

# ***Canary Wharf Finance II plc***

***Issued June 2000/June 2001/February 2002/October 2002/May 2005/April 2007***

*Class A1 6.455% Fixed Rate First Mortgage Debentures due 2033*

*Class A3 5.952% Fixed Rate First Mortgage Debentures due 2037*

*Class A7 Floating Rate First Mortgage Debentures due 2037*

*Class B 6.800% Fixed Rate First Mortgage Debentures due 2033*

*Class B3 Floating Rate First Mortgage Debentures due 2037*

*Class C2 Floating Rate First Mortgage Debentures due 2037*

*Class D2 Floating Rate First Mortgage Debentures due 2037*

## **QUARTERLY UPDATE**

*Canary Wharf Group updates information on the securitisation quarterly.*

*The enclosed statistics are as at 30/06/11.*

## **HIGHLIGHTS**

*Properties 95.9% let at 30 June 2011 (based on the new security portfolio)*

*Valuations as at 30 June 2011 were £3,255.0 M*

**Briefing Note**

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The following update refers to the period up to the July 2011 interest payment date.

On 12 July 2011, Canary Wharf Finance II plc issued the following notice:

“On 6 December 2010, Standard and Poor’s Financial Services LLC ("**S&P**") published its latest criteria for assessing counterparty risk in all new and existing structured finance securities and covered bonds on a global basis, "Counterparty And Supporting Obligations Methodology And Assumptions". Copies of the criteria can be obtained from S&P on request.

With effect from 18 January 2011, S&P placed the Notes on CreditWatch with negative implications. If certain contracts supporting the Notes (the "**Relevant Contracts**") entered into with certain counterparties, in particular the Swap Providers, the Liquidity Facility Provider, and the Account Bank, are not updated to reflect the new criteria within six months, some of the Notes (in particular Class A1, A3, A7, B, and B3 Notes) are likely to have their ratings revised downwards.

We have been engaged in discussions with S&P, the Swap Providers, and the Liquidity Facility Provider over the last few months regarding amending the Relevant Contracts to cater for the new criteria. We are hereby notifying holders of the Notes that due to the consequences of implementing the changes required by the new criteria, the reluctance of counterparties to engage in making amendments to the Relevant Contracts and the logistical difficulties and significant transactional and legal costs involved in making the changes, we have decided to refrain from making such updates to the Relevant Contracts.

Capitalised terms not otherwise defined in this notice shall have the meanings given to them in the Sixth Restated Master Definitions Agreement entered into between, amongst others, the Issuer and the Trustee on 17 November 2010.”

On 15 July 2011, S&P duly downgraded the Notes. Following this downgrade, the ratings of the Notes were as follows:

<b>Class</b>	<b>Moody's</b>	<b>Fitch</b>	<b>S&amp;P</b>
A1	Aaa	AAA	A+
A3	Aaa	AAA	A+
A7	Aaa	AAA	A+
B	A1	AA	A+
B3	A1	AA	A+
C2	Baa1	A	A
D2	Ba1	BB	BBB

The Issuer continues to have the benefit of a £300.0m liquidity facility provided by Lloyds Bank plc, under which drawings may be made in the event of a cash flow shortage under the securitisation.

Highlights regarding the mortgaged properties during the second quarter of 2011 included –

- In April 2011 MetLife leased floor 50 of One Canada Square (22,000 sqft) on a 10 year lease, subject to breaks after 5 years and 7.5 years.
- In April 2011 Citihub Limited renewed their lease of 2,376 sq ft on Floor 6 of One Canada Square on a 5 year lease, subject to breaks after 3 years.
- In April 2011 CFA vacated their 3,671 sq ft unit on Floor 10 of One Canada Square upon lease expiry. This space remains vacant.

## Canary Wharf Finance II plc

The rental income figures for the pre-asset substitution properties below are based on actual receipts for Q2 2011.

### Property Portfolio Summary

Address	Whole Building NIA	Area Securitised NIA	Area Securitised Let NIA <sup>(1)</sup>	Actual Quarterly Rental Income Q2 2011	Estimated Annual Rental Income	Market Value <sup>(2)</sup>
33 Canada Square	562,700 sq. ft	562,700 sq. ft	562,700 sq ft	£5.0m	£20.1m	£366.0m
One Canada Square	1,236,200 sq. ft	1,220,700 sq. ft	1,015,298 sq ft	£7.9m	£47.1m <sup>(3)</sup>	£650.0m
20 Bank Street	546,500 sq. ft	546,500 sq. ft	546,500 sq ft	£6.6m	£26.2m	£430.0m
40 Bank Street	607,400 sq. ft	607,400 sq. ft	602,421 sq ft	£6.7m	£25.6m <sup>(3)</sup>	£401.0m
10 Upper Bank Street	1,000,400 sq. ft	1,000,400 sq. ft	1,000,416 sq ft	£11.1m	£44.3m	£720.0m
5 North Colonnade	639,000 sq. ft	639,000 sq. ft	639,000 sq. ft	£5.0m	£19.7m <sup>(5)</sup>	£370.0m
10 South Colonnade	562,000 sq. ft	562,000 sq. ft	562,000 sq ft	£3.9m	£15.8m <sup>(5)</sup>	£318.0m
<b>Total</b>	<b>5,154,200 sq ft</b>	<b>5,138,700 sq ft</b>	<b>4,928,335 sq ft</b>	<b>£46.2m</b>	<b>£198.8 <sup>(4)</sup></b>	<b>£3,255.0m</b>

Notes:

- (1) Area let as at 30th June 2011.
- (2) MV based valuation of the properties at 30th June 2011.
- (3) Rent receivable after expiry of rent-free periods and including potential rental income on unlet space, where applicable.
- (4) Estimated annual rental income based on annualised rent for the quarter to 30th June 2011.
- (5) Building substantially let to Barclays Bank Plc. The rent will be subject to RPI increases with a 0% floor and a 5% cap compounded annually over the first 5 years with subsequent annual RPI increases over the rest of the term until the expiry of the lease in June 2032.

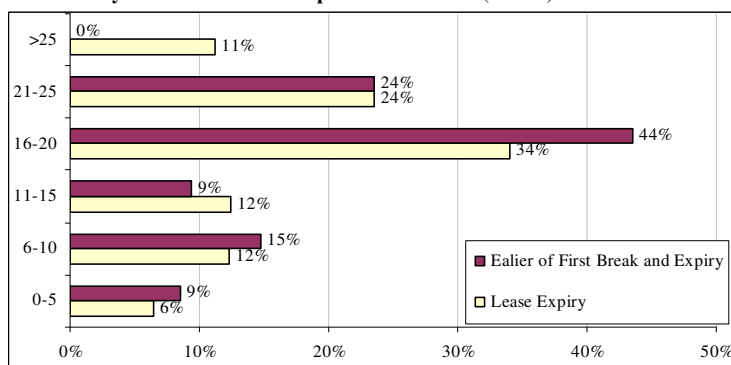
### Occupancy

At 30 June 2011 the securitised property portfolio was 95.9% let (based on the revised asset portfolio post asset substitution).

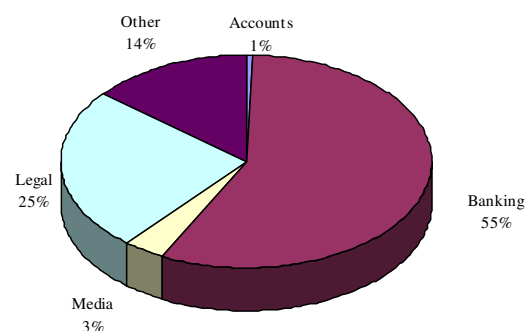
### Rent Reviews

	Area	Passing Rent
Outstanding Rent Reviews	22,533 sq ft	£900,540

Analysis of Office Lease Expiries and Breaks (Note 1)



Concentration of Leases by Area



- (1) The weighted average unexpired lease term of the securitised office portfolio (by sqft) was 16.3 years reflecting the new portfolio after the asset substitution. The weighted average lease term reflecting all break options was 14.8 years.

### Major Tenants:

#### 33 Canada Square

Citigroup

#### One Canada Square

Bank of New York  
Mirror Group Newspapers  
Moody's Investor Services  
State Street

#### 20 Bank Street

Morgan Stanley UK Group

#### 40 Bank Street

Skadden Arps  
Allen & Overy  
BGC International  
Barclays Bank plc  
Shell International Limited

#### 10 Upper Bank Street

Clifford Chance LLP

#### 5 North Colonnade

Barclays Bank Plc  
WPP Plc

#### 10 South Colonnade

Barclays Bank Plc

## Financial Considerations

	<b>Quarter 2 2011 actuals</b>
Gross Rental (cash received in Q2 2011)	£46.2 m
B3 Defeasance	(£0.1 m)
C2 Defeasance	(£0.2 m)
Senior Expenses <sup>(1)</sup>	(£0.9 m)
Gross Debt	£2,418.9 m
Cash Reserves	(£82.7 m)
Net Debt	<u>£2,336.2 m</u>

## Quarter 2 2011 Actuals

The Interest Cover and Debt Service Cover ratios have been calculated on the basis of total interest costs, including payments to interest swap providers for the quarter.

Class	Amount <sup>(2)</sup>	Interest <sup>(3)</sup>	Principal <sup>(4)</sup>	Reserve Releases	Interest Cover Ratio	Debt Service Cover Ratio	LMCTV
AAA	£1,723.1 m	(£26.6 m)	(£12.7 m)		1.70 x	1.34 x	50.4%
AA	£295.8 m	(£4.6 m)	(£1.7 m)	£0.59 m	1.45 x	1.13 x	59.5%
A	£275.0 m	(£3.5 m)		£3.53 m	1.30 x	1.04 x	67.9%
BBB	£125.0 m	(£1.7 m)		£1.71 m	1.24 x	1.00 x	71.8%
	<u>£2,418.9 m</u>	<u>(£36.4 m)</u>	<u>(£14.4 m)</u>	<u>£5.8 m</u>			

Reserve	Opening Balance <sup>(5)</sup>	Period Movement	Closing Balance <sup>(5)</sup>
Void Costs Ledger			
Cash Ledger	£53.4 m	(£4.4 m)	£49.0 m
B3 Defeasance Ledger	£0.3 m	£0.1 m	£0.3 m
C2 Defeasance Ledger	£0.5 m	£0.2 m	£0.7 m
<b>Subtotal Coverage Reserves</b>	<b>£54.2 m</b>	<b>(£4.2 m)</b>	<b>£50.0 m</b>
Cash Collateral <sup>(7)</sup>	£36.0 m	(£3.4 m)	£32.6 m
<b>Total Reserves</b>	<b>£90.2 m</b>	<b>(£7.6 m)</b>	<b>£82.6 m</b>

### Notes:

- (1) Senior Expenses principally include the DS6 facility fees and the liquidity facility fee.
- (2) Total outstanding debt at 22<sup>nd</sup> July 2011 interest payable date.
- (3) Interest paid on 22<sup>nd</sup> July 2011. Comprises bond interest of £29.4m and payments under interest rate swaps of £7.0m.
- (4) Amortisation paid on 22<sup>nd</sup> July 2011.
- (5) Opening balance is as at 22<sup>nd</sup> April 2011, closing balance is at 22<sup>nd</sup> July 2011.