

European Equity Enhancer

Issue AL7 - Brochure



Corporate and Investment Banking

Introduction

If you seek access to European share markets, do not want to lose your capital and are attracted to the potential of an enhanced return after five years, this investment could be suitable for you.

The Absa European Equity Enhancer– Issue AL7 (the “Investment”) is a five-year South African rand investment that offers you:

- full protection of your Investment Amount, plus
- the potential of an enhanced return linked to European share markets via the EURO STOXX 50 index (the “Index”).

The Investment is in the form of a Johannesburg Stock Exchange (“JSE”) listed Note issued by Absa Bank Limited and made available to investors through a linked endowment policy (the “Policy”) underwritten by Absa Life Limited (“Insurer”).

Investment rationale – making an investment that suits you

This Investment may be suitable if you:

- Want to invest in South African rand and have a minimum lump sum of R250 000,00
- Are attracted to the growth potential of European share markets and understand the EURO STOXX 50 Index
- Are able to commit your money for five years

- Do not want to risk your capital, provided that you hold your Investment for the full term
- Regard the terms governing the liquidity of the Investment and the Policy as appropriate for you

This Investment may not be suitable if you:

- Do not understand or are not comfortable with the Index
- Are not happy to have your maximum potential return capped
- 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 a 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 (see ‘Potential Risks’ section later in this Brochure)

How the Investment works

At the beginning of the Investment term (i.e. on the Investment Start Date), we record the closing level of the Index. This is called the “Initial Index Level”.

On the Maturity Date, we record the closing level of the Index. This is called the “Final Index Level”.

We calculate the Index Performance as the difference between the Final Index Level and the Initial Index Level.

What you will receive on the maturity of your Investment (after five years):

The examples below illustrate how the Investment would work based on an Investment Amount of R1000 000,00 and a Participation Rate of 100% in any positive Index Performance after five years. These are for illustrative purposes only and are based on the assumption that no early withdrawals are made from your Policy. Please note that if any funds are withdrawn, no further withdrawals can be made until the end of year five.

Index Performance at maturity (after five years)	→	What you receive at maturity (at five years)
Below 0% (negative)	→	100% of your Investment Amount
more than 0% but less than 5%	→	100% of your Investment Amount PLUS 20% return
5% or more but less than 7.5%	→	100% of your Investment Amount PLUS 40% return
7.5% or more but less than 10%	→	100% of your Investment Amount PLUS 60% return
10% or more but less than 12.5%	→	100% of your Investment Amount PLUS 80% return
12.5% or more	→	100% of your Investment Amount PLUS 110% return

Example of returns

Investment Amount	Index Performance at maturity	Additional return at maturity	Amount repayable at maturity (Before Tax)
R1,000,000.00	-20%	0%	R1,000,000.00
R1,000,000.00	5%	40%	R1,400,000.00
R1,000,000.00	8%	60%	R1,600,000.00
R1,000,000.00	11%	80%	R1,800,000.00
R1,000,000.00	13%	110%	R2,100,000.00

Source: Absa Corporate and Investment Bank, January 2019. Please note that these are for illustrative purposes only and are based on the assumption that no early withdrawals are made from your Policy. Index only measures the prices of the shares included and no allowance is made for dividends paid on the shares. The past performance of the Index is not a guide to its future performance.

Please refer to the Investment Schedule at the back of the Brochure for further information and specific dates.

In addition to the performance of the Index, the repayment of the Investment Amount and any return is subject to the ability of the Issuer to pay and any extraordinary market events that may have

occurred (see 'Potential Risks' section later in this Brochure).

Any early withdrawals are subject to normal market conditions and associated costs. Please refer to 'Access to your Investment'. The Investment is designed for investors who do not need access to their money before the end of the Investment term.

About the Index

The EURO STOXX 50 Index is a capitalisation weighted index of the 50 most highly capitalised companies in leading industries of the eurozone.

The eurozone includes all countries which have adopted the euro as a single currency. The current top-ten companies in the Index are:

Rank	Name	Index weight	Rank	Name	Index weight
1	Total SA	5.75%	6	Linde	3.41%
2	SAP	4.31%	7	Unilver NV	3.26%
3	Sanofi SA	3.97%	8	LVMH Moet Hennessy	2.97%
4	Siemens	3.82%	9	BCO Santander	2.97%
5	Allianz	3.52%	10	ASML HLDG	2.82%

Source: Absa Corporate and Investment Bank, January 2019

Index performance

The chart below shows the performance of the EURO STOXX 50 index from January 2009 to January 2019. The chart highlights that the Index may go down as well as up. Please note that the

Index only measures the prices of the shares included and no allowance is made for dividends paid on the shares. The past performance of the Index is not a guide to its future performance.



Source: Thomson Reuters, Absa Corporate and Investment Banking, January 2019

Important information about the Investment

About Absa

Absa Bank Limited (“Absa” / “the Issuer”) has 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 an award-winning provider of structured products.

The Issuer

This Investment is issued by Absa. In many respects we will also be providing the investment advice..

The payments due to you depend on both parties, being Absa Bank Limited and Absa Life Limited, meeting their obligations to you. If they cannot meet their obligations, you may lose some or all of your Investment Amount.

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 on p5). Current credit ratings are detailed in the Investment Schedule.

Before making any investment decision, you should satisfy yourself that you fully understand the risks relating to the Investment and seek professional advice as you deem necessary to make an informed decision.

Your questions answered

How can I invest?

You can speak to your financial adviser, who will help you make sure 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 on our financial adviser website, which you can obtain by speaking to your financial adviser. You will also receive regular investment statements from the Administrator of your Investment. You can speak to your financial adviser if you have any questions.

Is there any currency risk in the Investment?

Your Investment is made in South African rand and you are not exposed to any movements (positive or negative) of the foreign currencies over the Investment term. 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 to their money before the end of the five-year Investment term.

Because the Investment is held in a Policy, there are restrictions on the number of withdrawals you can make during the first five years. Any early withdrawal will be based on the prevailing market value of the Investment.

The market value will be calculated by the Issuer and paid to the Insurer.

Please note that any such early withdrawal could result in you losing some or all of your Investment Amount.

What happens to the Investment in the event of death?

In the event of death, the value of your Investment is the prevailing market value as calculated by the Issuer, who will act on instructions from Absa Life Limited. Long-term insurance policies allow for estate planning and there may be benefits to consider from the estate planning options available via a Policy.

What happens at the end of the Investment term?

After the Maturity Date of the Investment, Issuer will pay the capital and any Investment returns to the Insurer within seven business days and your Policy will be credited with this amount. You will be able to take your proceeds or choose to invest in any of the investment options that we may have available at the time.

What other documents should I have read before I invest/what are the transaction documents?

Please read and understand this Brochure and Investment Schedule, which will help you understand the Investment in detail. This brochure represents what we as Absa believe 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 access the pricing supplement on our website to more fully appreciate the information associated with the Investment.

Is there a cooling-off period?

Absa Life Limited will, as the long-term insurer of the Policy, allow up to 37 days from the Investment start date in which to change your mind about investing. However, any cancellation made after the Investment start date, as detailed above, might result in a capital loss as the cancellation will be done at the prevailing fair market price of the Investment. All advice and administration fees that may have been paid will be refunded in full.

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.

Depending on the type of policy, insurance companies pay different rates of tax on investment returns. The effective tax rates may also differ between insurance companies, based on their level of expenses. Any amendment to South African tax legislation, which changes the tax status of the policy or tax treatment thereof, may affect the surrender value and maturity value. In such an event, Absa Life Limited shall have the right to adjust the benefit payable under this policy resulting from the amendment to such tax legislation.

For more details please refer to your quotation.

What are the potential risks associated with the Investment?

Credit risk. This Investment is issued by Absa Bank Limited and made available through a linked endowment policy via Absa Life Ltd. 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.

Insurer risk. In the event of insolvency all investors will rank as unsecured creditors. That means 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 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. Your Investment is designed to be held until maturity. If you redeem your Investment before the Maturity Date, you could lose some or all of your Investment Amount. Please refer to ‘Can I access my Investment before the Maturity Date if I need to?’.

Adjustments. 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 an index or the price of any of the individual indices that make up an 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 the 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 of 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 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 of 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.

Tax risk. The tax treatment of this investment can be complex. Tax rates and the basis of taxation may change during the Investment term.

Any amendment to South African tax legislation, which changes the tax status of the policy or tax treatment thereof, may affect the surrender value and maturity value. In such an event, Absa Life Limited shall have the right to adjust the benefit payable under this policy resulting from the amendment to such tax legislation.

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

Issuance programme risk. The listed Note held by the Insurer is off 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 came to bare, 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, especially if these events happen in the first 3 years.

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 failure 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 shares that make up an index. This is because the 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.
- The Index Sponsor action could mean that they change an index and adjust their composition or calculation methodology, or even suspend or cancel the index.
- Foreign exchange risk could positively or negatively impact any investment returns if

- you invest in an investment denominated in a currency other than your home currency.
- Potential return/underperformance risk means that your returns could be less than if you invested in a deposit account or directly or if the terms of the investment allow for conversion of your principal investment into another currency.

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

Important information

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 and the Investment Schedule.

Signed at

Signature of Investor (or duly authorised person/s for minor Investors)

Date (ccyy-mm-dd)

Signature of Contact Person or Legal Guardian (if Section 2 or 3 of this application is applicable)

Date (ccyy-mm-dd)

Signature of authorised and mandated Financial Advisor

Date (ccyy-mm-dd)

Contact us

Investors

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.co.za

Administrator

Absa Investment Management Services (Pty) Ltd t/a Absa Linked Investments is the Administrator of the Investment. Please contact them for any administrative queries or for the full terms and conditions.

Tel: +27 (0)86 000 0005

Email: aimsc@absa.co.za

Complaints

Please contact your financial adviser or our compliance officer on:

Tel: +27 (0)11 895 6263

Email: Mike.Pithey@barclayscapital.com

Postal address: 15 Alice Lane, Sandton, 2196, Gauteng, South Africa.

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