

Covid-19 Loan Scheme

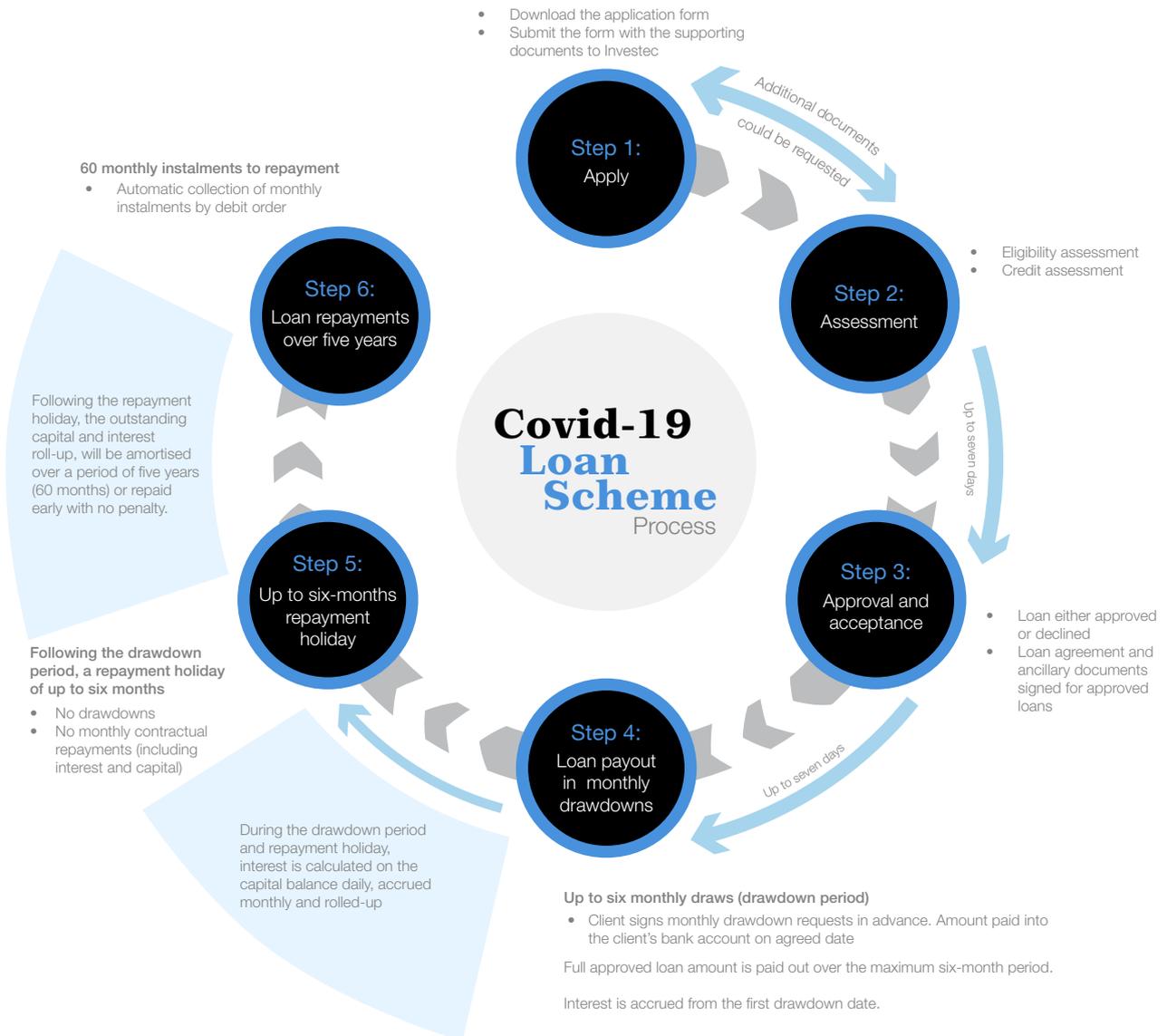
Fact sheet



The Covid-19 Loan Scheme is the outcome of the South African Reserve Bank (SARB) and the National Treasury partnering with members of the Banking Association South Africa (BASA) to help businesses, support the economy and save jobs.

The scheme will allow qualifying businesses to apply for loan funding from their primary bank for up to six months for certain operational costs and will be drawn down monthly.

The process



How to apply

To apply through Investec, our clients must have an existing primary transactional account and/or lending deal with us and meet the qualifying criteria.

Eligible clients may apply for a maximum loan amount of R100 million (in aggregate for all businesses within the client's group of companies, as contemplated in the Companies Act) to fund qualifying operating expenses.

Which businesses qualify for this loan?	What documents will I need to submit with my application?
<p>An eligible business is defined as:</p> <ul style="list-style-type: none"> • any company, statutory body corporate, close corporation, sole proprietorship, trust or partnership, association, joint venture or any similar entity, but excludes individuals that do not conduct businesses through sole proprietorships, state owned entities, listed companies (and their direct or indirect subsidiaries, as contemplated in the Companies Act) and companies with capital market funders or funding instruments • having an existing relationship of either lending or transactional banking with Investec • being in good standing as at 31 December 2019 • being registered with SARS • having no existing capacity to borrow, excluding facilities that are not attended as working capital facilities • being adversely impacted by the lockdown • requires funding for qualifying operating expenses during lockdown or to restart operations under the different levels of lockdown • an entity that has declared that it has not applied for this relief at any other bank, except where Investec has decided to co-fund a loan greater than R50 million with another participating bank 	<ul style="list-style-type: none"> • A completed application form • A calculation of the facility required by the business to fund up to six months of qualifying expenses • A detailed cash flow projection should support this and substantiate the facility requested • Year-to-date management accounts noting the current financial position and financial performance (including cashflows) of the business. Expenses must be sufficiently detailed to enable the separate identification of the qualifying operational expenses. • Most recent financial statements • Proof that the entity is registered with SARS • Constitutional documents of the applicant (if not already in Investec's possession) • Where the entity has already applied for this loan at another bank, proof that the application was declined, including reasons (if any) • If required by Investec, additional supporting evidence to substantiate specific qualifying operational expenses (eg rates bills, rental agreements, etc)

If you are interested and want to apply, contact your Private Banker, Investec for Business Portfolio Manager or ICIB Relationship Manager and we will send you an application form. The application form is also available on [Investec.com](https://www.investec.com).

Benefits

- The interest rate on the loan is priced at the prime lending rate by all participating banks
- The prime lending rate will apply from the date of the first drawdown and is calculated as a nominal annual compounded monthly rate (NACM)
- The funds will be paid monthly directly into the client's nominated account, which must be in his/her name. The client will be responsible for payment to the required third parties
- The repayment profile of this loan comprises of a drawdown period of up to six months (interest is capitalised) followed by another repayment holiday for up to six months (interest is also capitalised) starting immediately after the drawdown period. Thereafter, the outstanding capital and interest roll-up from the drawdown and repayment holiday periods will be amortised over a period of five years (60 months)
- A business can pre-pay the loan without penalty, at any time, through internally generated cashflows or refinancing by another bank

Fees and costs

There are no initiation fees or monthly costs.

Important terms to note

- The original Covid-19 Loan scheme was launched on 12 May 2020. On 21 July 2020 certain amendments were made to the scheme (including eligibility criteria) to improve take-up of the loans.
- Businesses that entered into the first Covid-19 loan on or after 21 July 2020 may only have one Covid-19 loan of this nature.
- Businesses that entered into their first Covid-19 loan between 12 May 2020 and 21 July 2020 may apply for a second Covid-19 loan with the same bank as long as the business still require emergency funding. due to the extended lockdown. The second loan cannot be used to consolidate and therefore settle the first Covid-19 loan.
- Businesses that had a Covid-19 loan application declined before 21 July 2020 may consult their Private Banker, Investec for Business Portfolio Manager or ICIB Relationship Manager to determine if they are eligible to re-apply under the terms of the amended scheme.
- Businesses must select a single bank, with which it has an existing relationship of transactional banking or lending, to do the application.
- For loans greater than R50 million, Investec may require another participating bank to co-fund the loan. Except for this scenario, if a business has more than one loan from more than one bank, it would be considered an immediate event of default and the loan becomes repayable.
- The exact term of the drawdown and repayment holiday periods, both of which is capped at six months, will be determined at Investec's discretion after considering, among others, the representations from the business of its funding needs, the impact of Covid-19 regulations on the business and the number of months remaining from the date of loan approval and 12 April 2021 (the last date of disbursement in terms of the scheme).
- Banks are entitled to share information relating to all applications for and granting of Covid-19 loans with the SARB and with other banks providing Covid-19 loans.
- No amounts repaid or prepaid in terms of this loan may be redrawn.
- Other than client's ability to pre-pay the loan, no changes can be made to the terms of the loan during the life of the loan (including interest rate, repayment frequency, residual and term).
- Investec Bank will follow a credit process to confirm the eligibility of the client and to approve the loan.
- The loan amount is based on specific operational expenditures of the business and the proceeds of this loan can only be used for those approved expenses. These are expenses that are immediately required to 'keep the doors open' or to restart business under the different levels of lockdown. The loans cannot be used to settle existing debt facilities.
- Investec Bank may request suretyships or guarantees where the credit committee deems it necessary to secure the loan.
- The loans will have priority on cashflow repayment in respect of Investec Bank's existing debt facilities with the client for as long as the Covid-19 loan or any other exiting facility with Investec is not in default.
- Investec Bank will have the right to review either the quantum and/or the disbursement profile of the loan if the bank becomes aware of any new, relevant or undisclosed information regarding the loan.
- All loans will be made subject to the further terms and conditions contained in the loan agreement.

Expenses the loan can be used for

The loan is intended to cover business operational expenditures to support the generation of income (at Investec's discretion) and includes without limitation:

1. Salaries and wages, including by means of drawings
2. Rentals and lease payments, including lease/rental payments due to Investec Bank under lease/rental (or similar) agreements in force on or before 29 February 2020
3. Utilities (electricity, water and gas)
4. Supply chain costs, ie the direct and indirect costs and expenses associated with the local and/or foreign supply of goods, materials and services to a business, including (without limitation), the costs and expenses of importing and exporting goods and materials, including all logistic and custom service providers relating thereto, on the normal terms and conditions of the relevant suppliers
5. Other operating expenses necessary to support the business' generation of income (at Investec's discretion)

Loan restrictions

- Loan amounts may not be used to pay any distributions of any nature whatsoever to shareholders, trustees, beneficiaries, partners and/or directors (except for salary payments or drawings to any such parties) and/or repay or prepay any capital or interest on any shareholder, trustee, beneficiary, partner and/or director loans.
- The loan amounts may not be used to repay or prepay any existing bank debt facilities at any bank.
- Until the loan is repaid in full, the following are prohibited:
 - o any distributions of any nature whatsoever to shareholders, trustees, beneficiaries, partners and/or directors (excluding regular and reasonable salaries)
 - o the repayment or prepayment of shareholder, trustee, beneficiary, partner and/or director loans

Frequently Asked Questions

How long is the loan available?

Applications will close 29 March 2021 and the deadline for the last disbursement in terms of the scheme being 12 April 2021. As 12 April 2021 approaches, the maximum drawdown period that Investec will approve will reduce from the six-month maximum.

For example, if the loan agreement was signed 12 January 2021, the maximum drawdown period will be three months.

Can individuals apply?

The Covid-19 Loan Scheme excludes individuals.

What does it mean to be in good standing?

The business must not be in arrears on any of its facilities as at the 31 December 2019.

I am multi-banked, which bank should I apply to?

An eligible client may apply to a bank it has an existing lending or transactional banking relationship with. Investec encourages businesses to apply to their primary lender. This should speed up the application process since the primary lender understands the operations and financial position of the business best.

The primary lender is one with which the business has an existing lending and/or transactional banking relationship and is considered the business' main source of bank originated credit. Investec would still consider applications from clients who would prefer to apply with us if they meet the eligibility criteria.

Is there an approval process for the loan?

Yes, each loan is subject to each bank's risk evaluation and bank credit application and granting process.

[Are all the supporting documents required to be submitted?](#)

Investec is committed to making these loans available as seamlessly and efficiently as possible according to the emergency relief requirements set out by the SA government. Where we can, we will use the information that is readily available to you.

Certain documents will be required to assist us in processing your application. The list is extensive and not all these documents may be required for your application. It is best to consult your Private Banker, Investec for Business Portfolio Manager or ICIB Relationship

[Do I need to furnish additional collateral to the bank?](#)

While the loan is guaranteed by the government, Investec may require additional guarantees or suretyships as security for the loan, subject to our Credit Department's discretion.

[How long is the approval process?](#)

The approval of loans will depend on clients completing and submitting all the required information and documents. Should we have an influx of applications, this could result in longer turnaround times.

[How long after I am approved will the loan be advanced to me?](#)

The full loan amount will be approved upfront, however the funds will be disbursed monthly for up to six months or until the maximum loan amount has been disbursed (whichever is earlier). After the loan agreement is signed, the disbursement of initial funds may take up to seven days, depending on volumes.

[Will the various banks have different terms?](#)

These loans will be offered at a single, agreed lending rate (prime rate) by all banks participating in the scheme. The rate will track the Repo rate.

[Can a business settle the loan early?](#)

A business can settle the outstanding balance on the loan, in part or in full, at any time before the maturity of the loan term - without penalty.

[Can I repay existing debt facilities provided by Investec Bank or other banks from this loan?](#)

No, the repayment or prepayment of bank debt facilities from the proceeds of this loan will not be allowed.

[Does Investec Bank earn any income from this loan?](#)

No, any margin income derived from this loan will be used by the SARB to offset any losses on this loan portfolio.

[Will I have access to these funds via Investec Online or the App?](#)

The client will not be able to access the funds, but can view the account on Investec Online and the App.

[Who will be overseeing the loans?](#)

The SARB will oversee the scheme and, after consultation with National Treasury, will adjust loan conditions, monitor compliance, address regulatory reporting etc.

[Can I apply if I have accessed the TERS or other Covid-19 schemes?](#)

Yes, clients may apply to more than one relief scheme. Funding obtained from the various schemes need to be disclosed in the application and be considered in projections

What is the difference between the South African Future Trust (SAFT) relief scheme and the Covid-19 Loan Scheme?

SAFT	Covid-19 Loan Scheme
<p>SAFT is an independent trust set up by Nicky and Jonathan Oppenheimer to extend direct financial support to the employees of SMMEs (turnover of less than R25 million per year) who are at risk of losing their jobs.</p> <p>It has been funded with an initial contribution of R1 billion, with the aim of mitigating the immediate economic impact of the Covid-19 crisis.</p> <p>The SMME enters a five-year, interest-free loan agreement with SAFT to re-pay the amount granted. Investec, as a participating bank, facilitates these loans on behalf of the trust.</p>	<p>The R200 billion Covid-19 Loan Scheme was launched by the South African Government to support SA business in the form of a guarantee.</p> <p>This is a loan between Investec and the client but guaranteed by the South African Government.</p> <p>Loans will cover up to six months of operational costs and will be drawn down monthly.</p> <p>This loan is linked to prime and businesses will not have to pay interest and capital on the loan for up to six months from the date of the first draw down.</p> <p>Thereafter, the outstanding capital and interest roll-up for the approved term will be amortised over the loan period of five years (60 months).</p>

Questions?

If you have any questions, you are welcome to contact your Private Banker, Investec for Business Portfolio Manager, ICIB Relationship Manager or the 24/7 global Client Support Centre on 0860 110 161 or +27 11 286 9663.

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