

Press release

Hypo Real Estate Bank International closes its first True Sale CMBS with the securitisation of a 246.5 million Euro loan in Germany

London/Munich, July 1st 2005: Hypo Real Estate Bank International announces that on June 23rd it has closed its first True Sale CMBS transaction with the securitisation of a single mortgage loan of 246.5 million Euro. This transaction makes it one of the few banks to complete a CMBS in Germany.

The loan, which was provided by Hypo Real Estate Bank International in December 2004, is to a consortium of borrowers controlled by Eurocastle Investment Limited. The loan was used to finance the consortiums acquisition of a well diversified portfolio of 109 properties located in 90 different cities in Germany, from Deutsche Bank. The portfolio generates a gross annual rent return of 25.3 million Euro - 67.8% per cent of which is derived from a highly rated German tenant.

The loan, which has a maturity of eight years, features an 85.75% loan to value and interest coverage of 2.08x at the closing of the loan. It contains a full security package and a set of individually tailored financial and LTV ratio covenants.

Valesco Funding Plc., the issuer, which is incorporated in Ireland, has issued eight classes of notes ranging in rating from AAA/AAA to BBB/BBB- (S&P/Fitch) into the capital market, using the proceeds to purchase the loan from Hypo Real Estate Bank International. The notes are listed on the Irish Stock Exchange.

Hypo Real Estate Bank International structured the transaction as sole arranger and has used the services of Lehman Brothers as lead manager and

sole book runner for the placement of the notes which were placed with a wide range of investors and were fully subscribed.

Tranche	Rating (S&P / Fitch)	Volume in EUR	Coupon
A	AAA / AAA	€ 100,000,000	3-month-Euribor + 25 Bps
X	AAA / AAA	€ 50,000	N/A
B	AAA / AA-	€ 14,950,000	3-month-Euribor + 30 Bps
C	AA- / AA-	€ 66,050,000	3-month-Euribor + 45 Bps
D	A / A	€ 16,000,000	3-month-Euribor + 55 Bps
E	A / BBB	€ 17,700,000	3-month-Euribor + 85 Bps
F	BBB / BBB-	€ 7,800,000	3-month-Euribor + 140 Bps
G	BBB / NR	€ 24,000,000	3-month-Euribor + 180 Bps

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Notes to editors:

Hypo Real Estate Bank International

Hypo Real Estate Bank International based in Dublin, Ireland, is part of the Hypo Real Estate Group (HREG). The corporate group comprise the non-operational, listed holding company, Hypo Real Estate Holding AG headquartered in Munich and three operational business units. Besides Hypo Real Bank International with headquarters in Dublin, these are Württembergische Hypothekenbank AG (WürttHyp) with headquarters in Stuttgart and Munich-based Hypo Real Estate Bank AG. Hypo Real Estate Group is one of Europe's largest providers of commercial real estate finance.