MARINE MONEY

COVID-19: Funding Costs Increase, Deal Flow and Loan Problems Don't

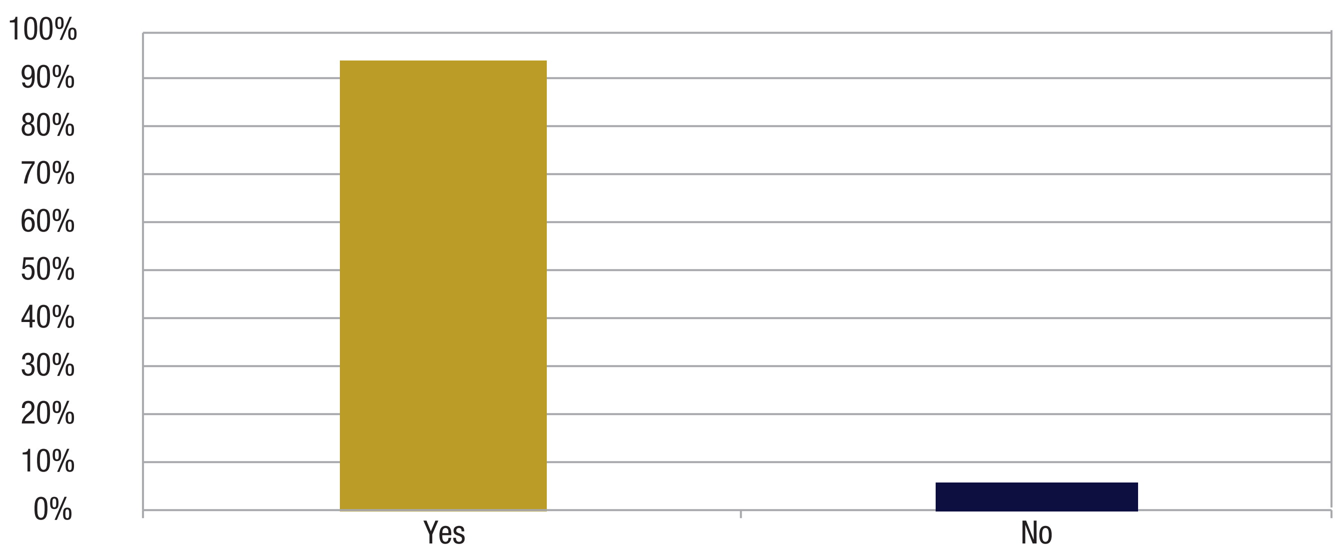
With capital markets unstable, 95% of commercial banks report an increase of funding costs since the pandemic hit, but 87% of them have been able to pass those increased funding costs along to their borrowers. Although 95% of banks are open for new funding requests, only 20% of banks are seeing an increase in deal flow other than drawdowns of existing facilities.

With respect to existing deals, the damage has been minimal. Although 60% of lenders have received COVID-19 related covenant waiver requests, only 5% of lenders have rejected them. ZERO banks have invoked the Material Adverse Change clause (MAC) to prevent an approved transaction from being drawn down and only 5% of banks report having a deal impacted by Force Majeure.

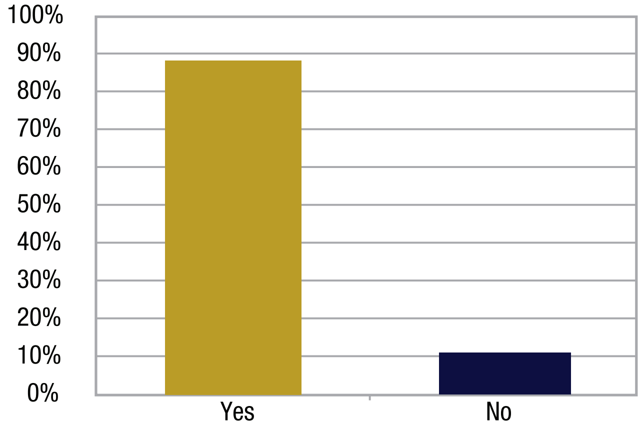
Going forward, the majority of surveyed shipping banks believe COVID-19 will be negative for shipping demand growth with 90% forecasting neutral to negative impact. As a result of the ongoing global health crisis, 50% of banks have modified how capital allocation decisions are being made but only 25% have changed their lending guidelines.

The data, which will be collected monthly and presented in time series format, indicates that the commercial elements of ship finance have not yet been significantly impacted by COVID-19, although bankers and institutions most certainly have.

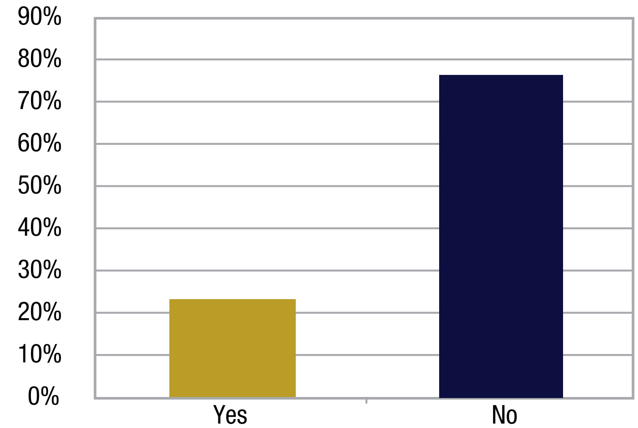
Q1 Has your cost of funding increased due to COVID-19?



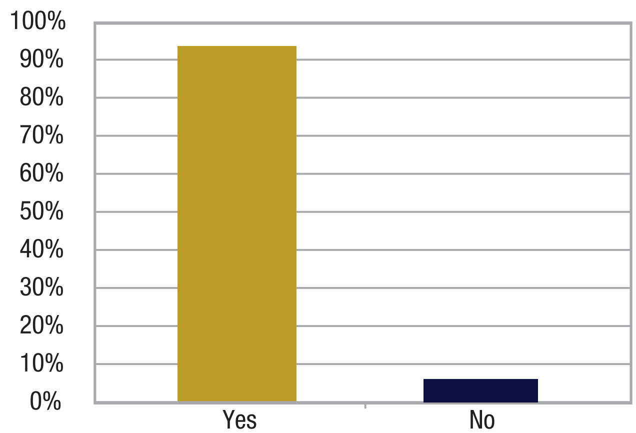
Q2 If yes, are you passing the increased cost on to clients?



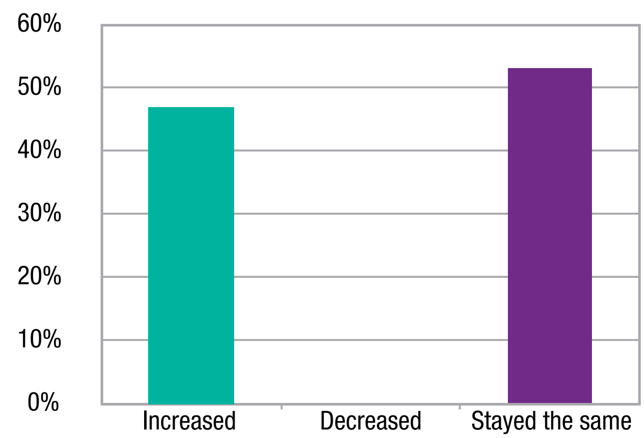
Q3 Are you seeing an increase in inquiries for financing?



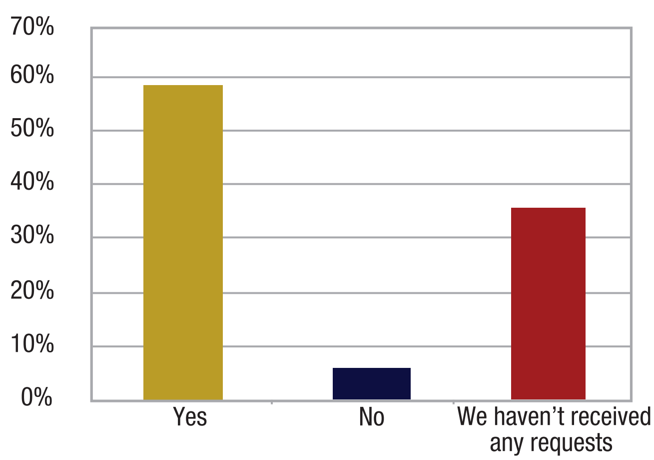
Q4 Are you currently approving new funding requests?



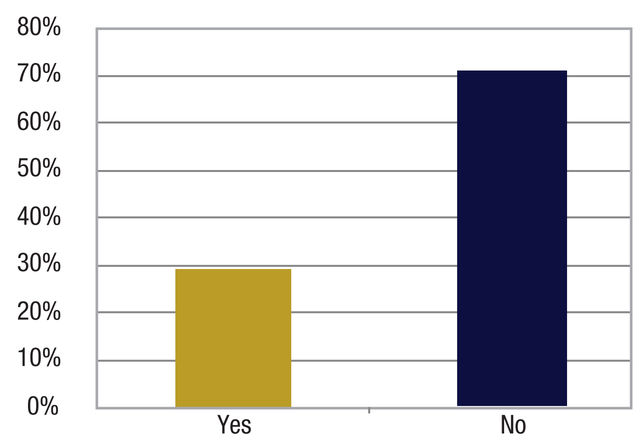
Q5 Drawdowns on Our Undrawn Facilities Have:



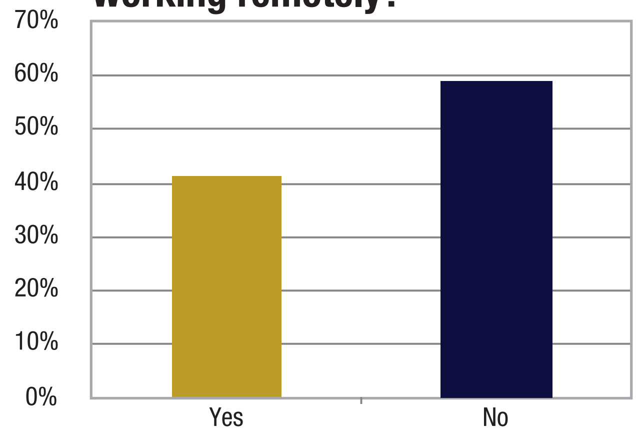
Q6 Have you accommodated requests for COVID-19 covenant waivers?



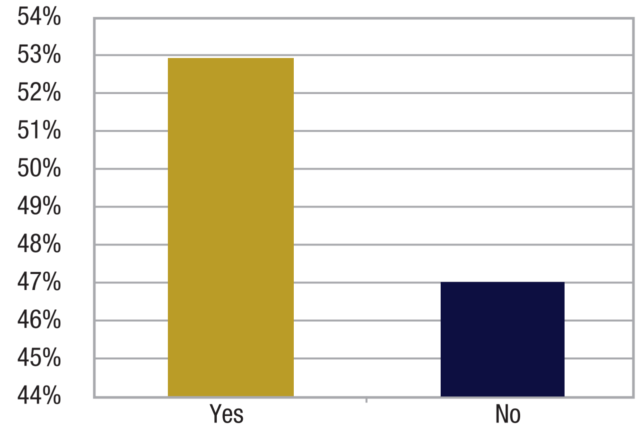
Q7 Have you changed your lending guidelines?



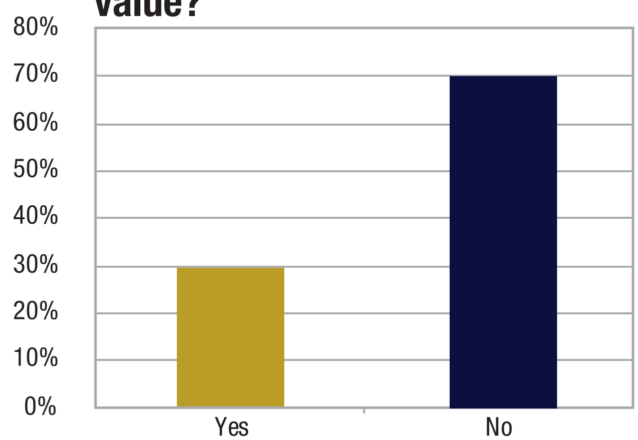
Q8 Are decision making periods extended due to people working remotely?



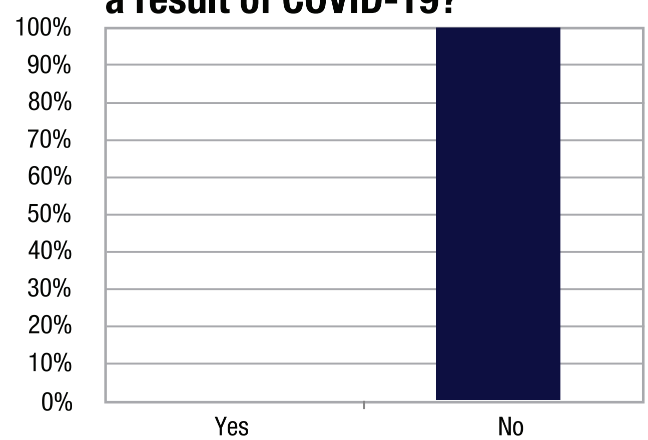
Q9 Have capital allocation decisions been modified?



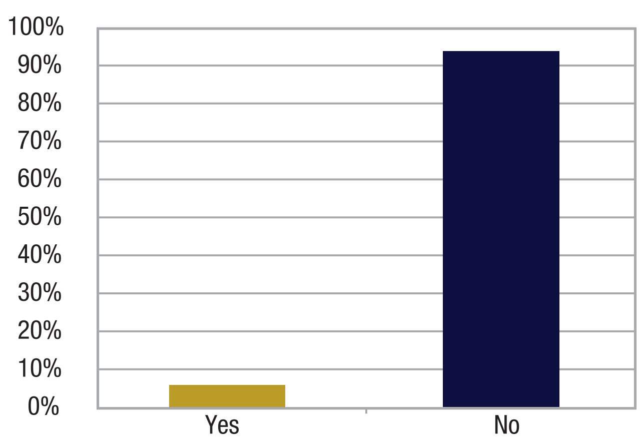
Q10 Do you believe current ship valuations accurately reflect value?



Q11 Have you invoked Material Adverse Change (MAC) as a result of COVID-19?



Q12 Have any of your transactions involved Force Majeure?



Q13 The long-term impact of coronaviruson shipping demand will be