

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

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

**HALF-YEAR REPORT 2013 (UNAUDITED)**

(at June 30<sup>th</sup>, 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**

**OIF “Citadele Eastern European Bond Fund - USD”**  
**Half-year report 2013**  
**Table of contents**

Information on the investment fund	3
Investment management company report	5
Financial statements:	
Statement of financial position	6
Statement of comprehensive income	7
Statement of changes in net assets	8
Notes	9

**OIF "Citadele Eastern European Bond Fund - USD"**  
**Half-year report 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 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.

**OIF "Citadele Eastern European Bond Fund - USD"**  
**Half-year report 2013**  
**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*

**OIF "Citadele Eastern European Bond Fund - USD"**  
**Half-year report 2013**  
**Investment management company report**

5

"Citadele Eastern European Bond Fund – USD" (hereinafter– the Fund) is a sub-fund of the open-end investment fund "Citadele Eastern European Fixed Income Funds". It is the debt securities investment fund and the functional currency of the Fund is the US dollar. 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) and registration number 40003577500. The Company holds a licence No. 06.03.07.098/285 authorising it to render investment management services. The licence was 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, credit institutions and commercial companies 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 providing protection against volatility of the Fund's asset value versus investments in single currency, industry or country securities. There were no changes to the Fund's policy during the reporting period.

During the reporting period the Fund's net asset value declined by 7.82% to 9,722,524 lats. The Fund's net asset value declined by 14.00% i.e. by 1,464,465 lats and amounted to 8,998,037 lats at the end of the period of six months. The decline in the net asset value was due to decrease in the managed assets. During these six month the value of a Fund's share increased by LVL 0.01 up to 10.53 LVL at the end of the period of six months. In the reporting period the Fund's performance in lats was 0.01% (0.19% annualized per year) in lats and 1.46% in base value (-2.93% 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 10.00% to 8.50% 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 7.00% and 6.00% 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 3.60% 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 7.20% of the Fund's net assets) and in food production sector (up to 3.40% of the Fund's net assets). Meanwhile the investments in the financial services sector and in energy sources sector increased respectively by 45.00% and 15.00% of the Fund's net assets. To the end of six months the Fund's assets were diversified among nine 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 6.30%, the average duration was 2.4 and the weighted average credit rating was Ba3. The cash share amounted to 2.60% of the Fund's net asset value.

During the reporting period fund management fee of 168,881 USD was paid from the Fund's resources which is 1.77% of the average net asset value and does not exceed the 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.

The team of managers at IPAS "Citadele Asset Management" closely monitors the developments both on the domestic and global scale, 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, 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

**OIF "Citadele Eastern European Bond Fund - USD"**  
**Half-year report 2013**  
**Statement of financial position**  
**(LVL)**

Note		<u>30.06.2013.</u>	<u>31.12.2012.</u>
	<b>Assets</b>		
1	Demand deposits with credit institutions	242,258	860,621
	Financial assets held for trading		
2	Debt securities and other fixed income securities	9,465,015	9,686,837
3	Derivatives	15,251	-
	<b>Total assets</b>	<b><u>9,722,524</u></b>	<b><u>10,547,458</u></b>
	<b>Liabilities</b>		
	Financial liabilities held for trading		
3	Derivatives	-	(70,210)
	Accrued liabilities	(14,150 )	(14,746)
	Other liabilities	(710,337)	-
	<b>Total liabilities</b>	<b><u>(724,487)</u></b>	<b><u>(84,956)</u></b>
	<b>Net assets</b>	<b><u>8,998,037</u></b>	<b><u>10,462,502</u></b>

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

**OIF "Citadele Eastern European Bond Fund - USD"**  
**Half-year report 2013**  
**Statement of comprehensive income**  
**(LVL)**

	<u>01.01.2013.- 30.06.2013.</u>	<u>01.01.2012.- 30.06.2012.</u>
<b>Income</b>		
Interest income	339,630	399,804
<b>Total income</b>	<b>339,630</b>	<b>399,804</b>
<b>Expenses</b>		
Investment management company fee	(79,497)	(81,518)
Custodian bank fee	(9,275)	(9,510)
Other fund management expenses	(1,764)	(2,043)
<b>Total expenses</b>	<b>(90,536)</b>	<b>(93,071)</b>
<b>Increase in investment value</b>		
Realised increase in investment value	8,301	231,528
Unrealised (decrease) / increase in investment value	(368,453)	261,433
<b>Total (decrease) / increase in investment value</b>	<b>(360,152)</b>	<b>492,961</b>
Foreign currency revaluation gain	123,029	340,303
<b>Total comprehensive income</b>	<b>11,971</b>	<b>1,139,997</b>

---

Uldis Upenieks  
Chairman of the Board

Riga, 22 August 2013

**OIF "Citadele Eastern European Bond Fund - USD"**  
**Half-year report 2013**  
**Statement of changes in net assets**  
**(LVL)**

	<b>01.01.2013.- 30.06.2013.</b>	<b>01.01.2012.- 30.06.2012.</b>
Net assets as at the beginning of the period	10,462,502	10,808,395
Total comprehensive income	11,971	1,139,997
Transactions with investment certificates:		
<i>Inflow from sale of investment certificates</i>	711,512	271,087
<i>Outflow on redemption of investment certificates</i>	<u>(2,187,948)</u>	<u>(2,026,849)</u>
(Decrease)/ increase in net assets from transactions with investment certificates	(1,476,436)	1,105,327
Decrease in net assets for the reporting period	<u>(1,464,465)</u>	<u>(615,765)</u>
<b>Net assets as at the end of the reporting period</b>	<b><u>8,998,037</u></b>	<b><u>10,192,630</u></b>
Issued investment certificates as at the beginning of the reporting period	<u>994,097</u>	<u>1,153,191</u>
Issued investment certificates as at the end of the reporting period	<u>854,298</u>	<u>979,700</u>
Net asset value per investment certificate as at the beginning of the reporting period	<u>10.52</u>	<u>9.37</u>
<b>Net asset value per investment certificate as at the end of the reporting period</b>	<b><u>10.53</u></b>	<b><u>10.40</u></b>



## OIF "Citadele Eastern European Bond Fund - USD"

Half-year report 2013

Notes  
(LVL)**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	242,258	860,621	2.69%
<b>Total demand deposits with credit institutions</b>	<b>242,258</b>	<b>860,621</b>	<b>2.69%</b>

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 633,217 (2012: LVL 415,493).

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.
<b>Financial instruments traded on regulated markets</b>				<b>9,467,839</b>	<b>8,831,798</b>	<b>98.15%</b>
<b>Russian issuers:</b>				<b>3,747,274</b>	<b>3,392,070</b>	<b>37.69%</b>
VTB BANK	XS0772509484	USD	800	464,293	453,670	5.04%
GAZPROM OAO	XS0424860947	USD	650	456,481	432,267	4.80%
HOME CREDIT AND FINANCE BANK	XS0606382413	USD	750	434,189	418,336	4.65%
PROMSVYAZBANK	XS0775984213	USD	650	363,373	373,647	4.15%
ALFA BANK	XS0832412505	USD	650	382,519	362,442	4.03%
CREDIT BANK OF MOSCOW	XS0655085081	USD	600	295,202	344,127	3.82%
POLYUS GOLD	XS0922301717	USD	650	358,303	341,161	3.79%
SEVERSTAL	XS0841671000	USD	550	308,720	274,976	3.06%
EVRAZ GROUP	RU000A0JQTQ7	RUR	15,000	253,327	250,421	2.78%
RENAISSANCE CREDIT LLC	XS0938341780	USD	250	135,515	132,823	1.48%
AMURMETALL	RU000A0GN9D1	RUR	10,000	193,286	8,200	0.09%
INCOM LADA	RU000A0JPAS5	RUR	29,990	102,066	-	0.00%
<b>Kazakhstan issuers:</b>				<b>1,411,897</b>	<b>1,451,249</b>	<b>16.13%</b>
BANK CENTERCREDIT	XS0282585859	USD	800	421,801	454,169	5.05%
ZHAIKMUNAI	USN97708AA49	USD	750	410,091	436,027	4.84%
HALYK SAVINGS BANK OF KAZAKHSTAN	XS0298931287	USD	550	330,977	311,827	3.47%
ATF BANK	XS0286908867	USD	450	249,028	249,226	2.77%
<b>Ukrainian issuers:</b>				<b>775,050</b>	<b>828,142</b>	<b>9.21%</b>
AVANGARD						
AGROHOLDING	XS0553088708	USD	600	302,697	327,260	3.64%
METINVEST	XS0511379066	USD	500	265,037	277,197	3.08%
FIRST UKRAINIAN INTERNATIONAL BANK	XS0287015787	USD	400	207,316	223,685	2.49%

## OIF "Citadele Eastern European Bond Fund - USD"

Half-year report 2013

Notes

(LVL)

Financial instrument	ISIN	Currency	Amount	Acquisition value	Carrying amount as at 30.06.2013.	% of Fund's net assets as at 30.06.2013.
<b>Slovenian issuers:</b>				<b>686,173</b>	<b>677,861</b>	<b>7.53%</b>
Slovēnijas valdības vērtspapīri:						
SID BANKA	XS0292653994	EUR	600	397,697	403,617	4.48%
	XS0504013912	EUR	400	288,476	274,244	3.05%
<b>Turkish issuers:</b>				<b>570,118</b>	<b>548,302</b>	<b>6.10%</b>
Turcijas valdības vērtspapīri:						
AKBANK TAS	US900123AS92	USD	500	313,170	293,025	3.26%
	USM0300LAA46	USD	450	256,948	255,277	2.84%
<b>Georgian issuers:</b>				<b>422,631</b>	<b>445,016</b>	<b>4.94%</b>
BANK OF GEORGIA	XS0783935561	USD	750	422,631	445,016	4.94%
<b>Azerbaijani issuers:</b>				<b>338,136</b>	<b>373,210</b>	<b>4.15%</b>
AZERBAIJAN RAILWAYS	XS0592514144	USD	650	338,136	373,210	4.15%
<b>Hungarian issuers:</b>				<b>371,901</b>	<b>365,060</b>	<b>4.06%</b>
MOL HUNGARIAN OIL AND GAS	XS0503453275	EUR	500	371,901	365,060	4.06%
<b>Croatian issuers:</b>				<b>314,556</b>	<b>312,218</b>	<b>3.47%</b>
ZAGREBACKI HOLDING	XS0309688918	EUR	10	314,556	312,218	3.47%
<b>Polish issuers:</b>				<b>249,162</b>	<b>225,929</b>	<b>2.51%</b>
TVN	XS0466451548	EUR	300	249,162	225,929	2.51%
<b>Czech Republic's issuers:</b>				<b>351,932</b>	<b>212,741</b>	<b>2.36%</b>
NEW WORLD RESOURCES	XS0504814509	EUR	500	351,932	212,741	2.36%
<b>Latvian issuers:</b>				<b>229,009</b>	-	<b>0.00%</b>
CAPITAL DEPARTMENT STORE	LV0000800761	EUR	325,850	229,009	-	0.00%
<b><u>Financial instruments not traded on regulated markets</u></b>				<b><u>426,841</u></b>	<b><u>633,217</u></b>	<b><u>7.04%</u></b>
<b>Russian issuers:</b>				-	<b>197,443</b>	<b>2.20%</b>
RBC INFORMATION SYSTEMS	RU000A0JQVB5	RUR	9,559,052	-	121,128	1.35%
RBC INFORMATION SYSTEMS	RU000A0JQVD1	RUR	9,559,052	-	76,315	0.85%
<b>Azerbaijani issuers:</b>				<b>216,000</b>	<b>223,176</b>	<b>2.48%</b>
MUGAN BANK	LV0000801157	USD	400	216,000	223,176	2.48%
<b>Estonian issuers:</b>				<b>210,841</b>	<b>212,598</b>	<b>2.36%</b>
CREDITSTAR GROUP	EE3300110147	EUR	300	210,841	212,598	2.36%
<b>Total securities and other fixed income securities</b>				<b>9,894,680</b>	<b>9,465,015</b>	<b>105.19%</b>

**OIF "Citadele Eastern European Bond Fund - USD"**  
**Half-year report 2013**  
**Notes**  
**(LVL)**

### 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.

	30.06.2013.			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	2,239,520	15,251	-	2,540,826	-	(70,210)	(0.16%)
<b>Total foreign exchange contracts</b>	<b>2,239,520</b>	<b>15,251</b>	<b>-</b>	<b>2,540,826</b>	<b>-</b>	<b>(70,210)</b>	<b>(0.16%)</b>

All contracts are concluded with "Citadele banka" JSC

### 4. Dynamics of net asset value

	30.06.2013.	31.12.2012.	31.12.2011.	31.12.2010.
<b>Net assets (LVL)</b>	<b>8,998,037</b>	<b>10,462,502</b>	<b>10,808,395</b>	<b>10,544,761</b>
Number of investment certificates	854,298	994,097	1,153,191	1,139,566
Value of investment fund's shares (LVL)	10.53	10.52	9.37	9.25
Performance on investment fund's shares*	0.19%	12.24%	1.30%	29.01%
<b>Net assets (USD)**</b>	<b>16,686,331</b>	<b>19,706,966</b>	<b>19,872,102</b>	<b>19,734,339</b>
Number of investment certificates	854,298	944,097	1,153,191	1,139,566
Value of investment fund's shares (USD)	19.53	19.82	17.23	17.32
Performance on investment fund's shares*	(2.93)%	14.99%	(0.52)%	18.23%

\* 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.