

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 as a regulated securitisation undertaking to
the Luxembourg act dated 22 March 2004 on securitisation, as amended)*

(acting in respect of Compartment 61-2011-03)

**Up to EUR 100,000,000 Series 61 Fixed to Variable Range Accrual Notes due 1 September 2017
linked to (a) the EUR 150,000,000 Floating Rate Notes due September 2017 (ISIN:
XS0626669781) issued by Unicredit S.p.A., and (b) the EUR 50,000,000 Floating Rate Notes due
September 2017 (ISIN: XS0626653355) issued by Unione di Banche Italiane S.c.p.a.**

to be issued under the Programme for the Issuance of Debt Instruments and Beneficiary Shares of
Palladium Securities 1 S.A. (the “**Programme**”)

This supplement (the “**Supplement**”) is dated 25 August 2011 and should be read in conjunction with the Prospectus dated 14 June 2011 (the “**Prospectus**”) in respect of the up to EUR 100,000,000 Series 61 Fixed to Variable Range Accrual Notes due 1 September 2017 (ISIN: XS0631514832) linked to (a) the EUR 150,000,000 Floating Rate Notes due September 2017 (ISIN: XS0626669781) issued by Unicredit S.p.A., and (b) the EUR 50,000,000 Floating Rate Notes due September 2017 (ISIN: XS0626653355) issued by Unione di Banche Italiane S.c.p.a. (the “**Notes**”) of Palladium Securities 1 S.A. (the “**Issuer**”). This Supplement constitutes a supplement to the Prospectus for the purposes of article 13 of the Luxembourg law of 10 July 2005 on prospectuses for securities (the “**Prospectus Act 2005**”) and Article 16 of Directive 2003/71/EC. Terms defined in the Prospectus have the same meaning in this Supplement. Any information not updated or amended herein should be regarded as unchanged.

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (who has taken all reasonable care to ensure 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.

Further to its public offer of the Notes, the Issuer gives notice that as a result of the entry into force of the new Italian Law Decree No. 138 of 13 August 2011 passed to introduce certain austerity measures in response to the European debt crisis, there will be major changes in the Italian tax regime in relation to incomes from financial investments, the main changes with respect to the Notes being that:

- (i) payments of interest and other proceeds to Noteholders resident in Italy accruing after 1 January 2012 in respect of the Notes will be subject to a substitute tax (*imposta sostitutiva*) at the rate of 20% (rather than 12.5%) in the Republic of Italy depending on the circumstances of the relevant Noteholder; and**
- (ii) any capital gain realised after 1 January 2012 by Noteholders resident in Italy from the sale or redemption of Notes would be subject to an *imposta sostitutiva*, levied at the rate of 20% (rather than 12.5%) in the Republic of Italy depending on the circumstances of the relevant Noteholder.**

As a result of the above with effect on and from 25 August 2011, the Prospectus will be amended as set out in the Annex to this Supplement.

Save as disclosed in the Prospectus and this Supplement, there has been no material adverse change in the financial position or prospects of the Issuer since its date of incorporation.

In accordance with Article 13 paragraph 2 of the Prospectus Act 2005, any investor who has agreed to purchase or subscribe for the Notes prior to the date of publication of this Supplement has the right, exercisable before the end of the period of two working days after the date of publication of this Supplement, to withdraw their acceptance.

This Supplement will be available on the Luxembourg Stock Exchange website (www.bourse.lu) and the following website: www.it.investmentprodukte.db.com.

ANNEX

The Prospectus is amended as follows:

1. In the Risk Factors, the section entitled "(l) Taxation" (page 30 of the Prospectus) is amended by the addition of the following new paragraph at the end of such section:

"As a result of the entry into force of the new Italian Law Decree No. 138 of 13 August 2011 (**Decree No. 138**) passed to introduce certain austerity measures in response to the European debt crisis, there will be major changes to the Italian tax regime in relation to incomes from financial investments and as a result, the tax regime which will be applicable to the Notes will be different from the tax regime applicable as at the current date. Payments of interest and other proceeds to Noteholders resident in Italy accruing after 1 January 2012 in respect of the Notes will be subject to a substitute tax (*imposta sostitutiva*) at the rate of 20% (rather than the 12.5 per cent tax rate currently applicable) depending on the circumstances of the relevant Noteholder. In addition, any capital gain realised after 1 January 2012 by Noteholders resident in Italy from the sale or redemption of Notes would be subject to an *imposta sostitutiva*, levied at the rate of 20% (rather than the 12.5 per cent tax rate currently applicable) depending on the circumstances of the relevant Noteholder. Such changes will be finally introduced if, as expected, Decree No. 138 is converted into law within 60 days of 13 August 2011."

2. The Italian Taxation section (page 66 of the Prospectus) is amended by the addition of the following new paragraph at the end of such section:

"Italian Law Decree No. 138 of 13 August 2011

As a result of the entry into force of the new Italian Law Decree No. 138 of 13 August 2011 (**Decree No. 138**) passed to introduce certain austerity measures in response to the European debt crisis, there will be major changes to the Italian tax regime in relation to incomes from financial investments and as a result, the tax regime which will be applicable to the Notes will be different from the tax regime applicable as at the current date. Payments of interest and other proceeds to Noteholders resident in Italy accruing after 1 January 2012 in respect of the Notes will be subject to a substitute tax (*imposta sostitutiva*) at the rate of 20% (rather than the 12.5 per cent tax rate currently applicable) depending on the circumstances of the relevant Noteholder. In addition, any capital gain realised after 1 January 2012 by Noteholders resident in Italy from the sale or redemption of Notes would be subject to an *imposta sostitutiva*, levied at the rate of 20% (rather than the 12.5 per cent tax rate currently applicable) depending on the circumstances of the relevant Noteholder. Such changes will be finally introduced if, as expected, Decree No. 138 is converted into law within 60 days of 13 August 2011."