

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 131-2014-06)

EUR 171,000,000 Fixed to Floating Rate Instruments due 2021

(ISIN: XS1043118576)

(the “Series 131 Instruments”)

issued under the

Programme for the issuance of Secured Notes

IMPORTANT NOTICE TO NOTEHOLDERS

We refer to (i) the base prospectus dated 25 July 2013 as supplemented by the prospectus supplement dated 29 August 2013, the prospectus supplement dated 16 January 2014 and the prospectus supplement dated 12 March 2014 (the “**Third 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 13 March 2014 relating to the Series 131 Instruments issued under the Base Prospectus.

Words and expressions defined in the Base Prospectus shall have the same meanings when used herein.

Further to its public offer of the Series 131 Instruments, the Issuer gives notice that as a result of the entry into force of the new Italian Law Decree No. 66 of 24 April 2014 (“**Decree No. 66**”) and if such decree is converted into law within 60 days from its publication in the Italian Official Gazette:

- (i) payments of interest and other proceeds to Instrumentholders accruing after 1 July 2014 in respect of the Series 131 Instruments will be subject to a substitute tax (*imposta sostitutiva*), where applicable, at the rate of 26% (rather than the 20% rate currently applicable) in the Republic of Italy; and
- (ii) any capital gain realised after 1 July 2014 by Instrumentholders from the sale or redemption of Series 131 Instruments would be subject to a substitute tax (*imposta sostitutiva*), where applicable, levied at the rate of 26% (rather than the 20% rate currently applicable) in the Republic of Italy,

in each case, depending on the circumstances of the relevant Instrumentholder (as described in the sub-section headed “Italian Taxation” contained in the Taxation section of the Base Prospectus which was inserted into the Base Prospectus pursuant to the Third Supplement to the Base Prospectus).

Instrumentholders should note that there can be no assurance that Decree No. 66 will be converted into law within 60 days from its publication on the Italian Official Gazette in its current form, or at all. Instrumentholders who are in any doubt as to their tax position should consult their own independent tax advisers.

The entry into force of Decree No. 66 came to the Issuer’s attention only after both the end of the Offering Period and the date on which the Series 131 Instruments were admitted to trading on the Luxembourg Stock Exchange. Notwithstanding, the Issuer further gives notice that as a result of the entry into force of Decree No.

66 during the Offering Period, Instrumentholders who have already purchased or subscribed for the Series 131 Instruments offered by way of a public offer before this Notice is published shall have the right, exercisable within a time limit of four working days after the publication of this Notice, i.e. until Tuesday, 13 May 2014, to deliver to the relevant Distributor their holding of Series 131 Instruments in return for the repayment to them of the subscription price paid by them for such holding. This right will only apply to those Instrumentholders who purchased or subscribed for Series 131 Instruments in accordance with the Final Terms issued under the Base Prospectus before the publication of this Notice.

For further information, Instrumentholders should contact Deutsche Bank S.p.A., Piazza del Calendario 3, 20126 Milan, Italy.

This Notice is available for viewing on the website of the Luxembourg Stock Exchange (www.bourse.lu) and on the website www.it.investmentprodukte.db.com.

This Notice is given by the Issuer.

Dated 7 May 2014

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