

Am I right to understand that this is simple interest? For example, a R150 000 deposit would earn R19 500 (13%) x 5 = R97 500 over the life of the deposit? And am I correct that this would only be the case if no interest was paid out at any point? If so, why do you use this 13% in your advertising when, as clearly expressed on your website, the interest rate earned is, in reality, 10.05% (<https://www.absa.co.za/personal/save-invest/products/fixed-deposit/>)? I'm not aware of any other mainstream products that express returns in anything other than compound interest terms. Banks have been criticised repeatedly for this practice, so why do you continue to do it?

It is correct that the interest quoted in our advertising is a simple interest rate calculation to be enjoyed by our customers provided they keep their funds throughout the duration of the investment term. This means that they do not take any interest until the agreed contractual term of 60 months. This is a general rule for us, which is consistent with the market in respect of their own respective fixed deposits. To this end, a customer will be provided with a quotation for the investment from which they will then be in a position to choose their preferred option, which is the standard engagement procedure with our customers in order to proactively prevent any miss-selling. Our delivery channels, such as branches/online, have been tasked with ensuring patently clear upfront communication with our customers in this regard. As a service provider that continues to seek deliberate means to get closer to our customers, it is supremely important to act prudently in such matters and we believe we have and continue to do so.

Our choice of 13% p.a. for 5 years, for minimum deposit of R100,001, is largely driven by consumers looking to maximize on the potential returns from this product. As you have also noted, this is the only Capital Guaranteed type of product, in the market, where interest rates can be guaranteed upfront for the duration of the pre-agreed terms of the product. We will therefore continue to reflect the potential maximum effective benefit for consumers who can afford to maintain this level of commitment, otherwise, again, other options are positioned with the customer on consultation. For all our savings and investment products, a needs analysis is done with the customers, as a matter of course, to ascertain the purpose of their investment in order to determine a solution that suits or closely suits their needs. In the case of the Fixed deposit, the customer generally has a couple of options around interest. We chose to disclose the rest of the options in an easily accessible way.

For this fixed deposit campaign, customers have a choice between earning their interest paid out monthly or at maturity - interest paid out monthly would result in a 10.05% per annum. However, 13% would be the effective interest rate per annum should the customer opt for interest to be paid at maturity. There is therefore a significant difference between the two options and these are made available to the customers proactively. Put differently, a choice to get interest paid into another account monthly would attract 10.05% per annum, which would translate into average R1 256.25 per month or R15 075 per annum. There is therefore annualized difference of circa R4,400 between the interest rate options, over the 5 year period. It is critically important to note that choosing to advertise one option over another does not constitute a misleading conduct, as disclosure is made to consumers upon consultation. We therefore disagree with any allegation in this regard.

For advertising purposes, we had options of whether to position 10.05% or 13% per annum. We deliberately chose 13% to provide maximum benefits to customers who are able to be resilient to afford a 60 month investment period. But all options are presented upfront to the customers to facilitate responsible banking, as required. You may have noticed that across the industry and general market, interest rates are normally quoted as "per annum" regardless of how and when a customer actually enjoys this benefit. However, our campaign has sought to compartmentalise different benefits to prevent any possibility to mislead our customer, witting or unwittingly. Furthermore, we calculate customer interest daily and accrue it until maturity of the investments, between 8 days and 60 months fixed deposit. This also applies to other non-fixed deposit products where we quote rates annually but either capitalize it monthly or pay it out to another account – on instruction.

We encourage you to review the market products, specifically fixed deposits - interest rates are generally quoted on the basis of Interest Payout options (Monthly, Quarterly, Half Yearly, Annually or at Maturity), however it is quoted as % per annum – the language which the saving and investing public would reasonably understand, even without assistance.

Furthermore, we have noted and continue to review the **SA Retail Banking Diagnostic Report by the World Bank Group**. The report has a variety of findings and proposals in relation to disclosures and complexities that come with transactional and fixed deposits accounts. As participants in the industry, we are participating in finding solutions in how consumers view and understand banking products for ease of use. We also do not believe we have moved away from the spirit of TCF in all our engagement and marketing standard with this Fixed Deposit campaign. Thanks to your affirmation that, beyond advertising, we are providing enough disclosure, through our online channel, for customer comparison before final decision.

Is it not cynical to be offering this product as a 'special offer' when the common view is that we are entering an interest rate hiking cycle and therefore locking in that level of return for 5 years is actually likely to benefit the bank more than the customer?

Our Fixed Deposit Campaign is a deliberate endeavour to forge lasting relationships between us and our customers by creating an optimal mutual benefit for both. We also believe that customers are generally reasonable enough to detect any attempt to mislead them. We believe that the Advertising Standard Authority of South African would have already approached us had we been seen as misleading our customers.

Against the environment where customers have been taking strain owing to the increase in the cost of living, this campaign could not have come at a more opportune time for South Africans. The 10.05% or 13% per annum rates are currently the best in market for this product comparatively.

The “common view” of “interest rates hiking cycle” has been positioned in the market for the past couple of months. The only action the Reserve Bank has taken, *in March* this year, was reducing the repo rate by 0.25%. We believe the Reserve Bank will make the decision on rates in due course as they regularly make pronouncements. Consumers therefore have a choice to assess this campaign against the macro economic outlook, guided by their financial advisors. We do however strongly encourage consumers to consult with their suitably qualified financial advisors before embarking on some decisions.

It is incorrect to conclude that this campaign is “Cynical”. Our decision to run this campaign is maximally beneficial to our customers. Any assertion to the contrary isn't based on objective facts. The competitive nature of the campaign is clear in the rates we have offered.