

SUPPLEMENT DATED 11 FEBRUARY 2013 TO THE BASE PROSPECTUS DATED 21 SEPTEMBER 2012 AND THE FINAL TERMS DATED 17 DECEMBER 2012 RELATING TO THE SERIES 88 INSTRUMENTS, THE SERIES 89 INSTRUMENTS AND THE SERIES 92 INSTRUMENTS

PALLADIUM SECURITIES 1 S.A.

(a public limited liability company (société anonyme) incorporated under the laws of the Grand Duchy of Luxembourg)

**Up to EUR 150,000,000 Series 88 Structured Floating Rate (Inflation Index Linked Rate)
Notes due 2017
(ISIN: XS0856333769)
(the “Series 88 Instruments”)**

**Up to EUR 150,000,000 Series 89 Structured Floating Rate (Inflation Index Linked Rate)
Notes due 2017
(ISIN: XS0856333843)
(the “Series 89 Instruments”)**

**Up to EUR 150,000,000 Series 92 Structured Floating Rate (Inflation Index Linked Rate)
Notes due 2017
(ISIN: XS0862691473)
(the “Series 92 Instruments” and together with the Series 88 Instruments and the Series 89 Instruments, the “Instruments”)**

to be issued under the

Programme for the issuance of Secured Notes

This prospectus supplement (the “**Supplement**”) dated 11 February 2013 to the base prospectus dated 21 September 2012 as supplemented by the prospectus supplement dated 13 November 2012, the prospectus supplement dated 13 December 2012 (the “**Second Supplement**”) and the prospectus supplement dated 16 January 2013 (the “**Base Prospectus**”) for the issuance of secured notes (which comprises a base prospectus for the purposes of Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU) (the “**Prospectus Directive**”)) constitutes a prospectus supplement for the purposes of article 13 of Chapter 1 of Part II of the Luxembourg act dated 10 July 2005 on prospectuses for securities.

This Supplement and the Base Prospectus are available for viewing on the website of the Luxembourg Stock Exchange (www.bourse.lu).

This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus and the Final Terms dated 17 December 2012 relating to the Series 88 Instruments, the Final Terms dated 17 December 2012 as amended by the Final Terms dated 16 January 2013 relating to the Series 89 Instruments and the Final Terms dated 17 December 2012 relating to the Series 92 Instruments as amended by the Final Terms dated 16 January 2013 each issued under the Base Prospectus relating to the Instruments (together, the

“**Final Terms**”). Terms defined in the Base Prospectus and the Final Terms have the same meaning when used in this Supplement.

The amendments to the Base Prospectus and the Final Terms mentioned under the section entitled “Purpose of this Supplement” below shall only apply to the Series 88 Instruments, the Series 89 Instruments and the Series 92 Instruments and the Final Terms with respect thereto.

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

To the extent that there is any inconsistency between (a) any statement in this Supplement and (b) any other statement in the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus relating to the Instruments since the publication of the Base Prospectus.

In accordance with article 13 paragraph 2 Luxembourg act dated 10 July 2005 on prospectuses for securities, as amended, investors who have already agreed to purchase or subscribe for Instruments offered by way of a public offer before this Supplement is published shall have the right, exercisable within a time limit of two working days after the publication of this Supplement, i.e. until 13 February 2013, to withdraw their acceptances. This withdrawal right will only apply to those investors who have agreed to purchase or subscribe for the Instruments in accordance with the relevant Final Terms issued under the Base Prospectus before the publication of this Supplement.

The Base Prospectus and the Final Terms are revised with effect from and including the date of this Supplement.

Purpose of this Supplement

The purpose of this Supplement is to:

- (i) amend the General Conditions to provide an alternative to Early Redemption in the event that the Calculation Agent determines that there is no appropriate alternative index;
- (ii) amend the General Description of the Programme section to reflect the change to the General Conditions described in paragraph (i) above;
- (iii) amend the Risk Factors to reflect the change to the General Conditions described in paragraph (i) above;
- (iv) amend the Summary as set out in the Base Prospectus to reflect the change to the General Conditions described in paragraph (i) above; and
- (v) amend the Final Terms relating to the Instruments to reflect the change to the General Conditions described in paragraph (i) above.

Amendment of Summary

The paragraph after the definition of “Index” in section C.9 (Interest/Redemption) on page 18 of the Base Prospectus as amended by the Second Supplement shall be deleted in its entirety and replaced with the following paragraph:

“The Index Adjustment Provisions shall apply to the Instruments in the event that there is a delay in publication of the Index, the Index ceases to be published or announced, the Index is rebased, there is a material modification in the Index or a manifest error in the published level of the Index. These provisions allow, amongst other things, for the Calculation Agent to determine a substitute Index level, designate an appropriate alternative Index and make adjustments to the Index and/or the terms of the Securities. If the Calculation Agent determines that there is no appropriate alternative index [the Instruments will be cancelled early] [the inflation rate for the relevant period will be deemed to be zero].”

Amendment of Risk Factors

The fourth paragraph of section 3.2 entitled “Interest Rates” on page 29 of the Base Prospectus as amended by the Second Supplement shall be deleted in its entirety and replaced with the following paragraphs:

“If the Interest Rate is specified as a “Structured Floating Rate (Inflation Index Linked Rate)”, then the Index will be an inflation index. Instruments linked to an inflation index pay a return calculated by reference to the value of such inflation index. An investment in Instruments linked to an inflation index will entail significant risks not associated with an investment in a conventional debt security.

Investors should be aware that a level of the applicable Index may fail to be published or announced and that the Instruments are subject to adjustment provisions as provided in General Condition 22 which allow, amongst other things, for the Calculation Agent to determine a substitute Index level, designate an appropriate alternative Index and make adjustments to the terms of the Instruments. In such circumstances

the Interest Rate applicable to the Instruments may be less than previously anticipated and may negatively affect the value of the Instruments. If the Calculation Agent determines that there is no appropriate alternative index, if the relevant Final Terms specify that “Early Redemption on Cessation of Publication” is applicable the Notes will be cancelled early at the Early Termination Amount or if the relevant Final Terms specify that Early Redemption on Cessation of Publication is not applicable, the Inflation Rate for the relevant Interest Period shall be deemed to be zero. If the relevant Final Terms specify that “Early Redemption on Cessation of Publication” is not applicable and the Calculation Agent is unable to determine an appropriate alternative inflation index for a prolonged period, investors should be aware that the Inflation Rate may be deemed to be zero for successive Interest Periods. As a result, investors may not receive a return on the Instruments for the duration of this period, which could be up until the maturity date of the Instruments.”.

Amendment of General Description of the Programme

The General Description of the Programme as set out in the Base Prospectus as amended by the Second Supplement is amended by the addition of the words “if “Early Redemption on Cessation of Publication” is specified as Applicable in the relevant Final Terms” before the words “there is a cessation” in paragraph 7(g) on page 46 of the Base Prospectus as amended by the Second Supplement.

Amendment of General Conditions

General Condition 22 as inserted by the Second Supplement on page 95 of the Base Prospectus shall be amended by the deletion of paragraph 22.2.5 and the replacement with the following:

- “22.2.5 if the Calculation Agent determines that there is no appropriate alternative index:
- (i) if “Early Redemption on Cessation of Publication” is marked as Applicable in the relevant Final Terms, the Issuer shall give not more than 30 and not less than 15 calendar days’ notice to the Instrumentholders and upon expiry of such notice shall redeem all but not some only of the Instruments at the Early Termination Amount (if any); or
 - (ii) if “Early Redemption on Cessation of Publication” is marked as Not Applicable in the relevant Final Terms, the Inflation Rate for the relevant Interest Period shall be deemed to be zero.”.

Amendment of the Final Terms

Each of the Final Terms shall be amended as follows.

- (i) In Part A under the heading “Provisions Relating to Redemption” of each of the Final Terms, a new paragraph 15 shall be inserted after paragraph 14 headed “Collateral Put/Call Redemption” (and the subsequent paragraphs shall be renumbered accordingly) as follows:

“15 Early Redemption on Cessation Not Applicable
of Publication:

(ii) In the Annex of each of the Final Terms which contains the Issue Specific Summary:

(a) The paragraph after the definition of “Index” in paragraph C.9 (Interest/Redemption) shall be deleted in its entirety and replaced with the following paragraph:

“The Index Adjustment Provisions shall apply to the Instruments in the event that there is a delay in publication of the Index, the Index ceases to be published or announced, the Index is rebased, there is a material modification in the Index or a manifest error in the published level of the Index. These provisions allow, amongst other things, for the Calculation Agent to determine a substitute Index level, designate an appropriate alternative Index and make adjustments to the Index and/or the terms of the Securities. If the Calculation Agent determines that there is no appropriate alternative index the inflation rate for the relevant period will be deemed to be zero.”;

(b) the paragraph headed “*Early Termination of the Instruments*” in paragraph C.9 (Interest/Redemption) shall be deleted and replaced with:

“Early Termination of the Instruments

The Instruments may be cancelled early in a number of circumstances:

(A) Collateral Default Event: If a default, event of default or other similar event or circumstance occurs with respect to the Collateral (howsoever described and including, without limitation, a failure to pay any principal or interest when and where due in accordance with the terms of the Collateral as at the Issue Date and further provided that if any of the Collateral comprises asset-backed securities then any deferral of interest or other payment thereunder in accordance with its terms shall not constitute a “default”) (a “**Collateral Default Event**”), the Instruments shall be cancelled in whole or in part and the Issuer shall pay the Early Termination Amount which will include an amount equal to any accrued but unpaid interest.

(B) Collateral early redemption: If any of the Collateral becomes repayable (otherwise than at the option of the relevant Collateral Obligor in accordance with the terms of the Collateral) or becomes capable of being declared due and payable prior to its stated date of maturity for whatever reason, the Instruments shall be cancelled in whole or in part and the Issuer shall pay the Early Termination Amount which will include an amount equal to any accrued but unpaid interest.

(C) Cancellation for tax reasons: If the Issuer would be required by law to withhold or account for tax or would suffer tax in respect of its income so that it would be unable to make payment of the full amount due, and the Issuer has been unable to arrange substitution or change of itself as Issuer, or is unable to do so in a tax efficient manner, before the next payment is due in respect of the Instruments, the Instruments shall be cancelled in whole and the Issuer shall pay the Early Termination Amount which will include an amount equal to any accrued but unpaid interest.

(D) Early Termination of the Hedging Agreement: If the Hedging Agreement is terminated in accordance with its terms prior to the Hedging Agreement Termination Date, the Instruments shall be cancelled in whole and the Issuer shall pay the Early Termination Amount which will include an amount equal to any accrued but unpaid interest.

In any such case of early cancellation described in (A), (B), (C) or (D) above the Issuer shall give not more than 30 nor less than 15 days' notice of the date fixed for cancellation and on expiry of such notice (i) the Issuer shall cancel the outstanding Instruments of the Series in whole or in part, as applicable, (ii) the relevant portion of the Series Assets will be realised in accordance with the Securitisation Act 2004, if applicable, and (iii) the security constituted by or created pursuant to the Series Instrument shall become enforceable in whole or in part.

(E) Event of Default: If an Event of Default occurs (as described in C.8 above) then the Instruments shall be cancelled and the Issuer shall pay the Early Termination Amount in respect of each Instrument.”;

- (c) the paragraph headed “*Early Termination Amount*” in paragraph C.9 (Interest/ Redemption) shall be deleted and replaced with:

“*Early Termination Amount*

The Early Termination Amount (if any) due in respect of each Instrument following the occurrence of an Event of Default, an early termination of the Hedging Agreement, a cancellation for tax reasons, a Collateral Default Event or a Collateral early redemption shall be an amount equal to such Instrument’s pro rata share of an amount in the Specified Currency (which may never be less than zero) determined by the Calculation Agent in accordance with the following formula:

(A – B)

Where:

“A” is the Market Value Collateral, converted into the Specified Currency at the relevant exchange rate applicable at such time, as determined by the Calculation Agent in its reasonable discretion; and

“B” is the Early Termination Unwind Costs.

The Early Termination Amount will include an amount equal to any accrued but unpaid interest.”;

- (d) the definition of “Early Termination Valuation Date” in paragraph C.9 (Interest/ Redemption) shall be deleted and replaced with:

“**Early Termination Valuation Date**” means:

(a) for the purposes of a cancellation due to a Collateral Default Event, a Collateral early termination, a cancellation for tax reasons or an early termination of the Hedging Agreement, the Business Day immediately preceding the due date for cancellation; or

(b) for the purposes of a cancellation due to the occurrence of an Event of Default, the due date for cancellation.”

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