

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

Sub-fund
“Citadele Eastern European Bond Fund - USD”

ANNUAL REPORT FOR 2013
(11th 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, 2014

OIF “Citadele Eastern European Bond Fund - USD”
Annual report for the year ended 31 December 2013
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OIF "Citadele Eastern European Bond Fund - USD"
Annual report for the year ended 31 December 2013
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 Fund:	20 July 2009
Number of fund:	06.03.05.098/50
Name of the sub-fund	Citadele Eastern European Bond Fund - USD (Citadele Eastern European Balanced 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 2, Rīga, 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" AS („Parex bank" AS – until 01.08.2010.)
Registered office of the custodian bank:	Republikas laukums 2, Rīga, LV-1010, Latvia
Registration number of the custodian bank:	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 Jākobsons – appointed on 30.09.2010. Deputy Chairman of the Council – Vladimirs Ivanovs – appointed on 01.11.2012. Member of the Council – Philip Nigel Allard – appointed on 01.11.2012. <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 – Sergejs Zaicevs – appointed on 25.01.2013. Member of the Board – Sergejs Zaicevs – resigned on 28.06.2013.
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 (members of the investment committee):	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 Rīga, LV-1013 License No 55 Latvia

OIF "Citadele Eastern European Bond Fund - USD"
Annual report for the year ended 31 December 2013
Investment management company report

"Citadele Eastern European Fixed Income Funds" is a sub-fund of the open-end investment fund "Citadele Eastern European Bond Fund -USD" (hereinafter – the Fund). It is the debt security investment fund having USD 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 and registration No. 40003577500. 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 money market instrument, debt securities investment funds and debt securities issued or guaranteed by central and local governments, central banks and credit institutions of the Eastern European countries, as well as in ETF, with no restrictions as to industries, quoted in the market of the member states and OECD member states. 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.

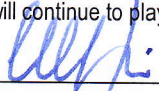
During the reporting period the Fund's net asset value declined by 18.0% to 8,653,423 lats (USD 15,521,277). The Fund's net asset value declined by 17.5% in lats (by 14.9% in the USD) and amounted to 8,627,790 lats (USD 16,777,634) at the end of the year. The decline in the net asset value was due to decrease in the managed assets. During the year the value of the Fund's share increased by 0.03 lats (EUR 0.58) up to 10.49 lats (USD 20.40) at the end of the year. The profitability of the Fund in the functional currency was 2.9% and negative in lat -0.3% as the value of Latvian lat increased against the US dollars during the reporting year. The positive performance and contribution to the Fund's growth was provided by the largest countries of the investments – Russia, Ukraine and Kazakhstan. As regards industries, the most positive contribution to the Fund was ensured by issuers from the commercial banks sector, negative performance was demonstrated by the energy sector. As to certain instruments, the best performance was showed by the Russian Promsvyazbank bonds as the credit ability of issuer was improving, the most negative contribution was from the investment in the Czech coal extraction company New World Resources due to the low thermal and metallurgical coal prices. The international fund research company Morningstar listed the Fund among 32.5% of the best funds of the respective category and awarded the Fund with the high four-star overall rating.

In 2013 the proportion of the Fund in Russia was increased by 6 base points reaching 41.77% and in Slovenia by 4 base points reaching 7.91% of the Fund's net assets. In addition new investments were made in the Hungarian and Bulgarian security markets, in which investment proportion as at the end of the reporting year was 4.03% and 3.27% respectively of the Fund's net assets. During the reporting period all investments in the Turkish, Romanian and Polish financial markets were sold. As at the end of the reporting period the assets of the Fund were diversified among debt securities markets in 12 countries. During the reporting period, proportion of the Fund's assets in the commercial banks sector was reduced significantly (by 12 base points) reaching 30.03% of the Fund's net assets as the attractiveness of this sector decreased due to economic indices of weaker countries, as well as maturity of several bonds was scheduled during the reporting period. The largest increase by sectors was achieved by the energy sector – up to 22.44% of the Fund's net assets in the end of the reporting period, as oil price was relatively stable and high level during the reporting period. In the end of the year the Fund's assets were diversified in 9 industries. At the end of the reporting period the average yield-to-maturity on debt securities was 6.5% with an average duration of 2.8, the weighted average of the credit ratings was Ba3/BB-. The share of the cash and cash equivalents at the end of reporting period comprised 3.07% from the Fund's net assets.


Management costs in the amount of USD 333.309 or 1.70% of the average value of net assets in the period that does not exceed the maximum value of 3.00% provided in the Fund's prospectus, were covered in the reporting period using the Fund's assets

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 "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

In Riga, 25 April 2014


OIF "Citadele Eastern European Bond Fund - USD"
Annual report for the year ended 31 December 2013
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 Citadele Eastern European Bonded Fund - USD (hereinafter - the Fund).

The financial statements set out on pages 7 to 27 are prepared in accordance with the source documents and present fairly the financial position of the Fund as at 31 December 2013 and 31 December 2012 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 in 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 policies have been applied on a consistent basis. Prudent and reasonable judgements 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 Citadele Eastern European Bonded Fund - USD 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
Chairman of the Board

In Riga
25 April 2014

REPORT OF THE CUSTODIAN BANK

for the period of time: as of January 1, 2013 till December 31, 2013

The sub-fund "Citadele Eastern European Bond fund - USD"
of an open investment fund "Citadele Eastern European Fixed Income Funds"

Hereby AS "Citadele banka", registered in the Commercial Register of the Register of Enterprises of the Republic of Latvia (RL) on 30.06.2010 with a unified registration number No. 40103303559, registered address: Riga, Republikas laukums 2A, certifies that:

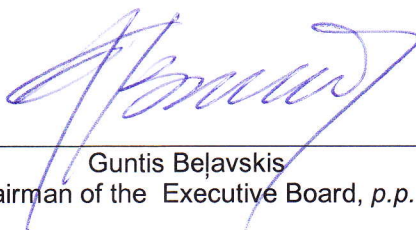
- according to the Custodian Bank Agreement signed on May 11, 2009, AS "Citadele banka" (hereinafter - the Custodian Bank) is performing the functions of custodian bank for the sub-fund "Citadele Eastern European Bond fund - USD" of an open investment fund "Citadele Eastern European Fixed Income Funds" (hereinafter - the Fund) established by IPAS "Citadele Asset Management" (hereinafter - the Company);
- the Custodian Bank performs the functions of the custodian bank according to the law "On Investment Management Companies", provisions of the Financial and Capital Markets Commission and other applicable legal acts of RL.

The Custodian bank is liable for the fulfilment of Custodian Bank Agreement and requirements of legal acts of RL applicable to the custodian banks. Main obligations of the Custodian Bank are the following:

- to hold the assets of the Fund, as well as documents certifying the property rights pursuant to the requirements of legal acts of RL;
- to maintain the Funds accounts, to ensure the acceptance and execution of the Company's orders, as well as the settlement of orders pursuant to the legal acts of RL, the Custodian Bank Agreement and the current market practice;
- to provide the Company with regular reports on the assets of the Fund and its value (prices of securities);
- to follow the accuracy of determination of the Fund's value and the value of the Fund's shares performed by the Company and its compliance with the legal acts of RL;
- to follow the accuracy and lawfulness of the emission, sale and redemption of the investment certificates performed by the Company;

For the period from January 1, 2013 till December 31, 2013:

- emission, sale and redemption of investment certificates had been performed pursuant to requirements of the law "On Investment Management Companies", the Fund's prospectus and the Fund Management Regulations;
 - the holding of the Fund's assets had been performed pursuant to the requirements of the law "On Investment Management Companies" and the Custodian Bank Agreement;
 - calculation of the Fund's net asset value had been performed according to the requirements of the law "On Investment Management Companies", regulations of the Financial and Capital Markets Commission (FCMC), the Fund's prospectus and the Fund Management Regulations;
 - orders of the Company and the transactions performed with the assets of the Fund had been performed according to the requirements of the law "On Investment Management Companies", the Fund's prospectus, the Fund Management Regulations and Custodian Bank Agreement.
- No errors or incompliances were detected in Company's actions handling Fund's assets over the reporting period.



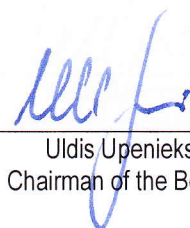
Guntis Belavskis
Chairman of the Executive Board, p.p.

Riga, March 31, 2014

OIF "Citadele Eastern European Bond Fund - USD"
Annual report for the year ended 31 December 2013
Statement of financial position
(LVL)

Note		31.12.2013.	31.12.2012.
	Assets		
3	Demand deposits with credit institutions	264,650	860,621
	Financial assets held for trading		
4	Debt securities and other fixed income securities	8,386,533	9,686,837
5	Derivatives	2,240	-
	Total assets	8,653,423	10,547,458
	Liabilities		
	Financial liabilities held for trading		
5	Derivatives	(12,329)	(70,210)
6	Accrued liabilities	(13,304)	(14,746)
	Other liabilities	-	-
	Total liabilities	(25,633)	(84,956)
	Net assets	8,627,790	10,462,502

The accompanying notes set out on pages 13 to 29 form an integral part of these financial statements.




Uldis Upenieks
Chairman of the Board

In Riga
25 April 2014

OIF "Citadele Eastern European Bond Fund - USD"
Annual report for the year ended 31 December 2013
Statement of Comprehensive Income
(LVL)

Note		2013	2012
	Income		
7	Interest income	1,192,639	739,946
	Other income	444	-
	Total income	1,193,083	739,946
	Expenses		
	Investment management company fee	(144,723)	(159,436)
	Custodian bank fee	(16,905)	(18,601)
	Other fund management expenses	(2,752)	(3,460)
	Total expenses	(164,380)	(181,497)
	Increase in investment value		
8	Realized increase/(decrease) of investments	(406,934)	439,214
9	Unrealized increase / (decrease) in investment value	(350,426)	430,726
	Total increase/ (decrease) in investment value	(757,360)	869,940
	(Loss)/gain on foreign currency translation	(293,845)	(166,245)
	Comprehensive income	(22,502)	1, 262,144

The accompanying notes set out on pages 13 to 29 form an integral part of these financial statements.



Uldis Upenieks
Chairman of the Board

In Riga
25 April 2014

OIF "Citadele Eastern European Bond Fund - USD"
Annual report for the year ended 31 December 2013
Statement of Changes in Net Assets
(LVL)

	2013	2012
Net assets as at the beginning of the period	10,462,502	10,808,395
Total comprehensive income / (expenses)	(22,502)	1,262,144
Transactions with investment certificates:		
<i>Inflow from sale of investment certificates</i>	1,206,152	884,577
<i>Outflow on redemption of investment certificates</i>	(3,018,362)	(2,492,614)
Increase / (decrease) in net assets from transactions with investment certificates	(1,812,210)	(1,608,037)
Increase/ (decrease) in net assets for the reporting period	(1,834,712)	(345,893)
Net assets as at the end of the reporting period	8,627,790	10,462,502
Issued investment certificates as at the beginning of the reporting period	994,097	1,153,191
Issued investment certificates as at the end of the reporting period	822,467	994,097
Net asset value per investment certificate as at the beginning of the reporting period	10.52	9.37
Net asset value per investment certificate as at the end of the reporting period	10.49	10.52

The accompanying notes set out on pages 13 to 29 form an integral part of these financial statements.

OIF "Citadele Eastern European Bond Fund - USD"
Annual report for the year ended 31 December 2013
Statement of Cash Flow
(LVL)

	2013	2012
Interest income	686,132	828,637
Investment management expenses	(165,889)	(183,590)
Acquisition of financial assets	(7,892,761)	(10,476,506)
Disposal of financial assets	8,723,490	11,658,043
Foreign currency translation result	(113,181)	122,140
Increase/ (decrease) in cash from operating activities	1,237,791	1,948,724
Inflow from sale of investment certificates	1,206,152	880,692
Outflow on redemption of investment certificates	(3,018,362)	(2,492,614)
(Decrease)/ increase in cash from financing activities	(1,812,210)	(1,611,922)
Increase / (decrease) in cash	(574,419)	336,802
Cash as at the beginning of the reporting period	860,621	557,755
Result of revaluation of cash denominated in foreign currencies	(21,552)	(33,936)
Cash as at the end of the reporting period	264,650	860,621

The accompanying notes set out on pages 13 to 29 form an integral part of these financial statements.

OIF "Citadele Eastern European Bond Fund - USD"
Annual report for the year ended 31 December 2013
Notes
(LVL)

1. General information

Name of fund	Citadele Eastern European Fixed Income Funds
Type of fund	Open-end 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 the sub-fund	Citadele Eastern European Bond Fund - USD
Sub-fund's business activity:	Functional currency of the sub-fund is US dollars (USD) Investments in equity securities are not provided by the Prospectus.
Name of the investment management company:	IPAS "Citadele Asset Management", Republikas laukums 2, Rīga, LV-1010, Latvia

2. Summary of significant accounting policies

Basis of preparation

The financial statements of OIF Citadele Eastern European Bond Fund – USD 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, as modified for the measurement at fair value of held-for-trading financial instruments.

The monetary unit used in the financial statements is lat (LVL), the monetary unit of the Republic of Latvia. The financial statements cover the period 1 January 2013 to 31 December 2013.

Critical accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. 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. IFRS 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.

Income and expense recognition

Interest income and expense items are recognised on an accruals basis.

Interest income and expense are recognized in the statement of comprehensive income by taking into account the effective interest rate of assets/liabilities. Interest income and expense include amortization of discount or premium or other differences between the accounting amount of an initial interest bearing instrument and its amount at the moment of redemption, calculated by the effective interest rate method.

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

The Fund's functional currency is the US dollars (USD) but, according to the FCMC requirements, the Fund ensures accounting also in Latvian lats. These financial statements are prepared based on transaction accounting in Latvian lats (LVL), which is the presentation currency of the Fund.

Transactions denominated in foreign currencies are translated in Latvian lats (LVL) at the official exchange rate established by the Bank of Latvia at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Latvian lats (LVL) at the official exchange rate established by the Bank of Latvia at the last day of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value 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.

OIF "Citadele Eastern European Bond Fund - USD"
Annual report for the year ended 31 December 2013
Notes
(LVL)

2. Summary of significant accounting policies (continued)

The exchange rates established by the Bank of Latvia (LVL to 1 foreign currency unit) and mainly applied when preparing the statement financial position of the Fund can be specified as follows:

Currency	31.12.2013.	31.12.2012.
USD	0.5150	0.5310
RUB	0.0156	0.0174

Since 1 January 2005, the Bank of Latvia has stated a fixed currency exchange rate for the Latvian lat against the euro, i.e. 0.702804. From this moment the Bank of Latvia will also ensure that the market rate will not differ from the official rate by more than 1%. Therefore, the Fund's future profit or loss due to fluctuations of the euro exchange rate will not be material as long as the Bank of Latvia maintains the above mentioned fixed rate.

Cash

Cash comprises Fund's demand deposits with credit institutions.

Financial instruments

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

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 statement of comprehensive income as increase / (decrease) in investment.

Securities are revaluated on the basis of Bloomberg and NASDAQ OMX Riga 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 and for the purposes of generating profit, 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 contracts is recognised in the statement of financial position under "Derivatives".

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 represents default risk.

When available, the Fund measures the fair value of an 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 is reduced to minimum. The selected valuation method includes all factors that would be considered by the market participants when determining the transaction price.

OIF “Citadele Eastern European Bond Fund - USD”
Annual report for the year ended 31 December 2013
Notes
(LVL)

2. Summary of significant accounting policies (continued)

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. Basically, the Fund's income is exempt from income taxes. The Fund is not a Latvian corporate income tax payer.

On 1 December 2009 Saeima has approved changes to the law “On personal income tax”, stating that starting with 1 January 2010 capital gains are subject to 15% income tax charge. For investment funds capital gain is a difference between selling and purchase value of investment certificates. In accordance with transition norms of the law “On personal income tax”, in order to calculate income from sale of investment certificates purchased before endorsement of the law (before 01.01.2010) one has to apportion difference between selling and purchase value to the number of months investment held and multiply this by number of months investment held from 01.01.2010 until the settlement date. Changes in the law are applicable only to private persons being residents of the Republic of Latvia.

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.

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 2013.

(i) Fair value measurement

IFRS 13 introduces a common structure for fair value measurement and disclosures on fair value determination in cases when it is required or permitted according to other IFRS. The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard replaces and adjusts requirements of other IFRS, including IFRS 7, as regards disclosures on measurement of fair value.

According to IFRS 13 transitional provisions, the Fund has applied the new fair value measurement guidelines prospectively and no comparable information is provided for the new information disclosed. Regardless of the above, effect of these changes on the measurement of the Fund's assets and liabilities is not material.

(ii) Other amendments to standards

The following amendments to standards that became effective on 1 January 2013 have not impacted these financial statements.

- Amendments to IAS 1 Presentation of Financial Statements
- Amendments to IFRS 7 - Offset of financial assets and liabilities
- Amendments to IAS 19 (2011) – Employee Benefits.
- Amendments to IAS 12 – Deferred tax: recovery of assets.

OIF "Citadele Eastern European Bond Fund - USD"
Annual report for the year ended 31 December 2013
Notes
(LVL)

2. Summary of significant accounting policies (continued)

New standards and interpretation effective after 1 January 2013

Several new standards, amendments to standards and interpretations effective after 1 January 2013 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) IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of interests in other entities (2011).
- (ii) IAS 27 (2011) Separate financial statements (effective for annual periods beginning on or after 1 January 2014),
- (iii) IAS 28 (2011) Investments in associated and joint ventures (effective for annual periods beginning on or after 1 January 2014).
- (iv) Amendments to IAS 32 "Financial Instruments: *Presentation*" – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014).
- (v) Amendments to IFRS 10 and 12 and IAS 27 as regards investment companies (effective for annual period beginning on or after 1 January 2014).
- (vi) Amendments to IAS 36 as regards disclosures about recoverable amount of non-financial assets (effective for annual period beginning on or after 1 January 2014).
- (vii) Amendments to IAS 39 as regards renewal of financial instruments and continuing of hedge accounting (effective for annual period beginning on or after 1 January 2014).

3. Demand deposits with credit institutions

	31.12.2013.	31.12.2012.	% of Fund's net assets as at 31.12.2013.
Demand deposits with credit institutions, JSC Citadele banka	264,650	860,621	3.07%
Total demand deposits with credit institutions	264,650	860,621	3.07%

The Fund receives interest on demand deposits at fixed rates.

4. Debt securities and other fixed income securities

	31.12.2013.	31.12.2012.	Annual yield to maturity 31.12.2013.	% of Fund's net assets as at 31.12.2013.
Corporate bonds	4,600,816	3,822,733	4.80%	53.33%
Other non-OECD region corporate bonds	3,984,909	3,218,378	5.25%	46.19%
OECD region corporate bonds	615,907	604,356	1.85%	7.14%
Latvian corporate bonds	-	-	0.00%	0.00%
Corporate bonds	2,838,219	4,423,499	7.77%	32.90%
Other non-OECD region corporate bonds	2,553,463	4,166,199	8.20%	29.60%
OECD region corporate bonds	284,756	-	4.00%	3.30%
Latvian corporate bonds	-	257,300	0.00%	0.00%
Government bonds	770,020	1,228,007	28.66%	8.92%
Other non-OECD region corporate bonds	372,068	493,982	56.25%	4.31%
OECD region corporate bonds	397,952	734,025	2.86%	4.61%
Financial institution bonds:	177,478	212,598	124.33%	2.06%
OECD region corporate bonds	177,478	212,598	6.42%	2.06%
Total debt securities and other fixed income securities	8,386,533	9,686,837	7.44%	97.20%

All debt securities (bonds) 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 394,121 (in 2012: LVL 212,598).

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The table below presents debt securities by the issuer's country of residence as at 31 December 2013:

Financial instrument	ISIN code	Currency	Amount	Acquisition value	Carrying amount as at 31.12.2013	% of Fund's net assets as at 31.12.2013.
Financial instruments traded on regulated markets				8,411,912	7,992,412	92.63%
Russian issuers:				4,033,841	3,603,711	41.77%
RUSSIAN GOVERNMENT BONDS	XS0114288789	USD	850	375,279	372,068	4.31%
GAZPROM	XS0424860947	USD	550	386,253	353,690	4.10%
ALFA BANK	XS0620695204	USD	600	348,763	334,161	3.87%
VTB BANK OJSC	XS0772509484	USD	600	348,220	332,669	3.86%
POLYUS GOLD CO	XS0922301717	USD	650	358,303	326,472	3.78%
CREDIT BANK OF MOSCOW	XS0655085081	USD	600	295,202	322,358	3.74%
SIBUR SECURITIES LTD	XS0878855773	USD	550	280,544	279,259	3.24%
SEVERSTAL OAO VIA STEEL CAPITAL SA	XS0841671000	USD	550	308,720	277,156	3.21%
RASPADASKAYA OJSC	XS0772835285	USD	500	268,640	267,636	3.10%
RENAISSANCE CREDIT LLC	XS0938341780	USD	500	271,381	248,134	2.88%
MTS IINTERNATIONAL FUNDING Ltd	XS0513723873	USD	400	247,577	243,990	2.83%
EVRAZ GROUP	RU000A0JQTQ7	RUR	15,000	253,327	238,318	2.76%
AMURMETALL	RU000A0GN9D1	RUR	10,000	193,286	7,800	0.09%
INCOM LADA	RU000A0JPAS5	RUR	0	98,348	0	0.00%
Kazakhstan issuers:				1,254,938	1,244,322	14.42%
KAZMUNAYGAS NATIONAL CO	XS0373641009	USD	550	356,659	355,745	4.12%
ZHAIKMUNAI	USN97708AA49	USD	600	333,942	330,670	3.83%
BANK CENTERCREDIT	XS0282585859	USD	600	315,309	319,820	3.71%
ATF BANK	XS0286908867	USD	450	249,028	238,087	2.76%
Ukrainian issuers:				720,651	743,820	8.62%
METINVEST BV	XS0591549232	USD	550	260,593	277,034	3.21%
AVANGARD AGROHOLDING	XS0553088708	USD	500	252,742	259,262	3.00%
FIRST UKRAINIAN INTERNATIONAL BANK	XS0287015787	USD	400	207,316	207,524	2.41%
Slovenian issuers:				683,756	682,708	7.91%
REPUBLIC OF SLOVENIA	XS0927637495	USD	750	395,280	397,952	4.61%
SID BANKA EXPORT	XS0504013912	EUR	400	288,476	284,756	3.30%
Azerbaijan issuers:				234,483	248,513	2.88%
AZERBAIJAN RAILWAYS	XS0592514144	USD	450	234,483	248,513	2.88%
Hungarian issuers:				358,470	347,504	4.03%
MOL GROUP FINANCE SA	XS0834435702	USD	650	358,470	347,504	4.03%
Georgian issuers:				337,958	334,067	3.87%
BANK OF GEORGIA	XS0783935561	USD	600	337,958	334,067	3.87%
Bulgarian issuers:				282,923	281,839	3.27%
VIVACOM	XS0994993037	EUR	400	282,923	281,839	3.27%
Czech issuers:				351,932	268,403	3.11%
NEW WORLD RESOURCES	XS0504814509	EUR	500	351,932	268,403	3.11%
Croatian issuers:				251,308	237,525	2.75%
ZAGREBACKI HOLDING	XS0309688918	EUR	8	251,308	237,525	2.75%
Latvian issuers:				229,009	-	0.00%
CAPITAL DEPARTMENT STORE	LV0000800761	EUR	325,850	229,009	-	0.00%
Financial instruments not traded on regulated markets				391,701	394,121	4.57%
Estonian issuers:				175,701	177,478	2.06%
CREDITSTAR GROUP	EE3300110436	EUR	250	175,701	177,478	2.06%
Azerbaijan issuers:				216,000	216,643	2.51%
MUGAN BANK	LV0000801157	USD	400	216,000	216,643	2.51%
Total debt securities and other fixed income securities				9,130,969	8,386,533	97.20%

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5. Accrued liabilities

	31.12.2013.	31.12.2012.
Accrued commission fees payable to investment management company	(10,373)	(12,013)
Accrued commission fees payable to custodian bank	(1,230)	(1,402)
Accrued fees payable for professional services	(1,701)	(1,331)
Total accrued liabilities	(13,304)	(14,746)

6. Interest income

	2013	2012
Interest income from debt securities and other fixed income securities	1,188,151	730,204
Interest income from demand deposits with credit institutions	4,488	9,742
Total interest income	1,192,639	739,946

7. Realized increase in investment

	2013	2012
Income from sale of investments	8,776,424	10,697,766
Amortized acquisition value of investments sold in the reporting period	(9,329,405)	(11,223,661)
Increase/ (decrease) in value of investments sold, recognised in the prior reporting periods	146,047	965,109
Total realized increase in investment	(406,934)	439,214

8. Unrealized increase / (decrease) in investment value

	2013	2012
Interest income from debt securities and other fixed income securities	(350,426)	430,726
Total unrealised increase/ (decrease) in investment value	(350,426)	430,726

9. Change in investments during the reporting period

	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						
Debt securities and other fixed income securities	9,686,837	7,892,761	(9,404,690)	(219,166)	430,791	8,386,533
Derivatives	(70,210)	-	-	60,121	-	(10,089)
Total investments	9,616,627	7,892,761	(9,404,690)	(159,045)	430,791	8,376,444

10. Pledged assets

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

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11. Fair values of financial assets and liabilities

According to the Company's estimates, the carrying amounts of demand deposits with credit institutions, held-for-trading fixed income securities, equity shares and derivatives approximate to their fair values. The fair value is determined according to the market quotation method, based on available quotes of stock exchanges and brokers.

The table below shows the fair value of the Fund's assets and liabilities as at 31 December 2013:

	Carrying amount	Quoted market prices	Valuation technique - observable market inputs
Assets			
Demand deposits with credit institutions	264,650	-	264,650
Financial assets held for trading			
Debt securities and other fixed income securities	8,386,533	7,268,998	1,117,535
Derivatives	2,240	-	2,240
Total assets	8,653,423	7,268,998	1,384,425
Liabilities			
Financial liabilities held for trading			
Derivatives	(12,329)	-	(12,329)
Accrued liabilities	(13,304)	-	(13,304)
Total liabilities	(25,633)	-	(25,633)
Net assets	8,627,790	7,268,998	1,358,792

The table below shows the fair value of the Fund's assets and liabilities as at 31 December 2012:

	Carrying amount	Quoted market prices	Valuation technique - observable market inputs
Assets			
Demand deposits with credit institutions	860,621	-	860,621
Financial assets held for trading			
Debt securities and other fixed income securities	9,686,837	9,448,139	238,698
Total assets	10,547,458	9,448,139	1,099,319
Liabilities			
Financial liabilities held for trading			
Derivatives	(70,210)	-	(70,210)
Accrued liabilities	(14,746)	-	(14,746)
Total liabilities	(84,956)	-	(84,956)
Net assets	10,462,502	9,448,139	1,014,363

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11. Fair value of financial assets and liabilities (continued)

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.

2013	Level 1:	Level 2:	Level 3:	Total
Financial assets				
Debt securities and other fixed income securities	7,984,612	2,240	401,921	8,388,773
	7,984,612		401,921	8,388,773
Financial liabilities				
Financial instruments at fair value through profit or loss	-	(12,329)	-	(12,329)
	7,984,612	(12,329)	401,921	8,376,444
2012				
Financial assets				
Debt securities and other fixed income securities	9,448,139	-	238,698	9,686,837
	9,448,139	-	238,698	9,686,837
Financial liabilities				
Financial instruments at fair value through profit or loss	-	(70,210)	-	(70,210)
	9,448,139	(70,210)	238,698	9,616,627

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

LVL	Debt securities and other fixed income securities	Total
Balance as at 1 January 2013	238,698	238,698
Total profit or loss		
Profit and Loss Statement	(60,733)	(60,733)
Purchases	394,121	394,121
Payments	(170,000)	(170,000)
Reclassification to Level 3	-	-
Reclassification from Level 3	-	-
Balance as at 31 December 2013	401,921	401,921

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11. Fair value of financial assets and liabilities (continued)

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 methodology	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) - Level 2	Discounted cash flow method	Not applicable	Not applicable
Financial instruments held for trading (debt securities and other securities with fixed income) - Level 3	Discounted cash flow method	Discount rate: 8.4%-14% Recoverability: 2%	Estimated fair value would increase (decrease), if: - Discount rate would be lower (higher); - Recoverability would be higher (lower);

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 effect:

31 December 2013	Impact on profit or loss	
	Increase	(Decrease)
Discount rate (2% change)	9,377	(9,065)
Recoverability (2% change)	156	(156)

12. 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 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. When investing on behalf of the Fund, the Fund Manager 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 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.

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12. Risk management (continued)

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.

Changes in fixed income securities' prices and interest income (year 2013, LVL)				
Currency	Changes in base rates, bp	Changes in interest income	Changes in market value	Total effect of base rate changes
LVL	100	-	-	-
USD	100	-	(221,215)	(221,215)
EUR	100	-	(35,140)	(35,140)
RUR	100	-	(2,665)	(2,665)
Total		-	(259,020)	(259,020)

Changes in fixed income securities' prices and interest income (year 2013, % of assets)				
Currency	Changes in base rates, bp	Changes in interest income	Changes in market value	Total effect of base rate changes
LVL	100	0.00%	0.00%	0.00%
USD	100	0.00%	-2.58%	-2.58%
EUR	100	0.00%	-0.41%	-0.41%
RUR	100	0.00%	-0.03%	-0.03%
Total		0.00%	-3.02%	-3.02%

Changes in fixed income securities' prices and interest income (year 2013, LVL)				
Currency	Changes in base rates, bp	Changes in interest income	Changes in market value	Total effect of base rate changes
LVL	-100	-	-	-
USD	-100	-	(221,215)	(221,215)
EUR	-100	-	(35,140)	(35,140)
RUR	-100	-	(2,665)	(2,665)
Total		-	(259,020)	(259,020)

Changes in fixed income securities' prices and interest income (year 2013, % of assets)				
Currency	Changes in base rates, bp	Changes in interest income	Changes in market value	Total effect of base rate changes
LVL	-100	0.00%	0.00%	0.00%
USD	-100	0.00%	2.58%	2.58%
EUR	-100	0.00%	0.41%	0.41%
RUR	-100	0.00%	0.03%	0.03%
Total		0.00%	3.02%	3.02%

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.

Changes in fixed income securities' prices and interest income (year 2012, LVL)				
Currency	Changes in base rates, bp	Changes in interest income	Changes in market value	Total effect of base rate changes
LVL	50	-	-	-
USD	100	-	(143,788)	(143,788)
EUR	100	-	(76,701)	(76,701)
RUR	100	-	(26,235)	(26,235)
Total		-	(246,814)	(246,814)

Changes in fixed income securities' prices and interest income (year 2012, % of assets)				
Currency	Changes in base rates, bp	Changes in interest income	Changes in market value	Total effect of base rate changes
LVL	50	0.00%	0.00%	0.00%
USD	100	0.00%	-1.38%	-1.38%
EUR	100	0.00%	-0.74%	-0.74%
RUR	100	0.00%	-0.25%	-0.25%
Total		0.00%	-2.37%	-2.37%

Changes in fixed income securities' prices and interest income (year 2012, LVL)				
Currency	Changes in base rates, bp	Changes in interest income	Changes in market value	Total effect of base rate changes
LVL	-50	-	-	-
USD	-100	-	(143,788)	(143,788)
EUR	-100	-	(76,701)	(76,701)
RUR	-100	-	(26,325)	(26,325)
Total		-	(246,814)	(246,814)

Changes in fixed income securities' prices and interest income (year 2012, % of assets)				
Currency	Changes in base rates, bp	Changes in interest income	Changes in market value	Total effect of base rate changes
LVL	-100	0.00%	0.00%	0.00%
USD	-100	0.00%	1.38%	1.38%
EUR	-100	0.00%	0.74%	0.74%
RUR	-100	0.00%	0.25%	0.25%
Total		0.00%	2.37%	2.37%

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12. Risk management (continued)

The table below shows the Fund's assets and liabilities by currency profile as at 31 December 2013:

	LVL	USD	EUR	RUB	Total
Assets					
Demand deposits with credit institutions	-	256,932	7,718	-	264,650
Financial assets held for trading					
Debt securities and other fixed income securities	-	6,890,414	1,250,001	246,118	8,386,533
Derivatives	-	710,263	(708,023)	-	2,240
Total assets	-	7,857,609	549,696	246,118	8,653,423
Liabilities					
Accrued liabilities	(1,701)	(11,603)	-	-	(13,304)
Derivatives		660,341	(672,670)	-	(12,329)
Total liabilities	(1,701)	648,738	(672,670)	-	(25,633)
Net assets	(1,701)	8,506,347	(122,974)	246,118	8,627,790
Net long position	-0.02%	98.59%	-1.42%	2.85%	100.00%

The table below shows the Fund's assets and liabilities by currency profile as at 31 December 2012:

	USD	EUR	RUB	Total
Assets				
Demand deposits with credit institutions	860,621	-	-	860,621
Financial assets held for trading				
Debt securities and other fixed income securities	6,778,733	2,042,895	865,209	9,686,837
Derivatives	-	-	-	-
Total assets	7,639,354	2,042,895	865,209	10,547,458
Liabilities				
Accrued liabilities	(13,415)	(1,331)	-	(14,746)
Derivatives	2,540,826	(2,246,162)	(364,874)	(70,210)
Total liabilities	2,527,411	(2,247,493)	(364,874)	(84,956)
Net assets	10,166,765	(204,598)	500,335	10,462,502
Net long position	97.17%	-1.95%	4.78%	100.00%

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12. Risk management (continued)

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 the currency exchange rate changes (2013)			
Currency	Share in Fund (% of net assets)	Change in currency rate against USD	Effect on the Fund's value
USD	98.43%	0.00%	0.00%
EUR	-1.31%	7.39%	-0.10%
RUR	2.88%	8.14%	0.23%
Total	100.00%		0.14%

Effect of the currency exchange rate changes (2012)			
Currency	Share in Fund (% of net assets)	Change in currency rate against USD	Effect on the Fund's value
LVL	-0.01%	8.17%	0.00%
USD	97.17%	0.00	0.00%
EUR	-1.94%	8.28%	-0.16%
RUR	4.78%	10.85%	0.52%
Total	100.00%		0.36%

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-Aa2 (Moody's Investors Service); AAA-AA (Fitch);
- Investment category financial instruments: AA- -BBB- (Standard & Poor's); Aa3 -Baa3 (Moody's Investors Service); AA- -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).

The table below shows the Fund's assets by credit ratings as at 31 December 2013:

	Investments category financial instruments	High return financial instruments	Speculative financial instruments	Not rated	Total
Demand deposits with credit institutions	-	-	264,650	-	264,650
Financial assets held for trading					
Debt securities and other fixed income securities	1,812,124	2,944,281	3,444,850	185,278	8,386,533
Derivatives	-	-	2,240	-	2,240
Total investments	1,812,124	2,944,281	3,711,740	185,278	8,653,423

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12. Risk management (continued)

The table below shows the Fund's assets by credit ratings as at 31 December 2012:

	Investments category financial instruments	High return financial instruments	Speculative financial instruments	Not rated	Total
Demand deposits with credit institutions	-	-	860,621	-	860,621
Financial assets held for trading					
Debt securities and other fixed income securities	2,501,106	2,758,929	3,985,209	441,593	9,686,837
Derivatives	-	-	-	-	-
Total investments	2,501,106	2,758,929	4,845,830	441,593	10,547,458

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.

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

	Latvia	OECD	Other non- OECD region countries	Total
Assets				
Demand deposits with credit institutions	264,650	-	-	264,650
Financial assets held for trading				
Debt securities and other fixed income securities	-	1,476,093	6,910,440	8,386,533
Derivatives	2,240			2,240
Total assets	266,890	1,476,093	6,910,440	8,653,423

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12. Risk management (continued)

	Latvia	OECD	Other non- OECD region countries	Total
Liabilities				
Financial liabilities held for trading				
Derivatives	(12,329)	-	-	(12,329)
Accrued liabilities	(13,304)	-	-	(13,304)
Total liabilities	(25,633)	-	-	(25,633)
Net assets	241,257	1,476,093	6,910,440	8,627,790

The table below shows the Fund's assets and liabilities by geographic profile as at 31 December 2012:

	Latvia	OECD	Other non- OECD region countries	Total
Assets				
Demand deposits with credit institutions	860,621	-	-	860,621
Financial assets held for trading				
Debt securities and other fixed income securities	-	1,808,279	7,878,558	9,686,837
Derivatives				
Total assets	860,621	1,808,279	7,878,558	10,547,458
	Latvija	OECD	Citas ne-OECD reģiona valstis	Kopā
Liabilities				
Financial liabilities held for trading				
Derivatives	(70,210)	-	-	(70,210)
Accrued liabilities	(14,746)	-	-	(14,746)
Other expenses				
Total liabilities	(84,956)	-	-	(84,956)
Net assets	775,665	1,808,279	7,878,558	10,462,502

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12. Risk management (continued)

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

Country	Carrying amount as at 31.12.2013	Carrying amount as at 31.12.2012	% of Fund's net assets as at 31.12.2013.
Russia	3,603,711	3,728,170	41.77%
Kazakhstan	1,244,322	1,504,361	14.42%
Ukraine	743,820	1,046,309	8.62%
Slovenia	682,708	434,596	7.91%
Azerbaijan	465,156	387,517	5.39%
Hungary	347,504	-	4.03%
Georgia	334,067	420,856	3.87%
Bulgaria	281,839	-	3.27%
Czech Republic	268,403	368,746	3.11%
Latvia	241,257	775,665	2.80%
Croatia	237,525	297,363	2.75%
Estonia	177,478	212,598	2.06%
Turkey	-	556,729	0.00%
Romania	-	493,982	0.00%
Poland	-	235,610	0.00%
Belarus	-	-	0.00%
Total	8,627,790	10,462,502	100.00%

The table below shows the Fund's securities portfolio by industry profile as at 31 December 2013:

Sector	Carrying amount as at 31.12.2013	Carrying amount as at 31.12.2012	% of Fund's net assets as at 31.12.2013.
Commercial banks	2,590,085	4,423,499	30.03%
Energy resources	1,935,271	1,216,536	22.44%
Raw materials	1,394,416	931,767	16.16%
Government	770,020	1,228,007	8.92%
Telecommunication services	525,829	-	6.09%
Financial services	425,612	212,598	4.93%
Consumer goods	259,262	551,045	3.00%
Logistics	248,513	387,517	2.88%
Public utilities	237,525	297,363	2.75%
Consumer services	-	438,505	0.00%
Total	8,386,533	9,686,837	97.20%

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 of the Fund which would ensure a possibility of selling securities in due time and with no significant losses. In addition, a large portion of the Fund's assets are invested in short-term investment rating government bonds, which is one of the most liquid assets.

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12. Risk management (continued)

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

	Within 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years and no maturity	Total
Assets							
Demand deposits with credit institutions	264,650	-	-	-	-	-	264,650
Financial assets held for trading							
Debt securities and other fixed income securities	7,800	557,907	-	322,358	5,005,109	2,493,359	8,386,533
Derivatives	-	-	2,240	-	-	-	2,240
Total assets	272,450	557,907	2,240	322,358	5,005,109	2,493,359	8,653,423
Liabilities							
Derivatives	-	(12,329)	-	-	-	-	(12,329)
Accrued liabilities	(11,603)	-	(1,701)	-	-	-	(13,304)
Total liabilities	(11,603)	(12,329)	(1,701)	-	-	-	(25,633)
Net assets	260,847	545,578	539	322,358	5,005,109	2,493,359	8,627,790
<i>Net position %</i>	<i>3.02%</i>	<i>6.32%</i>	<i>0.01%</i>	<i>3.75%</i>	<i>58.00%</i>	<i>28.90%</i>	<i>100.00%</i>

Table below shows the Fund's assets and liabilities by maturity profile as at 31 December 2012:

	Within 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years and no maturity	Total
Assets							
Demand deposits with credit institutions	860,621	-	-	-	-	-	860,621
Financial assets held for trading							
Debt securities and other fixed income securities	26,100	-	602,217	552,275	5,189,209	3,317,036	9,686,837
Derivatives							
Total assets	886,721	-	602,217	552,275	5,189,209	3,317,036	10,547,458
Liabilities							
Derivatives	-	(70,210)	-	-	-	-	(70,210)
Accrued liabilities	(13,415)	(1,331)	-	-	-	-	(14,746)
Total liabilities	(13,415)	(71,541)	-	-	-	-	(84,956)
Net assets	873,306	(71,541)	602,217	552,275	5,189,209	3,317,036	10,462,502
<i>Net position %</i>	<i>8.35%</i>	<i>(0.68%)</i>	<i>5.76%</i>	<i>5.28%</i>	<i>49.59%</i>	<i>31.70%</i>	<i>100.00%</i>

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13. Information on holders of investment certificates

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

	31.12.2013.	31.12.2012.	% of total certificates as at 31.12.2013.
Investment certificates held by related parties	294	294	0.04%
Investment certificates held by other persons	822,172	993,802	99.96%
Issued investment certificates as at the end of the reporting period	822,467	994,097	100.00%

14. Related party transactions

The majority of the Fund's investments are acquired with the mediation of the custodian bank JSC Citadele banka. JSC Citadele banka receives remuneration as the custodian bank, as disclosed in the statement of comprehensive income (see also note 3), as well as contracts on derivatives have been concluded (see note 5).

The remuneration paid to the investment management company during the reporting year is disclosed in the statement of comprehensive income (see also Note 6).

During the reporting year and during year 2013, the related parties of the Fund did not make transactions with the Fund's investment certificates. Listed 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 2013 and 31 December 2012.

During the reporting year the Fund had not invested in bonds issued by the JSC Citadele banka.

15. Dynamics of net asset value

	31.12.2013.	31.12.2012.	31.12.2011.
Net assets (LVL)	8,627,790	10,462,502	10,808,395
Number of investment certificates	822,467	994,097	1,153,191
Value of investment fund's shares (LVL)	10.49	10.52	9.37
Performance on investment fund's shares*	(0.29)%	12.24%	1.30%
Net assets (USD)**	16,777,634	19,706,966	19,872,102
Number of investment certificates	822,467	994,097	1,153,191
Value of investment fund's shares (USD)	20.4	19.82	17.23
Performance on investment fund's shares*	2.93%	14.99%	(0.52)%

* 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.

16. Subsequent events

On 1 January 2014 the Republic of Latvia joined eurozone and Latvian lat was replaced by euro. As a result, the Fund converted its financial accounting to euros as of 1 January 2014 and the financial statements for subsequent periods will be prepared and presented in euros. Future comparative information will be translated into euros using the official exchange rate of LVL 0.702804 to EUR 1.



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Independent Auditors' Report

To the shareholders of Open investment fund "Citadele Eastern European Fixed Income Funds" sub-fund "Citadele Eastern European Bond Fund - USD"

Report on Financial Statements

We have audited the accompanying separate financial statements of Open investment fund "Citadele Eastern European Fixed Income Funds" sub-fund "Citadele Eastern European Bond Fund - USD" ("the Fund"), which is managed by the asset management company "Citadele Asset Management" ("the Manager"), which comprise the separate statement of financial position as at 31 December 2013, the separate statements of comprehensive income, changes in net assets and cash flows for the year ended 31 December 2013, 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 entity'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 entity'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 Open investment fund "Citadele Eastern European Fixed Income Funds" sub-fund "Citadele Eastern European Bond Fund - USD" as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Other matters

The corresponding prior period comparative information disclosed in these financial statements is based on the Fund's financial statements as at and for the year ended 31 December 2012 which were audited by another auditor who expressed an unmodified auditors' opinion on those financial statements on 26 April 2013.

Report on Other Legal and Regulatory Requirements

In addition, our responsibility is to assess whether the accounting information included in the Investment management company 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 Management 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 Company. In our opinion, the Management Report is consistent with the financial statements.

KPMG Baltics SIA
Licence No 55

Ondrej Fikrle
Partner pp, KPMG Baltics SIA
Riga, Latvia
25 April 2014

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.