

RESPARCS FUNDING II LIMITED PARTNERSHIP

UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30TH JUNE 2009

RESPARCS FUNDING II LIMITED PARTNERSHIP

REPORT OF THE GENERAL PARTNER

The General Partner, European Capital Investment Opportunities Limited, presents its annual report and the audited financial statements for the period ended 30th June 2009.

PARTNERSHIP

Resparcs Funding II Limited Partnership (the "Partnership") was established on 17th April 2003 and is registered as a limited partnership in Jersey under the Limited Partnerships (Jersey) Law 1994 for an unlimited duration. The Partnership commenced activities on 26th May 2003, with the issue of €500,000,000 nominal of RESPARC Securities.

ACTIVITIES

The principal activity of the Partnership is to participate in financing activities arranged for HSH Nordbank Aktiengesellschaft ("HSH Nordbank"). The Partnership has issued €500,000,000 nominal of 7.5% Re-Engineered Silent Participation Assimilated Regulatory Capital (RESPARC) Securities (the "RESPARC Securities"), the proceeds from which have been used to acquire a silent capital interest (the "Silent Contribution") in the commercial enterprise of HSH Nordbank in the form of a "Stille Gesellschaft" under German law in the amount of €500,000,000. The market for the Silent Contribution and hence the RESPARC Securities issued by the Partnership, is limited to highly sophisticated investors who understand the risks and rewards associated with these financial instruments. The RESPARC Securities are listed on the Frankfurt Stock Exchange and the Official Segment of the stock market of Euronext Amsterdam N.V.

GOING CONCERN

Due to the limited recourse nature of the structure, the Directors of the General Partner are of the opinion that the Partnership will be able to meet its obligations as they fall due. Therefore the financial statements have been prepared on going concern basis, notwithstanding the technical net liability position of the Partnership at the year end.



Signed on behalf of
European Capital Investment Opportunities Limited
General Partner
22 Grenville Street
St. Helier
Jersey, Channel Islands
JE4 8PX
Date:

RESPARCS FUNDING II LIMITED PARTNERSHIP

STATEMENT OF GENERAL PARTNER'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The General Partner is responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards.

The General Partner is responsible for the preparation of financial statements for each financial period which give a true and fair view of the surplus or deficit of the Partnership for the period and of the state of affairs at the end of the period. In preparing the financial statements the General Partner should:

- * select suitable accounting policies and then apply them consistently;
- * make judgements and estimates that are reasonable and prudent;
- * state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- * prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Partnership will continue in business.

The General Partner is responsible for keeping accounting records which are sufficient to show and explain the Partnership's transactions and are such as to disclose with reasonable accuracy, at any time, the financial position of the Partnership. The General Partner is also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud, errors and other irregularities.

RESPARCS FUNDING II LIMITED PARTNERSHIP

STATEMENT OF PERSONS RESPONSIBLE WITHIN THE ISSUER

With regard to Regulation 2004/109/EC of the European Union (the "EU Transparency Directive"), we confirm to the best of our knowledge that the unaudited interim financial statements for the period ended 30th June 2009 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Limited Partnership as required by the applicable accounting standards. The Report of the General Partner gives a true and fair view of important events that have occurred during the the period and their impact on the financial statements. The principal risks and uncertainties faced by the Limited Partnership are disclosed in Note 13 of these financial statements.

A handwritten signature in black ink, appearing to read "Gunter F. Müller", with a long, sweeping horizontal stroke extending to the right.

Signed on behalf of

General Partner

Date: 25/08 2009

RESPARCS FUNDING II LIMITED PARTNERSHIP

BALANCE SHEET

AS AT 30TH JUNE 2009

	<u>Notes</u>	<u>30th Jun 09</u>	<u>31st Dec 08</u>
NON-CURRENT ASSETS			
Loans and receivables	2	500,000,000	500,000,000
CURRENT ASSETS			
Trade and other receivables	3	39,408,378	20,177,254
Cash and cash equivalents	4	155,292	255,574
		39,563,670	20,432,828
TOTAL ASSETS		€ 539,563,670	€ 520,432,828
EQUITY AND LIABILITIES			
Capital and reserves			
Capital account		1,000	1,000
Retained earnings		(143,966)	(356,116)
TOTAL PARTNERS' DEFICIT		(142,966)	(355,116)
Non-current liabilities			
Loans payable	6	20,775,955	20,775,955
Capital Securities	7	500,000,000	500,000,000
		520,775,955	520,775,955
Current liabilities			
Trade payables	5	18,930,681	11,989
TOTAL EQUITY AND LIABILITIES		€ 539,563,670	€ 520,432,828

The financial statements were approved and authorised for issue by the Board of the General Partner on the 25TH day of *August* 2009 and were signed on its behalf by:

Director: *Vander*

RESPARCS FUNDING II LIMITED PARTNERSHIP

INCOME STATEMENT

FOR THE PERIOD 1ST JANUARY 2009 TO 30TH JUNE 2009

	<u>Notes</u>	<u>30th Jun 09</u>	<u>31st Dec 08</u>
INCOME:			
Profit Participation receivable	2	19,231,250	18,967,802
Deposit interest receivable		306	2,772
German fiscal fees refund		-	396
Unrealised gain on exchange		-	2,740
		<u>19,231,556</u>	<u>18,973,710</u>
EXPENDITURE:			
Interest payable on Securities issued	7	18,595,890	18,595,890
Transaction fee payable		294	312
Loan interest payable		309,078	561,482
Support undertaking fees		60,333	122,000
Professional fees		3,483	-
Listing expenses		5,000	-
Administration fees - Mourant & Co		10,382	8,819
Management fees - Mourant & Co		1,958	6,042
Audit fees		20,792	19,985
ISE fees		224	-
Bank Charges		222	293
Expenses paid on behalf of General Partner		10,181	27,469
German fiscal fees payable		125	529
Unrealised loss on exchange		1,444	-
		<u>19,019,406</u>	<u>19,342,821</u>
PROFIT / (LOSS) FOR THE PERIOD / YEAR	€	<u>212,150</u>	€ (<u>369,111</u>)

Continuing operations

All items dealt with in arriving at the net profit for the period ended 30th June 2009 and the net loss for the year ended 31st December 2008 relate to continuing activities.

RESPARCS FUNDING II LIMITED PARTNERSHIP

STATEMENT OF CHANGES IN PARTNERS' EQUITY

FOR THE PERIOD 1ST JANUARY 2009 TO 30TH JUNE 2009

	Capital Contributed	Retained earnings	Total
Balance at 1st January 2009	1,000	(356,116)	(355,116)
Profit for the period	-	212,150	212,150
Distribution paid	-	-	-
Balance at 30th June 2009	<u>€ 1,000</u>	<u>€ (143,966)</u>	<u>€ (142,966)</u>
Balance at 1st January 2008	1,000	112,995	113,995
Loss for the year	-	(369,111)	(369,111)
Distribution paid	-	(100,000)	(100,000)
Balance at 31st December 2008	<u>€ 1,000</u>	<u>€ (356,116)</u>	<u>€ 13,995</u>

RESPARCS FUNDING II LIMITED PARTNERSHIP

CASH FLOW STATEMENT

FOR THE PERIOD 1ST JANUARY 2009 TO 30TH JUNE 2009

	<u>30th Jun 09</u>	<u>31st Dec 08</u>
Cash flows from operating activities		
Profit / (Loss) for the period / year	212,150	(369,111)
Increase / (Decrease) in trade payables	322,802	(710,353)
Decrease in trade and other receivables	126	150
Deposit interest receivable	(306)	(2,772)
Interest payable on Securities issued	18,595,890	18,595,890
Profit participation receivable	(19,231,250)	(18,967,802)
	<hr/>	<hr/>
Net cash outflow from operating activities	(100,588)	(1,453,998)
	<hr/>	<hr/>
Cash flows from investing activities		
Deposit interest received	306	2,772
Profit participations received	-	38,250,000
	<hr/>	<hr/>
Net cash inflow from investing activities	306	38,252,772
	<hr/>	<hr/>
Cash flows from financing activities		
Amount drawn under Loan Agreement	-	595,763
Distribution paid	-	(100,000)
Interest paid on Securities issued	-	(37,500,000)
	<hr/>	<hr/>
Net cash outflow from financing activities	-	(37,004,237)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(100,282)	(205,463)
	<hr/>	<hr/>
Cash and cash equivalents at the beginning of the period	255,574	461,037
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period / year	€ 155,292	€ 255,574
	<hr/> <hr/>	<hr/> <hr/>

RESPARCS FUNDING II LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD 1ST JANUARY 2009 TO 30TH JUNE 2009

1. ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee. The more significant accounting policies used are set out below.

Basis of measurement

The financial statements have been prepared on the historical cost basis.

New standards and interpretations not yet adopted

In November 2006, the IASB issued IFRS 8 – "Operating Segments" which is effective for annual periods beginning on or after 1st January 2009. The standard requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. This "management approach" differs from IAS 14, which required the disclosure of two sets of segments, business and geographical segments, based on a disaggregation of information contained in the financial statements. Under IFRS 8 operating segments become reportable based on threshold tests related to revenues, results and assets. The Limited Partnership will apply IFRS 8 for its accounting period commencing 1st January 2009.

The Limited Partnership has not applied IAS 1 revised (on 6th September 2007) in these financial statements. The revised standard mainly introduces the concept of "total comprehensive income". This is applicable for financial periods starting on or after 1st January 2009.

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the year. Actual results could differ from those estimates.

The significant areas of uncertainty were in measuring future cash flows and the fair values of the RESPARC Securities and Silent Capital Interest as disclosed in Note 13.

Loans and Receivables

The Partnership has designated its investments as loans and receivables under International Accounting Standard 39 'Financial Instruments: Recognition and Measurement' ("IAS 39"). Loans and receivables are initially recognised at cost on the date of purchase and are stated at amortised cost using the effective interest rate basis thereafter less impairment losses. Loans and receivables are derecognised when the rights to receive cash flows from the investments have expired or the Partnership has transferred substantially all risks and rewards of ownership.

Capital Securities

Capital Securities ("Securities") are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, Securities are stated at amortised cost using the effective interest method. The scheduled redemption amount of the Securities at the scheduled maturity dates will be the lesser of (i) the nominal amount invested; or (ii) the amount received by the Partnership in respect of the redemption of the Investments held by the Partnership. The Capital Securities are derecognised when the obligations under the Capital Securities are discharged, cancelled or expired.

The Directors of the General Partner have considered the characteristics of the Capital Securities and consider that the most appropriate classification of these securities is as other financial liabilities.

RESPARCS FUNDING II LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2009 TO 30TH JUNE 2009

1. ACCOUNTING POLICIES - (CONTINUED)

Fair Value Estimation

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e., the fair value of the consideration given or received). The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

The Partnership may invest in financial instruments that are not traded in an active market. The fair value of such instruments is determined by using valuation techniques. The Partnership uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Valuation techniques used include the use of comparable recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Cash and cash equivalents

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

Currency of domicile, functional currency and presentation currency

The currency of domicile is GBP (pounds sterling). Items included in the financial statements of the Partnership are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Euro, which is the Partnership's functional and presentation currency.

Foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Segmental reporting

In the General Partner's opinion there are no reportable business segments or geographical segments as the Partnership's activities are limited to one main business and geographic segment.

Employees

The Partnership had no employees during the period ended 30th June 2009 or the year ended 31st December 2008.

RESPARCS FUNDING II LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2009 TO 30TH JUNE 2009

1. ACCOUNTING POLICIES - (CONTINUED)

Impairment of financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. All impairment losses are recognised in the income statement. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Profit participation income and interest expense on securities

Profit participation income and interest expense on securities is accounted for on an effective interest rate basis. Other interest income is accrued for on an accruals basis

German withholding tax

Profit participation income is received net of German withholding tax "WHT". The Partnership is refunded the amount of WHT deducted as part of the 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.

2. LOANS AND RECEIVABLES

	<u>30th Jun 09</u>	<u>31st Dec 08</u>
Silent capital interest in the commercial enterprise of HSH Nordbank	€ 500,000,000	€ 500,000,000

On 28th May 2003, the Partnership acquired a silent capital interest (the "Participation" or the "Silent Contribution") in the commercial enterprise (Handelsgewerbe) of Landesbank Schleswig-Holstein Girozentrale ("LB Kiel") with retroactive effect as of 1 January 2003. The Participation 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 HSH Nordbank Aktiengesellschaft ("HSH Nordbank").

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 HSH Nordbank's annual financial statements have been adopted for the fiscal year of HSH Nordbank to which the relevant Profit Period relates. No Profit Participation shall accrue for the Profit Period in which the Termination Date occurs.

RESPARCS FUNDING II LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2009 TO 30TH JUNE 2009

2. LOANS AND RECEIVABLES - (Continued)

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 on to the Partnership under the terms of the Contribution Agreement. Under the Loan Agreement, HSH Nordbank 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 Income Statement.

At the outset of the transaction it was agreed between the Partnership and HSH Nordbank 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 HSH Nordbank having sufficient distributable profits, Profit Participations accrue on the book value of the Silent Contribution at a rate of 7.65% p.a.

The Participation is a perpetual instrument. The Silent Contribution will only be repaid to the Silent Partner after termination of the Participation Agreement by HSH Nordbank. HSH Nordbank 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 HSH Nordbank's solvency ratio exceeds 9% on a sustainable, unconsolidated or consolidated basis.

On 25th March 2009, HSH Nordbank issued a Press Release stating that HSH Nordbank would not be servicing its Profit Participation certificates as HSH Nordbank has realised an unappropriated profit of zero as at 31st December 2008. Therefore, Profit Participation income accrued as at 31st December 2008, of €19,282,198, has been reduced to €nil to reflect the fact that no Profit Participation income will be received in 2009.

No impairment has been recognised in relation to the Silent Capital interest as at 31st December 2008, the reason for this is that we expect that HSH Nordbank will be in a position to make future distributions in the short term. However, the Directors of the General Partner will continue to review the need for impairment during 2009 and will subsequently make a provision in the 2009 financial statements once additional financial information is available indicating a permanent diminution in value. For further details please refer to Note 15.

3. TRADE AND OTHER RECEIVABLES

	<u>30th Jun 09</u>	<u>31st Dec 08</u>
Withholding tax receivable	20,177,005	20,177,005
Profit Participation receivable	19,231,250	-
Prepaid German fiscal fees	123	249
	<u>€ 39,408,378</u>	<u>€ 20,177,254</u>

4. CASH AND CASH EQUIVALENTS

	<u>30th Jun 09</u>	<u>31st Dec 08</u>
HSH Nordbank - EUR account 53004300	902	903
HSH Nordbank - EUR account 53004295	154,390	254,671

RESPARCS FUNDING II LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2009 TO 30TH JUNE 2009

5. TRADE PAYABLES	<u>30th Jun 09</u>	<u>31st Dec 08</u>
Interest payable on RESPARC Securities	18,595,890	-
Mourant & Co. - Administration fees	2,000	-
Loan interest payable	309,078	-
Audit fee payable	22,713	10,726
Sundry creditor	1,000	1,263
	<hr/>	<hr/>
	€ 18,930,681	€ 11,989
	<hr/> <hr/>	<hr/> <hr/>

As explained in Note 2, there has been no Profit Participation income receivable at 31st December 2008. Since the Coupon payments on the RESPARC Securities are contingent on the receipt of Profit Participation income, no accrual has been made as at 31st December 2008 in respect of interest payable. Please refer to Note 15 for further

6. LOANS PAYABLE	<u>30th Jun 09</u>	<u>31st Dec 08</u>
Loan from HSH Nordbank Luxembourg	€ 20,775,955	€ 20,775,955
	<hr/> <hr/>	<hr/> <hr/>

Liquidity Facility

The Partnership has been granted a Liquidity Facility up to a maximum amount of €22,000,000. 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%. There were no amounts advanced under the Liquidity Facility as at 30th June 2009 (2008: € nil).

Loan Agreement

The Partnership has been granted an unlimited facility under a Loan Agreement dated 26th May 2003 between the Partnership and HSH Nordbank Luxembourg. On each date on which a Profit Participation payment or Silent Contribution replenishment becomes due, HSH Nordbank Luxembourg is required to pay to the Partnership an advance in an amount corresponding to the withholding made by HSH Nordbank on account of either WHT on the relevant Profit Participation Payment, or Silent Contribution replenishment.

Pursuant to a Contribution Agreement dated 26th May 2003, the Limited Partner must pay to the Partnership all payments it receives from the German tax authorities on account of its Tax Refund Claim. The Partnership expects to repay such advances with the monies that it receives under the Contribution Agreement. Under the Loan Agreement the Partnership must use these monies to promptly repay outstanding advances. If such amounts received are insufficient to repay the advances in full, the liabilities of the Partnership are supported by HSH Nordbank Luxembourg under the Support Undertaking, as described in note 8. The loan agreement was amended on 21st December 2007 and from 1st July 2007 the rate of interest is equivalent to 3% per annum.

RESPARCS FUNDING II LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2009 TO 30TH JUNE 2009

7. CAPITAL SECURITIES	<u>30th Jun 09</u>	<u>31st Dec 08</u>
RESPARC Securities issued	€ 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 "RESPARC Securities"), the proceeds from which have been used to acquire a silent capital interest (the "Silent Contribution") in the commercial enterprise of HSH Nordbank in the form of a "Stille Gesellschaft" under German law in the amount of €500,000,000. The nominal amount of each RESPARC Security is €1,000. The RESPARC Securities are listed on the Frankfurt Stock Exchange and the Official Segment of the stock market of Euronext Amsterdam N.V.

The RESPARC 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. Coupon payments are contingent on the Partnership's actual receipt of Profit Participation payments from HSH Nordbank under the Participation Agreement and advances from HSH Nordbank Luxembourg under the Loan Agreement.

The RESPARC Securities are perpetual securities, having no mandatory maturity date. However, the Preferred Securities may be redeemed, at the option of HSH Nordbank, 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 HSH Nordbank under the Participation Agreement. The RESPARC Securities 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 RESPARC Securities at their nominal amount, plus any interest accrued thereon, has been secured through the issuance of similar debt securities or in any other way.

The liabilities of the Partnership under the RESPARC Securities are supported by HSH Nordbank Luxembourg under the Support Undertaking, as described in note 8. Please refer to Note 15 in respect of payments due under the RESPARC Securities.

8. SUPPORT UNDERTAKING AND SUPPORT UNDERTAKING FEES

The liabilities of the Partnership are supported by HSH Nordbank Luxembourg under a Support Undertaking dated 26th May 2003. HSH Nordbank Luxembourg has undertaken to ensure that the Partnership will at all times be in a position to meet its obligations. HSH Nordbank Luxembourg's payment obligations under the Support Undertaking are subordinated to all senior and subordinated debt obligations of HSH Nordbank Luxembourg in the same manner as HSH Nordbank's payment obligations under the Participation Agreement are subordinated. A Support Undertaking Fee is payable by the Partnership to HSH Nordbank Luxembourg, 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.

RESPARCS FUNDING II LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2009 TO 30TH JUNE 2009

9. TAXATION

Any tax liability arising on the activity of the Partnership will be borne by the individual Limited Partners.

The General Partner has exempt status for Jersey taxation purposes for the year assessment 2008. Effective 1st January 2009, Jersey's tax regime has changed. The new regime imposes a general corporate income tax of 0%, 10% will apply to certain regulated financial services companies and 20% rate will apply to utilities and income from Jersey land (ie rents and development profits). Jersey resident companies are treated as resident for tax purposes and will be subject to zero or ten percent standard income tax rate.

Since the General Partner is not a regulated financial service entity, the effect of the new tax regime is limited to the change of status from exempt to liable to Jersey income tax at 0%.

10. PARTNERSHIP INTERESTS

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 dated 17th April 2003 and the Limited Partnerships (Jersey) Law 1994.

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%.

Partnership Profits and Losses

The profits and losses of the Partnership shall belong to or be borne by the Partners in their respective partnership share subject to the fact that the total liability of the Limited Partner shall not exceed the Capital Contribution of the Limited Partner (i.e. €1,000).

11. ULTIMATE CONTROLLING PARTY

In the opinion of the Directors of the General Partner, based on the terms of the Limited Partnership Agreement, European Equity Participation Management GmbH, incorporated in Germany, is considered to be the controlling party of the Limited Partnership. However the directors of the General Partner acknowledge that under IFRS HSH Nordbank is considered to be the ultimate controlling party of the Limited Partnership.

12. RELATED PARTIES

H. Grant, G. Essex-Cater, S. Vardon and D. Godwin, who are or were Directors of the General Partner, are also officers or authorised signatories of Maurant & Co. Secretaries Limited, which acts as Company Secretary to the General Partner. G. Essex-Cater is a shareholder of Maurant Limited. Each of H. Grant, G. Essex-Cater, S. Vardon and D. Godwin is an employee of a subsidiary of Maurant Limited. Affiliates of Maurant Limited provide ongoing administrative services to the Partnership at commercial rates. The Partnership is consolidated within the HSH Nordbank group and therefore HSH Nordbank and affiliates are related parties in all transactions.

Fees incurred with Maurant & Co. during the year in respect of administration and management fees are detailed on the face of the Income Statement. Amounts owed to Maurant & Co. at the year end are disclosed in Note 5 to the financial statements. Amounts owed to and from HSH Nordbank and affiliates are disclosed in notes 2, 3, 6, 8.

Expenses paid on behalf of the General Partner during the year are also disclosed on the face of the Income

RESPARCS FUNDING II LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2009 TO 30TH JUNE 2009

13. FINANCIAL INSTRUMENTS

As stated in the General Partner's Report the principal activity of the Partnership is limited to participation in financing activities arranged for HSH Nordbank. The Partnership has issued the RESPARC Securities. The proceeds from the issue of the RESPARC Securities have been used to acquire a silent capital interest (the "Silent Contribution") in the commercial enterprise of HSH Nordbank. 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.

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 to match the properties of its financial liabilities to its assets to avoid significant elements of risk generated by mismatches of investment performance against its obligations, together with any maturity, liquidity or interest rate risk.

Short term trade receivables and trade payables have been excluded from the following disclosures:

Interest rate risk

The Partnership finances its operations through the issue of the RESPARC Securities. The coupons payable on the RESPARC Securities are matched by the Profit Participations receivable on the Silent Contribution. Accordingly, the General Partner believes that there is no significant net interest rate risk to the Partnership as the interest rates are effectively fixed.

The interest rate profile of the Partnership's financial assets and financial liabilities is as follows:

		<u>30th Jun 09</u>		<u>31st Dec 08</u>	
	Interest charging basis	Weighted average interest rate %	Amount	Weighted average interest rate %	Amount
Financial assets:					
Silent Contribution	Fixed	7.65	500,000,000	7.65	500,000,000
Cash and cash equivalents	Floating	0.20	155,292	1.07	255,574
			<u>€ 500,155,292</u>		<u>€ 500,255,574</u>
Financial liabilities:					
Loans payable - Loan Agreement	Fixed	3.00		4.00	20,775,955
RESPARC Securities	Fixed	7.50	500,000,000	7.50	500,000,000
			<u>€ 500,000,000</u>		<u>€ 520,775,955</u>

Currency risk

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

RESPARCS FUNDING II LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2009 TO 30TH JUNE 2009

13. FINANCIAL INSTRUMENTS-(CONTINUED)

Credit risk

Credit risk arises from the risk that HSH Nordbank and affiliates may not repay, if requested, all amounts due to the partnership under the Silent Partnership Agreement and any withholding tax receivable. On the basis that the RESPARC Securities issued by the Partnership are limited recourse notes, with the amount payable to Noteholders limited to the amounts received under the Silent Participation Agreement, in the opinion of the General Partner this does not represent a net material risk to the Partnership.

On 25th March 2009, HSH Nordbank issued a Press Release stating that HSH Nordbank would not be servicing its Profit Participation certificates as HSH Nordbank has realised an unappropriated profit of zero as at 31st December 2008.

No impairment has been recognised in relation to the Silent Capital interest as at 31st December 2008, the reason for this is that we expect that HSH Nordbank will be in a position to make future distributions in the short term. However, the Directors of the General Partner will continue to review the need for impairment during 2009 and will subsequently make a provision in the 2009 financial statements once additional financial information is available indicating a permanent diminution in value. For further details in respect of current market conditions and the credit quality of the financial assets held by the Partnership please refer to Note 15.

On 1st April 2009 Moody's downgraded the RESPARC Securities from Baa1 to Caa1.

Fair values

The fair value of the RESPARC Securities has been obtained from quoted market prices. In the General Partner's opinion there is no material difference between the fair value of the Silent Contribution and the fair value of the RESPARC Securities.

In the General Partner's opinion there is no material difference between the fair value and carrying value of the other short term receivables and payables.

Sensitivity analysis

As disclosed above, in the General Partner's opinion, there is no material difference between the fair value of the RESPARC Securities and the fair value of the Silent Contribution. From the perspective of the Limited Partnership, any change in the fair value of the RESPARC Securities would be matched by an equal and opposite change in the fair value of the Silent Contribution. Consequently the Limited Partnership is not exposed to market price risk.

Also as disclosed above, in the General Partner's opinion, there is no material interest rate risk to the Limited Partnership, nor is there any significant currency rate risk to the Limited Partnership.

IFRS 7 requires disclosure of "a sensitivity analysis for each type of market risk to which the entity is exposed at the reporting date, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date." As stated, whilst the financial instruments held by the Limited Partnership are separately exposed to interest rate risk and market price risk, the Limited Partnership itself is not exposed to market risk overall. Therefore, in the General Partner's opinion, no sensitivity analysis is required to be disclosed.

In addition, as the RESPARC Securities and the Silent Contribution are stated at amortised cost, any changes in fair value of the RESPARC Securities and/or the Silent Contribution would have no effect on profit or loss and/or equity

RESPARCS FUNDING II LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2009 TO 30TH JUNE 2009

13. FINANCIAL INSTRUMENTS-(CONTINUED)

	<u>30th Jun 09</u>		<u>31st Dec 08</u>	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Silent Contribution	500,000,000		500,000,000	136,229,500
Cash and cash equivalents	155,292	155,292	255,574	255,574
Trade and other receivables	39,408,378	39,408,378	20,177,254	20,177,254
	<u>€ 539,563,670</u>	<u>€ 39,563,670</u>	<u>€ 520,432,828</u>	<u>€ 156,662,328</u>
Financial liabilities:				
Loans payable - Loan Agreement			20,775,955	20,775,955
Trade payables	18,930,681	18,930,681	11,989	11,989
RESPARC Securities	500,000,000	136,229,500	500,000,000	136,229,500
	<u>€ 518,930,681</u>	<u>€ 155,160,181</u>	<u>€ 520,787,944</u>	<u>€ 157,017,444</u>

The Directors of the General Partner have reviewed the fair value of the RESPARC Securities as at 31st December 2008 and consider that the market price reflects current adverse conditions affecting the banking sector as a whole and is not representative of the likely termination value of the RESPARC Securities.

The effects of market conditions and the future expected profitability of HSH Nordbank on the fair value of the RESPARCS Securities are further explained in Note 15.

Maturity of financial assets and liabilities

The maturity profile of the Partnership's financial assets and financial liabilities is as follows:

	<u>30th Jun 09</u>		<u>31st Dec 08</u>	
	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
Less than one year	39,563,670	39,706,636	20,432,828	20,787,944
In more than five years	500,000,000	500,000,000	500,000,000	500,000,000
	<u>€ 539,563,670</u>	<u>€ 539,706,636</u>	<u>€ 520,432,828</u>	<u>€ 520,787,944</u>

In the opinion of the General Partner, given the above maturity profile, the Limited Partnership is not exposed to significant liquidity risk.

RESPARCS FUNDING II LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2009 TO 30TH JUNE 2009

13. FINANCIAL INSTRUMENTS-(CONTINUED)

Capital management

The Limited Partnership's transactions are designed to enable the Limited 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 Participation and interest expense payable on the Capital Securities are fixed and were established on formation of the Limited Partnership in order that the Limited Partnership realises a margin that is sufficient to pay the ongoing operational expenses of the Limited Partnership and any loan interest payable.

As further explained in Note 15, no profit participation income is expected to be received in 2009 and therefore no margin will be realised. The operational expenses, loan interest and support undertaking fees of the Partnership will be met by HSH Luxembourg under the Support Undertaking Agreement.

The Limited Partnership is not subject to externally imposed capital requirements.

14. KEY MANAGEMENT PERSONNEL

The key management personnel have been identified as being the Directors of the General Partner. The emoluments of the key management personnel are paid by the ultimate controlling party and other related parties who make no recharge to the Limited Partnership.

It is therefore not possible to make a reasonable apportionment of their emoluments in respect of the Limited Partnership. Accordingly, no emoluments in respect of the Directors of the General applicable to the Limited Partnership have been disclosed.

15. CURRENT MARKET CONDITIONS

During the financial year, the escalation of the global financial market crisis hit a number of the major banks in both the private and regional banking sectors in Germany, including HSH Nordbank which reported significant losses for the year ended 31st December 2008.

In view of the internationally dwindling refinancing opportunities in the international market, HSH Nordbank applied to the Special Fund Financial Market Stabilization ("SoFFin") for a guarantee on bond placements in November 2008, in order to overcome a liquidity situation that posed a threat to the Bank's existence.

SoFFin approved liquidity guarantees in 2008 with the proviso that the shareholders of HSH Nordbank ensured that the Bank had sufficient equity capitalisation and that they implemented restructuring to liberate the Bank from its existing financial burdens.

On 24th March 2009 HSH Nordbank applied to the SoFFin for the short-term provision of additional liquidity guarantees. In the context of an inspection it had already instigated, the European Commission granted its approval for the Bank's strategic realignment and for the capitalisation package on the understanding that the HSH Nordbank will not distribute any payouts on profit participation capital and silent participations in 2009.

In order to avoid endangering the prospect of recapitalisation, on 25th March 2009 HSH Nordbank issued a Press Release stating that HSH Nordbank would not be servicing its Profit Participation certificates as HSH Nordbank has realised an unappropriated profit of zero as at 31st December 2008.

RESPARCS FUNDING II LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2009 TO 30TH JUNE 2009

15. CURRENT MARKET CONDITIONS - (CONTINUED)

As a result, the Profit Participation income accrued as at 31st December 2008 in the financial statements of the Partnership was reduced to €nil to reflect the fact that no Profit Participation income will be received during 2009. Since Coupon payments on the RESPARC Securities are contingent on the receipt of Profit Participation income, the accrual for coupons payable as at 31st December 2008 has also been reduced to €nil.

Whilst no Profit Participation income is due to be received in 2009, we expect that HSH Nordbank will be in a position to make future distributions in the short term and therefore no impairment has been recognised as at 31st December 2008. The Directors of the General Partner will continue to review the need for impairment during 2009 and will subsequently make a provision in the 2009 financial statements once additional financial information is available indicating a permanent diminution in value.

As at 31st December 2008 the fair value of the RESPARC Securities was 27.2%. Following the announcement of HSH Nordbank's annual losses and the non-payment of profit participation income in 2009 the fair value fell to 8.6% as at 18th May 2009. If further payments of profit participation income are missed then it is highly possible that the fair value of the RESPARC securities will fall further.

The receipt of Profit Participation income in future years is dependent on the future profits of HSH Nordbank, which cannot currently be determined. Whilst there is an expectation that HSH Nordbank will return to profitability in the future, when this may occur cannot at present be predicted.