

NewWave Currency ETNs

The new way to invest in currencies

August 2, 2012

Absa Capital's NewWave ETN programme – an overview

- ZAR 15bn note programme, established by Absa Bank
- Under otherwise specified, the ETNs issued constitute **direct, unconditional, unsecured and unsubordinated** obligations of the Issuer and rank *pari passu* among themselves and (save for certain debt required to be preferred by law) equally with all other unsecured and unsubordinated obligations of the Issuer from time to time outstanding. Holders have no rights or beneficial interest in and to any reference to which a Note is linked.
- ETNs issued out of the NewWave Programme are designed to provide investors with an opportunity to access previously expensive or difficult to reach assets, market sectors or trading strategies.
- 6 ETNs out of the NewWave programme listed on the JSE:
 - ▶ NewWave Precious Metals ETNs (March 12, 2012)
 - NewWave Platinum ETN
 - NewWave Silver ETN
 - ▶ NewWave Commodity Index ETN over the Barclays Commodity Index Pure Beta TR (June 11, 2012)
 - ▶ NewWave Currency Exchange Traded Notes (March 12, 2012)
 - NewWave USD ETN
 - NewWave GBP ETN
 - NewWave EUR ETN

Similarities and differences between ETNs and exchange traded funds (ETFs)

- General product features common to ETFs and ETNs are:
 1. Listed and exchange traded
 2. Easily accessible investment vehicles offering exposure to a wide range of asset classes
 3. Low tracking error
 4. Daily redeemable to issuer subject to terms and conditions

- Specific feature of ETNs is that Investor owns a note, exposing the investor to the credit risk of the issuer

	NewWave ETNs	ETFs
Tenor	Quasi-perpetual (10 - 30 years)	Perpetual
Liquidity	Daily on exchange	Daily on exchange
Recourse	Issuer credit (Absa)	Portfolio of assets
Principal risk	Market and issuer risk	Market risk
Tracking error	Low tracking error (only fees)	Low tracking error (fees and rebalancing costs)
Issuer subscription and redemption	Both subscription and redemption in block size	Only redemption in block size
Pricing and trading	Market maker on the exchange	Market maker on the exchange

NewWave Currency ETNs

- NewWave Currency ETNs have been designed with an objective to provide investors with an easy to access and liquid investment in the specified reference currency through a JSE listed security.
- Three NewWave Currency ETNs listed on March 12:
 - ▶ NewWave US Dollar ETN (JSE code: NEWUSD, ISIN: ZAE000162068)
 - ▶ NewWave Pound Sterling ETN (JSE code: NEWGBP, ISIN: ZAE000162558)
 - ▶ NewWave Euro ETN (JSE code: NEWEUR, ISIN: ZAE000162541)
- **USD, EUR and GBP ETNs:**
 - ▶ Designed to give investors exposure to the reference currency exchange rate
 - ▶ Each USD, EUR and GBP ETN equals a fixed principal amount of 1
 - ▶ Each ETN will accrue interest on a daily basis at the overnight LIBOR rate minus an applicable interest rate spread
 - ▶ Interest will be distributed on a semi annual basis
- Absa manages its risk under the Currency ETNs by purchasing the underlying reference currency from the market and places this with the Absa Foreign currency money market desk on deposit earning overnight LIBOR minus an applicable interest rate spread.
- **Fees:** No fees are charged, the Issuer earns an interest rate spread applicable to each reference currency subject to change on a semi-annual basis and published on the etf.absacapital.com
- **Listed on the JSE**
 - ▶ Intraday trading – no minimum size
 - ▶ Market maker – Absa Capital
- Option of purchase or redemption of notes in minimum size directly to the issuer

Key terms and conditions – currency ETNs

Product description			
PRODUCT	NewWave USD, EUR and GBP ETNs	CURRENCY ASSOCIATED WITH THE UNDERLYING ASSET	USD, EUR and GBP
ISSUER	Absa Bank Limited	TERM	30 years
PROGRAMME	Absa Bank's R15bn NewWave ETN programme	LISTING SARB EXCHANGE CONTROL CLASSIFICATION	JSE, ETN sector INWARD LISTED NOTE
ORIGINATOR	Absa Capital	JSE CODES	NEWEUR NEWUSD NEWGBP
LEGAL FORM OF THE INSTRUMENTS	Note denominated in the reference currency with a fixed principal amount of USD 1, EUR 1 and GBP 1 with interest accruing on a daily basis payable semi-annually.	LIQUIDITY	Intraday
	Listed as an Exchange Traded Note denominated in the reference currency	MARKET MAKER	Absa Capital
INTEREST PAYABLE	Semi-annually on 28 February and 31 August	SETTLEMENT	Cash settlement
INTEREST RATE	Overnight LIBOR minus spread	INTEREST RATE SPREAD	USD – 0.10% or 15bp EUR – 0.10% or 15bp GBP – 0.20% or 20bp
CAPITAL PROTECTION	Note in Rand terms will go up or down The principal amount per note will not change	INVESTOR REDEMPTION	Investors can realize their investment in the secondary market (through the Market Maker), or directly selling the Notes to the Issuer subject to a minimum of a block (1 000 000 notes) and redemption fee
GEARING	No	INVESTOR FEE	No fee
ISSUE CURRENCY	ZAR	PRIMARY MARKET SPREAD/REDEMPTION FEE	1%

NewWave currency ETN vs. currency deposits

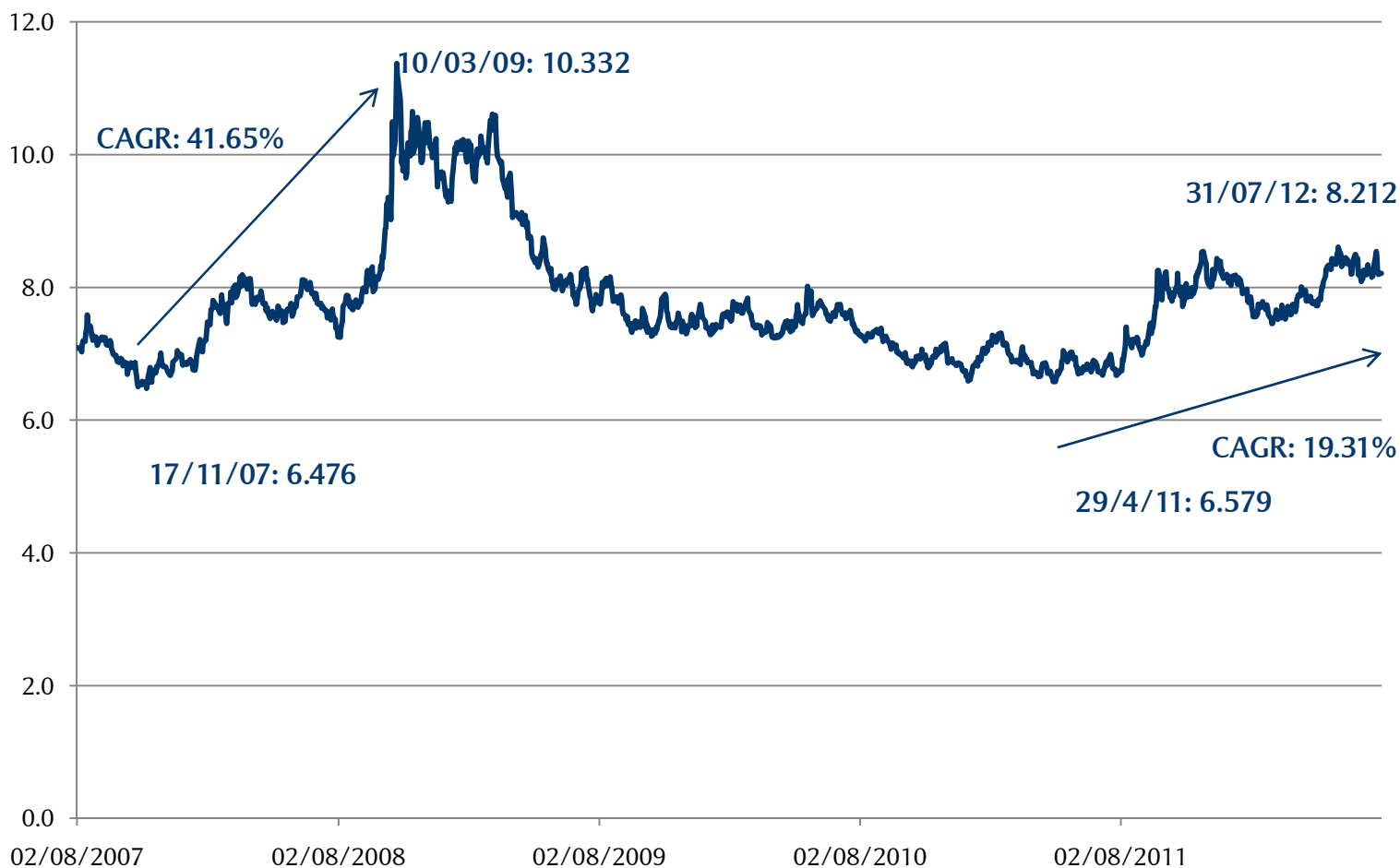
- Similar economically, but:
 - ▶ Wholesale currency conversion rates vs. retail conversion rates
 - ▶ Wholesale interest rates vs. retail interest rates
 - ▶ No exchange control limitations vs. part of offshore allowance
 - ▶ Same exposure to credit risk

Why invest in currencies?

- Protection against long term depreciation of ZAR against other currencies
- Protection against volatility of ZAR exchange rate

ZAR/USD historical performance

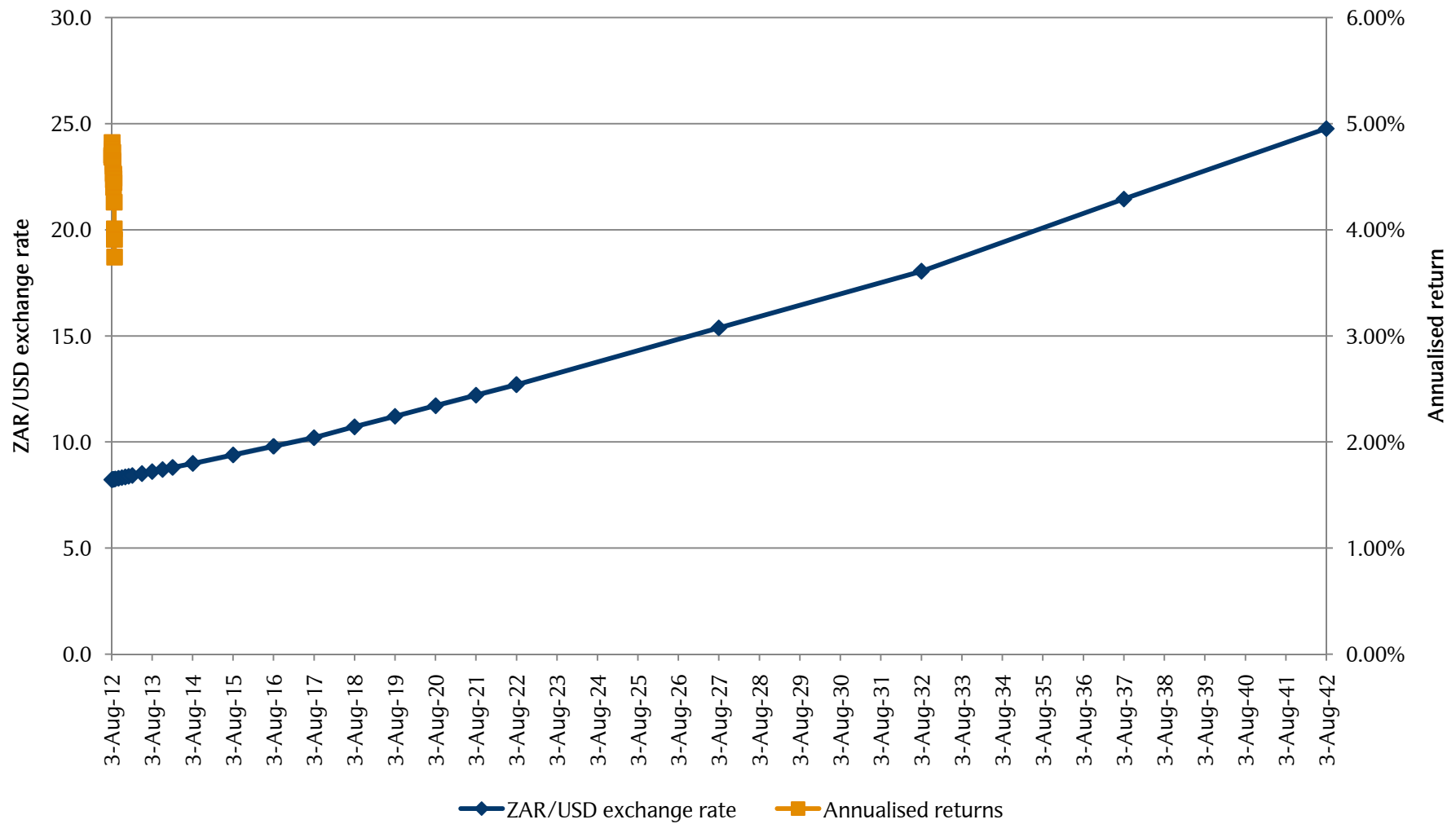
ZAR/USD historical exchange rate



Annualised returns	
1 year	22.45%
2 years	6.07%
3 years	1.72%
5 years	2.99%

ZAR/USD forward prices

ZAR/USD forward exchange rate



ZAR/GBP historical performance

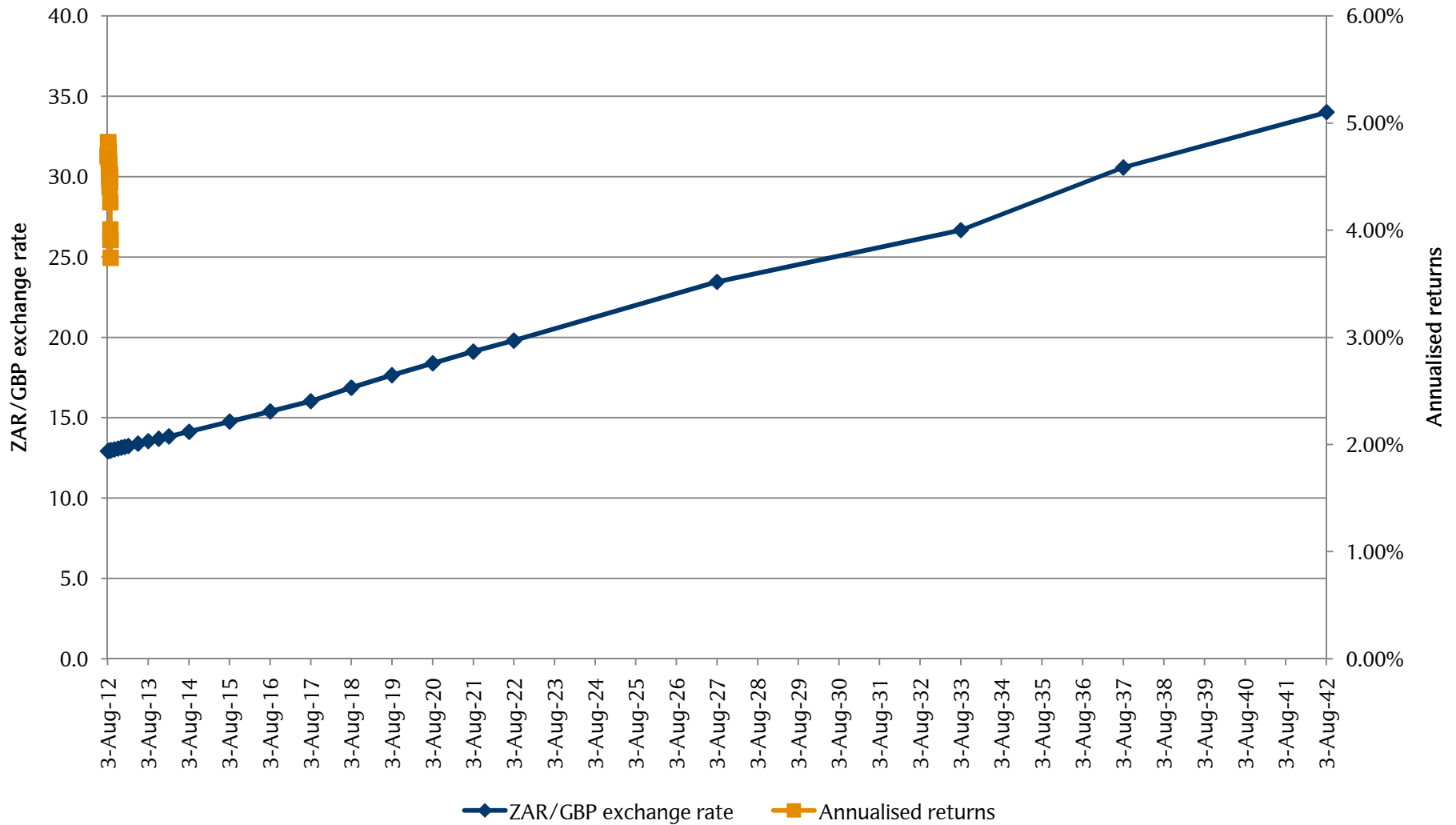
ZAR/GBP historical exchange rate



Annualised returns	
1 year	17.17%
2 years	6.10%
3 years	-0.05%
5 years	-2.25%

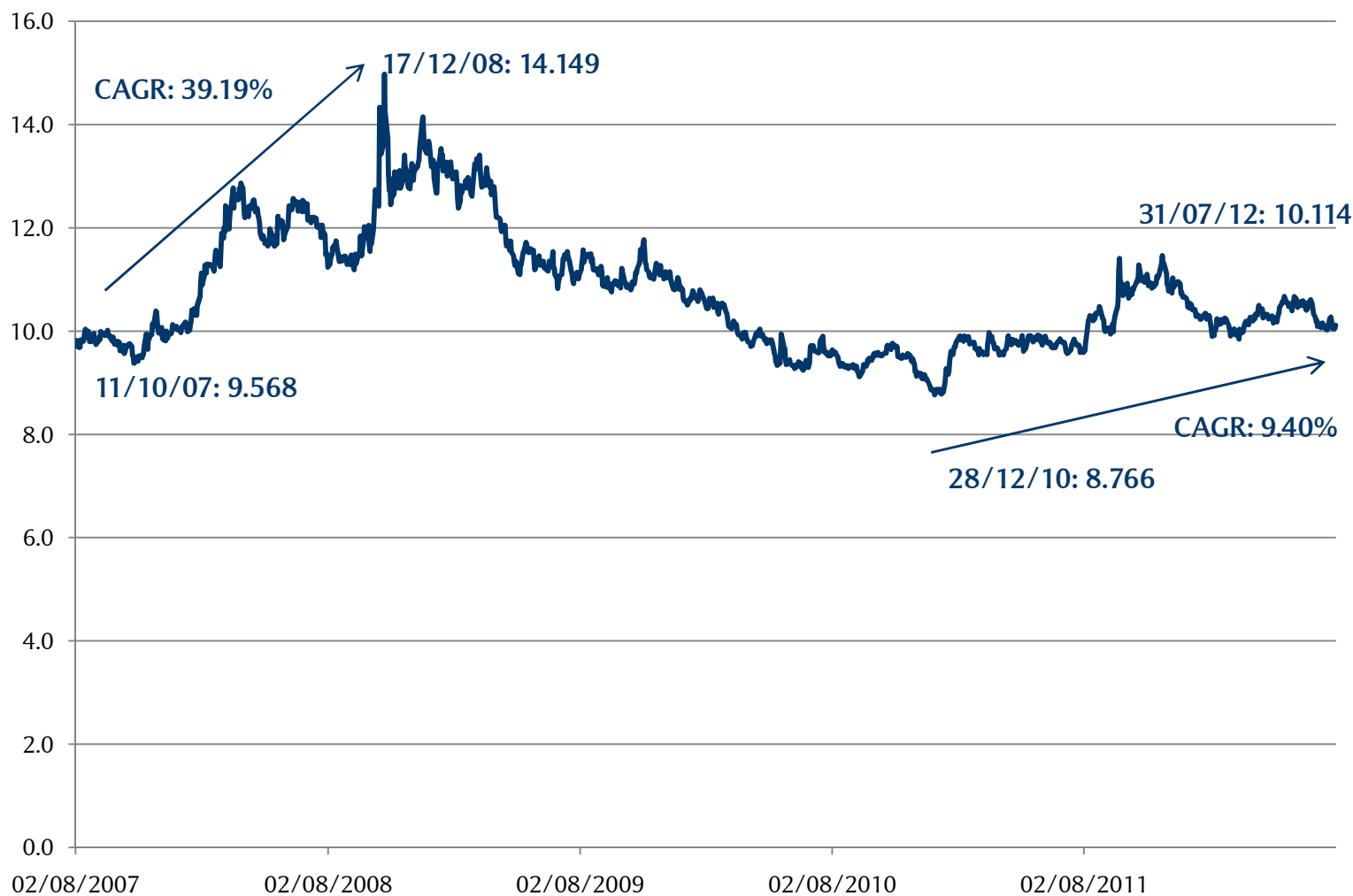
ZAR/GBP forward prices

ZAR/GBP forward exchange rate



ZAR/EUR historical performance

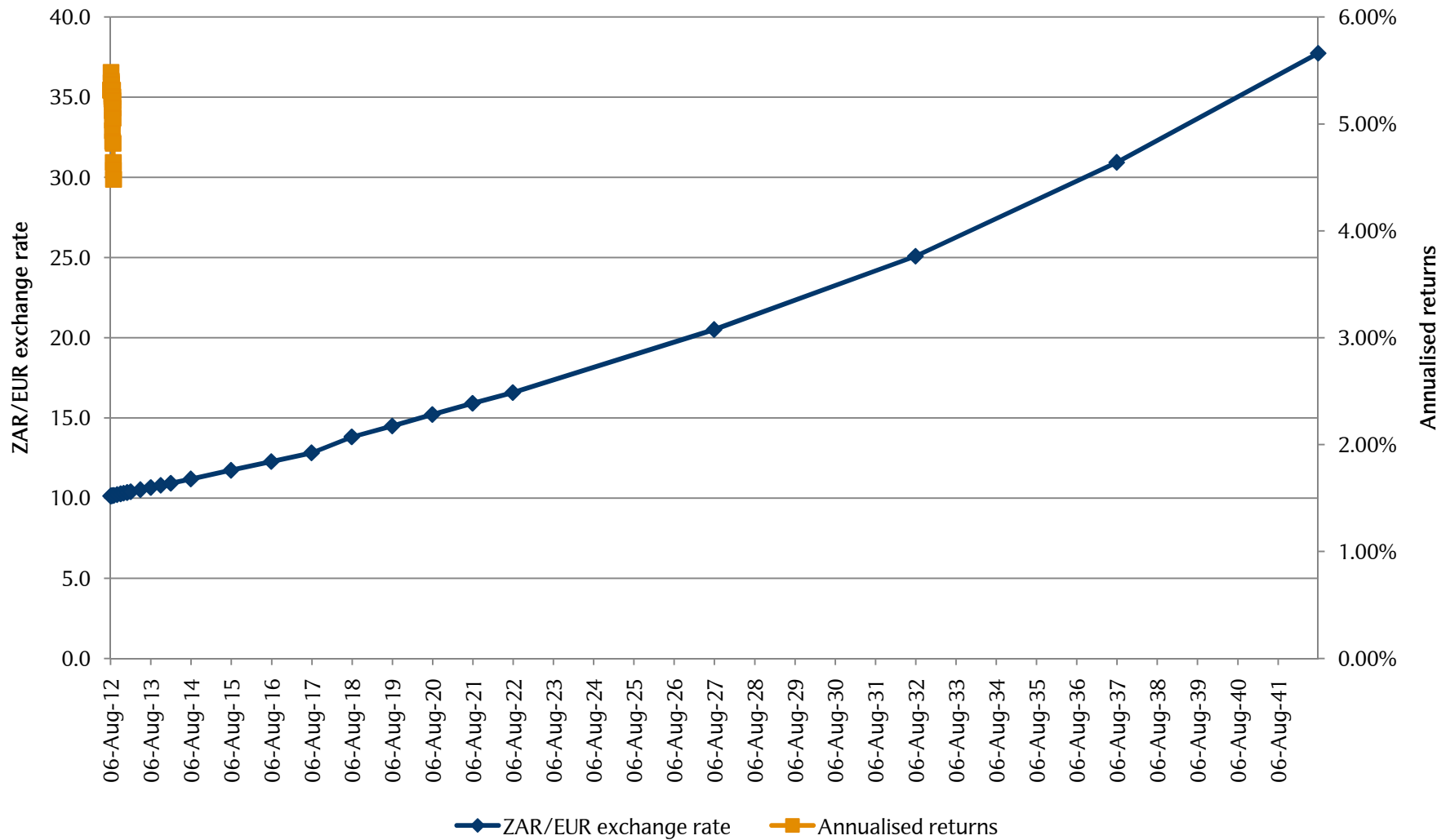
ZAR/EUR historical exchange rate



Annualised returns	
1 year	5.08%
2 years	3.07%
3 years	-2.80%
5 years	0.83%

ZAR/EUR forward prices

ZAR/EUR forward exchange rate



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