

7 July 2005

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**5 Year Coupon Option Credit Linked Note  
on Federative Republic of Brazil  
Issued by Calyon Finance (Guernsey) Limited**

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## INDICATIVE TERMS AND CONDITIONS

## CALYON REF:

NOT FOR SALE IN THE UNITED STATES OF AMERICA

Potential purchasers of these Notes should understand that following a Credit Event, the redemption amount of the Notes may be less than the initial Nominal Amount as they may be partially or entirely settled through Physical Settlement and/or Cash Settlement as described below. In addition, any recovery upon an early redemption may be further reduced to take into consideration the early termination of the Hedge Amount (as defined below).

The provisions hereof are subject entirely to the terms and conditions set forth in the Pricing Supplement dated on or about the Issue Date hereof and the Offering Circular dated July 30, 2004, as amended by a Supplemental Offering Circular dated 21 December 2004, in connection with the €25,000,000,000 Structured Euro Medium Term Note Programme among CALYON, Calyon Financial Products (Guernsey) Limited and Calyon Finance (Guernsey) Limited, as amended and supplemented from time to time.

Description of Notes:	The Notes provide the investor with an enhanced spread in return for the investor granting to the Issuer protection if a Credit Event affects the Reference Entity or its Obligations during the Reference Period. Should a Credit Event affect the Reference Entity, the entire Nominal Amount of the Notes may be redeemed prior to the Maturity Date, pursuant to the Early Redemption Provisions below. In addition, the Hedge Amount as described below, shall be taken into consideration.
Issuer	Calyon Finance (Guernsey) Limited
Guarantor	CALYON
Nominal Amount	USD 2,010,000
Reference Entity	The Federative Republic of Brazil and any Successor

**TRADING TERMS:** This term sheet contains indicative terms only. The price and other terms on which Notes might be issued will be a function of market prices prevailing at the time of issue and the demand for Notes of the Issuer at that time.

**NON-RELIANCE:** Prior to entering into any proposed transaction, you are advised to engage your own legal, tax and accounting professionals where you deem necessary. Please take note that (i) absent a written agreement between the relevant parties or applicable law that expressly imposes affirmative obligations to the contrary, (a) you may not rely on any communication from the Issuer as a recommendation to enter into the transaction described herein or to enter into or refrain from entering into any other transaction in reliance thereon, (b) you assume the terms, conditions and risks of the transaction for your own account, and are capable of doing so, and (c) the Issuer is not acting as a fiduciary or advisor for you, and (ii) the Issuer may act as a dealer on both sides of the market and engage in other business transactions with the Reference Entity, or other parties referenced herein and has no obligation to disclose the existence of or nature of such business transactions. CALYON or its affiliates may at times have an interest, relationship or arrangement that could be material and/or could give rise to a conflict of interest or potential conflict of interest. In such event, you consent to CALYON acting in any manner that it considers appropriate to ensure fair treatment of such conflicts for you. "Issuer" in the context of (i) and (ii) above includes the Issuer hereof, CALYON, and any affiliate or agent thereof.

**FOR THE US:** The Issuer will not be registered under the US Investment Company Act of 1940. The Notes will not be registered under the U.S. Securities Act of 1933. Consequently, the Notes may not be offered, sold, delivered or transferred within the United States or for the account of a U.S. person.

**FOR THE UK:** In the UK this document has been distributed by CALYON (London Branch) and is restricted. By viewing this document, the viewer represents that such person is a Market Counterparty (as defined by the FSA) and this document is only communicated to such persons. CALYON London Branch is authorised by the Commission Bancaire in France and by the Financial Services Authority; regulated by the Financial Services Authority for the conduct of UK business. This document is not for communication to, nor should it be relied upon by, Private Customers (as defined by the FSA).

Reference Obligation	The obligation identified as follows: Primary Obligor: Federative Republic of Brazil Guarantor: None Maturity: 6 March 2030 Coupon: 12.25% CUSIP/ISIN: US105756AL40
Trade Date	7 July 2005
Issue Date	22 July 2005
Maturity Date	30 July 2010, subject to the Early Redemption Provisions and Partial Maturity Date Extension
Reference Period	From and including the day following the Trade Date, to and including the Maturity Date
Issue Price	100%
Denomination	USD 10,000
Interest	The Coupon Rate payable quarterly in arrear
Coupon Rate	Year 1 : 7.80% Year 2 : Previous Coupon + 6M Libor – 4.10% Year 3 : Previous Coupon + 6M Libor – 4.35% Year 4 and 5: Previous Coupon
	Provided that the Coupon Rate shall not be less than zero and subject to exercise of the Floating Coupon Option.
Previous Coupon	The Coupon Rate determined in respect of the immediately preceding Interest Period
6M Libor	6 month USD-LIBOR-BBA (as such term is defined in the 2000 ISDA Definitions)
Day Count Fraction	30/360
Floating Coupon Option	An option, exercisable by the Issuer on any Interest Payment Date within the Option Exercise Period by giving not less than five Business Days notice, to alter the Coupon Rate to the Floating Coupon Rate for all subsequent Interest Periods.
Option Exercise Period	The period commencing 6 months after the Issue Date.
Floating Coupon Rate	3 month USD-LIBOR-BBA (as such defined in the 2000 ISDA Definitions) + 3.00% per annum paid on an Act/360 basis.
Interest Payment Dates	The 30 <sup>th</sup> of each January, April, July and October, commencing on 30 October 2005.
Business Day Convention	Modified Following (which shall apply to any date referred to herein that falls on a day that is not a Business Day, but shall not apply to the first or the last day of the Reference Period)
Business Day	London and New York
Redemption Amount	The Notes will be redeemed at 100% of the Nominal Amount, subject to the Early Redemption Provisions and Partial Maturity Date Extension set forth below.

### **Early Redemption Provisions**

Early Redemption	If a Credit Event Notice is delivered by Issuer to the Noteholders on or after the Issue Date and on or before the Maturity Date the Notes will accelerate, no principal nor any interest payments shall be made and the Issuer will elect to settle the Notes through Physical Settlement, subject to the Provisions relating to Cash Settlement below.
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Credit Event Notice	A notice from the Issuer to the Noteholders that describes the occurrence of a Credit Event which has occurred during the Reference Period, which the Issuer has the right but not the obligation to deliver at any time from the occurrence of a Credit Event to and including the Maturity Date.
Conditions to Settlement	Credit Event Notice Notice of Publicly Available Information Notice of Physical Settlement
Credit Event	The occurrence of one or more of the Credit Events specified in respect of the relevant Transaction Type corresponding to any Reference Entity in the Credit Derivatives Physical Settlement Matrix as published by ISDA on 7 March 2005 (the " <b>Matrix</b> ") during the Reference Period. The "Restructuring" Credit Event is applicable to the Reference Entity if specified as "North American Corporate"
Transaction Type	Latin America Sovereign
Obligations	Any obligation of the Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable, as provider of any Qualifying Guarantee) described by the Obligation Category as specified in the relevant section of the Matrix, and having the Obligation Characteristics as specified in the relevant section of the Matrix, and the Reference Obligation, if any.
All Guarantees	Applicable or Not Applicable as specified in the relevant section of the Matrix

#### **Provisions relating to Physical Settlement**

Physical Settlement	<p>The Issuer shall deliver the Deliverable Obligations, subject to the Provisions relating to Cash Settlement below, and subject to adjustment after taking into consideration the Hedge Amount pursuant to the following:</p> <p>(a) if the Hedge Amount results in a net loss to the Issuer, then (i) an amount of the Deliverable Obligations equivalent in value to such net loss shall be sold by the Issuer to compensate it therefor, and the remaining portion of the Deliverable Obligations, if any, shall be delivered, and (ii) to the extent that all or part of the Deliverable Obligations, or such remaining portion thereof, is subject to Cash Settlement, the remaining amount in cash, if any, shall be delivered after effecting a set off of the same with any such net loss, or</p> <p>(b) if the Hedge Amount results in a net gain to the Issuer, such net gain shall be paid in cash to the Noteholders in addition to the Deliverable Obligations, such Deliverable Obligations to be apportioned <i>pro rata</i> among the Noteholders.</p>
Hedge Amount	The aggregated net gain or loss associated with any interest rate and/or currency transactions or deposits in connection with the Notes which have been terminated early due to the early termination of the Notes, including without limitation losses and costs (or gains) in respect of any payment or delivery required to have been made, any loss of bargain or cost of funding, in each case as determined by the Calculation Agent.
Deliverable Obligations	Any obligations of the Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable, as provider of any Qualifying Guarantee) described by the Deliverable Obligation Category specified in the relevant section of the Matrix, and having the Deliverable Obligation Characteristics specified in the relevant section of the Matrix, and the Reference Obligation, if any, with an aggregate outstanding principal balance (excluding accrued interest) equal to the Nominal Amount.

Physical Settlement Date	The date within the Physical Settlement Period upon which all the Deliverable Obligations specified in the Notice of Physical Settlement are Delivered, provided that if on the last day of the Physical Settlement Period the Deliverable Obligations specified in the Notice of Physical Settlement cannot be Delivered due to any reason as set out in Partial Cash Settlement Terms the Physical Settlement Date shall be the last day of the Physical Settlement Period.
Physical Settlement Period	The longest of the number of Business Days for settlement in accordance with the then current market practice of any Deliverable Obligation being Delivered, as determined by the Calculation Agent, subject to a minimum of 30 Business Days following the satisfaction of all Conditions to Settlement.
Latest Permissible Physical Settlement Date	The date that is 30 calendar days after the final day of the Physical Settlement Period.

**Provisions relating to Cash Settlement**

Partial Cash Settlement due to Illegality or Impossibility	If for any reason (excluding market conditions) the Calculation Agent in its sole discretion determines that it would be impossible or illegal to deliver all or some of the Deliverable Obligations (regardless of when such condition became impossible or illegal) (the “ <b>Undeliverable Obligations</b> ”) on or prior to the Latest Permissible Physical Settlement Date, then Cash Settlement pursuant to the Partial Cash Settlement Terms shall apply to such Undeliverable Obligations. In such circumstances the Issuer may satisfy its obligations in respect of such Undeliverable Obligations by payment to the Noteholder(s) of the Cash Settlement Amount on the Cash Settlement Date, such amount to be apportioned <i>pro rata</i> among the Noteholders.
Partial Cash Settlement of Loans	If any Assignable Loans or Consent Required Loans are not on the Physical Settlement Date capable of being assigned or novated to the Noteholder(s) designee due to non-receipt of any requisite consents and such consents are not obtained or deemed given by the Latest Permissible Physical Settlement Date (the “ <b>Undeliverable Loan Obligations</b> ”), Cash Settlement pursuant to the Partial Cash Settlement Terms shall be deemed to apply to such Undeliverable Loan Obligations. In such circumstances the Issuer may satisfy its obligations in respect of such portion of the Deliverable Obligations by payment of the Cash Settlement Amount on the Cash Settlement Date, such amount to be apportioned <i>pro rata</i> among the Noteholders.
Alternative Cash Settlement	If (1) the Deliverable Obligations comprise Bonds, Assignable Loans or Consent Required Loans (the “ <b>Deliverable Assets</b> ”) and (2) in the opinion of the Calculation Agent, any particular Noteholder is not eligible for Physical Settlement for any part of such Deliverable Assets (the “ <b>Non-Eligible Deliverable Assets</b> ”) then such Non-Eligible Deliverable Assets will be subject to Cash Settlement pursuant to the Partial Cash Settlement Terms. In such circumstances the Issuer may satisfy its obligations in respect of such Non-Eligible Deliverable Assets by payment to such Noteholder of the Cash Settlement Amount on the Cash Settlement Date.

Final Price The highest firm bid quotation, expressed as a percentage, in respect of each Undeliverable Obligation, the Undeliverable Loan Obligation or the Non-Eligible Deliverable Asset, as the case may be (each an “**Undeliverable Asset**”), as selected by the Issuer. The Calculation Agent shall attempt to obtain Full Quotations with respect to each Undeliverable Asset from five or more Dealers. If the Calculation Agent is unable to obtain two or more such Full Quotations on the same Business Day within three Business Days of the date it attempts to value such Undeliverable Asset, then on the next following Business Day (and, if necessary, on each Business Day thereafter until the tenth Business Day thereafter) the Calculation Agent shall attempt to obtain Full Quotations from five or more Dealers and, if two or more Full Quotations are not available, a Weighted Average Quotation. If the Calculation Agent is unable to obtain two or more Full Quotations or a Weighted Average Quotation on the same Business Day by the tenth Business Day, the Quotations shall be deemed to be any Full Quotation obtained from a Dealer on the tenth Business Day or, if no Full Quotation is obtained, the weighted average of any firm quotations for the relevant Undeliverable Asset obtained from Dealers on such day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations were not obtained on such day.

Cash Settlement Amount The greater of (i) the aggregate of (A) the outstanding principal balance, Due and Payable Amount or Currency Amount, as applicable, of each Undeliverable Asset, multiplied by (B) the Final Price with respect to such Undeliverable Asset and (ii) zero

Cash Settlement Date Three Business Days after calculation of the Final Price.

**Other Provisions**

Partial Maturity Date Extension If, on the Scheduled Maturity Date or any earlier date of redemption, either:

(i) a Credit Event has occurred in respect of the Reference Entity and Cash Settlement applies to any Undeliverable Asset, but the corresponding Cash Settlement Date has not yet occurred,

(ii) a Potential Failure to Pay has occurred in respect of the Reference Entity and “Grace Period Extension” is applicable in accordance with market standards, but the applicable grace period has not yet expired, or

(iii) a Potential Repudiation/ Moratorium has occurred with respect to the Reference Entity, to the extent that Repudiation/ Moratorium applies in accordance with market standards, but such Potential Repudiation/ Moratorium has not been remedied or rescinded prior to such date,

then, in the case of (i), (ii) or (iii) the redemption of the Notes may be postponed, in a *pro rata* amount equivalent to the aggregate of the maximum potential related Cash Settlement Amounts, until the last such Cash Settlement Date, or as applicable, 2 Business Days following the date upon which any such Potential Failure to Pay or Potential Repudiation/ Moratorium has been cured (which shall be the Maturity Date for such amount).

Calculation Agent CALYON

Governing Law English Law

Listing None

Documentation/Delivery Structured Medium Term Note Programme. Initial Bearer Global Note to clear through Euroclear and Clearstream.

## Note on Definitions

Capitalised terms not otherwise defined in this term sheet, or in the Offering Circular shall have the meanings set forth in the 2003 ISDA Credit Derivatives Definitions as supplemented by the May 2003 Supplement and the 2005 Matrix Supplement to the 2003 ISDA Credit Derivatives Definitions (the “**Definitions**”). The Definitions and the 2005 Monoline Supplement, published on January 21, 2005, are hereby incorporated by reference herein and shall apply to the Notes *mutatis mutandis* except that any references to the “related Confirmation” shall refer instead to this term sheet, any references to the “Credit Derivative Transaction” shall be deemed to refer instead to the “Notes”, any references to the “Seller” shall be deemed to refer instead to the “Noteholder(s)”, any references to “Buyer” shall refer instead to the Issuer and the Definitions shall apply individually to each Reference Entity as if it were the subject of a separate transaction.