

# *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 31/03/14, except for the LMCTV ratio which is based on valuations as at 31/12/13.*

## **HIGHLIGHTS**

*Properties 97.5% let at 31 March 2014.*

*Valuations as at 31 December 2013 were £3,552 M*

*Briefing Note*

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The following update refers to the period up to the April 2014 interest payment date.

Recent activity regarding the mortgaged properties include –

- 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 7<sup>th</sup> February 2014, elsewhere on the estate, 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.
- Subsequent to the period end, 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.

## Canary Wharf Finance II plc

The rental income figures for the pre-asset substitution properties below are based on actual receipts for Q1 2014.

### Property Portfolio Summary

Address	Whole Building NIA	Area Securitised NIA	Area Securitised Let NIA <sup>(1)</sup>	Actual Quarterly Rental Income Q4 2013	Estimated Annual Rental Income	Market Value <sup>(2)</sup>
33 Canada Square	562,700 sq ft	562,700 sq ft	562,700 sq ft	£5.0 m	£20.1 m	£405.0m
One Canada Square	1,236,200 sq ft	1,220,700 sq ft	1,105,579 sq ft	£9.2 m	£47.8 m <sup>(3)</sup>	£660.0m
20 Bank Street	546,500 sq ft	546,500 sq ft	546,500 sq ft	£6.6 m	£26.2 m	£475.0m
40 Bank Street	607,400 sq ft	607,400 sq ft	596,348 sq ft	£7.8 m	£24.8 m <sup>(3)</sup>	£390.0m
10 Upper Bank Street	1,000,400 sq ft	1,000,400 sq ft	1,000,400 sq ft	£11.1 m	£44.3 m	£780.0m
10 Cabot Sq/5 North Colonnade	639,000 sq ft	639,000 sq ft	639,000 sq ft	£5.0 m	£19.6 m <sup>(5)</sup>	£450.0m
20 Cabot Sq/10 South Colonnade	562,000 sq ft	562,000 sq ft	562,000 sq ft	£3.9 m	£15.9 m <sup>(5)</sup>	£392.0m
<b>Subtotal post substitution</b>	<b>5,154,200 sq ft</b>	<b>5,138,700 sq ft</b>	<b>5,009,527 sq ft</b>	<b>£48.6 m</b>	<b>£198.8 m<sup>(4)</sup></b>	<b>£3,552.0m</b>

Notes:

- (1) Area let as at 31<sup>st</sup> March 2014.
- (2) MV based valuation of the properties at 31<sup>st</sup> December 2013.
- (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 31<sup>st</sup> March 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.

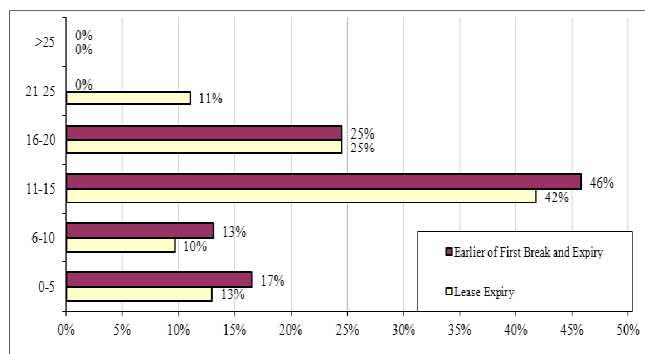
### Occupancy

At 31<sup>st</sup> March 2014 the securitised property portfolio was 97.5% let.

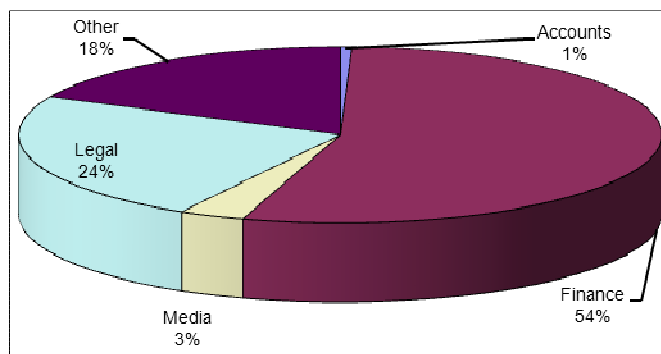
### Rent Reviews

	<u>Area</u>	<u>Passing Rent</u>
Outstanding Rent Reviews	19,414 sqft	£903,317

### 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 sqft) was 14.0 years. The weighted average lease term reflecting all break options was 12.3 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  
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

#### 10 Upper Bank Street

Clifford Chance LLP

#### 5 North Colonnade

Barclays Bank Plc

#### 10 South Colonnade

Barclays Bank Plc

## Financial Considerations

	<b>Q1 2014 actuals</b>
Gross Rental (cash received in Q1 2014)	£48.6 m
B3 Defeasance	(£0.1 m)
C2 Defeasance	(£0.2 m)
Senior Expenses <sup>(1)</sup>	(£1.1 m)
	<u>£47.3 m</u>
Gross Debt	£2,253.1 m
Cash Reserves	(£14.0 m)
Net Debt	<u>£2,239.1 m</u>

## Quarter 1 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 <sup>(2)</sup>	Interest <sup>(3)</sup>	Principal <sup>(4)</sup>	Reserve Releases	Interest Cover Ratio	Debt Service Cover Ratio	LMCTV
AAA	£1,576.3 m	(£24.4 m)	(£14.6 m)		1.95 x	1.32 x	44.0%
AA	£276.8 m	(£4.3 m)	(£1.7 m)		1.66 x	1.13 x	51.8%
A	£275.0 m	(£3.7 m)		£1.4 m	1.47 x	1.04 x	59.5%
BBB	£125.0 m	(£1.8 m)		£1.8 m	1.39 x	1.00 x	63.0%
	<u>£2,253.1 m</u>	<u>(£34.2 m)</u>	<u>(£16.3 m)</u>	<u>£3.2 m</u>			

Reserve	Opening Balance <sup>(5)</sup>	Period Movement	Closing Balance <sup>(5)</sup>
Void Costs Ledger	-	-	-
Cash Ledger	£5.1 m	(£3.2 m)	£1.9 m
B3 Defeasance Ledger	£1.2 m	£0.1 m	£1.3 m
C2 Defeasance Ledger	£2.1 m	£0.2 m	£2.3 m
<b>Subtotal Coverage Reserves</b>	<b>£8.4 m</b>	<b>(£2.9 m)</b>	<b>£5.5 m</b>
Cash Collateral	£9.0 m	(£0.5 m)	£8.5 m
<b>Total Reserves</b>	<b>£17.4 m</b>	<b>(£3.4 m)</b>	<b>£14.0 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> April 2014 interest payable date.
- (3) Interest paid on 22<sup>nd</sup> April 2014 comprises bond interest of £26.3m and payments under interest rate swaps of £7.9m.
- (4) Amortisation paid on 22<sup>nd</sup> April 2014.
- (5) Opening balance is as at 22<sup>nd</sup> January 2014, closing balance is at 22<sup>nd</sup> April 2014.