Twin Fixed Return and Growth Protector

Issue 17

Make a safe return.

If you are looking for a capital protected investment with geared equity exposure to counter a low growth environment PLUS an element of fixed returns, without having to invest all your money for the long term or risk your capital, you're on the right road.

Introduction

Many investors would like to diversify their investment portfolios to benefit from the growth potential of global stock markets, especially after the recent market corrections, but do not want the risk of zero returns or worse yet, losing any of their capital.

The Twin Fixed Return and Growth Protector offers you attractive fixed returns, intra term liquidity and geared exposure to global developed equity markets (with some exposure to the ZAR/USD exchange rate on any growth at maturity), all in one single fully capital-protected South African rand (ZAR) investment.

The Investment is in the form of a Johannesburg Stock Exchange listed equity linked note issued by Absa Bank Limited.

Investment overview

The Twin Fixed Return and Growth Protector (the 'Investment') is a five-year, capital-protected investment linked to a global equity multi factor index that follows the performance of top performing offshore companies. The Investment is linked to the Credit Suisse Global Equity Multi-Factor 10% Risk Control (ER) Index (the 'Index').

After one year:
You will receive a Fixed Return calculated on a quarter of your Investment Amount, plus that 25% of your Investment Amount back.

After three years:
You will receive a Fixed Return calculated on a quarter of your Investment Amount, plus that 25% of your Investment Amount back.

After five years:
You will receive the remaining half of your Investment Amount back (irrespective of the performance of the Index), plus an Enhanced Return based on the positive performance of the Index.

The mechanics of how the Investment works and how you can access it are discussed in detail further on in this brochure and the Investment Schedule. Please read this brochure, the Investment Schedule and the Terms and Conditions carefully and make sure that you understand them before investing.

Invest in South African rand

Minimum investment
R500 000

After 1 year

receive a quarter of your money back plus a **fixed return of 9.85%**, based on that quarter of your money.

After 3 years

receive a quarter of your money back plus a **fixed return of 19.70%**, based on that quarter of your money.

After 5 years

receive the other half of your money back plus **150% uncapped participation** (with FX) to any positive performance in the global developed market Index, based on half of your money.

For whom is the Investment suitable?

This Investment may be suitable if you:

- Want to invest in South African rand and have a minimum lump sum of R500 000
- Want some exposure to foreign currency
- Understand and are comfortable with the Index
- Are able to commit a quarter of your money for one and three years respectively and the other half for five years
- Do not want to risk losing any capital, provided you remain invested for the full term of each tenure in the Investment
- Would like to earn attractive Fixed Returns and at the same time benefit geared exposure to any positive growth of global stock markets
- Want to diversify your portfolio to markets and assets outside South Africa

This Investment may not be suitable if you:

- Cannot accept that the Index may achieve no or very little growth and that the return on the Equity Index portion of your Investment could after five years be zero or less than you could have earned in a low-risk deposit account
- Do not understand or are not comfortable with the Index used
- Would prefer no foreign currency exposure
- Do not want to wait for either one or three years to access a portion of your money and the Fixed Returns payable on each portion, or five years to access the other half and any returns
- Are not willing to assume the full credit risk of the Issuer. If the creditworthiness of the Issuer declines over the investment term, the value of your Investment may also fall, which may result in capital loss if the Investment is sold before maturity. If the Issuer is unable to repay capital or any return due at maturity, you will get back less than is due to you or nothing at all (more information about the Issuer is provided later in this brochure).

How the Investment works

Half of your Investment Amount will be allocated to a 'Fixed Return Investments' that mature after one and three years and the other half will be allocated to an 'Equity Index Investment' that matures after five years. The Investment Amount and capital protection are in South African rand.

At the beginning of the Investment term (i.e. on the Investment Start Date), we record the following:

- The closing level of the Index, referred to as the 'Initial Index Level'.
- The ZAR/USD exchange rate as published by Reuters

After one year (Fixed Return Investment maturity):

You will receive a quarter of your Investment Amount back, plus a Fixed Return that is based on that quarter of the Investment Amount.

After three years (Fixed Return Investment maturity):

You will receive a quarter of your Investment Amount back, plus a Fixed Return that is based on that quarter of the Investment Amount.

After five years (Equity Index Investment maturity):

You will receive the remaining half of your Investment Amount back, plus at least 150% participation in any positive Index Performance.

- If the Index Performance is negative, you will receive the remaining half of your Investment Amount back, but no additional returns.
- If the Index Performance is positive, you will receive the remaining half of your Investment Amount back, plus an additional percentage return based on this half of your Investment Amount.
- The percentage return will be calculated by multiplying the Index Performance by the Participation Rate.

A further calculation then takes place.

- The percentage amount by which the ZAR/USD exchange rate has changed over the Investment term will be multiplied by the percentage return amount calculated above.

Assuming the ZAR had weakened against the USD over the Investment term, this would have a positive effect on any return amount (and vice versa in the event the ZAR has strengthened).

In addition to the Index Performance, the repayment of the Investment Amount, the Fixed Return and any additional return are subject to the ability of the Issuer to pay and extraordinary market events that may have occurred (see Potential Risks section later on in the brochure).

Example return scenarios

The examples below illustrate how the Investment would work based on an Investment Amount of R1 000 000 a Fixed Return of 9.85% and 19.70% after one and three years respectively and a Participation Rate of 150% in any positive Index Performance after five years and various FX iterations. These are for illustrative purposes only and are based on the assumption that no early withdrawals are made and are pre any tax implications.

Amounts invested				After 1 year	After 3 years	After 5 years							
Total Investment Amount	1 Year Fixed Return Investment	3 Year Fixed Return Investment	5 Year Equity Return Investment	Maturity Value	Maturity Value	Index Performance	Participation rate	Equity Return	Initial ZAR:USD	Final ZAR:USD	ZAR:USD Performance	Equity return after FX impact	Maturity value
1 000 000	250 000	250 000	500 000	275 875	301 750	30%	150%	45.00%	18.00	22.00	22.22%	55%	775 000
1 000 000	250 000	250 000	500 000	275 875	301 750	30%	150%	45.00%	18.00	14.00	-22.22%	35%	675 000
1 000 000	250 000	250 000	500 000	275 875	301 750	-20%	150%	N/A	N/A	N/A	N/A	0%	500 000

Source: Absa Corporate and Investment Bank, August 2020

About the Index

Background and investment rationale

Whilst the movement towards index investing has been growing globally since the 1970s, there is an increasingly popular form of index investing that trends away from viewing equities as a single source of risk and towards an approach that deconstructs the equity market into individual drivers of return (referred to as 'equity factor investing'). Equity factor investing aims to harness all the equity market rewarded risks, called 'equity risk premia' (or 'factors') and avoid unrewarded risks.

The ability of the investment management community to deliver consistently superior returns through stock-picking or market timing has been historically challenged by financial research. While outperforming the market has proved difficult, controlling risk (volatility) within a portfolio is achievable and has been a key focus of investors since the 2008 crisis and highlighted again in the COVID-19 crisis in early 2020.

By designing an Index with a combined factor and risk control (volatility management) approach, we believe this to be an attractive alternative to traditional actively managed and market cap-weighted index strategies.

Index construction

The Credit Suisse Global Equity Multi-Factor 10% Risk Control (ER) Index consists of a long-only portfolio of global equities (the 'Equity Component', or 'Equity Portfolio') and US treasuries through futures and USD overnight cash (the "Fixed Income Component").

The Equity Component is rebalanced on a quarterly basis and selected from global developed equity markets, including the US, Europe and Australasia. This Equity Portfolio aims to maximise or minimise exposure to a range of five equity risk premia against a global equity benchmark, subject to a set of constraints such as liquidity. The objective of the portfolio is to outperform such benchmarks by delivering the purest risk factor exposure achievable with limited tracking error. The full equity portfolio methodology is available to you from your financial adviser.

Equity Risk Premia	What is it?	Optimisation
Value	Aims to measure the relative valuation of a given stock.	Find the best value stocks
Quality	Aims to measure the relative operational performance of a given stock.	Find the best quality stocks
Low Beta	Aims to measure the sensitivity of a given stock against market moves.	Find the lowest beta stocks
Momentum	Aims to capture the effects of relative stock price changes and earnings revisions.	Find the stocks with most momentum
Size	Aims to capture the stock market capitalization.	Find the best small cap stocks

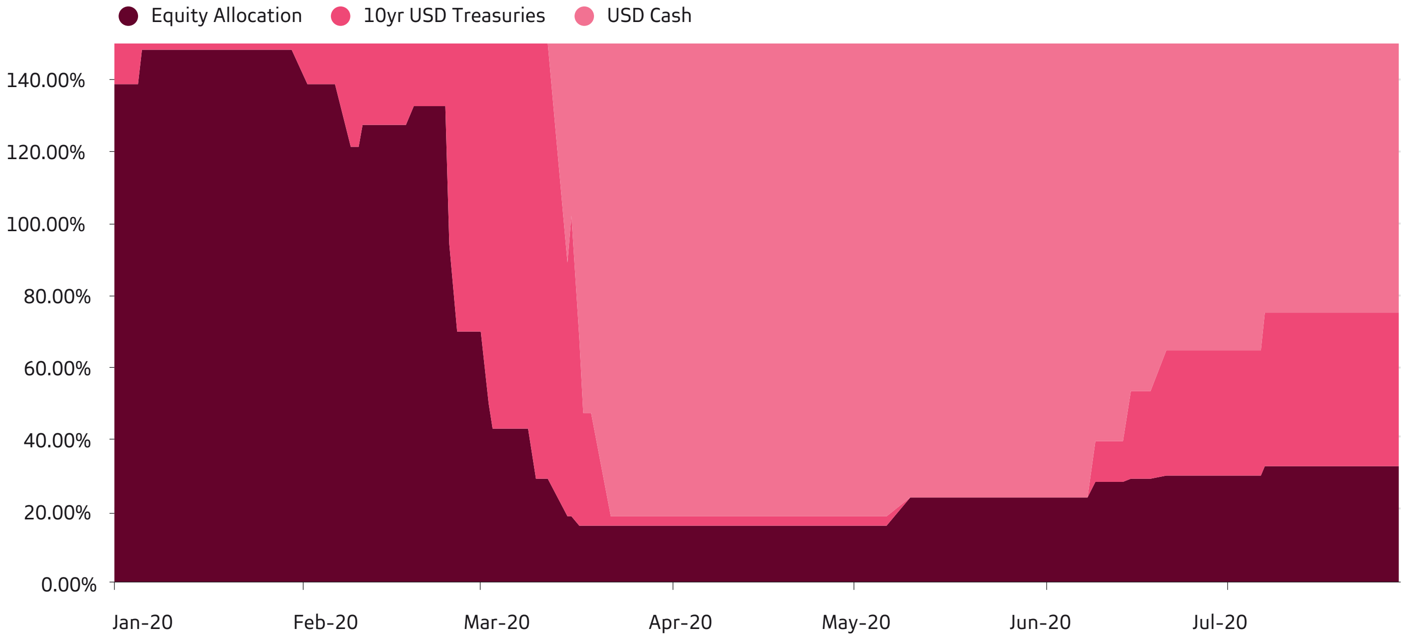
The Index has an embedded daily risk control mechanism that allocates between the Equity Portfolio and the Fixed Income Component. This mechanism aims to minimise drawdowns (or losses) in the Index by lowering allocation to the Equity Component as equities become volatile. As volatile markets have often historically been associated with negative equity performance (e.g. the 2008 financial crisis and the 2020 COVID-19 outbreak), the Index aims to reduce allocation to such assets when it is the most challenged.

In such periods, government bonds (seen as lower risk assets) tend to move in the opposite direction to equity markets. The Index aims to exploit this market phenomenon by also adding allocation to US treasuries when its correlation to the Equity Portfolio turns negative. The Index has a target volatility/risk control level set at 10%. The exposure to the Equity Portfolio and US treasuries will be adjusted daily based upon the observed volatility of the underlying equity markets.

Exposure to the Equity Portfolio will be based on its observed volatility. If its observed volatility is lower than 10%, the Index will allocate more than 100% to the Equity Portfolio, subject to a limit of 150%. Conversely, the Index will lower its exposure to the Equity Portfolio as its volatility increases. When observed correlation between US treasuries and the Equity Portfolio is deemed negative, the Index will increase exposure to the US treasuries, provided that the cumulative exposure between the Equity Portfolio and US treasures is limited to 150%. The Index Factsheet provided by Credit Suisse illustrates this varying exposure over time very clearly.

Corona Virus Outbreak

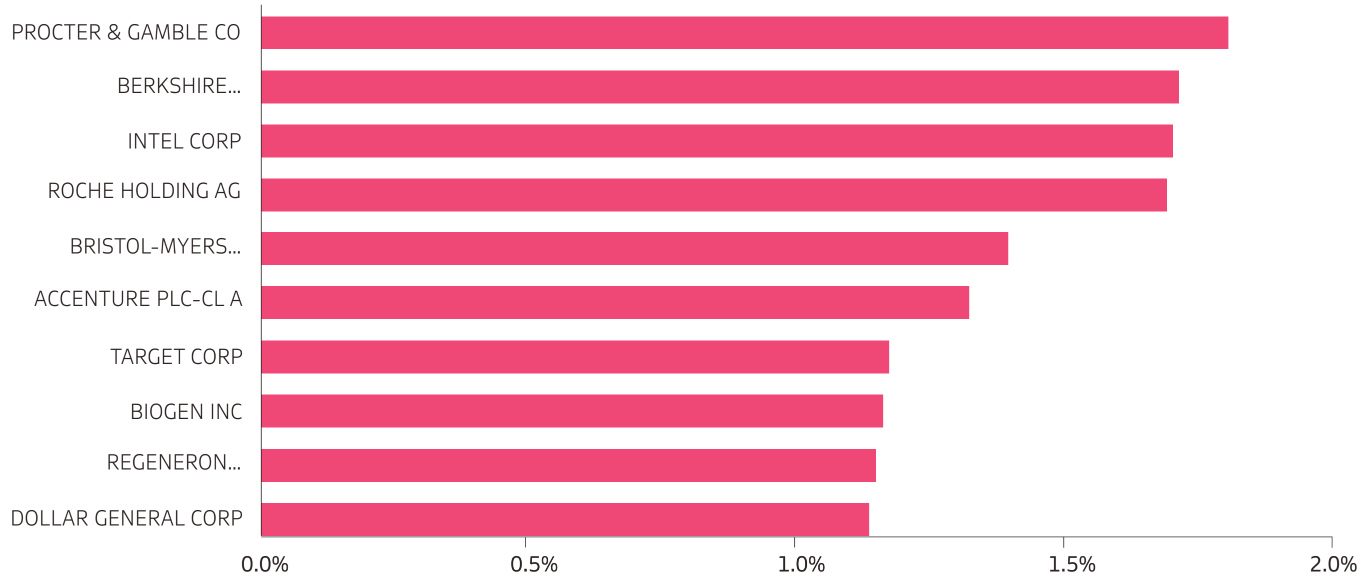
The huge market uncertainty caused by the COVID-19 outbreak in the first quarter of 2020 helps illustrate how that in times of heightened realised volatility in equity markets the strategy employed in the Index retreats to safe assets in order to preserve returns. You can see from the below allocation graph that running up to the huge reweighing into safe assets which started in mid Feb 2020 how the index was fully allocated to equities given the relatively benign, low volatility environment that prevailed in equity markets at the turn of the decade.



Source: Absa Corporate and Investment Bank, August 2020

Index components

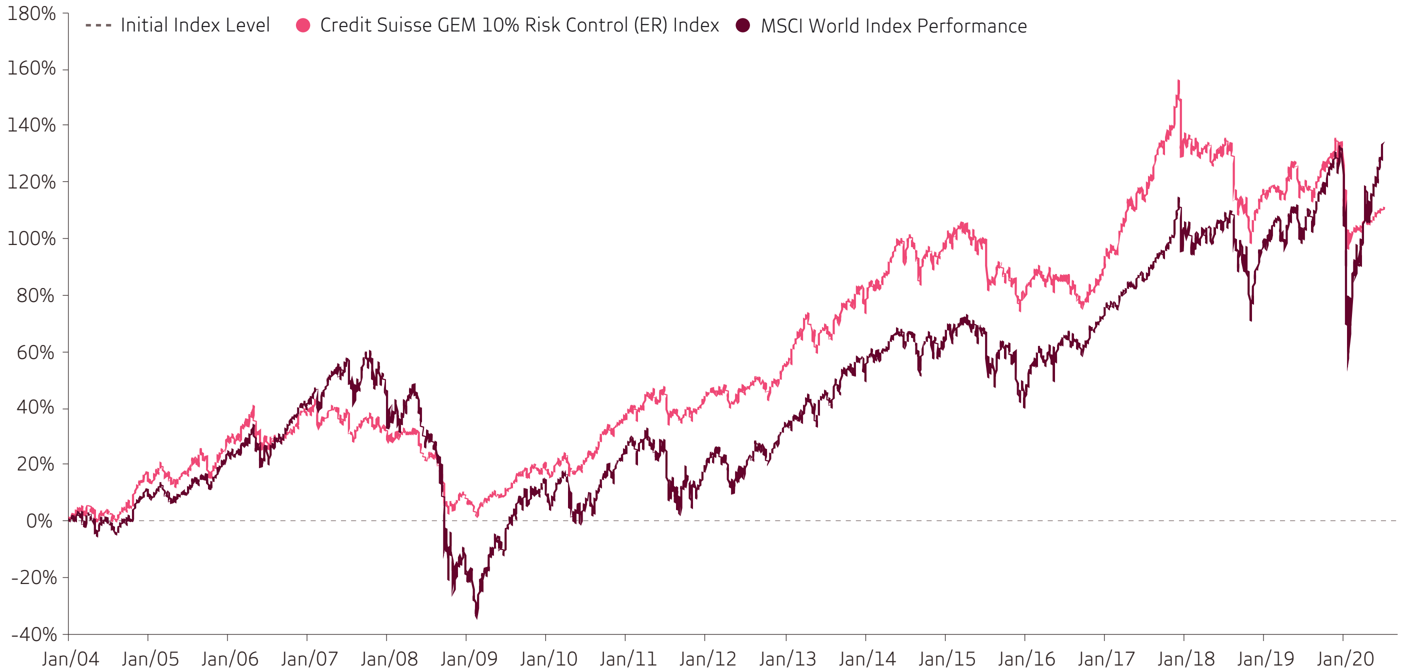
The Equity Component includes 140 to 155 stocks. The current top ten holdings are:



Source: Credit Suisse, August 2020

Index performance

The chart below shows the rebased performance of the Index and a comparison with the MSCI World Index (market-cap weighted) Index from January 2004 to August 2020 and highlights that the indices may go down as well as up. It also includes the ZAR:1USD FX rate over the same period and also illustrates the volatility in this FX pairing, albeit with a strong bias to general ZAR depreciation over the long term.



Source: Credit Suisse, Refinitiv, Absa Corporate and Investment Bank, August 2020 . Index Launch Date, 20 March 2019. Prior to Launch Date, the results do not represent those of actual trading as the Index did not exist. Statistical analysis is the result of back- tested simulated performance by means of a retroactive application of a model designed with a benefit of hindsight. There are frequently sharp differences between simulated performance results and the actual results subsequently achieved by any particular trading programme.

Conclusion

The Index intends to lessen the effect of downward market movements or losses and increase participation in upward market movements. However, returns from stock markets are uncertain and the strategy may underperform at times. Poor performance can be attributable to (1) risk premia underperformance relative to market cap weighted indices, or (2) periods where volatility remains high despite a rising equity market, and positive correlations between equity and US Treasuries.

The Index is calculated on an excess-returns basis and includes fees and adjustments; this is explained further on in the Index factsheets or methodology documents that can be found on our website.

Note that the performance of the Index will determine whether you receive any additional return on the remaining half of your investment after five years. Also note that the Index only measures the prices of the stocks included and no allowance is made for dividends. Past performance of the Index is not a guide to its future performance.

Important information about the Investment

About Absa the Issuer

Absa Bank Limited ('Absa'/'the Issuer') is a leading African bank. We have been serving clients locally for more than 100 years and we have one of the largest distribution networks across Africa. As a winner of major banking awards, we have the capacity to meet your in-country needs and deliver a wealth of local knowledge.

Absa Corporate and Investment Banking has a diverse footprint that extends from Cape Town to Cairo, serving clients across 14 countries and is an award-winning provider of structured products.

This Investment is issued and the capital protection provided by Absa. In many respects we will also be providing the investment advice. Banks and other issuers of investments are assigned credit ratings to indicate to investors how capable they are of meeting any payments due to holders of investments. (See 'Credit risk' section). Current credit ratings are detailed in the Investment Schedule.

Your questions answered

How can I invest?

You can speak to your financial adviser, who will help you make sure that the Investment is suitable for you. Once you regard this investment proposition as suitable for you, you can complete the relevant application form and investment instruction with your financial adviser and submit it to the address on the forms.

How can I monitor the performance of my Investment?

You will receive an investment confirmation soon after you have invested. We will regularly make the performance fact sheets available, which you can obtain by speaking to your financial adviser. You will also receive regular investment statements from the Administrator. You can speak to your financial adviser if you have any questions.

Is there any currency risk in the Investment?

The Index is quoted in USD. Your Investment is in ZAR and any positive Index Performance is exposed to the ZAR/USD exchange rate over the Investment term. Your initial investment is not exposed to any movements (positive or negative) in the ZAR/USD exchange rate only the potential growth on the 5-year equity linked leg. This Investment does not utilise any of your individual foreign exchange allowances.

Can I access my Investment before the Maturity Date if I need to and are there any fees involved?

The Investment is aimed at investors who do not need access all of their money before the end of the relevant Investment term. Any early withdrawals are subject to normal market conditions and associated costs at the time of withdrawal.

What happens to the Investment in the event of death?

In the event of death, the executor of the estate can decide to sell the Investment at its prevailing market value or let the Investment continue until maturity.

What happens at the end of the investment term?

On the Maturity Date of each of the three legs of the Investment (one, three and five years respectively), the Issuer will pay the capital and Fixed Returns/Equity Index Returns (if any) to the Administrator within seven business days and your account will be credited with this amount.

What are the tax implications of the Investment?

The tax implications of buying the Investment are complex, and the levels and basis of taxation may change during the Investment term.

What other documents should I have read before I invest?

Along with this brochure you should have been provided with the Administrator's application form and the Investment Schedule, which will help you understand the Investment in detail. This brochure and Investment Schedule represents what Absa Bank Ltd believes to be the most relevant summary of the features and risks of the Investment, but is not intended to be the sole basis for any evaluation. You can read the pricing supplement to more fully appreciate the information associated with the Investment.

Is there a cooling-off period?

There is no cooling off period allowed under this Investment, so please consider carefully whether you want to invest before you submit the application form.

What are the potential risks associated with the Investment?

Credit risk

This Investment is issued by Absa Bank Limited and available through an investment account. The payments due to you depend on the Issuer meeting their obligations to you. If they cannot meet their obligations, you may lose some or all of your Investment Amount.

In the event of insolvency (all investors would rank as unsecured creditors. That means that only after secured creditors receive payment of their secured claims as well as preferential creditor's claims are settled in full, unsecured creditors will receive a pro-rata dividend in accordance with the size of their claims from the remaining funds.

Financial institutions are rated to indicate to investors how capable they are of meeting any payment commitments.

Credit ratings are assigned by two leading ratings agencies: Standard & Poor's and Moody's National. The highest ratings given by these agencies are AAA from Moody's National and AAA from S&P indicating, in their view, the least risky or most likely to meet payments when due.

The lowest ratings that they give, denoting the riskiest or least likely to meet the payments, are C (Moody's National) and D (S&P). The actual and perceived ability of the counterparty to make payments due to you in respect of the Investment, may affect the market value of your Investment. Furthermore, if the counterparty does fail to pay, you may get back less than is due to you or nothing at all. Please refer to the Investment Schedule for the current credit ratings of Absa.

Market risk

The value of the Investment on maturity of the Equity Index Investment depends on the level of the Index and the indices comprising the Index, but future performance of the Index cannot be guaranteed. The value of your Investment during the Investment term can change unpredictably because of:

- the performance of the Index and the indices comprising the Index; and/or
- external factors including financial, political and economic events and other market conditions; and/or
- sudden and unpredictable changes in interest rates.

Early redemption risk

Your Investment is designed to be held until maturity. If you redeem your Investment before the one, three or five-year Maturity Dates, you could lose some or all of your Investment Amount.

Adjustments risk

The terms of the Investment permit us to delay, reduce or withhold payments in certain circumstances. These provisions are not intended to circumvent what is legally due to you as an Investor, but rather to cover unforeseen events which may affect your return, such as:

- a suspension or a delay in calculating the level of the index or the price of any of the individual indices that make up the Index;
- errors in calculating an index;
- changes in the way an index is calculated;
- an error in calculating the return itself.

While we will exercise due care and diligence in undertaking our responsibilities in relation to the Investment, the effects of the exceptional types of circumstances referred to in the above 'Adjustments' and 'Index risk' scenarios may decrease the value of your investment.

Index risk

We as Issuer do not control or calculate any indices in the Index or the Index itself. While we do not expect this to happen, it is theoretically possible that, during the term of the Investment, any of the indices or the Index may cease to exist, cannot be calculated, is modified or cancelled. This is outside our power and if it were to happen the level of the relevant index could fall. What this means is that you, as investor, could lose some of your Investment Amount, especially where the Issuer is forced by events to mature the Investment early. We could look for a replacement index or try to calculate the index ourselves. We would also have the right to redeem or cancel your Investment early. These circumstances could negatively impact the performance of your Investment.

The performance of indices is unpredictable and depends on financial, political, economic and other events as well as each underlying share or the Issuer's performance, market position, risk situation and structure, where applicable.

Early termination and adjustment risk

Your Investment may be terminated before maturity if there are certain market disruptions or other extraordinary events.

Absa may also delay, reduce, adjust or withhold payment in certain circumstances. These provisions are only intended to cover unforeseen events beyond our control which may impact the Investment.

Portfolio diversification risks

You should carefully consider the exposure that this Investment would have on your overall investment portfolio.

Issuance programme risk

The listed Note held by the Investor is from the Issuer's Master Structured Note Programme. This has as part of its construction certain special events that could cause the listed Note to mature early. These include certain corporate actions, like delisting of the underlying securities if the reference index ceases to exist. In the unlikely event that these special conditions occur, the Issuer would have to redeem the listed Note and calculate the early redemption repayment amount as if an early redemption instruction had been received from an investor. There is potential for capital loss or change in tax treatment.

General risks

Other risks include the following, which could have an adverse effect on the value of your Investment:

- Inflation could erode the real value of your Investment.
- Market disruptions could adversely affect the performance of your Investment.
- Settlement disruptions may mean delays or failures of payments or returns by Absa, your investment platform, clearing system or other third-party paying agents or intermediaries.
- Index returns could differ from the actual returns on the stocks that make up an index. This is because an index may not take into account income or changes to its constituents over time and may deduct fees and commissions.
- An investment in an index may be taxed differently from a direct investment in the components of the same index.
- Sponsor action could mean that the Index sponsor could change an index and adjust their composition or calculation methodology, or even suspend or cancel an index.
- Foreign exchange risk could positively or negatively impact any returns due to you if you invest in an investment denominated in a currency other than your home currency or if the terms of an investment allow for conversion of your principal or investment returns into another currency.
- Potential return/underperformance risk means that your returns could be less than if you invested in a deposit account or directly in the underlying assets to which the Investment is linked.

The risks associated with this investment are not limited to those described, but these are the key risks. Before investing, you should satisfy yourself that you fully understand the risks and you should consult with your own professional financial, tax and legal advisers where necessary.

Important information and disclaimer

This document is for information purposes only. All applications made by your investment platform to purchase an investment on your behalf require subsequent formal agreement by Absa, which will be subject to internal approvals and binding transaction documents.

Advice. This brochure and Investment Schedule do not constitute advice. Please consult your financial and tax adviser before investing.

You have no claim against the underlying asset(s) to which the Investment is linked. You will not have any recourse against any issuer, sponsor, manager, obligor or other connected person in respect of the indices.

Regulatory disclosure. Absa may disclose any information relating to your Investment that is required by regulators.

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Investor Declaration

The Investor hereby confirms that they have read and understood the information contained in this Brochure.

Signed at

Investor full name

Signature of Investor (or duly authorised person/s for minor Investors)	Date (dd-mm-ccyy)
Signature of Contact Person or Legal Guardian	Date (dd-mm-ccyy)
Signature of authorised and mandated Financial Adviser	Date (dd-mm-ccyy)

Contact us

Investor
If you have any questions about this Investment or any other Absa investments, please contact your financial adviser.

Financial advisers
Financial advisers please contact the Structured Products team directly:

Tel: 0861 345 223, Option 2
Email: aiss@absa.africa

Administrator
This could be one of many LISP or stockbroking platforms in South Africa. Your financial adviser can help you ensure that the Administrator you select can administer the JSE listed equity linked note.

Complaints
Please contact your financial adviser or our compliance officer on:

Tel: 011 895 6263
Email: Mike.Pithey@absa.africa
Postal address: 15 Alice Lane, Sandton, 2196, Gauteng, South Africa.

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Absa481-0920