

# *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 30/06/14.*

## **HIGHLIGHTS**

*Properties 98.0% let at 30 June 2014.*

*Valuations as at 30 June 2014 were £2,876.5 M*

*LMCTV Ratio 55.3%*

**Briefing Note**

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**Sale and release of 10 Upper Bank Street**

In accordance with Clause 17.20(a)(ii)(Substitution, release and addition of new Mortgaged Property) of the Intercompany Loan Agreement, 10 Upper Bank Street (the "Released Property"), which used to be a Mortgaged Property in respect of the securitisation, was released from the securitisation on 20 June 2014.

The Released Property was disposed of for consideration of £795,000,000.00 on that date and the Release Prepayment Amount (as defined below) out of such consideration was used to fund a partial redemption of Class A1 Notes.

On 22 July 2014 (the "Redemption Date"), the Issuer redeemed £577,900,000.00 (being the Release Prepayment Amount for the Released Property) in aggregate principal amount of the Class A1 Notes at a price equal to the Release Prepayment Amount, together with all accrued interest to, but excluding, the Redemption Date (the "Redemption").

As required by Condition 5 (Redemption, Purchase and Cancellation), confirmation was obtained from the Rating Agencies that the current ratings assigned by them in respect of the Notes will not be adversely affected by the Redemption.

As a result of the Redemption, the Amortisation Amounts of the Class A1 Notes payable on each Interest Payment Date falling after the Redemption Date up to 22 April 2030 will be reduced.

The Issuer is of the opinion that it is entitled to redeem the Class A1 Notes in accordance with Condition 5(b)(iv) and that, accordingly, the amount payable to the holders of the Class A1 Notes pursuant to the Redemption will be the amount stipulated in Condition 5(c)(ii)(A), which will be the Release Prepayment Amount, plus accrued interest.

The Trustee indicated to the Issuer that it is unclear to the Trustee as to whether the Redemption should take place under Condition 5(b)(iv) or Condition 5(c) of the Intercompany Loan Agreement.

If Redemption were to take place under Condition 5(c), then the price at which the Class A1 Notes would be redeemed would be 129.20 per cent., so that an additional amount of £168,746,800 (the "Premium") would be payable to the holders of the Class A1 Notes.

The Issuer has made an application to Court for a declaration as to whether, on a true construction of the Conditions and other relevant contractual documentation, the Class A1 Notes should be redeemed under Condition 5(b)(iv) or Condition 5(c).

CW Lending II Limited (the "Borrower") agreed, without prejudice to its interpretation of the Conditions (including Condition 5(b)(iv) and the amount payable pursuant to the Redemption), to place on deposit with Deutsche Bank AG, London Branch (in its capacity as an escrow agent, the "Note Premium Escrow Agent") an amount (the "Note Premium Escrow Amount") equal to the Premium together with interest at the rate of 6.455 per cent. per annum for the period from (and including) the Redemption Date to (but excluding) the next Interest Payment Date. The Note Premium Escrow Agent shall hold the Note Premium Escrow Amount in an account with itself (the "The Note Premium Escrow Account"). The Note Premium Escrow Agent shall release amounts standing to the credit of the Note Premium Escrow Account if and/or when:

(i) a final order is made that the Redemption should be under Condition 5(b)(iv) or the Issuer and the Trustee agree that the redemption of the Class A1 Notes should be under Condition 5(b)(iv), in which case the amount standing to the credit of the Note Premium Escrow Account shall be paid to the Borrower;

(ii) a final order is made that the Redemption should be under Condition 5(c) or the Issuer and the Trustee agree that the redemption of the Class A1 Notes should be under Condition 5(c), in which case an amount equal to the Premium together with accrued interest from (and including) the Redemption Date to (but excluding) the Premium Payment Date (as defined below) shall be paid to the Issuer from the Note Premium Escrow Account for payment to the holders of the Class A1 Notes. If the balance of the Note Premium Escrow Account is less than any amount payable to the holders of the Class A1 Notes, the Borrower shall pay to the issuer an amount equal to the difference, but if the balance of the Note Premium Escrow Account is more than any amount payable to the holders of the Class A1 Notes, then the surplus amount will be paid to the Borrower; and

(iii) the Issuer and the holders of the Class A1 Notes (acting by an Extraordinary Resolution) agree on an amount payable in relation to the Redemption, in which case the amount agreed to be paid to the holders of the Class A1 Notes will be paid from the Note Premium Escrow Account to the Issuer for payment to the holders of the Class A1 Notes and the remaining balance will be paid to the Borrower.

A final order shall be deemed to have been made when an order, judgement, award, decision or decree which represents a final adjudication by a court of competent jurisdiction has been made as to whether redemption of the Class A1 Notes should be under Condition 5(b)(iv) or 5(c) and the time for appeal from such order, judgement, award, decision or decree has expired without an appeal having been made.

Upon the occurrence of any of the events specified at paragraphs (i) to (iii) (inclusive) above, the Issuer will, as soon as reasonably practicable after the occurrence of such event, give notice to holders of the Class A1 Notes in accordance with Condition 14 (Notice to Noteholders) of the occurrence of such event and, where applicable, of the amount which is payable to the holders of the Class A1 Notes (the "Premium Payment Notice"). If an amount is required to be paid to holders of the Class A1 Notes, as described at paragraphs (ii) or (iii) above, the Issuer shall pay the relevant amount to the holders of the Class A1 Notes on the later of (i) the Redemption Date; and (ii) the date falling 10 Business Days after the date of the Premium Payment Notice (the "Premium Payment Date"), with interest calculated up to, but excluding, the Premium Date (where the latter falls after the Redemption Date).

The release by the Trustee of the Security held by it over the Released Property was made on the condition that the Borrower places the Note Premium Escrow Amount with the Note Premium Escrow Agent on the terms of the Escrow Documents referred to and summarised above.

On 20 June 2014, the Issuer also entered into a transaction with, inter alios, Canary Wharf Finance (Investments) Limited ("CWFIL"). Canary Wharf Holdings Limited ("CWHL") and the Borrower whereby (i) CWFIL has released the Issuer from its obligations (including the obligation to pay interest accrued for the Interest Period ending on the Interest Payment Date falling in July 2014 and unpaid as of the date of the notice) under the Class B3 Notes and Class C2 Notes held by CWFIL immediately prior to the Redemption Date and having the Principal Amount Outstanding of £26,101,000 and £35,338,000, respectively (the "Cancelled Notes"), and (ii) the Cancelled Notes will be subsequently cancelled.

In connection with such cancellation, the Issuer has: (i) paid consideration for the release (the "Release Consideration") to CWHL; (ii) effected partial termination of the Class B3 Swap Transaction and the Class C2 Swap Transaction to reflect the cancellation of the Cancelled Notes and made a payment of the associated termination amounts to Barclays Bank plc in its capacity as the Class B3 Swap Counterparty and the Class C2 Swap Counterparty; and (iii) partially released the Borrower from its obligations under the Borrower Loans by reducing the principal amount outstanding of the B3 Loans and the C2 Loans by £26,101,000 and £35,338,000, respectively (the "Borrower Loan Release"), such partial release being in consideration for the payment by the Borrower of an amount equal to the aggregate of the Release Consideration and the amounts required to be paid by the issuer to the Class B3 Swap Counterparty and the Class C2 Swap Counterparty in connection with the termination of the Swap Transactions as described in paragraph (ii) above. Such payment by the Borrower has been financed, ultimately, by a new subordinated loan made by Canary Wharf Limited to the Intermediate Borrower.

Capitalised terms not otherwise defined in this section ("Sale and release of 10 Upper Bank Street") have the meanings given to them in the Seventh Restated Master Definitions Agreement entered into between amongst others, the Issuer and the Trustee on 20 June 2014.

## Amendments to Master Definitions Agreement

On 18 July 2014, notice was given to the holders of the Notes that certain amendments were, with the agreement of the Trustee and with effect from 17 July 2014, made to the seventh restated master definitions agreement dated 17 June 2014 (as amended and restated from time to time) (the "Seventh Restated Master Definitions Agreement" or "MDA"), to the eighth supplemental agreement relating to the intercompany loan agreement dated 17 June 2014 (as amended and restated from time to time) (the "Eighth Restated Intercompany Loan Agreement" or "ICLA") and to the Conditions, to correct the following errors:

- A. *Step-Up Rates*: The Step-Up Rates (as defined in Condition 4(e)) were amended so that the total margin payable on the Class A7 Notes, the Class B3 Notes, the Class C2 Notes and the Class D2 Notes from the relevant Step-Up Date, after taking into account the Step-Up Rates (which are payable in addition to the original margins), is amended from being 3.5 times the original margin to 2.5 times the original margin to reflect the true intention of the parties; and
- B. *Fixed Rate*: the fixed rate of interest payable on the A7, B3, C2 and D2 Loans, from (and including) a Step-Up Date, under the ICLA, as set out in the definition of "Fixed Rate" in the MDA and ICLA, were amended to take into account the 0.01 per cent. per annum required pursuant to Clause 9.1 (b) of the ICLA, which had been omitted.

The Class A7 Notes, the Class B3 Notes, the Class C2 Notes and the Class D2 Notes are subject to the amendments.

1. Condition 4(e) (*Step-up Fees*) of the Notes set out in Schedule 4 to the Sixth Supplemental Trust Deed has been amended so as to be in the following form:

"(e) Step-up Fees

The Step-up Fees payable from time to time in respect of Floating Rate Notes of each class will be determined by the Agent Bank as soon as practicable after 11.00 a.m. (London time) on each Interest Determination Date.

The Class A7 Step-up Rate for each Interest Period beginning on the Class A7 Step-up Date shall be 0.285 per cent. per annum.

The Class B3 Step-up Rate for each Interest Period beginning on the Class B3 Step-up Date shall be 0.42 per cent. per annum.

The Class C2 Step-up Rate for each Interest Period beginning on Class C2 Step-up Date shall be 0.825 per cent. per annum.

The Class D2 Step-up Rate (and together with Class A7 Step-up Rate, the Class B3 Step-up Rate and the Class C2 Step-up Rate, the Step-up Rates) for each Interest Period beginning on the Class D2 Step-up Date shall be 1.26 per cent. per annum."

2. The Eighth Restated Intercompany Loan Agreement has been amended as follows:

- 2.1 The definition of Fixed Rate has been deleted and replaced with the following:

"Fixed Rate" means:

- (a) in relation to an A1 Loan, 6.465% per annum;
- (b) in relation to an A3 Loan, 5.962% per annum;

- (c) in relation to an A7 Loan:
  - (i) from (and including) the Sixth Effective Date to (but excluding) the Class A7 Step-Up Date, 5.1235% per annum;
  - (ii) from (and including) the Class A7 Step-Up Date, 5.4085% per annum;
- (d) in relation to a B Loan, 6.81% per annum;
- (e) in relation to a B3 Loan:
  - (i) from (and including) the Sixth Effective Date, to (but excluding) the Class B3 Step-Up Date, 5.1725% per annum; and
  - (ii) from (and including) the Class B3 Step-Up Date, 5.5925% per annum;
- (f) in relation to a C2 Loan:
  - (i) from (and including) the Sixth Effective Date, to (but excluding) the Class C2 Step-Up Date, 5.4516% per annum; and
  - (ii) from (and including) the Class C2 Step-Up Date, 6.2766% per annum; and
- (g) in relation to a D2 Loan:
  - (i) from (and including) the Sixth Effective Date, to (but excluding) the Class D2 Step-Up Date 5.8105% per annum; and
  - (ii) from (and including) the Class D2 Step-Up Date, 7.0705% per annum."

3. The Seventh Restated Master Definitions Agreement has been amended to reflect the amendments referred to in sections 1 and 2 above.

Capitalised terms not otherwise defined in this notice shall have the meanings given to them in the Seventh Restated Master Definitions Agreement entered into between, amongst others, the Issuer and the Trustee on 17 June 2014.

## Recent activity regarding the mortgaged properties

- On 25<sup>th</sup> February 2014 Pirean Limited let 2,259 square feet on Floor 34 of One Canada Square. Previously occupied within Canary Wharf's technology start-up space on Level39, Pirean have become the first company to graduate from Level39 to take leased space on the estate. The lease is for a term of 5 years from February 2014 at a rent increasing to £42.50 psf from August 2015.
- On 26<sup>th</sup> March 2014 the National Bank of Abu Dhabi ('NBAD') entered into a lease for 11,267 sq ft on Level 28 of One Canada Square. Of the space leased, 4,522 sq ft was taken from the area vacated by Coutts and Company following the surrender of their lease. Cash collateral of £318,000 was set aside against the resulting rental shortfall. The lease to NBAD is for a term of 10 years at a rent of £40.00 psf following a 20 month rent free period. The lease is subject to a break option at the end of the 7<sup>th</sup> year and if the break option is not exercised NBAD will be given a further 9 month rent free period.
- On 28<sup>th</sup> March 2014 a reversionary lease of part of the space occupied by State Street in One Canada Square was signed with Medical Defence Union ('MDU') comprising 47,286 sq ft on levels 32 and 33. The lease commences 1<sup>st</sup> July 2018 for a term of 11 years at a rent of £38.50 psf subject to a rent free period of 24 months. The rent rises to £42.50 with effect from the first review in June 2019. MDU have a break option at June 2024 with a 9 month rent penalty if exercised. Also on 28<sup>th</sup> March 2014, the State Street lease of levels 32 and 33 in One Canada Square was varied to reduce the rent from £40.00 psf to £38.50. Cash collateral of £363,000 was set aside against this rental shortfall.
- On 14<sup>th</sup> May 2014 the European Banking Authority ('EBA') entered into an agreement for 44,700 sq ft on levels 45 and 46 of One Canada Square for a term of 12 years at a rent of £40.00 psf, following a 32 month rent free period. EBA have a break option at the end of the 6<sup>th</sup> year and if the break option is exercised there is a 16 month rent penalty.
- On 17<sup>th</sup> of September 2014 the Trustee authorised Canary Wharf's proposed extension of the technology accelerator space currently provided on the 39<sup>th</sup> floor and the 42<sup>nd</sup> floor of One Canada Square to include 28,412 square feet on the 38<sup>th</sup> floor. This space will be subject to a lease to Canary Wharf, but will be used to generate external income from short term lettings, in contrast to space leased to Canary Wharf for its own use or for charitable purposes.
- On 17<sup>th</sup> of September 2014 Canary Wharf also signed a lease to occupy 27,585 square feet of office space on Level 31 for its own use. This letting will bring the total space let by Canary Wharf group companies for its own use to just under 86,000 square feet, which is within the 100,000 square feet occupation limit required by the securitisation.

Elsewhere on the estate, on 7<sup>th</sup> February 2014 EY agreed to lease 207,000 square feet of office space at 25 Churchill Place for a period of 25 years, at a rent of £48.50 per square foot. As part of this transaction, Canary Wharf Group will assume responsibility for EY's lease when they vacate Becket House, 1 Lambeth Palace Road, comprising 146,000 square feet of office space. The lease runs until September 2026 at a current rent of £35.00 per square foot.

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## Canary Wharf Finance II plc

The rental income figures for the pre-asset substitution properties below are based on actual receipts for Q2 2014.

### Property Portfolio Summary

Address	Whole Building NIA	Area Securitised NIA	Area Securitised Let NIA	Actual Quarterly Rental Income	Estimated Annualised after rent free <sup>(1)(3)</sup>	Market Value <sup>(2)</sup>
33 Canada Square	562,700 sq ft	562,700 sq ft	562,700 sq ft	£5.0 m	£20.1 m	£405.0
One Canada Square	1,236,200 sq ft	1,220,700 sq ft	1,148,444 sq ft	£9.0 m	£47.9 m	£730.0
20 Bank Street	546,500 sq ft	546,500 sq ft	546,500 sq ft	£6.6 m	£26.2 m	£485.5
40 Bank Street	607,400 sq ft	607,400 sq ft	596,348 sq ft	£6.5 m	£24.8 m	£400.0
10 Cabot Sq/5 North Colonnade	639,000 sq ft	639,000 sq ft	639,000 sq ft	£4.9 m	£19.6 m <sup>(5)</sup>	£460.0
20 Cabot Sq/10 South Colonnade	562,000 sq ft	562,000 sq ft	562,000 sq ft	£4.0 m	£15.9 m <sup>(5)</sup>	£396.0
<b>Subtotal post substitution</b>	<b>4,153,800 sq ft</b>	<b>4,138,300 sq ft</b>	<b>4,054,992 sq ft</b>	<b>£36.0 m</b>	<b>£154.5 m <sup>(4)</sup></b>	<b>£2,876.5</b>

Notes:

- (1) Area let as at 30<sup>th</sup> June 2014.
- (2) MV based valuation of the properties at 30<sup>th</sup> June 2014.
- (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 as at 30<sup>th</sup> June 2014 after expiry of rent-free periods and including potential rental income on unlet space, where applicable.
- (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 in 2015 with subsequent annual RPI increases over the rest of the term until the expiry of the lease in June 2032.

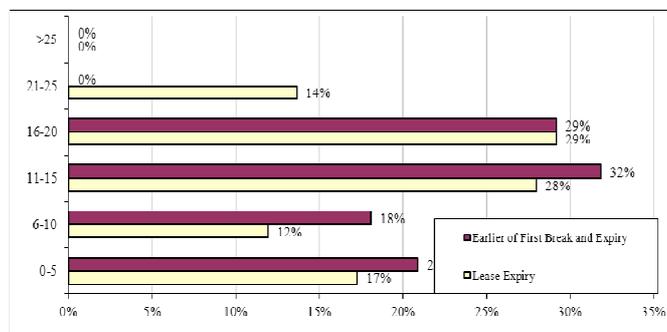
### Occupancy

At 30<sup>th</sup> June 2014 the securitised property portfolio was 98.0% let.

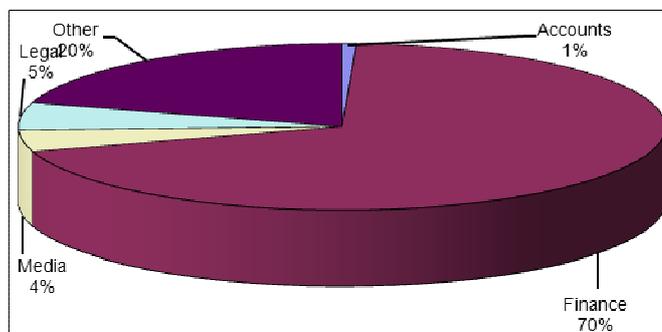
### Rent Reviews

	Area	Passing Rent
Outstanding Rent Reviews	14,034 sq ft	£713,317

### 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 sq ft) was 13.5 years. The weighted average lease term reflecting all break options was 11.3 years.

### Major Tenants:

#### 33 Canada Square

Citigroup

#### One Canada Square

Bank of New York Mellon  
Mirror Group Newspapers  
Moody's Investor Services  
State Street  
FCA  
BBVA  
European Banking Authority  
National Bank of Abu Dhabi

#### 20 Bank Street

Morgan Stanley UK Group

#### 40 Bank Street

Skadden Arps  
Allen & Overy  
BGC International  
Barclays Bank plc  
Shell International Limited  
Australia and New Zealand Bank

#### 5 North Colonnade

Barclays Bank Plc

#### 10 South Colonnade

Barclays Bank Plc

## Canary Wharf Finance II plc

### Financial Considerations

	Q2 2014 Actuals
Gross Rental	£36.0 m
Interest transfer to Issuer's Transaction Account on release of 10 Upper Bank Street	£9.4 m
Gross Rental	£45.4 m
B3 Defeasance	£1.3 m
C2 Defeasance	£1.9 m
Senior Expenses <sup>(1)</sup>	(£1.2 m)
	£47.4 m
Gross Debt	£1,595.7 m
Cash Reserves	(£8.0 m)
Net Debt	£1,587.7 m

### Quarter 2 2014 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 post repayments <sup>(2)</sup>	Interest <sup>(3)</sup>	Principal <sup>(4)</sup>	Reserve Release	Interest Cover Ratio	Debt Service Cover Ratio	LMCTV
<b>AAA</b>							
- A1	£361.8 m	(£15.4 m)	(£14.6 m)				
- A3	£400.0 m	(£6.0 m)					
- A7	£222.0 m	(£2.8 m)					
	£983.8 m	(£24.2 m)			1.83 x	1.32 x	33.9%
<b>AA</b>							
- B	£171.1 m	(£2.9 m)	(£1.7 m)				
- B3	£77.9 m	(£1.0 m)					
	£249.0 m	(£3.9 m)			1.57 x	1.14 x	42.6%
<b>A</b>							
- C2	£239.7 m	(£3.7 m)		£3.7 m	1.39 x	1.05 x	50.9%
<b>BBB</b>							
- D2	£125.0 m	(£2.2 m)		£2.2 m	1.30 x	1.00 x	55.3%
	<b>£1,597.5 m</b>	<b>(£34.0 m)</b>	<b>(£16.3 m)</b>	<b>£2.8 m</b>			

Reserve	Opening Balance <sup>(5)</sup>	Period Movement	Closing Balance <sup>(5)</sup>
Void Costs Ledger			
Cash Ledger	£1.9 m	(£1.9 m)	£0.0 m
B3 Defeasance Ledger	£1.3 m	(£1.3 m)	£0.0 m
C2 Defeasance Ledger	£2.2 m	(£1.9 m)	£0.3 m
Subtotal Coverage Reserves	£5.5 m	(£5.2 m)	£0.3 m
Cash Collateral	£8.5 m	(£0.8 m)	£7.7 m
Total Reserves	£14.0 m	(£6.0 m)	£8.0 m

#### Notes:

- Senior Expenses principally include the DS6 facility fees and the liquidity facility fee.
- Total outstanding debt at 22<sup>nd</sup> July 2014 interest payable date after cancellation of £26.1m of the B3 notes and £35.3m of the C2 notes on 20<sup>th</sup> June 2014 and redemption of £577.9m of A1 notes on 22<sup>nd</sup> July 2014.
- Interest paid on 22<sup>nd</sup> July 2014 comprises bond interest of £26.8m and payments under interest rate swaps of £7.2m.
- Amortisation paid on 22<sup>nd</sup> July 2014.
- Opening balance is as at 22<sup>nd</sup> April 2014, closing balance is at 22<sup>nd</sup> July 2014.