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Greece's National Bank sells impaired shipping loans

NATIONAL BANK OF GREECE has clinched a deal to sell a portfolio of non-performing shipping loans with an aggregate face value of €262m ($288.5m) to investment funds advised by Cross Ocean Partners.

It said that the sale price is about 50% of the portfolio's worth on the balance sheet and would have a "marginal" impact on NBG's capital.

Cross Ocean Partners, led by ex-Bank of America Merrill Lynch managers Graham Goldsmith and Steve Zander, was set up in 2015 with backing from US-based private equity firm Stone Point Capital. For this initiative with NBG, Cross Ocean Partners was represented by the law firm Norton Rose Fulbright.

The shipping loan disposal is part of an overall non-performing exposure strategy being implemented by the bank, but is slightly smaller than the $330m tag that the bank earlier this year put on the portfolio that it was looking to sell.

A source with knowledge of the transaction told Lloyd's List that a number of loans included in the package originally floated by NBG were not finally included in the deal.

The agreed portfolio comprises about a dozen individual loans including some coastal ferry lending but the majority relate to oceangoimng dry bulk and tanlker business, the source said.

Servicing of the loans is expected to be assigned to QQuant Master Servicer, which is licensed by the Bank of Greece as an independent specialist in servicing of non-performing Greek debt.

Sources at the bank said that the bid to sell the package of non-performing loans is irrelevant to the bank's commitment to the shipping industry, which is "expanding".

NBG currently has a portfolio of about $2bn in loans to Greek owners. Recent research put the bank among the top 10 lenders to the Greek shipping industry.

Nat West Markets acted as financial adviser on the sale while NBG retained Watson Farley & Williams as legal counsel.

One day earlier, NBG announced the sale of its business in Cyprus to AstroBank, subject to the approval of the Cypriot authorities.

Although AstroBank, which earlier this year acquired USB Bank in Cyprus, has been linked with some shipping activity, it is understood that the National Bank of Greece presence in Cyprus was not involved in ship finance.

WHAT TO WATCH

Frontline secures funding from China for 10 tankers

THE tanker market is still looking good even though it will not stay at recent highs, Frontline chief executive Robert Hvide Macleod has predicted, after the company unveiled a $10m loss for the third quarter.

"We believe that tanker market fundamentals look encouraging and we have entered a period of substantially stronger vessel earnings," he said. "We expect to see a dynamic and volatile market environment in the coming quarters and we will seek to opportunistically secure charter coverage if market strength persists."

The company also said it has secured a commitment from ICBC Financial Leasing Co for a sale-and-leaseback agreement in an amount of up to $544m.

The lease financing "will finance the cash amount payable upon closing of the 10 suezmax tankers to be acquired from Trafigura," the company said. The deal with Trafigura was announced in August. The lease is for seven years, the company said.

"Through this transaction we extend our capital sources at a very attractive capital cost, maintain our industry leading cash break-even rates and maximise potential cash flow per share after debt service," said chief financial officer Inger Klemp.

The quarter's net loss of $10m compares to net income of $2.4m in the corresponding period last time round, with revenue broadly stable at $187.6m compared with $188.7m.

Reported spot average daily time charter equivalent for very large crude carriers, suezmax and long range two tankers in the third quarter were $22,900, $16,200 and $15,900, respectively.

"For the fourth quarter of 2019, we estimate spot TCE of $64,800 contracted for 78% of vessel days for VLCCs, $49,400 contracted for 71% of vessel days for suezmax tankers and $29,900 contracted for 74% of vessel days for LR2s," Frontline said.

Spot TCEs for the full quarter are expected to be lower than the TCEs currently contracted, primarily due to the impact of ballast days at the end of the quarter.

SSY invests in shipping analytics to keep control of data

THE world's largest privately held shipbroker has taken a minority stake in a Swedish maritime analytics company.

London-based Simpson Spence Young has bought a "significant" share of Marine Benchmark as it seeks to retain control of its own data, expand analysis, and establish new indices for shipping greenhouse gas emissions.

The move was announced a month after SSY invested in another technology start-up, Signal

Ocean, which provides data for the dry bulk sector.

"We have a huge amount of data which is flowing through the veins of the company," SSY chairman Mark Richardson told Lloyd's List. He declined to say how much, or the value of the investment.

"This is along the same strategy [as Signal Ocean], where we will be helping them [Marine Benchmark] to develop products. But will also be keeping in control of our own data, which I think is important. As a company, we don't want to just give this away to third parties and give away our true value."

SSY clients are looking for the interpretation and analysis of big data, Mr Richardson added.

Client data gathered through the company's shipbroking activities wouldn't be commercialised he said.

Gothenburg-based Marine Benchmark was established eight years ago and uses freely available data, via Automatic Identification System data, according to its website.

"The question is how do you disseminate and analyse [the information] in a way that lets you produce it into useful tools that can interpret either present trends, but also future trends, together with using machine learning and artificial intelligence," said Mr Richardson.

Marine Benchmarks has extensively surveyed greenhouse gas emissions for the world fleet. The Baltic Exchange is also partnering with a maritime analytics company that focuses on greenhouse gas monitoring.

Asked whether any benchmarks or analysis of greenhouse gas emissions would compete with what the Baltic Exchange was doing Mr Richardson said: "Definitely. There's a number of people looking to be the benchmark.

"We're all looking to assess different parts of the fleet as to what their green standing is. I don't think anybody has cracked that nut yet. Marine Benchmark has done a lot of work on that and we will be coming out with instruments to benchmark those issues and emissions going forward."

OPINION

Panama flag focuses on improving image

PANAMA Maritime Authority's new director-general of merchant marine is looking to shake off the administration's poor image.

Since taking office in early July, Rafael Cigarruista, a former ship's engineer and casualty investigator, has been driving a programme of measures to improve the flag's quality stamp, while focusing on safety initiatives.

One of his proactive measures is to seek "a total revision and update of the marine casualty investigation department, including the procedure for application, selection and evaluation of marine casualty investigators," he told Lloyd's List. "We must improve the quality of the investigations."

To meet that goal, collaboration between all stakeholders is a prerequisite, he adds, echoing comments made by the Liberia registry's chief operating officer Alfonso Castillero earlier this year.

Panama had one of the worst records for completing and submitting accident investigation reports, according to a Lloyd's List report compiled using data from the International Maritime Organization's Global Integrated Shipping Information System.

Investigations have various stages, including information gathering from the company and crew. Difficulties arise if the voyage data recorder has not been retrieved, or if English is not good enough, or if statements are changed, says Mr Cigarruista.

"Sometimes we don't even get to a conclusion because we don't have the proper information, as the ships' owners do not want to collaborate. We have some cases where local authorities refuse to share information and just avoid our calls or emails," he says.

"We need full collaboration, from shipowners, local authorities, insurance companies, and many other actors," he adds. "We need to improve that."

Mr Cigarruista, who studied naval engineering and spent seven years at sea before becoming a casualty investigator, says he is in the process of compiling data and analysis which will be presented to the IMO, possibly next year.

Panama, which is the largest flag in the world by tonnage, will be audited by the International Maritime Organization in 2021 and Mr Cigarruista does not want to see a "bad" report, although he admits it will be a challenge.

"The intention of this new administration is to improve the amount of very serious casualty investigations, elevate the quality of the reports prepared and completed, and improve reporting at the IMO," he says.

Focus on quality

Mr Cigarruista is also focusing on the quality and compliance of the fleet.

The flag has rejected 18% of new applications through a new vetting procedure that includes extensive research about the ships' history, including port state control detentions, previous flags, and classification societies.

If the applicant is deemed high-risk, it is rejected, he says, although in some cases, it may be accepted under "special conditions".

A new control and monitoring department has been set up to monitor the daily activities of the fleet.

It has identified those vessels in substandard conditions, which will be subject to a different inspection programme, such as once every six months or an occasional survey conducted by the class society and reported directly to its technical department, Mr Cigarruista says.

In addition, if the team finds that the tracking systems are switched off for a long period of time, the flag will either suspend the vessel's certificate of registration, or impose a monetary penalty, he adds, if contact with the company fails.

"This is a massive job but we are trying to be proactive," he says, adding that his team has been collating figures and trends, allowing it to be more involved with the management of the fleet to decrease any risks.

One of the flag's goals is to have a good record as it seeks to obtain the Qualship 21 certificate for US waters next year.

ANALYSIS

Carriers buoyed by falling bunker costs in third quarter

LOW bunker prices, rather than higher rates and volumes, appear to have been behind improved results reported by carriers in the third quarter.

Average operating margins improved to 3.6%, despite freight rates remaining under pressure, according to Alphaliner.

"A number of carriers have reported lower average revenue per teu during the quarter, while cargo liftings growth also slowed," it said.

All carriers that had published financial results for the period, with the exception of Hyundai Merchant Marine, had posted positive earnings, with Hapag-Lloyd and Maersk leading the pack, with operating margins of 7.8% and 7.3%, respectively.

But the positive quarterly results came on the back of fuel costs that were 20% lower than in the year-earlier period, averaging $384 per tonne, down from $430 per tonne. Recent Alphaliner figures show bunker prices at Rotterdam have fallen further still to $250 per tonne.

"The lower fuel costs will provide carriers with some buffer as the upcoming International Maritime Organization 2020 regulations will force shipping lines to switch to low-sulphur fuel oil from the end of this year," Alphaliner said. "At the moment, IMO 2020-compliant low-sulphur fuel oil bunker is priced at about $500 per tonne."

Without the lower fuel costs, third-quarter results could well have showed more red ink.

Average freight rates across seven major carriers revealed a 1.8% annualised fall in the third-quarter, in line with the 1.7% decline in the China Containerised Freight Index across the same period.

This fall in rate achieved by carriers came during a period of relatively stagnant growth.

"While overall cargo liftings of these carriers increased by 1.2%, the momentum has slowed from the 4.3% growth rate recorded in the first half of this year," Alphaliner said.

Rotterdam takes top spot in connectivity league

ROTTERDAM overtook Antwerp in the fourth quarter to take the top spot in the European and Mediterranean container shipping connectivity league, based on the data in the latest Port Liner Shipping Connectivity Index.

The reversal at the top of the league is mainly due to the increase in the average ship size calling at Rotterdam — up to 21,095 teu in the fourth quarter from 20,309 teu in the year-ago period. The total deployed capacity increased to over 29m teu from 26.5m teu.

By contrast, despite an increase in the average ship size and in the total deployed capacity, Antwerp has seen a reduction in its LSCI, mainly driven by a contraction in the number of services scheduled at the Belgian port in the fourth quarter of this year.

Elsewhere, Bremerhaven and Le Havre have also seen a reduction in their LSCI, mainly due to a contraction in the deployed capacity at Bremerhaven and a decrease in the average ship size at Le Havre.

Bremerhaven has seen the termination of the Condor/AE7 services offered by the 2M alliance, while the largest average ship by service now calling at Le Havre is 17,030 teu, down from 19,546 in 2018.

All other top 10 ports in the European and Mediterranean league have increased their LSCI, with the biggest increase in absolute terms reported by Barcelona, where the index increased from 49 in 2018 to 56 in this year.

The increase was mainly driven by the introduction of ships averaging 18,577 teu replacing those of 14,996 teu on the 2M alliance's JADE/AE11 service and the introduction of the Mediterranean Shipping Co's California Express service.

Piraeus remains the most connected port in the Mediterranean, but Algeciras is now only 0.1 index points behind.

Tanger Med, which has experienced the world's highest absolute increase in its LSCI during the first decade of its operations since 2007, has seen an increase in its LSCI from 54 to 57 in the past year and remains in eighth place, as it was in 2018.

MARKETS

China creates 'world's largest' shipbuilding group

CHINA has formally established what has been described as the world's leading shipbuilding group following the merger of the country's two largest state-owned companies.

The creation of the China State Shipbuilding Corp, which was formally approved last month, results in a reincarnation of the brand name of one of the predecessor firms known as CSSC, although their Chinese names were slightly different.

The other one to be incorporated into the larger group is the China Shipbuilding Industry Corp.

Hao Peng, head of the State-owned Assets Supervision and Administration Commission of the State Council, urged the new CSSC to develop itself into a top-class, globally competitive shipbuilder and ramp up efforts in innovations and development of core technologies.

The commission is the government body that oversees China's state-owned enterprises.

The group's establishment, was announced by China Central Television, the government-run broadcaster, which described it as the world's largest shipbuilder.

The new company's chairman, Lei Fanpei, said the next step was to integrate the company's businesses and streamline management. It has a business portfolio consisting of 147 subsidiary companies and research institutes, whose operations range from building merchant/navy vessels to making smart equipment.

It also has combined assets amounting to Yuan790bn ($112.5bn) and 310,000 employees.

Equipped with eight major shipbuilding subsidiaries, the group also has a commercial vessel order book that accounted for about 15% of the world's total in compensated gross tonnage terms at last count, according Clarksons data.

The ability to construct more high value-added vessels, such as the liquefied natural carriers, is among the goals that the merged company aims to achieve. South Korean builders are currently the dominant players in building large LNG carriers.

Several main listed units of CSSC are in the process of capital increase as they consolidate assets as part of the broader restructuring being launched by the parent.

Fundamentals trip up dry bulk market yet again

THE fundamental balance in the dry bulk market has worsened in 2019, with supply growth outstripping demand, shipping association BIMCO has said, adding that this is likely to continue into 2020.

Chief shipping analyst Peter Sand expects the fleet to grow by about 3% next year and added that supply growth "will do nothing to help shipowners pass on the additional costs of the looming International Maritime Organization's 2020 sulphur cap, which is set to add even more pressure to already struggling bottom lines".

While earnings have remained at healthy levels moving into the final quarter of the year, this has little to do with market fundamentals.

Instead, it is a continuation from the high freight rates seen in the third quarter of 2019, when a positive demand shock saved them from the doldrums they had experienced in the first half of the year, Mr Sand noted.

The swing factor, however, remains Chinese coal imports, which have grown by 9.6% year on year in the first 10 months of the year.

While this growth is expected to continue into the last two months of the year, policy decisions in China could have a large impact, he said.

Imports were curbed at the end of last year, as a result of domestic policies aimed at reducing emissions. This meant Chinese coal imports fell from June through to December, with imports in December 2018 dropping to less than half of those in the same month in 2017.

On the supply side, dry bulk fleet growth in 2019 is already higher than it has been in any year since 2014.

It is currently standing at 3.5%, and BIMCO expects it to rise to 4.1% by the end of the year.

Mr Sand said that, "it remains unclear whether the high freight rates in third quarter were due to delayed cargoes from the first quarter of the year appearing on the market, or the pushing forward of the fourth quarter cargoes".

"BIMCO expects the former, but fears that if the latter is to blame, then freight rates will continue to fall in the last few months of 2019."

IN OTHER NEWS

Mozambique LNG signs off on $400m development loan

THE African Development Bank Group said it has approved a long-term loan of $400m to support the construction of an integrated liquefied natural gas plant, including a liquefaction facility, in Mozambique.

Mozambique LNG, the country's first onshore LNG development, includes the development of the Golfinho and Atum fields located within Offshore Area 1 and the construction of a two-train liquefaction plant with a capacity of 12.9m tonnes a year.

Area 1 contains more than 60trn cu ft of gas resources, and some 18trn cu ft of it will be developed with the first two trains. The final investment decision on Mozambique LNG was announced on June 18 this year and the project is expected to come into production by 2024.

Cosco Shipping and Qingdao Port to jointly own Abu Dhabi Terminal

COSCO Shipping Ports has agreed to transfer part of its stake in Abu Dhabi Terminal to its business partner Qingdao Port International Development.

The equity interest, which amounts to about 30%, would be sold for $59.3m, Hong Kong-listed CSP said in an exchange filing.

Upon the completion of the deal, the port arm of state giant China Cosco Shipping Corp will still own about 60% of Abu Dhabi Terminal that started operation in late 2018. The remaining 10% stake is held by an independent third party.

Modern Terminals' Peter Levesque leaves for Ports America Group

PROMINENT Hong Kong container terminal figure Peter Levesque will leave Modern Terminals to return to the US as president of Ports America Group at the end of January 2020, after having lived and worked in Asia for the past 25 years.

The terminal operator, which is partially owned by China Merchants Port Holdings, announced that the group managing director role will be taken over by Horace Lo effective February 1, 2020.

Mr Lo has been with Modern Terminals since 1995 and has served in various capacities including chief development officer and director of engineering. The terminal operator, which is one of four at the Port of Hong Kong and also has operations in the western Pearl River Delta, said a full transition plan is currently under way.

US sanctions Cuban firm for facilitating Venezuela's oil trade

THE US Treasury Department's Office of Foreign Assets Control has imposed sanctions on Havana-based Corporacion Panamericana for its role in facilitating Venezuela's oil trade.

"Cuba has played a direct role in preventing the return of democracy to Venezuela," said Treasury deputy secretary Justin Muzinich. "The Treasury continues to pursue sanctions evaders to deny resources to the illegitimate Venezuelan regime."

The Treasury sanctioned Corporacion Panamericana for acting on behalf of Cubametales, a Cuban company already subject to US sanctions, in oil and gasoline trades prohibited by US sanctions.

Law firm opens shipping practice in Singapore

LAW firm Squire Patton Boggs has launched a global commodities and shipping group, bringing on board in Singapore two experienced legal professionals recruited from Reed Smith.

Barry Stimpson joins Squire Patton Boggs from Reed Smith's Singapore office. As a founding partner of Reed Smith Singapore, he has 25 years of experience handling matters in international trade, shipping, offshore energy, construction and insurance sectors. He was Reed Smith Singapore's managing partner from 2016 to 2018. His practice covers both disputes and advisory work.

Jessica Kenworthy's practice covers a broad range of financing deals, with a specialisation in complex commodity financing and ship financing. She is recognised as a rising star relating to Singapore banking and finance work in the IFLR1000 rankings and won the sole award for Singapore Finance and Securitisation at the 2018 and 2019 Client Choice Awards.

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