Autocall Investments

Educational overview

Please note that this document is for information purposes only and does not constitute advice. Investors should read it in conjunction with their Financial Adviser.

2015 Voted Best South African Distributor
Recognising excellence across the Structured Products Industry

Voted Best overall Bank
2015 Risk South Africa Rankings Survey

When ambitions change lives, we all prosper.

Table of Contents

Overview

What is an 'Autocall' investment?

Autocall investments (or 'Autocalls') are capital-at-risk investments that can be linked to a variety of underlying asset(s). They generally have a maximum term, with one or more opportunities to mature early, (or 'autocall') on certain dates, paying you a fixed return if the relevant underlying asset(s) is/are at or above a certain level.

At Absa, Autocall investment are offered in the form of notes issued by Barclays Bank PLC.

In this document we will refer to 'asset' for ease of description, but the investment could be linked to one or many underlying assets.

Autocalls in the retail markets

In the retail market, Autocalls are typically linked to a single underlying share index, such as the Euro STOXX 50 Index (which represent blue-chip European shares), and are often referred to as 'kick-outs' or investments with 'early maturity' features.

They usually run for a period of between two and six years, with opportunities to mature early occurring on quarterly or annual observations of the asset following the Investment Start Date.

The condition for early maturity is usually that the asset must be greater than or equal to its initial level. Certain autocall investments stipulate rather that the asset must be a certain percentage of its initial level for the investment to autocall/ mature early.

Early maturity

Early maturity occurs automatically subject to the asset being at or above a certain level (often referred to as the "Barrier Level" or "Autocall Barrier") on a given date. If an Autocall investment matures early, you receive your Investment Amount back, the investment terminates and no further payments will be made.

If the asset is below the required Autocall Barrier Level on an observation date, the investment carries on until the following observation date, and so on until the Maturity Date.

When is capital at risk?

On maturity, if your investment has not matured early, you may receive some or all of your Investment Amount back. The potential to lose capital occurs if the Autocall reaches its full term without having matured early. In this case, we look at how the asset has performed during the investment term, OR just on the Maturity Date (depending on the terms of the specific investment).

For the observation of return on capital, we refer to an "American Barrier" when we measure the asset throughout the Investment term and we refer to a "European Barrier" when we measure the asset on a single date only, usually the Maturity Date.

Capital is also at risk if the issuer fails to meet its obligations. By buying a note issued by Barclays Bank PLC, you are exposed to their credit risk.

For full disclosures of risks, please consult each investment's product information documents.

Potential returns

Autocalls in the retail market typically offer returns with income characteristics, in the sense that potential positive returns are paid as a fixed percentage of the original Investment Amount. Depending on the investment's terms, payments can be made during the term, only when an investment Autocalls, or only on maturity.

Understanding Autocall Investments

In this section, we explain how Autocall investments can work by showing you examples. The examples are provided for illustrative purposes only and are not an indication of future returns.

'Vanilla' Autocall, or just 'Autocall'

If you hold a positive view on an underlying asset and are looking for an investment that has the potential to mature early, you may consider this investment.

You should be comfortable to face loss of capital if your investment view is not realised, and this type of Autocall investment would not be suitable for you if you are seeking a regular income paying investment, as any returns would generally be paid only if the investment redeems early or on maturity.

If the underlying asset closes at or above its initial level on any of the observation dates, the investment terminates and you would receive back your Investment Amount, plus a fixed annualised percentage of your Investment Amount multiplied by the number of years since the Investment Start Date.

The Investment may also allow you to defer the potential early redemption feature by a selected number of periods.

If the Autocall investment does not mature early, on the Maturity Date, the following would happen:

- If the final asset level closes at or above its initial level you would receive back your full Investment Amount, plus a fixed annualised percentage of this Investment Amount, multiplied by the number of years since the Investment Start Date.
- If the final asset level closes below its initial level, but at or above the European Risk Barrier, you would still receive back your full Investment Amount, but no additional returns.
- If the final asset level closes below the European Risk Barrier, your Investment Amount to be repaid would be reduced by the percentage fall in the asset from the Investment Start Date to the Maturity Date.

For the observation of return on capital, we can also use an American Risk Barrier which measures the underlying asset's level daily throughout the Investment term.

Example 1

The Investment Amount is $1,000, the maximum maturity is five years, the possible Coupon Rate is 10.70%, the Autocall observations are on an annual basis, and the European Risk Barrier is 50% of the underlying asset's initial level

The underlying asset's initial level is 100, as observed on the Investment Start Date. You invest $1,000.

1st Anniversary
Is the asset level greater than or equal to 100?
YES → Investment Autocalls/terminates and you receive $1,107
NO ↓

2nd Anniversary
Is the asset level greater than or equal to 100?
YES → Investment Autocalls/terminates and you receive $1,214
NO ↓

3rd Anniversary
Is the asset level greater than or equal to 100?
YES → Investment Autocalls/terminates and you receive $1,321
NO ↓

4th Anniversary
Is the asset level greater than or equal to 100?
YES → Investment Autocalls/terminates and you receive $1,428
NO ↓

5th Anniversary/Maturity Date
Is the asset level greater than or equal to 100?
YES → InvestmentInvestment matures and you receive $1,535
NO ↓

5th Anniversary/Maturity Date
Is the asset level greater than or equal to 50, but below100?
YES → Investment matures and you receive $1,000
NO ↓

5th Anniversary/Maturity Date
Repayment of the Investment Amount will be reduced by the percentage fall in the asset. E.g. if the asset falls by 70%, you will lose 70% of your capital and would receive $300 back.

Please note that this diagram is for illustrative purposes only and assumes an European Risk Barier and that Barclays is able to meet its credit obligations.

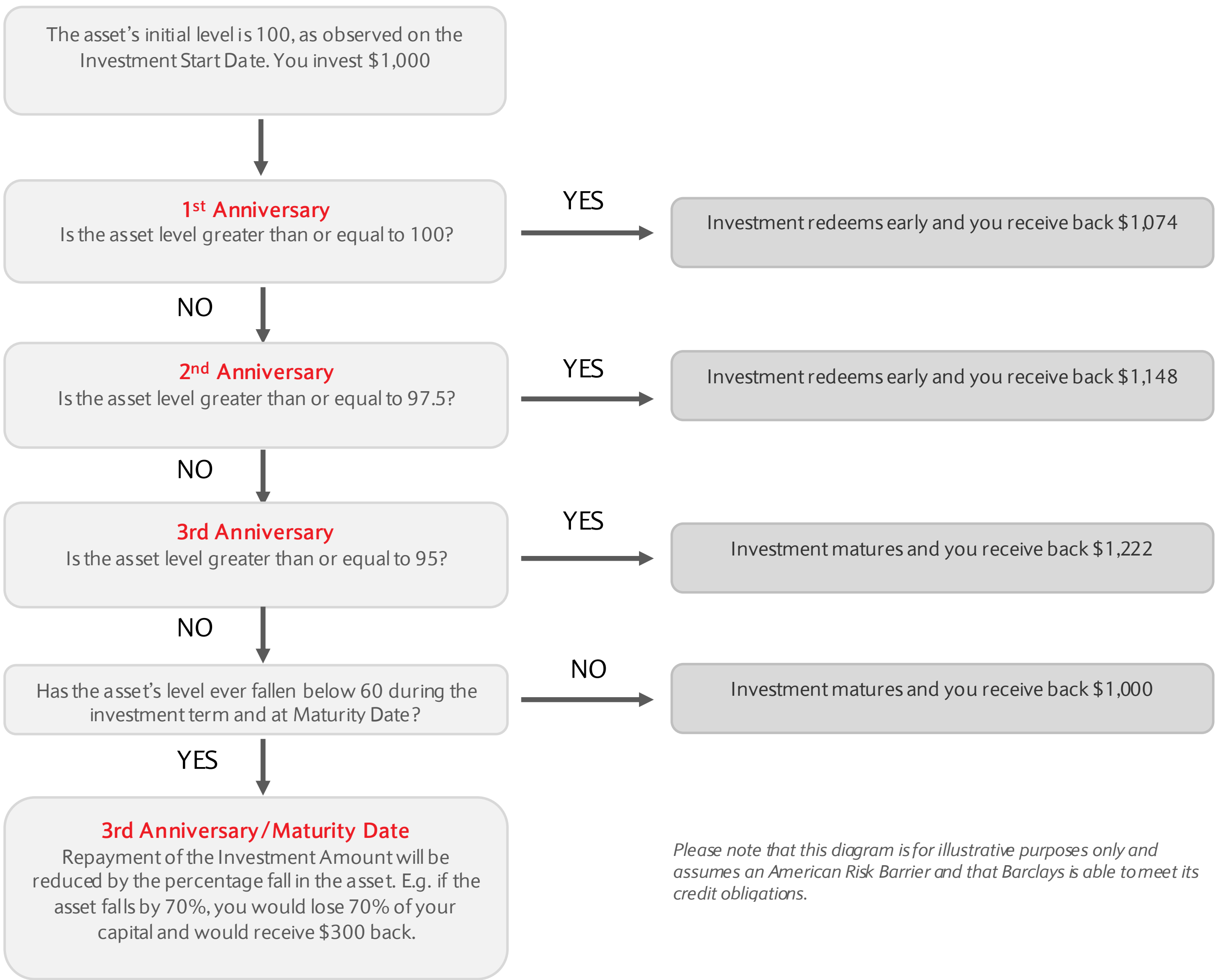
‘Step-Down’ Autocall

The Investment aims to pay a conditional coupon, as well as offer an early redemption of capital linked to the performance of the underlying asset. If the asset is equal to or greater than the Autocall Barrier, which steps down on each annual anniversary date, you will receive the Coupon Rate multiplied by the number of years invested, plus 100% of your Investment Amount back (and the investment ends at that point).

If the investment has not redeemed early, you would receive 100% of your Investment Amount back on maturity, unless the asset has fallen below the Risk Barrier – either at maturity (European Barrier) or during the Investment term (American Barrier). In this instance, capital to be repaid would be reduced by the percentage amount by which the final of the underlying asset Level is lower than the Initial level.

Example 2

The Investment Amount is $1,000, the maximum maturity is three years, the possible annual Coupon Rate is 7.40%. Autocall observations are on an annual basis, and the Risk Barrier is 60% of the asset’s initial level.



Please note that this diagram is for illustrative purposes only and assumes an American Risk Barrier and that Barclays is able to meet its credit obligations.

‘Phoenix’ Autocall (without a Memory Feature)

If you are seeking an income-paying structure that can potentially pay out not just on maturity of the investment, you may wish to invest in a Phoenix Autocall, with or without a Memory Feature. This section describes a Phoenix Autocall without a Memory Feature and the next section will describe a Phoenix Autocall with a Memory Feature.

The main difference between the Phoenix Autocall and other types of Autocall investments is that the Coupon Barrier is lower than the Autocall Barrier. The key motivation is to offer the investor the potential to still receive a coupon even if the investment does not terminate early.

In a Phoenix Autocall, a “Coupon”, an “Autocall Barrier, a “Coupon Barrier”, and a “Risk Barrier” are terms defined at the beginning of the Investment term.

In a Phoenix Autocall without a memory feature, on any of the annual anniversary dates, two independent measurements are taken:

- If the underlying asset is equal to or greater than the Coupon Barrier, it will pay out a Coupon for that year. If the asset is below the Coupon Barrier, no coupon will be paid.
- If the asset is equal to or greater than the Autocall Barrier, it will redeem early and you will receive 100% of your capital back. If it is lower than the Autocall Barrier, it will continue to the following year.

At Maturity (If the Investment has not redeemed early):

Coupon

- If the final asset level is equal to or greater than the Coupon Barrier, it will pay out a Coupon for the final year. If the final asset level is below the Coupon Barrier, no coupon will be paid.

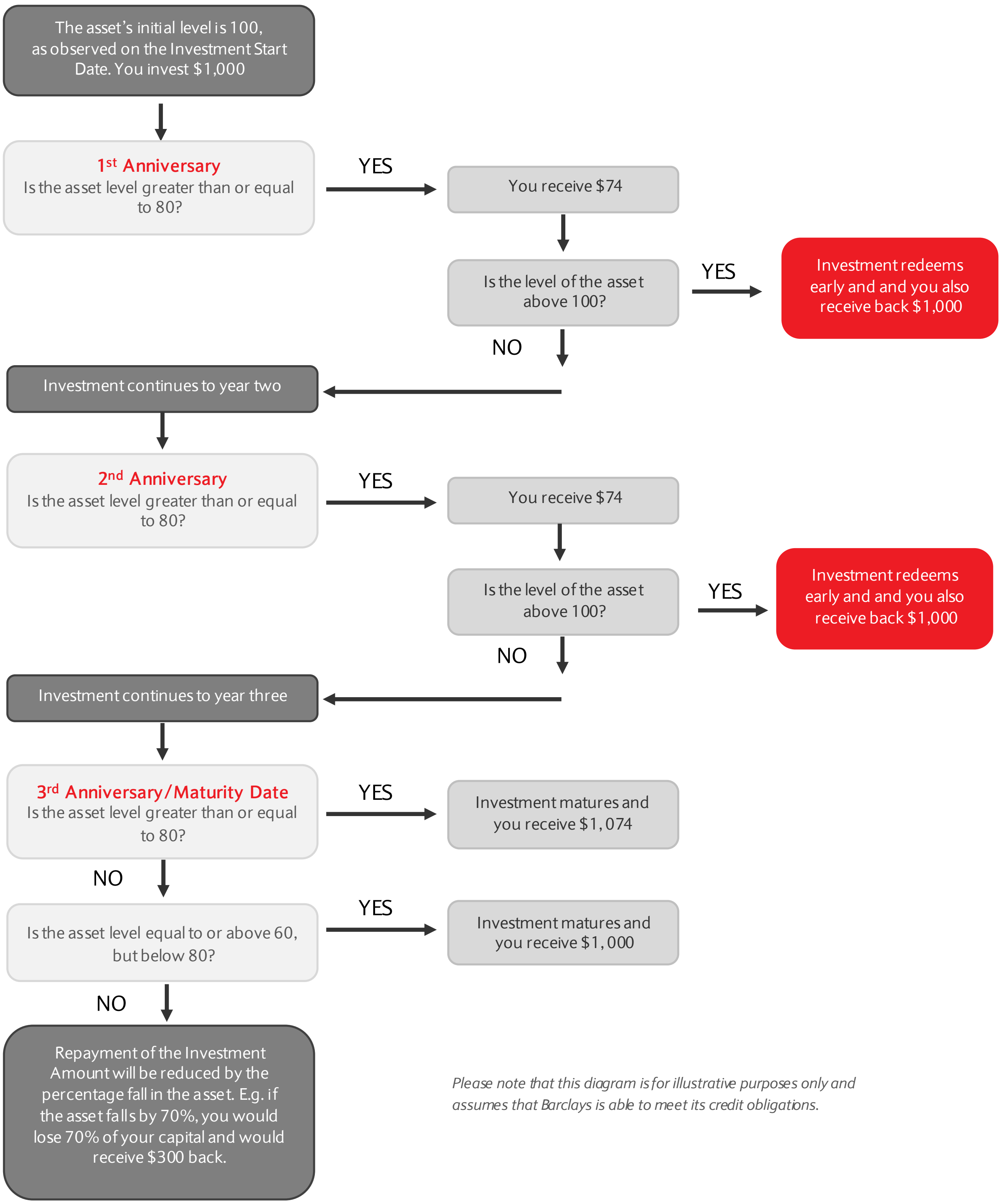
Capital

- If the final asset level is equal to or greater than the Autocall Barrier, you will receive your full Investment Amount back.
- If the asset has never fallen below the Risk Barrier during the investment term, but the final asset level on the Maturity Date is below its initial level, you will still receive your full Investment Amount back.
- If the asset has fallen below the Risk Barrier during the investment term and the final asset level on the Maturity Date is lower than its initial level, you will lose some or all of your capital. The capital to be repaid will be reduced by the percentage fall in the asset over the Investment term.

The above determined the capital to be returned at maturity by measuring the underlying security daily throughout the Investment term and is referred to as an American Risk Barrier. Investors can also use a European Risk Barrier, which instead measures the asset on a single observation (generally at the Maturity Date) and not daily throughout the investment term.

Example 3

The below example illustrates how a Phoenix Autocall without a Memory Feature works. For the purpose of this example, the Investment Amount is $1,000, the Investment term is three years, the Coupon is 7.40% and the Autocall observations are taken on an annual basis. The Autocall Barrier is 100%, the Coupon Barrier is 80% and the European Risk Barrier is 60%, all based on the underlying asset's initial level (as measured on the Investment Start Date). The example is for illustrative purposes only and not an indication of future returns.



Please note that this diagram is for illustrative purposes only and assumes that Barclays is able to meet its credit obligations.

"Phoenix" Autocall (with a Memory Feature)

A Phoenix Autocall with a Memory Feature works in exactly the same way as the Phoenix Autocall without a Memory Feature, but with the following key differences:

- In a Phoenix Autocall without a Memory Feature the Coupon will only be paid in each year if the asset is above the Coupon Barrier for that year.
- In a Phoenix Autocall with a Memory Feature, you can still benefit from 'missed' Coupon payments.

In a Phoenix Autocall with a Memory Feature, on any of the annual anniversary dates, two independent measurements are taken:

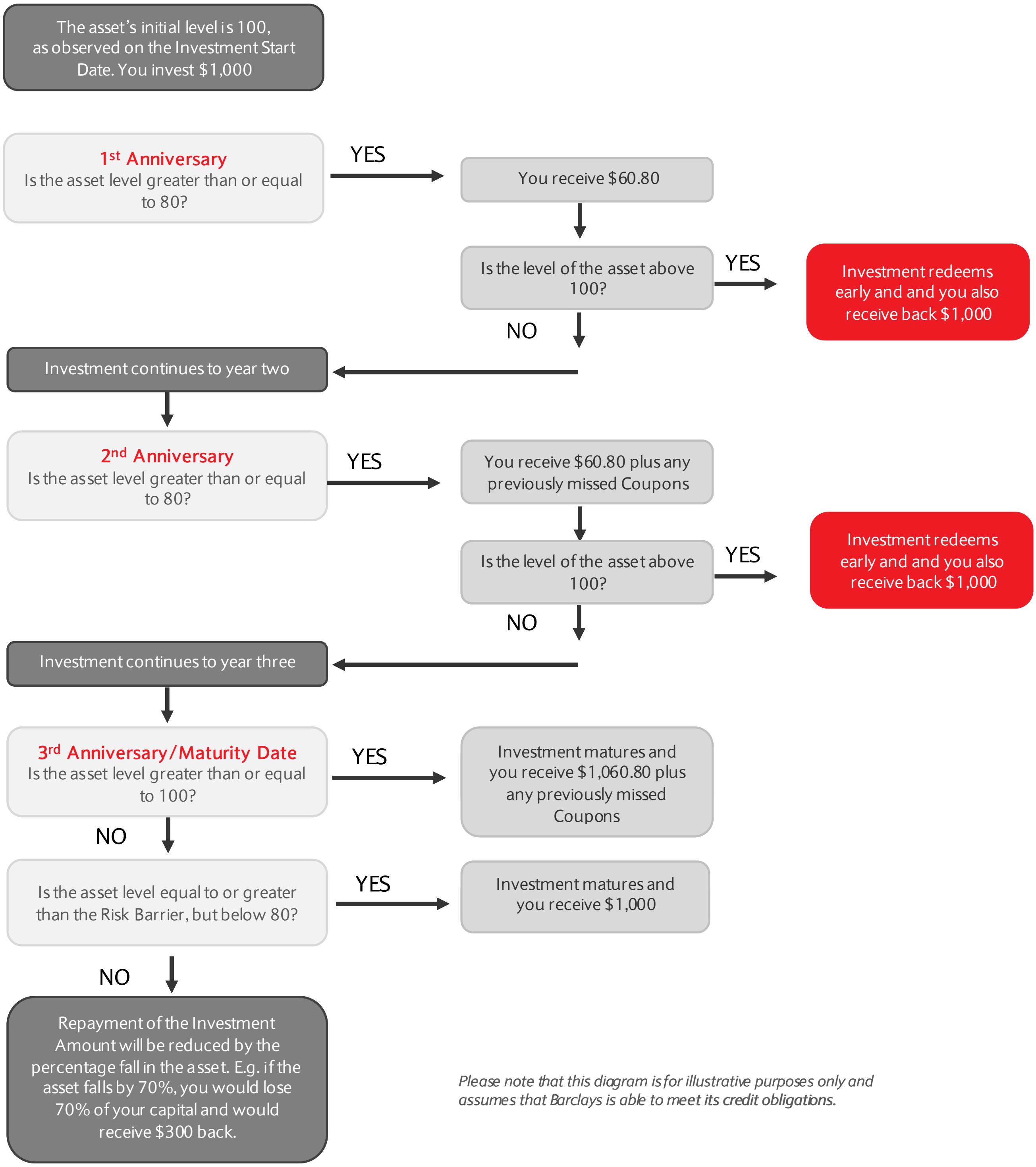
- If the asset level is equal to or greater than the Coupon Barrier, it will pay out a Coupon for that year. If the asset is below the Coupon Barrier, no Coupon will be paid.
- If the asset level is greater than the Autocall Barrier, it will redeem and you will receive your Investment Amount back. If it is lower than the Autocall Barrier, the investment will continue to the following year.
- If the Investment redeems, it will pay out the Coupon for that year PLUS the sum of any previously missed Coupons (an added benefit of the Memory Feature).

If the Investment has not redeemed before the Maturity Date:

- Assuming an European Risk Barrier, if the final asset level is equal to or greater than the Coupon Barrier, you will receive a Coupon for the final year, plus any previously missed Coupons (an added benefit of the Memory Feature), plus your Investment Amount back.
- If the final asset level is below the Coupon Barrier, but equal to or greater than the Risk Barrier, you will not receive a Coupon, but you will still receive your Investment Amount back.
- If the final asset level has fallen below the Risk Barrier, you will not receive a Coupon and you will lose some or all of your capital. The Investment Amount to be repaid will be reduced by the percentage fall in the asset over the Investment term.
- Assuming an American Risk Barrier, if the asset level has never fallen below the Risk Barrier during the investment term and the final asset level is above the Coupon Barrier on the Maturity Date, you will receive a Coupon for the final year, plus any previously missed Coupons (an added benefit of the Memory Feature), plus your Investment Amount back.
- If the asset has fallen below the Risk Barrier during the investment term and the final asset level on the Maturity Date is equal to or greater than the Coupon Barrier, but lower than its initial level, you will receive a Coupon for the final year, plus any previously missed Coupons (an added benefit of the Memory Feature) , but you will lose some of your capital. The Investment Amount to be repaid will be reduced by the percentage fall in the asset over the Investment term.
- If the asset has fallen below the Risk Barrier and the final asset level on the Maturity Date is lower than the Coupon Barrier, you will not receive a Coupon and you will lose some or all of your capital. The Investment Amount to be repaid will be reduced by the percentage fall in the asset over the Investment term.

Example 4

In the example below of a Phoenix Autocall with a Memory Feature below, the Investment Amount is $1,000, the maximum maturity is three years, the Coupon is 6.08% and Autocall observations are on an annual basis. The European Risk Barrier is 60% and the Coupon Barrier is 80% of the asset's initial level (as measured on the Investment Start Date).



Please note that this diagram is for illustrative purposes only and assumes that Barclays is able to meet its credit obligations.

Common Features and Variations

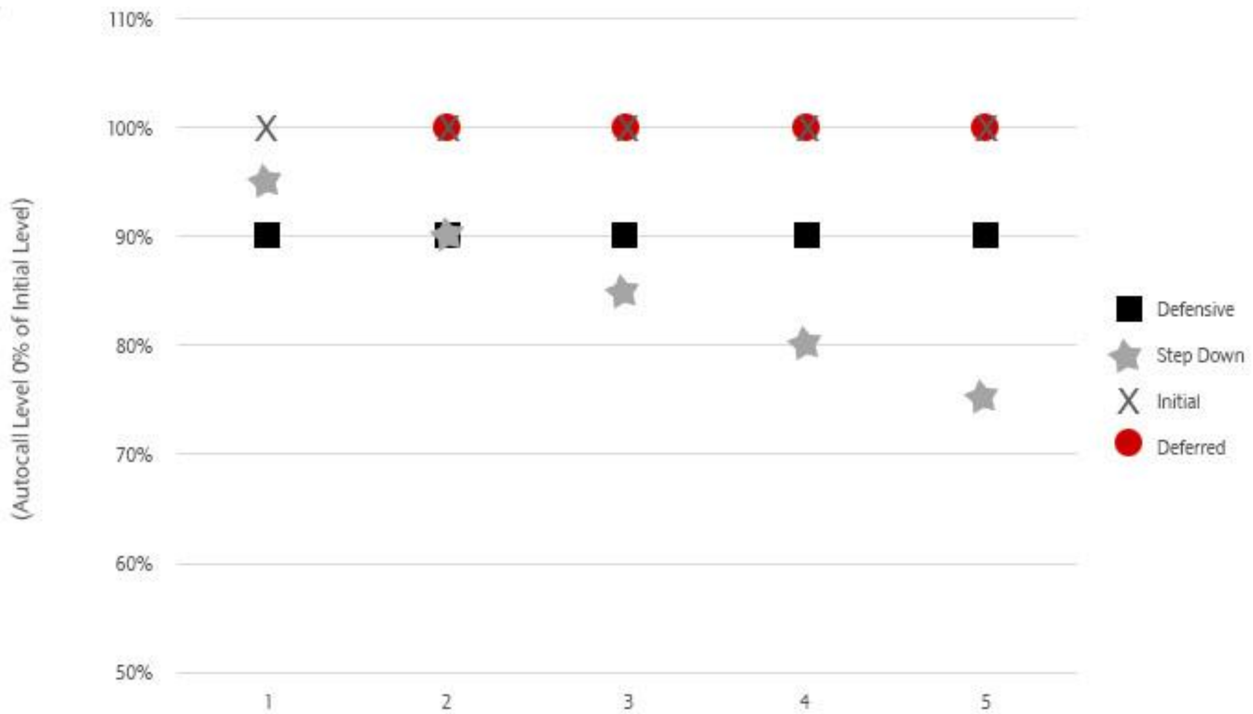
There is a large degree of flexibility in the features that an Autocall investment can have, ranging from the coupon payment mechanism to the number of underlying assets it can be linked to and the frequency of observations.

In general, a riskier feature such as daily observations on the Risk Barrier (referred to as an "American Barrier"), as opposed to one observation at maturity (referred to as a "European Barrier") would contribute to a greater potential rate of return. Introducing a more conservative feature, such as a Memory Feature, would decrease the potential rate of return. When assessing and/or comparing Autocalls, it is important to understand how different features affect the risk and potential rate of return of each investment.

This section summarises some of the most common features and variations that are seen.

In the example of the Autocalls below, the asset had to close at or above its initial level for early maturity to occur. However, in order to provide greater chance of early termination, a more conservative investor may choose to lower the Barrier Level, or to introduce a 'Step-Down' feature, whereby the Barrier Level for the investment to potentially mature early reduces with each observation.

Example 5: Varying Autocall Barrier Levels



Autocall Deferral

In the examples above the investment could mature on the first annual observation. Other investments may offer early termination from a deferred number of observations from the Investment Start Date. For example, a five year annual Autocall with one-year deferral may offer the ability to early terminate on the second, third and fourth observations only.

Other Factors Affecting Autocall Investment Terms and Pricing

As well as the combination of Autocall features described above, there are market-wide and Issuer-specific factors that will have an effect on the terms that can be offered in a new Autocall investment at any point in time. Some (not all) of these are described below.

The same factors may have an impact on secondary market pricing (if you want to buy and sell investments before they officially mature in the secondary market) but this is out of the scope of this document.

Market factors

Volatility

The volatility of the asset referenced by the Autocall is a key factor in determining the terms that can be offered.

Volatility is a measure of the 'standard deviation' of the performance of an asset. Put simply, volatility is the extent to which the performance of an asset is expected to increase or decrease over a period in the future ("implied volatility") or how much it actually has increased or decreased over a period in the past ("historic volatility"). In general, an Autocall referencing an asset with higher volatility will be able to provide a higher potential "Rate of Return" than an Autocall referencing an asset with a lower volatility. Intuitively, this is because there is a higher chance of a higher loss of capital for an Autocall referencing a more volatile underlying asset. In general, a riskier structure gives a higher potential Rate of Return.

Dividends

An asset with a higher dividend yield has a lower forward. A lower forward means that in the pricing models the Autocall is less likely to redeem early, and there is a higher probability of loss of capital. Therefore, an Autocall referencing an asset with a higher dividend yield will in general have a higher potential Rate of Return than an Autocall referencing an asset with a lower dividend yield.

Interest rates

Interest rates affect the pricing of an Autocall in several ways; and they may change suddenly and unpredictably.

Lower interest rates mean that an asset has a lower forward, and an Autocall referencing an underlying asset denominated in a currency with lower interest rates is less likely to redeem early, and there is a higher probability of higher loss of capital is higher.

However, an Autocall denominated in a currency with lower interest rates can also mean lower discount factors and so the price of paying Coupons or returning capital is more expensive.

Issuer factors

Funding level

Issuing banks and institutions like Absa or Barclays use structured notes such as Autocalls as a source of funding, not dissimilar to issuing bonds or taking deposits.

Different issuers have different abilities to raise funding as well as varying appetites for funding which may be influenced by a number of factors including, without limitation, prevailing market conditions. As such each issuer will be willing to pay differing amounts to hold an investor's capital for the expected life of the Autocall. The more an issuer is willing to pay for funding (i.e. the higher their funding rate), the more capital there is available to structure higher potential Rate of Return that can be offered to the end investor in an Autocall.

Whilst it is not possible to directly observe different banks' funding rates, there are measures in the market which may be used as rough proxies for determining banks' relative funding rates, such as credit ratings and CDS (credit default swap) spreads. Please refer to the each investment for details on the Issuer and their credit rating.

Contact Us

Investors

Please contact your Financial Adviser for any general queries and/or complaints.

Financial Advisers

Please contact Absa Corporate and Investment Bank's Structured Products desk:

Tel: (0)11 895 5528
Email: structuredproducts@absacapital.com
Web: rsp.absacib.co.za

Complaints

Please contact your Financial Adviser or our ompliance Officer:

Tel: +27 (0)11 895 6263
Email: Mike.Pithey@barclayscapital.com
Postal address: 15 Alice Lane, Sandton. 2196, Gauteng, South Africa.

Appendix

Pricing factors quick reference tables

The following tables can be used as a quick reference guide to show how various factors may impact the pricing of Autocall investments (risk versus reward, where relevant) – divided into market-wide, issuer-specific and product feature-specific factors. The list below is for guidance only and is not intended to be an exhaustive list of factors or features affecting the pricing of Autocalls.

Market-wide factors	Implication or impact*	Effect on market rate of return*
Volatility of an underlying asset	Higher volatility of an underlying asset implies higher risk of higher loss of capital	An Autocall referencing an underlying asset with a higher volatility will generally be able to provide a higher potential Rate of Return
Dividend yield	Higher dividend yield of an underlying asset means that the forward of the underlying asset is lower and therefore the Autocall is less likely to redeem early and there is a higher risk of higher loss of capital	An Autocall referencing an underlying asset with a higher dividend yield will generally be able to provide a higher potential Rate of Return
Issuer-specific factors	**Relative implied risk*:**	**Effect on market rate of return***
Credit rating	Lower issuer credit rating implies higher risk that the issuer will not be able to fulfil its payment obligations under the Autocall investment	Lower issuer credit rating may imply a higher funding rate – therefore an Autocall issued by an entity with a lower credit rating will generally be able to provide a higher potential rate of return
CDS spread	Higher CDS spread implies higher risk that the issuer of the Autocall will default on its obligations (including, without limitation, those in respect of Autocalls)	Higher CDS spread may imply a higher funding rate – therefore an Autocall issued by an entity with a higher CDS spread will generally be able to provide a higher potential Rate of Return
Product features	**Relative risk*:**	**Effect on market Rate of Return***
Autocall Barrier level	Lower Autocall Barrier levels are more defensive and provide a greater chance of early termination	An Autocall with a lower Autocall Barrier will generally have a lower potential Rate of Return
Risk Barrier observations	American style Risk Barrier observations of the asset (daily observations throughout the term) whereby the return of initial capital at maturity is dependent upon the level of such asset throughout the life of the Autocall provides more chance of an autocall event than a European style barrier observation on the asset (single observation at maturity) and thereby a higher risk of losing capital at maturity	An Autocall with an American style barrier observations of the underlying asset(s) will generally have a higher potential Rate of Return than an equivalent Autocall with European style barrier observations
Number of underlying assets	Autocalls referencing the 'worst-of' multiple underlying assets are more risky than Autocalls referencing single underlying assets as they are less likely to early terminate and more capital may be lost at maturity	An Autocall referencing 'worst-of' multiple underlying assets will generally have a higher potential rate of return than an equivalent Autocall referencing a single underlying asset

FAIS Act Notice and Disclaimer

This brochure/document/material/report/communication/commentary ("this commentary") has been prepared by the corporate and investment banking division of Absa Bank Limited a registered bank in the Republic of South Africa with company registration number: 1986/004794/06 and with its registered office at:, 7th Floor Absa Towers West, 15 Troye Street, Johannesburg 2001, Republic of South Africa ("Absa"). Absa is regulated by the South African Reserve Bank. Absa has issued this commentary for information purposes only and you must not regard this as a prospectus for any security or financial product or transaction. Absa does not expressly, tacitly or by implication represent, recommend or propose that the securities and/or financial or investment products or services ("the products") referred to in this commentary are appropriate and/or suitable for your particular investment objectives or financial situation or needs. This commentary is not, nor is it intended to be, advice as defined and/or contemplated in the Financial Advisory and Intermediary Services Act, 37 of 2002, ("FAIS Act") or any other financial, investment, trading, tax, legal, accounting, retirement, actuarial or other professional advice or service whatsoever ("advice"). You have to obtain your own advice prior to making any decision or taking any action whatsoever based hereon and Absa disclaims any liability for any direct, indirect or consequential damage or losses that you may suffer from using or relying on the information contained herein even if notified of the possibility of such damage or loss and irrespective of whether or not you have obtained independent advice. This commentary is neither an offer to sell nor a solicitation of an offer to buy any of the products, which shall always be subject to Absa's internal approvals and a formal agreement between you and Absa. Any pricing included in this commentary is only indicative and is not binding as such on Absa. All the risks and significant issues related to or associated with the products are not disclosed and therefore, prior to investing or transacting, you should fully understand the products and any risks and significant issues related to or associated with them. The products may involve a high degree of risk including, but not limited to, the risk of (a) low or no investment returns, (b) capital loss, (c) counterparty or issuer default, (d) adverse or unanticipated financial market fluctuations, (e) inflation and (f) currency exchange. The value of any product may fluctuate daily as a result of these risks. Absa does not predict actual results, performances and/or financial returns and no assurances, warranties or guarantees are given in this regard. The indicative summaries of the products provided herein may be amended, superseded or replaced by subsequent summaries without notice. The information, views and opinions expressed herein are compiled from or based on trade and statistical services or other third-party sources believed by Absa to be reliable and are therefore provided and expressed in good faith. Absa gives no recommendation, guide, warranty, representation, undertaking or guarantee concerning the accuracy, adequacy and/or completeness of the information or any view or opinion provided or expressed herein. Any information on past financial returns, modelling or back-testing is no indication of future returns. Absa makes no representation on the reasonableness of the assumptions made within or the accuracy or completeness of any modelling or back-testing. All opinions, views and estimates are given as of the date hereof and are subject to change without notice. Absa expressly disclaims any liability for any damage or loss as a result of errors or omissions in the information, data or views contained or expressed herein even if notified of the possibility of such damage or loss. Absa does not warrant or guarantee merchantability, non-infringement of third party rights or fitness for a particular use and/or purpose. Absa, its affiliates and individuals associated with them may (in various capacities) have positions or deal in securities (or related derivative securities), financial products or investments identical or similar to the products. Absa intends to make this commentary available in South Africa to persons who are financial services providers as defined in the FAIS Act, as well as to other investment and financial professionals who have professional experience in financial and investment matters. You should contract and execute transactions through an Absa Bank Limited branch or affiliate in your home jurisdiction unless local regulations permit otherwise. Absa Bank Limited is a licensed Financial Services Provider. Absa has taken no action that would permit a public offering of the products in any jurisdiction in which action for that purpose is required. The products shall only be offered and the offering material shall only be distributed in or from any jurisdiction in circumstances which will result in compliance with any applicable laws and regulations and which will not impose any obligation on Absa or any of its affiliates. In this commentary reference is made to various indices. The publishers and sponsors of those indices ("the publishers and sponsors") do not endorse, sponsor or promote the products and make no warranty, guarantee, representation or other assurance (express, tacit or implied) relating to the indices. The publishers and sponsors make no warranties (including merchantability and fitness for purpose). The publishers and sponsors shall not incur any liability in respect of any damage or loss that you may suffer as a result of investing in a product even if notified of the possibility of such damage or loss. The publishers and sponsors may amend the composition or calculation of indices and have no obligation to have regard to your or Absa's need in this regard. The information and views contained in this commentary are proprietary to Absa and are protected by copyright under the Berne Convention. In terms of the Copyright Act, 98 of 1978, as amended, no part of this commentary may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, electronic scanning, recording, or by any information storage or retrieval system, without the prior permission in writing from Absa. The illegal or attempted illegal copying or use of this information or views may result in criminal or civil legal liability. Absa Bank Limited Reg. No. 1986/004794/06. Authorised Financial Services Provider. Registered Credit Provider Reg. No. NCRCP7.