SA Fixed Return and Growth Protector – WP53–FX

Make a safe return.

If you are looking for a **tax efficient** Rand investment with an element of **US Dollar** exposure which protects your capital, then we have a safe option for you.

Structured Solutions

www.absa.co.za/ss

Introduction

Many investors would like to diversify their investment portfolios to benefit from the growth potential of global share markets, but do not want the risk of zero returns or losing any of their capital.

The Global Fixed Return and Growth Protector offers you an attractive above-average fixed return, plus the potential of capital growth linked to global equity markets, all in one single fully capital-protected South African rand ('ZAR') investment.

The Investment is in the form of a Johannesburg Stock Exchange Listed Note issued by Absa Bank Limited ('Absa') and made available to investors through a linked endowment policy underwritten by the insurer.

Please note that the restricted period applicable to a Linked Endowment policy applies and will influence some of the features detailed below, particularly access to benefits within the restricted period. Please refer to the Policy Terms and Conditions for specific details.

About the Investment

The Global Fixed Return and Growth Protector (the 'Investment') is a five-year, capital-protected investment linked to a global equity multi-factor index that tracks the performance of a portfolio of developed market equities. The Investment is linked to the MSCI World Business Cycle Clock Factor Select ER Index.

After three years:
You will receive a Fixed Return, based on 40% of your Investment Amount, plus 40% of your Investment Amount back. This will be reinvested in your policy unless you choose to do a partial surrender (please refer to the 'Access to your Investment' section later in the brochure). The Fixed Return will be determined on the Investment Start Date (please refer to the Investment Schedule for a current estimate of this rate).

After five years:
You will receive the remaining 60% 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 R100 000

After 3 years

receive 40% of your money back plus a **fixed return of 29.50%**, based on 40% of your money.

After 5 years

receive the remaining 60% of your money back plus **150% participation (with FX) to any positive performance in the global equity index**, based on 60% 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 R100 000.
- Would like some foreign currency exposure.
- Understand and are comfortable with the Index.
- Are able to commit your money for five years.
- Do not want to risk losing any capital, provided you remain invested for the full term of each half of the Investment.
- Would like to earn an attractive Fixed Return and at the same time potentially earn an Enhanced Return linked to global equity markets.
- Want to diversify your portfolio to markets and assets outside South Africa.
- 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 want any exposure to foreign currency.
- 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.
- Do not want to wait for five years to access your money.
- 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

40% of your Investment Amount will be allocated to a 'Fixed Return Investment' that matures after three years, and the other 60% 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'.

After three years (Fixed Return Investment maturity):

You will receive 40% of your Investment Amount back, plus a Fixed Return that is based on this portion of the Investment Amount. The value will be reinvested within your policy, unless you do a partial surrender.

After five years (Equity Index Investment maturity):

You will receive the remaining 60% of your Investment Amount back, plus at least 150% participation in any positive Index Performance. The 'Final Index Level' will be the arithmetic average of seven monthly levels of the index, and will be taken over the last six months of the Investment term, at the Valuation Time as determined by the Calculation Agent. These dates will be available on the term sheet post trade and will be made available to investors upon request.

- If the Index Performance is negative, you will receive the remaining 60% of your Investment Amount back, but no additional returns
- If the Index Performance is positive, you will receive the remaining 60% 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. The Index Performance will be capped at 50%. 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).

Example return scenarios

The examples below illustrate how the Investment would work based on an Investment Amount of R100 000, a Fixed Return of 29.50% after three years and a Participation Rate of 150% in any positive Index Performance after five years and various FX iterations. Index returns will be capped at 50%. These are for illustrative purposes only and are based on the assumption that no early withdrawals are made from your policy. If any funds are withdrawn, no further withdrawals can be made until the end of year five (see 'Access to your Investment' later in the brochure).

Amounts invested			After 3 years	After 5 years								
Total Investment Amount	3 Year Fixed Return Investment	5 Year - Equity Return Investment	Maturity value of Fixed Return Investment	Index Performance	Participation Rate	Enhanced Index Performance	ZAR/USD Initial	ZAR/USD Final	ZAR/USD Performance	Enhanced Index Performance with ZAR/USD movement	Investment Return at maturity	Maturity value of Equity return investment (Pre Tax)
100 000	40 000	60 000	51 800	40%	150.00%	60.00%	15.00	20.00	33.33%	80.00%	180.00%	108 000
100 000	40 000	60 000	51 800	40%	150.00%	60.00%	15.00	10.00	-33.33%	40.00%	140.00%	84 000
100 000	40 000	60 000	51 800	15%	150.00%	22.50%	15.00	20.00	33.33%	30.00%	130.00%	78 000
100 000	40 000	60 000	51 800	15%	150.00%	22.50%	15.00	10.00	-33.33%	15.00%	115.00%	69 000
100 000	40 000	60 000	51 800	-10%	150.00%	0.00%	N/A	N/A	N/A	0.00%	100.00%	60 000

Source: Absa Corporate and Investment Bank, November 2021

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.

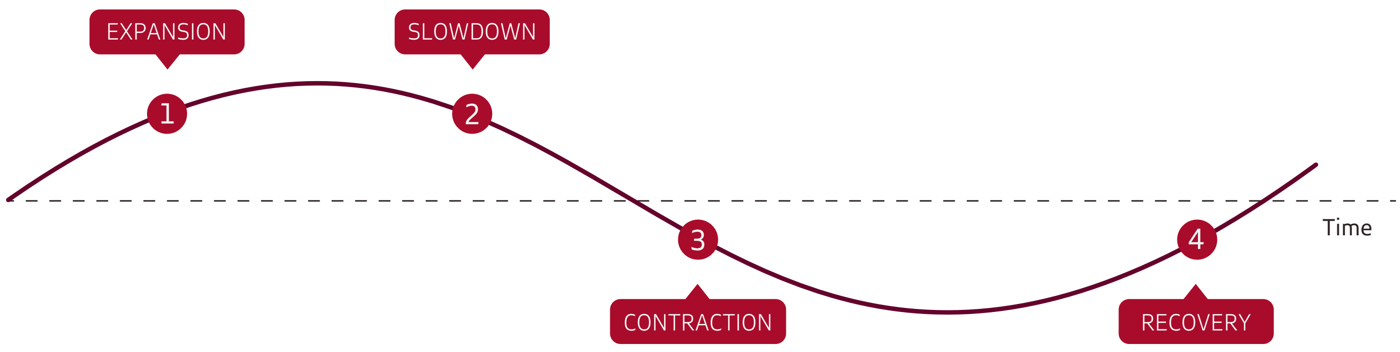
The ability of the investment management community to deliver consistently superior returns through stock-picking or market timing has been historically challenged by financial research. While outperforming the market has proved difficult, controlling risk (volatility) within a portfolio is achievable 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 MSCI World Business Cycle Clock Factor Select ER Index ('Index') consists of a long-only portfolio of developed market risk premia indices (the 'Equity Allocation') and an index that tracks the 5-Year US Treasury Futures Index (the 'Fixed Income Component') which together form the Index Portfolio.

In a developed economy, we often observe a succession of alternating periods of recession and expansion. These are usually called 'business cycles' and may be categorised into four different regimes:



Source: MSCI

1. Expansion
Period marked by a high growth in GDP, a pick up in demand and consumption, and high money supply. Expansions usually coincide with a bull market.

2. Slowdown
Or 'Peak', is the saturation point. Economic indicators reach their highest and then stop growing. It's a transition phase onto the next regime.

3. Contraction
Or 'Recession' period when production and sales plummet (usually together with a decline in demand) as income stagnates or decreases. Bankruptcies may happen. It's a global decline in economic activities.

4. Recovery
Or 'Turnaround' when the economy starts recovering. This stage may continue until economic activities can reach steady levels.

The Index aims to identify which business cycle the broader developed market appears to be experiencing and dynamically allocates to a particular Equity Allocation that is best suited to that business cycle. To identify which business cycle, the Index utilises the Chicago Fed National Activity Index (CFNAI). The CFNAI provides a single summary measure of various economic data by computing a weighted average of 85 monthly indicators of national economic activity. The CFNAI is a monthly index designed to gauge overall economic activity and related inflationary pressure. The actual value and change in value of the CFNAI are observed on a monthly basis.

The combination of these two observations will signal the present business cycle regime and trigger a reallocation to the appropriate Equity Allocation consisting of the one or more equity risk premia indices. The Equity Allocation is constructed by using a selection of equity risk premia that are appropriately aligned to each business cycle regime from a risk and return perspective. To provide exposure to the designated equity risk premia within each Equity Allocation, individual MSCI factor indices are used. For example, in times of rapid market expansion, an allocation to an aggressive factor in the Equity Allocation such as 'momentum' would take advantage of an upward trajectory in the economy. Conversely, in a period of contraction with negative growth, a risk reducing approach would be appropriate and favour a 'minimum volatility' factor within the Equity Allocation.

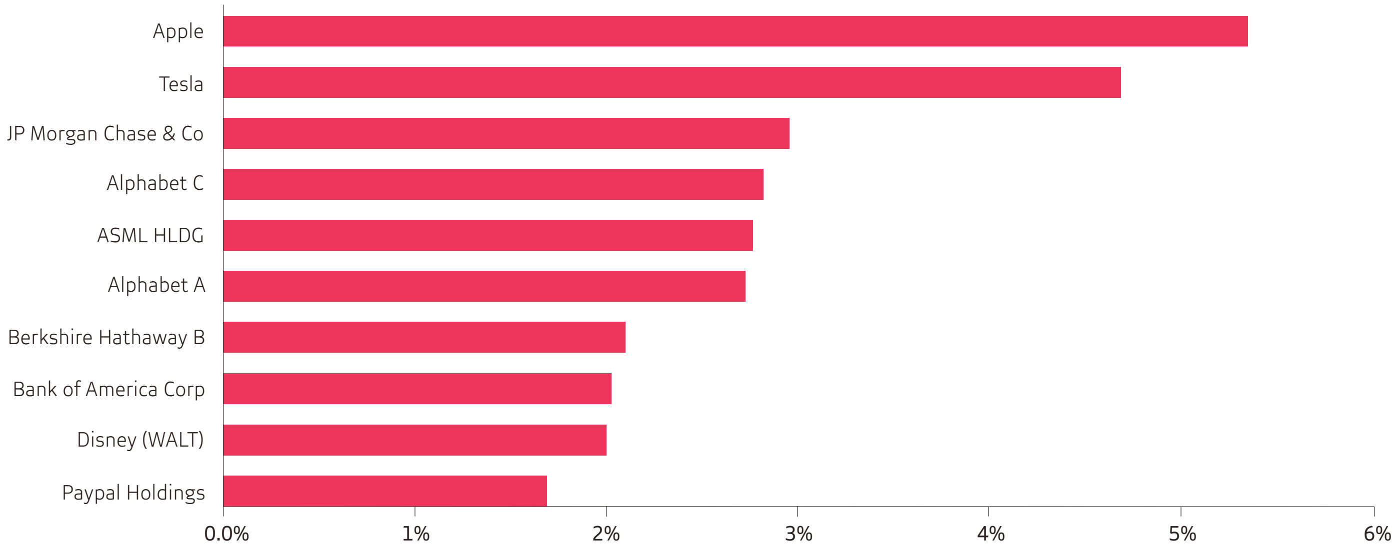
The Index has an embedded daily risk control mechanism that allocates between the Equity Portfolio and the Fixed Income Component. This mechanism aims to minimise drawdowns (or losses) in the Index by lowering exposure to the Equity Allocation as equities become volatile. As volatile markets have often 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.

Exposure to the Equity Allocation will be based on its observed volatility. If its observed volatility level is lower than 6%, the Index will allocate to the Equity Allocation, up to an allocation of 100%. Conversely, the Index will lower its exposure to the Equity Allocation as its volatility increases. Lastly, the Index has an additional feature that considers the long-term performance trend. If the return is positive, this indicates a 'risk-on' environment where price momentum is generally strong and markets are upward trending. If the return is negative, a 'risk-off' environment with downward trending markets is present.

In a 'risk-on' market the Index will allocate 130% to the Index Portfolio, while in a 'risk-off' market, the Index will allocate only 30% to the Index Portfolio. Similar to the daily risk control mechanism, this risk–on/risk-off dynamic allocation aims to provide additional exposure in bullish markets and limits exposure in more bearish ones, ultimately enhancing the entire risk/return profile of the Index over time.

Index Components

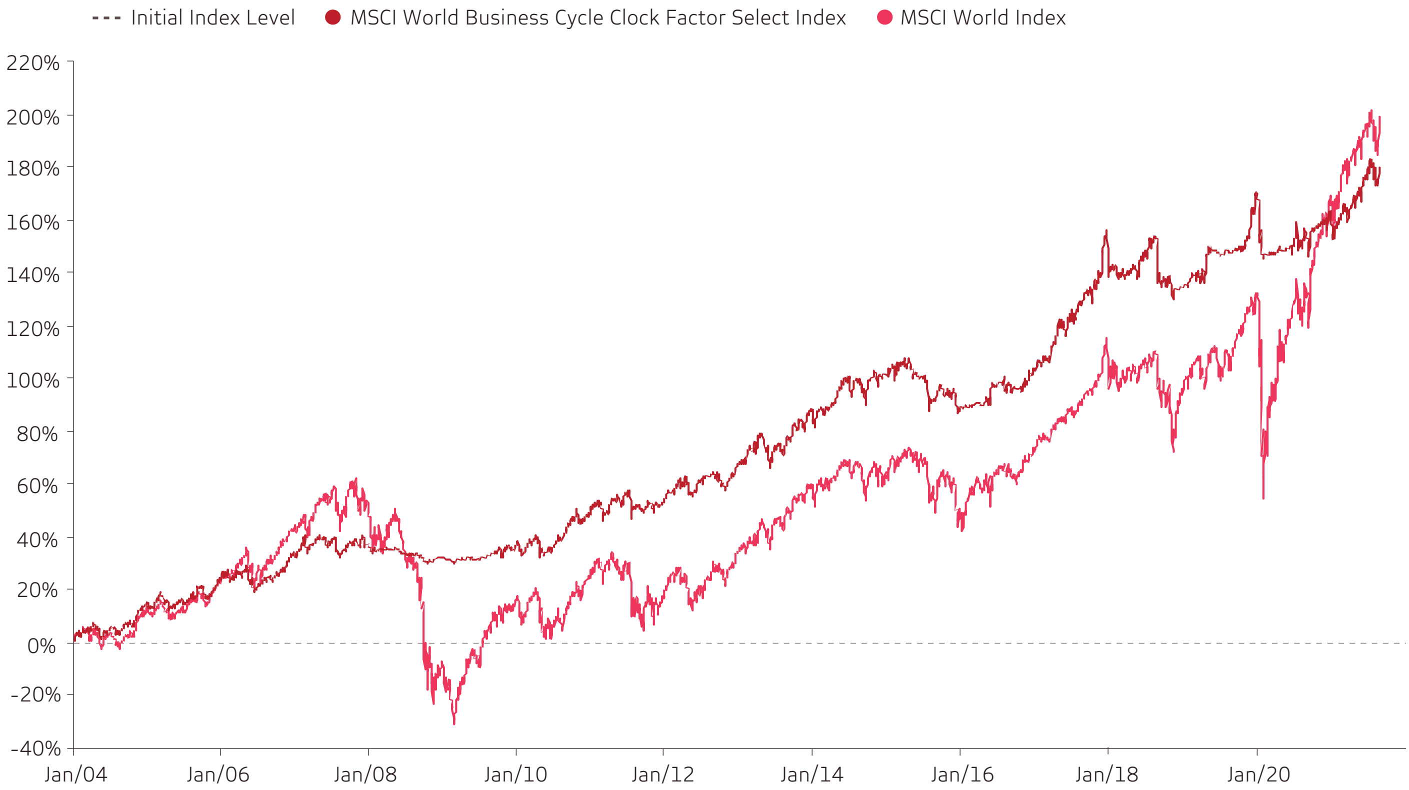
The current top 10 holdings are:



Source: MSCI, October 2021

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 2003 to November 2021 and highlights that the indices may go down as well as up.

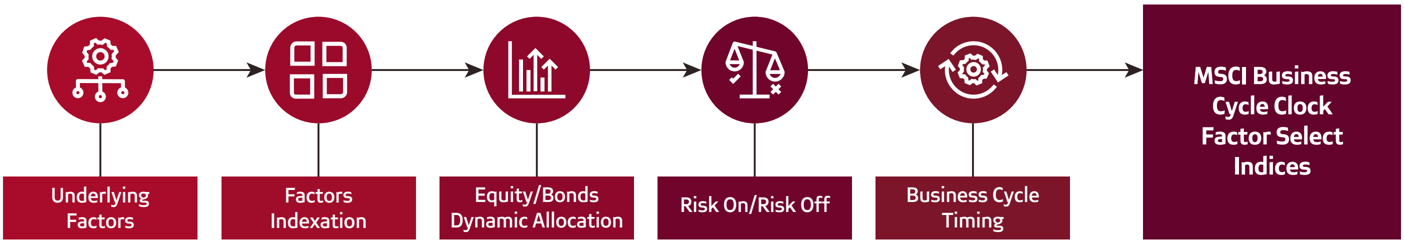


Source: Refinitiv, Absa Corporate and Investment Bank, November 2021. Index Launch Date, 20 May 2019.

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 construction of the MSCI Business Cycle Clock Factor Select Indices follow the below steps:



Source: MSCI

Underlying Factors

The initial universe is composed of five MSCI Factor Indices:

- MSCI Equal Weight Index
- MSCI Minimum Volatility Index
- MSCI Momentum Index
- MSCI Quality Index
- MSCI Enhanced Value Index.

Factors Indexation

A Portfolio of Factors is defined corresponding to each Regime of the Business Cycle:

- Expansion: 100% Momentum.
- Slowdown: 50% Minimum Volatility + 50% Quality.
- Contraction: 100% Minimum Volatility.
- Recovery: 50% Enhanced Value + 50% Equal Weight.

Equity/Bonds Dynamic Allocation

A dynamic allocation between Equities and Rolling Futures of Bonds is applied on each Portfolio of Factors targeting a volatility of 6%. The strategy is deleveraging the exposure to the Equity Underyings when the volatility is increasing, inversely proportional to the historical realised volatility. This strategy is Excess Return, i.e. it subtracts a reference rate as cost of financing.

Risk On/Risk Off

A Risk On/Risk Off mechanism is applied to each Dynamic Allocation, based on the long-term trend:

- If the 12-month performance is positive, the exposure to the asset is set to 130%.
- Otherwise the exposure to the asset is set to 30%.

Business Cycle Timing

Depending on the Current Value and Recent Change of the economic indicator CFNAI, a different portfolio is allocated the purpose of following the trend of the actual Regime of the Business Cycle.

Access to your Investment

Please note that withdrawals are limited in your policy and any early withdrawal could result in you losing some of your Investment Amount. It is for this reason that the investment is aimed at investors who do not need access to their money during the Investment Term. In terms of legislation, you may access your Investment once during a restricted term of five years by making one full or partial withdrawal. You should be aware of the following:

- If you need to make an early withdrawal before the end of three years, you can ask the Issuer to redeem the entire Investment linked to your policy at the prevailing market value.
- If you do not make any withdrawals before the end of three years, you may surrender 40% of your Investment Amount plus the Fixed Return. You will be contacted accordingly.
- If you choose to take the proceeds at this stage, no further withdrawals can be made from the policy until the end of the five-year Investment Term.

Withdrawals are limited in your policy and any early withdrawal could result in you losing some of your Investment Amount.

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. 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 housed in the policy 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 regularly make the performance fact sheets available on our financial adviser website. You can obtain these 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?

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.

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. Long-term insurance policy allows for estate planning and there may be benefits to consider from the estate planning options available if you invest via a policy.

What happens at the end of the Investment Term?

On the Maturity Date of each leg half of the Investment (three and five years respectively), the Issuer will pay the capital and any after tax Investment returns to the Insurer within seven business days, and your policy will be credited with this amount. At the time, you will be able to elect an alternative option for your maturing funds. If you elect to take the portion of the funds available to you after three years, you will not be able to access the remaining balances in the policy for a further two years.

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 and maturity value. In such an event, the Insurer will 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 other documents should I have read before I invest?

Along with this brochure you should have been provided with the Investment Schedule, and the policy Terms and Conditions, which will help you understand the Investment in detail. This brochure 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?

The Insurer will, as the Life insurer of the policy, allow up to 31 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 fees that may have been paid will be refunded in full.

What are the potential risks associated with the Investment?

Credit risk

This Investment is issued by Absa Bank Limited and available through an endowment policy. 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 National (S&P) and Moody's National (Moody's). The highest ratings given by these agencies are AAA from Moody's 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) 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 (under the section 'Issuer Credit Rating) for the current credit ratings of Absa. As this investment is accessed via an Insurer that holds the Listed Note on behalf of the investors, the credit rating and solvency of the Insurer is equally important.

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
- External factors including financial, political and economic events and other market conditions
- 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 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 that 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

Absa as the Issuer does 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 the 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 that 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 Insurer 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 shares 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.
- 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 policy 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.

Confidentiality. This document is confidential. No part of it may be reproduced, distributed or transmitted without Absa's written permission.

FAIS License Category. Financial advisers need to be Fit and Proper for the following: Subcategory of Financial Product: Long-term insurance subcategory C.

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:

E aiss@absa.africa

Administrator
Wealthport (Pty) Ltd is the Administrator of the Investment (FSP number 44158). Please contact them for any administrative queries or for the full terms and conditions.

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Let us help structure and define your investment outcomes
Email us aiss@absa.africa

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The index sponsor has provided Absa Bank Ltd authority to use the index. Any changes to the index methodology will be published on SENS and communicated to the JSE.