

**OPEN-END INVESTMENT FUND
“Citadele Eastern European Fixed Income Funds”**

**Sub-fund
“Citadele Eastern European Bond Fund - EUR”**

HALF-YEAR REPORT 2013 (UNAUDITED)

(at June 30th, 2013)

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

Translation from Latvian original*

*This version of financial statements is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of financial statements takes precedence over this translation.

Riga, 2013

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Half-year report 2013
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Information on the investment fund

Name of fund:	Citadele Eastern European Fixed Income Funds (Parex Eastern European Fixed Income Funds – until 01.08.2010.)
Type of fund:	Open-end investment fund with sub-funds
Registration date of the fund:	20 July 2009
Number of the fund:	06.03.05.098/50
Name of the sub-fund:	Citadele Eastern European Bond Fund – USD (Citadele Eastern European Bond Fund – until 16.09.2011.) (Parex Eastern European Bond Fund – until 01.08.2010.)
Name of the investment management company:	"Citadele Asset Management" IPAS („Parex Asset Management" IPAS – until 01.08.2010.)
Registered office of the investment management company:	Republikas laukums 2a, Riga, LV-1010, Latvia
Registration number of the investment management company:	40003577500
Licence number of the investment management company:	06.03.07.098/285
Name of the custodian bank:	"Citadele banka" JSC („Parex banka" JSC– until 01.08.2010.)
Registered office of the custodian bank:	Republikas laukums 2a, Riga, LV-1010, Latvia
Registration number of the investment management company:	40103303559
Names and positions of Council Members and Board Members of the investment management company::	<p><i>Council of the investment management company:</i> Chairman of the Council – Juris Jākobsons – appointed on 06.11.2012. Deputy Chairman of the Council – Vladimirs Ivanovs – appointed on 06.11.2012. Member of the Council – Philip Nigel Allard – appointed on 06.11.2012.</p> <p><i>Board of the investment management company:</i> Chairman of the Board – Uldis Upenieks – appointed on 06.11.2012. Member of the Board – Zigurds Vaikulis – appointed on 30.04.2013. Member of the Board – Sergejs Zaicevs – appointed on 31.01.2013. Member of the Board – Sergejs Zaicevs – resigned on 01.07.2013.</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 are performed by the Council and Board members.
Names of 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

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Information on the investment fund

Auditor:

PricewaterhouseCoopers SIA
Certified audit company licence No. 5
Kr. Valdemara street 21-21
LV-1010, Riga

Ilandra Lejiņa
Certified auditor in charge
Certificate No. 168

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Investment management company report

“Citadele Eastern European Bond Fund – EUR” (hereinafter– the Fund) is a sub-fund of the open-end investment fund “Citadele Eastern European Fixed Income Funds”. It is the debt security investment fund having EUR as functional currency. The assets of the fund are managed by the asset management company “Citadele Asset Management” having its registered office at Republikas laukums 2a, Riga, LV-1010 (hereinafter - the Company). The Company holds a licence No. 06.03.07.098/285 for investment operations, last re-registered on 5 August 2010.

The Fund aims to achieve long-term capital growth by investing principally in the debt securities issued or guaranteed by central and local governments, central banks and credit institutions of the Eastern European countries. The investment portfolio of the Fund is diversified to include investments in different currencies, industries and countries, thereby achieving a higher security of investments and protection against volatility of the Fund's asset value versus investments in single currency, industry of country securities. There were no changes to the Fund's policy during the reporting period.

During the reporting period the Fund's total asset value increased by 15.81% to 11,672,487 lats. The Fund's net assets of the reporting period increased by 15.39% i.e. by LVL 1,545,337 and amounted to 11,585,051 lats at the end of the period of six months. The increase of the net assets was mostly due to increase in the managed assets. During the reporting period the value of a Fund's share declined by LVL 0.18 down to 11.20 LVL at the end of the period of six months. The Fund's performance in lats was -1.58% (-3.16% annualized per year) and -1.54% in base value (-3.09% annualized per year).

From the country perspective, positive contribution to the Fund value was provided by investments in Ukrainian, Georgian and Kazakhstan issuers of debt securities, while investments in Czech, Russian and Slovenian markets generally suffered losses. From the branch perspective the financial services sector should be positively highlighted, which continued to make a significant contribution to the Fund, although the overall revenue was significantly reduced by weak performance of energy and raw materials industry sector. Among the certain instruments the best performance was in the largest Georgia financial group Bank of Georgia and Ukrainian agricultural enterprise Avangard, while the worst contribution came from the weak global economic growth of Czech New World Resources and from respectively low prices of thermal and metallurgical coal.

During the reporting period, the share of Ukrainian issuers of securities were slightly reduced from 9.00% to 8.00% of the Fund's net assets, because no significant improvement in the economic situation in Ukraine was observed in the reporting period and the potential sources of funding remained ambiguous. Meanwhile the share of investments in Slovenian and Azerbaijan securities markets increased to 8.00% and 15.00% of the Fund's net assets. During the reporting period the investments in Romanian financial markets were completely sold, but instead a position was opened in attractively assessed Hungarian market to about 4.00% of Fund's net assets. At the end of the period the Fund's assets were diversified among 13 countries' debt securities markets. Looking at the branch divisions, there was reduced the share of investments in national government securities sector (up to 6.60% of the Fund's net assets) and in transport services sector (up to 4.50% of the Fund's net assets). Meanwhile, the investments in the financial services sector and in energy sources sector increased respectively by 44.00% and 14.00% of the Fund's net assets. There was also opened a small real estate development position valued to 2% of the Fund's net assets. To the end of six months the Fund's assets were diversified among ten sectors of which the financial services sector still accounted to the largest share in the Fund. At the end of the reporting period the average yield of the debt securities portfolio was 6.20%, the average duration was 2.3 and the weighted average credit rating was Ba3. The cash share amounted to 3.70% of the Fund's net asset value.

During the reporting period fund management fee of 150,689 EUR was paid from the Fund's resources which is 1.70% of the average net asset value does not exceed the maximum limit of 3.00% set forth in the Prospectus.

During the period between the last day of the reporting period and the date of approving of the report there have been no significant events that might have a material effect on the financial position of the Fund.

IPAS "Citadele Asset Management" managers team closely monitors the developments both on the domestic and global scale such 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
Chairman of the Board

Andris Kotāns
Member of the Investment Committee

Edgars Lao
Member of the investment Committee

Riga, 22 August 2013

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Half-year report 2013
Statement of financial position
(LVL)

Piezīmes	<u>30.06.2013.</u>	<u>31.12.2012.</u>	
Assets			
1	Demand deposits with credit institutions	494,982	902,796
	Financial assets held for trading		
2	Debt securities and other fixed income securities	11,155,914	9,073,837
4	Derivatives	21,591	102,062
	Total assets	<u>11,672,487</u>	<u>10,078,695</u>
Liabilities			
	Financial liabilities held for trading		
4	Derivatives	(70,278)	(24,381)
	Accrued liabilities	(17,158)	(14,600)
	Total liabilities	<u>(87,436)</u>	<u>(38,981)</u>
	Net assets	<u>11,585,051</u>	<u>10,039,714</u>

The accompanying notes set out on pages 9 to 11 form an integral part of these financial statements.

Uldis Upenieks
Chairman of the Board

Riga, 22 August 2013

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Statement of comprehensive income
(LVL)

	01.01.2013.- 30.06.2013.	01.01.2012.- 30.06.2012.
Income		
Interest income	400,216	699,933
Total income	400,216	699,933
Expenses		
Investment management company fee	(92,188)	(62,195)
Custodian bank fee	(10,755)	(7,256)
Other fund management expenses	(2,472)	(18,684)
Total expenses	(105,415)	(88,135)
(Decrease) / Increase in investment value		
Realised increase / (decrease) in investment value	15,998	(108,633)
Unrealised (decrease) / increase in investment value	(456,560)	153,864
Total (decrease) / increase in investment value	(440,562)	45,231
Foreign currency revaluation (loss) / gain	(70,883)	51,132
Total comprehensive (expenses) / income	(216,644)	708,161

 Uldis Upenieks
 Valdes priekšsēdētājs

Rīgā,
 2013. gada 22. augustā

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Statement of changes in net assets
(LVL)

	01.01.2013.- 30.06.2013.	01.01.2012.- 30.06.2012.
Net assets as at the beginning of the period	10,039,714	7,739,364
Total comprehensive (expenses) / income	(216,644)	708,161
Transactions with investment certificates:		
<i>Inflow from sale of investment certificates</i>	3,122,477	631,606
<i>Outflow on redemption of investment certificates</i>	<u>(1,360,496)</u>	<u>(605,089)</u>
Increase in net assets from transactions with investment certificates	1,761,981	26,517
Increase in net assets for the reporting period	<u>1,545,337</u>	<u>734,678</u>
Net assets as at the end of the reporting period	<u>11,585,051</u>	<u>8,474,042</u>
Issued investment certificates as at the beginning of the reporting period	<u>882,551</u>	<u>786,323</u>
Issued investment certificates as at the end of the reporting period	<u>1,034,751</u>	<u>789,352</u>
Net asset value per investment certificate as at the beginning of the reporting period	<u>11.38</u>	<u>9.84</u>
Net asset value per investment certificate as at the end of the reporting period	<u>11.20</u>	<u>10.74</u>

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1. Demand deposits with credit institutions

	30.06.2013.	31.12.2012.	% of Fund's net assets as at 30.06.2013.
Demand deposits with credit institutions, JSC Citadele banka	494,982	902,796	4.27%
Total demand deposits with credit institutions	494,982	902,796	4.27%

The Fund receives interest on demand deposits at fixed rates.

2. Debt securities and other fixed income securities

All debt securities and other fixed income securities are classified as held-for-trading securities.
All fixed income securities are listed, except for securities with the book value LVL 491,568 (2012: LVL 212,598).
The table below presents debt securities by the issuer's country of residence as at 30 June 2013:

Financial instrument	ISIN	Currency	Amount	Acquisition value	Carrying amount as at 30.06.2013.	% of Fund's net assets as at 30.06.2013.
<u>Financial instruments traded on regulated markets</u>				<u>11,792,527</u>	<u>10,664,346</u>	<u>92.05%</u>
Russian issuers:				4,215,490	4,114,895	35.51%
VTB BANK	XS0223715920	USD	900	522,329	510,379	4.40%
GAZPROM OAO	XS0424860947	USD	750	532,430	498,770	4.30%
HOME CREDIT AND FINANCE BANK	XS0606382413	USD	850	490,256	474,113	4.09%
PROMSVYAZBANK	XS0775984213	USD	750	422,516	431,131	3.72%
POLYUS GOLD	XS0922301717	USD	800	440,984	419,890	3.62%
ALFA BANK	XS0832412505	USD	750	441,367	418,202	3.61%
CREDIT BANK OF MOSCOW	XS0655085081	USD	700	359,503	401,481	3.47%
SEVERSTAL	XS0841671000	USD	650	364,850	324,972	2.81%
LSR GROUP	RU000A0JRCC1	RUR	15000	259,575	252,713	2.18%
EVRAZ GROUP	RU000A0JQTQ7	RUB	15,000	246,162	250,421	2.16%
RENAISSANCE CREDIT LLC	XS0938341780	USD	250	135,515	132,823	1.15%
INCOM LADA	RU000A0JPAS5	RUB	2,212	3	0	0.00%
Kazakhstan issuers:				1,725,469	1,735,691	14.99%
BANK CENTERCREDIT	XS0282585859	USD	950	515,652	539,326	4.66%
ZHAIKMUNAI	USN97708AA49	USD	900	514,295	523,233	4.52%
HALYK SAVINGS BANK OF KAZAKHSTAN	XS0298931287	USD	650	391,154	368,522	3.18%
ATF BANK	XS0286908867	USD	550	304,368	304,610	2.63%
Slovenian issuers:				944,807	916,533	7.91%
SLOVĚNIJAS VALSTS VĚRTSPAPĪRI	XS0292653994	EUR	700	479,911	470,887	4.06%
SID BANKA	XS0504013912	EUR	650	464,896	445,646	3.85%

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Financial instrument	ISIN	Currency	Amount	Acquisition value	Carrying amount as at 30.06.2013.	% of Fund's net assets as at 30.06.2013.
Ukrainian issuers:				863,510	911,059	7.86%
AVANGARD						
AGROHOLDING	XS0553088708	USD	600	301,970	327,260	2.82%
FIRST UKRAINIAN INTERNATIONAL BANK	XS0287015787	USD	350	182,646	195,724	1.69%
METINVEST	XS0511379066	USD	700	378,894	388,075	3.35%
Turkish issuers:				538,461	523,618	4.52%
TURCIJAS VALSTS VĒRTSPAPĪRI	DE000A0AU933	EUR	400	310,063	296,705	2.56%
AKBANK TAS	USM0300LAA46	USD	400	228,398	226,913	1.96%
Azerbaijani issuers:				509,655	516,753	4.46%
AZERBAIJAN RAILWAYS	XS0592514144	USD	900	509,655	516,753	4.46%
Georgia issuers:				477,393	504,351	4.35%
BANK OF GEORGIA	XS0783935561	USD	850	477,393	504,351	4.35%
Hungarian issuers:				446,281	438,072	3.78%
MOL HUNGARIAN OIL & GAS	XS0503453275	EUR	600	446,281	438,072	3.78%
Polish issuers:				558,520	413,235	3.57%
ZLOMREX	XS0283393998	EUR	500	354,794	224,961	1.94%
TVN	XS0466451548	EUR	250	203,726	188,274	1.63%
Croatian issuers:				316,241	312,218	2.70%
ZAGREBACKI HOLDING	XS0309688918	EUR	10	316,241	312,218	2.70%
Czech Republic's issuers:				395,722	234,015	2.02%
NEW WORLD RESOURCES	XS0504814509	EUR	550	395,722	234,015	2.02%
Latvian issuers:				800,978	43,906	0.38%
PAREX BANKA CAPITAL DEPARTMENT STORE	LV0000800696	EUR	8,000	562,243	43,906	0.38%
	LV0000800761	EUR	429,100	238,735	0	0.00%
<u>Financial instruments not traded on regulated markets</u>				<u>480,842</u>	<u>491,568</u>	<u>4.25%</u>
Azerbaijani issuers:				270,000	278,970	2.41%
MUGAN BANK	LV0000801157	USD	500	270,000	278,970	2.41%
Estonian issuers:				210,842	212,598	1.84%
CREDITSTAR GROUP	EE3300110147	EUR	300	210,841	212,598	1.84%
Q VARA	EE3300079987	EUR	15	1	0	0.00%
Total securities and other fixed income securities				12,273,369	11,155,914	96.30%

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(LVL)

3. Shares and other non fixed income securities

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

4. Derivatives

The following table presents the notional amounts and fair values of foreign exchange contracts. The notional amounts of foreign exchange contracts represent the amounts receivable under these contracts. The notional amounts of other financial instruments represent the value of the underlying assets.

	30.06.2013.			31.12.2012.			% of Fund's net assets as at 30.06.2013.
	Notional amount	Fair value		Notional amount	Fair value		
		Assets	Liabilities			Assets	Liabilities
Foreign exchange contracts:							
Swaps	7,831,124	21,591	(68,923)	6,420,931	102,062	(23,750)	(0.41)%
Forwards	138,979	-	(1,356)	89,744	-	(631)	(0.01)%
Kopā atvasinātie finanšu instrumenti	7,970,103	21,591	(70,279)	6,510,675	102,062	(24,381)	(0.42)%

All contracts are concluded with "Citadele banka" JSC.

5. Dynamics of net asset value

	30.06.2013.	31.12.2012.	31.12.2011.	31.12.2010.
Net assets (LVL)	11,585,051	10,039,714	7,739,364	10,415,509
Number of investment certificates	1,034,751	882,551	786,323	925,855
Value of investment fund's shares (LVL)	11.20	11.38	9.84	11.25
Performance on investment fund's shares*	(3.16)%	15.60%	(12.53)%	19.94%
Net assets (USD)**	16,511,080	14,304,681	10,981,025	14,720,661
Number of investment certificates	1,034,751	882,551	786,323	925,855
Value of investment fund's shares (USD)	15.96	16.21	13.97	15.90
Performance on investment fund's shares*	(3.09)%	15.99%	(12.14)%	18.92%

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

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