

RESPARCS FUNDING II LIMITED PARTNERSHIP

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 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 of Resparcs Funding II Limited Partnership (the "Partnership") for the year ended 31st December 2009.

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 RESPARCS 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.

On 18th December 2009, HSH Nordbank issued a Press Release stating that HSH Nordbank would not be servicing its Profit Participation certificates for 2009. Therefore, Profit Participation income accrued as at 31st December 2009 has been reduced to €nil to reflect the fact that no Profit Participation income will be received in 2010.

Following the press release and review of HSH Nordbank's performance for the year ended 31st December 2009 an impairment has been recognised in relation to the Silent Contribution interest as at 31st December 2009, with the carrying value of Silent Contribution interest written down to €418,742,939.

For further details on activity of the Partnership and events during the year please refer to Note 2 and Note 7.


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 a going concern basis, notwithstanding the technical net liability position of the Partnership at the year end.

Detailed information on going concern review is disclosed in Note 1.

INDEPENDENT AUDITORS

KPMG Channel Islands Limited have been appointed as auditors and have expressed their willingness to continue in office.



Signed on behalf of
European Capital Investment Opportunities Limited
General Partner
22 Grenville Street
St. Helier
Jersey, Channel Islands
JE4 8PX
Date: 30/4/10

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, the Limited Partnership agreement 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 audited financial statements for the year ended 31st December 2009 give a true and fair view of the assets, liabilities, financial position and profit or loss of the 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 Partnership are disclosed in Note 13 and Note 16 of these financial statements.

A handwritten signature in black ink, appearing to read 'Gareth H. ...', with a long, sweeping flourish extending to the right.

Signed on behalf of

General Partner

Date: 30/04/2010



KPMG Channel Islands Limited

P.O. Box 453

St Helier

Jersey JE4 8WQ

Channel Islands

5 St Andrew's Place

Charing Cross, St Helier

Jersey JE4 8WQ

Channel Islands

Independent auditors' report to the partners of Resparcs Funding II Limited Partnership

We have audited the financial statements of Resparcs Funding II Limited Partnership ("the Partnership") for the year ended 31 December 2009 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Partners' Equity, the Statement of Cash Flows for the year then ended and a summary of significant accounting policies and other explanatory notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the partners, as a body, in accordance with our Terms of Engagement as detailed in our letter of 29 October 2009. Our audit work has been undertaken so that we might state to the partners those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the limited partnership and the partners as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of general partner and auditors

As described in the Statement of General Partner's Responsibilities on page 2, the General Partner is responsible for preparation of the financial statements in accordance with applicable law, the Limited Partnership Agreement and International Financial Reporting Standards.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the limited partnership agreement.

We read the General Partner's Report accompanying the financial statements and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the General Partner in the preparation of the financial statements, and of whether the accounting policies are appropriate to the partnership's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.



KPMG Channel Islands Limited

P.O. Box 453
St Helier
Jersey JE4 8WQ
Channel Islands

5 St Andrew's Place
Charing Cross, St Helier
Jersey JE4 8WQ
Channel Islands

Independent auditors' report to the partners of Respaces Funding II Limited Partnership – continued

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the partnership's affairs as at 31 December 2009 and of its loss for the year then ended; and
- have been properly prepared in accordance with the limited partnership agreement.

Emphasis of matter

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of disclosures made in notes 2, 7, 8 and 16 regarding current market conditions that affected the HSH Nordbank Group.

In order to ensure there has been no material unrecorded impairment of the Silent Contribution, the directors of the General Partner have undertaken an assessment of the estimated future cash flows. This assessment has taken into consideration the ability of the counterparty, HSH Nordbank A.G., to continue as a going concern and to meet its obligations in the future with respect to the Silent Contribution described in note 2 and the obligations under the Capital Securities as described in note 7.

Should HSH Nordbank A.G. not continue as a going concern and therefore not be able to make these payments to the Partnership, then the carrying value of the Silent Contribution and Capital Securities will reduce further.

As disclosed in note 16, the ability of HSH Nordbank A.G. to continue as a going concern is dependent on whether the European Commission approves the stabilisation measures implemented by the Free Hanseatic City of Hamburg and the State of Schleswig-Holstein on a permanent basis.

Eric J. Bertrand
for and on behalf of KPMG Channel Islands Limited
Chartered Accountants
30 April 2010

RESPARCS FUNDING II LIMITED PARTNERSHIP

STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER 2009

	<u>Notes</u>	<u>2009</u>	<u>2008</u>
NON-CURRENT ASSETS			
Loans and receivables	2	418,742,939	500,000,000
CURRENT ASSETS			
Trade and other receivables	3	20,178,625	20,177,254
Cash and cash equivalents	4	56,515	255,574
		20,235,140	20,432,828
TOTAL ASSETS		€ 438,978,079	€ 520,432,828
EQUITY AND LIABILITIES			
Capital and reserves			
Capital account		1,000	1,000
Retained deficit		(2,697,086)	(356,116)
TOTAL PARTNERS' DEFICIT		(2,696,086)	(355,116)
Non-current liabilities			
Loans payable	6	20,775,955	20,775,955
Capital Securities	7	420,240,493	500,000,000
		441,016,448	520,775,955
Current liabilities			
Trade payables	5	657,717	11,989
TOTAL EQUITY AND LIABILITIES		€ 438,978,079	€ 520,432,828

The financial statements were approved and authorised for issue by the Board of the General Partner on the 30th day of April 2010 and were signed on its behalf by:

Director:



(The notes on pages 10 to 24 form part of these financial statements)

RESPARCS FUNDING II LIMITED PARTNERSHIP

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER 2009

	<u>Notes</u>	<u>2009</u>	<u>2008</u>
INCOME:			
Profit Participation	2	-	18,967,802
Deposit interest		722	2,772
German fiscal fees refund		278	396
Unrealised gain on exchange		-	2,740
		<u>1,000</u>	<u>18,973,710</u>
OTHER INCOME			
Finance income	7	<u>79,759,507</u>	<u>-</u>
EXPENDITURE:			
Interest on Securities issued	5	-	18,595,890
Transaction fee		294	312
Loan interest		623,279	561,482
Support undertaking fees		121,667	122,000
Professional fees		4,226	-
Listing expenses		10,000	-
Administration fees - Mourant & Co		34,279	8,819
Management fees - Mourant & Co		3,948	6,042
Audit fees		20,792	19,985
ISE fees		224	-
Bank Charges		407	293
Expenses paid on behalf of General Partner		23,777	27,469
German fiscal fees payable		250	529
Unrealised loss on exchange		1,273	-
		<u>844,416</u>	<u>19,342,821</u>
OTHER EXPENDITURE			
Finance costs	2	<u>81,257,061</u>	<u>-</u>
LOSS FOR THE YEAR AND DECREASE IN NET ASSETS ATTRIBUTABLE TO PARTNERS			
		<u>€ (2,340,970)</u>	<u>€ (369,111)</u>

Continuing operations

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

(The notes on pages 10 to 24 form part of these financial statements)

RESPARCS FUNDING II LIMITED PARTNERSHIP

STATEMENT OF CHANGES IN PARTNERS' EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2009

	Capital account	Retained earnings / (deficit)	Total
Balance at 1st January 2009	1,000	(356,116)	(355,116)
Loss for the year	-	(2,340,970)	(2,340,970)
Balance at 31st December 2009	<u>€ 1,000</u>	<u>€ (2,697,086)</u>	<u>€ (2,696,086)</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>€ (355,116)</u>

(The notes on pages 10 to 24 form part of these financial statements)

RESPARCS FUNDING II LIMITED PARTNERSHIP

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER 2009

	<u>Notes</u>	<u>2009</u>	<u>2008</u>
Cash flows from operating activities			
Loss for the year		(2,340,970)	(369,111)
Increase / (Decrease) in trade payables		645,728	(710,353)
(Increase) / Decrease in trade and other receivables		(1,371)	150
Deposit interest		(722)	(2,772)
Interest payable on Securities issued		-	18,595,890
Profit participation		-	(18,967,802)
Impairment charge on Silent Participation		81,257,061	-
Loss attributable to RESPARCS Securities		(79,759,507)	-
		<hr/>	<hr/>
Net cash outflow from operating activities		(199,781)	(1,453,998)
Cash flows from investing activities			
Deposit interest received		722	2,772
Profit participations received		-	38,250,000
		<hr/>	<hr/>
Net cash inflow from investing activities		722	38,252,772
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		(199,059)	(205,463)
		<hr/>	<hr/>
Cash and cash equivalents at the beginning of the year		255,574	461,037
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year	4	€ 56,515	€ 255,574
		<hr/> <hr/>	<hr/> <hr/>

(The notes on pages 10 to 24 form part of these financial statements)

RESPARCS FUNDING II LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 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.

Going Concern

The partnership is currently in a net liability position, however the RESPARC Securities are limited in recourse and 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. The Partnership is dependent upon the ongoing support of HSH Nordbank Luxembourg, without which there would exist a material uncertainty concerning the Partnership's ability to continue as a going concern. The uncertainties of HSH Nordbank Luxembourg being able to meet these obligations are disclosed in Note 16.

Consequently, the General Partner has a reasonable expectation that the Partnership has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the General Partner continues to adopt the going concern basis in preparing these financial statements. Therefore, the financial statements do not include any adjustments that would result if the Partnership was unable to continue as a going concern.

Basis of measurement

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

New accounting standards, amendments to existing standards and interpretations effective for the current period

The following new accounting standards, amendments to existing accounting standards and/or interpretations of existing accounting standards are mandatory for the current period and have been adopted by the Partnership. All other new standards, amendments to existing standards and new interpretations that are mandatory for the current period have no bearing on the operating activities and disclosures of the Partnership and consequently have not been listed. The Partnership has not adopted any new standards or interpretations that are not mandatory. The Directors of the General Partner anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Partnership.

New accounting standards, amendments to existing standards and interpretations effective for the current period - (continued)

IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (i.e. 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The revised standard also requires entities which restate or reclassify comparative information to present a restated statement of financial position as at the beginning comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period. The Partnership has applied IAS 1 (revised) from 1 January 2009, and has elected to present solely a statement of comprehensive income.

RESPARCS FUNDING II LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2009

1. ACCOUNTING POLICIES - (CONTINUED)

Adoption of this revised standard has not resulted in any significant changes to the presentation of the Partnership's performance statement, as the Partnership has no elements of other comprehensive income, other than those elements that would normally be presented in the income statement.

IAS 32 (amendment), 'Financial instruments: Presentation', and IAS 1 (amendment), 'Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation'. The amended standards require entities to classify puttable financial instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions, including that all financial instruments in the class of instruments that is subordinate to all other instruments have identical features. The adoption of these amendments has not resulted in any change in the classification of the Partnership's securities, which continue to meet the criteria for classification as debt.

IAS 39 (amendment), 'Financial instruments: Recognition and measurement'. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was amended. This now clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. Adoption of this revised standard has had no impact on the Partnership's financial statements.

IFRS 7 (amendment) 'Financial instruments: Disclosures'. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in no additional disclosures, as the Partnership has no financial instruments reported at fair value in its statement of financial position.

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.

IFRS 8 "Operating Segments" became effective for accounting periods beginning on or after 1st January 2009. The standard requires segmental disclosure based on the components of the entity that management monitors in making decisions about operating matters. This "management approach" differs from IAS 14 "Segmental Reporting", which currently requires the disclosure of two sets of segments, business and geographical segments, based on a desegregation of information contained in the financial statements. Under IFRS 8 operating segments become reportable based on threshold tests related to revenues, results and assets.

Applicable new accounting standards, amendments to existing standards and interpretations that are not mandatory for the current period and have not yet been adopted

IFRS 9 (Replacement of IAS 39), "Financial Instruments: Recognition and Measurement": IFRS 9 is mandatory for accounting periods commencing from 1 January 2013. However, IFRS 9 may be early adopted at any time from 12 November 2009 onwards. The main changes resulting from the replacement of IAS 39 by IFRS 9 are changes to the permitted classifications and subsequent measurement of financial instruments. However, in the opinion of the Directors of the General Partner, adoption of IFRS 9 would not result in any material changes to the Partnership's financial statements.

RESPARCS FUNDING II LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2009

1. ACCOUNTING POLICIES - (CONTINUED)

Use of estimates

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.

Loans and Receivables

The Partnership has classified 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 subsequently at amortised cost using the effective interest rate basis in accordance with IAS39 AG8. 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 issue proceeds less attributable transaction costs. Subsequent to initial recognition, Securities are stated at amortised cost using the effective interest method in accordance with IAS39 AG8. 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.

Effective interest rate

IAS 39.AG8 prescribes that the carrying amount of financial assets or liabilities shall be adjusted if an entity revises its estimates of payments or receipts. The recalculated carrying amount results from computing the present value of estimated future cash flows at the financial instruments original effective interest rate. The adjustments are recognized in the statements of comprehensive income as interest expense for financial assets and interest income for financial liabilities. In subsequent periods, if the carrying amounts of the financial instruments are adjusted again, the change will be reflected in the statements of financial position with the movement included in the statements of comprehensive income.

The application of IAS 39.AG8 has affected the carrying value of both the Silent Contribution and the RESPARCS II Securities for the year ended December 31, 2009, since the estimates of payments or receipts related to these financial instruments have been revised. Applying IAS 39.AG8 involves substantial assumptions, which are accompanied by uncertainties.

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 available at the balance sheet date.

The fair values presented in the financial statements are based on quotes from active markets.

RESPARCS FUNDING II LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2009

1. ACCOUNTING POLICIES - (CONTINUED)

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 Statement of Comprehensive Income.

Employees

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

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 Statement of Comprehensive Income. 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.

RESPARCS FUNDING II LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2009

1. ACCOUNTING POLICIES - (CONTINUED)

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.

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 Directors of the General Partner perform regular reviews of the operating results of the Partnership and make decisions using financial information at the entity level. Accordingly, the Directors of the General Partner believe that the Partnership has only one operating segment (see Note 14).

The Directors of the General Partner are responsible for ensuring that the Partnership carries out business activities in line with the transaction documents. They 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 Directors of the General Partner. Therefore the Directors of the General Partner retain full responsibility as to the major allocation decisions of the Partnership.

2. LOANS AND RECEIVABLES

Silent capital interest in the commercial enterprise of HSH Nordbank	<u>2009</u>	<u>2008</u>
As at 1st January	€ 500,000,000	€ 500,000,000
Impairment charge	81,257,061	-
As at 31st December	<u>418,742,939</u>	<u>500,000,000</u>

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 YEAR ENDED 31ST DECEMBER 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 onto 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 Statement of Comprehensive Income.

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 18th December 2009, HSH Nordbank issued a Press Release stating that no coupon payments for the fiscal year 2009 will be made on silent participations and profit participation capital. Moreover, these hybrid instruments will participate in the balance sheet loss/ net loss. Therefore, Profit Participation income accrued as at 31st December 2009 has been reduced to €nil to reflect the fact that no Profit Participation income will be received in 2010.

Pursuant to the EU Commission's requirements, HSH Nordbank is not permitted to make any payouts on profit participation capital and silent partnerships in the event of a net loss or balance sheet loss for the fiscal year 2009. Furthermore, such capital instruments have to participate in either the balance sheet loss or net loss for the fiscal year 2009. The amount of the loss participation regarding RESPARCS II was determined at 7.5%.

Due to the change in expected cash flows following the non payment of the Silent Participation in the period and the likelihood of the non payment of the Silent Participation interest in future an impairment has been being recognised in relation to the Silent Contribution as at 31st December 2009. The written down value of the Silent Contribution as at the balance sheet date based on future expected cash flows was €418,742,93.

3. TRADE AND OTHER RECEIVABLES

	<u>2009</u>	<u>2008</u>
Withholding tax receivable	20,177,005	20,177,005
Prepaid M&Co fees	979	-
Prepaid fiscal fees	391	-
Prepaid German fiscal fees	250	249
	<u>€ 20,178,625</u>	<u>€ 20,177,254</u>

RESPARCS FUNDING II LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2009

4. CASH AND CASH EQUIVALENTS	2009	2008
HSH Nordbank - EUR account 53004300	902	903
HSH Nordbank - EUR account 53004295	55,613	254,671
	<u>€ 56,515</u>	<u>€ 255,574</u>
5. TRADE PAYABLES	2009	2008
Mourant & Co. - Administration fees	8,184	-
Loan interest payable	623,279	-
Audit fee payable	25,254	10,726
Sundry creditor	1,000	1,263
	<u>€ 657,717</u>	<u>€ 11,989</u>

As explained in Note 2, there has been no Profit Participation income receivable at 31st December 2009. 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 2009 in respect of interest payable. Please refer to Note 16 for further details.

6. LOANS PAYABLE	2009	2008
Loan from HSH Nordbank Luxembourg	<u>€ 20,775,955</u>	<u>€ 20,775,955</u>

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 31st December 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 YEAR ENDED 31ST DECEMBER 2009

7. CAPITAL SECURITIES

RESPARC Securities issued	<u>2009</u>	<u>2008</u>
As at 1st January	500,000,000	500,000,000
Adjustment for future cash flows	79,759,507	-
Balance at 31st December	<u>€ 420,240,493</u>	<u>€ 500,000,000</u>

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.

On 18th December 2009, HSH Nordbank issued a Press Release stating that no coupon payments for the fiscal year 2009 will be made on silent participations and profit participation capital. Moreover, these hybrid instruments will participate in the balance sheet loss/ net loss. Since Coupon payments on the RESPARCS Securities are contingent on the receipt of Profit Participation income, the accrual for coupons payable as at 31st December 2009 has also been reduced to €nil.

Pursuant to the EU Commission's requirements, HSH Nordbank is not permitted to make any payouts on profit participation capital and silent partnerships in the event of a net loss or balance sheet loss for the fiscal year 2009. Furthermore, such capital instruments have to participate in either the balance sheet loss or net loss for the fiscal year 2009. The amount of the loss participation regarding RESPARCS II was determined at 7.5%.

Due to the change in expected cash flows following the non payment of the Silent Participation in the period and the likelihood of the non payment of the Silent Participation interest in future a gain of € 79,759,507 has been recognised in relation to the RESPARC Securities as at 31st December 2009. The written down value of the RESPARCS Securities as at the balance sheet date based on future expected cash flows was €420,240,493.

RESPARCS FUNDING II LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2009

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.

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%, a 10% rate applies to certain regulated financial services companies and a 20% rate applies to utilities and income from Jersey land (ie rents and development profits). Jersey resident companies are treated as resident for tax purposes and are 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).

RESPARCS FUNDING II LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2009

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.

On 1st April 2010, Maurant Limited sold its interest in Maurant International Finance Administration to State Street Corporation ("SSC"). Each of H. Grant, G. Essex-Cater, S. Vardon and D. Godwin who, are or were directors of the General Partner, is an employee of a subsidiary of SSC. Affiliates of SSC now provide administrative services to the Company at commercial rates.

Fees incurred with Maurant & Co. during the year in respect of administration and management fees are detailed on the face of the Statement of Comprehensive Income. 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 Statement of Comprehensive Income.

RESPARCS FUNDING II LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 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 RESPARCS Securities. The proceeds from the issue of the RESPARCS 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 RESPARCS Securities. The coupons payable on the RESPARCS 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>2009</u>		<u>2008</u>
	Interest charging basis	Effective interest rate %	Amount	Effective interest rate %	Amount
Financial assets:					
Silent Contribution	Fixed	nil	418,742,939	3.79	500,000,000
Cash and cash equivalents	Floating	1.28	56,515	1.08	255,574
			<u>€ 418,799,454</u>		<u>€ 500,255,574</u>
Financial liabilities:					
Loans payable - Loan Agreement	Fixed	3.00	20,775,955	3.00	20,775,955
RESPARCS Securities	Fixed	nil	420,240,493	3.72	500,000,000
			<u>€ 441,016,448</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 YEAR ENDED 31ST DECEMBER 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 RESPARCS Securities issued by the Partnership are limited recourse notes, with the amount payable to Note holders 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 18th December 2009, HSH Nordbank issued a Press Release stating that HSH Nordbank would not be servicing its Profit Participation certificates.

Following the press release and review of HSH Nordbank's performance for the year ended 31st December 2009 a write down has been recognised in relation to the RESPARCS Securities as at 31st December 2009, with the value of the securities reduced to €420,240,493. 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 16.

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

Fair values

The fair value of the RESPARCS 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 RESPARCS 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 RESPARCS Securities and the fair value of the Silent Contribution. From the perspective of the Limited Partnership, any change in the fair value of the RESPARCS 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 any net market price risk.

Also as disclosed above, in the General Partner's opinion, there is no material net interest rate risk to the Limited Partnership, nor is there any significant net 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 RESPARCS Securities and the Silent Contribution are stated at amortised cost, any changes in fair value of the RESPARCS 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 YEAR ENDED 31ST DECEMBER 2009

13. FINANCIAL INSTRUMENTS-(CONTINUED)

	<u>2009</u>		<u>2008</u>	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Silent Contribution	418,742,939	105,000,000	500,000,000	136,229,500
Cash and cash equivalents	56,515	56,515	255,574	255,574
Trade and other receivables	20,178,625	20,178,625	20,177,254	20,177,254
	<u>€ 438,978,079</u>	<u>€ 125,235,140</u>	<u>€ 520,432,828</u>	<u>€ 156,662,328</u>
Financial liabilities:				
Loans payable - Loan Agreement	20,775,955	20,775,955	20,775,955	20,775,955
Trade payables	657,717	657,717	11,989	11,989
RESPARCS Securities	420,240,493	105,000,000	500,000,000	136,229,500
	<u>€ 441,674,165</u>	<u>€ 126,433,672</u>	<u>€ 520,787,944</u>	<u>€ 157,017,444</u>

The Directors of the General Partner have reviewed the fair value of the RESPARCS Securities as at 31st December 2009 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 RESPARCS 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 16.

Maturity of financial assets and liabilities

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

	<u>2009</u>		<u>2008</u>	
	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
Less than one year	20,235,140	21,433,672	20,432,828	20,787,944
In more than five years	500,000,000	500,000,000	500,000,000	500,000,000
	<u>€ 520,235,140</u>	<u>€ 521,433,672</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 net liquidity risk.

RESPARCS FUNDING II LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 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 was received in 2009 and therefore no margin was 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. OPERATING SEGMENTS

Geographical information

All of the Limited Partnership's revenues are generated from external sources which are analysed as follows:

	<u>2009</u>	<u>2008</u>
Germany	-	18,967,802
United Kingdom	722	2,772
	<u>722</u>	<u>18,970,574</u>

Non-current assets

The Limited Partnership does not have non-current assets other than the Participation.

Major investment company

The Limited Partnership's profit participation income is derived solely from HSH Nordbank.

15. 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.

RESPARCS FUNDING II LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2009

16. CURRENT MARKET CONDITIONS

During the financial year, the effect of the global financial market crisis continued, resulting in a number of the major banks in both the private and regional banking sectors in Germany, including HSH Nordbank, reporting significant losses for the year ended 31st December 2009.

The continued existence of HSH Nordbank AG including its subsidiary HSH Nordbank Luxemburg as a going concern depends on whether the European Commission approves the stabilisation measures implemented by the Free and Hanseatic City of Hamburg and the State of Schleswig-Holstein on a permanent basis. It is also necessary that the approval should only be tied to the requirements which can be implemented within the framework of reasonable business plan, and, in particular, which will not conflict the stabilisation measures that relieve the regulatory capital of HSH Nordbank AG.

On 18th December 2009, HSH Nordbank issued a Press Release stating that HSH Nordbank would not be servicing its Profit Participation certificates for 2009.

As a result, the Profit Participation income accrued as at 31st December 2009 in the financial statements of the Partnership was reduced to €nil to reflect the fact that no Profit Participation income will be received during 2010. Since Coupon payments on the RESPARCS Securities are contingent on the receipt of Profit Participation income, the accrual for coupons payable as at 31st December 2009 has also been reduced to €nil.

Following the press release an impairment review was conducted to ensure that the financial assets are not carried at more than the recoverable amount. After reviewing the performance of HSH Nordbank for the year ended 31st December 2009 and considering the fact that no coupon payments were received in two consecutive years the Directors of the General Partner decided that there is objective evidence indicating that one or more events have had a negative effect on the estimated future cash flows of that asset. Consequently an impairment has been recognised as at 31st December 2009. 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. As at 31st December 2009 the carrying value of the Silent Contribution was written down to €418,742,939 and a gain of €79,759,507 was recognised as attributable to the RESPARCS Securities holders bringing the carrying value of RESPARCS Securities as at 31st December 2009 to €420,240,493.

As at 31st December 2009 the fair value of the RESPARCS Securities was: 21% of the nominal value (2008: 27.2% of the nominal value). If further payments of Profit Participation income are missed then it is highly possible that the fair value of the RESPARCS 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.