

**SUPPLEMENT DATED 4 FEBRUARY 2015 TO THE BASE PROSPECTUS DATED 30 JULY 2014  
AND THE FINAL TERMS DATED 28 NOVEMBER 2014 RELATING TO THE SERIES 147  
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 147-2014-22)**

**Up to EUR 100,000,000 Fixed Rate Instruments due 2024**

**(ISIN: XS1131273416)**

**(the “Series 147 Instruments”)**

**to be issued under the**

**Programme for the issuance of Secured Notes**

This prospectus supplement (the “**Supplement**”) dated 4 February 2015 to (i) the base prospectus dated 30 July 2014 as supplemented by the prospectus supplements dated 8 October 2014 and 28 November 2014 (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 28 November 2014 relating to the Series 147 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](http://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 Final Terms set out in this Supplement shall only apply to the Series 147 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.

Further to its public offer of the Notes, the Issuer gives notice that on 12 December 2014 Standard & Poor’s Rating Services (“**S&P**”) downgraded Assicurazioni Generali S.p.A.’s long term senior unsecured debt rating to BBB from BBB+ (and set out in Annex 2 to this Supplement is the text of the S&P’s release in relation to such rating action).

The purpose of this Supplement is to amend the Final Terms relating to the Series 147 Instruments to reflect the change described in the above paragraph.

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 147 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 147 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 6 February 2015, to withdraw their acceptances. This withdrawal right will only apply to those investors who have agreed to purchase or subscribe for Series 147 Instruments in accordance with the Final Terms issued under the Base Prospectus before the publication of this Supplement.

As set out herein, the Final Terms of the Series 147 Instruments are revised with effect from and including the date of this Supplement.

## Annex 1

### Amendment of the Final Terms in respect of Series 147

The Final Terms are amended as follows:

paragraph 1(ii) headed “Rating of the Collateral Obligor (by specified Rating Agency(ies))”, on page 16 in Part C of the Final Terms shall be amended to read as follows:

“(ii) Rating of the Collateral Obligor (by specified Rating Agency(ies)): Baa2 (Moody’s)  
BBB+ (Fitch)  
BBB (S&P)”;

**Palladium Securities 1 S.A.**  
**2, boulevard Konrad Adenauer**  
**L-1115 Luxembourg**  
**R.C.S. Luxembourg B.103.036**



# RatingsDirect®

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## Research Update:

# Assicurazioni Generali And Core Subsidiaries Ratings Lowered To 'BBB+' After Italy Sovereign Downgrade; Outlook Stable

### Analytical Group Contact:

Insurance Ratings Europe; InsuranceInteractive\_Europe@standardandpoors.com

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## Research Update:

# Assicurazioni Generali And Core Subsidiaries Ratings Lowered To 'BBB+' After Italy Sovereign Downgrade; Outlook Stable

## Overview

- On Dec. 5, 2014, Standard & Poor's lowered its unsolicited long-term sovereign credit ratings on the Republic of Italy to 'BBB-' from 'BBB'.
- Under our criteria, and considering that the group passes our hypothetical sovereign default stress test based on a risk mitigation plan approved by the group's board of directors on Dec. 5, 2014, we cap our ratings on Generali at two notches above the sovereign ratings, as Generali retains high sensitivity to Italian country risk.
- Consequently, we are lowering our ratings on Generali to 'BBB+' from 'A-', although Generali's 'a' indicative group credit profile remains unchanged.
- The stable outlook reflects that on Italy.

## Rating Action

On Dec. 12, 2014, Standard & Poor's Ratings Services lowered to 'BBB+' from 'A-' its long-term counterparty credit and insurer financial strength ratings on Italy-based global multiline insurer Assicurazioni Generali SpA (Generali) and its core subsidiaries. We also lowered the senior, subordinated, and junior subordinated debt ratings by one notch. The outlook on Generali and its core subsidiaries is stable.

We also lowered the counterparty credit and insurer financial strength ratings on Generali Pan Europe (GPE) to 'BBB' from 'BBB+'. The outlook on GPE is stable.

Finally, we lowered the counterparty credit ratings on Generali-owned German bank Deutsche Bausparkasse Badenia AG (Badenia) to 'BBB/A-2' from 'BBB+/A-2'. The outlook on Badenia is stable.

## Rationale

The rating actions follow the lowering to 'BBB-/A-3' from 'BBB/A-2' of the unsolicited sovereign credit ratings on Italy (see "Ratings On Italy Lowered To 'BBB-/A-3'; Outlook Stable," published on Dec. 5, 2014, on RatingsDirect).

We view Generali's indicative group credit profile (GCP) as unchanged at 'a', reflecting our view of its very strong business risk profile and upper adequate financial risk profile, adequate with strong risk controls enterprise

risk management (ERM), and satisfactory management and governance. We expect Generali to increase its profitability, and report net income of more than €1.9 billion in 2014 and €2 billion in 2015. Our indicative GCP assessment relies on Generali's ability to maintain moderately strong capital and earnings and stable credit quality in its investment portfolio.

However, under our criteria our ratings on Generali are limited to two notches above the rating on Italy, reflecting our opinion that:

- Generali will continue to have material exposure to investments in Italy. These represented just over €90 billion on June 30, 2014, equivalent to about 27% of its total investments, excluding unit-linked and third-party investments. Investments include sovereign bonds, local bank and corporate bonds, real estate, domestic loans, deposits, and equities.
- Generali has high sensitivity to Italian country risk through its large Italian life insurance business, which represents about 30% of the group's life reserves.
- Generali passes the hypothetical sovereign default stress test, based on our criteria. We consider that Generali's regulatory solvency capital would remain positive in such a scenario, based on the timely implementation of what we view as a robust and wide-ranging risk mitigation plan. The plan was approved by the group's board of directors on Dec. 5, 2014. We also anticipate that Generali would mitigate potential pressure on its regulatory capital in a timely manner if Italy's creditworthiness were to deteriorate, in line with its overall risk management framework.

We lowered the long-term ratings on GPE and Badenia by one notch to the level of their stand-alone credit profile (SACP) of 'bbb' and removed one notch of extraordinary parent support. Under our group rating methodology, we cap the potential uplift for extraordinary support from Generali at one notch below the group ratings for these entities.

## Outlook

The stable outlook on Generali reflects that on Italy, as we limit the long-term rating on Generali to a maximum of two notches above the sovereign rating.

### Upside scenario

We would likely raise the ratings on Generali if a similar rating action was taken on Italy, all else being equal.

### Downside scenario

We could lower the rating on Generali if:

- We lowered the sovereign rating on Italy;
- We considered Generali at risk of not passing the sovereign default test because of an increased exposure to Italy-based investments.

## Ratings Score Snapshot

	To	From
Financial Strength Rating	BBB+/Stable	A-/Negative
Indicative GCP Anchor	a	a
Business Risk Profile	Very Strong	Very Strong
IICRA	Intermediate Risk	Intermediate Risk
Competitive Position	Very Strong	Very Strong
Financial Risk Profile	Upper Adequate	Upper Adequate
Capital and Earnings	Moderately Strong	Moderately Strong
Risk Position	Moderate Risk	Moderate Risk
Financial Flexibility	Adequate	Adequate
Modifiers	0	0
ERM and Management	0	0
Enterprise Risk Management	Adequate With Strong Risk Controls	Adequate With Strong Risk Controls
Management and Governance	Satisfactory	Satisfactory
Holistic Analysis	0	0
Liquidity	Exceptional	Exceptional
Sovereign Risk	-2	-1
Support	0	0
Group Support	0	0
Government Support	0	0

GCP--Group credit profile. IICRA--Insurance Industry And Country Risk Assessment.

## Related Criteria And Research

### Related Criteria

- Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- Group Rating Methodology, Nov. 19, 2013
- Insurers: Rating Methodology, May 7, 2013
- Enterprise Risk Management, May 7, 2013
- Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011

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- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Bank Capital Methodology And Assumptions, Dec. 6, 2010
- Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008

**Related Research**

- Four Italian Insurers Downgraded After Rating Action On Italy; One Affirmed; Outlooks Stable, Dec. 12, 2014
- Ratings On Italy Lowered To 'BBB-/A-3'; Outlook Stable, Dec. 5, 2014

**Ratings List**

Downgraded; CreditWatch/Outlook Action

	To	From
Assicurazioni Generali SpA		
Generali Vie		
Generali Versicherung AG		
Generali Versicherung AG		
Generali Lebensversicherung AG		
Generali Italia SpA		
Generali IARD		
Generali Deutschland Pensionskasse AG		
Envivas Krankenversicherung AG		
Cosmos Versicherung AG		
Cosmos Lebensversicherungs AG		
Ceska pojistovna a.s.		
Central Krankenversicherung AG		
Advocard Rechtsschutzversicherung AG		
AachenMuenchener Versicherung AG		
AachenMuenchener Lebensversicherung AG		
Counterparty Credit Rating	BBB+/Stable/--	A-/Negative/--
Financial Strength Rating	BBB+/Stable/--	A-/Negative/--
Generali (U.S. branch)		
Financial Strength Rating	BBB+/Stable/--	A-/Negative/--
Generali Holding Vienna AG		
Generali Rueckversicherung AG		
Counterparty Credit Rating	BBB-/Stable/--	BBB/Negative/--
Financial Strength Rating	BBB-/Stable/--	BBB/Negative/--
Generali PanEurope Ltd.		
Counterparty Credit Rating	BBB/Stable/--	BBB+/Negative/--
Financial Strength Rating	BBB/Stable/--	BBB+/Negative/--
Deutsche Bausparkasse Badenia AG		
Counterparty Credit Rating	BBB/Stable/A-2	BBB+/Stable/A-2

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Downgraded	To	From
Assicurazioni Generali SpA		
Senior Unsecured	BBB	BBB+
Subordinated	BBB-	BBB
Subordinated	BBB	BBB+
Junior Subordinated	BB+	BBB-
Ceska pojistovna a.s.		
Senior Unsecured	BBB	BBB+
Generali Finance B.V.		
Senior Unsecured	BBB	BBB+
Subordinated	BBB-	BBB
Junior Subordinated	BB+	BBB-

Complete ratings information is available to subscribers of RatingsDirect at [www.globalcreditportal.com](http://www.globalcreditportal.com) and at [spcapitaliq.com](http://spcapitaliq.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

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