

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”)

HALF-YEAR REPORT 2015 (UNAUDITED)

(at June 30th, 2015)

**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.

IF “CBL Eastern European Bond Fund - EUR”
Half-year report 2015
Table of contents

Information on the investment fund	3
Investment management company report	4
Financial statements:	
Statement of financial position	5
Statement of comprehensive income	6
Statement of changes in net assets	7
Notes	8

IF "CBL Eastern European Bond Fund - EUR"

Half-year report 2015

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 the fund:	20 July 2009 (date or re-registration 30 March 2015)
Number of the fund:	FL92-06.03.04.098/41
Name of the sub-fund:	"CBL Eastern European Bond Fund – USD" (previously "Citadele Eastern European Bond Fund – USD") (“Citadele Eastern European Bond Fund” – until 16.09.2011.)
Name of the investment management company:	"CBL Asset Management" IPAS (previously "Citadele 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
Licence number of the investment management company:	06.03.07.098/367
Name of the custodian bank:	"Citadele banka" JSC
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::	<i>Council of the investment management company:</i> Chairman of the Council – Juris Jakobsons – appointed on 30.09.2010. Deputy Chairman of the Council – Vladimirs Ivanovs – appointed on 01.11.2012. Member of the Council – Aldis Paegle – appointed on 04.07.2014. <i>Board of the investment management company:</i> Chairman of the Board – Uldis Upenieks – appointed on 01.11.2012. Member of the Board – Zigurds Vaikulis – appointed on 30.03.2007. Member of the Board - Andris Kotans – appointed on 11.05.2015 Member of the Board - Lolita Siceva – appointed on 11.05.2015.
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 Kotans – 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 Certified audit company licence No. 55 Vesetas street 7 LV-1013, Riga

IF "CBL Eastern European Bond Fund - EUR"
Half-year report 2015
Investment management company report

4

"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 functional currency. The assets of the Fund are managed by the asset management company "CBL Asset Management" IPAS with registered office at Republikas laukums 2a, Riga, LV-1010 (hereinafter - the Company) and registration No. 40003577500. The Company holds license No.06.03.07.098/367 authorizing provision of investment management services.

The Fund aims to achieve long-term capital growth by investing principally in debt securities and money market instruments issued or guaranteed by central and local governments, central banks, credit institutions and commercial companies of the Eastern European countries, in fixed income funds, as well as in 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 a single industry or country securities. There were no changes to the Fund's policy during the reporting period.

During the reporting period the Fund's total assets increased by 48.97% to EUR 16,093,306. The Fund's net asset value increased by 53.11% and amounted to EUR 15,867,027 at the end of the reporting period. An increase in the net asset value was due to a sharp increase in the assets under management, as well as profit earned on investments. During the reporting period the value of a Fund's share increased by EUR 1.07 (EUR 1.07 given the foreign exchange rates fixed by the financial markets at the end of the day) amounting EUR 16.31 (EUR 16.35) at the end of the half-year. During the first half of 2015, the return of the Fund was 7.02% (14.66% per annum) (7.00% (14.62% per annum), given the foreign exchange rates fixed by the financial markets at the end of the day).

At the beginning of the year, Eastern Europe was dominated by negative news-flow from Ukraine's eastern regions that were affected by military conflicts as well from Russia that lost its investment grade rating for the first time in the last ten years. Investors became more bullish amid cease-fire agreement that was concluded in Minsk in February; consequently, the Fund did very well during the first six months of the year. The main positive contribution came from investments in Russia, as elevated geopolitical risk premium started to vanish, while investments in Ukraine kept disappointing.

During the reporting period, the Fund kept undergoing its portfolio diversification on country-based level, resulting in reduced exposure to Russian market from 22.85% to 16.90%. In its turn, the proportion of the Fund in Ukraine, which, at the beginning of the reporting period, was second largest country in the Fund, decreased to 5.66%; while Turkey's proportion of the Fund increased up to 12.93% and at the end of the reporting period had the second highest share of Fund's assets after Russia. Besides, the Fund's investment universe got widened by adding Macedonian sovereign Eurobonds. As at the end of the reporting period, the assets of the Fund were diversified among debt security markets in twelve countries. At the end of the reporting period the average yield-to-maturity on debt securities was 6.4% with an average duration of 2.9, the weighted average of the credit ratings was Ba3. The share of cash and cash equivalents at the end of reporting period comprised 13.61% of the Fund's net assets.

During the reporting period management costs amounted to EUR 115,492 or 1.72% 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 period and the date of the approval of the half-year report there have been no significant events that have material effect on the Fund's financial position.

Members of "CBL Asset Management" IPAS management team closely monitor developments both on domestic and global scales, including 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.

Uldis Upenieks
Chairman of the Board

Andris Kotans
Member of the investment committee

Edgars Lao
Member of the investment committee

Riga, 28 August 2015

IF “CBL Eastern European Bond Fund - EUR”
Half-year report 2015
Statement of financial position
(EUR)

Note		<u>30.06.2015.</u>	<u>31.12.2014.</u>
	Assets		
1	Demand deposits with credit institutions	2,145,317	1,176,071
	Financial assets held for trading		
2	Debt securities and other fixed income securities	13,707,023	9,626,820
3	Derivatives	240,966	-
	Total assets	<u>16,093,306</u>	<u>10,802,891</u>
	Liabilities		
	Financial liabilities held for trading		
3	Derivatives	(201,900)	(422,185)
	Accrued liabilities	(24,379)	(17,213)
	Total liabilities	<u>(226,279)</u>	<u>(439,398)</u>
	Net assets	<u>15,867,027</u>	<u>10,363,493</u>

The accompanying notes set out on pages 8 to 10 form an integral part of these financial statements.

 Uldis Upenieks
 Chairman of the Board

Riga, 28 August 2015

IF "CBL Eastern European Bond Fund - EUR"
Half-year report 2015
Statement of comprehensive income
(EUR)

	01.01.2015.- 30.06.2015.	01.01.2014.- 30.06.2014.
Income		
Interest income	892,690	1,344,008
Other income	4,275	-
Total income	896,965	1,344,008
Expenses		
Investment management company fee	(101,518)	(126,043)
Custodian bank fee	(12,182)	(15,125)
Other fund management expenses	(1,792)	(2,269)
Total expenses	(115,492)	(143,437)
Increase /(decrease) in investment value		
Realised (decrease) in investment value	(77,210)	(796,882)
Unrealised increase in investment value	271,086	103,115
Total increase /(decrease) in investment value	193,876	(693,767)
Foreign currency revaluation gain	10,556	(98,199)
Total comprehensive income	985,905	408,605

The accompanying notes set out on pages 8 to 10 form an integral part of these financial statements.

Uldis Upenieks
Chairman of the Board

Riga, 28 August 2015

IF "CBL Eastern European Bond Fund - EUR"
Half-year report 2015
Statement of changes in net assets
(EUR)

	01.01.2015.- 30.06.2015.	01.01.2014.- 30.06.2014.
Net assets as at the beginning of the period	10,363,493	16,934,370
Total comprehensive income	985,905	408,605
Transactions with investment certificates:		
Inflow from sale of investment certificates	5,246,679	1,370,675
Outflow on redemption of investment certificates	<u>(729,050)</u>	<u>(3,949,577)</u>
Increase /(decrease) in net assets from transactions with investment certificates	4,517,629	(2,578,902)
Increase /(decrease) in net assets for the reporting period	<u>5,503,534</u>	<u>(2,170,297)</u>
Net assets as at the end of the reporting period	<u>15,867,027</u>	<u>14,764,073</u>
Issued investment certificates as at the beginning of the reporting period	<u>680,178</u>	<u>1,015,969</u>
Issued investment certificates as at the end of the reporting period	<u>972,665</u>	<u>862,431</u>
Net asset value per investment certificate as at the beginning of the reporting period	<u>15.24</u>	<u>16.67</u>
Net asset value per investment certificate as at the end of the reporting period	<u>16.31</u>	<u>17.12</u>

The accompanying notes set out on pages 8 to 10 form an integral part of these financial statements.

Uldis Upenieks
Chairman of the Board

Riga, 28 August 2015

IF "CBL Eastern European Bond Fund - EUR"

Half-year report 2015

Notes
(EUR)**1. Demand deposits with credit institutions**

	30.06.2015.	31.12.2014.	% no Fonda neto aktiviem 30.06.2015.
Demand deposits with credit institutions, JSC Citadele banka	2,145,317	1,176,071	13.52%
Total demand deposits with credit institutions	2,145,317	1,176,071	13.52%

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 EUR 868,185 (2014: EUR 678,699).

The table below presents debt securities by the issuer's country of residence as at 30 June 2015:

Financial instrument	ISIN	Currency	Amount	Acquisition value (EUR)	Carrying amount (EUR) as at 30.06.2015.	% of Fund's net assets as at 30.06.2015.
Financial instruments traded on regulated markets				13,537,487	12,838,838	80.91%
Russian issuers:				2,475,882	2,679,991	16.90%
POLYUS GOLD	XS0922301717	USD	650	504,673	550,000	3.47%
NLMK	XS0783934325	USD	625	526,639	539,634	3.40%
TMK OAO	XS0585211591	USD	550	466,135	494,384	3.12%
BORETS	XS0974469206	USD	550	400,662	437,439	2.76%
RENAISSANCE CREDIT	XS0938341780	USD	400	311,950	341,474	2.15%
EDC	XS0918604496	USD	400	265,823	317,060	2.00%
Turkish issuers:				1,978,255	2,053,473	12.93%
ARCELIK	XS0910932788	USD	700	623,419	601,987	3.79%
TURKIYE HALK BANKASI AS	XS1069383856	USD	600	484,511	541,738	3.41%
EXPORT CREDIT BANK OF TURKEY	XS0774764152	USD	525	519,818	499,663	3.15%
TURKEY	US900123AX87	USD	400	350,507	410,085	2.58%
Kazakhstani issuers:				1,587,028	1,689,836	10.66%
NOSTRUM OIL & GAS	USN64884AA29	USD	700	525,847	603,814	3.81%
HALYK BANK	XS0583796973	USD	600	540,054	567,912	3.58%
KAZAGRO NATIONAL MANAGEMENT HOLDING JSC	XS1070363343	EUR	550	521,127	518,110	3.27%
Hungarian issuers:				1,024,884	1,108,642	6.98%
HUNGARY	US445545AD87	USD	650	679,002	664,044	4.18%
MOL	XS0834435702	USD	450	345,882	444,598	2.80%
Bulgarien issuers:				1,089,032	1,087,034	6.85%
BULGARIAN ENERGY HOLDING EAD	XS0989152573	EUR	575	578,743	579,918	3.65%
VIVACOM	XS0994993037	EUR	500	510,289	507,116	3.20%

IF "CBL Eastern European Bond Fund - EUR"

Half-year report 2015

Notes

(EUR)

Financial instrument	ISIN	Currency	Amount	Acquisition value (EUR)	Carrying amount (EUR) as at 30.06.2015.	% of Fund's net assets as at 30.06.2015.
Croatian issuers:				989,923	996,287	6.28%
CROATIA	XS0464257152	USD	550	579,728	545,228	3.44%
ZAGREBACKI HOLDING	XS0309688918	EUR	9	410,195	451,059	2.84%
Ukrainian issuers:				1,357,596	897,334	5.66%
METINVEST BV	XS0591549232	USD	700	471,914	364,705	2.30%
FIRST UKRAINIAN INTERNATIONAL BANK	XS0287015787	USD	433	332,617	198,041	1.25%
AVANGARD	XS0553088708	USD	400	294,949	174,080	1.10%
UKRAINE GOVERNMENT INTERNATIONAL BOND	XS0543783194	USD	350	258,116	160,508	1.01%
Azerbaijani issuers:				603,634	651,157	4.09%
INTERNATIONAL BANK OF AZERBAIJAN	XS1076436218	USD	750	603,634	651,157	4.09%
Georgian issuers:				528,867	599,603	3.78%
BANK OF GEORGIA	XS0783935561	USD	625	528,867	599,603	3.78%
Makedonian issuers:				561,559	546,835	3.45%
FYR MACEDONIA	XS1087984164	EUR	550	561,559	546,835	3.45%
Romanian issuers:				540,827	528,646	3.33%
RCS & RDS	XS0954673777	EUR	500	540,827	528,646	3.33%
Latvian issuers:				800,000	-	0.00%
PAREX BANKA	LV0000800696	EUR	8,000	800,000	-	0.00%
Financial instruments not traded on regulated markets				817,903	868,185	5.48%
Estonian issuers:				542,547	546,444	3.45%
CREDITSTAR GROUP	EE3300110683	EUR	350	342,545	345,705	2.18%
MAINOR ULEMISTE AS	EE3300110691	EUR	200	200,000	200,739	1.27%
Q VARA	EE3300079987	EUR	15	2	-	0.00%
Azerbaijani issuers:				275,356	321,741	2.03%
MUGAN BANK	LV0000801157	USD	350	275,356	321,741	2.03%
Total securities and other fixed income securities				14,355,390	13,707,023	86.39%

3. 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.

	30.06.2015.			31.12.2014.			% of Fund's net assets as at 30.06.2015.
	Notional amount	Fair value		Notional amount	Fair value		
		Assets	Liabilities		Assets	Liabilities	
Foreign exchange contracts:							
Swaps	9,097,330	219,449	(196,619)	8,142,578	-	(421,305)	0.14%
Forwards	941,169	21,517	(201,900)	263,180	-	(880)	0.10%
Total foreign exchange contracts	10,038,499	240,966	(201,900)	8,405,758	-	(422,185)	0.24%

All contracts are concluded with "Citadele banka" JSC

IF “CBL Eastern European Bond Fund - EUR”

Half-year report 2015

Notes

(EUR)

4. Dynamics of net asset value

	30.06.2015.	31.12.2014.	31.12.2013.	31.12.2012.
Net assets (EUR)	15,867,027	10,363,493	16,934,370	14,285,226
Number of investment certificates	972,665	680,178	1,015,969	882,551
Value of investment fund's shares (EUR)	16.31	15.24	16.67	16.19
Performance on investment fund's shares*	14.66%	(8.58%)	2.96%	15.60%
Net assets (EUR)**	15,905,066	10,393,417	16,845,937	14,304,681
Number of investment certificates	972,665	680,178	1,015,969	882,551
Value of investment fund's shares (EUR)	16.35	15.28	16.58	16.21
Performance on investment fund's shares*	14.62%	(7.84%)	2.28%	15.99%

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

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