

RESPARCS FUNDING II LIMITED PARTNERSHIP
INTERIM REPORT AND UNAUDITED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30TH JUNE 2020

RESPARCS FUNDING II LIMITED PARTNERSHIP

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RESPARCS FUNDING II LIMITED PARTNERSHIP

MANAGEMENT REPORT

BUSINESS MODEL AND STRATEGY, INCLUDING PRINCIPAL ACTIVITIES

The principal activity of RESPARCS Funding II Limited Partnership (the "Partnership" or "Limited Partnership") is to participate in financing activities arranged for Hamburg Commercial Bank AG ("HCOB" or the "Bank") (formerly, HSH Nordbank Aktiengesellschaft). The Partnership issued €500,000,000 nominal 7.5% Capital Securities, the proceeds from which were used to acquire a silent capital interest (the "Silent Contribution") in the commercial enterprise of HCOB in the form of a "Stille Gesellschaft" under German law in the amount of €500,000,000. The offering circular dated 28th May 2003 stated that an investment in the Capital Securities issued by the Partnership is suitable only for financially sophisticated investors who understand the risks and rewards associated with these financial instruments. The Capital Securities are listed and/or traded on the Official Segment of the stock market of Euronext Amsterdam N.V and various German stock exchanges.

HCOB's privatisation process was completed on 28th November 2018 after the Bank secured both regulatory approval and European Commission approval of the acquisition. The privatised bank has changed its name and has been operating under the name Hamburg Commercial Bank since 4th February 2019.

ECONOMIC POSITION AND RECENT DEVELOPMENTS

The Partnership considers its key performance indicators (KPIs) to be: (i) the net assets of the Partnership (or Total Partners' Equity) as at the financial period end date; (ii) the profit or loss for the financial period; (iii) the amount of Profit Participation income received on the Silent Contribution during the financial period; and, (iv) the amount of interest paid on the Capital Securities during the financial period.

The Total Partners' Equity as at 30th June 2020 was €nil (31st December 2019: €nil) and the profit for the financial period then ended was €nil (30th June 2019: loss of €134,803). No Profit Participation income has been received on the Silent Contribution since 2009 and, consequently, no interest has been paid on the Capital Securities since 2009.

On 30th November 2018, HCOB announced that it had decided to terminate the Silent Contribution together with other similar instruments (together, the "Hybrid Capital Instruments") at the book value as determined in HCOB's unconsolidated balance sheet pursuant to HGB (German GAAP) as of 31st December 2020. In its announcement, HCOB published certain forecasts and projected losses and stated that "based on these annual forecasts, and taking into account the aforementioned losses carried forward, HCOB currently expects that the HGB (German GAAP) book values of the Hybrid Capital Instruments as of 31st December 2020 will be in the area of 15%."

On 10th December 2018, the Partnership received a termination letter (the "Termination Notice") from HCOB wherein HCOB formally announced the termination of the Resparcs II Participation Agreement with effect from 31st December 2020, whereby the repayment date would be 30th June 2021. The Partnership immediately submitted the termination letter for legal review. On 21st December 2018, the Partnership wrote to HCOB to expressly object to the Termination Notice and to preserve any rights that the Partnership might have regarding the Termination Notice, noting that the Partnership had received a number of concerns from Capital Securities holders and their legal counsels concerning the legal validity of the Termination Notice.

On 7th January 2019, the Financial Times newspaper in the UK published an article noting that HCOB was being sued by holders of the Capital Securities and holders of other Hybrid Capital Instruments on the basis that these holders alleged that HCOB had "improperly" lowered the book value of the Hybrid Capital Instruments and therefore the Capital Securities. The Partnership was already aware of certain allegations (the "Claims") against HCOB and had entered into a waiver of time-bar agreement of 12th October 2018 (the "Waiver") under which HCOB has waived towards Resparcs II HCOB's right to raise the defence that the statute of limitation or any other relevant time limits have expired between the conclusion of the Waiver and 31st December 2019 with respect to the Claims, whether they are known or unknown and they have already arisen or not, to the extent that any of these potential Claims had not already been time-barred as at the date of conclusion of the Waiver.

On 12th February 2019, HCOB published a further announcement wherein it stated that "Due to higher than expected losses under HGB (German GAAP) for the year ended 2018 and changed forecasts for fiscal years 2019 and 2020, the projected HGB (German GAAP) book values of Silent Contributions for Securities as of 31st December 2020 are currently expected to be well below 10%."

MANAGEMENT REPORT - (CONTINUED)

ECONOMIC POSITION AND RECENT DEVELOPMENTS - (CONTINUED)

On 19th December 2019, HCOB announced that it had agreed a settlement with holders of Capital Securities represented by Quinn Emanuel Urquhart & Sullivan (QE) whereby HCOB would buy back the relevant Capital Securities at a settlement price of 36.24% of the nominal value plus a settlement fee of 1.0% of the nominal value. HCOB also announced that it would offer to buy back all other remaining Capital Securities at the same settlement price of 36.24% of the nominal value.

Also on 19th December 2019, HCOB announced within both its institutional and retail invitation to holders of the Securities ("Eligible Holders") of the outstanding €500,000,000 RESPARC Securities issued by the Limited Partnership that HCOB estimated that the projected HGB (German GAAP) book values of Silent Contributions for Securities as of 31st December 2020 would be "less than 5%."

In both its institutional and retail offers on 19th December 2019, HCOB announced that it estimated that the projected HGB (German GAAP) book value of the Capital Securities as at 31st December 2020 would be "below 5%".

Further to its buy back offer, HCOB had acquired €369,927,000 (or 74.0%) of the outstanding nominal amount of the Capital Securities as at 31st December 2019 and €454,607,000 (or 90.9%) of the outstanding nominal amount of the Capital Securities as at the date of approval of these financial statements.

RISKS AND OPPORTUNITIES, INCLUDING RELATED ASSUMPTIONS, ECONOMIC POSITION AND LIKELY FUTURE DEVELOPMENTS IN THE CURRENT FINANCIAL PERIOD

The risks and opportunities facing the Partnership which may impact upon the Partnership's economic position and prospects and likely future developments in the coming year relating thereto are closely linked to those applicable to HCOB. In its interim management report for the period ended 30th June 2020 as prepared under IFRS, HCOB stated the following:

"Positive Group net result as at 30 June 2020 despite the coronavirus impact - Overall, Hamburg Commercial Bank achieved net income before taxes of € 71 million as at the reporting date (same period of the previous year: € 96 million). The net result as at 30 June 2020 is slightly ahead of expectations. Considerable valuation losses on financial instruments measured at fair value and the negative impact of loan loss provisions were offset by net interest income that was higher than expected and very positive other operating income. Net income before taxes fell by € 25 million compared with the same period of the previous year. With higher total income and a further reduction in costs in the period under review, the drop in net income before taxes is attributable to loan loss provisions, which had made a positive contribution to net income before taxes in the same period of the previous year with a net reversal. After taxes, the Group net result comes to € 4 million (same period of the previous year: € 5 million)."

"As at 30 June 2020, subordinated capital came to € 1,070 million, which represents a further drop compared with the level seen at the end of the previous year (carrying amount as at 31 December 2019: € 1,349 million). The drop is due, in particular to the execution of further repurchases of hybrid instruments as part of the "Liability Management Exercise (LME)". In this regard, we refer to the information provided in the combined management report for 2019 (section entitled "Business development – significant developments and events in the 2019 reporting year"). As at 30 June 2020, the Bank reached an agreement with all investors in the hybrid capital instruments concluded on a bilateral basis and bought back the corresponding instruments. The Bank's reported equity did not show any major change as against the end of the previous year and amounted to € 4,362 million (31 December 2019: € 4,350 million)."

For up-to-date information regarding the risks and opportunities facing HCOB and HCOB's economic position and prospects and likely future developments relating thereto, please refer to HCOB's website at <https://www.hcob-bank.de/en/startseite/> (HCOB's latest financial news and reports can be found at <https://www.hcob-bank.de/en/investoren/konzernberichterstattung/konzernberichterstattung/>).

The General Partner expects the following financial results for the Partnership for the current financial year: net assets of the Partnership (or Total Partners' Equity) as at 31st December 2020 of €nil; a net result of €nil for the financial year then ending; no Profit Participation income to be received on the Silent Contribution; and, consequently, no interest to be paid on the Capital Securities.

The principal risk factors that are directly relevant to the Partnership during the current financial period are disclosed in the following paragraphs and, except for the risks arising from the impact of COVID-19, are unchanged from all prior periods.

RESPARCS FUNDING II LIMITED PARTNERSHIP

MANAGEMENT REPORT - (CONTINUED)

RISKS AND OPPORTUNITIES, INCLUDING RELATED ASSUMPTIONS, ECONOMIC POSITION AND LIKELY FUTURE DEVELOPMENTS IN THE CURRENT FINANCIAL PERIOD - (CONTINUED)

HCOB made the following statements in its interim management report for the period ended 30th June 2020:

"In the first half of 2020, the Bank's development was in line with expectations overall in a generally difficult environment. The development of its operating business was characterised by income and cost ratios that were largely in line with the plan, whereas the development of new business was characterised by deliberate restraint based on the more selective approach. Other key management indicators relating to capital and liquidity are also above the defined ambition levels on the reporting date, sometimes considerably so. The fact that the ambition level for the NPE ratio was overshoot is mainly explained by a major case from the Bank's legacy portfolio which will be sold in the near future. Against this backdrop, the Bank expects the NPE ratio to have fallen by the end of the year – despite the difficult environment caused by the crisis – even if the Bank is likely to fall just short of the ambitious level of < 2%."

"All in all, Hamburg Commercial Bank considers itself to have a solid position from which to tackle the current crisis. This is due, on the one hand, to the solid capital position and, on the other, to the forward-looking loan loss provisions policy on the basis of which the Bank anticipates macroeconomic risks and had already taken them into account in the balance sheet in the previous financial year by setting up corresponding loan loss provisions."

"In terms of sustained profitability, the Bank considers itself to be on the right track, which is reflected not least in the increase in interest and commission income. This increasingly reflects the focus on more profitable new business, the realignment of the balance sheet and lower funding costs. The Bank is responding to the ongoing challenge faced by the entire German banking system of achieving a cost base that is commensurate with the market environment by continuing to rigorously implement cost-saving measures as part of the transformation project. In this respect, too, the Bank is confident that the measures it had already taken in the previous year will enable it to achieve its objectives as planned, thus ensuring a sustainable and successful position for the Bank on the German banking market."

"Details regarding the continuing challenges, as well as opportunities and risks of future development, can be found in the Forecast, opportunities and risks report."

PRINCIPAL FINANCIAL RISK FACTORS AND FINANCIAL RISK MANAGEMENT CONTROLS

As stated above, the principal activity of the Partnership is limited to participation in financing activities arranged for HCOB. The Partnership has issued the Capital Securities. The proceeds from the issue of the Capital Securities have been used to acquire a silent capital interest in the commercial enterprise of HCOB. Therefore the role of financial assets and financial liabilities is central to the activities of the Partnership; the financial liabilities provided the funding to purchase the Partnership's financial assets. Financial assets and liabilities provide the majority of the assets and liabilities of the Partnership along with substantially all of the income and expenditure.

The strategies used by the Partnership in achieving its objectives regarding the use of its financial assets and liabilities were set when the Partnership entered into the transactions. The Partnership has attempted, as far as is practicable, to match the properties of its financial liabilities to those of its financial assets to mitigate significant elements of risk generated by mismatches of investment performance against its obligations, together with any maturity or interest rate risk. Accordingly, the risks associated with the Partnership's financial assets and financial liabilities are ultimately borne by the holders of the Capital Securities and, as referred to above, relate to risks applicable to HCOB's business.

MARKET RISK - INTEREST RATE RISK

The Limited Partnership finances its operations through the issue of the Capital Securities. The coupons payable on the Capital Securities and the Profit Participations receivable on the Silent Contribution are fixed and, except for the fixed margin difference of 0.15% between them, the coupons payable on the Capital Securities issued are matched by the Profit Participations receivable on the Silent Contribution. Accordingly, on a cash flow basis, the General Partner believes that there is no significant net interest rate risk to the Partnership and/or holders of the Capital Securities issued. In addition, due to the fact that, except for the fixed margin difference of 0.15% between them, the coupons payable on the Capital Securities issued are matched by the Profit Participations receivable on the Silent Contribution, the General Partner believes that there is no significant net interest rate risk to the Partnership on a fair value basis, with such risk being borne by the holders of the Capital Securities issued.

RESPARCS FUNDING II LIMITED PARTNERSHIP

MANAGEMENT REPORT - (CONTINUED)

MARKET RISK - CURRENCY RISK

All of the Partnership's material financial assets and financial liabilities are denominated in Euro. Consequently, the General Partner believes that there is no significant net currency risk to the Partnership and/or holders of the Capital Securities issued.

MARKET PRICE RISK

In the opinion of the General Partner, there is no material difference between the fair value of the Capital Securities and the fair value of the Silent Contribution. From the perspective of the Partnership, any change in the fair value of the Capital Securities would be matched by an equal and opposite change in the fair value of the Silent Contribution and vice versa. Consequently the Partnership is not exposed to any net market price risk.

As previously stated, HCOB has issued a Termination Notice wherein HCOB has formally announced the termination of the Resparcs II Participation Agreement with effect from 31st December 2020, whereby the repayment date would be 30th June 2021, and HCOB has estimated that the projected HGB (German GAAP) book values of Silent Contributions for Securities as of 31st December 2020 would be "less than 5%." Although, the Partnership has formally objected to the Termination Notice, it is possible that the Capital Securities will be redeemed at less than 5% of nominal value.

In the opinion of the General Partner, there are no other price risks that could reasonably be foreseen to affect the fair values of the Partnership's financial instruments.

CREDIT RISK

Credit risk arises from the risk that HCOB and affiliates may not repay all amounts due to the Partnership under the Silent Contribution, Contribution Agreement, Loan Agreement and/or Facility Agreement. On the basis that the Capital Securities issued by the Partnership are effectively limited recourse in commercial substance as the Partnership's main financial asset consists of the Silent Contribution issued by HCOB, with the amount payable to the holders limited to the amounts received under the Silent Contribution, in the opinion of the General Partner, the Partnership itself has no material net credit risk and all credit risk is ultimately borne by the holders of the Capital Securities.

As at April 2020 and up to the date of approval of these financial statements, the Capital Securities issued had a long term credit rating from Moody's of C(hyb) (31st December 2019: C(hyb)). HCOB has a long term credit rating from Moody's of Baa2 (31st December 2019: Baa2).

LIQUIDITY RISK

Due to the nature of the Partnership's operations, the General Partner considers the most significant cash outflow to be the payment of interest on the Capital Securities upon receipt of the Profit Participation, if any, and the payment of the Repayment Amount on the Termination Date, if applicable. Liquidity risk in this regard is mitigated to the extent that the timing of these cash outflows would fall due on the same dates as the cash inflows from the Profit Participation. All other operating expenses are paid either from the Partnership's own resources or through a Liquidity Facility with HCOB (for further details, please see note 8 to the financial statements) which is only repayable at the termination date of the Participation Agreement and all outstanding advances due are waived on a quarterly basis. The General Partner believes that this arrangement further mitigates any residual liquidity risk to the Partnership.

OTHER RISK - CORONAVIRUS WORLDWIDE PANDEMIC (COVID-19)

The risks facing the Partnership from the impact of COVID-19 are closely linked to those applicable to HCOB. HCOB stated the following in its interim management report for the period ended 30th June 2020, as prepared under IFRS: "The overall environment, which was already challenging even before the blow dealt by the outbreak of the coronavirus pandemic, was also reflected in Hamburg Commercial Bank's business performance. As a result of the global recession, conditions in the markets relevant to the Bank have clouded over considerably overall, although the extent of the deterioration varies from market to market and within individual sub-segments and sectors." The Directors of the General Partner are currently unable to reliably forecast the impact of COVID-19 on the Silent Contribution held and Capital Securities issued. Therefore, any forward looking statements in this Management Report and accompanying financial statements are subject to significant uncertainty.

RESPARCS FUNDING II LIMITED PARTNERSHIP

MANAGEMENT REPORT - (CONTINUED)

RISK MANAGEMENT AND FINANCIAL REPORTING CONTROLS AND INTERNAL AUDIT SYSTEM

The Partnership has been established for the sole purpose of entering into the transactions previously described (the "Partnership's business" i.e. the issuance of Capital Securities with the proceeds being used to acquire the Silent Contribution and entering into various ancillary agreements and arrangements). Under the terms of the Limited Partnership Agreement, the General Partner is unable to do anything other than for the purpose of the Partnership's business or to change the Partnership's business without first obtaining the Limited Partner's written consent.

As returns on the Capital Securities issued by the Partnership are dependent on the financial performance of HCOB, investors in the Capital Securities should refer to HCOB's Annual Report 2019 and any subsequent financial information published by HCOB for further information regarding the risks faced by HCOB and any controls employed by HCOB to mitigate such risks. The Partnership does not operate any risk management systems or internal control systems itself, nor does it operate an internal audit system. The Partnership relies upon the risk management systems, internal control systems and internal audit system of HCOB to mitigate the principal risks faced by HCOB.

The Partnership is controlled by the General Partner and relies upon the board of the General Partner to exercise control over the Partnership's activities. In turn, the Directors of the General Partner rely upon the Partnership's service providers to exercise control over the activities for which they have responsibility. The Partnership's accounting records, including its annual and interim financial statements, are maintained/prepared by its Administrator, Sanne Financial Services Limited (SFSL), which is a professional service provider that operates its own procedures and controls to ensure the accuracy of such accounting records/financial statements. SFSL is regulated by the Jersey Financial Services Commission.

CAPITAL MANAGEMENT

The Partnership's capital is represented by the balance on the Partners' capital account. The Partnership's transactions are designed to enable the Partnership to pay its liabilities as they fall due, without realising a significant return on capital. This is the objective of the Partnership's capital management policy. The level of interest income receivable on the Silent Contribution and interest expense payable on the Capital Securities issued are fixed and were established on formation of the Partnership in order that the Partnership realises a margin that is sufficient to pay the ongoing operational expenses of the Partnership and any loan interest payable.

Where on-going expenses cannot be covered in the normal course as contemplated under the agreements, the Partnership has been granted a Liquidity Facility (for further details, please see note 8 to the financial statements). There were no changes in the Partnership's approach to capital management during the period. The Partnership is not subject to externally imposed capital requirements.

STATEMENT OF PERSONS RESPONSIBLE WITHIN THE ISSUER

With regard to Regulation 2004/109/EC of the European Union (the "EU Transparency Directive"), the Directors of the General Partner, whose names appear below, confirm to the best of their knowledge that the unaudited financial statements for the period ended 30th June 2020 give a true and fair view of the assets, liabilities, financial position and loss of the Partnership as required by the applicable accounting standards. The Management Report gives a fair review of the development of the Partnership's business, financial position and the important events that have occurred during the period and their impact on the financial statements. The principal risks and uncertainties faced by the Partnership are disclosed in the Management Report.

Signed for and on behalf of European Capital Investment Opportunities Limited in its capacity as General Partner of RESPARCS Funding II Limited Partnership:



J.N. Pendergast



S.J. Hopkins

Date: 25th September 2020

RESPARCS FUNDING II LIMITED PARTNERSHIP

BALANCE SHEET

AS AT 30TH JUNE 2020

	<u>Notes</u>	<u>Unaudited 30th Jun 20</u>	<u>Audited 31st Dec 19</u>
ASSETS			
A. FIXED ASSETS			
I. Financial assets			
1. Other loans	2	22,500,000	22,500,000
B. CURRENT ASSETS			
I. Receivables and other assets			
1. Trade receivables	3	919	2,250
2. Receivables from affiliated companies	3	901,429	1,004,933
II. Cash			
	4	170,839	170,932
		<u>1,073,187</u>	<u>1,178,115</u>
TOTAL ASSETS	€	<u>23,573,187</u>	€ <u>23,678,115</u>
EQUITY AND LIABILITIES			
A. PARTNERS' EQUITY			
I. General Partner's equity			
	5	-	-
II. Limited Partner's equity			
		-	-
TOTAL PARTNERS' EQUITY		<u>-</u>	<u>-</u>
C. CREDITORS			
1. Loans payable, of which nil is convertible			
	6	22,500,000	22,500,000
2. Trade creditors			
	7	93,155	276,669
3. Amounts owed to affiliated companies			
	8	980,032	901,446
TOTAL CREDITORS		<u>23,573,187</u>	<u>23,678,115</u>
TOTAL EQUITY AND LIABILITIES	€	<u>23,573,187</u>	€ <u>23,678,115</u>

(The notes on pages 11 to 22 form part of these unaudited financial statements)

RESPARCS FUNDING II LIMITED PARTNERSHIP

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 30TH JUNE 2020

	<u>Notes</u>	<u>Unaudited</u> <u>1st Jan 20</u> <u>to</u> <u>30th Jun 20</u>	<u>Unaudited</u> <u>1st Jan 19</u> <u>to</u> <u>30th Jun 19</u>
1. Other operating income	9	233,661	22,527,962
2. Other operating charges		(233,402)	(162,595)
3. Amounts written off on investments	2	-	(22,500,000)
4. Interest payable and similar charges		(259)	(170)
TOTAL EXPENDITURE		(233,661)	(22,662,765)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	€	-	€ (134,803)

Other comprehensive income

There were no items of other comprehensive income in either the current or prior period.

All items dealt with in any of the total comprehensive income/(loss) for the periods ended 30th June 2020 and 30th June 2019 relate to continuing operations.

(The notes on pages 11 to 22 form part of these unaudited financial statements)

RESPARCS FUNDING II LIMITED PARTNERSHIP

STATEMENT OF CHANGES IN PARTNERS' EQUITY**FOR THE PERIOD ENDED 30TH JUNE 2020**

	<u>General Partner's equity</u>	<u>Limited Partner's equity</u>	<u>Total</u>
Balance at 1st January 2020	-	-	-
Comprehensive income:			
- Result for the period	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 30th June 2020	€ -	€ -	€ -
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Balance at 1st January 2019	-	134,803	134,803
Comprehensive loss:			
- Loss for the period	-	(134,803)	(134,803)
	<hr/>	<hr/>	<hr/>
Balance at 30th June 2019	€ -	€ -	€ -
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

(The notes on pages 11 to 22 form part of these unaudited financial statements)

RESPARCS FUNDING II LIMITED PARTNERSHIP

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30TH JUNE 2020

	<u>Notes</u>	<u>Unaudited</u> <u>1st Jan 20</u> <u>to</u> <u>30th Jun 20</u>	<u>Unaudited</u> <u>1st Jan 19</u> <u>to</u> <u>30th Jun 19</u>
Cash flows from business activities			
1. Result/(loss) for the period		-	(134,803)
2. Amounts written off on investments	2	-	22,500,000
3. Decrease in estimated settlement amount on Capital Securities	6	-	(22,500,000)
4. Decrease/(Increase) in trade receivables and receivables from affiliated companies	3	104,835	(180,050)
5. (Decrease)/increase in trade creditors	7	(183,514)	163,870
6. Increase in amounts owed to affiliated companies	8	78,586	150,888
		<hr/>	<hr/>
Net cash used in business activities		(93)	(95)
		<hr/>	<hr/>
Net decrease in cash and cash equivalents		(93)	(95)
Cash and cash equivalents at the beginning of the period		170,932	171,120
		<hr/>	<hr/>
Cash and cash equivalents at the end of the period	4	€ 170,839	€ 171,025
		<hr/> <hr/>	<hr/> <hr/>

(The notes on pages 11 to 22 form part of these unaudited financial statements)

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30TH JUNE 2020

1. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these unaudited financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Basis of accounting

These financial statements of RESPARCS Funding II Limited Partnership (the "Partnership" or "Limited Partnership"), which give a true and fair view, have been prepared in accordance with German GAAP. The financial statements have been prepared on the historical cost basis. The significant accounting policies used are set out below.

Going concern

The Partnership relies upon Hamburg Commercial Bank AG ("HCOB" or the "Bank") (formerly, HSH Nordbank Aktiengesellschaft) to fund its ongoing expenses under the terms of the Support Undertaking and Compensation Agreement. These financial statements have been prepared on the basis that the Partnership is currently a going concern, which in turn, is based mainly upon the assumption that the Bank is a going concern. With regard to the going concern assumption for the Bank, HCOB's most recent published audited financial statements were prepared on a going concern basis and European Capital Investment Opportunities Limited (the "General Partner") is not aware of any reason to doubt that the Bank should be able to continue as a going concern for the foreseeable future.

As stated in the Management Report, HCOB has served the Partnership with a Termination Notice in respect of the Silent Contribution which, if such Termination Notice subsequently proves to be valid, would result in redemption of the Capital Securities on 30th June 2021. Although the Partnership is not currently directly involved in any litigation, the General Partner is aware of certain allegations (the "Claims") against HCOB and the Partnership and considers that the claims could potentially result in the Partnership becoming directly involved in litigation. In the General Partner's opinion, these uncertainties create doubt regarding whether or not the Partnership should continue to be considered as a going concern. Upon redemption of the silent participation, the Partnership would be likely to be obliged to redeem the RESPARC Securities and, subsequent to this, the Partnership structure would be likely to serve no further commercial purpose and would therefore be likely to be liquidated. However the Partnership has objected to the redemption of the silent participation and therefore it is not yet certain that this will occur on 30th June 2021.

The current worldwide Coronavirus outbreak was declared by the World Health Organisation ("WHO") as a worldwide pandemic on 11th March 2020. HCOB disclosed in its 2019 annual financial report that the economic implications of the Coronavirus outbreak could have a negative impact on HCOB's ability to meet its financial targets, although the prevailing uncertainty prevented HCOB from estimating any reliable forecasts of the effects of the Coronavirus outbreak. In its 2020 interim financial report, HCOB noted that the Coronavirus crisis had triggered a global recession and that "conditions in the markets relevant to the Bank have clouded over considerably overall, although the extent of the deterioration varies from market to market and within individual sub-segments and sectors." Nevertheless, HCOB's financial reporting continues to be presented on a going concern basis and the General Partner is not aware of any reason to doubt HCOB's ability to continue as a going concern for the foreseeable future.

Due to the nature of the structure and the existence of the Support Undertaking, Compensation Agreement and Liquidity Facility, the General Partner is of the opinion that the Partnership will be able to meet its obligations as they fall due for the foreseeable future. Therefore the financial statements have been prepared on a going concern basis.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD ENDED 30TH JUNE 2020

1. ACCOUNTING POLICIES - (CONTINUED)

New accounting standards, amendments to existing accounting standards and/or interpretations of existing accounting standards (separately or together, "new accounting requirements") adopted during the current period

The General Partner has assessed the impact, or potential impact, of all new accounting requirements. In the opinion of the General Partner, there are no mandatory new accounting requirements applicable in the current period that had any material effect on the reported performance, financial position, or disclosures of the Partnership. Consequently, no mandatory new accounting requirements are listed. The Partnership has not early adopted any new accounting requirements that are not mandatory.

Non-mandatory new accounting requirements not yet adopted

All non-mandatory new accounting requirements in issue are either not yet permitted to be adopted or, in the General Partner's opinion, would have no material effect on the reported performance, financial position, or disclosures of the Partnership and consequently have neither been adopted, nor listed.

Assets measured at amortised cost: Financial assets; Receivables and other assets; and, cash

The Partnership's "Financial assets" comprise its Other loans, being the investment in the Silent Contribution. The Partnership's "Receivables and other assets" comprise: (i) Trade receivables; and (ii) Receivables from affiliated companies which, in turn, comprise the amounts receivable from Limited Partner in respect of withholding tax receivable; and, amounts receivable from HCOB under Compensation Agreement. The Partnership's "Cash" comprises its deposit account at HCOB.

Recognition: the Partnership recognises such assets when it becomes a party to the contractual provisions of the relevant instrument; such assets are derecognised when the rights to receive cash flows have expired or the Partnership has transferred substantially all risks and rewards of ownership.

Initial measurement: the Partnership initially measures such assets at cost.

Subsequent measurement: the Partnership subsequently measures such assets at amortised cost using the effective interest method less any allowance for impairment, if any. Gains and losses are recognised in profit or loss when such assets are derecognised or impaired, and through the amortisation process.

Impairment

Where the expected recoverable value of an asset falls below the amortised cost of that asset and the decrease in recoverable value is not considered to be temporary, an impairment is recognised and the asset is measured at its estimated net realisable value.

Financial assets - Other loans - Silent Contribution - impairment

The expected recoverable value of the Silent Contribution has been lower than its amortised cost for a prolonged period. Consequently, the Partnership has recognised an impairment as at the reporting date and previously.

As at 31st December 2018, HCOB had recently announced that HCOB anticipated that the Silent Contribution would be likely to be redeemed at less than 15% of its nominal value. As at 31st December 2018, the General Partner was unable to obtain any further reliable information regarding this estimate (i.e. how much lower than 15% the Silent Contribution would be likely to be redeemed at). In the absence of any other reliable method being available, the Directors of the General Partner estimated that the projected redemption value could be reasonably expected to be approximately 10% lower than 15% (i.e. 1.5% of nominal value lower than 15% of nominal value). Consequently, in the opinion of the Directors of the General Partner, the best available prudent estimate of the net realisable value as at 31st December 2018 was calculated using HCOB's projected value as being 13.5% of nominal value.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS - (CONTINUED)**FOR THE PERIOD ENDED 30TH JUNE 2020****1. ACCOUNTING POLICIES - (CONTINUED)****Impairment - (continued)**

As at 30th June 2019, HCOB's most up-to-date announcement had stated that HCOB anticipated that the Silent Contribution would be likely to be redeemed at less than 10% of its nominal value. As at 30th June 2019, the General Partner was unable to obtain any further reliable information regarding this estimate (i.e. how much lower than 10% the Silent Contribution would be likely to be redeemed at). In the absence of any other reliable method being available, the directors of the General Partner estimated that the projected redemption value could be reasonably expected to be approximately 10% lower than 10% (i.e. 1% of nominal value lower than 10% of nominal value). Consequently, in the opinion of the directors of the General Partner, the best available prudent estimate of the net realisable value as at 30th June 2019 was calculated using HCOB's projected value as being 9.0% of nominal value.

As at 31st December 2019, HCOB had recently announced that HCOB anticipated that the Silent Contribution would be likely to be redeemed at less than 5% of its nominal value. As at 31st December 2019, the General Partner was unable to obtain any further reliable information regarding this estimate (i.e. how much lower than 5% the Silent Contribution would be likely to be redeemed at). In the absence of any other reliable method being available, the Directors of the General Partner estimated that the projected redemption value could be reasonably expected to be approximately 10% lower than 5% (i.e. 0.5% of nominal value lower than 5% of nominal value). Consequently, in the opinion of the Directors of the General Partner, the best available prudent estimate of the net realisable value as at 31st December 2019 was calculated using HCOB's projected value as being 4.5% of nominal value.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Partners' equity

Partners' equity comprises the General Partner's equity and the Limited Partner's equity. The profits and losses of the Partnership shall belong to or be borne by the Partners in their respective Partnership Shares (see note 5 for further details) subject to the fact that the total liability of the Limited Partner shall not exceed the Capital Contribution of the Limited Partner. Such profits and losses are classified as equity instruments when:

- The respective Partnership Shares entitle the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation;
- The respective Partnership Shares are in the class of instruments that is subordinate to all other classes of instruments;
- The respective Partnership Shares do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Fund's net assets; and,
- The total expected cash flows attributable to the respective Partnership Shares over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

Recognition: the Partnership recognised each Partners' equity upon formation of the Partnership and will derecognise each Partners' equity upon dissolution of the Partnership.

Initial measurement: the Partnership initially measured each Partners' equity at the amount each Partner contributed to the Partnership.

Subsequent measurement: the Partnership subsequently measures each Partners' equity at the amount of each Partner's respective share of the profits and losses of the Partnership.

Liabilities measured at amortised cost: Creditors

The Partnership's "Creditors" comprise: (i) its Loans payable, of which nil is convertible, being the Capital Securities issued; (ii) Trade creditors which, in turn, comprise the items detailed in note 7; (iii) Amounts owed to affiliated companies which, in turn, comprise: the Support Undertaking fee payable to HCOB Luxembourg Branch; and, the Liquidity Facility drawn down, including accrued interest payable.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD ENDED 30TH JUNE 2020

1. ACCOUNTING POLICIES - (CONTINUED)

Liabilities measured at amortised cost: Creditors - (continued)

Recognition: the Partnership recognises such liabilities when it becomes a party to the contractual provisions of the relevant instrument or immediately when an obligation arises from a past event where the commitment is probable and a reliable estimate of the liability can be made. Such liabilities are derecognised when the obligation is discharged, cancelled or expired.

Initial measurement: the Partnership initially measures such liabilities at the estimated settlement amount.

Subsequent measurement: the Partnership subsequently measures such liabilities at the estimated amount required to settle the obligation. Interest expense, if any, is recognised in profit or loss and gains and losses are recognised in profit or loss when such liabilities are derecognised.

Creditors - Loans payable - Capital Securities issued

The General Partner has considered the characteristics of the Capital Securities issued and considers that the most appropriate classification of these securities is as financial liabilities. Accordingly, the Capital Securities are presented in the Balance Sheet under the heading Loans payable, of which nil is convertible.

The terms of the Capital Securities are identical in all material respects to those of the Silent Contribution, except for the fact that the Capital Securities bear interest at a fixed rate of 7.5% per annum, whilst the Silent Contribution bears interest at a fixed rate of 7.65% per annum. However, in the Directors' opinion, as no interest is currently payable or receivable on either of these financial instruments and is unlikely to be payable or receivable for the foreseeable future, the settlement amount payable on the Capital Securities is estimated to be approximately equal and opposite to the settlement value of the Silent Contribution. Therefore, in the opinion of the Directors of the General Partner, the estimated settlement value of the Silent Contribution represents the best available objective estimate of the estimated settlement value of the Capital Securities.

Foreign currencies

The principal activity of the Partnership is to participate in financing activities arranged for HCOB, a German Bank. The Partnership's investment in the Silent Contribution and the Capital Securities issued are denominated in Euro. As such, the General Partner considers Euro as the currency of the primary economic environment in which the Partnership operates. The financial statements are presented in Euro.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account.

Employees

The Partnership had no employees during the period (31st December 2019: none).

Profit Participation income

Profit Participation income is accounted for on an accrual basis using the effective interest rate method.

Interest expense

Interest expense on Capital Securities issued and loans payable are accounted for on an effective interest rate basis.

German withholding tax

Profit Participation income is received net of German withholding tax ("WHT"). The Partnership is refunded the amount of any WHT deducted under the Contribution Agreement and Loan Agreement and therefore investment income is shown gross.

Distributions

Distributions to Partners are recorded on the date they are declared by the General Partner.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS - (CONTINUED)**FOR THE PERIOD ENDED 30TH JUNE 2020****1. ACCOUNTING POLICIES - (CONTINUED)****Segmental reporting**

An operating segment is a component of the Partnership that engages in business activities from which it may earn revenues and incur expenses. The General Partner, as the chief operating decision-maker, performs regular reviews of the operating results of the Partnership and makes decisions using financial information at the entity level. Accordingly, the General Partner considers the Partnership as a whole to be a single operating segment which generates all of its revenues from HCOB in Germany.

The General Partner is responsible for ensuring that the Partnership carries out business activities in line with the transaction documents. The General Partner may delegate some or all of the day to day management of the business including the decisions to purchase and sell securities to other parties both internal and external to the Partnership. The decisions of such parties are reviewed on a regular basis to ensure compliance with the policies and legal responsibilities of the General Partner. Therefore the General Partner retains full responsibility as to the major allocation decisions of the Partnership.

2. FINANCIAL ASSETS - OTHER LOANS**Silent capital interest in the commercial enterprise of HCOB ("Silent Contribution")**

	Unaudited 30th Jun 20	Audited 31st Dec 19
Opening balance at 1st January	22,500,000	67,500,000
Impairment during the period/year	-	(45,000,000)
Closing balance at the period/year end	€ 22,500,000	€ 22,500,000
Notional amount outstanding at the period/year end	€ 500,000,000	€ 500,000,000

On 28th May 2003, the Partnership acquired a Silent Contribution in the commercial enterprise (Handelsgewerbe) of Landesbank Schleswig-Holstein Girozentrale ("LB Kiel") with retroactive effect as of 1st January 2003. The Silent Contribution is in the form of a Stille Gesellschaft under German law pursuant to an agreement dated 23rd May 2003 (the "Participation Agreement") providing for an asset contribution by the Partnership to LB Kiel in the amount of €500,000,000. LB Kiel has now merged with Hamburgische Landesbank Girozentrale ("Hamburg LB" or "HLB") into HCOB.

Under the Participation Agreement the Partnership is entitled to receive Profit Participations on the Silent Contribution. Profit Participations accrue for Profit Periods running from 1st January to 31st December with the exception of the first Profit Period, which ran from 28th May 2003 to 31st December 2003 and the last Profit Period, which runs from 1st January of the year in which the Termination Date occurs and ends on the Termination Date.

Profit Participations are receivable annually in arrears on the later of (i) 30th June in the year following the end of the relevant Profit Period, and (ii) the business day following the date on which HCOB's annual financial statements have been adopted for the fiscal year of HCOB to which the relevant Profit Period relates. No Profit Participation shall accrue for the Profit Period in which the Termination Date occurs.

Profit Participations are received net of German withholding tax and any solidarity surcharge, if applicable (together "WHT"). European Equity Participation Management GmbH (the "Issuer Limited Partner") reclaims such WHT, to the extent that such amounts exceed the amount of German tax payable by the Issuer Limited Partner, and then pays the amounts reclaimed onto the Partnership under the terms of the Contribution Agreement. Under the Loan Agreement, HCOB is required to advance to the Partnership an amount equal to the WHT deducted. On this basis, the Partnership does not effectively suffer WHT on its Profit Participation, and accordingly the investment income is shown gross and the net amount of WHT suffered by the Partnership is shown in the Profit and Loss Account.

RESPARCS FUNDING II LIMITED PARTNERSHIP

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD ENDED 30TH JUNE 2020

2. FINANCIAL ASSETS - OTHER LOANS - (CONTINUED)

At the outset of the transaction it was agreed between the Partnership and HCOB that the Profit Participations for each year would consist of two elements: 50% relating to the first half of the relevant Profit Period and 50% relating to the second half of the relevant Profit Period, with the second element being payable only if the Partnership still remains a Silent Partner until the payment date.

Following the first Profit Period, subject to HCOB having sufficient distributable profits, Profit Participations accrue on the book value of the Silent Contribution at a rate of 7.65% p.a.

The Silent Contribution is a perpetual instrument which will only be repaid to the Silent Partner after termination of the Participation Agreement by HCOB. As stated in the Offering Circular dated 28th May 2003, HCOB may only terminate the Participation Agreement if either (i) tax or regulatory changes occur but in no case before 31st December 2008, or (ii) on or after 31st December 2011, with 2 years' prior notice to the Silent Partner (with termination becoming effective on or after 31st December 2013) so long as HCOB's solvency ratio exceeds 9% on a sustainable, unconsolidated or consolidated basis. However, HCOB has issued a Termination Notice wherein HCOB has formally announced the termination of the Resparcs II Participation Agreement with effect from 31st December 2020, whereby the repayment date would be 30th June 2021, and HCOB has estimated that the projected HGB (German GAAP) book values of Silent Contributions for Securities as of 31st December 2020 would be "less than 5%." The Partnership has formally objected to the Termination Notice.

Profit Participations are not currently receivable due to HCOB's net balance sheet loss position.

3. RECEIVABLES AND OTHER ASSETS

	Unaudited <u>30th Jun 20</u>	Audited <u>31st Dec 19</u>
Trade receivables - receivable within one year:		
Other receivables	919	2,250
	<hr/>	<hr/>
Receivables from affiliated companies		
Receivable in more than one year:		
Amounts receivable from Limited Partner in respect of withholding tax receivable	754,346	656,399
Receivable within one year:		
Amounts receivable from HCOB under Compensation Agreement	147,083	348,534
	<hr/>	<hr/>
	901,429	1,004,933
	<hr/>	<hr/>
	€ 902,348	€ 1,007,183
	<hr/> <hr/>	<hr/> <hr/>

As no income has been received from the Silent Contribution since 2009, the Partnership relies on the Liquidity Facility to fund ongoing operational costs and expenses. To rectify this situation, the Partnership entered into a Compensation Agreement with HCOB and the Limited Partner wherein the Partnership received an initial non-refundable compensation payment in an amount corresponding to the outstanding balance under the Liquidity Facility as at 30th June 2017. Subsequently, the Partnership will receive non-refundable compensation payments on a quarterly basis as necessary to cover costs and expenses payable under the Support Undertaking, any interest payments accrued under the Liquidity Facility and other operational costs and expenses incurred by the Partnership and the Limited Partner in the ordinary course of business as approved by HCOB.

4. CASH AND CASH EQUIVALENTS

	Unaudited <u>30th Jun 20</u>	Audited <u>31st Dec 19</u>
HCOB - EUR accounts	€ 170,839	€ 170,932
	<hr/> <hr/>	<hr/> <hr/>

RESPARCS FUNDING II LIMITED PARTNERSHIP

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD ENDED 30TH JUNE 2020

5. PARTNERS' EQUITY

The following information provides a summary of the main rights of the General Partner and the Limited Partner. It does not attempt to provide details of all circumstances, terms and conditions, and reference should also be made to the detailed provisions contained within the Limited Partnership Agreement (the "LPA") dated 17th April 2003 and the Limited Partnerships (Jersey) Law 1994 (as amended).

General Partner

The General Partner is European Capital Investment Opportunities Limited, incorporated in Jersey, Channel Islands. The General Partner's Partnership Share is 0.01%.

Limited Partner

The Limited Partner is European Equity Participation Management GmbH, incorporated in Germany. The Limited Partner's Partnership Share is 99.99%.

6. LOANS PAYABLE, OF WHICH NIL IS CONVERTIBLE

	Unaudited 30th Jun 20	Audited 31st Dec 19
Capital Securities issued - RESPARC Securities		
Opening balance at 1st January	22,500,000	67,500,000
Decrease in estimated settlement amount	-	(45,000,000)
Closing balance at the period/year end	€ 22,500,000	€ 22,500,000
Notional amount outstanding at the period/year end	€ 500,000,000	€ 500,000,000

On 28th May 2003 the Partnership issued €500,000,000 aggregate nominal amount of 7.5% Re-Engineered Silent Participation Assimilated Regulatory Capital (RESPARC) Securities, the proceeds from which have been used to acquire a silent capital interest in the commercial enterprise of HCOB in the form of a "Stille Gesellschaft" under German law in the amount of €500,000,000. The nominal amount of each Capital Security is €1,000. The Capital Securities issued are listed on the Frankfurt Stock Exchange and the Official Segment of the stock market of Euronext Amsterdam N.V.

The Capital Securities bear interest at a rate of 7.5% p.a., accruing from 28th May 2003, payable annually in arrears on the same date as the relevant Profit Participations are received by the Partnership. It is expected that the normal coupon date will be 30th June of each year, commencing 30th June 2004. The commercial effect of the Terms and Conditions of the Capital Securities is that coupon payments thereon are contingent on the Partnership's actual receipt of Profit Participation payments from HCOB under the Participation Agreement and advances from HCOB Luxembourg Branch under the Loan Agreement.

The Capital Securities issued are perpetual Capital Securities, having no mandatory maturity date. However, the Capital Securities issued may be redeemed, at the option of HCOB, on the date on which the Silent Contribution is repaid in accordance with the Participation Agreement. The redemption amount will equal the Repayment Amount required to be paid by HCOB under the Participation Agreement. The Capital Securities issued will also be redeemable, in whole but not in part, at the option of the Partnership, on 30th June 2009 and annually thereafter. However, such early termination is only permissible if financing of the redemption of the Capital Securities issued at their nominal amount, plus any interest accrued thereon, has been secured through the issuance of similar debt securities or in any other way.

Any change in expected cash flows following the non-payment of the Silent Contribution in the period and the likelihood of the non-payment of the Profit Participation in the future would result in an equal and opposite effect on the Capital Securities issued. The Capital Securities holders therefore bear the ultimate risk regarding the ability of HCOB to make payments on the Silent Contribution.

The liabilities of the Partnership under the Capital Securities issued are supported by HCOB Luxembourg Branch under the Support Undertaking, as described in note 8. The holders of the Capital Securities issued are therefore also exposed to the risk of default of HCOB Luxembourg Branch.

RESPARCS FUNDING II LIMITED PARTNERSHIP

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD ENDED 30TH JUNE 2020

6. LOANS PAYABLE, OF WHICH NIL IS CONVERTIBLE - (CONTINUED)

On 30th November 2018, HCOB announced that it had decided to terminate the Silent Contribution together with other similar instruments (together, the "Hybrid Capital Instruments") at the book value as determined in HCOB's unconsolidated balance sheet pursuant to HGB (German GAAP) as of 31st December 2020. In its announcement, HCOB published certain forecasts and projected losses and stated that "based on these annual forecasts, and taking into account the aforementioned losses carried forward, HCOB currently expects that the HGB (German GAAP) book values of the Hybrid Capital Instruments as of 31st December 2020 will be in the area of 15%."

On 10th December 2018, the Partnership received a termination letter (the "Termination Notice") from HCOB wherein HCOB formally announced the termination of the Resparcs II Participation Agreement with effect from 31st December 2020, whereby the repayment date would be 30th June 2021. The Partnership immediately submitted the termination letter for legal review. On 21st December 2018, the Partnership wrote to HCOB to expressly object to the Termination Notice and to preserve any rights that the Partnership might have regarding the Termination Notice, noting that the Partnership had received a number of concerns from Capital Securities holders and their legal counsels concerning the legal validity of the Termination Notice.

On 7th January 2019, the Financial Times newspaper in the UK published an article noting that HCOB was being sued by holders of the Capital Securities and holders of other Hybrid Capital Instruments on the basis that these holders alleged that HCOB had "improperly" lowered the book value of the Hybrid Capital Instruments and therefore the Capital Securities. The Partnership was already aware of certain allegations (the "Claims") against HCOB and had entered into a waiver of time-bar agreement of 12th October 2018 (the "Waiver") under which HCOB has waived towards the Partnership HCOB's right to raise the defence that the statute of limitation or any other relevant time limits have expired between the conclusion of the Waiver and 31st December 2019 with respect to the Claims, whether they are known or unknown and they have already arisen or not, to the extent that any of these potential Claims had not already been time-barred as at the date of conclusion of the Waiver.

On 12th February 2019, HCOB published a further announcement wherein it stated that "Due to higher than expected losses under HGB (German GAAP) for the year ended 2018 and changed forecasts for fiscal years 2019 and 2020, the projected HGB (German GAAP) book values of Silent Contributions for Securities as of 31st December 2020 are currently expected to be well below 10%."

On 19th December 2019, HCOB announced that it had agreed a settlement with holders of Capital Securities represented by Quinn Emanuel Urquhart & Sullivan (QE) whereby HCOB would buy back the relevant Capital Securities at a settlement price of 36.24% of the nominal value plus a settlement fee of 1.0% of the nominal value. HCOB also announced that it would offer to buy back all other remaining Capital Securities at the same settlement price of 36.24% of the nominal value.

Also on 19th December 2019, HCOB announced within both its institutional and retail invitations to holders of the outstanding €500,000,000 RESPARC Securities that HCOB estimated that the projected HGB (German GAAP) book values of Silent Contributions for Securities as of 31st December 2020 would be "below 5%".

HCOB had acquired €369,927,000 (or 74.0%) of the outstanding nominal amount of the Capital Securities as at 31st December 2019 and €454,607,000 (or 90.9%) of the outstanding nominal amount of the Capital Securities as at the date of approval of these financial statements.

7. TRADE CREDITORS

	Unaudited	Audited
	30th Jun 20	31st Dec 19
Trade creditors (all due within one year):		
Administrative penalty imposed by BaFin	-	98,700
Administration fees payable	63,702	80,646
Audit fee payable - PwC Jersey	-	40,537
Audit fee payable - PwC Germany	29,453	55,000
Transaction fee payable	-	886
Other payable	-	900
	<hr/>	<hr/>
	€ 93,155	€ 276,669
	<hr/>	<hr/>

RESPARCS FUNDING II LIMITED PARTNERSHIP

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD ENDED 30TH JUNE 2020

7. TRADE CREDITORS - (CONTINUED)

As explained in note 2, no Profit Participation income was receivable during the period ended 30th June 2020. Since the coupon payments on the Capital Securities issued are contingent on the receipt of Profit Participation income, no accrual has been made as at 30th June 2020 in respect of interest payable.

8. AMOUNTS OWED TO AFFILIATED COMPANIES

	Unaudited 30th Jun 20	Audited 31st Dec 19
Support Undertaking fee payable to HCOB Luxembourg Branch	€ 30,333	€ 30,667

The liabilities of the Partnership are supported by HCOB Luxembourg Branch under a Support Undertaking dated 26th May 2003. HCOB Luxembourg Branch has undertaken to ensure that the Partnership will at all times be in a position to meet its obligations. HCOB Luxembourg Branch's payment obligations under the Support Undertaking are subordinated to all senior and subordinated debt obligations of HCOB Luxembourg Branch in the same manner as HCOB's payment obligations under the Participation Agreement are subordinated. A Support Undertaking Fee is payable by the Partnership to HCOB Luxembourg Branch, quarterly in arrears on 30th March; 30th June, 30th September and 30th December, calculated at 0.32% p.a. on a nominal amount of €37,500,000.

	Unaudited 30th Jun 20	Audited 31st Dec 19
Liquidity Facility drawn down, including accrued interest payable	€ 949,699	€ 870,779

The Partnership was originally granted a Liquidity Facility by HCOB Luxembourg Branch up to a maximum amount of €22,000,000. This was reduced to a maximum amount of €2,000,000 in December 2008. The Liquidity Facility is available until the termination date of the Participation Agreement, on which date any amounts advanced under the Liquidity Facility will become repayable. Interest is payable quarterly in arrears at the 12 month Euribor rate plus a margin of 0.3%.

	Unaudited 30th Jun 20	Audited 31st Dec 19
Total amounts owed to affiliated companies	€ 980,032	€ 901,446

9. OTHER OPERATING INCOME

	Unaudited 30th Jun 20	Unaudited 30th Jun 19
Income from HCOB under Compensation Agreement	219,573	26,746
Unrealised exchanged gain	14,088	1,216
Decrease in estimated settlement amount on Capital Securities - Impairment	-	22,500,000
	€ 233,661	€ 22,527,962

RESPARCS FUNDING II LIMITED PARTNERSHIP

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD ENDED 30TH JUNE 2020

10. OTHER OPERATING CHARGES

	Unaudited	Unaudited
	30th Jun 20	30th Jun 19
	€	€
Other operating charges include the following:		
Support undertaking fees payable to HCOB Luxembourg Branch	61,667	60,667
Management and Administration fees payable to SANNE	82,051	84,142
Legal and professional fees	49,331	2,165
Audit fees - PwC Channel Islands	-	8,902
Audit fees - PwC Germany	27,500	-
Expenses paid on behalf of General Partner and Trust	8,115	6,388

11. TAXATION

Any tax liability arising on the activity of the Partnership is borne by the individual Partners.

12. ULTIMATE CONTROLLING PARTY

In accordance with the LPA, the Partnership is controlled on a day-to-day basis by its General Partner. The General Partner is owned 51% by HCOB and 49% by Sanne Trustee Services Limited as Trustee of the European Capital Investment Charitable Trust, which is a charitable trust constituted under the laws of Jersey, Channel Islands. As disclosed in note 5, the General Partner's Partnership Share is 0.01% and the Limited Partner's Partnership Share is 99.99%. For accounting purposes only, HCOB is considered to be the ultimate controlling party of Partnership.

13. RELATED PARTIES

Each of J.N. Pendergast and S.J. Hopkins is a Director of the General Partner. The Directors of the General Partner do not have any financial interest in the Partnership.

Sanne Fiduciary Services Limited ("SFSL") and Sanne Secretaries Limited ("SSL") provide ongoing administration and/or secretarial services respectively to the General Partner and the Partnership at commercial rates. Each of SFSL and SSL is a member of Sanne Group PLC and all of its subsidiaries and affiliates ("Sanne Group"). Each of S.J. Hopkins and J.N. Pendergast is an employee of SFSL and should be regarded as interested in any transaction with any member of the Sanne Group.

The Partnership is included in the IFRS consolidated financial statements of HCOB, which prepares the consolidated financial statements for the largest group of companies in which the Partnership is included. The consolidated financial statements of Hamburg Commercial Bank AG are published in the electronic Federal Gazette in accordance with statutory requirements. Therefore HCOB and its affiliates are considered as related parties in all transactions.

Fees incurred with Sanne Group during the period in respect of administration and management fees are disclosed on the face of the Statement of Comprehensive Income. Fees owed at the period end are disclosed in note 7 to the financial statements. In the General Partner's opinion, there are no material related party transactions that require disclosure, other than those disclosed in notes 2, 3, 4, 5, 6, 8, 12 and 17.

Expenses paid on behalf of the General Partner and the Limited Partner and their respective holding entities during the period are also disclosed on the face of the Profit and Loss Account.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD ENDED 30TH JUNE 2020

14. FINANCIAL INSTRUMENTS

As stated in the Management Report, the principal activity of the Partnership is limited to participation in financing activities arranged for HCOB. The Partnership has issued the Capital Securities and the proceeds from which have been used to acquire the Silent Contribution in the commercial enterprise of HCOB. Therefore, the role of financial assets and financial liabilities is central to the activities of the Partnership; the financial liabilities provided the funding to purchase the Partnership's financial assets. Financial assets and financial liabilities provide the majority of the assets and liabilities.

The strategies used by the Partnership in achieving its objectives regarding the use of its financial assets and financial liabilities were set when the Partnership entered into the transactions. The Partnership has attempted to match the properties of its financial liabilities to its financial assets to mitigate significant elements of risk generated by mismatches of investment performance against its obligations, together with any maturity, liquidity or interest rate risk. Accordingly, the risks associated with the Partnership's financial assets and financial liabilities are ultimately borne by the holders of the Capital Securities.

15. CAPITAL MANAGEMENT

The Partnership's transactions are designed to enable the Partnership to pay its liabilities as they fall due only, without realising a significant return on capital. The level of interest income receivable on the Silent Contribution and interest expense payable on the Capital Securities are fixed and were established on formation of the Partnership in order that the Partnership realises a margin that is sufficient to pay the on going operational expenses of the Partnership and any loan interest payable on the liquidity facility.

No Profit Participation income has been received since 2008 and therefore no margin has been realised. The operational expenses, loan interest and support undertaking fees of the Partnership will be provided by funding received from HCOB Luxembourg Branch under the Support Undertaking Agreement by virtue of the liquidity facility.

There were no changes to the Partnership's approach to capital management during the period.

The Partnership is not subject to externally imposed capital requirements.

16. KEY MANAGEMENT PERSONNEL

The key management personnel have been identified as being the Directors of the General Partner. The personal emoluments of the key management personnel are paid by Sanne Group which makes no direct recharge to the Partnership. It is therefore not possible to make a reasonable apportionment of their personal emoluments in respect of the Limited Partnership. Directors fees with respect to the General Partner paid to Sanne Group during the period amounted to £2,000 (period ended 30th June 2019: £2,000).

17. COMPENSATION AGREEMENT

As no income has been received from the Silent Contribution since 2009, the Partnership relies on the Liquidity Facility to pay for ongoing operational costs and expenses. To rectify this situation, the Partnership entered into a Compensation Agreement (the "Agreement") with HCOB and the Limited Partner wherein the Partnership received an initial non-refundable compensation payment in an amount corresponding to the outstanding balance under the Liquidity Facility as at 30th June 2017. Subsequently, the Partnership will receive non-refundable compensation payments on a quarterly basis as necessary to cover costs and expenses payable under the Support Undertaking, any interest payments accrued under the Liquidity Facility and other operational costs and expenses incurred by the Partnership and the Limited Partner in the ordinary course of business as approved by HCOB.

In accordance with the Compensation Agreement, the Partnership recognised an income in the amount of €219,573 (period ended 30th June 2019: €26,746).

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD ENDED 30TH JUNE 2020

18. CONTINGENT LIABILITY

As previously stated, although the Partnership is not currently directly involved in any litigation, the General Partner is aware of certain allegations (the "Claims") against HCOB and the Partnership and considers that the Claims could potentially result in the Partnership becoming directly involved in litigation. In the event that any Claims are eventually made against the Partnership and are successful, the Partnership's liabilities may exceed the amount of the Partnership's liabilities presented in these financial statements. However, in the General Partner's opinion, it is not currently possible to reliably forecast whether or not any such successful Claims will arise nor is it possible to reliably forecast the amount of any resulting liabilities that might arise in the Partnership.

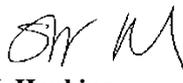
19. SUBSEQUENT EVENTS

In the opinion of the General Partner, no significant events have occurred subsequent to the period end that require adjustment or disclosure in the financial statements.

The financial statements on pages 7 to 22 were approved and authorised for issue by the Board of European Capital Investment Opportunities Limited in its capacity as General Partner of RESPARCS Funding II Limited Partnership on 25th September 2020 and were signed on its behalf by:



J.N. Pendergast



S.J. Hopkins