

CANARY WHARF FINANCE II PLC
25 BANK STREET

As issuer of the notes under the Canary Wharf Finance II plc (“CWF II”) securitisation structure (“the Securitisation”) CWF II announces that the administrators acting on behalf of Lehman Brothers Limited (in administration) (“Lehman”) have advised that: -

- (1) As from 1 January 2010 Lehman has paid rent in respect of 290,146 sq ft, being the areas of 25 Bank Street which it currently occupies and not for the whole of 25 Bank Street, and;
- (2) Lehman proposes to move from 25 Bank Street by 31 March 2010 and from 1 April 2010 Lehman intends that it will cease paying rent and the estate service charge on 25 Bank Street.

Sub-tenants which currently occupy 484,000 sq ft will continue to pay rent directly to the Securitisation rental receipts account.

Under the terms of a facility agreement with AIG Financial Products Corp (“the AIG Facility”), where there is a shortfall of rent on 25 Bank Street, amounts equal to the shortfall may be drawn down from the AIG Facility for a period of four years from the date of any initial drawdown.

Notwithstanding any partial occupation of 25 Bank Street by the Administrator, CWF II continues to expect full performance of the Lehman obligations under the lease and payment of rent on the whole of 25 Bank Street will be pursued in line with a recent High Court ruling on administrator liability. Pending resolution of this issue there has been a net shortfall in rental income of £2.57m within the Securitisation structure this quarter. This shortfall has, however, been satisfied from existing cash resources in a coverage reserve account established within the Securitisation to meet such shortfalls. There will therefore be no immediate drawdown under the AIG Facility.

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NOTES TO EDITORS

As at 22 October 2009 the following notes issued by CWF II were outstanding:

Class	Principal £m	Interest	Repayment
A1	1,189.7	6.455%	By instalment from 2009 to 2033
A3	400.0	5.952%	By instalment from 2032 to 2037
A7	222.0	Floating	In 2035
B	203.9	6.800%	By instalment from 2005 to 2033
B3	104.0	Floating	In 2035
C2	275.0	Floating	In 2035
D2	125.0	Floating	In 2035
	<u>2,519.6</u>		

The securitisation has the benefit of an agreement with AIG which provides for the payment of the contracted rent under the lease following a default from Lehman, either in its entirety or to cover any shortfall. The agreement is for a period of 4 years from a payment default by Lehman. The amounts would be repayable if subsequent recoveries made in respect of amounts claimed or subsequent rentals in the properties exceed the rents that would have been received from Lehman. Under this agreement, AIG is obliged to maintain a certain credit rating. Following the fall in its credit rating, AIG posted cash collateral of approximately £224.0m. This collateral is held in AIG bank accounts with the Bank of New York Mellon, London branch and AIG has granted security over the deposits as collateral for its obligations. The amount initially posted in respect of AIG's obligations is subject to periodic adjustment to reflect movements in interest rates.

CWF II also has the benefit of a £300.0m liquidity facility provided by Lloyds, under which drawings may be made in the event of a cash flow shortage under the securitisation. This facility is renewable annually.

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