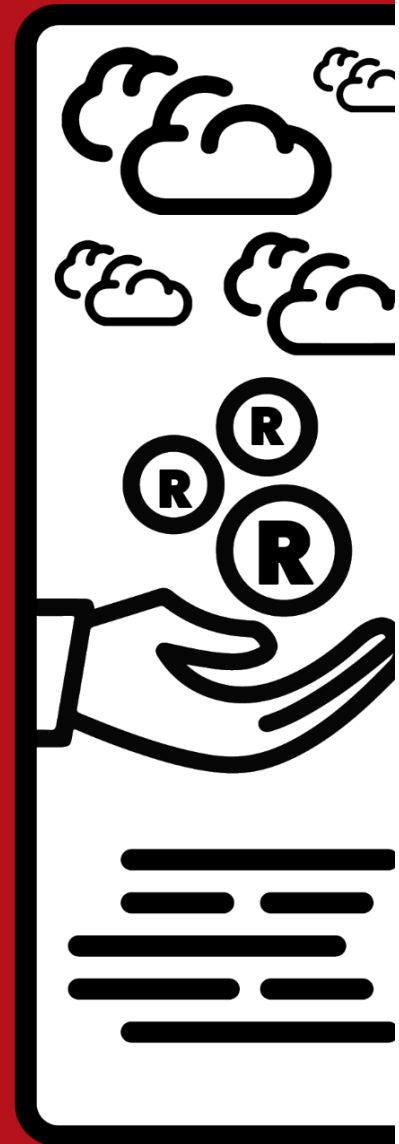


COVID-19

LOAN SCHEME FOR SMEs



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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COVID-19 GUARANTEED LOAN SCHEME FOR SMALL AND MEDIUM ENTERPRISES

As announced by the President, National Treasury, the South African Reserve Bank and commercial banks have jointly created a guaranteed loan scheme. The purpose of this scheme is to help small and medium-sized businesses and the economy.

In terms of this scheme, R200 billion will be ultimately made available for new loans to existing customers. The initial phase will be R100 billion.

The key features of the Covid-19 loan guarantee scheme are:

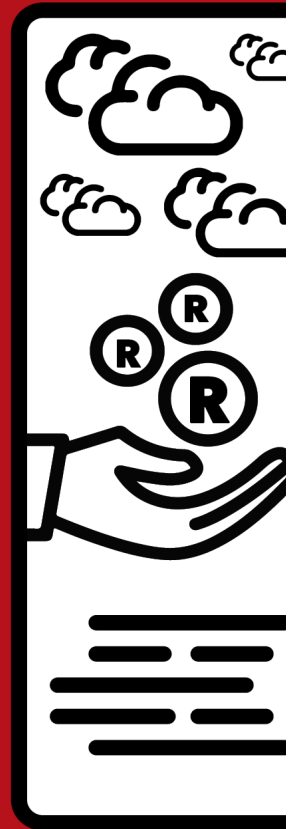
1. Covid-19 loans will be available from banks to eligible businesses in good standing with their commercial banks with an annual turnover of less than R300 million.
2. Funds borrowed through this scheme can be used for operational expenses such as salaries, rent and lease agreements, contracts with suppliers, etc. Loans will cover up to three months of operational costs and will be drawn down monthly.
3. Banks are not obliged to extend Covid-19 loans, and those that do will use their normal risk-evaluation and credit-application processes. A business' owners may be required to sign surety for the loan.
4. Each business may accept only one Covid-19 loan.
5. Covid-19 loans will be offered at a single, agreed lending rate by all banks participating in the scheme. The rate will track the repo rate.
6. A six-month repayment holiday will commence from the first drawdown, although interest will accumulate from the date on which the first drawdown on the loan occurs.
7. Repayment of interest and capital starts after six months and businesses have a maximum of 60 months to do so. Borrowers can repay the loan ahead of schedule.
8. The scheme will be rolled out by banks over the next few weeks.

The scheme works on the principle that profits and losses are ultimately shared between government and the banks. The scheme will receive all 'profits' on the loans, i.e. the difference between the rate at which banks lend the money (together with limited costs). This will include a guarantee fee charged to the banks in relation to the scheme. These profits will be used to offset any losses that the scheme makes. If the scheme suffers any further losses, these will be absorbed by the banks themselves, capped at 6 per cent of the size of the loan. Any further losses will ultimately be covered by the fiscus.

Please contact your bank for further details and eligibility criteria.

COVID-19 LOAN SCHEME FOR SMEs

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