

RESPARCS FUNDING II LIMITED PARTNERSHIP
INTERIM REPORT AND UNAUDITED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30TH JUNE 2021

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") was 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 was suitable only for financially sophisticated investors who understood the risks and rewards associated with these financial instruments. The Capital Securities were 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 2021 was €nil (31st December 2020: €nil) and the profit for the financial period then ended was €nil (30th June 2020: €nil). 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 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 17th November 2020, the Waiver was further extended to 31st December 2021.

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 RESPARC 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%."

RESPARCS FUNDING II LIMITED PARTNERSHIP

MANAGEMENT REPORT - (CONTINUED)

ECONOMIC POSITION AND RECENT DEVELOPMENTS - (CONTINUED)

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 31st December 2020. As at 30th June 2021, HCOB had acquired €456,949,000 (or 91.39%) of the outstanding nominal amount of the Capital Securities.

On 1st April 2021, the Partnership received a notification from HCOB stating that the amount of loss allocated to the Silent Contribution for the financial year 2020 is 6.34980201968% of the principal amount. The reduction in the principal amount per RESPARC Security corresponds to this amount resulting in a new principal amount of 1.78807362466% of the initial principal amount. Consequently, no Profit Participation payment was received with respect to the financial year 2020.

On 30th June 2021, HCOB redeemed in full the Silent Contribution at the new principal amount of 1.78807362466% of the initial principal amount and paid €8,940,368. Similarly, the Capital Securities were also redeemed in full at €8,940,368 (or 1.78807362466%) on the same date.

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

The risks and opportunities faced by the Partnership which could impact upon the Partnership's economic position and prospects were closely linked to those applicable to HCOB. As the Silent Contribution and the Capital Securities were redeemed on 30th June 2021, the Partnership is no longer exposed to HCOB through these financial instruments.

As the redemption prices of the Silent Contribution and the Capital Securities were based upon HCOB's financial position as at 31st December 2020, the Partnership's financial performance during its current financial period from 1st January 2021 to 30th June 2021 was unaffected by HCOB's financial performance during this period.

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 2021 of €nil; a net result of €nil for the financial year then ending; no Profit Participation income was received on the Silent Contribution; and, consequently, no interest was paid on the Capital Securities.

The principal risk factors that were directly relevant to the Partnership during previous financial periods are disclosed in the following paragraphs and are unchanged from all prior periods. Due to the redemption of the Silent Contribution and the Capital Securities, such risk factors are no longer directly relevant to the Partnership as from the financial period end.

PRINCIPAL FINANCIAL RISK FACTORS AND FINANCIAL RISK MANAGEMENT CONTROLS

As stated above, the principal activity of the Partnership was limited to participation in financing activities arranged for HCOB. The Partnership had issued the Capital Securities. The proceeds from the issue of the Capital Securities had been used to acquire a silent capital interest in the commercial enterprise of HCOB. Therefore the role of financial assets and financial liabilities was 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 provided 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 financial liabilities were set when the Partnership entered into the transactions. The Partnership had attempted, as far as was 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 were ultimately borne by the holders of the Capital Securities and, as referred to above, related to risks applicable to HCOB's business.

RESPARCS FUNDING II LIMITED PARTNERSHIP

MANAGEMENT REPORT - (CONTINUED)

MARKET RISK - INTEREST RATE RISK

The Limited Partnership financed 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 were fixed and, except for the fixed margin difference of 0.15% between them, the coupons payable on the Capital Securities issued were matched by the Profit Participations receivable on the Silent Contribution. Accordingly, on a cash flow basis, the General Partner believes that there was 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 were matched by the Profit Participations receivable on the Silent Contribution, the General Partner believes that there was 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.

MARKET RISK - CURRENCY RISK

All of the Partnership's material financial assets and financial liabilities were denominated in Euro. Consequently, the General Partner believes that there was 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 was 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 have been matched by an equal and opposite change in the fair value of the Silent Contribution and vice versa. Consequently the Partnership was not exposed to any net market price risk.

HCOB issued a Termination Notice wherein HCOB announced the termination of the Resparcs II Participation Agreement with effect from 31st December 2020, and such was repaid at 1.78807362466% of nominal value on 30th June 2021.

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

CREDIT RISK

Credit risk arose from the risk that HCOB and affiliates might 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 were effectively limited recourse in commercial substance as the Partnership's main financial asset consisted 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 had no material net credit risk and all credit risk was ultimately borne by the holders of the Capital Securities.

As previously stated, the Capital Securities were redeemed in full on 30th June 2021. HCOB has a long term credit rating from Moody's of Baa1 (31st December 2020: Baa2).

LIQUIDITY RISK

Due to the nature of the Partnership's operations, the General Partner considered 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 was 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 were paid either from the Partnership's own resources or through a Liquidity Facility with HCOB (for further details, please see note 9 to the financial statements) which was only repayable at the termination date of the Participation Agreement and all outstanding advances due are waived on a quarterly basis. The General Partner believed that this arrangement further mitigated any residual liquidity risk to the Partnership.

Following the redemption of the Silent Contribution and the Capital Securities, the Liquidity Facility was terminated on 25th August 2021. Refer to note 21 for further details.

RISK MANAGEMENT AND FINANCIAL REPORTING CONTROLS AND INTERNAL AUDIT SYSTEM

The Partnership had 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 was 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.

The Partnership does not operate any risk management systems or internal control systems itself, nor does it operate an internal audit system. The Partnership relied upon the risk management systems, internal control systems and internal audit system of HCOB to mitigate the principal risks faced by HCOB.

RESPARCS FUNDING II LIMITED PARTNERSHIP

MANAGEMENT REPORT - (CONTINUED)

RISK MANAGEMENT AND FINANCIAL REPORTING CONTROLS AND INTERNAL AUDIT SYSTEM - (CONTINUED)

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 were designed to enable the Partnership to pay its liabilities as they fall due, without realising a significant return on capital. This was 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 were fixed and were established on formation of the Partnership in order that the Partnership realised a margin that was 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 had been granted a Liquidity Facility (for further details, please see note 9 to the financial statements). Subsequent to period end, the Liquidity Facility was terminated on 25th August 2021. Refer to note 21 for further details. There were no changes in the Partnership's approach to capital management during the the period. The Partnership is not subject to externally imposed capital requirements.

GOING CONCERN

The General Partner has chosen to prepare these financial statements on a basis other than going concern. Further information and details on the General Partner's assessment of going concern is set out in the "Going concern" section in note 2 to the financial statements.

As at the date of approval of the financial statements, the COVID-19 outbreak has not had, and is not anticipated to have, a material adverse effect on the Limited Partnership.

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 2021 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:



John N. Pendergast



Stephanie J. Hopkins

Date: 24th September 2021

RESPARCS FUNDING II LIMITED PARTNERSHIP

BALANCE SHEET

AS AT 30TH JUNE 2021

	<u>Notes</u>	<u>Unaudited 30th Jun 21</u>	<u>Audited 31st Dec 20</u>
ASSETS			
A. FIXED ASSETS			
I. Financial assets			
1. Other loans	3	-	8,940,368
B. CURRENT ASSETS			
I. Receivables and other assets			
1. Trade receivables	4	1,092	4,023
2. Receivables from affiliated companies	4	851,042	826,478
II. Cash			
	5	170,655	170,750
		<u>1,022,789</u>	<u>1,001,251</u>
TOTAL ASSETS		€ 1,022,789	€ 9,941,619
EQUITY AND LIABILITIES			
A. PARTNERS' EQUITY			
I. General Partner's equity			
	6	-	-
II. Limited Partner's equity			
		-	-
TOTAL PARTNERS' EQUITY		<u>-</u>	<u>-</u>
B. CREDITORS			
I. Loans payable, of which nil is convertible			
	7	-	8,940,368
II. Trade creditors			
	8	23,111	72,492
III. Amounts owed to affiliated companies			
	9	999,678	928,759
TOTAL CREDITORS		<u>1,022,789</u>	<u>9,941,619</u>
TOTAL EQUITY AND LIABILITIES		€ 1,022,789	€ 9,941,619

(The notes on pages 10 to 23 form part of these unaudited financial statements)

RESPARCS FUNDING II LIMITED PARTNERSHIP

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 30TH JUNE 2021

	<u>Notes</u>	<u>Unaudited</u> <u>1st Jan 21</u> <u>to</u> <u>30th Jun 21</u>	<u>Unaudited</u> <u>1st Jan 20</u> <u>to</u> <u>30th Jun 20</u>
1. Other operating income	11	129,826	233,661
NET OTHER OPERATING INCOME		129,826	233,661
2. Other operating charges		(129,826)	(233,402)
3. Interest payable and similar charges		-	(259)
TOTAL EXPENDITURE		(129,826)	(233,661)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	€	-	€ -

Other comprehensive income

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

(The notes on pages 10 to 23 form part of these unaudited financial statements)

RESPARCS FUNDING II LIMITED PARTNERSHIP

STATEMENT OF CHANGES IN PARTNERS' EQUITY

FOR THE PERIOD ENDED 30TH JUNE 2021

	<u>General Partner's equity</u>	<u>Limited Partner's equity</u>	<u>Total</u>
Balance at 1st January 2021	-	-	-
Comprehensive income:			
- Result for the period	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 30th June 2021 - unaudited	€ -	€ -	€ -
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Balance at 1st January 2020	-	-	-
Comprehensive income:			
- Result for the period	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 30th June 2020 - unaudited	€ -	€ -	€ -
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

(The notes on pages 10 to 23 form part of these unaudited financial statements)

RESPARCS FUNDING II LIMITED PARTNERSHIP

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30TH JUNE 2021

		<u>Unaudited</u> <u>1st Jan 21</u> <u>to</u> <u>30th Jun 21</u>	<u>Unaudited</u> <u>1st Jan 20</u> <u>to</u> <u>30th Jun 20</u>
	<u>Notes</u>		
Cash flows from business activities			
1. Result for the period		-	-
2. Redemption of Silent Contribution	3	8,940,368	-
3. Redemption of Capital Securities	7	(8,940,368)	-
4. (Increase)/decrease in trade receivables and receivables from affiliated companies	4	(21,633)	104,835
5. Decrease in trade creditors	8	(49,381)	(183,514)
6. Increase in amounts owed to affiliated companies	8	70,919	78,586
		<hr/>	<hr/>
Net cash used in business activities		(95)	(93)
		<hr/>	<hr/>
Net decrease in cash and cash equivalents		(95)	(93)
Cash and cash equivalents at the beginning of the period		170,750	170,932
		<hr/>	<hr/>
Cash and cash equivalents at the end of the period	5	€ 170,655	€ 170,839
		<hr/> <hr/>	<hr/> <hr/>

(The notes on pages 10 to 23 form part of these unaudited financial statements)

RESPARCS FUNDING II LIMITED PARTNERSHIP

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30TH JUNE 2021

1. GENERAL INFORMATION

LIMITED PARTNERSHIP

RESPARCS Funding II Limited Partnership (the "Partnership" or "Limited Partnership") was established on 17th April 2003 and is registered as a Limited Partnership in Jersey, Channel Islands under the Limited Partnerships (Jersey) Law 1994 (as amended) with registration number 384.

ACTIVITIES

The principal activity of the Partnership was to participate in financing activities arranged for Hamburg Commercial Bank AG ("HCOB" or the "Bank") (formerly, HSH Nordbank Aktiengesellschaft).

GENERAL PARTNER

The General Partner of the Limited Partnership is European Capital Investment Opportunities Limited whose registration number is 85250.

DIRECTORS OF THE GENERAL PARTNER

The Directors of the General Partner who held office during the period and subsequently were:

Stephanie J. Hopkins

John N. Pendergast

REGISTERED OFFICE

Hamburg Commercial Bank AG:

The registered office is Gerhart-Hauptmann-Platz 50, 20095, Hamburg, Germany.

RESPARCS Funding II Limited Partnership:

The registered office is IFC 5, St. Helier, Jersey, Channel Islands, JE1 1ST.

2. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these 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 the 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 HCOB to fund its ongoing expenses under the terms of the Compensation Agreement. 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. Consequently, the General Partner believes that HCOB will continue to fund the Partnership's ongoing expenses under the terms of the Compensation Agreement. However, following the redemption of the Silent Contribution and the Capital Securities on 30th June 2021, the Partnership no longer serves any commercial purpose and it is likely that the Partnership will be dissolved in the foreseeable future. Therefore, these financial statements have been prepared on the basis that the Partnership is a non-going concern.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD ENDED 30TH JUNE 2021

2. ACCOUNTING POLICIES - (CONTINUED)

Going concern - (continued)

Following the redemption of the Silent Contribution and the Capital Securities on 30th June 2021, the Support Undertaking was terminated on 1st July 2021 and the Liquidity Facility was extended on 30th June 2021 and subsequently terminated on 25th August 2021. All other relevant agreements were also terminated on or around these dates except for the Compensation Agreement, which was amended through an Amendment Letter dated 23rd August 2021 whereby HCOB has agreed to continue to fund the Partnership's ongoing expenses until the Partnership and its General Partner and Limited Partner are dissolved. Consequently, in the General Partner's opinion, the Partnership will continue to be able to meet its obligations as they fall due for the foreseeable future and therefore remains solvent.

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" comprised 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 the Limited Partner in respect of withholding tax receivable; and, amounts receivable from HCOB under the 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 was lower than its amortised cost for a prolonged period. Consequently, the Partnership had recognised an impairment previously.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD ENDED 30TH JUNE 2021

2. ACCOUNTING POLICIES - (CONTINUED)

Impairment - (continued)

As at 31st December 2020, the Directors of the General Partner further reassessed the realisable value of the Silent Contribution to 1.79% in line with the notification received from HCOB on 1st April 2021 as disclosed in the Management Report and note 2 of the financial statements.

On 30th June 2021, the Silent Contribution was fully redeemed at 1.78807362466% of the initial principal amount.

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 6 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 Partnership's net assets in the event of the Partnership'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 Partnership'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 Partnership over the life of the instrument.

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

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

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

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD ENDED 30TH JUNE 2021

2. ACCOUNTING POLICIES - (CONTINUED)

Liabilities measured at amortised cost: Creditors

The Partnership's "Creditors" comprise: (i) its Loans payable, of which nil was convertible, being the Capital Securities issued; (ii) Trade creditors which, in turn, comprise the items detailed in note 8; (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.

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 had considered the characteristics of the Capital Securities issued and considered that the most appropriate classification of these securities was as financial liabilities. Accordingly, the Capital Securities were presented in the Balance Sheet under the heading Loans payable, of which nil was convertible.

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

Foreign currencies

The principal activity of the Partnership was to participate in financing activities arranged for HCOB, a German Bank. The Partnership's investment in the Silent Contribution and the Capital Securities issued were 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 (period ended 30th June 2020: 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.

RESPARCS FUNDING II LIMITED PARTNERSHIP

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD ENDED 30TH JUNE 2021

2. ACCOUNTING POLICIES - (CONTINUED)

German withholding tax

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

Distributions

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

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.

3. FINANCIAL ASSETS - OTHER LOANS

Silent capital interest in the commercial enterprise of HCOB ("Silent Contribution")

	Unaudited 30th Jun 21	Audited 31st Dec 20
Opening balance at 1st January	8,940,368	22,500,000
Impairment during the period/year	-	(13,559,632)
Redemption during the period/year	(8,940,368)	-
	<hr/>	<hr/>
Closing balance at the period/year end	€ -	€ 8,940,368
	<hr/>	<hr/>
Notional amount outstanding at the period/year end	€ -	€ 500,000,000
	<hr/>	<hr/>
Impairment loss due to permanent decrease in value	€ -	€ (491,059,632)
	<hr/>	<hr/>

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 was 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 was entitled to receive Profit Participations on the Silent Contribution. Profit Participations accrued 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 ran from 1st January of the year in which the Termination Date occurred and ended on the Termination Date, which was 31st December 2020.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD ENDED 30TH JUNE 2021

3. FINANCIAL ASSETS - OTHER LOANS - (CONTINUED)

Profit Participations were 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 had been adopted for the fiscal year of HCOB to which the relevant Profit Period related. No Profit Participation accrued for the Profit Period in which the Termination Date occurred.

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

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 remained a Silent Partner until the payment date.

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

The Silent Contribution was a perpetual instrument which would 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 might 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 exceeded 9% on a sustainable, unconsolidated or consolidated basis. However, HCOB had issued a Termination Notice wherein HCOB had formally announced the termination of the Resparcs II Participation Agreement with effect from 31st December 2020 (the "Termination Date"), whereby the Repayment Date would be 30th June 2021, and HCOB had 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 had formally objected to the Termination Notice.

On 1st April 2021, the Partnership received a notification from HCOB stating that the amount of loss allocated to the Silent Contribution for the financial year 2020 was 6.34980201968% of the principal amount. The corresponding reduction in the principal amount per RESPARC Security resulted in a remaining principal amount of 1.78807362466% of the initial principal amount. Consequently, due to HCOB's net balance sheet loss position, no Profit Participation payment was received with respect to the financial year 2020.

On 30th June 2021, the Silent Contribution was fully redeemed at 1.78807362466% of the initial principal amount.

RESPARCS FUNDING II LIMITED PARTNERSHIP**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS - (CONTINUED)****FOR THE PERIOD ENDED 30TH JUNE 2021****3. FINANCIAL ASSETS - OTHER LOANS - (CONTINUED)****STATEMENT OF CHANGES IN FIXED ASSETS****Development of fixed assets**

	<u>1st Jan 21</u>		<u>2021</u>		<u>30th Jun 21</u>	<u>30th Jun 21</u>	<u>30th Jun 21</u>	<u>31st Dec 20</u>
	Historical cost of acquisition	Additions	Disposals	Historical cost of acquisition	Accumulated depreciation	Carrying amount	Carrying amount	
Silent Contribution	€ 500,000,000	-	500,000,000	-	-	-	8,940,368	

Development in depreciation/amortisation

	<u>1st Jan 21</u>		<u>2021</u>		<u>30th Jun 21</u>	
	Accumulated depreciation	Depreciation in the financial period	Write-ups in the financial period	Change in total depreciation in connection with additions	Change in total depreciation in connection with disposals	Accumulated depreciation
Silent Contribution	€ 491,059,632	-	-	-	(491,059,632)	-

RESPARCS FUNDING II LIMITED PARTNERSHIP

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD ENDED 30TH JUNE 2021

4. RECEIVABLES AND OTHER ASSETS	Unaudited <u>30th Jun 21</u>	Audited <u>31st Dec 20</u>
Trade receivables - receivable within one year:		
Other receivables	1,092	4,023
	<hr/>	<hr/>
Receivables from affiliated companies		
Receivable in more than one year:		
Amounts receivable from Limited Partner in respect of withholding tax receivable	-	797,357
Receivable within one year:		
Amounts receivable from HCOB under Compensation Agreement	21,066	29,121
Amounts receivable from Limited Partner in respect of withholding tax receivable	829,976	-
	<hr/>	<hr/>
	851,042	826,478
	<hr/>	<hr/>
	€ 852,134	€ 830,501
	<hr/> <hr/>	<hr/> <hr/>

As no income has been received from the Silent Contribution since 2009, the Partnership had relied on the Liquidity Facility and Support Agreement to fund ongoing operational costs and expenses until 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 would 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. Further to an amendment letter dated 23rd August 2021, the Compensation Agreement was amended such that the Partnership and the Limited Partner are now entitled to receive reimbursement in respect of each Ongoing Payment.

5. CASH AND CASH EQUIVALENTS	Unaudited <u>30th Jun 21</u>	Audited <u>31st Dec 20</u>
HCOB - EUR account	€ 170,655	€ 170,750
	<hr/> <hr/>	<hr/> <hr/>

6. 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% (€0.10).

Limited Partner

The Limited Partner is European Equity Participation Management GmbH, incorporated in Germany. The Limited Partner's Partnership Share is 99.99% (€1,000).

RESPARCS FUNDING II LIMITED PARTNERSHIP

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS - (CONTINUED) FOR THE PERIOD ENDED 30TH JUNE 2021

7. LOANS PAYABLE, OF WHICH NIL IS CONVERTIBLE

Capital Securities issued - RESPARC Securities	Unaudited 30th Jun 21	Audited 31st Dec 20
Opening balance at 1st January	8,940,368	22,500,000
Decrease in estimated settlement amount	-	(13,559,632)
Redemption of Capital Securities during the period/year	(8,940,368)	-
Closing balance at the period/year end	€ -	€ 8,940,368
Notional amount outstanding at the period/year end	€ -	€ 500,000,000
Gain due to permanent decrease in value of Silent Contribution	€ -	€ (491,059,632)

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 had 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 was €1,000. The Capital Securities issued were listed on the Frankfurt Stock Exchange and the Official Segment of the stock market of Euronext Amsterdam N.V.

The Capital Securities bore 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 were received by the Partnership. It was 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 was that coupon payments thereon were 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 were perpetual Capital Securities, having no mandatory maturity date. However, the Capital Securities issued might be redeemed, at the option of HCOB, on the date on which the Silent Contribution was repaid in accordance with the Participation Agreement. The redemption amount was equal to the Repayment Amount required to be paid by HCOB under the Participation Agreement. The Capital Securities issued were also redeemable, in whole but not in part, at the option of the Partnership, on 30th June 2009 and annually thereafter. However, such early termination was only permissible if financing of the redemption of the Capital Securities at their nominal amount, plus any interest accrued thereon, had 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 year 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 bore the ultimate risk regarding the ability of HCOB to make payments on the Silent Contribution.

The liabilities of the Partnership under the Capital Securities were supported by HCOB Luxembourg Branch under the Support Undertaking, as described in note 9. The holders of the Capital Securities were therefore also exposed to the risk of default of HCOB Luxembourg Branch.

On 1st April 2021, the Partnership received a notification from HCOB stating that the amount of loss allocated to the Silent Contribution for the financial year 2020 was 6.34980201968% of the principal amount. The reduction in the principal amount per RESPARC Security corresponds to this amount resulting in a remaining principal amount of 1.78807362466% of the initial principal amount. As a consequence, there was no replenishment allocated and no Profit Participation payment was received with respect to the financial year 2020.

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 31st December 2020. As at 30th June 2021, HCOB had acquired €456,949,000 (or 91.39%) of the outstanding nominal amount of the Capital Securities.

RESPARCS FUNDING II LIMITED PARTNERSHIP**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS - (CONTINUED)****FOR THE PERIOD ENDED 30TH JUNE 2021****7. LOANS PAYABLE, OF WHICH NIL IS CONVERTIBLE - (CONTINUED)**

On 30th June 2021, the Capital Securities were fully redeemed at 1.78807362466% of the initial principal amount.

8. TRADE CREDITORS

	Unaudited <u>30th Jun 21</u>	Audited <u>31st Dec 20</u>
Trade creditors (all due within one year):		
Administration fees payable	23,111	13,587
Audit fee payable - PwC Germany	-	58,905
	<u>€ 23,111</u>	<u>€ 72,492</u>

As explained in note 2, no Profit Participation income was receivable during the period ended 30th June 2021. Since the coupon payments on the Capital Securities were contingent on the receipt of Profit Participation income, no accrual in respect of interest payable was made as at the period end.

9. AMOUNTS OWED TO AFFILIATED COMPANIES

	Unaudited <u>30th Jun 21</u>	Audited <u>31st Dec 20</u>
Support Undertaking fee payable to HCOB Luxembourg Branch	€ 30,333	€ -

The liabilities of the Partnership were supported by HCOB Luxembourg Branch under a Support Undertaking dated 26th May 2003. HCOB Luxembourg Branch had undertaken to ensure that the Partnership would at all times be in a position to meet its obligations. HCOB Luxembourg Branch's payment obligations under the Support Undertaking were 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 were subordinated. A Support Undertaking Fee was 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. As previously stated, the Support Undertaking was terminated on 1st July 2021.

	Unaudited <u>30th Jun 21</u>	Audited <u>31st Dec 20</u>
Liquidity Facility drawn down, including accrued interest payable	€ 969,345	€ 928,759

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 was available until the termination date of the Participation Agreement, on which date any amounts advanced under the Liquidity Facility would become repayable. Interest was payable quarterly in arrears at the 12 month Euribor rate plus a margin of 0.3%.

Following the redemption of the Silent Contribution and Capital Securities on 30th June 2021, the Liquidity Facility was extended on 30th June 2021 and subsequently terminated on 25th August 2021. Refer to note 21 for further details.

	Unaudited <u>30th Jun 21</u>	Audited <u>31st Dec 20</u>
Total amounts owed to affiliated companies	€ 999,678	€ 928,759

RESPARCS FUNDING II LIMITED PARTNERSHIP

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS - (CONTINUED) FOR THE PERIOD ENDED 30TH JUNE 2021

10. LIABILITIES

The composition of the liabilities and their remaining contractual maturities are shown in the following schedule:

	Unaudited 30th Jun 21	Audited 31st Dec 20
	€	€
Loans payable, of which nil is convertible		
- thereof due within one year	-	8,940,368
Trade creditors		
- thereof due within one year	23,111	72,492
Amounts owed to affiliated companies		
- thereof due within one year	999,678	928,759

11. OTHER OPERATING INCOME

	Unaudited 1st Jan 21 to 30th Jun 21	Unaudited 1st Jan 20 to 30th Jun 20
	€	€
Income from HCOB under Compensation Agreement	108,661	219,573
Unrealised exchange gain	-	14,088
Other income	21,165	-
	<u>€ 129,826</u>	<u>€ 233,661</u>

12. OTHER OPERATING CHARGES

	Unaudited 1st Jan 21 to 30th Jun 21	Unaudited 1st Jan 20 to 30th Jun 20
	€	€
Other operating charges include the following:		
Support undertaking fees payable to HCOB Luxembourg Branch	60,333	61,667
Management and Administration fees payable to SANNE	37,819	82,051
Legal and professional fees	12,346	49,331
Audit fees - PwC Germany	-	27,500
Expenses paid on behalf of General Partner and Trust	8,262	8,115
German fiscal fees	11,066	-

13. TAXATION

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

14. ULTIMATE CONTROLLING PARTY

In accordance with the Limited Partnership Agreement, 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 6, 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 the Partnership.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD ENDED 30TH JUNE 2021

15. RELATED PARTIES

Each of John N. Pendergast and Stephanie 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 Stephanie J. Hopkins and John 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 in note 12 to the financial statements. Fees owed at the period end are disclosed in note 8 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, 7, 8 and 18.

Expenses paid on behalf of the General Partner and the Limited Partner and their respective holding entities during the period are also disclosed note 12 to the financial statements.

16. FINANCIAL INSTRUMENTS

As stated in the Management Report, the principal activity of the Partnership was limited to participation in financing activities arranged for HCOB. The Partnership had issued the Capital Securities and the proceeds from which had been used to acquire the Silent Contribution in the commercial enterprise of HCOB. Therefore, the role of financial assets and financial liabilities was 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 provided 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 had 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 were ultimately borne by the holders of the Capital Securities.

17. CAPITAL MANAGEMENT

The Partnership's transactions were 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 were fixed and were established on formation of the Partnership in order that the Partnership was intended to realise a margin that was sufficient to pay the ongoing operational expenses of the Partnership and any loan interest payable on the liquidity facility.

No Profit Participation income had been received since 2008 and therefore no margin has been realised since then. The operational expenses, loan interest and Support Undertaking fees of the Partnership were previously funded received by HCOB Luxembourg Branch under the Support Undertaking Agreement and the Liquidity Facility. As previously stated, the Partnership's operational expenses are now funded under the Compensation Agreement.

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.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD ENDED 30TH JUNE 2021

18. 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 €2,339 (£2,000) (period ended 30th June 2020: €2,236 (£2,000)).

19. COMPENSATION AGREEMENT

As no income has been received from the Silent Contribution since 2009, the Partnership had relied on the Liquidity Facility and Support Agreement to fund ongoing operational costs and expenses until 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 would 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. Further to an amendment letter dated 23rd August 2021, the Compensation Agreement was amended such that the Partnership and the Limited Partner are now entitled to receive reimbursement in respect of each Ongoing Payment. Refer to note 21 for further details.

In accordance with the Compensation Agreement, the Partnership recognised income in the amount of €108,661 during the period (period ended 30th June 2020: €219,573).

20. CONTINGENT LIABILITY

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.

21. SUBSEQUENT EVENTS

Following the redemption of the Silent Contribution and the Capital Securities on 30th June 2021 and subsequent to the period end, HCOB terminated the Support Undertaking, the Liquidity Facility and all other relevant agreements except for the Compensation Agreement, which was amended as detailed below.

On 1st July 2021, the Partnership and HCOB entered into an agreement to terminate the Support Undertaking agreement.

The Compensation Agreement was amended through an Amendment Letter dated 23rd August 2021 whereby HCOB has agreed to continue to fund the Partnership's ongoing expenses until the Partnership and its General Partner and Limited Partner are dissolved.

On 24th August 2021, the Partnership and HCOB entered into an Assignment of Receivables agreement whereby payment claims held by the Partnership against the Limited Partner (European Equity Participation Management GmbH) were assigned to HCOB in consideration for repayment/cancellation of the equivalent amount of the Partnership's debts under the Liquidity Facility.

On 25th August 2021, HCOB issued a payoff letter that terminated the Liquidity Facility.

All amounts receivable from affiliated companies were received and all amounts payable to affiliated companies were repaid, except for the cash balance held at HCOB which is ultimately repayable to HCOB.

RESPARCS FUNDING II LIMITED PARTNERSHIP

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD ENDED 30TH JUNE 2021

21. SUBSEQUENT EVENTS - (CONTINUED)

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

The financial statements on pages 6 to 23 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 24th September 2021 and were signed on its behalf by:



John N. Pendergast



Stephanie J. Hopkins