



“DYNAMIC VCH NATURAL RESOURCES ANLEIHE”
INDICATIVE TERMS & CONDITIONS AS OF 07 MARCH 2007

**10-YEAR CAPITAL PROTECTED EURO MEDIUM TERM NOTE
WITH FINAL REDEMPTION LINKED TO THE PERFORMANCE OF THE VCH
EXPERT NATURAL RESOURCES-B FUND MANAGED BY HAUCK & AUFHÄUSER**

This Term Sheet contains indicative terms for discussion purposes only. Finalised terms and conditions are subject to further discussion and to internal approval.

1. Main terms of the Notes

Issuer	CALYON Financial Products (Guernsey) Limited <i>Unconditionally & irrevocably guaranteed by CALYON</i>
Guarantor	CALYON (Moody's Aa2, Standard & Poor's AA-)
Issue Type	Euro Medium Term Note to be documented under the Issuer's EMTN program governed by English law. Issued as a "Public Offering in Germany & Austria".
ISIN Code / WKN	DE000A0GXT73 / A0GXT7
Issue Date	16 April 2007
Maturity Date	18 April 2017
Subscription Period	18 September 2006 – 30 March 2007
Currency	EUR
Issue Amount	Up to 30,000,000 being the equivalent of 30,000 Notes
Denomination	EUR 1,000
Issue Price	EUR 1,000 per Note (Stücknotiz)
Final Redemption Amount	Means the amount per Note, payable at maturity and calculated by the Calculation Agent in accordance with the following formula: $\text{Denomination} \times [100 + \text{Max}(0; \text{Lock-in}_{\text{final}}; \text{Index}_{\text{final}} - 100)]/100$ <u>where :</u> - Index_{final} is the value of the Index on the Last Valuation Date. - Lock-in_{final} is the value of the Lock-in on the last Lock-in Date. - Index is the index the main characteristics of which are described in section 2 below.

Lock-in Mechanism	<p>On each Lock-in Date_y, Lock-in_y (“LI_y”) is calculated by the Calculation Agent according to the following formula :</p> $LI_y = \text{Max}[0; LI_{y-1} ; 50\% \times (\text{Index}_y - 100)]$ <p><u>where :</u></p> <p>Index_y is the value of the Index on the Lock-in Date_y.</p> <p>Lock-in Date_y or (“LD_y”) means the Rebalancing Dates immediately preceding the following dates : 16 April 2008 (“LD₁”), 16 April 2009 (“LD₂”), 16 April 2010 (“LD₃”), 16 April 2011 (“LD₄”), 16 April 2012 (“LD₅”), 16 April 2013 (“LD₆”), 16 April 2014 (“LD₇”), 16 April 2015 (“LD₈”), 16 April 2016 (“LD₉”).</p>
Secondary Market	<p>Detailed and definitive conditions of the Secondary Market of the Notes will be set out in a Purchase Agreement to be entered into between CALYON and the first purchaser of Notes.</p> <p>The offer of CALYON to repurchase the Notes will be governed by the following principles:</p> <ul style="list-style-type: none"> ▪ Repurchase orders can be posted in number of Notes on any Business Day. ▪ The offer will be subject to normal market conditions and liquidity of the Underlying Funds. ▪ The repurchase of the Notes will take place in accordance with the Underlying Funds redemption schedule; therefore the repurchase pre notice applicable to the Notes will correspond to the redemption pre notice period imposed by the Underlying Fund <i>plus</i> 2 Business Days. ▪ The payment of the repurchase price and the delivery of the Notes should be made on the second Business Day following the day on which all the shares of the VCH Expert Natural Resources-B fund have been fully redeemed to the Hedging Party. ▪ Repurchase orders will be executed at a price equal to (a) the Note Value, <i>minus</i> (b) a mid/bid spread of 1% of the Denomination <i>less</i> (c) the Early Exit Fee. ▪ On a daily basis CALYON will publish an indicative Note Value on Reuters.
Early Exit Fee	<p>The Early Exit Fee will be equal to a percentage of the Denomination Amount:</p> <ul style="list-style-type: none"> ▪ 3% in respect of any Notes repurchased during the first year ▪ 2% in respect of any Notes repurchased during the second year ▪ 1% in respect of any Notes repurchased during the third year ▪ 0% afterwards
Calculation Agent	CALYON
Hedging Party	CALYON
Listing of the Notes	Stuttgart (Freiverkehr)

2. Main characteristics of the Index

This section 2 aims to describe the general rules governing the composition and valuation of the Index. All the financial parameters specific to the proposed Index are specified in section 3 below.

Composition of the Index The Index will be composed of the following assets and liabilities:

1. a participation in the VCH Expert Natural Resources-B fund (the main characteristics of which are described in section 4 below),
and either:
2. a funding (short) position in money-market instruments (the “**Financing**”), priced by the Calculation Agent based on the Financing Rate,
or
a long position in money-market instrument (the “**Deposit**”), bearing interest calculated based on the Deposit Rate.

Index Value Means, on any date t , the value of the Index (“**Index_t**”) which shall be determined by the Calculation Agent, as the sum of:

1. the value of the investment in the VCH Expert Natural Resources-B fund ,
2. the value of the Deposit,
Minus
3. the value of the Financing,
4. the Guarantee Costs accrued but not yet paid.
5. the Investment fees in respect of the last Rebalancing Date of any calendar month between the Issue Date and the Maturity Date.

Each of the above components of the Index shall be valued by the Calculation Agent based on the most up to date information.

Initial Value and Initial Composition of the Index See section 3 below

Index Investment Policy The Index Investment Policy is a systematic algorithm designed to protect capital on the downside and provide leverage on the upside. The portion of the Index Value invested in the VCH Expert Natural Resources-B fund (the “**Target Allocation**” or “**TA_t**”) shall be subject to the Vol Cap mechanism and shall be the product of the K_Factor as determined below and of the Theoretical Target Allocation (the “**TTA**”):

On each Rebalancing Date, the TTA is a function of the distance D_t between the Index Value (“**Index_t**”) and the Reference Level (“**RL_t**”) and is calculated according to the following formulas:

$$\left\{ \begin{array}{l} TA_t = K_Factor \times TTA_t \\ TTA_t = \text{Max} [\text{Minimum Allocation} ; \text{Min}(m \times D_t ; \text{Index}_t + \text{Maximum Financing})] \\ D_t = \text{Index}_t - \text{RL}_t \end{array} \right.$$

The difference (if any) between the Theoretical Target allocation and the Target Allocation shall be invested into the Deposit.

Reference Level or RL_t For any Rebalancing Date $_t$, the **Reference Level** (" RL_t ") is determined by the Calculation Agent as follows :

$$RL_t = \text{Reference Line}_t \times (1 + \text{Lock-in}_t/100)$$

where :

Lock-in $_t$ is the value of the Lock-in known as of the date indexed by t

Reference Line $_t$ is a straight line starting at EUR 70 on the issue date and ending at EUR 100 on the last Rebalancing Date, calculated on each Rebalancing Date $_t$ as follows:

$$RL(t) = 70 + 3 \times \left(\frac{t - t_0}{365.25} \right)$$

with $t-t_0$ is equal to the number of calendar days from the Issue Date (included) to the date indexed by t (excluded).

Vol Cap Mechanism As of the first Rebalancing Date there will be no investment into the Deposit. Then, on each subsequent Rebalancing Date, the K_Factor is actualised:

- ✓ the Basket Calculation Agent will calculate the historical annualised volatility of the VCH Expert Natural Resources-B fund over the last 30 calendar days.
- ✓ the allocation ("K_Factor") of the Index into the VCH Expert Natural Resources-B fund will be equal to :
 - If, from one week to the next, the volatility of the VCH Expert Natural Resources-B fund remains in the same interval, K_Factor will not be modified.
 - If, from one week to the next, the volatility of the VCH Expert Natural Resources-B fund moves from an interval to a higher interval, K_Factor must be read in the column entitled "After increase".
 - If, from one week to the next, the volatility of the VCH Expert Natural Resources-B fund moves from an interval to a lower interval, K_Factor must be read in the column entitled "After decrease".

Volatility of the VCH Expert Natural Resources-B fund		K_Factor	
Excluded	Included	After increase	After decrease
0	23%	100%	100%
23%	25%	100%	92.3%
25%	27%	92.3%	85.7%
27%	29%	85.7%	80.0%
29%	31%	80.0%	75.0%
31%	33%	75.0%	70.6%
33%	35%	70.6%	66.7%
35%	37%	66.7%	63.2%
37%	39%	63.2%	60.0%
39%	41%	60.0%	57.1%
41%	43%	57.1%	54.5%
43%	45%	54.5%	52.2%
45%	47%	52.2%	50.0%
47%	49%	50.0%	48.0%
49%	51%	48.0%	46.2%
51%	53%	46.2%	44.4%
53%	55%	44.4%	42.9%
55%	57%	42.9%	41.4%
57%	59%	41.4%	0
>59%		0	

Valuation Date Weekly. Every Wednesday between 18 April 2007 and 12 April 2017.

Rebalancing Date Each Valuation Date between 18 April 2007 and 5 April 2017.

Disruption Events The Final Terms of the Notes will contain a set of Disruption Events. These events typically (but not only) relate to the subscription and redemption conditions in the VCH Expert Natural Resources-B fund or the timely publication of a reliable value of the VCH Expert Natural Resources-B fund .

If at any time before maturity, the Calculation Agent determines in good faith and in its reasonable discretion that a Disruption Event has occurred, then the Calculation Agent may terminate the option relating to the Index and give an irrevocable redemption order on all the assets of the Index held by the Hedging Party. In such a case the Final Redemption Amount payable by the Issuer at maturity will be an amount equal to :

- (i) the Denomination *plus*
- (ii) the Capitalised Option Value

where:

Capitalised Option Value means an amount determined by the Calculation Agent equal to the value of the option component relating to the Index on the Value Date capitalised at the Euribor 3 month rate as from the Value Date.

Value Date means the date, following the occurrence of the Disruption Event, on which the redemption orders in respect of the assets of the VCH Expert Natural Resources-B fund are fully performed.

3. Economics governing the Index

VCH Expert Natural Resources-B fund	An equity sectorial funds having the following characteristics: <ul style="list-style-type: none"> ▪ ISIN Code: LU0184391075 ▪ Bloomberg ticker : VCHEXNR LX ▪ Investment Manager: Hauck & Aufhäuser Investment Gesellschaft ▪ Trustee / Custodian : Hauck & Aufhäuser Banquiers Luxembourg ▪ Legal Structure : FCP UCITS III – Part 1 ▪ Liquidity : Daily
VCH Expert Natural Resources-B fund Shares	shares of the Fund denominated in EUR
Deposit Rate	Euribor 1 week
Initial Value of the Index	EUR 100 (“ Index_{initial} ”)
m	3.34
Initial Composition of the Index (Indicative)	<ul style="list-style-type: none"> ▪ Initial amount invested in the VCH Expert Natural Resources-B fund : EUR 100 (subscription order posted on the 17th April 2007) ▪ Initial Financing: EUR 0 ▪ Initial amount invested in Deposit: 0

Minimum Allocation	10% x Index _t
Maximum Financing	100% x Index _{initial}
Financing Rate	Euribor 1 week + 0.50%
Guarantee Cost	2% per annum of the Index Value
Investment Fees	0.50% per annum, calculated on the monthly average of the Target Allocation calculated as of the last Rebalancing Date of every calendar month between the Issue Date and the Maturity Date.

4. Disclaimer

No right on the Underlying Funds

Although the value of the Notes may reflect an indirect investment in the Underlying Funds, this document (the “**Term-sheet**”) does not offer any direct or indirect right on the Underlying Funds and in no way constitutes an offer to purchase such Underlying Funds.

Non-reliance

The Notes are instruments intended for sale to investors who have the sufficient knowledge and experience required to make such an investment and assess risks. Before making any investment decision, the potential purchaser of the Notes has to be aware of the terms and conditions of the Notes set forth in the relevant Final Terms to be read in conjunction with the offering circular of the EMTN Program as defined here above.

The data set out in this Term-sheet is for the purpose of information only. Prices examples are provided solely for indicative purposes and have no contractual value. Neither Calyon Financial Products (Guernsey) Limited nor CALYON makes any warranty as to the accuracy, reliability or completeness of the figures, charts, opinions, information or any other content of this document. Neither Calyon Financial Products (Guernsey) Limited, nor CALYON can be held responsible for any loss or damage, whether direct or indirect, resulting from or linked to the use or consultation of this document and its content.

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Selling restrictions

Sale of the Notes to the public will be restricted to Germany and Austria in compliance with any applicable German and Austrian laws without prejudice to the selling restrictions stated in the Offering Circular which are particular to specific jurisdictions or otherwise provided for and applicable in other jurisdictions not listed in the Offering Circular.

The Issuer and the Dealer assume no liability for facilitating such distribution or sale. Investors are deemed to be aware of any applicable regulation regarding the purchase or sale of the Euro Medium Term Notes and the Notes in their country of residence.

Defined terms

Terms with capital letters in the Terms-Sheet shall be defined in the relevant Final Terms of the Notes. In case of discrepancy between the terms of the Terms-Sheet and the terms and conditions contained in the Final Terms (and the Offering Circular) of the Notes, the terms and conditions of the Final Terms (and the Offering Circular) of the Notes shall prevail