein.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and have been filed with the CSSF shall be incorporated in, and form part of, this Drawdown Prospectus:

- (a) the sections of the Offering Circular dated December 16, 2013 relating to the Programme (the “**Programme Offering Circular**”) set out in the table below:

<i>The section of the Programme Offering Circular entitled</i>	<i>Page references (inclusive)</i>
Overview of the Programme	69 to 76
Form of the Notes	77 to 81
Terms and Conditions of the Notes	123 to 183
Use of Proceeds	184
Description of BNZ-IF	198 to 200
Description of the Guarantor	201 to 205
Book-Entry Clearance Systems	206 to 209
Taxation	210 to 247
United States Employee Retirement Income Security Act	248 to 249
Subscription and Sale and Transfer and Selling Restrictions	250 to 259

- (b) the Issuer’s Annual Report and Financial Statements (“**Annual Report**”) for the financial years ended September 30, 2013 and 2012 (which contain the Issuer’s audited financial statements for the financial years ended September 30, 2013, 2012 and 2011) and the Guarantor’s Disclosure Statements (each a “**Disclosure Statement**”) for the six months ended March 31, 2014 (which contains the Guarantor’s unaudited financial statements for the six months ended March 31, 2014 and 2013) and for the financial years ended September 30, 2013 and 2012 (which contain the Guarantor’s audited financial statements for the financial years ended September 30, 2013, 2012 and 2011),

Cross Reference Table

	The Guarantor	The Issuer
Balance sheet	<i>September 30, 2012</i> Disclosure Statement, page 10	2012 Annual Report, page 3
	<i>September 30, 2013</i> Disclosure Statement, page 10	2013 Annual Report, page 3
	<i>March 31, 2014</i> Disclosure Statement, page 5	
Income statement	<i>September 30, 2012</i> Disclosure Statement, page 8	2012 Annual Report, page 1
	<i>September 30, 2013</i> Disclosure Statement, page 8	2013 Annual Report, page 1
	<i>March 31, 2014</i> Disclosure Statement, page 3	
Statement of comprehensive income	<i>September 30, 2012</i> Disclosure Statement, page 8	2012 Annual Report, page 1
	<i>September 30, 2013</i> Disclosure Statement, page 8	2013 Annual Report, page 1
	<i>March 31, 2014</i> Disclosure Statement, page 3	
Statement of changes in equity	<i>September 30, 2012</i> Disclosure Statement, page 9	2012 Annual Report, page 2
	<i>September 30, 2013</i> Disclosure Statement, page 9	2013 Annual Report, page 2
	<i>March 31, 2014</i> Disclosure Statement, page 4	

	The Guarantor	The Issuer
Cash flow statement	<i>September 30, 2012</i> Disclosure Statement, pages 11-12	2012 Annual Report, pages 4-5
	<i>September 30, 2013</i> Disclosure Statement, pages 11-12	2013 Annual Report, pages 4-5
	<i>March 31, 2014</i> Disclosure Statement, page 6	
Accounting policies and explanatory notes (in each case referred to as “Notes to and forming part of the Financial Statements”)	<i>September 30, 2012</i> Disclosure Statement, pages 13-90	2012 Annual Report, pages 6-18
	<i>September 30, 2013</i> Disclosure Statement, pages 13-88	2013 Annual Report, pages 6-18
	<i>March 31, 2014</i> Disclosure Statement, pages 7-37	
Audit reports	<i>September 30, 2012</i> Disclosure Statement, pages 91-92	2012 Annual Report, page 19
	<i>September 30, 2013</i> Disclosure Statement, pages 89-90	2013 Annual Report, page 19
Auditor’s Independent Review Report	<i>March 31, 2014</i> Disclosure Statement, pages 38-39	
Legal and arbitration proceedings	<i>September 30, 2012</i> Disclosure Statement, page 3	None
	<i>September 30, 2013</i> Disclosure Statement, page 3	None
	<i>March 31, 2014</i> Disclosure Statement, page 2	

- (c) the Supplement to the Programme Offering Circular dated July 21, 2014,
- (d) the Bank of New Zealand U.S. Debt Funding Information for the six months ended March 31, 2014,

Cross Reference Table

Presentation of Information	pages 2-3
Selected Financial Information	pages 4-5
Management's Discussion and Analysis of Financial Condition and Results of Operations	pages 5-19
Liquidity, Funding and Capital Resources	pages 20-24
Derivatives and Market Exposures	pages 25-27
Industry and Regulation	pages 28-30
Our Business	pages 31-32
Management	pages 33-38

- (e) the Bank of New Zealand U.S. Debt Funding Information for the year ended September 30, 2013, and

Cross Reference Table

Presentation of Information	pages 2-3
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Liquidity, Funding and Capital Resources	pages 20-24
Derivatives and Market Exposures	pages 25-27
Industry and Regulation	pages 28-30
Our Business	pages 31-32
Management	pages 33-38

- (f) the Bank of New Zealand Supplemental Information for the year ended September 30, 2013,

Cross Reference Table

Presentation of Information	page 2
Average Balance Sheet and Related Interest	pages 3-4
Investment Portfolio	page 5
Loan Portfolio	pages 6-8
Summary of Loan Loss Experience	pages 8-10
Deposits and Other Borrowings	page 11
Short Term Borrowings	page 11
Return on Equity and Assets	page 11

save that any statement contained in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Drawdown Prospectus (i) to the extent that a statement contained herein modifies or supersedes such earlier statement and (ii) to the extent that a later document incorporated by reference herein modifies or supersedes such earlier statement, in each case, whether expressly, by implication or otherwise. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this Drawdown Prospectus.

The documents listed in paragraph (b) above contain financial information on the Issuer and the Guarantor, as described in the cross reference tables above. The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant schedules of the Commission Regulation (EC) 809/2004.

Copies of documents incorporated by reference in this Drawdown Prospectus can be obtained from the registered office of the Issuer and the Guarantor and on the website of the Luxembourg Stock Exchange at *www.bourse.lu*.

In the case of the Programme Offering Circular, where only parts of the document are being incorporated by reference, the non-incorporated parts of that document are either not relevant for an investor or are covered elsewhere in this Drawdown Prospectus.

CURRENCY OF PRESENTATION AND EXCHANGE RATES

We publish our consolidated financial statements in New Zealand dollars. Our financial year ends on September 30 of each year and financial half year ends on March 31 of each year. The following table sets forth, for financial years and half year indicated, the high, low, average and period-end noon buying rates in New York City for cable transfers of New Zealand dollars as certified for customs purposes for the Federal Reserve Bank of New York, expressed in U.S. dollars per NZ\$1.00. We also set forth below the high, low, average and period-end noon buying rates for each of the last full six months. On July 31, 2014, the noon buying rate was U.S.\$0.8490 = NZD\$1.00.

<u>Financial Year ended September 30,</u>	<u>At Period End</u>	<u>Average⁽¹⁾</u>	<u>High</u>	<u>Low</u>
2009	0.7233	0.5990	0.7233	0.4926
2010	0.7329	0.7144	0.7567	0.6640
2011	0.7675	0.7874	0.8776	0.7208
2012	0.8293	0.7992	0.8404	0.7405
2013	0.8323	0.8193	0.8650	0.7711
Six Months ended March 31				
2014	0.8684	0.8325	0.8684	0.8090
Month				
February 2014	0.8390	0.8297	0.8390	0.8107
March 2014	0.8684	0.8539	0.8684	0.8371
April 2014	0.8605	0.8606	0.8708	0.8531
May 2014	0.8485	0.8605	0.8766	0.8464
June 2014	0.8755	0.8621	0.8765	0.8423
July 2014	0.8490	0.8687	0.8814	0.8469

1. The average of the daily noon buying rates for each period.

For the convenience of the reader, this Drawdown Prospectus contains translations of certain New Zealand dollar amounts into U.S. dollars at the rate or rates indicated. These translations should not be construed as representations that the New Zealand dollar amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated.

EXCHANGE CONTROLS

The New Zealand dollar is convertible into U.S. dollars at freely floating rates and there are currently no general restrictions on the flow of New Zealand currency between New Zealand and the United States.

Article 41 of the Charter of the United Nations authorizes the United Nations Security Council (the “UNSC”) to take enforcement measures not involving the use of force, such as sanctions, in order to give effect to its decisions. The range of sanctions imposed by the UNSC has included comprehensive economic and trade sanctions as well as more targeted measures such as arms embargoes, travel bans, and financial or diplomatic restrictions. Under article 25 of the Charter of the United Nations, New Zealand has agreed to accept and carry out the decisions of the UNSC. UNSC sanctions are implemented in New Zealand law by regulations made under the United Nations Act 1946.

The New Zealand Terrorism Suppression Act 2002 generally prohibits dealing with property of, or property derived or generated from property of, a “designated terrorist entity”. A “designated terrorist entity” includes an entity:

- (a) at the time being designated by the Prime Minister of New Zealand as a terrorist entity or an associated entity; or
- (b) that is a United Nations listed terrorist entity.

Additional information on the above restrictions and prohibitions may be found by contacting the New Zealand Ministry of Foreign Affairs and Trade.

Further, the New Zealand Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (the “**AML-CFT Act**”) provides that where NZ\$10,000 or more of cash (which includes physical currency and bearer-negotiable instruments) is transferred out of New Zealand, reporting obligations may apply under the AML-CFT Act.

CAPITALIZATION

	As at March 31, 2014	
	US\$ ¹	NZ\$
	(in millions)	(in millions)
Capitalization and Funding		
Due to central banks and other institutions	1,291	1,486
Short term debt securities	4,723	5,439
Trading liabilities	31	36
Derivative financial instruments	4,166	4,797
Deposits from customers	37,465	43,143
Bonds and notes	12,032	13,855
Amounts due to related entities	711	819
Other liabilities	700	806
Subordinated debt	621	715
Total shareholders' equity	5,059	5,826
Total Capitalization and Funding	66,799	76,922
Capital Adequacy		
<i>Common Equity Tier One capital</i>		
Contributed equity – ordinary shareholder	1,607	1,851
Retained profits	2,638	3,038
Deductions from Common Equity Tier One capital:		
Intangible assets	158	182
Credit value adjustment on liabilities designated at fair value through profit or loss	131	151
Prepaid pension assets (net of deferred tax)	3	4
Deferred tax asset	105	121
Total expected loss less total eligible allowances for impairment	134	154
Total Common Equity Tier One capital	3,976	4,579
<i>Additional Tier One capital</i>		
Contributed equity – perpetual preference shareholders ^{2,3}	632	728
Total Additional Tier One capital	632	728
Total Tier One capital	4,608	5,307
<i>Tier Two capital</i>		
Revaluation reserves	53	61
Subordinated loans from related entities ⁴	621	715
Total Tier Two capital	674	776
Total Tier One and Tier Two qualifying capital	5,282	6,083
Capital Ratios (%)		
Common Equity Tier One capital	9.13	9.13
Tier One capital	10.58	10.58
Total qualifying capital	12.13	12.13
Buffer ratio for Common Equity Tier One capital ⁵	4.13	4.13

1. For the convenience of the reader, the financial data for the six months ended March 31, 2014 has been translated from NZ dollars into U.S. dollars using the noon buying rate for March 31, 2014 of NZ\$1.00=US\$0.8684. Any discrepancies in the conversion between currencies are due to rounding.

2. The amount disclosed as “Contributed equity – perpetual preference shareholders” under Capital Adequacy reflects RBNZ’s Capital Adequacy framework (Internal Models Based Approach) (“**BS2B**”). This amount may differ from that disclosed as

“Contributed equity – perpetual preference shareholders” in the Guarantor’s balance sheet. Contributed equity from perpetual preference shareholders is subject to phase-out from Additional Tier One capital in accordance with BS2B. The phase-out takes place over five years, with the maximum eligible amount of Additional Tier One capital for these instruments declining by 20% each year and with the phase-out commencing on January 1, 2014. The base amount for the phase-out was fixed at the nominal amount outstanding as at January 1, 2013 and amounted to \$910 million.

3. Subsequent to March 31, 2014, NAB exercised its right to call the \$260 million of perpetual non-cumulative shares issued by BNZ Income Securities 2 Limited (“**BNZIS 2**”), to be effected on June 30, 2014. NAB nominated the Guarantor to be the purchaser of the BNZIS 2 perpetual non-cumulative shares. The Guarantor’s Board of Directors has also resolved to buy back the \$260 million of perpetual non-cumulative preference shares issued to BNZ Income Management Limited, to be effected on June 30, 2014.
4. The amount disclosed as “Subordinated loans from related entities” under Capital Adequacy reflects BS2B. This amount may differ from that disclosed as “Subordinated debt” under Capitalization and Funding and in the Guarantor’s balance sheet. Subordinated loans from related entities are subject to phase-out from Tier Two capital capital in accordance with BS2B. The phase-out takes place over five years, with the maximum eligible amount of Tier Two capital for these instruments declining by 20% each year and with the phase-out commencing on January 1, 2014. The base amount for the phase-out was fixed at the nominal amount outstanding as at January 1, 2013 and amounted to \$905 million. Subordinated loans of \$190 million were repaid in February 2014. Further details regarding this repayment are provided in Note 20 Capital Adequacy of the Disclosure Statement for the six months ended March 31, 2014.
5. A prescribed minimum regulatory buffer ratio of 2.5% became effective from January 1, 2014.

RATIO OF EARNINGS TO FIXED CHARGES

Below are our ratios of earnings to fixed charges for the periods indicated, computed using amounts derived from our financial statements.

For purposes of calculating these ratios:

- fixed charges include interest on all indebtedness, including interest on deposits, and one-third of rental charges (which is used to be representative of an interest factor); and
- earnings are computed after all operating and income deductions, except fixed charges, extraordinary items and tax based on profits, and are stated before minority interests.

	Six Months Ended March 31,	Year ended September 30,				
	2014	2013	2012	2011	2010	2009
Ratio of earnings to fixed charges	1.5	1.4	1.4	1.4	1.3	1.3

PLAN OF DISTRIBUTION

Pursuant to the U.S. Distribution Agreement, dated February 4, 2014 (the “**Distribution Agreement**”) with respect to the Notes, the Issuer, Guarantor and one or more of the Dealers have entered into an agreement for the issue and purchase of Notes. This Drawdown Prospectus sets forth the names of the Dealers participating in the offering of the issue of the Notes and the principal amount of such Notes that each such Dealer has agreed, subject to certain conditions, to purchase.

The Dealers named in the “*Terms and Conditions of the Notes*” shall be committed to take and pay for all of its shares of such Notes, if any are taken. The initial offering price is set forth in the “*Terms and Conditions of the Notes*”. After any Notes are released for sale, the relevant Dealers may change the offering price and other selling terms. The offering of the Notes by the Dealers is subject to receipt and acceptance and subject to the Dealers’ right to reject any order in whole or in part.

The Notes have not been and will not be registered under the Securities Act. Each Dealer has agreed that it will only offer or sell Notes (A) within the United States to QIBs in reliance on Rule 144A or (B) outside the United States to non-U.S. persons in reliance on Regulation S. Terms used above have the meanings given to them by Rule 144A and Regulation S.

In connection with sales outside the United States in reliance on Regulation S, the Dealers have agreed that they will not offer, sell or deliver Notes to, or for the account or benefit of, U.S. persons (i) as part of the Dealers’ distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering or the date the Notes were originally issued. The Dealers will send to each dealer to whom it sells such Notes during such 40-day period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, with respect to Notes initially sold pursuant to Regulation S, until 40 days after the period referred to above, an offer or sale of such Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act. In making a purchase of Notes, each purchaser will be deemed to have made certain representations and agreements set forth under “*Notice to Investors*” in this Drawdown Prospectus and “*Subscription and Sale and Transfer and Selling Restrictions*” in the Programme Offering Circular.

In connection with any offering of Notes, the Dealers participating in the offering may purchase and sell Notes in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the Dealers participating in the offering of a greater number of Notes than they are required to purchase in such offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the relevant Notes while the offering is in progress.

The Dealers participating in any offering of Notes also may impose a penalty bid. This occurs when a particular Dealer participating in the offering repays to the Dealers participating in the offering a portion of the underwriting discount received by it because such Dealers or their affiliates have repurchased Notes sold by or for the account of such Dealer in stabilizing or short covering transactions.

These activities by the Dealers participating in any offering of Notes, as well as other purchases of such Notes by such Dealers for their own accounts, may stabilize, maintain or otherwise affect the market price of such Notes. As a result, the price of such Notes may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Dealers participating in the offering at any time. These transactions may be effected in the over-the-counter market or otherwise.

In the Distribution Agreement, the Guarantor and the Issuer have agreed to severally indemnify the Dealers against certain liabilities, including liabilities under the Securities Act.

The Dealers and certain of their respective affiliates are financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the Dealers and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Issuer and/or the Guarantor, for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Dealers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the Issuer and/or the Guarantor. If any of the Dealers or their affiliates have a lending relationship with the Issuer and/or the Guarantor, certain of those Dealers or their affiliates routinely hedge, and certain other of those Dealers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuers and/or Guarantor's securities, including potentially the Notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes offered hereby. The Dealers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of securities and/or instruments of the Issuer and/or the Guarantor and may at any time hold, or recommend to clients that they acquire long and/or short positions in such securities and instruments.

nabSecurities, LLC is an affiliate of the Guarantor and a broker-dealer registered with the SEC. Any offer or sale of Notes by nabSecurities, LLC will comply with the requirements of the Financial Industry Regulatory Authority ("**FINRA**") Rule 5121 regarding a FINRA member firm's distribution of the securities of an affiliate and related conflicts of interest. nabSecurities, LLC (or any other affiliate of the Issuer and/or the Guarantor) will not make any sales in any offering to any discretionary account, unless specific written approval of the account holder is obtained.

TAXATION

United States Federal Income Taxation

For a discussion of certain U.S. tax matters related to the Notes, see “*Taxation—United States Taxation*” in the Programme Offering Circular.

For United States federal income tax purposes, we intend to treat the Notes as being issued in a “qualified reopening” of the outstanding US\$750,000,000 2.350% Notes due 2019 (Series 784, Tranche 1) issued on March 4, 2014. For United States federal income tax purposes, debt instruments issued in a qualified reopening are deemed to be part of the same issue as the original debt instruments. Under the treatment described in this paragraph, the Notes will have the same issue date, the same issue price and the same adjusted issue price as the existing outstanding US\$750,000,000 2.350% Notes due 2019 (Series 784, Tranche 1) issued on March 4, 2014 for United States federal income tax purposes. Under the qualified reopening rules, because the US\$750,000,000 2.350% Notes due 2019 (Series 784, Tranche 1) issued on March 4, 2014 were not issued with “original issue discount” for United States federal income tax purposes, the US\$750,000,000 2.350% Notes due 2019 (Series 784, Tranche 1) issued on March 4, 2014 also do not have original issue discount.

New Zealand Taxation

For a discussion of certain New Zealand tax matters related to the Notes, see “*Taxation—New Zealand Taxation*” in the Programme Offering Circular.

United Kingdom Taxation

For a discussion of certain United Kingdom tax matters related to the Notes, see “*Taxation—United Kingdom Taxation*” in the Programme Offering Circular.

The following paragraph immediately below replaces the discussion under “*Taxation—United Kingdom Taxation—2. HM Revenue and Customs’ Power to Obtain Information*” on page 230 of the Programme Offering Circular.

HMRC has powers to obtain information and documents relating to the Notes, including in relation to issues of and other transactions in the Notes, interest, payments treated as interest and other payments derived from the Notes. This may include details of the beneficial owners of the Notes, of the persons for whom the Notes are held and of the persons to whom payments derived from the Notes are or may be paid. Information may be obtained from a range of persons including persons who effect or are a party to such transactions on behalf of others, registrars and administrators of such transactions, the registered holders of the Notes, persons who make, receive or are entitled to receive payments derived from the Notes and persons by or through whom interest and payments treated as interest are paid or credited. Information obtained by HMRC may be provided to tax authorities in other jurisdictions.

EU Savings Directive

The following paragraphs immediately below replace the discussion under “*Taxation—EU Savings Directive*” on page 246 of the Programme Offering Circular.

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of certain payments of interest or similar

income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On March 24, 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from January 1, 2017. The changes will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from January 1, 2015, in favour of automatic information exchange under the Directive.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The Proposed Financial Transactions Tax (“FTT”)

The following paragraphs immediately below replace the discussion under “*Taxation—The proposed financial transactions tax (FTT)*” on pages 246-247 of the Programme Offering Circular.

On February 14, 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”).

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission’s Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by January 1, 2016. The FTT, as initially implemented on this basis, may not apply to dealings in the Notes.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

INDEPENDENT AUDITORS

The consolidated financial statements of the Issuer and Guarantor as of and for the years ended September 30, 2013, 2012 and 2011, incorporated by reference in this Drawdown Prospectus as described in “*Documents Incorporated by Reference*” above, have been audited without qualification in accordance with International Standards on Auditing (New Zealand) by Ernst & Young, independent public accountants with respect to the Guarantor and its consolidated subsidiaries, as stated in their reports appearing therein.

Audit reports in respect of the Issuer and Guarantor are signed in the name of the firm of Ernst & Young. The firm itself is not a member of the New Zealand Institute of Chartered Accountants, but the partner who signs the audit reports in the name of the firm is a member.

With respect to the unaudited interim financial statements of the Guarantor as at and for the six months ended March 31, 2014 and 2013, incorporated by reference in this Drawdown Prospectus as described in “*Documents Incorporated by Reference*” above, Ernst & Young has reported that they applied limited procedures in accordance with professional standards in New Zealand for a review of such financial statements. However, their independent review report appearing therein states that they did not audit and they do not express an audit opinion on those interim financial statements. Accordingly, the degree of reliance on their report on such financial statements should be restricted in light of the limited nature of the review procedures applied.

The auditors of the Issuer and the Guarantor have no material interest in the Issuer and Guarantor.

TERMS AND CONDITIONS OF THE NOTES

The terms and conditions of the Notes shall consist of the “Terms and Conditions of the Notes” set out in the Programme Offering Circular (the “**Programme Conditions**”) as amended or supplemented by the information set out below. References in the Programme Conditions to “Final Terms” shall be deemed to refer to the information set out under the heading “Part A – Contractual Terms” below.

ISSUE SPECIFIC TERMS

PART A—CONTRACTUAL TERMS

1. (a) Issuer: BNZ International Funding Limited, acting through its London Branch
- (b) Guarantor: Bank of New Zealand
2. (a) Series Number: 784
- (b) Tranche Number: 2
- (c) Date on which the Notes will be consolidated and form a single Series: The portion of the Notes that is offered and sold in compliance with Rule 144A will be consolidated and form a single Series with U.S.\$750,000,000 2.350% Notes due 2019 (Series 784, Tranche 1) issued on March 4, 2014 on the Issue Date.

The portion of the Notes that is offered and sold outside the United States in accordance with Regulation S will be consolidated and form a single Series with U.S.\$750,000,000 2.350% Notes due 2019 (Series 784, Tranche 1) issued on March 4, 2014 at the expiration of the Distribution Compliance Period.
3. Specified Currency or Currencies: United States Dollars (“U.S.\$”)
4. Aggregate Nominal Amount:
 - (a) Series: U.S.\$1,000,000,000
 - (b) Tranche: U.S.\$250,000,000
5. Issue Price: 99.637 per cent of the Aggregate Nominal Amount plus accrued interest from, and including, September 4, 2014
6. (a) Specified Denominations: Minimum denominations of U.S.\$250,000 with increments of U.S.\$1,000
- (b) Calculation Amount: U.S.\$1,000
7. (a) Issue Date: September 10, 2014
- (b) Interest Commencement Date: September 4, 2014
8. Maturity Date: March 4, 2019

- | | | |
|-----|------------------------------|---|
| 9. | Interest Basis: | 2.350 per cent per annum Fixed Rate |
| 10. | Redemption/Payment Basis: | Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent of their nominal amount |
| 11. | Change of Interest Basis: | Not Applicable |
| 12. | Put/Call Options: | Not Applicable |
| 13. | (a) Status of the Notes: | Senior |
| | (b) Status of the Guarantee: | Senior |

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- | | | |
|-----|--|--|
| 14. | Fixed Rate Note Provisions: | Applicable |
| | (a) Rate(s) of Interest: | 2.350 per cent per annum payable in arrear on each Interest Payment Date |
| | (b) Interest Payment Date(s): | March 4 and September 4 in each year up to (and including) the Maturity Date, subject to adjustment in accordance with the Business Day Convention set out below |
| | (c) Fixed Coupon Amount(s):
<i>(Applicable to Notes in definitive form)</i> | U.S.\$11.75 per Calculation Amount |
| | (d) Broken Amount(s): <i>(Applicable to Notes in definitive form)</i> | Not Applicable |
| | (e) Day Count Fraction: | 30/360 |
| | (f) Business Day Convention: | Following Business Day Convention |
| | • Adjusted: | Not Applicable |
| | • Non-Adjusted: | Applicable |
| | (g) Additional Business Centres: | Auckland and Wellington (for the avoidance of doubt, in accordance with the Conditions, these centres are in addition to London and New York) |
| | (h) Determination Date(s): | Not Applicable |
| 15. | Floating Rate Note Provisions: | Not Applicable |
| 16. | Zero Coupon Note Provisions: | Not Applicable |

PROVISIONS RELATING TO REDEMPTION

- | | | |
|-----|-----------------------------------|-------------------------|
| 17. | Notice periods for Condition 7.2: | Minimum period: 30 days |
|-----|-----------------------------------|-------------------------|

- Maximum period: 60 days
18. Issuer Call: Not Applicable
19. Investor Put: Not Applicable
20. Final Redemption Amount: U.S.\$1,000 per Calculation Amount
21. Early Redemption Amount payable on redemption for taxation reasons or on event of default: Condition 7.5 applies

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22. (a) Form of Notes: Registered Notes
- Regulation S Global Note registered in the name of a nominee for DTC/Rule 144A Global Note registered in the name of a nominee for DTC
- (b) New Global Note: No
23. Additional Financial Centre(s): Auckland, London and Wellington (for the avoidance of doubt, in accordance with the Conditions, these centres are in addition to New York)
24. Talons for future Coupons to be attached to Definitive Bearer Notes: No

FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders create and issue further securities (the “**Fungible Notes**”) having in all respects the same terms and conditions as the Notes (or in all respects except for the initial payments of interest) so that the Fungible Notes shall be consolidated and form a single series with the outstanding Notes of this Series; provided, however, that (a) such Fungible Notes are, for purposes of U.S. federal income taxation (regardless of whether any holders of Fungible Notes are subject to the U.S. federal income tax laws), either (i) not issued with original issue discount or are issued with a *de minimis* amount of original issue discount as defined in U.S. Treasury Regulation 1.1273-1(d), or (ii) issued in a “qualified reopening” for U.S. federal tax purposes, and (b) the consolidation of the Fungible Notes into a single series with the outstanding Notes would not cause the holders of the Notes to become subject to any certification requirements or information reporting to which they would not be subject absent such consolidation.

PART B—OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing and Admission to trading: Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Regulated Market of the Luxembourg Stock Exchange and listed on the official list of the Luxembourg Stock Exchange with effect from Issue Date.

The U.S.\$750,000,000 2.350% Notes due 2019 (Series 784, Tranche 1) issued on March 4, 2014 were admitted to trading on the Regulated Market of the Luxembourg Stock Exchange and listed on the official list of the Luxembourg Stock Exchange on March 4, 2014.

- (ii) Estimate of total expenses related to admission to trading: U.S.\$4,558.00

2. RATINGS

Ratings: The Notes to be issued are expected to be rated Aa3 by Moody's Investors Service Pty. Limited and AA- by Standard & Poor's (Australia) Pty Limited.

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save for any fees payable to the Dealers, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and the Guarantor and their affiliates in the ordinary course of business.

4. REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

- (i) Reasons for the offer: See "Use of Proceeds" wording in the Programme Offering Circular
- (ii) Estimated net proceeds: U.S.\$248,627,916.67, including an accrued interest in the amount of U.S.\$97,916.67 from, and including, September 4, 2014

5. YIELD (*Fixed Rate Notes only*)

Indication of yield: 2.436 per cent

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

6. OPERATIONAL INFORMATION

- (i) ISIN Code: Rule 144A Notes: US05579LAA17
Regulation S Notes:

- USQ18380AB34 (applicable during the Distribution Compliance Period)
 - USQ18380AA50 (applicable following the Distribution Compliance Period)
- (ii) Common Code: Not Applicable
- (iii) CUSIP Rule 144A Notes: 05579LAA1
- Regulation S Notes:
- Q18380AB3 (applicable during the Distribution Compliance Period)
 - Q18380AA5 (applicable following the Distribution Compliance Period)
- (iv) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and DTC and the relevant identification number(s): Not Applicable
- (v) Name(s) and address(es) of additional Paying Agent(s) (if any): Not Applicable
- (vi) Deemed delivery of clearing system notices for the purposes of Condition 14: Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the second business day after the day on which it was given to Euroclear and Clearstream, Luxembourg or DTC, as applicable.
- (vii) Intended to be held in a manner which would allow Eurosystem eligibility: No
- Whilst the designation is specified as “no” at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them, the Notes may then be deposited with one of the international central securities depositories (“**ICSDs**”) as common safekeeper (and registered in the name of a nominee of one of the ICSDs acting as common safekeeper). Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.

7. U.S. SELLING RESTRICTIONS

U.S. Selling Restrictions:

Reg. S Compliance Category 2; Rule 144A; TEFRA not applicable

GENERAL INFORMATION

Authorization

The issue of the Notes has been duly authorized in accordance with resolutions of the Board of Directors of the Issuer dated June 23, 2005 and January 28, 2014.

BNZ-IF attorneys in New Zealand authorize BNZ-IF personnel in London to authorize the issue of the Notes on a weekly basis.

The giving of the Guarantee in respect of the Notes has been duly authorized by resolutions of the Board of Directors of the Guarantor dated March 18, 2005 and by a resolution of a committee of the Board of Directors of the Guarantor dated June 23, 2005.

Documents Available

For so long as the Notes issued pursuant to this Drawdown Prospectus shall be outstanding, hard copies of the following documents will be available for inspection from the registered office of the Issuer and the Guarantor:

- (i) the statutory documents of the Issuer and the Guarantor;
- (ii) the Guarantor's Disclosure Statements for the six months ended March 31, 2014 and the years ended September 30, 2012 and 2013;
- (iii) BNZ-IF's Annual Report for the financial years ended September 30, 2012 and 2013; and
- (iv) any other documents incorporated by reference in this Drawdown Prospectus.

In addition, copies of this Drawdown Prospectus and all documents incorporated by reference into this Drawdown Prospectus will also be available on the website of the Luxembourg Stock Exchange at *www.bourse.lu*.

Clearing Systems

The Rule 144A Global Note(s) and the Regulation S Global Note have been accepted into DTC's book-entry settlement system ((i) CUSIP: 05579LAA1 and ISIN: US05579LAA17, with respect to the Rule 144A Global Note(s) and (ii) CUSIP: Q18380AB3 and ISIN: USQ18380AB34, with respect to the Regulation S Notes, to be replaced with CUSIP: Q18380AA5 and ISIN: USQ18380AA50 following the Distribution Compliance Period).

The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

Significant or Material Change

There has been no significant change in the financial or trading position of the Issuer since September 30, 2013. There has been no material adverse change in the prospects of the Issuer since September 30, 2013.

There has been no significant change in the financial or trading position of the Guarantor which has occurred since March 31, 2014. There has been no material adverse change in the prospects of the Guarantor since September 30, 2013.

Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) which during the 12 months preceding the date of this Drawdown Prospectus may have, or have had in the recent past, a significant effect on the financial position or profitability of the Issuer or the Guarantor.

In March 2013, a potential representative action against New Zealand banks (including, potentially, the Guarantor) was announced in relation to certain fees. Litigation Lending Services (NZ) Limited is funding the action. Subsequently in 2013, representative proceedings were filed against two other New Zealand banks. In March 2014, it was announced that the threatened representative action against the Guarantor would be put on hold. On August 20, 2014, representative proceedings were filed against the Guarantor. The potential outcome of these proceedings cannot be determined with any certainty as at the date of this Drawdown Prospectus.

Management

Since the U.S. Debt Funding Information for the six months ended March 31, 2014 was published on June 30, 2014, the following changes to the composition of the boards of the Issuer and Guarantor and the Executive Team of the Guarantor have occurred:

- (i) On August 1, 2014, Renée Roberts, the former Chief Risk Officer of the Guarantor, was appointed Group Executive, Enterprise Services and Transformation at NAB. Peter Thomas has been the Acting Chief Risk Officer of the Guarantor since August 1, 2014. Ms. Roberts resigned from the Board of Directors of the Issuer on August 22, 2014.
- (ii) On August 1, 2014, NAB and BNZ announced that Andrew Symons, the former Director, Retail of the Guarantor, will be seconded to NAB where he will develop and deliver a significant project for NAB's global digital strategy. David Bullock has been Acting Director, Retail of the Guarantor since August 1, 2014.
- (iii) On August 4, 2014, NAB and BNZ announced Michaela Healey's appointment as a non-executive director of the Guarantor. The appointment is subject to regulatory approval from the RBNZ and Ms. Healey's effective appointment date is yet to be determined. Ms. Healey replaces Mr. Clyne, who retired from the Board of Directors of the Guarantor and from the position of Group Chief Executive Officer and Managing Director of NAB on August 15, 2014. Ms. Healey's biography follows:

Michaela Healey
FCIS, LLB, GradDip Natural Resources Law

Ms. Healey is currently NAB Group Executive – People, Communications and Governance and has been with the NAB Group since 2006. Prior to joining NAB, Ms. Healey worked at North Limited and then Orica Limited. During her time at Orica Limited, Ms. Healey was

company secretary, corporate affairs manager and established a new retail services business for the Orica Consumer Products businesses of Dulux, Yates and Selleys.

- (iv) Fiona Jane Stolberger was appointed as a Director of the Issuer, effective August 5, 2014. Ms. Stolberger's biography follows.

Fiona Stolberger
BA, Economics, GradDip Business (Finance)

Fiona Stolberger is Head of Products & Customer Solutions at BNZ. Since joining BNZ in 2006, Ms. Stolberger has worked in a number of areas across the business, including customer strategy and insight, heading the BNZ Partners operations division. Prior to joining BNZ, Ms. Stolberger worked in a broad range of service industries and has strength in marketing strategy, customer experience and change management.

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