INVESTMENT PLAN
"NORDEA AKTĪVAIS IEGULDĪJUMU PLĀNS"

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

INFORMATION ON THE PLAN

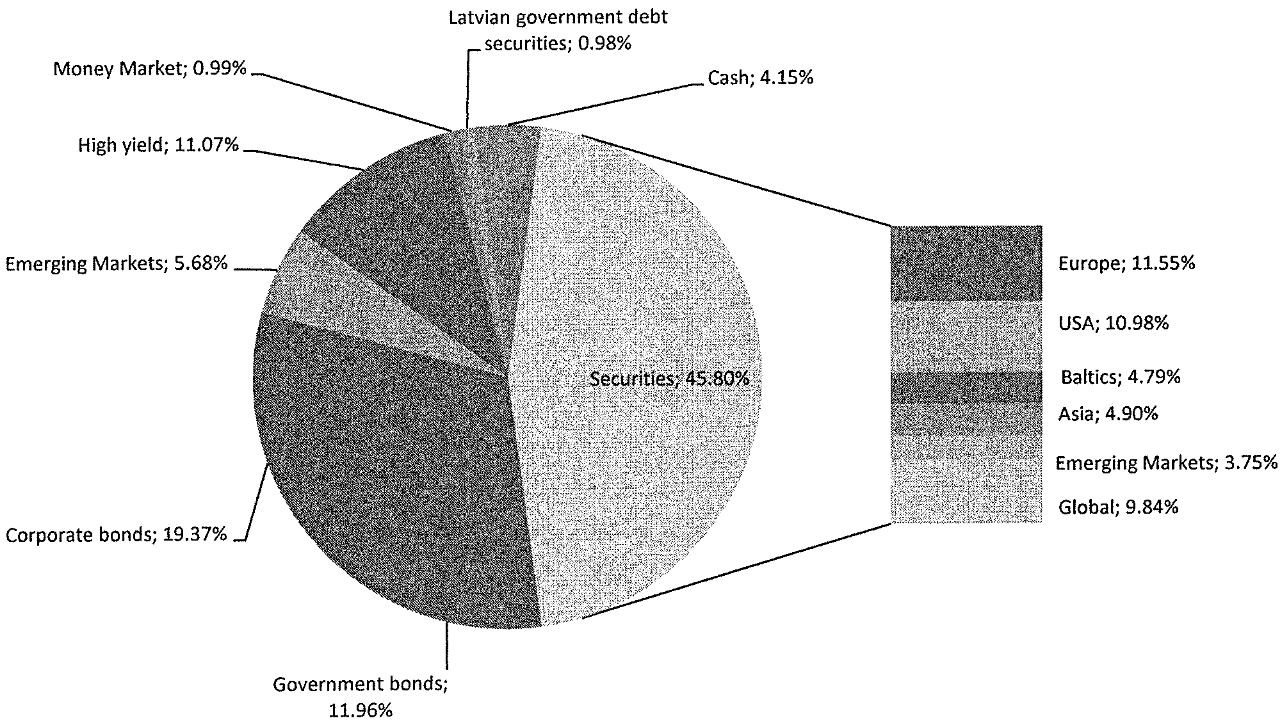
Name of the plan:	Nordea Active Investment plan
Type of the plan:	State funded pensions scheme plan
Registration number of the plan:	IPL88-06.03.09/155
Registration date of the plan:	10 December 2008
Name of the investment management company	Investment Management Joint Stock management Company "Nordea Pensions Latvia"
Domicile of the investment management company	Krisjanaa Valdemara street 62, Riga, Latvia, LV-1013
Office address of the investment management company	Krisjanaa Valdemara street 62, Riga, Latvia, LV-1013
Registration number of the investment management company	40103170952
Licence number	06.03.07/256, 14 October 2008
Custodian bank	Nordea Bank AB Latvia branch
Domicile of the custodian bank	Krisjanaa Valdemara street 62, Riga, Latvia, LV-1013
Registration number of the custodian bank	40003486767
Members of the Management Board of the investment management company	Angelika Tagel – Chairman of Management Board Olli Heikki Enqvist – Member of Management board Iļja Arefjevs – Member of Management Board
Manager of the investment plan	Anne Leino
Reporting period	From 1 January 2016 till 31 December 2016
Auditors and their address	PricewaterhouseCoopers SIA Licence No. 5 Krišjāņa Valdemāra iela 21-21, Rīga, LV-1010 Latvija Certified auditor in charge: Ilandra Lejiņa Certified auditor Sertification No. 168

PLAN MANAGER'S REPORT

Nordea Active Investment plan's net asset value was at the end of year 2016 was 109 million Euros, and the main reasons for the asset value increase were plan participants' payments and profit from asset management. At the end of year 2016 NAV (Net Asset Value) was 1,9006138 (at the end of year 2015: 1,8460425).

Nordea Active Investment plan can invest up to 50% into equity. At the end of 2016, Nordea Active Investment plan had 45,8% (43,2%) of its assets under management allocated to equity investments, 49,1% (50,3%) to fixed income assets, 1,0% (3,4%) to money market instruments and 4,1% (3,1%) to cash. The investment universe of Nordea Active Investment plan consist mainly of euro denominated instruments. The instruments that the plan uses currently are mainly investment funds.

Nordea Active Investment plan invests globally and does not apply any sector or regional approach to its investments. At the end of 2016 the geographical diversification of assets was following:



Global financial markets have enjoyed the ample liquidity provided by major central banks already several years. It has boosted the performance of risky assets and on the other hand led to fall in interest rates to extreme low levels. More and more speculation, how and when these extreme loose monetary conditions would end emerged during 2016. The US Fed started a difficult path to tighten monetary conditions by raising key policy rates at the very end of 2015. More interest rate increases were expected to take place during 2016, but challenging global environment and surprising political events pulled back these plans and only in mid-December 2016 the Fed was convinced enough to make their next upward move in respect of key interest rates. In other countries, the improvement of economic conditions and growth has been more modest and fragile and the other major central banks have continued easing their monetary policies in order to maintain subtle growth on track. Towards the end of the year, the outlook changed more positive and also European Central Bank announced soft plans to slightly reduce the amount of easing.

Although the central banks didn't provide too surprising actions for the financial markets, the year was far from dull. In the beginning of the year, fears related to economic slowdown in China were in focus. Prices of riskier investments dropped significantly and negative sentiment spread over globally. At the same time, the yields of core Eurozone government bonds fell considerably. The help of major central banks was once again needed to calm down the nervousness of financial markets.

The next test for the markets was the UK referendum just before mid-summer. Britons voted whether to stay in or leave the European Union and the competition on votes was very even and neither side gained clear leading role. The common view was that the UK would stay within the Union. It was a shock to the financial markets when the referendum result was that the UK voted to leave the European Union. This sparked a massive risk-off move in the markets and during the next couple of days risky assets fell substantially. Surprisingly the risk-off sentiment stabilized rather quickly but the consequences of the referendum result are still under speculation. A lot depends on how smoothly the negotiations between EU and UK proceed.

In spite of the Brexit result and the long-term uncertainty attached to that, the third quarter was smoother and positive sentiment spread across the markets. Global economic indicators stabilized and even slightly improved. Concerns over European banking sector were one of the main topics. Some relief was provided by the European Bank Stress tests, which were published at the end of July. During the past years, European banks have been requested to strengthen their capital and most of the banks have passed several stress tests. Overall the European banking sector is in much better shape than earlier, but still there seems to be room for negative surprises.

Perhaps one of the most expected events during the year 2016 were the presidential elections in the USA in November. Even though the competition between the two candidates was tight and tough, it was unexpected that Mr. Trump was finally elected to be the 45. president of the USA. Many of his campaign speeches were considered negative for financial markets, global economy and growth in general. While the hangover after Brexit surprise took about three days, this surprise was over in couple of hours. The US election result and the establishment of Trumponomics sparked a significant divergence across asset classes. Especially US equities performed strongly while bond yields spiked upwards. Threats of increasing protectionism in the USA as well as strengthening US dollar impacted negatively to emerging market assets. The true impacts of Mr. Trump's era as the president of the USA will start to materialize after his inauguration in January 2017.

The one year performance of Nordea Active Investment plan at the end of 2016 was 2,96 % (at the ed of 2015 was 2,16%).

The start of the year was gloomy for equities, but the rest of the year turned out to be successful, but volatile. The best performers were US, Pacific area and global equities. Also investments in Baltic region equities provided good returns. The performance of Japanese equities recovered strongly during the year, but was still on the negative side at the end of the year.

In the beginning of the year, core Eurozone government bonds performed extremely well benefitting from the significant fall in yields. This was mainly due to fears related to slowdown in China, which in turn led to a risk-off sentiment in the financial markets. In the autumn, the trend in the fixed income markets changed when improved economic indicators implied that global growth would finally be more solid. Interest rates rose and impacted the prices of government bonds negatively. Especially after the US presidential elections, interest rates jumped higher in anticipation of stronger economic growth in the USA boosted by the plans of the new president to accelerate infrastructure investments and provide more fiscal stimulus. In spite of the rising rates, investments in government bonds contributed positively to one year performance.

Corporate bonds benefitted from tightened credit spreads during the year and provided positive returns although rising rates at the end of the year reduced their performance. In spite of the difficult beginning of the year, high yield investments managed to provide very good returns. Also investments to emerging market performed positively.

The plan will continue investing in accordance of its investment policy with a well-diversified portfolio and taking into account current low-yielding environment as well as market developments.

After last day of reporting year till signing moment there have not been any significant events that could affect results of annual report of year 2016.

A. Tagel Chairman of the Management Board	I. Arefjevs Member of the Management Board	A. Leino Manager of the plan

16 March 2017

MANAGEMENT'S STATEMENT OF RESPONSIBILITY

The management of JS-IMC Nordea Pensions Latvia is responsible for the preparation of the financial statements for each financial year, ensuring the fair presentation of the financial position as of the year end, and the profit and loss and cash flows for the year then ended.

While preparing the financial statements included on pages 12 to 43 for the period 1 January 2016 till 31 December 2016, management has applied appropriate accounting principles that are based on prudent and reasonable judgments and estimates. In our opinion, all appropriate accounting principles have been consistently applied, including International Financial Reporting Standards as adopted by the European Union and the requirements of the Financial and Capital Market Commission.

The IMJSC management is responsible for maintaining proper accounting records and ensuring compliance of these financial statements with the regulations of the Financial and capital market commission on annual reports of credit institutions.

Management's decisions and approach to the preparation of the financial reports were prudent and reasonable.

On behalf of the management of IPAS „Nordea Pensions Latvia":

A. Tagel Chairman of the Management Board	I. Arefjevs Member of the Management Board

16 March 2017

Nordea Bank AB, registration No 5164060120, legal address: Sweden, Stockholm, 105 71, represented within the Republic of Latvia by Nordea Bank AB Latvia Branch, registration No 40103749473, legal address: Republic of Latvia, LV-1013, Riga, Krisjana Valdemara Street 62; e-mail address: info@nordea.lv, telephone: (+371) 67096096.

Riga
January 19, 2017

Nr. IZ/19.01.17_130791

About Custodian bank duties for the time period from January 1,2016 till December 31, 2016

In accordance with the binding regulative enactments of the Republic of Latvia and Custodian bank Agreement concluded on February 10, 2014, Custodian bank — Nordea Bank AB, registration No 5164060120, legal address: Sweden, Stockholm, 105 71, represented within the Republic of Latvia by Nordea Bank AB Latvia Branch, registration No 40103749473, legal address: Republic of Latvia, LV-1013, Riga, Krisjana Valdemara Street 62, performs Custodian function for 2nd pillar pension investment plan **"Nordea active investment plan"** (hereinafter — the Plan), registration number IPL88-06.03.09/155, service and instalments accounting on the participant level ensured by the State Social Insurance Agency, registration number 90001669496, address: Riga, Lacplesa street 70a, LV-1011, and managed by Asset Manager — IPAS „Nordea Pensions Latvia", registration number 40103170952, address: Riga, Krisjana Valdemara street 62, LV-1013.

The Custodian bank in accordance with the concluded Custodian bank Agreement and in line with the binding regulative enactments of the Republic of Latvia performs following duties:

- opens cash accounts and securities accounts for transferring Plan funds;
- carries out settlements with cash funds;
- ensures execution of transactions with securities;
- carries out other types of operations with Plan funds on the basis of orders of Asset Manager, previously verifying their compliance with the regulative enactments of the Republic of Latvia, Plan framework documents and Custodian bank Agreement;
- ensures safekeeping of securities and other Plan funds.
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The Custodian bank is fully responsible for losses incurred in the event the Custodian bank with a purpose or due to negligence has infringed any provisions of the regulative enactments, Custodian bank Agreement or has performed its duties in a negligent manner.

Taking into account the facts available to Nordea Bank AB Latvia branch, we hereby inform you that:

1. Plan funds are stored in accordance with provisions of the binding regulative enactments of the Republic of Latvia;
2. The calculation of the value of Plan assets complies with the order stipulated in Plan framework documents and the binding regulative enactments of the Republic of Latvia;

Orders of the Assets Manager submitted during the reporting time period regarding transactions with Plan property comply with the concluded Custodian bank Agreement, Plan framework documents and the binding regulative enactments of the Republic of Latvia.

Jānis Buks
Head of Nordea AB Latvia Branch

G.Ērgle +371 67 005 823
Gundega.Ergle@nordea.com

Translation from Latvian original*

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of the State funded pension scheme investment plan "Nordea aktīvais ieguldījumu plāns"

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements set out on pages 12 to 43 of the accompanying annual report give a true and fair view of the financial position of the State funded pension scheme investment plan "Nordea aktīvais ieguldījumu plāns" (Plan) as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

What we have audited

The financial statements comprise:

- statement of assets and liabilities as at December 31, 2016,
- statement of income and expenses the year then ended,
- statement of changes in net assets for the year then ended,
- statement of cash flows for the year then ended, and
- notes to the financial statements which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Plan in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements and auditor's independence rules that are relevant to our audit of the financial statements in the Republic of Latvia. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Reporting on Other Information

Management is responsible for the other information. The other information comprises

- the Plan Manager's Report, as set out on pages 4 to 6 of the accompanying Annual Report,
- the Statement on Responsibility of the Board of the Investment Management Company, as set out on page 7 of the accompanying Annual Report,
- Custodian Bank Report, as set out on page 8 of the accompanying Annual Report,

but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia* section of our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Plan's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Plan's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Plan to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia

In addition, in accordance with the Law on Audit Services with respect to the Plan Manager's Report, our responsibility is to consider whether the Plan Manager' Report is prepared in accordance with the requirements of the Financial and Capital Market Commission Regulation No. 120 "Regulations on the preparation of annual reports of state-funded pension scheme investment plans".

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Plan Manager's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Plan Manager's Report has been prepared in accordance with the requirements of the Financial and Capital Market Commission Regulation No. 120 ""Regulations on the preparation of annual reports of state-funded pension scheme investment plans".

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5

Ilandra Lejiņa
Certified auditor in charge
Certificate No.168
Member of the Board

Riga, Latvia
20 March 2017

* This version of our report 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 our report takes precedence over this translation.

ASSETS AND LIABILITIES

ASSETS	Note	31.12.2016 EUR	31.12.2015 EUR
Deposits on demand due from credit institutions	3	5 599 222	3 264 614
Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss	4.3	103 885 933	79 858 736
Loans to financial institutions	4.1	-	1 908 114
Financial assets held to maturity	4.2	1 076 542	3 511 681
Total financial investments		**110 561 697**	**88 543 145**
Total assets		**110 561 697**	**88 543 145**
LIABILITIES			
Accrued expenses	6	(1 055 168)	(515 414)
Total liabilities		**(1 055 168)**	**(515 414)**
NET ASSETS		**109 506 529**	**88 027 731**

The accompanying notes on pages 16 - 43 are an internal part of these financial statements.

On behalf of the management of IPAS „Nordea Pensions Latvia":

A. Tagel
Chairman of the Management Board

I. Aretjevs
Member of the Management Board

16 March 2017

INCOME AND EXPENSES

	Note	2016 EUR	2015 EUR
INCOME			
Interest income on deposits on demand due from credit institutions		76 441	83 787
Interest income on debt securities		112 365	152 493
Dividends		527 111	514 041
Other income		17 281	6 362
Total income	7	**733 198**	**756 683**
EXPENSES			
Management fee		(1 812 967)	(1 135 639)
Custodian fee		(115 889)	(94 689)
Other expenses		(302)	(485)
Total expenses	8	**(1 929 158)**	**(1 230 813)**
INCREASE IN VALUE OF INVESTMENT PORTFOLIO			
Income from realization of investments during reporting period	4.3	28 127 499	5 303 187
Cost of investments realized during reporting period	4.3	(22 723 680)	(4 227 653)
Profit from realized investments		**5 403 819**	**1 075 534**
Loss in the value of realized investments recognized in previous accounting periods	4.3	(4 446 398)	(791 611)
Realized increase in the value of investments		**957 421**	**283 923**
Unrealized increase in the value of investments	4.3	3 425 861	1 173 118
Total increase in the value of investments		**4 383 282**	**1 457 041**
(Loss)/ Gains from foreign currency revaluation		(17 789)	166 340
INCREASE IN NET ASSETS RESULTING FROM INVESTMENT		**3 169 533**	**1 149 251**

The accompanying notes on pages 16 - 43 are an internal part of these financial statements.

On behalf of the management of IPAS „Nordea Pensions Latvia":

A. Tagel Chairman of the Management Board	I. Arefjevs Member of the Management Board

16 March 2017

STATEMENT OF CHANGES IN NET ASSETS

	2016 EUR	2015 EUR
Net assets at the beginning of the reporting period	**88 027 731**	**66 616 254**
Increase in net assets resulting from investment	3 169 533	1 149 251
Transfers from VSAA	28 925 178	27 998 607
Transfers to VSAA	(10 615 913)	(7 736 381)
Net increase during the reporting period	**21 478 798**	**21 411 477**
Net assets at the end of the reporting period	**109 506 529**	**88 027 731**
Total amount of investment plan shares issued at the beginning of the reporting period	47 684 563	36 865 199
Total amount of investment plan shares issued at the end of the reporting period	57 616 403	47 684 563
NAV at the beginning of the reporting period	**1.8460425**	**1.8070228**
NAV at the end of the reporting period	**1.9006138**	**1.8460425**

The accompanying notes on pages 16 - 43 are an internal part of these financial statements.

On behalf of the management of IPAS „Nordea Pensions Latvia":

A. Tagel
Chairman of the Management Board

I. Arefjevs
Member of the Management Board

16 March 2017

STATEMENT OF CASH FLOWS

	Note	2016 EUR	2015 EUR
Cash flows from operating activities			
Increase in net assets resulting from investment		3 169 533	1 149 251
Increase in investment value	11	(1 882 730)	(1 641 052)
Increase in accrued expenses		539 754	417 382
Net cash flows before changes in operating assets and liabilities		**1 826 557**	**(74 419)**
Increase in investments classified as financial assets at fair value through profit or loss	11	(47 935 181)	(24 502 938)
Repayment of loans from financial institutions	11	1 984 555	-
Investments sold classified as financial assets at fair value through profit or loss	11	28 149 412	5 241 936
Net cash flows from operating activities		**(15 974 658)**	**(19 335 421)**
Cash flows from financing activities			
Transfers from VSAA		28 925 178	27 998 607
Transfers to VSAA		(10 615 913)	(7 736 381)
Net cash flows from financing activities		**18 309 265**	**20 262 226**
Increase in cash and cash equivalents		**2 334 607**	**926 805**
Cash and cash equivalents at beginning of the financial year		3 264 614	2 337 809
Cash and cash equivalents at end of the financial year	3	**5 599 222**	**3 264 614**

The accompanying notes on pages 16 - 43 are an internal part of these financial statements.

On behalf of the management of IPAS „Nordea Pensions Latvia":

A. Tagel
Chairman of the Management Board

I. Arefjevs
Member of the Management Board

16 March 2017

NOTES TO THE FINANCIAL STATEMENTS

1. Significant accounting policies

'Ieguldījumu pārvaldes akciju sabiedrība "Nordea Pensions Latvia"' managed investment plan 'Nordea aktīvais ieguldījumu plāns' (hereinafter Plan) is registered at 'Financial and Capital Markets Commission' in accordance with the Law on State Funded Pensions of the Republic of Latvia (hereinafter Law).

The aim of the investment plan is to provide long term growth of state funded pensions' scheme assets in accordance with regulations.

Plan management functions are performed by „Ieguldījumu pārvaldes akciju sabiedrība „Nordea Pensions Latvia" (hereinafter: Plan Manager), the plan administration functions have been delegated to Anne Leino, who is the plan manager. The custodian bank of the Plan is Nordea Bank AB Latvian branch. The Plan Manager administers state-funded pension scheme assets of the plan in accordance with the "Regulations on the State-funded pension scheme's operation" and the plan prospectus.

Plan prospectus can be found on Nordea website. www.nordea.lv.

The value of Plan's net assets and the value of Plan's unit

Net assets of the Plan are calculated according to the Law and other regulatory enactments. The value of Plan's net assets is the difference between Plan's assets and liabilities. Plan's unit value is determined by dividing the value of Plan's net assets at the date of estimation with the number of units registered in the Plan. Value of Plan's net assets and Plan's unit value is determined at the end of each working day at 17:00. The Plan's unit value is expressed in euro, rounded to seven decimal places. Initially the Plan's unit value was set to equal 1.00 lats (1.4228718 eiro).

Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (hereinafter IFRS) and their interpretations and in accordance with regulations of the FCMC in force as at the reporting date.

The Statement of financial position falls under Assets and liabilities in the financial statements of the Plan and Statement of comprehensive income falls under Income and expenses.

The Company's board approved this Annual report on 16 March 2017. Shareholders of the Company have rights to change the reports.

Basis for preparation of the financial statements

The financial statements of the Plan have been prepared on the historical cost basis except for the following financial instruments:

- Financial instruments at fair value through profit or loss are stated at fair value.

These financial statements have been prepared in the functional currency of the Plan, the euro (EUR), unless stated otherwise.

The financial statements are prepared under the principle of succession, which contemplates that the current period's financial statements comply with the accounting principles used during the previous reporting period.

26. The International Accounting Standard (hereinafter - IAS) are not suitable for the preparation of financial statements, as the plan is part of the State established a pension system. The plan has no information about the owners of the funds received and administered by it and does not have access to pension cost calculations. Cash receipts amount depends on the members of the state social insurance contributions.

Changes in accounting policy

The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and their interpretations as required by the FCMC regulations in force as at the reporting date. Taking into consideration the European Union IFRS adoption procedure, this Note includes also standards and interpretations that were not endorsed by the European Union, as such standards and interpretations may have a material effect on the Plan's financial statements in future periods. The financial statements are denominated in the Latvian national currency (EUR), unless otherwise stated. The financial statements of the Plan have been prepared on the historical cost basis. Where required the Plan's Manager used judgement and assumptions in order to prepare their financial statements in accordance with IFRS.

Adoption of new and revised standards and interpretations

The following new and amended IFRS and interpretations became effective in 2016.

The following new and amended IFRS and interpretations became effective in 2016, but have no significant impact on these financial statements:

- Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" – regarding bearer plants (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IAS 27 "Separate Financial Statements" - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IAS 1 "Presentation of financial statements" regarding disclosure initiative (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IFRS 10 "Consolidated financial statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in associates and joint ventures" – Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016).

Annual improvements to IFRS's 2014 (effective for annual periods beginning on or after 1 January 2016). The amendments include changes that affect 4 standards:

- IFRS 5 "Non-current assets held for sale and discontinued operations",
- IFRS 7 "Financial instruments: Disclosures" with consequential amendments to IFRS 1,
- IAS 19 "Employee benefits", and
- IAS 34 "Interim financial reporting".

Amendments to IAS 19 "Employee benefits plans" regarding defined benefit plans (effective for annual periods beginning on or after 1 February 2015).

Annual improvements to IFRS's 2012 (effective for annual periods beginning on or after 1 February 2015). These amendments include changes that affect 6 standards:

- IFRS 2 "Share-based payment",
- IFRS 3 "Business Combinations",
- IFRS 8 "Operating segments",
- IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets", and
- IAS 24 "Related party disclosures".

Certain new standards and interpretations have been published that become effective for the accounting periods beginning on 1 January 2017 or later periods or are not yet endorsed by the EU:

IFRS 9 "Financial instruments" (effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018);

- IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019, not yet endorsed in the EU);
- Amendments to IAS 12 "Income taxes" - recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017, not yet endorsed in the EU);
- Amendments to IAS 7 "Statement of Cash Flows" – Disclosure initiative (effective for annual periods beginning on or after 1 January 2017, not yet endorsed in the EU);
- Amendments to IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU);
- Amendments to IFRS 2 "Share-based Payment" (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU);
- Amendments to IFRS 4 "Insurance Contracts" – Applying IFRS 9 "Financial statements" with IFRS 4 "Insurance contracts" (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU);

Annual improvements to IFRS's 2016. The amendments include changes that affect 4 standards:

- IFRS 12 "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2017, not yet endorsed in the EU),
- IFRS 1 "First-time Adoption of International Financial Reporting Standards" (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU), and
- IAS 28 "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU).

IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU);

- Amendments to IAS 40 "Investment Property" - Transfers (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU).

Management of the Plan has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Group and the Bank anticipates that the adoption of all other standards, revisions and interpretations will have no material impact on the financial statements of the Group and the Bank in the period of initial application, except for IFRS 9, where the impact was not yet estimated.

Accounting for income and expenses

All income and expense items, including interest income and interest expense are recognized on an accrual basis.

Interest income and expenses are recognized in the statement of income and expenses, taking into account the asset / liability effective interest rate.

Accrued discounts and premiums are recognized according to the effective interest rate method.

The effective interest method is a financial asset or financial liability at amortized cost method of calculation based on a percentage of revenue and expenses during the period. The effective interest rate is the rate that estimated future cash receipts or payments are accurately discounted at the financial instrument the expected lifetime or, where appropriate, a shorter period until the financial asset or financial liability at net book value. When calculating the effective interest rate plan management estimates the cash flows of a financial instrument based on the contractual terms, but does not consider future credit losses. The calculation includes all payments made or received between the contracting parties and effective interest rate is an integral part of the transaction costs and other premiums or discounts.

Other fees, commissions and other income and expense are recognized in the period in which the service is provided.

Total fee for Plan's management (in per cent of the market value of the Plan's assets):

Type of fee:	Amount of fee (rate per annum)
Fixed part of the fee:	1.00%
-fee to asset manager	0.88%
-fee to custody bank	0.12%
Variable part of the fee	1.00%
Total	**2.00%**

As of January 1, 2015 Plan's Management fee consists of:

- Fixed part which is 1% of the market value of the Plan's assets per annum and comprises fees to asset manager, custody bank and third persons except expenses related to transactions with Plan's assets; Fixed part is calculated daily and withheld monthly;
- Variable part of the fee is a compensation the asset manager for the performance of the investment plan and its amount depends on the yield of the investment plan. Variable part is not paid if the yield in the calendar year has been negative or has not exceeded the reference index. Variable part is calculated daily and withheld once per year.

Financial instruments

A financial asset or liability is initially valued at fair value plus transaction costs that are directly attributable to the purchase of the asset or liability, unless the financial asset or liability is classified as financial asset or financial liability at fair value through profit or loss, when the transaction costs are not added. The subsequent accounting is described below. Financial instruments are classified into the following categories:

- Financial assets at fair value through profit or loss

  Financial assets and liabilities at fair value through profit or loss are financial assets and liabilities that are:

  - purchased or acquired to be traded or repurchased in the near future;
  - part of a portfolio that includes financial instruments that are managed together and for which there is evidence of short-term profit in the recent past;
  - derivatives (except when they are used for hedging purposes);
  - after initial reckognition classified at fair value through profit or loss.

  All related realized and unrealized gains or losses are included in income and expenses. Purchase and sales of securities held for trading are recognizrd on the settlement date.

- Investments held to maturity

  Investments held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Plan intends to and is able to hold to maturity. This category includes state and municipal debt securities with fixed income.

  Investments held to maturity are measured at amortized purchase value, less provision for impairment losses, if any. Interest earned on these securities is reported as interest income.

  Amortized purchase value is calculated using the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the related instrument's accounting value and amortized based on the effective interest rate.

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that:

- The company is going to sell in the near future;
- The company initially classified financial assets at fair value through profit or loss;
- The company initially classified as financial assets available for sale;
- The Company may not recover for other reasons unrelated to credit risk.

Loans and receivables are measured at amortized purchase value, less provision for for impairment, if any. Interest earned on these instruments is recognized in interest income using the effective interest rate method.

Valuation of financial instruments at fair value

Fair value of financial assets and liabilities reflects the amount for which an asset could be exchanged or a liability cleared on the basis of generally accepted principles between well informed, willing parties in an arm's length transaction.

Fair value is the amount of money received for the sale of an asset or paid for a transfer of a liability at a normal transaction at the valuation date and conducted between market participants in base market or, if there is not any, in the most cost-effective market which the Plan has access to at that date. Fair value reflects the risk of default.

At initial recognition, the financial instrument of the best evidence of fair value is the transaction price, i.e., consideration given or received fair value unless the fair value of that instrument is evidenced by comparison with other observable current market transactions carried out with the same instrument (i.e., without modification or repackaging) or the fair value of the instrument is not based on a valuation technique whose variables include only data from observable markets. When initial recognition of the transaction price provides the best evidence of fair value, financial instruments are initially recognized at the transaction price and the difference between that price and the value initially obtained from a valuation model, is recognized in profit or loss, depending on the transaction individual facts and circumstances, but not later than when the valuation is justified by market data, or the transaction is completed.

In the future, as well as when the transaction price does not reflect the fair value of the asset, whenever possible, the Plan estimates the fair value using an active market for that financial instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions carried out in accordance with free market principles.

If the market for a financial instrument is not active, the Plan establishes fair value by using a valuation technique. Valuation techniques include using recent arm's-length market transactions between knowledgeable, willing parties for instruments that are similar in substance to the one for which they need to establish a value, as well as current fair value, discounted cash flow analysis and option pricing models.

The chosen valuation technique makes maximum use of market inputs, relies as little as possible on entity-specific data, incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. The fair value derived from financial assets and liabilities not assessed at fair value is estimated using discounted cash flow techniques based on estimated future cash flows and discount rates for similar instruments at the reporting date.

The Plan determines the fair value using the following fair value hierarchy that reflects the assessment of the data sources:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level 3 - inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Valued financial assets at fair value

The table below analyses financial instruments at fair value using a fair value hierarchy that reflects the assessment of the data sources:

2016, EUR	Accounting value	Fair value 1st level
Financial assets		
Shares of investment funds	103 885 933	103 885 933

2015, EUR	Accounting value	Fair value 1st level
Financial assets		
Shares of investment funds	79 858 736	79 858 736

Undervalued financial assets at fair value

The following table provides the fair value of undervalued financial instruments:

2016, EUR	Accounting value	Fair value 2nd level
Financial assets		
Deposits on demand due from credit institutions	5 599 222	5 599 222
Government and municipal debt securities with fixed income	1 076 542	1 362 353
Financial liabilities		
Accrued expenses	(1 055 168)	(1 055 168)

2015, EUR	Accounting value	Fair value 2nd level
Financial assets		
Deposits on demand due from credit institutions	3 264 614	3 264 614
Deposits in credit institutions	1 908 114	1 908 114
Government and municipal debt securities with fixed income	3 511 681	3 511 681
Financial liabilities		
Accrued expenses	(515 414)	(515 414)

Following assessment methods and major unobserved data were used to define 2nd level fair value:

Form	Assessment method
Deposits on demand due from credit institutions	Fair value corresponds to the cash flow value
Deposits in credit institutions	Fair value defined by using a discounted cash flow method with a rate of 5.28%
Government and municipal debt securities with fixed income	Fair value defined by using a discounted cash flow method with a rate ranges from 1% to 4%
Accrued expenses	Fair value corresponds to the cash flow value

Derivative instruments

Within activities the Plan may enter into foreign exchange swap contracts. Any gain or loss arising from changes in exchange rate after the transaction was concluded is recognized in income and expenses.

Impairment of financial assets

On each reporting date the Company assesses whether there is objective evidence that a financial asset or group of assets is impaired. A financial asset or group of financial assets is impaired and incurred an impairment loss when there is objective evidence that the asset is impaired for one or more injurious events that occurred after the initial recognition of assets, and these events have an impact on the estimated future cash flows that can be reliably estimated.

If there is objective evidence that an impairment loss has been incurred on loans and receivables carried at amortised cost or on investments held to maturity, the amount of the loss is measured as the difference between the asset's carrying amount and the estimated present value of future cash flows. Present value of future cash flows is the sum of discounted future cash flows.

The carrying amount of the asset is reduced through the use of an allowance and the increase/decrease in the amount of the impairment loss is recognised in the statement of comprehensive income.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or if the Plan has transferred substantially all the risks and rewards. Financial liabilities are derecognised when they are cleared, i.e. when the obligation is repaid, canceled or expired.

Assessment and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under circumstances, which generally form the basis for decisions on valuation of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are regularly inspected. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty:

(i) Impairment of financial instruments
(ii) Fair value estimation of financial instruments

Cash and cash equivalents

Cash and cash equivalents consist of cash accounts and highly liquid financial assets with original maturities of less than three months and used by the Plan to cover short-term commitments. Statement of cash flows is managed by indirect method

Foreign currency transactions

Transactions in foreign currencies are converted to the functional currency, the euro, using the European Central Bank rate on the day of the transaction. Foreign currency denominated monetary assets and liabilities at the reporting date are converted to the functional currency using the European Central Bank foreign exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for the recognized interest income/expense during the reporting period using the effective interest rate method and incoming/outgoing payments, and the amortized cost in foreign currency converted at the end of the period using the European Central Bank foreign exchange rate. Foreign currency denominated non-monetary assets and liabilities that are measured at fair value are converted to the functional currency using the exchange rate of the day of the determination of the fair value. Profit or losses arising from the fluctuations in foreign exchange rates are recognized in the statement of comprehensive income. At the reporting date foreign currency denominated monetary assets and liabilities are converted to euros using the following exchange rates:

	31.12.2016.	**31.12.2015.**
SEK	9.5525	9.1895
USD	1.0541	1.0087

Taxes

The Plan is not subject to corporate income tax in the Republic of Latvia.

2. Risk management

Plan's investments are subject to various risks that may affect the Plan's unit value and profitability. The performance of the Plan may be positive or negative, as a result the investment amount nor capital appreciation cannot be guaranteed to the participants of the Plan. Key risks associated with Plan's investments are listed below.

Market risk is the risk that financial instruments' market value fluctuations could adversely affect the value of the plan assets. In order to reduce market risk, sufficient information is gained regarding past or future investments and investments are diversified, and derivative instruments may be used.

Market price sensitivity analysis

Changes in market prices of securities directly affect the income of the Plan. The investment plan manger performs investment analysis and invests Plan's assets according to investment limitations, thereby reducing potential ill effects resulting from decreasing of market price of a security.

The plan manager is diversifying the investments of the Plan outside of a particular geographical area or economic sector.

The following table demonstrates implications caused by changes in market value of investment funds the Plan has invested in, assuming all other factors do not change. Volatility (+5 %; -5 %) of fair value estimates is based on historical data on price fluctuations.

	Impact on net assets caused by market value increase (+5%), EUR	Impact on net assets caused by market value decrease (-5%), EUR
	31.12.2016	**31.12.2016**
Shares of investment funds and shares of alternative investment funds	5 194 297	(5 194 297)
	31.12.2015	**31.12.2015**
Shares of investment funds and shares of alternative investment funds	3 992 937	(3 992 937)

Credit risk is the risk that the issuer of capital or debt security included in Plan assets or the partner of transaction performed on the account of Plan could partially or fully not fulfil their liabilities (e.g., the issuer is not able to repurchase its emitted debt securities by maturity). In order to reduce credit risk, diversification of Plan's investments is performed and, if possible, priority is given to issuers and transaction partners with lower credit risk.

Settlement risk is the risk that the transaction may be not settled on time or in full amount because the counterparty has not fulfilled its liabilities on time or full amount. In order to reduce settlement risk, trading is usually performed on regulated markets, which are operated according to the principle of "delivery versus payment".

Liquidity risk is the risk that a purchase, sale or other type of transaction with Plan's assets is not performed at fair value of the underlying security and in due term. In order to reduce liquidity risk, diversification of Plan's investments is performed. A part of Plan's assets may be allocated in term deposits in credit institutions, short term debt securities and securities with high liquidity. In order to reduce liquidity risk, derivatives may also be used. Plan's net asset duration distribution is provided in Note 10.

Foreign exchange risk is the risk that unfavourable currency exchange rate could influence the value of Plan's assets negatively. In order to reduce the risk of foreign currency, diversification of Plan's investments is performed by investing in different countries and by using derivatives.

Foreign exchange sensitivity analysis
Currency structure of Plan's net assets is provided in Note 9.

Custodian bank risk is the risk to partially or fully lose Plan's assets held by the Custodian bank due to insolvency, bankruptcy, negligence or wilful action by the Custodian bank. In order to reduce Custodian bank risk, the Plan chooses the Custodian bank carefully. For example, a supervised and financially stable credit institution is being chosen as the Custodian bank.

Interest rate risk is the risk that changes in interest rates would cause an impact on Plan's income or expenses, or its financial instrument portfolio value.

Plan's assets and liabilities and cash flows are subject to fluctuations in market interest rates. Changes in market interest rates may cause income to increase, but also to decrease.

Sensitivity of financial assets at fair value through profit or loss is impossible to determine, because the investment portfolio includes investment fund shares. Market price sensitivity analysis has been performed on this portfolio. Deposits on demand in credit institutions are non-interest bearing.

Interest rate risk on the Plan is analysed in Note 14.

The following table shows the sensitivity of the discounted cash flow value of deposits in credit institutions and Government and municipal debt securities with fixed income to a reasonably possible change in market prices, with all other variables held constant. Changes in fair value fluctuations (+5%, -5%) are determined based on historical information on the fluctuations in the price:

2016, EUR

	Influence of market price increase (+5%) on net assets EUR	Influence of market price decrease (-5%) on net assets EUR
Deposits in credit institutions	-	-
Government and municipal debt securities with fixed income	53 827	(53 827)

2015, EUR

	Influence of market price increase (+5%) on net assets EUR	Influence of market price decrease (-5%) on net assets EUR
Deposits in credit institutions	95 406	(95 406)
Government and municipal debt securities with fixed income	175 584	(175 584)

Issuer risk is the risk of an unfavourable change of a separate security's market price arising from unfavourable conditions that depend on the issuer (e.g., due to mismanagement of issuer). In order to reduce issuer risk, diversification of Plan's investments is performed and activity of issuers is carefully analysed.

Inflation risk is the risk that Plan's real value of its assets may decrease as a result from inflation. In order to control inflation risk, Plan's assets may be invested in instruments hedged against inflation.

Political risk is the risk that adverse events could happen in countries where Plan's investments are allocated (such as changes in legal environment), affecting Plan's asset value. In order to decrease political risk, Plan's assets are allocated to multiple countries and regions, and events are analysed from countries where Plan's assets are allocated to.

Other risks include force majeure (natural disasters, state of war, strikes, communication and information systems failure), cash flow risk, legal, information, state governance risk and similar risks.

Managing the Plan, the Plan's manager acts in interests of Plan's participants and tries to effectively manage aforementioned risks, however does not warrant the risk of not occurring.

3. Deposits on demand due from credit institutions

31.12.2016	Currency code	Accounting value EUR	Share in assets, %
Account balances at Nordea Bank AB Latvia branch	EUR	5 547 613	5.02
Account balances at Nordea Bank Finland PLC	EUR	51 609	0.05
Total		**5 599 222**	**5.07**

31.12.2015	Currency code	Accounting value EUR	Share in assets, %
Account balances at Nordea Bank AB Latvia branch	EUR	3 232 804	3.65
Account balances at Nordea Bank Finland PLC	EUR	31 810	0.04
Total		**3 264 614**	**3.69**

4. Financial investments

4.1 Deposits in credit institutions

31 December 2015, EUR	Currency code	Purchase value EUR	Accrued interest EUR	Accounting value EUR	Share in assets, %
Nordea Bank AB Latvia branch	EUR	782 581	171 476	954 057	1.08
Nordea Bank AB Latvia branch	EUR	782 581	171 476	954 057	1.08
Total		**1 565 162**	**342 953**	**1 908 114**	**2.16**

4.2 Financial assets held to maturity

31 December 2016, EUR	Currency code	Amount	Purchase value EUR	Accounting value EUR	Share in assets, %
Latvian Government bond LV0000580041	EUR	8 750 662	91 247	94 330	0.09
Latvian Government bond LV0000580041	EUR	15 068 212	160 708	163 987	0.15
Latvian Government bond LV0000580041	EUR	35 571 795	381 846	388 288	0.35
Latvian Government bond LV000580058	EUR	42 686 154	425 215	429 937	0.39
Total			**1 059 016**	**1 076 542**	**0.98**

31 December 2015, EUR	Currency code	Amount	Purchase value EUR	Accounting value EUR	Share in assets, %
Latvian Government bond LV0000580041	EUR	8 750 662	91 247	94 714	0.11
Latvian Government bond LV0000580041	EUR	15 068 212	160 708	165 028	0.19
Latvian Government bond LV0000580041	EUR	35 571 795	381 846	391 037	0.44
Latvian Government bond LV0000580058	EUR	42 686 154	425 215	429 772	0.49
Latvian Government bond LV0000570091	EUR	83 664 862	838 961	851 094	0.96
Latvian Government bond LV0000570091	EUR	116 817 776	1 171 359	1 188 343	1.34
Latvian Government bond LV0000570091	EUR	38 531 369	384 047	391 694	0.44
Total			**3 453 383**	**3 511 681**	**3.97**

4.3 Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss

31 December 2016, EUR	Amount	Currency	Accounting value, EUR	Purchase value, EUR	Share in assets, %
db x-trackers II iBoxx Sovereigns Eurozone 7-10	11 758	EUR	3 010 989	2 855 000	2.72
db x-trackers II iBoxx Sovereigns Eurozone 5-7	10 212	EUR	2 388 280	2 251 544	2.16
db x-trackers II Global Sovereign UCITS ETF (DE)	20 480	EUR	4 626 637	4 338 826	4.18
db x-trackers MSCI Europe Index UCITS ETF (DR)	174 089	EUR	8 976 029	8 105 167	8.12
iShares EURO STOXX 50 UCITS ETF (DE)	72 789	EUR	2 407 860	2 273 639	2.18
Nordea 1 - Global Stable Equity Fund BI	227 437	EUR	3 877 800	2 666 693	3.51
iShares S&P 500 UCITS ETF (Dist)	147 929	EUR	3 150 296	1 333 211	2.85
iShares Core Euro Corporate Bond UCITS ETF	7 949	EUR	1 034 324	1 009 776	0.94
Nordea 1 SICAV - US Corporate Bond Fund HBI-EUR	279 536	EUR	2 842 878	2 638 010	2.57
iShares Euro Corporate Bond ex-Financials 1-5yr	8 887	EUR	979 881	925 959	0.89
iShares Euro Corporate Bond ex-Financials UCITS	29 068	EUR	3 418 978	3 262 833	3.09

iShares Euro Corporate Bond 1-5yr UCITS ETF	14 509	EUR	1 605 131	1 565 927	1.45
db x-trackers DAX UCITS ETF (DR)	11 274	EUR	1 264 717	765 646	1.14
iShares MSCI North America	84 838	EUR	3 429 152	2 019 478	3.10
db x-trackers MSCI Pacific ex Japan Index UCITS	69 462	EUR	3 222 342	2 738 651	2.91
iShares Euro Covered Bond UCITS ETF	53 911	EUR	8 364 831	8 322 364	7.57
iShares MSCI Japan EUR Hedged UCITS ETF	48 808	EUR	2 138 278	2 172 058	1.93
iShares Euro Corporate Bond Interest Rate Hedged	16 867	EUR	1 639 978	1 721 696	1.48
Nordea 1 - European Covered Bond Fund	97 387	EUR	1 324 466	1 230 000	1.20
Nordea 1 - European High Yield Bond Fund BI-EUR	94 770	EUR	3 178 602	2 736 852	2.87
AXA IM FIIS US Short Duration High Yield	6 119	EUR	1 018 752	799 998	0.92
iShares Euro High Yield Corporate Bond UCITS ETF	10 336	EUR	1 099 750	1 101 057	0.99
Nordea 1 Global High Yield Bond fund	341 615	EUR	3 795 342	3 486 109	3.43
iShares J.P. Morgan $ Emerging Markets Bond UCITS	59 868	EUR	6 219 687	5 867 752	5.63
Evli Euro Liquidity	43 226	EUR	1 080 984	1 004 707	0.98
iShares Global Government Bond UCITS ETF	31 244	EUR	3 066 911	3 007 905	2.77
East Capital Baltic Fund	54 698	EUR	596 051	505 849	0.54
iShares MSCI AC Far East ex-Japan	101 829	EUR	4 102 690	4 234 142	3.71
iShares MSCI World EUR Hedged UCITS ETF	157 451	EUR	6 897 928	6 556 505	6.24
iShares S&P 500 EUR Hedged UCITS ETF	105 905	EUR	5 448 812	5 155 110	4.93
EFTEN KInnisvarafond II AS	198 989	EUR	2 210 231	2 019 917	2.00
EFTEN KInnisvarafond II AS	219 142	EUR	2 434 076	2 280 085	2.20
OHA S.C.A. SICAV-SIF, U.S. Senior Loan Fund	3 000	EUR	3 033 270	3 000 000	2.74
Total financial instruments classified as financial assets or financial liabilities at fair value through profit or loss:			**103 885 933**	**93 952 466**	**93.94**

31 December 2015, EUR	Amount	Currency	Accounting value, EUR	Purchase value, EUR	Share in assets, %
db x-trackers II iBoxx Sovereigns Eurozone 7-10	1 986	EUR	490 244	342 636	0.55
iShares Euro Government Bond 7-10yr UCITS ETF	576	EUR	117 135	90 124	0.13
db x-trackers II iBoxx Sovereigns Eurozone 5-7	2 471	EUR	565 390	430 159	0.64
db x-trackers II iBoxx Sovereigns Eurozone 1-3	1 660	EUR	281 652	255 960	0.32
db x-trackers II iBoxx Sovereigns Eurozone 3-5	3 527	EUR	705 682	606 213	0.80
iShares eb.rexx Government Germany UCITS ETF (DE)	5 842	EUR	828 454	804 646	0.94
db x-trackers II Global Sovereign UCITS ETF (DE)	20 480	EUR	4 523 622	4 338 826	5.11
db x-trackers MSCI EM Asia Index UCITS ETF	58 593	EUR	1 923 022	1 751 293	2.17
db x-trackers MSCI World Index UCITS ETF	119 860	EUR	4 923 849	3 887 058	5.56
db x-trackers MSCI Europe Index UCITS ETF (DR)	158 080	EUR	7 995 686	7 342 405	9.03
db x-trackers MSCI USA Index UCITS ETF	70 792	EUR	3 443 323	1 590 764	3.89
iShares EURO STOXX 50 UCITS ETF (DE)	50 036	EUR	1 655 941	1 532 946	1.87
Nordea 1 - Global Stable Equity Fund BI	227 437	EUR	3 627 619	2 666 693	4.10
iShares S&P 500 UCITS ETF (Dist)	147 929	EUR	2 796 006	1 333 211	3.16
iShares MSCI Europe UCITS ETF (Dist)	102 141	EUR	2 334 943	1 943 508	2.64
db x-trackers MSCI AC Asia ex Japan Index UCITS ET	33 459	EUR	968 303	904 390	1.09
iShares Core Euro Corporate Bond UCITS ETF	8 160	EUR	1 031 669	948 561	1.17
iShares Euro Corporate Bond Large Cap UCITS ETF	7 759	EUR	1 020 386	942 034	1.15
Lyxor ETF Euro Corporate Bond	3 928	EUR	552 670	449 900	0.62
db x-trackers II iBoxx Germany Covered UCITS ETF	17 160	EUR	3 321 146	3 144 356	3.75
Nordea 1 SICAV - US Corporate Bond Fund HBI-EUR	279 536	EUR	2 742 245	2 638 010	3.10
iShares Euro Corporate Bond ex-Financials 1-5yr	8 887	EUR	963 795	925 959	1.09
iShares Euro Corporate Bond ex-Financials UCITS	11 406	EUR	1 298 231	1 180 866	1.47

iShares Euro Corporate Bond 1-5yr UCITS ETF	6 204	EUR	676 546	655 088	0.76
db x-trackers DAX UCITS ETF (DR)	11 274	EUR	1 190 083	765 646	1.34
East Capital Baltic Fund	97 585	SEK	531 493	487 909	0.60
iShares MSCI North America	84 838	EUR	3 034 655	2 019 478	3.43
db x-trackers MSCI Pacific ex Japan Index UCITS	43 277	EUR	1 813 306	1 547 465	2.05
Lyxor Eur Corporate Bond ex-financials	9 710	EUR	1 239 190	1 110 989	1.40
iShares Euro Covered Bond UCITS ETF	32 373	EUR	4 979 291	4 934 067	5.62
iShares MSCI Japan EUR Hedged UCITS ETF	39 602	EUR	1 786 050	1 821 711	2.02
iShares Euro Corporate Bond Interest Rate Hedged	16 867	EUR	1 648 749	1 721 696	1.86
Nordea 1 - European Covered Bond Fund	97 387	EUR	1 267 007	1 230 000	1.43
Nordea 1 - European High Yield Bond Fund BI-EUR	94 770	EUR	2 940 728	2 736 852	3.32
AXA IM FIIS US Short Duration High Yield	6 119	EUR	976 164	799 998	1.10
iShares Euro High Yield Corporate Bond UCITS ETF	12 149	EUR	1 247 763	1 294 198	1.41
Nordea 1 Global High Yield Bond fund	126 784	EUR	1 269 109	1 166 109	1.43
db x-trackers II Emerging Markets Liquid Eurobond	5 483	EUR	1 632 179	1 510 359	1.84
iShares J.P. Morgan $ Emerging Markets Bond UCITS	20 931	EUR	2 024 028	1 873 785	2.29
Evli Euro Liquidity	43 226	EUR	1 071 561	1 004 707	1.21
iShares Global Government Bond UCITS ETF	25 669	EUR	2 419 817	2 457 382	2.73
Total financial instruments classified as financial assets or financial liabilities at fair value through profit or loss:			**79 858 736**	**69 187 957**	**90.19**

Unrealized increase in the value of investments

	2016 EUR	2015 EUR
Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss	3 425 861	1 173 118
Total	**3 425 861**	**1 173 118**

Realized increase in the value of investments

2016, EUR	**Income from realization of investments during reporting period** **EUR**	**Cost of investments realized during reporting period** **EUR**	**Decrease in value of investments sold which have been acknowledged in the previous reporting periods** **EUR**
Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss	28 127 499	(22 723 680)	(4 446 398)
Total	**28 127 499**	**(22 723 680)**	**(4 446 398)**

2015, EUR	**Income from realization of investments during reporting period** EUR	**Cost of investments realized during reporting period** EUR	**Decrease in value of investments sold which have been acknowledged in the previous reporting periods** EUR
Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss	5 303 187	(4 227 653)	(791 611)
Total	**5 303 187**	**(4 227 653)**	**(791 611)**

5. Distribution of financial instruments

5.1 Distribution of financial instruments by registration country

31 December 2016, EUR

Country	Country code	Deposits on demand due from credit institutions	Financial assets held to maturity	Loans to financial institutions	Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss	Total	Share in assets, %
Latvia	LV	5 547 612	1 076 542	-	-	6 624 154	5.99
Germany	DE	-	-	-	2 407 860	2 407 860	2.18
Finland	FI	51 609	-	-	1 080 984	1 132 593	1.02
Estonia	EE	-	-	-	4 644 306	4 644 306	4.20
Ireland	IE	-	-	-	52 596 628	52 596 628	47.57
Luxembourg	LU	-	-	-	43 156 155	43 156 155	39.03
Total		**5 599 221**	**1 076 542**	**-**	**103 885 933**	**110 561 696**	**100.00**

31 December 2015, EUR

Country	Country code	Deposits on demand due from credit institutions	Financial assets held to maturity	Loans to financial institutions	Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss	Total	Share in assets, %
Latvia	LV	3 232 804	3 511 681	1 908 114	-	8 652 599	9.77
Germany	DE	-	-	-	20 450 093	20 450 093	23.10
Finland	FI	31 810	-	-	1 071 561	1 103 371	1.25
France	FR	-	-	-	1 791 860	1 791 860	2.02
Ireland	IE	-	-	-	9 413 368	9 413 368	10.63
Luxembourg	LU	-	-	-	46 600 362	46 600 362	52.63
Sweden	SE	-	-	-	531 493	531 493	0.60
Total		**3 264 614**	**3 511 681**	**1 908 114**	**79 858 736**	**88 543 145**	**100.00**

5.2 Investment portfolio structure by investment class

	31.12.2016 EUR	31.12.2015 EUR
Deposits on demand	5 599 222	3 264 614
Term deposit	-	1 908 114
Stocks	50 156 263	38 024 281
Latvian Government bonds	1 076 542	3 511 681
Money market instruments	1 080 984	1 071 561
Corporate bonds	21 210 466	20 740 926
Government bonds excl Latvia	13 092 817	9 931 996
Emerging markets bonds	6 219 687	3 656 207
High Yield bonds	12 125 716	6 433 765
Total	**110 561 697**	**88 543 145**

6. Accrued expenses

	31.12.2016 EUR	31.12.2015 EUR
Accrued fee to investment management company	81 012	65 265
Accrued performance fee	963 109	441 249
Accrued fee to custodian bank	11 047	8 900
Total	**1 055 168**	**515 414**

7. Income

	2016 EUR	2015 EUR
Income from term deposits in credit institutions	76 441	83 787
Interest income on debt securities	112 365	152 493
Dividends	527 111	514 041
Other income	17 281	6 362
Total	**733 198**	**756 683**

8. Expenses

	2016 EUR	2015 EUR
Plan management fee	1 812 967	1 135 639
incl. performance fee	963 109	441 249
incl. fixed fee	849 858	694 390
Custodian fee	115 889	94 689
Other expenses	302	485
Total	**1 929 158**	**1 230 813**

9. Currency structure of plan's net assets

31 December 2016, EUR

	EUR	Kopā
Deposits on demand due from credit institutions	5 599 222	**5 599 222**
Government and municipality debt securities with fixed income	1 076 542	**1 076 542**
Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss	103 885 933	**103 885 933**
Accrued expenses	(1 055 168)	**(1 055 168)**
Total net assets	**109 506 529**	**109 506 529**
Share in net assets, %	100.00	**100.00**

31 December 2015, EUR

	EUR	SEK	Total
Deposits on demand due from credit institutions	3 264 614	-	**3 264 614**
Deposits in credit institutions	3 511 681	-	**3 511 681**
Government and municipality debt securities with fixed income	1 908 114	-	**1 908 114**
Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss	79 327 243	531 493	**79 858 736**
Accrued expenses	(515 414)	-	**(515 414)**
Total net assets	**87 496 238**	**531 493**	**88 027 731**
Share in net assets, %	99.40	0.60	**100.00**

10. Maturity of plans net assets

31 December 2016, EUR

		Maturity			
	Accounting value	**On demand**	**Less than 1 month**	**From 1 Month till 5 year**	**Between 5 and 10 years**
Deposits on demand due from credit institutions	**5 599 222**	5 599 222	-	-	-
Government and municipality debt securities with fixed income	**1 076 542**	-	-	646 605	429 937
Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss	**103 885 933**	-	96 208 356	3 033 270	4 644 307
Accrued expenses	**(1 055 168)**	-	(1 055 168)	-	-
Total net assets	**109 506 529**	**5 599 222**	**95 153 188**	**3 679 875**	**5 074 244**

31 December 2015, EUR

		Maturity		
	Accounting value	**On demand**	**Less than 1 month**	**Between 5 and 10 years**
Deposits on demand due from credit institutions	**3 264 614**	3 264 614	-	-
Deposits in credit institutions	**1 908 114**	-	1 908 114	-
Government and municipality debt securities with fixed income	**3 511 681**	-	2 009 151	1 502 530
Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss	**79 858 736**	-	79 858 736	-
Accrued expenses	**(515 414)**	-	(515 414)	-
Total net assets	**88 027 731**	**3 264 614**	**83 260 587**	**1 502 530**

11. Changes in value of investments

31 December 2016, EUR	Accounting value at the beginning of the reporting period	Increase in the reporting period	Decrease in the reporting period	Revaluation in the reporting period *	Accounting value at the end of the reporting period
Deposits in credit institutions	1 908 114	-	(1 984 555)	76 441	-
Government and municipality debt securities with fixed income	3 511 681	-	(2 435 139)	-	1 076 542
Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss	79 858 736	47 935 181	(28 149 412)	4 241 428	103 885 933
Total	**85 278 531**	**47 935 181**	**(32 569 106)**	**4 317 869**	**104 962 475**

31 December 2015, EUR	Accounting value at the beginning of the reporting period	Increase in the reporting period	Decrease in the reporting period	Revaluation in the reporting period *	Accounting value at the end of the reporting period
Deposits in credit institutions	1 824 326	-	-	83 788	1 908 114
Government and municipality debt securities with fixed income	3 516 553	-	-	(4 872)	3 511 681
Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss	59 035 597	24 502 938	(5 241 936)	1 562 136	79 858 736
Total	**64 376 476**	**24 502 938**	**(5 241 936)**	**1 641 052**	**85 278 531**

* Revaluation in reporting period takes in account changes in fair value of financial assets and accrued interest from the respective financial asset.

12. Dinamics of the performance

	31.12.2016	31.12.2015
Net asset value, EUR	109 506 529	88 027 731
Share value *	1.9006138	1.8460425
Yield in the reporting period, %	2.96%	2.16%
Total shares	57 616 403	47 684 563

* The reported value of the share is rounded to 7 decimal places. The reported value of the share may not match the financial reports due to rounding.

Yield is calculated as plan's share change in value relative to its value at the beginning of the period. This ratio is expressed as annual percentage raised to the power, where the dividend is 365, but the divisor - the number of days during the measuring period. Term deposit interest shall be calculated in accordance with the contract.

13. Information on pledged assets

Investment plan assets are not pledged.

14. Interest rate risk

31 December 2016, EUR

		Maturity to interest rate change			
Asset class	**Total**	**On demand**	**Under 5 years**	**Under 10 years**	**Interest rate risk indistinct**
Deposits on demand due from credit institutions	**5 599 222**	5 599 222	-	-	-
Deposits in credit institutions	-	-	-	-	-
Government and municipality debt securities with fixed income	**1 076 542**	-	646 605	429 937	-
Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss	**103 885 933**	-	-	-	103 885 933
Accrued expenses	**(1 055 168)**	-	-	-	(1 055 168)
Total	**109 506 529**	**5 599 222**	**646 605**	**429 937**	**102 830 765**

31 December 2015, EUR

Asset class	Total	Maturity to interest rate change		
		On demand	Under 5 years	Interest rate risk indistinct
Deposits on demand due from credit institutions	**3 264 614**	3 264 614	-	-
Deposits in credit institutions	**1 908 114**	-	1 908 114	-
Government and municipality debt securities with fixed income	**3 511 681**	-	3 511 681	-
Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss	**79 858 736**	-	-	79 858 736
Accrued expenses	**(515 414)**	-	-	(515 414)
Total	**88 027 731**	**3 264 614**	**5 419 795**	**79 343 322**

15. Classification of assets and liabilities

31 December 2016, EUR

	Total	Financial assets and liabilities carried at amortized cost	Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss
Due from credit institutions	**5 599 222**	5 599 222	-
Government and municipality debt securities with fixed income	**1 076 542**	1 076 542	-
Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss	**103 885 933**	-	103 885 933
Accrued expenses	**(1 055 168)**	(1 055 168)	-
Total	**109 506 529**	**5 620 596**	**103 885 933**

31 December 2015, EUR	Total	Financial assets and liabilities carried at amortized cost	Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss
Due from credit institutions	**3 264 614**	3 264 614	-
Deposits in credit institutions	**1 908 114**	1 908 114	-
Government and municipality debt securities with fixed income	**3 511 681**	3 511 681	-
Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss	**79 858 736**	-	79 858 736
Accrued expenses	**(515 414)**	(515 414)	-
Total	**88 027 731**	**8 168 995**	**79 858 736**

16. Transactions with related parties

There have been transactions with related entities during the reporting period.

Related parties are considered to be the managing company of the plan, its shareholders who have a significant impact on the plan and other entities where they have a decisive influence, the Council and the Board of Directors, senior management representatives, their close relatives and entities in which they have a decisive influence.

Business conditions are determined by the market.

	2016	2015
Income from term deposits		
Nordea Bank AB Latvia branch	76 441	83 787
Management fee		
IPAS "Nordea Pensions Latvia"	(1 812 967)	(1 135 639)
Fee to the custodian bank		
Nordea Bank AB Latvia branch	(115 890)	(94 690)
Fee for banking services		
Nordea Bank AB Latvia branch	(51)	(59)
Nordea Bank Finland Abp	(251)	(426)

17. Events after the last day of the annual report

In the period from the last day of the reporting year till the date of signing these financial reports there were no such events taken place except the ones described in these reports in the result of which the corrections would be necessary or which would require explanations in the reports' comments.