NTRRPA/AI GEN AI STRATEGY

Unfulfilled Trade Exposure Analysis

Strategic impact assessment of distressed cargoes, credit defaults, book-outs, and force majeure events across the PETROMOVE trading book — sub-$60 scenario conditions.

February 2026 | Strategy & Operations | CONFIDENTIAL

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> "Analyse the unfulfilled and distressed trade exposure in the petroleum cargo blotter, quantifying financial impact from quality disputes, counterparty defaults, force majeure events, and book-out settlements under sustained sub-$60/bbl conditions."

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Executive Summary

$102.4M	7	$48M	$2.4M
TOTAL EXPOSURE	AFFECTED CARGOES	LARGEST SINGLE EXPOSURE	BOOK-OUT NET SETTLEMENT
Distressed + unfulfilled trades	4 distressed + 3 book-outs	Hin Leong credit default	3 cargoes cash settled

The sustained sub-$60/bbl price environment has triggered a cascade of trade failures across the cargo blotter. Four distressed cargoes represent $102M in gross exposure, driven by a major counterparty insolvency (Hin Leong), a quality off-spec dispute, an Iran-origin force majeure, and an OFAC sanctions freeze.

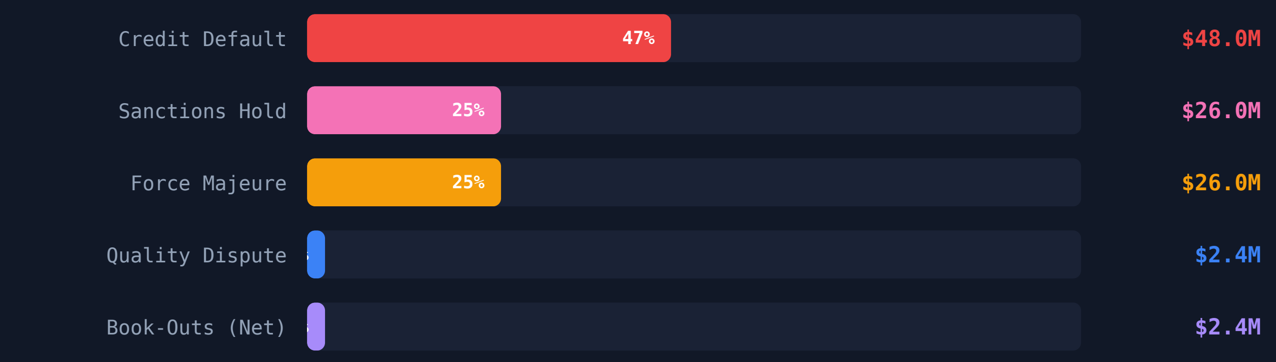
Three additional cargoes were resolved via book-out (cash settlement without physical delivery), netting $2.4M in differential payments. The book-out trend is accelerating as counterparties prefer to cash-settle rather than take physical delivery of crude trading below breakeven.

Recovery rate on distressed cargoes is estimated at 35–60%, implying net losses of $41–66M against the trading book. The Hin Leong exposure is subject to Singapore court proceedings and may take 18–24 months to resolve.

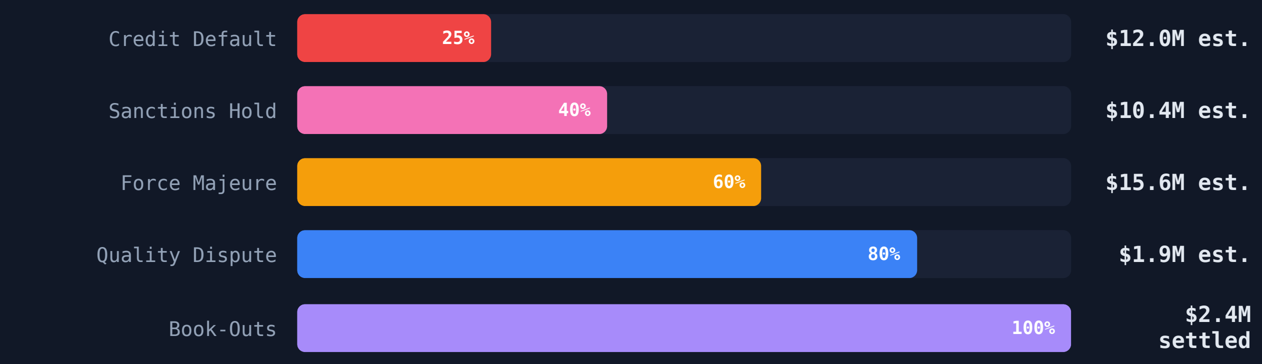
Exposure Breakdown by Category

Gross exposure by failure type — credit default dominates at 47% of total

EXPOSURE BY CATEGORY



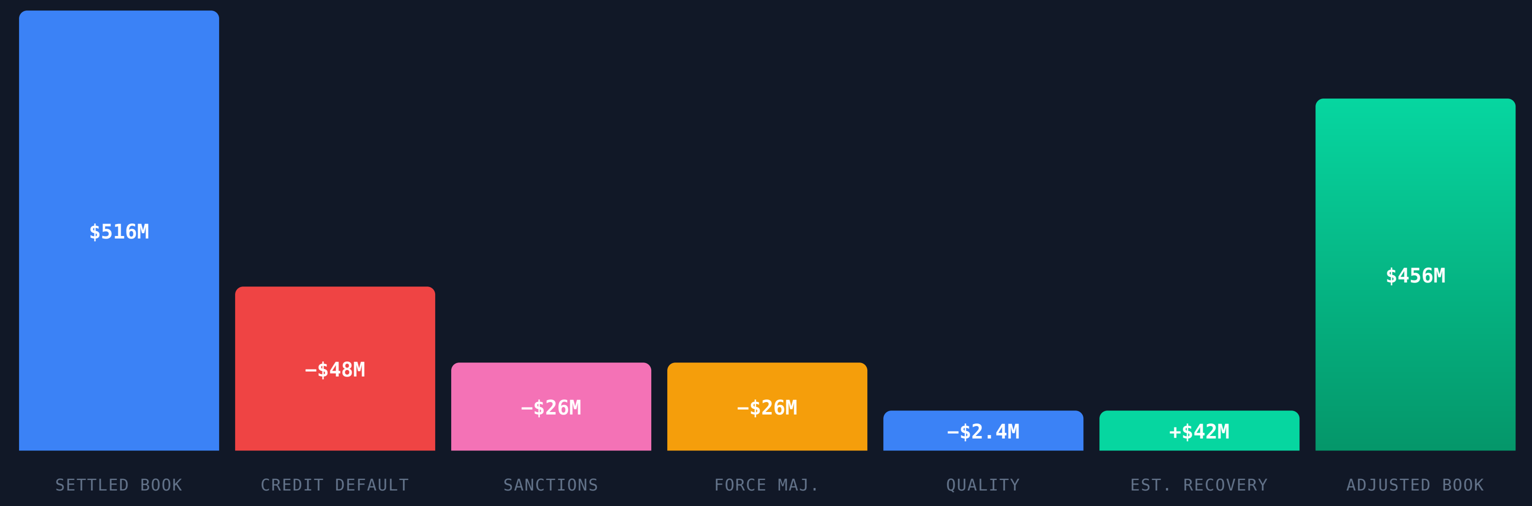
RECOVERY PROBABILITY BY CATEGORY



Trading Book Impact Waterfall

From $516M settled book value to $414M adjusted — $102M gross exposure, $42M estimated net loss

TRADING BOOK VALUE — WATERFALL ANALYSIS



Distressed Cargo Detail

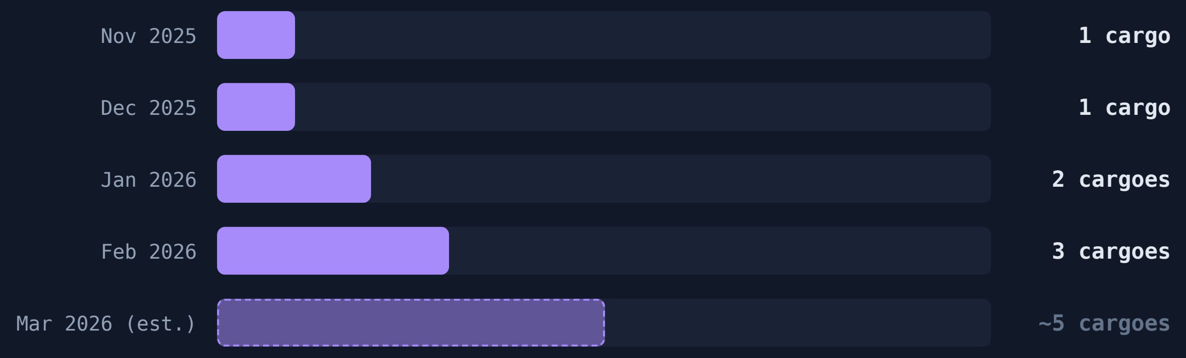
Individual cargo analysis — exposure, recovery estimate, and resolution timeline

CARGO REF	TYPE	GRADE	COUNTERPARTY	VOLUME	GROSS EXPOSURE	ISSUE	RECOVERY EST.	NET LOSS EST.	TIMELINE	STATUS
CARGO-035	Credit Default	**Basrah Heavy**	Hin Leong	1,000,000 bbl	$48.0M	Buyer insolvency — SWIFT payment failed	$12.0M (25%)	$36.0M	18–24 months	DEFAULT
CARGO-036	Sanctions	**South Pars**	Zhenhua Oil	500,000 bbl	$26.0M	OFAC SDN — buyer is sanctioned entity	$10.4M (40%)	$15.6M	12–18 months	FROZEN
CARGO-034	Force Majeure	**Iran Heavy**	ONGC Videsh	500,000 bbl	$26.0M	Kharg Island — military operations vicinity	$15.6M (60%)	$10.4M	3–6 months	FM INVOKED
CARGO-033	Quality Dispute	**Arab Med**	Unipec	500,000 bbl	$2.4M	API/sulfur off-spec vs contract terms	$1.9M (80%)	$0.5M	30–60 days	DISPUTE
CARGO-030	Book-Out	**Dubai M1**	Vitol SA	500,000 bbl	$1.2M net	Mutual cash settlement — no physical	$1.2M (100%)	$0	Complete	BOOK-OUT
CARGO-031	Book-Out	**Murban**	Glencore	500,000 bbl	$0.8M net	Logistical conflict — mutual book-out	$0.8M (100%)	$0	Complete	BOOK-OUT
CARGO-032	Book-Out	**Upper Zakum**	BP Trading	500,000 bbl	$0.4M net	Buyer opted out at market differential	$0.4M (100%)	$0	Complete	SETTLED

Book-Out Trend Under Sub-$60

Cash settlement volumes accelerating as physical delivery becomes uneconomic for buyers

BOOK-OUT ACTIVITY — MONTHLY TREND



KEY DRIVERS OF BOOK-OUT ACCELERATION

Negative refining margins at sub-$60

Asian refiners facing margin squeeze — uneconomic to take physical delivery of medium sour grades when crack spreads compress below $3/bbl.

Storage saturation at Gulf terminals

Ras Tanura at 88% utilisation — buyers lack onshore storage capacity. Book-out preferred over floating storage at $0.52/bbl/month.

Hormuz transit risk premium

War risk + delay costs of $0.80–1.60/bbl make physical cargo economics marginal. Cash settlement eliminates transport risk entirely.

Contango structure favours sellers

Sellers prefer to store and sell forward at contango premium rather than honour spot commitments at depressed prices.

Counterparty Risk Assessment

Credit and operational risk scoring across active counterparties — sub-$60 stress test

COUNTERPARTY	ACTIVE CARGOES	TOTAL EXPOSURE	CREDIT RATING	PAYMENT HISTORY	HORMUZ EXPOSURE	SUB-$60 STRESS	RISK LEVEL
Hin Leong	1	$48.0M	DEFAULT	Failed	Low	Critical	CRITICAL
Zhenhua Oil	1	$26.0M	SANCTIONED	N/A	High	Critical	CRITICAL
ONGC Videsh	1	$26.0M	A−	Current	High (Kharg)	Elevated	HIGH
Unipec	2	$28.4M	A+	Current	Medium	Moderate	MEDIUM
Vitol SA	3	$27.2M	AA−	Current	Medium	Low	LOW
Shell Trading	2	$26.0M	AA	Current	High (Rerouted)	Low	LOW
Aramco Trading	5	$130.0M	AA+	Current	Medium	Elevated	LOW
Glencore	3	$26.8M	BBB+	Current	Low	Moderate	LOW

Key Recommendations

1 Accelerate Hin Leong recovery proceedings
Engage Singapore counsel to file proof of debt. Redirect CARGO-035 Basrah Heavy to alternative buyer (Unipec or Indian Oil) at distressed discount of $3–5/bbl to limit further demurrage accrual.

2 Freeze all new Iran-origin cargo commitments
Suspend nominations from Kharg Island and Assaluyeh terminals until Hormuz risk drops below 25% escalation probability. Redirect volume to Basrah, Murban, or West African alternatives.

3 Implement mandatory LC requirements below BBB+
All counterparties rated below BBB+ must provide irrevocable standby Letter of Credit covering 110% of cargo value. Apply immediately to new nominations.

4 Formalise book-out framework with standard terms
Establish standardised ISDA-aligned book-out documentation with pre-agreed pricing methodology (5-day average around settlement date). Reduces negotiation time from 7 days to 24 hours.

5 Resolve quality dispute via independent re-assay
Commission SGS or Intertek independent cargo re-analysis for CARGO-033. If off-spec confirmed, negotiate distressed sale at −$4.80/bbl to nearest refiner with coker capacity (Indian Oil Paradip).

6 Enhanced OFAC/EU sanctions screening
Deploy real-time sanctions screening on all counterparties and beneficial owners via Refinitiv World-Check. Block nominations until compliance clearance received.

7 Provision for net losses of $42–60M
Establish bad debt provisions on the trading book. Base case: $42M net loss (weighted recovery). Bear case: $60M if Hin Leong recovery drops below 15% and sanctions resolution extends beyond 2027.

8 Stress-test all open cargoes at $48/bbl bear case
Run margin viability analysis across all 36 blotter cargoes at bear case pricing. Identify any additional cargoes at risk of counterparty default or book-out request under sustained price pressure.

Next Steps

Convene an emergency credit risk review within the next 5 business days to:

- Complete counterparty stress testing at $48/bbl bear case scenario
- Finalise Hin Leong recovery strategy and alternative buyer allocation
- Implement enhanced sanctions screening and LC requirements
- Establish standardised book-out framework for Q2 2026 expected volume
- Set bad debt provision range for Q1 2026 financial reporting