

INVESTMENT FUND

“CBL Eastern European Fixed Income Funds”

(previously - “Citadele Eastern European Fixed Income Funds”)

Sub-fund

“CBL Eastern European Bond Fund – EUR”

(previously - “Citadele Eastern European Bond Fund - EUR”)

ANNUAL REPORT FOR 2014

(the 12th financial year)

**PREPARED IN ACCORDANCE WITH FCMC REGULATIONS ON “ANNUAL ACCOUNTS OF INVESTMENT FUNDS”
AND INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION**

Riga, 2015

**IF “CBL Eastern European Bond Fund – EUR”
Annual Report for 2014
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IF "CBL Eastern European Bond Fund – EUR"
Annual Report for 2014
General information on the investment fund

Name of fund:	"CBL Eastern European Fixed Income Funds" (previously - "Citadele Eastern European Fixed Income Funds")
Type of fund:	Investment fund with sub-funds
Registration date of fund:	20 July 2009 (date of re-registration 30 March 2015)
Registration number of fund:	FFL94-06.03.04.098/41
Name of sub-fund:	"CBL Eastern European Bond Fund – EUR" (previously - "Citadele Eastern European Bond Fund - EUR")
Name of the investment management company:	"CBL Asset Management" IPAS
Registered office of the investment management company:	Republikas laukums 2a, Riga, LV-1010, Latvia
Registration number of the investment management company:	40003577500
License number of the investment management company:	06.03.07.098/285
Name of the custodian bank:	"Citadele banka" AS
Registered office of the custodian bank:	Republikas laukums 2a, Riga, LV-1010, Latvia
Registration number of the custodian bank:	40103303559
Investment management company's council members and their positions:	<p><i>Council of the investment management company:</i> Chairperson of the Council – Juris Jākobsons – appointed on 30.09.2010. Deputy Chairperson of the Council – Vladimirs Ivanovs – appointed on 01.11.2012. Member of the Council – Philip Nigel Allard – appointed on 01.11.2012 Member of the Council – Philip Nigel Allard – released on 25.06.2014 Member of the Council- Aldis Paegle – appointed on 04.07.2014.</p> <p><i>Board of the investment management company:</i> Chairperson of the Board – Uldis Upenieks – appointed on 01.11.2012. Member of the Board – Zigurds Vaikulis – appointed on 30.03.2007.</p>
The related rights and obligations of the management of the investment fund:	All the duties of the Council and Board members stated in the legislation of the Republic of Latvia and the Statutes of the investment management company
Investment fund managers:	Andris Kotāns – appointed on 27.10.2008 Edgars Lao – appointed on 16.09.2011
The related rights and obligations of the management of the Fund:	All the duties of the Fund managers stated in the legislation of the Republic of Latvia, Statutes of the investment management company and Fund prospectus are performed by the Fund managers.
Auditor:	KPMG Baltics SIA, Vesetas iela 7, Riga, LV-1013 Latvia Licence No. 55

IF "CBL Eastern European Bond Fund – EUR"
Annual Report for 2014
Investment management company's report

"CBL Eastern European Bond Fund - EUR" (previously "Citadele Eastern European Bond Fund – EUR") (hereinafter - the Fund) is a sub-fund of the investment fund "CBL Eastern European Fixed Income Funds" (previously - "Citadele Eastern European Fixed Income Funds"). It is the debt security investment fund having EUR as base currency. The assets of the fund are managed by the asset management company "CBL Asset Management" having its registered office at Republikas laukums 2a, Riga, LV- 1010 and registration number 40003577500. The Company holds a licence No. 06.03.07.098/285 for investment operations, last re-registered on 19 February 2014.

The Fund aims to achieve long-term capital growth by investing in debt securities and money market instruments issued or guaranteed by sovereigns, local governments, central banks, credit institutions and commercial companies of the Eastern European countries, as well as ETFs traded on the regulated markets of the European Union member states and OECD member states without industry limitations.. The investment portfolio of the Fund is diversified to include investments in different industries and countries, thereby achieving a higher protection against volatility of the Fund's asset value versus investments in single industry or country securities.

During the reporting period the net assets of the Fund increased by 38.80% and amounted to EUR 10,363,493 at the end of the year. During the year the value of the Fund's share decreased by EUR 1.43 to EUR 15.24 at the end of the year. The profitability of the Fund in 2014 was EUR (-8.58%) and (-7.84%) in the base currency - euros based on exchange rates fixed at financial markets at the end of each day.

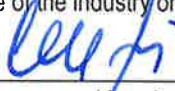
2014 was the third calendar year in the history of the Fund with a negative return. During the reporting period the geopolitical conflict in the eastern part of Ukraine was in the spotlight of the Eastern Europe focused mainly on the geopolitical conflict in the eastern part of Ukraine, thus causing high tension between Russia and the West, including mutual sanctions. Moreover, at the end of the year the world observed rapid decrease in raw material prices dropped rapidly, including oil price decrease by half. Due to the reasons mentioned above, the Russian economy, which is has the largest securities debt market in the region, slowed down rapidly falling into recession and reducing growth forecasts for the whole Eastern European region During the reporting period the Fund saw the most adverse effect from investments in Russia and Ukraine, however the Fund was positively affected by bonds issued by Croatia, Slovenia and Hungary.

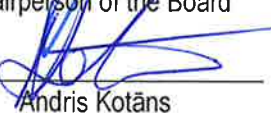
Considering the new market circumstances, during the reporting period we significantly diminished the Fund's exposure to the Russian market - from 40.77% to 22.84%. However, new investments were made in Turkey's securities market, amounting to 8.78% of the Fund's net asset value at the end of the year. Turkey is a net importer of oil, therefore lower oil prices should have positive effect on the country's balance of payments and economy as a whole. During the reporting period we expanded the Fund's investment geography by investing in Romania up to 2.96% from the net asset value, and fully realized its investments in Slovenian, Czech Republic and Latvian securities. As at the end of the reporting period the assets of the Fund were diversified among debt securities markets in 11 countries. The average yield of debt securities included in the Fund until the maturity date was 8.7%, the average duration - 2.8 years and the weighted average credit rating was Ba3.


During the reporting period management costs amounted to EUR 247,592 or 1.71% of the average value of net assets during the reporting period, which does not exceed the maximum value of 3.00% provided in the Fund's prospectus.

During the period between the last day of the reporting year and the date of the approval of the annual report there have been no significant events that have a material effect on the Fund's financial position.

IPAS "CBL Asset Management" managers' team closely monitors the developments both on the domestic and global scale, of such factors as sustainability of economic growth, monetary and fiscal policies of leading economies as well as potential inflationary and political risks in light of their material impact on the economic and capital market dynamics of the Eastern European region. A critical selection of instruments will continue to play a decisive role in the process of the Fund's investments, irrespective of the industry or country.


 Uldis Upenieks
 Chairperson of the Board


 Andris Kotāns
 Member of the Investment
 Committee


 Edgars Lao
 Member of the Investment
 Committee

Riga, 24 April 2015

IF "CBL Eastern European Bond Fund – EUR"
Annual Report for 2014
Statement of responsibility of the Board of the investment management company

The Board of the investment management company (hereinafter - the Company) is responsible for the preparation of the financial statements of the investment fund "CBL Eastern European Bond Fund - EUR" (hereinafter - the Fund).

The financial statements on pages 7 to 27 are prepared based on source documents and present fairly the financial position of the Fund as at 31 December 2014 and the results of its operations for the respective periods then ended.

The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union, as set out in the Regulations of the Financial and Capital Market Commission (FCMC) on Annual Accounts of Investment Funds, on a going concern basis. Appropriate accounting methods have been consistently applied in the reporting period. Prudent and reasonable judgments and estimates have been made by the Management in the preparation of the financial statements.

The Board of the Company is responsible for the maintenance of proper accounting records, the safeguarding of the assets of "CBL Eastern European Bond Fund - EUR" and the prevention and detection of fraud and other irregularities in the Fund. The Board is also responsible for operating the Fund in compliance with the Law of the Republic of Latvia on Investment Management Companies, regulations of the Financial and Capital Market Commission (FCMC), and other laws and regulations of the Republic of Latvia.



Uldis Upenieks
Chairperson of the Board

Riga
24 April 2015

CUSTODIAN BANK REPORT

For holders of IF "Citadele Eastern European Fixed Income Funds"
"Citadele Eastern European Bond fund - EUR"
Investment fund applications

With this Citadele Bank JSC, which is registered in LR Enterprise register on June 30, 2010 with No. 40103303559 and located at 2a Republikas square, Riga, certifies, that:

According to the law "On investment companies" of Republic of Latvia, regulations of Financial and Capital Market Commission (FCMC), other requirements of LR legislation and contract with Custodian bank, which is concluded on the May 11, 2009, Citadele Bank JSC, (further in the text - Custodian) carries out functions of custodian bank for the IF "Citadele Eastern European Fixed Income Funds" (further in the text – Fund) founded by IPAS "CBL Asset Management";

Custodian is responsible for fulfilling of Custodian bank contract and requirements of LR legislation related to custodian banks. The main obligations of the Custodian are the following:

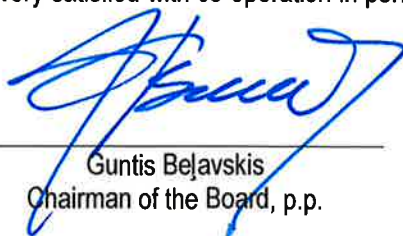
- to store assets of the Fund, as well as documents, which confirm title according to the requirements of LR legislation;
- to ensure maintenance of the Fund account, reception and execution of Company's orders, as well as performance of transactions according with requirements of LR legislation and current market practice;
- to ensure the Company with regular reports on assets of the Fund and its value (prices of the securities);
- to follow the correctness of the value of the Fund and its certificates set by the Company and its conformity with LR legislation acts;
- to follow the correctness and legal status of issuing, sales and repurchasing of investment certificates performed by the Company;

Issuing, sales and repurchasing of the investment certificates is performed according to the requirements of the law "On investment companies", fund prospect and Fund management regulations; Storage of the Fund assets is performed according to the requirements of the law "On investment companies" and Custodian bank contract;

Calculation of the net value of the Fund assets is performed according to the requirements of the law "On investment companies", regulations of Financial and Capital Market Commission (FCMC), Fund prospect and Fund management regulations;

Orders of the Company, as well as transactions with the assets of IF "Citadele Eastern European Fixed Income Funds" are performed according to the requirements of the law "On investment companies", Fund prospect and Fund management regulations and Custodian bank contract.

In the accounting period no mistakes and illegal matters were observed in performance of the Company with Fund assets. Citadele bank JSC is very satisfied with co-operation in performing of the functions of Custodian bank.

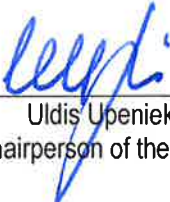

Guntis Bejavskis
Chairman of the Board, p.p.

Riga, February 23, 2015

IF "CBL Eastern European Bond Fund – EUR"
Annual Report for 2014
Statement of financial position
(EUR)

Note		<u>31.12.2014</u>	<u>31.12.2013</u>
	Assets		
3	Demand deposits with credit institutions	1,176,071	699,130
	Financial assets held for trading		
4	<i>Debt securities and other fixed income securities</i>	9,626,820	16,009,454
5	<i>Derivatives</i>	-	268,880
	Total assets	<u>10,802,891</u>	<u>16,977,464</u>
	Liabilities		
	Financial liabilities held for trading		
5	<i>Derivatives</i>	(422,185)	(17,750)
6	Accrued expenses	(17,213)	(25,344)
	Total liabilities	<u>(439,398)</u>	<u>(43,094)</u>
	Net assets	<u>10,363,493</u>	<u>16,934,370</u>

The accompanying notes on pages 11 to 27 form an integral part of these financial statements.



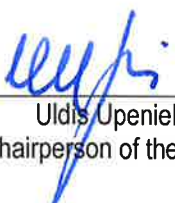
 Uldis Upenieks
 Chairperson of the Board

Riga
 24 April 2015

IF "CBL Eastern European Bond Fund – EUR"
Annual Report for 2014
Statement of comprehensive income
(EUR)

Note		2014	2013
	Income		
7	Interest income	1,131,965	1,477,775
	Other income	-	793
	Total income	1,131,965	1,478,568
	Expenses		
	Investment management company fee	(218,999)	(256,367)
	Remuneration to custodian bank	(26,280)	(29,949)
	Other fund management expenses	(2,313)	(5,428)
	Total expenses	(247,592)	(291,744)
	Decrease in investment value		
8	Realized (decrease) in investment value	(431,623)	(123,586)
9	Unrealized (decrease) in investment value	(1,231,917)	(582,905)
	Total (decrease) in investment value	(1,663,540)	(706,491)
	(Loss) from revaluation of foreign exchange	(223,507)	(34,977)
	Comprehensive (expenses)/income	(1,002,674)	445,356

The accompanying notes on pages 11 to 27 form an integral part of these financial statements.



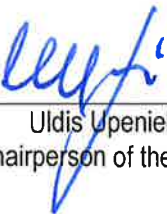
 Uldis Upenieks
 Chairperson of the Board

Riga
 24 April 2015

IF "CBL Eastern European Bond Fund – EUR"
Annual Report for 2014
Statement of changes in net assets
(EUR)

	2014	2013
Net assets as at the beginning of the period	16,934,370	14,285,226
Comprehensive (expenses)/income	(1,002,674)	445,356
Transactions with investment certificates:		
<i>Inflow from sale of investment certificates</i>	1,694,567	4,938,555
<i>Outflow on redemption of investment certificates</i>	(7,262,770)	(2,734,767)
Net asset (decrease)/increase from transactions with investment certificates	(5,568,203)	2,203,788
(Decrease)/increase in net assets for the period	(6,570,877)	2,649,144
Net assets as at the end of the period	10,363,493	16,934,370
Issued investment certificates as at the beginning of the reporting period	1,015,969	882,551
Issued investment certificates as at the end of the reporting period	680,178	1,015,969
Net asset value per investment certificate as at the beginning of the reporting period	16.67	16.19
Net asset value per investment certificate as at the end of the reporting period	15.24	16.67

The accompanying notes on pages 11 to 27 form an integral part of these financial statements.



 Uldis Upenieks
 Chairperson of the Board

Riga
 24 April 2015

IF "CBL Eastern European Bond Fund – EUR"
Annual Report for 2014
Statement of Cash Flows
(EUR)

	2014	2013
Interest income	1,144,996	1,268,836
Investment management expenses	(255,723)	(287,174)
Acquisition of financial assets	(8,434,899)	(16,723,133)
Disposal/sale of financial assets	14,211,187	12,715,905
Foreign currency translation result	(673,926)	251,108
Increase/ (decrease) in cash from operating activities	5,991,635	(2,774,458)
Inflow from sale of investment certificates	1,694,567	4,938,555
Outflow on redemption of investment certificates	(7,262,770)	(2,734,767)
(Decrease)/ increase in cash from financing activities	(5,568,203)	2,203,788
Increase / (decrease) in cash	423,432	(570,670)
Cash as at the beginning of the reporting period	699,130	1,284,563
Result of revaluation of cash denominated in foreign currencies	53,509	(14,763)
Cash at the end of the reporting period	1,176,071	699,130

The accompanying notes on pages 11 to 27 form an integral part of these financial statements.



 Uldis Upenieks
 Chairperson of the Board

Riga
 24 April 2015

IF "CBL Eastern European Bond Fund – EUR"
Annual Report for 2014
Notes
(EUR)

1. General information

Name of fund:	„CBL Eastern European Fixed Income Funds” (previously „Citadele Eastern European Fixed Income Funds”)
Type of fund:	Investment fund with sub-funds
Fund's business activity:	Investments in securities, generally, issued or guaranteed by governments, municipalities, central banks and credit institutions of Eastern European countries, as well as investments in debt securities and equity shares of corporate entities. Fund's sub-fund's investment portfolios are diversified between investments in equity and debt securities, as well as in different currencies and countries, thus providing higher security and protection against fluctuations in the value of fund's assets, which are inherent for investments in one class, currency or country securities only.
Name of sub-fund:	„CBL Eastern European Bond Fund – EUR” (previously „Citadele Eastern European Bond Fund – EUR”)
Sub-fund's business activity:	The – functional currency of the Fund is euro (EUR). Investments in equity securities are not provided by the Prospectus.
Name of the investment management company:	IPAS “CBL Asset Management”, (hereinafter - the Company) Republikas laukums 2a, Riga, LV-1010, Latvia

2. Summary of significant accounting policies

Basis of preparation

The financial statements of IF “CBL Eastern European Bond Fund – EUR” have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union, as set out in the Regulations of the Financial and Capital Market Commission (hereinafter - FCMC) on Annual Accounts of Investment Funds.

The financial statements are prepared on a historical cost basis, except for fair value basis for trading and available-for-sale financial instruments.

The functional and presentation currency in the financial statements is euro (EUR), the monetary unit of the Republic of Latvia. The financial statements cover the period from the 1 January 2014 to 31 December 2014.

Functional and Presentation Currency

Due to the change of the official currency of Latvia, from 1 January 2014 the functional and presentation currency of the Fund is euro which replaced the national currency of Latvia, the lats. Comparative financial information of previous periods presented in lats, were translated into euros using the official exchange rate of LVL 0.702804 to EUR 1. As the Latvian lat was previously pegged to the euro at the same exchange rate, the change in the functional and presentation currency had no effect on the Fund's financial position, financial performance or cash flows. The opening balances as at 1 January 2014 agree with the published prior period closing balances after conversion from lats to euro.

Critical accounting estimates and judgements

IFRS as adopted by EU requires that in preparing the financial statements, the management makes estimates and assumptions that affect the reported amounts of assets and liabilities and required disclosure at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires investment management company's management to make assumptions and exercise its judgement in the process of applying the Fund's accounting policies.

IF "CBL Eastern European Bond Fund – EUR"
Annual Report for 2014
Notes
(EUR)

Income and expense recognition

All significant interest income and expenses are disclosed on an accrual basis.

Interest income and expenses are recognized in the comprehensive income statement based on the actual interest rate of on the asset/liability. Interest income and expenses include discount or premium amortization or other difference between the book value of an interest bearing instrument and its value on the maturity date calculated based on the effective interest rate method.

Dividend income is recognised at the moment of receipt. In some situations dividend income can be recognized when share price decreases after the issuer's announcement on payment of dividends.

Remuneration to investment management company of the Fund and the custodian bank is calculated at a fixed rate of the Fund's assets and is accrued daily, but paid out once a month.

Foreign currency revaluation

Transactions in foreign currencies are translated into euros at the foreign exchange rate published by the European Central Bank as at the transaction date. All monetary assets and liabilities denominated in foreign currencies are translated to euros according to the exchange rate of the European Central Bank on the last day of the reporting year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value in the foreign currency are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Any gain or loss resulting from exchange rates fluctuations is included in the statement of comprehensive income as gain or loss from the revaluation of foreign currency positions.

The exchange rates established by the European Central Bank (foreign currency unit to EUR) and mainly applied when preparing the statement financial position of the Fund can be specified as follows:

Currency	31.12.2014	31.12.2013
USD	1.2141	1.3647
RUB	72.3370	45.0515
LVL	-	0.702804

Cash

Cash comprises Fund's demand deposits with credit institutions.

Financial Instruments

Financial instruments are classified at the following categories: through profit or loss and loans and receivables. The classification depends on the purpose of financial instrument acquisition. The management determines classification of financial instruments at the moment of their initial recognition.

Financial assets and liabilities at fair value through profit or loss

Financial instruments at fair value through profit or loss include financial assets held for trading, as well as derivatives. All financial assets at fair value through profit and loss, belonging to the Fund, are classified as financial assets held for trading.

SFPS states the hierarchy of valuation techniques based on if the technique employs market data that can be monitored or market data that cannot be monitored. The Fund classifies all financial assets using valuation techniques listed in the 1st, 2nd, 3rd category of this hierarchy. Prices quoted in active market (unadjusted), as well as net asset values quoted daily outside regulated markets are used in valuation. This level includes shares quoted in stock exchange as well as debt securities and investment funds sold outside regulated markets, whose value is determined using daily asset quotes as well as other financial instruments held for trading in stock exchange.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. Loans and receivables include deposits with credit institutions. Deposits with credit institutions are carried at amortized cost, using effective interest rate less provisions for impairment, if applicable.

Impairment provisions are created when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of receivables. The amount of provisions for impairment is the difference between the amortized cost and the recoverable amount.

IF "CBL Eastern European Bond Fund – EUR"
Annual Report for 2014
Notes
(EUR)

Investments in securities

All investments in securities are classified as held-for-trading securities, i.e. securities are acquired for generating a profit from short term fluctuations in price or dealer's margin.

Held for trading securities are recognised at fair value based on available market prices. The result of re-measuring trading securities at fair value is included in the comprehensive income statement as increase/ (decrease) in investment.

Securities are revaluated on the basis of Bloomberg's available financial information on the bid prices of securities. Unlisted securities are evaluated on the basis of the custodian bank's information on transactions, but in case such information is not available, respective securities are evaluated at their amortised cost. Securities purchase and sale transactions are recognised on the date of settlements. The cost of securities sold is defined using FIFO (first in, first out) method.

Derivatives

For currency risk management purposes, the Fund is involved in forward foreign exchange transactions - forwards and swaps. For the accounting purposes, all derivatives are classified as held-for-trading and accounted as follows.

Subsequent to initial recognition and measurement, outstanding forward foreign exchange contracts are carried in the statement of financial position at their fair value. The fair value of these instruments is recognised in the statement of financial position under "Derivatives". The notional amounts of these instruments are reported in the notes of the financial statements.

Gains or losses from changes in assets and liabilities arising on forward foreign exchange contracts are recognised in the statement of comprehensive income as foreign currency revaluation result.

Fair value of financial assets and liabilities

The fair value of financial assets and liabilities represents the amount at which an asset could be exchanged or a liability settled on an arm's length basis. The fair value of liabilities represent default risk.

When available, the Fund measures the fair value of the Fund's financial instrument using quoted prices in an active market for that instrument. Market is considered active if transitions with assets or liabilities occur often enough and in the sufficient amount to be able to obtain information on the prices.

If a price quoted in active market is not available, the Fund applies valuation methods in which there are observable market data used as much as possible but unobservable input data usage is reduced to minimum. The selected valuation method includes all factors that would be considered by the market participants when determining the transaction price.

During the initial recognition the best evidence of fair value of a financial instrument is the transaction price, i.e. fair value of price received or paid. If the Fund determines that the fair value as at the initial recognition differs from the transaction price and fair value cannot be confirmed by identical quoted price of asset or liabilities in active market or valuation methods using only observable data, results, financial instrument is initially assessed in the fair value that is adjusted to represent difference between the fair value as at the date of initial recognition and transaction price. Later this difference is recognized in the profit or loss considering the expected period of use but not later than as at the date when the value can be completely based on observable market data or the transaction is completed.

Portfolios of financial assets and financial liabilities exposed to market risk and credit risk managed by the Fund on the basis of net exposure either to market risk or credit risk are evaluated considering price that would be paid to sell the net long position (or paid to transfer the net short position) for certain risks. These adjustments on the portfolio level are attributed to certain assets and liabilities on the basis of relative risk adjustments as regards each separate instrument in the portfolio.

Taxes

The Fund's income is subject to income tax in the country of its origin. The Fund's income is exempt from income taxes. The Fund is not a Latvian corporate income tax payer.

IF "CBL Eastern European Bond Fund – EUR"
Annual Report for 2014
Notes
(EUR)

Change in accounting policies

The Fund has applied the accounting policies described in the note to all reporting periods disclosed in these financial statements, except for the following changes.

The Fund has adopted the following new standards and amendments to standards, including the consequent amendments in other standards the initial application date of which was 1 January 2014, and concluded that the amendments do not refer to the Fund:

- (i) IFRS 10 "Consolidated financial statements" (2011)
- (ii) IFRS 11 Joint Arrangements
- (iii) IFRS Disclosure of interests in other entities;
- (iv) Amendments to IAS 32 as regards Offsetting Financial Assets and Financial Liabilities
- (v) Amendments to IAS 36 as regards disclosures about recoverable amount of non-financial assets
- (vi) Amendments to IAS 39 as regards renewal of financial instruments and continuing of hedge accounting.

New Standards and Interpretations

Several new standards, amendments to standards and interpretations effective after 1 January 2014 that have not been applied to these financial statements. Standards and interpretations application of which will not affect the financial statements are listed below.

- (i) IAS 19 Employee Benefits (effective for annual periods beginning on or after 01 February 2015)
- (ii) IFRIC 21 Levies (effective for annual periods beginning on or after 17 June 2014).
- (iii) Annual amendments to IFRS.

3. Demand deposits with credit institutions

	31.12.2014	31.12.2013	% of Fund's net assets 31.12.2014
Demand deposits with credit institutions AS "Citadele banka"	1,176,071	699,130	11.35%
Total demand deposits with credit institutions	1,176,071	699,130	11.35%

The Fund receives interest on demand deposits at fixed rates.

4. Debt securities and other fixed income securities

	31.12.2014	31.12.2013	Annual yield till maturity 31.12.2014	% of Fund's net assets 31.12.2014
Corporate bonds:	6,055,653	8,356,827	14.02%	58.42%
Other Non - OECD region corporate bonds	5,473,475	7,328,177	15.03%	52.81%
OECD region corporate bonds	582,178	1,028,650	4.56%	5.61%
Credit institution bonds:	2,389,483	4,285,394	10.51%	23.06%
Other Non - OECD region credit institution bonds	2,056,011	4,285,394	11.61%	19.84%
OECD region credit institution bonds	333,472	-	4.53%	3.22%
Government bonds:	754,324	1,507,110	7.49%	7.28%
Non - OECD region government bonds	177,546	716,255	19.89%	1.71%
OECD region government bonds	576,778	790,855	3.68%	5.57%
Financial institution bonds:	427,360	1,860,123	28.93%	4.13%
Non - OECD region financial institution bonds	174,832	800,794	50.53%	1.69%
OECD region financial institution bonds	252,528	1,011,943	13.97%	2.44%
Latvian financial institution bonds:	-	47,386	-	-
Total debt securities and other fixed income securities	9,626,820	16,009,454	13.30%	92.89%

All debt securities and other securities are classified as held for trading securities.

All fixed income securities are listed, except for securities with the carrying amount EUR 678.699.

IF "CBL Eastern European Bond Fund – EUR"
Annual Report for 2014
Notes
(EUR)

The table below presents debt securities by the issuer's country of residence:

Financial instrument	ISIN code	Currency	Amount	Cost (EUR)	Carrying amount as at 31.12.2014	% of Fund's net assets 31.12.2014
<u>Financial instruments traded on regulated markets</u>				11,065,872	9,374,292	90.45%
Russian issuers:				2,783,320	2,367,551	22.85%
POLYUS GOLD	XS0922301717	USD	600	460,259	419,956	4.05%
LUKOIL	XS0919502434	USD	500	374,758	353,152	3.41%
SEVERSTAL	XS0841671000	USD	450	336,824	311,325	3.00%
ALFA BANK	XS0620695204	USD	400	330,828	290,901	2.81%
CREDIT BANK OF MOSCOW	XS0879105558	USD	350	265,863	234,083	2.26%
BORETS	XS0974469206	USD	350	251,067	198,887	1.92%
RASPADSKAYA	XS0772835285	USD	350	267,567	197,066	1.90%
EDC	XS0918604496	USD	350	225,484	187,349	1.81%
RENAISSANCE CREDIT	XS0938341780	USD	350	270,670	174,832	1.69%
Ukrainian issuers:				1,705,743	1,318,454	12.72%
MHP	USL6366MAB92	USD	450	348,147	354,847	3.42%
METINVEST BV	XS0591549232	USD	700	471,914	330,400	3.19%
FIRST UKRAINIAN INTERNATIONAL BANK	XS0287015787	USD	433	332,617	242,517	2.34%
AVANGARD	XS0553088708	USD	400	294,949	213,144	2.06%
UKRAINE GOVERNMENT INTERNATIONAL BOND	XS0543783194	USD	350	258,116	177,546	1.71%
Azerbaijani issuers:				1,233,483	1,280,498	12.35%
AZERBAIJAN RAILWAYS	XS0592514144	USD	500	417,260	427,374	4.12%
INTERNATIONAL BANK OF AZERBAIJAN	XS1076436218	USD	550	432,048	426,953	4.12%
MUGAN BANK	LV0000801157	USD	500	384,175	426,171	4.11%
Kazakhstani issuers:				947,076	952,528	9.19%
KAZMUNAYGAS	XS0373641009	USD	550	507,476	515,384	4.97%
NOSTRUM OIL & GAS	USN64884AA29	USD	600	439,600	437,144	4.22%
Turkish issuer bonds:				830,964	910,250	8.79%
TURKEY	US900123AX87	USD	600	525,761	576,778	5.57%
TURKIYE HALK BANKASI AS	XS1069383856	USD	400	305,203	333,472	3.22%
Bulgarian issuer bonds:				853,424	841,522	8.12%
BULGARIAN ENERGY HOLDING EAD	XS0989152573	EUR	450	450,863	440,769	4.25%
VIVACOM	XS0994993037	EUR	400	402,561	400,753	3.87%
Latvian issuers:				1,139,689	-	0.00%
PAREX BANKA	LV0000800696	EUR	8,000	800,000	-	0.00%
CAPITAL DEPARTMENT STORE SC	LV0000800761	EUR	429,100	339,689	-	0.00%
Hungarian issuers:				499,156	582,178	5.61%
MOL	XS0834435702	USD	650	499,156	582,178	5.61%
Georgian issuer bonds:				393,321	435,386	4.20%
BANK OF GEORGIA	XS0783935561	USD	500	393,321	435,386	4.20%
Croatian issuers:				359,976	379,012	3.66%
ZAGREBACKI HOLDING	XS0309688918	EUR	8	359,976	379,012	3.66%
Romanian issuers:				319,720	306,913	2.96%
CABLE COMMUNICATIONS SYSTEMS NV	XS0954673777	EUR	300	319,720	306,913	2.96%
<u>Financial instruments not traded on regulated markets</u>				250,002	252,528	2.44%
Estonian issuers:				250,002	252,528	2.44%
CREDITSTAR GROUP	EE3300110436	EUR	250	250,000	252,528	2.44%

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Financial instrument	ISIN code	Currency	Amount	Cost (EUR)	Carrying amount as at 31.12.2014	% of Fund's net assets 31.12.2014
Q VARA	EE3300079987	EUR	15	2	-	0.00%
Total debt securities and other fixed income securities				11,315,874	9,626,820	92.89%

AU equity shares and other non-fixed income securities are classified as held-for-trading securities. At the end of the reporting year, there were no equity shares in the portfolio of the Fund.

At the end of the reporting year, the Fund had no investment certificates of investment funds or similar securities.

5. Derivatives

The table below presents notional amounts and fair value of forwards and swaps. Notional amount of swaps is determined according to the requirements resulting from these swaps.

	31.12.2014			31.12.2013			% of Fund's net assets as at 31.12.2014
	Notional amount	Fair value		Notional amount	Fair value		
		Assets	Liabilities		Assets	Liabilities	
Foreign currency exchange							
Swaps	8,142,578	-	(421,305)	12,245,479	263,443	(17,403)	(-4.07%)
Forwards	263,180	-	(880)	423,311	5,437	(347)	(-0.01%)
Total embedded derivatives	8,405,758	-	(422,185)	12,668,790	268,880	(17,750)	(-4.08%)

All derivatives are concluded with AS Citadele Banka.

6. Accrued expenses

	31.12.2014	31.12.2013
Accrued commission fees payable to investment management company	(14,029)	(19,953)
Accrued commission fees payable to custodian bank	(1,684)	(2,366)
Accrued fees payable for professional services	(1,500)	(3,025)
Total accrued liabilities	(17,213)	(25,344)

7. Interest income

	2014	2013
From debt securities and other fixed income securities	4,293	10,438
From demand deposits with credit institutions	1,127,672	1,467,337
Total interest income	1,131,965	1,477,775

8. Realized increase/(decrease) in investment value

	2014	2013
Proceeds from sales of investments in the reporting period	14,163,575	12,795,259
Amortized cost of investments sold during the reporting period	(15,015,222)	(12,999,441)
Increase in disposed investment recognized in prior reporting periods	420,024	80,596
Total realised (decrease) in investment value	(431,623)	(123,586)

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9. Unrealized gains/(losses)

	2014	2013
From debt securities and other fixed income securities	(1,231,917)	(582,905)
Total unrealised losses	(1,231,917)	(582,905)

10. Investment overview

The table below presents change in investments during the reporting year:

	31.12.2013	Increase during the reporting period	Decrease during the reporting period	Foreign exchange revaluation result	Fair value revaluation result	31.12.2014
Financial assets held for trading						
<i>Debt securities and other fixed income securities</i>	16,009,454	8,434,899	(15,351,890)	1,070,225	(535,868)	9,626,820
<i>Net derivative financial instruments</i>	251,130	-	-	(673,315)	-	(422,185)
Total investments	16,260,584	8,434,899	(15,351,890)	396,910	(535,868)	9,204,635

The table below presents change in investments during 2013:

	31.12.2012	Increase during the reporting period	Decrease during the reporting period	Foreign exchange revaluation result	Fair value revaluation result	31.12.2013
Financial assets held for trading						
<i>Debt securities and other fixed income securities</i>	12,910,907	16,723,132	(13,973,510)	(411,921)	760,846	16,009,454
<i>Net derivative financial instruments</i>	110,530	-	-	140,600	-	251,130
Total investments	13,021,437	16,723,132	(13,973,510)	(271,321)	760,846	16,260,584

11. Pledged assets

During the reporting period, no guarantees or collaterals have been issued by the Fund, neither has it pledged or otherwise caused any encumbrance or lien on its assets.

12. Fair values of financial assets and liabilities

Financial instruments at fair value

Table below analyses financial instruments at fair value as at the end of the reporting period by levels in the fair value hierarchy according to which the fair value assessment has been categorized.

2014	1 st level	2 nd level	3 rd level	Total
Financial assets				
Financial instruments held for trading	8,521,950	426,171	678,699	9,626,820
	8,521,950	426,171	678,699	9,626,820
Financial liabilities				
Financial instruments at fair value through profit or loss	-	(422,185)	-	(422,185)
	8,521,950	3,986	678,699	9,204,635

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2013

Financial assets

Financial instruments held for trading	14,954,329	-	786,245	16,009,454
Derivatives	-	268,880	-	268,880
	14,954,329	268,880	786,245	16,278,334

Financial liabilities

Financial instruments at fair value through profit or loss	-	(17,750)	-	(17,750)
	14,954,329	251,130	786,245	16,260,584

The table below shows comparison of opening and closing balances of 3rd level fair value assessment in the hierarchy.

EUR	Financial instruments held for trading	Total
Balance as at 1 January 2014	786,245	786,245
Total profit or loss:		
Profit or loss statement	(137,484)	(137,484)
Purchases		
Payments	(245,030)	(245,030)
Balance as at 31 December 2014	678,699	678,699

EUR	Financial instruments held for trading	Total
Balance as at 1 January 2013	342,011	342,011
Total profit or loss:		
Profit or loss statement	32,636	32,636
Purchases	738,857	738,857
Payments	(327,259)	(327,259)
Balance as at 31 December 2013	786,245	786,245

The table below shows valuation methods applied to assess fair value of Level 2 and Level 3, as well as the most significant unobservable data:

Type	Valuation technique	Significant unobservable data	Relation between significant unobservable data and fair value assessment
Financial instruments held for trading (debt securities and other securities with fixed income, derivatives)- Level 2	Discounted cash flows method	Not applicable	Not applicable
Financial instruments held for trading (debt securities and other securities with fixed income)- Level 3	Discounted cash flows method	Discount rate	Estimated fair value would increase (decrease), if: - Discount rate were lower (higher);

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If at the end of the reporting period any of the significant unobservable input data used in valuation of fair value of financial instruments held for trading would change but other input data would not change, these changes would have the following impact:

	Impact on profit and loss	
	Increase	(Decrease)
31 December 2014		
Discount rate (2% change)	4,684	(1,895)
Discount rate (2% change)	2,594	(19,755)
	Impact on profit and loss	
	Increase	(Decrease)
31 December 2013		
Discount rate (1% change)	273	(269)
Discount rate (2% change)	17,756	(16,998)
Recoverability (0.2% change)	95	(95)

13. Risk management

Investment process risk can be defined as probability of undesirable result occurrence that might materialize in the certain market economy in the certain time period. Risk management is characterized as risk identification, measurement and its possible assessment. Investment process may be impacted by currency exchange rate risk, interest rate risk, price change risk, as well as a result of liquidity and other - including operational risks. The investment strategy of the Fund is aimed at minimising the above mentioned risks, however, the Company cannot guarantee that these risks can be completely avoided in the future.

Risk management structure

Risk identification and measurement are the responsibility of an independent Company's unit - the Risk Management Division which prepares and presents information about risks to the Fund Manager. Fund Manager decides specifically whether it would be necessary to minimise risks.

The risk measurement process employs several models based on historical data and adjusted to consider for the current economic situation. Specific models are used to forecast changes in risk factors in ordinary and extraordinary market situations.

To mitigate the investment risks, the Fund Manager follows the risk diversification and hedging principles to reduce investment risks developed in line with the management policy. The Management of the Fund acquires sufficient information on potential or current investment objects, as well as supervises financial and economic position of issuers of the securities in which the Fund's property has been or is to be invested.

The Company, when developing the strategy of the Fund and stating risk limits, performs the analysis of the Fund's investments by maturity, geographic placement, currency profile and assesses the risks inherent to each of the above factors. The Fund Manager acts in strict compliance with the Prospectus of the Fund, Fund Management Regulations, as well as regulations and restrictions imposed by legislation of the Republic of Latvia.

Market risk

Market risk is a risk that the Fund's value will reduce as a result of changes in any of the following market factors: securities prices (equity price risk), exchange rates (currency risk), interest rates (interest rate risk) etc. Evaluated below are the sources of market risk, however they cannot be eliminated completely.

Interest rate risk

The price risk related to fixed income securities (bonds) is to a great extent dependent on fluctuations of market interest rates and changes in the issuer's credit quality. Market interest rate fluctuations affect the attractiveness of securities, as, in fact, it is an alternative source of interest income. With market interest rates growing, the prices of fixed income securities are decreasing, and vice versa. Meanwhile, the increase (decrease) in market interest rates produces a positive (negative) effect on coupon rates of fixed income securities bearing interest at floating rates (when the coupon is fixed as a base rate, like Euribor or Libor, plus a margin). After the revaluation (i.e. when a new interest rate is adopted), the coupon rate of such securities increases (decreases), which results in a respective increase (decrease) in interest income.

The tables below show a potential effect of changes in market interest rates in certain currencies on the Fund's value. Interest income changes are calculated on an annual basis. The actual changes of the Fund's value may differ from the below calculations and the difference might be significant.

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13. Risk management (continued)

Changes in fixed income securities' prices and interest income (year 2014, EUR)					Changes in fixed income securities' prices and interest income (year 2013, EUR)				
Currency	Changes in base rates, bp	Changes in interest income	Changes in market value	Total effect of base rate changes	Currency	Changes in base rates, bp	Changes in interest income	Changes in market value	Total effect of base rate changes
EUR	100	-	(52,947)	(52,947)	USD	100	-	(387,465)	(387,465)
USD	100	-	(271,250)	(271,250)	EUR	100	-	(101,085)	(101,085)
RUR	100	-	-	-	RUR	100	-	(3,247)	(3,247)
Total		-	(324,197)	(324,197)	Total		-	(491,796)	(491,796)

Changes in fixed income securities' prices and interest income (year 2014, % of net assets)					Changes in fixed income securities' prices and interest income (year 2013, % of net assets)				
Currency	Changes in base rates, bp	Changes in interest income	Changes in market value	Total effect of base rate changes	Currency	Changes in base rates, bp	Changes in interest income	Changes in market value	Total effect of base rate changes
EUR	100	0.00%	-0.51%	-0.51%	USD	100	0.00%	-2.30%	-2.30%
USD	100	0.00%	-2.61%	-2.61%	EUR	100	0.00%	-0.60%	-0.60%
RUR	100	0.00%	0.00%	0.00%	RUR	100	0.00%	-0.02%	-0.02%
Total		0.00%	-3.12%	-3.12%	Total		0.00%	-2.92%	-2.92%

Changes in fixed income securities' prices and interest income (year 2014, EUR)					Changes in fixed income securities' prices and interest income (year 2013, EUR)				
Currency	Changes in base rates, bp	Changes in interest income	Changes in market value	Total effect of base rate changes	Currency	Changes in base rates, bp	Changes in interest income	Changes in market value	Total effect of base rate changes
EUR	-100	-	(52,947)	(52,947)	USD	-100	-	(387,465)	(387,465)
USD	-100	-	(271,250)	(271,250)	EUR	-100	-	(101,085)	(101,085)
RUR	-100	-	-	-	RUR	-100	-	(3,247)	(3,247)
Total		-	(324,197)	(324,197)	Total		-	(491,796)	(491,796)

Changes in fixed income securities' prices and interest income (year 2014, % of net assets)					Changes in fixed income securities' prices and interest income (year 2013, % of net assets)				
Currency	Changes in base rates, bp	Changes in interest income	Changes in market value	Total effect of base rate changes	Currency	Changes in base rates, bp	Changes in interest income	Changes in market value	Total effect of base rate changes
EUR	-100	0.00%	0.51%	0.51%	USD	-100	0.00%	2.30%	2.30%
USD	-100	0.00%	2.61%	2.61%	EUR	-100	0.00%	0.60%	0.60%
RUR	-100	0.00%	0.00%	0.00%	RUR	-100	0.00%	0.02%	0.02%
Total		0.00%	3.12%	3.12%	Total		0.00%	2.92%	2.92%

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Equity price risk

Changes in equity prices depend on the following two groups of factors: changes in stock indices of a respective country (for instance, RIGSE Latvian companies' stock index) and the financial position of issuer (prospects of earnings profit). The first factor is usually referred to as systematic risk and the second - as specific risk.

Systematic risk is managed on the basis of forecasts of the overall economic development in specific geographic regions and industries. Specific risk management is performed by conducting a detailed analysis of the issuer's financial position and profitability, as well as other factors affecting the equity price, based on the published issuer's reports and mass media information. Equity price deviations and correlations are also a matter of particular focus. Therefore it is possible to calculate the total price risk exposure for all shares in the portfolio only based equity price history.

Currency risk

Currency risk arises when the nominal value of Fund's securities or other instruments differs from the Fund's currency. Exchange rate fluctuations may result in a gain or loss, depending on the trend of the fluctuations and the Fund's currency position. The Fund's exposure to currency risk is managed effectively by entering into currency forward and swap transactions.

Table below shows the Fund's assets and liabilities by currencies as at 31 December 2014:

	USD	EUR	Total
Assets			
Demand deposits with credit institutions	572,110	603,961	1,176,071
Financial assets held for trading			
Debt securities and other fixed income securities	7,846,845	1,779,975	9,626,820
Total assets	8,418,955	2,383,936	10,802,891
Liabilities			
Financial liabilities held for trading			
Derivatives	(8,405,757)	7,983,572	(422,185)
Accrued expenses	-	(17,213)	(17,213)
Total liabilities	(8,405,757)	7,966,359	(439,398)
Net assets	13,198	10,350,295	10,363,493
<i>Net long/(short) position</i>	<i>0.13%</i>	<i>99.87%</i>	<i>100.00%</i>

Table below shows the Fund's assets and liabilities by currencies as at 31 December 2013:

	LVL	USD	EUR	RUB	Total
Assets					
Demand deposits with credit institutions	-	21,094	678,036	-	699,130
Financial assets held for trading					
Debt securities and other fixed income securities	-	12,197,439	3,244,140	567,875	16,009,454
Derivatives	-	(8,946,008)	9,214,888	-	268,880
Total assets	-	3,272,525	13,137,064	567,875	16,977,464

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Liabilities

Financial liabilities held for trading

Derivatives	-	(3,471,652)	3,453,902	-	(17,750)
Accrued expenses	(3,025)	-	(22,319)	-	(25,344)
Total liabilities	(3,025)	(3,471,652)	3,431,583	-	(43,094)
Net assets	(3,025)	(199,127)	16,568,647	567,875	16,934,370
<i>Net long/(short) position</i>	<i>(-0.02%)</i>	<i>(-1.18%)</i>	<i>97.85%</i>	<i>3.35%</i>	<i>100.00%</i>

Effect of the currency exchange rate changes on the Fund's value is represented in the tables below. Changes in exchange rates are annualised standard deviation of a respective rate.

Effect of currency exchange rate (2014)			
Currency	Density in Fund (% of net assets)	Exchange rate against EUR	Effect on Fund value
USD	0.13%	6.27%	0.01%
EUR	99.87%	0.00%	0.00%
Total	100.00%		0.01%

Effect of currency exchange rate (2013)			
Currency	Density in Fund (% of net assets)	Exchange rate against EUR	Effect on Fund value
USD	-1.18%	7.38%	-0.09%
EUR	97.85%	0.00%	0.00%
RUR	3.35%	7.85%	0.26%
LVL	-0.02%	0.00%	0.00%
Total	100.00%		0.14%

Credit risk

Credit risk is a risk that the Fund's value will decrease from counterparty's or issuer's non-performance or default. Only safe and reliable counterparties are selected for transactions involving the Fund's assets. The Fund Manager monitors the solvency position of the counterparties on a regular basis, analyses their credit rating and financial position, as well as mass media information.

Credit quality of the Fund's assets is managed on the basis of the credit ratings granted by the international rating agencies Standard & Poor's, Moody's, and Fitch. In addition, a detailed analysis is performed on the issuer's financial statements, financial position and future prospects.

The table below shows the issuers of securities and credit institutions in which the Fund has deposits by credit ratings according to the following specification:

- High quality investment financial instruments: AAA – AA- (Standard & Poor's); Aaa – Aa3 (Moody's Investors Service); AAA – AA- (Fitch);
- Investment category financial instruments: A+ – BBB- (Standard & Poor's); A1 – Baa3 (Moody's Investors Service); A+ – BBB- (Fitch);
- High return financial instruments: BB+ – BB- (Standard & Poor's); Ba1 – Ba3 (Moody's Investors Service); BB+ – BB- (Fitch);
- Speculative financial instruments: B+ – C (Standard & Poor's); B1 – C (Moody's Investors Service); B+ – C (Fitch).

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The table below shows the Fund's assets and liabilities by credit ratings as at 31 December 2014:

	Investment category financial instruments:	High return financial instruments:	Speculative financial instruments:	Not rated	Total
Demand deposits with credit institutions	-	-	1,176,071	-	1,176,071
Financial assets held for trading					
<i>Debt securities and other fixed income securities</i>	1,778,786	3,955,161	3,640,345	252,528	9,626,820
<i>Derivatives</i>	-	(422,185)	-	-	(422,185)
Total investments	1,778,786	3,532,976	4,816,416	252,528	10,380,706

Table below shows the Fund's assets and liabilities by credit rating as at 31 December 2013:

	Investment category financial instruments:	High return financial instruments:	Speculative financial instruments:	Not rated	Total
Demand deposits with credit institutions	-	-	699,130	-	699,130
Financial assets held for trading					
<i>Debt securities and other fixed income securities</i>	3,593,630	5,145,507	6,449,298	821,019	16,009,454
<i>Derivatives</i>	-	251,130	-	-	251,130
Total investments	3,593,630	5,396,637	7,148,428	821,019	16,959,714

Risk concentration

The issuer's industry and geographic position are additional credit risk factors, which can affect the price of issued security or the issuer's solvency. Therefore, it is vital to identify concentration risk, i.e. to which extent the Fund's value depends on changes in the specific regions or industries. Credit risk concentration by geographic profile (based on the country most affecting the issuer's solvency) and industry profile is presented in the table below.

Table below shows the Fund's assets and liabilities by geographic profile as at 31 December 2014:

	Latvia	OECD region countries	Other Non - OECD region countries	Total
Assets				
Demand deposits with credit institutions	1,176,071	-	-	1,176,071
Financial assets held for trading				
<i>Debt securities and other fixed income securities</i>	-	1,744,957	7,881,863	9,626,820
Total assets	1,176,071	1,744,957	7,881,863	10,802,891
Liabilities				
<i>Derivatives</i>	(422,185)	-	-	(422,185)
<i>Accrued expenses</i>	(17,213)	-	-	(17,213)
Total liabilities	(439,398)	-	-	(439,398)
Net assets	736,673	1,744,957	7,881,863	10,363,493

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Table below shows the Fund's assets and liabilities by geographic profile as at 31 December 2013:

	Latvia	OECD region countries	Other Non - OECD region countries	Total
Assets				
Demand deposits with credit institutions	699,130	-	-	699,130
Financial assets held for trading				
Debt securities and other fixed income securities	432,704	2,831,448	12,745,302	16,009,454
Derivatives	268,880	-	-	268,880
Total assets	1,400,714	2,831,448	12,745,302	16,977,464
Liabilities				
Derivatives	(17,750)	-	-	(17,750)
Accrued expenses	(25,344)	-	-	(25,344)
Total liabilities	(43,094)	-	-	(43,094)
Net assets	1,357,620	2,831,448	12,745,302	16,934,370

Table below shows the Fund's assets and liabilities by countries as at 31 December 2014:

Country	Carrying amount as at 31.12.2014	Carrying amount as at 31.12.2013	% of Fund's net assets 31.12.2014
Russia	2,367,551	6,903,897	22.84%
Ukraine	1,318,454	1,424,156	12.72%
Azerbaijan	1,280,498	935,365	12.36%
Kazakhstan	952,528	2,299,171	9.19%
Turkey	910,250	-	8.78%
Bulgaria	841,522	551,404	8.12%
Latvia	736,673	972,302	7.11%
Hungary	582,178	608,557	5.62%
Georgia	435,386	594,168	4.20%
Croatia	379,012	422,459	3.66%
Romania	306,913	-	2.96%
Estonia	252,528	353,540	2.44%
Slovenia	-	1,449,258	0.00%
Czech Republic	-	420,093	0.00%
Total	10,363,493	16,934,370	100.00%

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The following table shows the Fund's securities portfolio by industry profile as at 31 December 2014:

Sector	Carrying amount as at 31.12.2014	Carrying amount as at 31.12.2013	% of Fund's net assets 31.12.2014
Commercial banks	2,389,483	4,285,394	23.06%
Energy resources	2,274,094	3,535,118	21.94%
Raw materials	1,258,747	2,260,593	12.15%
Public utilities	819,781	422,459	7.91%
Government	754,324	1,507,110	7.28%
Consumer goods	567,991	516,456	5.48%
Financial services	427,360	1,860,123	4.12%
Logistics	427,374	550,047	4.12%
Telecommunication services	400,753	1,072,154	3.87%
Consumer services	306,913	-	2.96%
Total	9,626,820	16,009,454	92.89%

Liquidity risk

Liquidity risk is a risk that the Fund will have difficulties in meeting its financial obligations. The Fund Manager maintains such asset structure which would ensure a possibility of selling securities in due time and with no significant losses.

Table below shows the Fund's assets and liabilities by maturity profile as at 31 December 2014:

	To 1 month	1 - 3 months	3 – 6 months	6 - 12 months	From 1 to 5 years	More than 5 years and no maturity	Total
Assets							
Demand deposits with credit institutions	1,176,071	-	-	-	-	-	1,176,071
Financial assets held for trading							
Debt securities and other fixed income securities	-	-	607,375	213,144	6,535,533	2,270,768	9,626,820
Total assets	1,176,071	-	607,375	213,144	6,535,533	2,270,768	10,802,891
Liabilities							
Financial liabilities held for trading							
Derivatives	(73,480)	(323,603)	(18,837)	(6,265)	-	-	(422,185)
Accrued expenses	(15,713)	(1,500)	-	-	-	-	(17,213)
Total liabilities	(89,193)	(325,103)	(18,837)	(6,265)	-	-	(439,398)
Net assets	1,086,878	(325,103)	588,538	206,879	6,535,533	2,270,768	10,363,493
<i>Net position as % of net assets</i>	10.49%	(-3.14%)	5.68%	2.00%	63.06%	21.91%	100.00%

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Table below shows the Fund's assets and liabilities by maturity profile as at 31 December 2013:

	Up to 1 month	1 - 3 months	3 – 6 months	6 - 12 months	From 1 to 5 years	More than 5 years and no maturity	Total
Assets							
Demand deposits with credit institutions	699,130	-	-	-	-	-	699,130
Financial assets held for trading							
Debt securities and other fixed income securities	-	1,362,612	-	535,119	9,682,095	4,429,628	16,009,454
Shares							
Derivatives	-	198,422	59,816	10,642	-	-	268,880
Total assets	699,130	1,561,034	59,816	545,761	9,682,095	4,429,628	16,977,464
Liabilities							
Financial liabilities held for trading							
Derivatives	-	-	-	(17,750)	-	-	(17,750)
Accrued expenses	(22,319)	(3,025)	-	-	-	-	(25,344)
Total liabilities	(22,319)	(3,025)	-	(17,750)	-	-	(43,094)
Net assets	676,811	1,558,009	59,816	528,011	9,682,095	4,429,628	16,934,370
<i>Net position as % of net assets</i>	4.00%	9.20%	0.35%	3.12%	57.17%	26.16%	100.00%

14. Information on holders of investment certificates

The table below specifies the proportion of investment certificates held by related parties and other individuals out of total investment certificates issued:

	31.12.2014	31.12.2013	% of total certificates as at 31.12.2014
Investment certificates held by related parties	153	153	0.02%
Investment certificates held by other persons	680,025	1,015,816	99.98%
Issued investment certificates as at the end of the reporting period	680,178	1,015,969	100.00%

15. Related party transactions

The majority of the Fund's investments are acquired with the mediation of the custodian bank. AS Citadele Banka receives remuneration also as the custodian bank, as disclosed in the statement of comprehensive income (see also Note 7), as well as Citadele banka AS is holding the Fund's resources (see Note 3). All derivatives are concluded with AS Citadele Banka. (see Note 5).

The remuneration paid to the investment company during the reporting period is disclosed in the statement of comprehensive income (see also Note 7).

During the reporting year the related parties of the Fund made no transactions with the Fund's investment certificates. The Fund's investment certificates purchase and sale back transactions are calculated taking into account only the investment certificates held by those related parties, who have been classified as the Fund's related parties both as of 31 December 2014 and 31 December 2013.

During the reporting year the Fund had not invested in bonds issued by the custodian bank.

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16. Dynamics of net asset value

	31.12.2014	31.12.2013	31.12.2012
Net assets (EUR)	10,363,493	16,934,370	14,285,226
Number of investment certificates	680,178	1,015,969	882,551
Value of investment fund's shares (EUR)	15.24	16.67	16.19
Performance of the investment fund*	(-8.58%)	2.96%	15.60%
Net assets (EUR)**	10,393,417	16,845,937	14,304,681
Number of investment certificates	680,178	1,015,969	882,551
Value of investment fund's shares (EUR)	15.28	16.58	16.21
Performance of the investment fund*	(-7.84%)	2.28%	15.99%

* Performance is calculated supposing that a year consists of 365 days.

** The net asset value in euro is determined, based on exchange rates fixed at financial markets at the end of each day.

17. Subsequent events

On 30 March 2015 IPAS „CBL Asset Management“ changed the name of its investment fund from Citadele Eastern European Fixed Income Funds to “CBL Eastern European Fixed Income Funds” and accordingly, the name of the sub-fund from „Citadele Eastern European Bond Fund – EUR to „CBL Eastern European Bond Fund – EUR”.



Independent Auditors' Report

To the shareholders of Investment fund "CBL Eastern European Fixed Income Funds" sub-fund "CBL Eastern European Bond Fund – EUR"

Report on the Financial Statements

We have audited the accompanying separate financial statements of Investment fund "CBL Eastern European Fixed Income Funds" sub-fund "CBL Eastern European Bond Fund –EUR" ("the Fund"), which is managed by the investment management company "CBL Asset Management" ("the Manager"). These financial statements comprise the separate statement of financial position as at 31 December 2014, the separate statements of comprehensive income, changes in net assets and cash flows for the year ended 31 December 2014, and a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 27.

Management's Responsibility for the Financial Statements

Management of investment managing company is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal controls. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Investment fund “CBL Eastern European Fixed Income Funds” sub-fund “CBL Eastern European Bond Fund –EUR” as at 31 December 2014 and of its financial performance and its cash flows for the year ended 31 December 2014 in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

In addition, our responsibility is to assess whether the accounting information included in the investment management company’s report, as set out on page 4, the preparation of which is the responsibility of management, is consistent with the financial statements. Our work with respect to the investment management company’s report was limited to the aforementioned scope and did not include a review of any information other than drawn from the financial statements of the Fund. In our opinion, the investment management company’s report is consistent with the financial statements.

KPMG Baltics SIA
Licence No 55

Ondrej Fikrle
Partner pp. KPMG Baltics SIA
Riga, Latvia
24 April 2015

Inga Lipšāne
Sworn Auditor
Certificate No. 112

This report is an English translation of the original Latvian. In the event of discrepancies between the two reports, the Latvian version prevails.