

**SUPPLEMENT DATED 6 JANUARY 2014 TO THE BASE PROSPECTUS DATED 25 JULY 2013
AND THE FINAL TERMS DATED 15 NOVEMBER 2013 RELATING TO THE SERIES 124
INSTRUMENTS**

PALLADIUM SECURITIES 1 S.A.

*(a public limited liability company (société anonyme) incorporated under the laws of the Grand Duchy of Luxembourg)
with its registered office at 2, boulevard Konrad Adenauer, L-1115 Luxembourg, registered with the Luxembourg trade
and companies register under number B.103.036 and subject to the Luxembourg Act dated 22 March 2004, as
amended)*

(acting in respect of Compartment 124-2013-24)

Up to EUR 525,000,000 Fixed to Floating Rate Instruments due 2023

(ISIN: XS0991673434)

(the “Series 124 Instruments”)

to be issued under the

Programme for the issuance of Secured Notes

This prospectus supplement (the “**Supplement**”) dated 6 January 2014 to (i) the base prospectus dated 25 July 2013 as supplemented by the prospectus supplement dated 29 August 2013 (the “**First Supplement**”) (together, 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**”) and (ii) the final terms (the “**Final Terms**”) dated 15 November 2013 relating to the Series 124 Instruments issued under the Base Prospectus, 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. Terms defined in the Base Prospectus and the Final Terms have the same meaning when used in this Supplement.

Those amendments to the Base Prospectus set out in this Supplement shall only apply to the Series 124 Instruments and shall not affect any other Series of Instruments issued under the Base Prospectus.

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 or incorporated by reference in the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, and to the best of the knowledge of the Issuer, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus relating to the Series 124 Instruments since the publication of the Base Prospectus.

In accordance with article 13 paragraph 2 of the Luxembourg act dated 10 July 2005 on prospectuses for securities, as amended (the “**Luxembourg Prospectuses Act**”), investors who have already agreed to purchase or subscribe for the Series 124 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 9 January 2014, to withdraw their acceptances. This withdrawal right will only apply to those investors who have agreed to purchase or subscribe for Series 124 Instruments in accordance with the Final Terms issued under the Base Prospectus before the publication of this Supplement.

As set out herein, the Base Prospectus and the Final Terms of the Series 124 Instruments are revised with effect from and including the date of this Supplement.

To the extent that during the Offer Period a Replacement Trustee (as defined below) replaces Deutsche Trustee Company Limited as Trustee if a Volcker Regulatory Event (as defined below) occurs, the Issuer will publish a further supplement in accordance with the Luxembourg Prospectuses Act.

Amendment of the Base Prospectus in respect of Series 124

The Base Prospectus is amended as follows:

- (i) Sub-section 5 of section B headed “Risk Factors relating to the Instruments” in the section headed “Risk Factors” on page 44 of the Base Prospectus shall be amended by the addition of the following new paragraph at the end thereof:

“Prospective investors should note that in the event that a replacement trustee (the “**Replacement Trustee**”) replaces Deutsche Trustee Company Limited as Trustee if a Volcker Regulatory Event occurs, the Deed of Floating Charge dated 16 December 2004, as supplemented by the First Supplemental Deed of Floating Charge dated 30 May 2007 (the “**Deed of Floating Charge**”) granted in favour of Deutsche Trustee Company Limited and described in General Condition 8.7 shall not be assigned to the Replacement Trustee. As a result, the obligations of the Issuer in relation to all Series of Instruments in relation to which the Replacement Trustee is the Trustee pursuant to, in accordance with and on the terms of, the Series Instrument constituting such Series will not be secured pursuant to the Deed of Floating Charge.

This is because at the time the Deed of Floating Charge was entered into, it was arguable that the floating charge granted to Deutsche Trustee Company Limited as Trustee by virtue of the Deed of Floating Charge gave Deutsche Trustee Company Limited as Trustee the ability to appoint an administrative receiver over the assets of the Issuer pursuant to the Deed of Floating Charge. Where an application is made (whether by court order or out of court process) to appoint administrators in respect of a company and there is in office an administrative receiver of the company, the application to appoint administrators will not be granted unless the person who appointed the administrative receiver has consented to the appointment of administrators. Even if such consent is not obtained, the application to appoint administrators could still be ordered by the court if the court thinks that the security by virtue of which the administrative receiver was appointed would be liable to be released or discharged under sections 238 to 240 (transactions at an undervalue and preferences), or would be liable to be avoided under section 245 (avoidance of certain floating charges), of the United Kingdom Insolvency Act 1986, as amended (the “**Insolvency Act**”), if such an order were made. Therefore, the ability of Deutsche Trustee Company Limited as Trustee under the Deed of Floating Charge, if an administration application were to be made in respect of the Issuer, to appoint an administrative receiver and, by the appointment of such a receiver prior to the grant of such application, would have entitled Deutsche Trustee Company Limited as Trustee to prevent the appointment of the administrator.

However, on 1 October 2009, what is now section 28(1) of the Insolvency Act came into force which makes it clear that an administrative receiver cannot be appointed to a company, unless that company is registered under the Companies Act 2006 in England and Wales or Scotland. As the Issuer is not so registered, it is not possible for any party to appoint an administrative receiver to the Issuer, whether under the Deed of Floating Charge or otherwise. As a result, there is no benefit to the Replacement Trustee becoming the beneficiary of the rights granted to Deutsche Trustee Company Limited as Trustee under the Deed of Floating Charge or pursuant to an equivalent instrument.”.

- (ii) Sub-section 10 of the section headed “Description of the Securities Structure” on page 60 of the Base Prospectus shall be amended by the addition of the following new paragraph at the end thereof:

“Pursuant to the relevant Series Instrument, a replacement trustee meeting the qualifications prescribed in Section 26(a)(1) of the US Investment Company Act of 1940, as amended (the “**1940 Act**”) (the “**Replacement Trustee**”) will replace Deutsche Trustee Company Limited as Trustee in the event that the Swap Counterparty acting in its sole and absolute discretion determines that the Issuer may be required to rely on Section 3(c)(1) or Section 3(c)(7) of the 1940 Act (a “**Volcker Regulatory Event**”). The Swap Counterparty shall give notice to the Issuer and the Trustee of such determination provided that the failure to give notice shall not affect the existence of a Volcker Regulatory Event.”.

- (iii) In Condition 1.1 of the General Conditions starting on page 67 of the Base Prospectus, a new definition of “Replacement Trustee” shall be included on page 77 of the Base Prospectus after the definition of “Repayable Collateral Item” as follows:

“ **“Replacement Trustee”** means any replacement trustee appointed in accordance with the Constituting Instrument if a Volcker Regulatory Event occurs.”.

- (iv) In Condition 1.1 of the General Conditions starting on page 67 of the Base Prospectus, the definition of "Trustee" on page 78 of the Base Prospectus shall be amended by the addition of the following at the end thereof:

“and where the context admits, include the Replacement Trustee in the event that the Replacement Trustee replaces Deutsche Trustee Company Limited as Trustee if a Volcker Regulatory Event occurs”.

- (v) In Condition 1.1 of the General Conditions starting on page 67 of the Base Prospectus, a new definition of “Volcker Regulatory Event” shall be included on page 78 of the Base Prospectus after the definition of “USD-LIBOR” as follows:

“ **“Volcker Regulatory Event”** means the Swap Counterparty acting in its sole and absolute discretion determining that the Issuer may be required to rely on Section 3(c)(1) or Section 3(c)(7) of the United States Investment Company Act of 1940, as amended.”

- (vi) Condition 8.7 of the General Conditions starting on page 98 of the Base Prospectus shall be amended by the addition of the following at the beginning of line 5 thereof after “2007”:

“(the **“Deed of Floating Charge”**)”.

- (vii) Condition 8.7 of the General Conditions starting on page 98 of the Base Prospectus shall be amended by the addition of the following at the end thereof:

“In the event that a Replacement Trustee replaces Deutsche Trustee Company Limited as Trustee if a Volcker Regulatory Event occurs, the floating charge granted in favour of Deutsche Trustee Company Limited pursuant to the Deed of Floating Charge as described above shall not be assigned to the Replacement Trustee. As a result, the obligations of the Issuer in relation to all Series of Instruments in relation to which the Replacement Trustee is the Trustee pursuant to, in accordance with and on the terms of, the Series Instrument constituting such Series will not be secured pursuant to the Deed of Floating Charge.

This is because at the time the Deed of Floating Charge was entered into, it was arguable that the floating charge granted to Deutsche Trustee Company Limited as Trustee by virtue of the Deed of Floating Charge gave Deutsche Trustee Company Limited as Trustee the ability to appoint an administrative receiver over the assets of the Issuer pursuant to the Deed of Floating Charge. Where an application is made (whether by court order or out of court process) to appoint administrators in respect of a company and there is in office an administrative receiver of the company, the application to appoint administrators will not be granted unless the person who appointed the administrative receiver has consented to the appointment of administrators. Even if such consent is not obtained, the application to appoint administrators could still be ordered by the court if the court thinks that the security by virtue of which the administrative receiver was appointed would be liable to be released or discharged under sections 238 to 240 (transactions at an undervalue and preferences), or would be liable to be avoided under section 245 (avoidance of certain floating charges), of the United Kingdom Insolvency Act 1986, as amended (the **“Insolvency Act”**), if such an order were made. Therefore, the ability of Deutsche Trustee Company Limited as Trustee under the Deed of Floating Charge, if an administration application were to be made in respect of the Issuer, to appoint an administrative receiver and, by the appointment of such a receiver prior to the grant of such application, would have entitled Deutsche Trustee Company Limited as Trustee to prevent the appointment of the administrator.

However, on 1 October 2009, what is now section 28(1) of the Insolvency Act came into force which makes it clear that an administrative receiver cannot be appointed to a company, unless that company is registered under

the Companies Act 2006 in England and Wales or Scotland. As the Issuer is not so registered, it is not possible for any party to appoint an administrative receiver to the Issuer, whether under the Deed of Floating Charge or otherwise. As a result, there is no benefit to the Replacement Trustee becoming the beneficiary of the rights granted to Deutsche Trustee Company Limited as Trustee under the Deed of Floating Charge or pursuant to an equivalent instrument.”.

- (viii) In the Glossary starting on page 170 of the Base Prospectus, a new definition of “Replacement Trustee” shall be included on page 183 of the Base Prospectus after the definition of “Repayable Assets” as follows:

“ **“Replacement Trustee”** means any replacement trustee appointed in accordance with the Constituting Instrument if a Volcker Regulatory Event occurs.”.

- (ix) In the Glossary starting on page 170 of the Base Prospectus, the definition of "Trustee" given on page 185 shall be amended by the addition of the following at the end thereof:

“and where the context admits, include the Replacement Trustee in the event that the Replacement Trustee replaces Deutsche Trustee Company Limited as Trustee if a Volcker Regulatory Event occurs”.

- (x) In the Glossary starting on page 170 of the Base Prospectus, a new definition of “Volcker Regulatory Event” shall be included on page 185 of the Base Prospectus after the definition of “US Residents” as follows:

“ **“Volcker Regulatory Event”** means the Swap Counterparty acting in its sole and absolute discretion determining that the Issuer may be required to rely on Section 3(c)(1) or Section 3(c)(7) of the United States Investment Company Act of 1940, as amended.”

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