

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 31/12/09 except for the LMCTV ratio which is based on valuations as at 30/06/09. The LMCTV ratio will be updated to reflect valuations as at 31/12/09 once the Group's results for the year then ended are announced.

HIGHLIGHTS

Properties 97.8% let at 31 December 2009

Valuations as at 30 June 2009 were £2,762.5 M

Briefing Note

Lehman Brothers:

On 15 September 2008 Lehman Brothers Limited entered into administration in the UK and its ultimate parent, Lehman Brothers Holdings Inc., applied for Chapter 11 insolvency protection in the USA.

Lehman Brothers Limited (in administration) ('Lehman') currently lease 1.023m sq ft in 25 Bank Street on a tenancy which is due to expire in July 2033. The obligations of the lease are guaranteed by Lehman Brothers Holdings Inc, the US parent. Of the 1.023m sq ft, approximately 358,000 sq ft was sub-let in December 2008 to Nomura International Plc by Lehman for approximately 15 months. A further 126,000 sq ft is sublet, of which approximately 101,000 sq ft is sub-let until 2013 and the balance sub-let until September 2010. Each of these sub-lets revert to Lehman on the expiry of the various sub-leases. The current rent payable by Lehman for the entire building increased from £53.00 psf to £54.59 psf in November 2009.

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 HQ2 Facility Agreement'). The agreement is for a period of 4 years from first drawdown following a payment default by Lehman. Under this agreement, AIG are obliged to maintain a certain credit rating. Following the fall in its credit rating, AIG posted cash collateral of approximately £224.0 million. This collateral is held in AIG bank accounts with the Bank of New York Mellon, London branch and AIG have 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.

On 21st January 2010 Canary Wharf Finance II plc ("CWF II") announced that the administrators acting on behalf of Lehman had 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.

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 was a net shortfall in rental income of £2.57m within the Securitisation structure this quarter. This shortfall was, however, satisfied from existing cash resources in a coverage reserve account established within the Securitisation to meet such shortfalls. There has therefore been no immediate drawdown under the HQ2 Facility Agreement.

Separately, the securitisation has the benefit of an arrangement with AIG which covers the rent in the event of a default by the tenant of 33 Canada Square over the entire term of the lease. AIG has posted a further £276.3 million as cash collateral in respect of this obligation.

CWFII also has 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 include –

- A new lease was signed with the FSA to let 2 floors (c56,000 sq ft) in One Canada Square at a rent of £35.00 expiring in 2018, with a break after 5 years on one floor. The FSA have also taken an option to lease one further floor in the building.
- Metlife, Global Sage, Novartis and Euler Hermes all renewed leases in One Canada Square in respect of space totalling approximately 64,500 sq ft.
- Premier FX Investing is taking a new lease of 3,553 sq ft on part of level 19, 40 Bank Street.
- The above transactions were concluded on leases for short to medium terms at rents between £29 psf and £42 psf.
- Estimated annual rental income for mortgaged properties as at 31st December 2009 (assuming the expiry of rent free periods) has increased to £225.7 million.
- The following tenants have served notice to determine their leases in accordance with the relevant lease agreements:

Tenant Name	Building	Floor	NIA	Date Effective
National Westminster Bank Plc	One Canada Square.	Pt Floor 6, Suite E	5,440	10-Jul-10
JP Morgan Markets Ltd	One Canada Square.	Pt Floor 50	22,127	03-Mar-10
Atkins	One Canada Square.	Pt Floor 28	2,584	29-Jan-10
TOTAL			30,151 sq. ft.	

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Property Portfolio Summary

Address	Whole Building NIA	Area Securitised NIA	Area Securitised Let NIA ⁽⁴⁾	Estimated Annual Rental Income ⁽¹⁾⁽³⁾	Market Value ⁽²⁾
33 Canada Square	562,700 sq. ft	562,700 sq. ft	562,745 sq. ft	£20.1m	£305.0m
One Canada Square	1,236,200 sq. ft	1,220,700 sq. ft	1,116,439 sq. ft	£45.3m ⁽³⁾	£590.0m
20 Bank Street	546,500 sq. ft	546,500 sq. ft	546,538 sq. ft	£26.2m	£370.0m
25 – 30 Bank Street	1,023,300 sq. ft	1,023,300 sq. ft	1,023,293 sq. ft	£54.9m	£380.0m
40 Bank Street	607,400 sq. ft	607,400 sq. ft	596,377 sq. ft	£26.3m ⁽³⁾	£365.0m
50 Bank Street	210,500 sq. ft	210,500 sq. ft	209,755 sq. ft	£8.5m	£127.5m
10 Upper Bank Street	1,000,400 sq. ft	1,000,400 sq. ft	1,000,416 sq. ft	£44.3m	£625.0m
Total	5,187,000 sq. ft	5,171,500 sq. ft	5,055,563 sq. ft	£225.7m	£2,762.5 m

Notes:

- (1) Estimated annual rental income based on annualised rent for the quarter to 31st December 2009 .
- (2) MV based valuation of the properties at 30 June 2009.
- (3) Rent receivable after expiry of rent-free periods and excluding potential rental income on unlet space, where applicable.
- (4) Area let as at 31st December 2009 .

Financial Considerations

Gross Rental (on expiry of rent free periods)	£225.7 m
Senior Expenses ⁽¹⁾	£7.4 m
Gross Debt	£2,505.2 m
Cash Reserves	£(26.0) m
Net Debt	£2,479.2 m

Class	Amount ⁽²⁾	Interest ⁽³⁾	Principal ⁽⁴⁾	Expected Reserve Releases	Interest Cover Ratio	Debt Service Cover Ratio	LMCTV	Modified LMCTV ⁽⁵⁾
AAA	£1,799.0 m	(£102.4 m)	(£50.6 m)	-	2.13 x	1.43 x	64.2%	56.1%
AA	£306.2 m	(£14.8 m)	(£6.9 m)	-	1.86 x	1.25 x	75.3%	67.2%
A	£275.0 m	(£3.2 m)	-	-	1.81 x	1.23 x	85.2%	77.1%
BBB	£125.0 m	(£1.8 m)	-	-	1.79 x	1.22 x	89.7%	81.6%
	£2,505.2 m	(£122.1 m)	(£57.5 m)	-				

Reserve	Opening Balance ⁽⁶⁾	Period Movement	Closing Balance ⁽⁶⁾
Void Costs Ledger	£0.9 m	-	£0.9 m
Cash Ledger	£14.6 m	(£2.6 m)	£12.0 m
B3 Defeasance Ledger	£1.6 m	£0.1 m	£1.7 m
C2 Defeasance Ledger	£5.8 m	£0.2 m	£6.0 m
Cash Collateral	£5.6 m	(£0.2 m)	£5.4 m
Total Reserves	£28.5 m	(£2.5 m)	£26.0 m

Notes:

- (1) Senior Expenses principally include the HQ2 and DS6 credit wrap commitment fees and the liquidity facility fee.
- (2) Total outstanding debt at 22nd January 2010 interest payable date.
- (3) Interest Payable based on 22nd January 2010 interest payable (annualised).
- (4) Based on amortisation for the quarter to 22nd January 2010 (annualised).
- (5) As mentioned in the briefing note above, approximately £224.0 m was posted by AIG in respect of the HQ2 Facility Agreement (which is subject to market adjustments). The modified LMCTV ratio reflects the benefit of this cash collateral.
- (6) Opening balance is as at 22nd September 2009, closing balance is at 22nd January 2010.

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Material Events

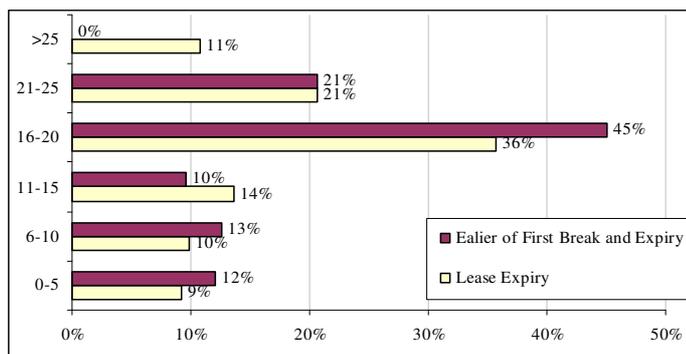
Rent Reviews

	<u>Area</u>	<u>Passing Rent</u>
Outstanding Rent Reviews	0 sq ft	£0

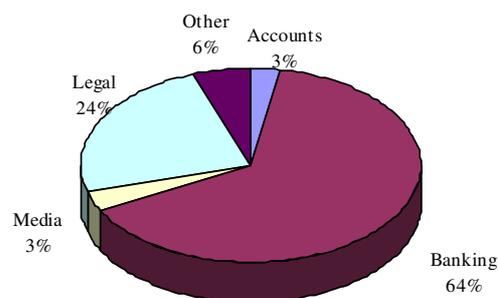
Notes:

(1) The rent on the HCA retail tenancy (NIA 5,380 sq ft) in 10 Upper Bank Street (HQ5) was agreed in the quarter to £190,000 per annum, an increase of £4,000.

Analysis of Office Lease Expiries and Breaks (Note 1)



Concentration of Leases by Area



(1) The weighted average unexpired lease term of the office portfolio (by sq.ft) is 17.11 years or 15.44 years after taking into account break options.

Major Tenants:

33 Canada Square

Citigroup

One Canada Square

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

20 Bank Street

Morgan Stanley UK Group

25 – 30 Bank Street

Lehman Brothers Limited
(In administration)

40 Bank Street

Skadden Arps
Allen & Overy
BGC International
Barclays Bank plc

50 Bank Street

The Northern Trust Company
Goldenberg Hehmyer & Co

10 Upper Bank Street

Clifford Chance LLP