

STATE FUNDED PENSION SCHEME
INVESTMENT PLAN
Swedbank Pension Investment Plan Dynamics
PROSPECTUS
(new wording)

Asset Manager
Swedbank Ieguldījumu Pārvaldes Sabiedrība AS

Custodian Bank
Swedbank AS

The Prospectus of the Investment Plan was approved at the Meeting of the Board of Swedbank Ieguldījumu Pārvaldes Sabiedrība AS (formerly - AS IPS Hansa Fondi) on 2nd August 2002 and registered at the Latvian Financial and Capital Market Commission on 3rd September 2002.

This Investment Plan Prospectus is Annex 1b to Agreement No. LP-1/2002 for the Management of State Funded Pension Scheme Assets, entered into by and between the State Social Insurance Agency and Swedbank Ieguldījumu Pārvaldes Sabiedrība AS (formerly - AS IPS Hansa Fondi) on 17 September 2002, and the duration of the said agreement is 10 years. The agreement has been approved by the Financial and Capital Market Commission on 3 September 2002.

The following table provides information on approval of amendments to the Investment Plan Prospectus at Meetings of the Board of Swedbank Ieguldījumu Pārvaldes Sabiedrība AS and their registration with the Financial and Capital Market Commission, as well as on the dates of amendment of Annex 1b to the Agreement No. LP-1/2002 for the Management of State Funded Pension Scheme Assets:

Approved at Board Meeting of Swedbank Ieguldījumu Pārvaldes Sabiedrība AS:	Registered with the Financial and Capital Market Commission:	Date of Amendments to Agreement:
18 th September 2002	8 th October 2002	10 th October 2002
18 th December 2002	3 rd January 2003	14 th January 2003
7 th June 2005	7 th July 2005	19 th July 2005
7 th August 2006	29 th August 2006	31 st October 2006
17 th January 2007	21 st February 2007	6 th March 2007
8 th June 2007	18 th June 2007	2 nd July 2007
10 th August 2007	30 th August 2007	10 th September 2007
14 th September 2007	4 th October 2007	18 th October 2007
28 th May 2008	30 th June 2008	17 th July 2008
12 th August 2008	10 th September 2008	30 th September 2008
29 th October 2008	8 th December 2008	23 rd December 2008
6 th March, 16 th April, 20 th April 2009	21 st April 2009	30 th April 2009
16 th October 2009	23 rd November 2009	7 th December 2009 (in force from 1 st January 2010)
12 th March 2010	29 th March 2010	22 nd April 2010
2 nd July 2010	6 th August 2010	19 th August 2010 (the new wording of Article 6.1.9 ' Delegation of the Investment Plan management services to third parties ' of the Investment Plan Prospectus came into force on 23 November 2010)
23 November and 10	10 December 2010	29 December 2010

December 2010		
20 April 2011	17 May 2011	27 May 2011
2 November 2011	10 November 2011	24 November 2011
4 June 2012	13 June 2012	28 June 2012
3 December 2012	21 December 2012	28 December 2012

The Investment Plan Prospectus and any other information on the Investment Plan and the Asset Manager are available at the office of Swedbank Ieguldījumu Pārvaldes Sabiedrība AS (address: Balasta dambis 1a, Rīga LV-1048, Latvia) on business days from 0900 to 1700 and on the website of Swedbank Ieguldījumu Pārvaldes Sabiedrība AS at www.swedbank.lv/fondi. The Investment Plan Prospectus is also available for inspection at the State Social Insurance Agency.

Prior to making the application for joining this Investment Plan, applicants are advised to read the Investment Plan Prospectus. Please read this Investment Plan Prospectus carefully and keep it as an additional source of reference.

The Investment Plan Prospectus can be made available in other languages, however the Latvian version thereof shall prevail.

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TERMS AND ABBREVIATIONS EXPLAINED

Law – the Latvian Law on State Funded Pensions and other legislation that governs the state funded pension schemes and activities of investment management companies.

State Funded Pension Scheme – a set of activities organised by the state for payment of contributions, administration of assets and payout of pensions, which activities enable, without increasing the total of old-age pension contributions, to accumulate supplementary pension capital by investing a portion of the pension contributions into financial instruments and other assets in accordance with the Law.

Investment Plan – a set of systemised terms and conditions set out in the investment plan prospectus and in accordance with which the state-funded pension scheme assets are invested; herein – the investment plan Swedbank Pension Investment Plan Dynamics;

Investment Plan participant – a person registered with the State Social Insurance Agency as a state-funded pension scheme participant and whose contributions the Agency has transferred for management to the asset manager selected by them, transferring the contributions to the Swedbank Pension Investment Plan Dynamics account at the Custodian Bank.

Asset Manager - Swedbank Ieguldījumu Pārvaldes Sabiedrība AS.

Custodian Bank - Swedbank AS.

Prospectus - the Prospectus of Swedbank Pensions Investment Plan Dynamics that provides an adequate amount of information about the Investment Plan to the existing and potential participants of the state funded pension scheme.

Investment Plan Assets – the portion of assets of the state-funded pension scheme managed in accordance with the Investment Plan separately from other assets of the Asset Manager and assets of other investment plans.

Investment Plan Value – the difference between the values of assets and liabilities of the Investment Plan.

Investment Plan Unit – an accounting unit used in accounting for and transaction in the Investment Plan Assets. An Investment Plan Unit is not a security.

Risk mitigation principle – the minimisation of the financial loss risk by distributing the Investment Plan Assets across investment targets and by complying with the set transaction restrictions, as well as retaining the possibility to gain maximum expected yield.

Commission – the Financial and Capital Market Commission.

Agency - the State Social Insurance Agency.

IPS – Latvian acronym for investment management company.

SUMMARY OF COSTS AND FEES APPLICABLE TO TRANSACTIONS IN INVESTMENT PLAN ASSETS AND INVESTMENT PLAN MANAGEMENT

The purpose of this information is to provide the existing and potential participants of the state funded pension scheme with a general overview of the costs to be covered by them as a participant of this Investment Plan.

The Assets of the Investment Plan are used to cover any transaction expenses related to the operation of the Investment Plan and applied to a particular transaction, inter alia broker fees, fees for transactions in current accounts and securities accounts of the Investment Plan, fees for securities settlements, deposit transfers, tax and duty payments. Actual expenses are covered in accordance with the price lists of the Custodian Bank and other counterparties.

2.1. Investment Plan management fee

The fee for management of the Investment Plan will not exceed 1.70% per annum (per cent per annum of the average value of the Investment Plan Assets), including the fee and payments provided for in Clause 2.2 and 2.3 of the Prospectus.

Detailed information on payments in connection with the management of the Investment Plan and on the methods of calculation thereof can be found herein in the section 'Management of the Investment Plan'.

2.2. Fee to the Asset Manager, Custodian Bank, and third parties

Fees to the Asset Manager and the Custodian Bank will be deducted from the Investment Plan Assets:

Type of fee	Maximum fee
Fee payable to the Asset Manager (per cent per annum of the average value of the Investment Plan)	1,52%
Fee payable to the Custodian Bank (per cent per annum of the average value of the Investment Plan)	0,18%
Total	1,70%

The Investment Plan Assets may be used to pay fees to third parties for services connected with the management of the Investment Plan, in this case accordingly reducing the fee payable to the Asset Manager and the Custodian Bank and not exceeding the maximum total compensation payable for the management of the Investment Plan as specified in this Prospectus.

The Asset Manager and the Custodian Bank may reduce the fee payable to them at their discretion, inter alia for a certain period. Consequently, the actual amount of fee can be lower than the maximum amount specified herein.

2.3. Other payments out of Investment Plan Assets

The Investment Plan Assets may be used for other payments connected with operations of the Investment Plan and that are not transaction expenses that are attributed to every particular transaction, in that case accordingly reducing the fee payable to the Asset Manager as to not exceed the maximum total fee payable for management of the Investment Plan as specified in this Prospectus for the period of reporting year.

INVESTMENT POLICY AND INVESTMENT RESTRICTIONS

3.1. About the pension system in Latvia

The state funded pension scheme, alternatively called 'second pillar pension', is a part of the three-pillar pension system employed in Latvia.

First-pillar pension – covers all people, in favour of whom the social tax is paid. The greater part of social contributions is applied towards the state old-age pensions. The first pillar pension is based on the principle of distribution, where the current tax payers provide funds for the pensions of the present generation of pensioners.

Second pillar pension - the state-funded pension scheme. In the scheme, a portion of the social insurance contributions for the state old-age pension are invested through asset managers in the financial and capital markets (term deposits, securities and other investment types permitted under the Law) with a view to increasing the value of these contributions.

Third pillar pension - private pension funds. In this pension pillar everyone can voluntarily save extra for their pension in the old age.

3.2. State-funded pension scheme

The state-funded pension scheme is a part of the state old-age pension. The scheme sets forth the procedure for paying and investing of social contributions and the payment of pensions.

It is mandatory to participate in the scheme for persons who are subject to social insurance and are born after July 1, 1971, but persons born in the period from 2 July 1951 to 1 July 1971 may apply for the scheme voluntarily.

Participants of the state funded pension scheme are not required have to pay any additional social insurance contributions. The total amount of contributions for the pension capital remains unchanged and is re-distributed between 1st and 2nd pillar of the pension system.

When a pension scheme participant reaches the retirement age, they can use the accrued funded pension capital at their own discretion: either transfer it to the first pillar pension, where it is taken into account at the entire extent thereof to calculate the old-age pension, or buy a life insurance policy (life pension or life annuity).

3.3. General information on the Investment Plan

The objective of Hansa Pensions Investment Plan Dynamics is to attain preservation and constant growth of the value of contributions made into the Investment Plan. Throughout the entire period in which participants of the Investment Plan are subject the state pension insurance, contributions in favour of them are being made into the State Funded Pension Scheme with the view to using the accumulated capital and the profit earned from the said capital to pay a larger old-age pension.

3.4. Investment policy

The Investment Plan Assets will be invested in accordance with the Law and this Prospectus.

Transactions in the Investment Plan Assets will be made via the Custodian Bank.

The investment policy of the Investment Plan is balanced and the Investment Plan Assets will be invested in equity securities (stocks) and fixed income instruments (bonds etc). The portion of the Investment Plan Assets that is invested in fixed income financial instruments ensures a stable growth in the value of the Investment Plan; whereas the portion of the Investment Plan Assets that is invested in equity securities (stocks) ensures a more rapid growth in the Investment Plan Value.

Up to 50% of the Investment Plan Assets will be invested in equity securities or other substantially equivalent, in terms of risk, financial instruments and in the venture capital market. Other assets will be invested in fixed income financial instruments, inter alia debt securities issued by governments, local government and business enterprises, money market instruments, deposits with credit institutions, and any other investments permitted by the Law.

The Asset Manager may also invest in investment funds. Investments in funds that have an investment policy that permits investments in fixed income financial instruments are hereunder classified as direct investments in fixed income financial instruments, but investments in funds that may invest in equity securities are classified hereunder as direct investments in equity securities.

Investment Plan Assets will be invested both in debentures and bonds issued or guaranteed by states, local governments or international financial institutions, as well as in debt securities of business enterprises.

Investments will be made both in short-term and long-term debt securities and deposits with credit institutions.

The investment policy does not stipulate concentration of the Investment Plan Assets in any particular industry.

The Investment Plan Assets will also be invested in the venture capital market and investment funds that may invest in real property.

The Asset Manager may use derivative financial instruments to hedge against certain risk of fluctuations in the value of the Investment Plan Assets.

The Asset Manager may keep a portion of the Investment Plan Assets as cash to be able to execute orders for cancellation of Investment Plan Units and also where it is impossible to make appropriate investments that would allow attaining the objective of the Investment Plan.

When making investments, the Asset Manager conducts due diligence on the acquired or potential investment targets and monitors the financial and economic conditions of the persons in whose instruments the Investment Plan Assets will be or have been invested. Prior to making an investment, the Asset Manager, where reasonably possible, shall make an analysis in order to determine whether the planned investment would facilitate the attainment of the objective of the Investment Plan. The Asset Manager shall ensure adequate diversification of investments across various investment targets. The Asset Manager makes investments in a way that the liquidity level required for the purposes of disbursements will be maintained.

3.5. Investment restrictions

The Asset Manager may not use the Investment Plan Assets for the following transactions:

- 1) investments in real estate, except investments in investment funds that may invest in real estate;
- 2) lending;
- 3) investing in any financial instruments issued by the Asset Manager, except investment funds managed by it and if its units (certificates) are sold and bought by the Asset Manager without receiving any fee out of the Investment Plan Assets;
- 4) to assume liabilities under guarantee agreements on the account of the Investment Plan;
- 5) in transactions for repo of assets and transactions referred to in clause 3.12 of the Prospectus, the aggregate amount must not exceed 50 per cent of the Investment Plan Assets.

The Asset Manager may not borrow on the account of the Investment Plan except as laid down in clause 3.12 of the Prospectus.

3.6. Rules for investing in securities and money market instruments issued by governments, local governments and international organizations.

3.6.1. The Investment Plan Assets may be invested in securities or money market instruments issued or guaranteed by governments, local governments and international financial institutions if the securities or money market instruments are guaranteed or issued by:

1) Latvia, other European Union member states, or a country of the European Economic Area¹:

2) Member states of the Organisation for Economic Cooperation and Development², which have a long-term credit rating in foreign currency that is rated by international rating agencies in the investment category;

3) international financial institutions where a member is one or a number of member states of the European Union or the European Economic Area.

3.6.2. The Investment Plan Assets may also be invested in securities or money market instruments issued or guaranteed by governments and international financial institutions if the securities or money market instruments do not comply with the requirements specified in clause 3.6.1 hereof but are admitted to a regulated market registered in Latvia, other member states of the European Union or the European Economic Area.

3.6.3. The aggregate of investments in the securities referred to in clause 3.6.2 hereof may not exceed 10 per cent of the Investment Plan Assets.

3.6.4. The aggregate of investments in securities or money market instruments issued or guaranteed by one country or international financial institution will not exceed 35% of the Investment Plan Assets. This limit may be exceeded in investing in debut securities issued by the Latvian government if the Investment Plan Assets contain securities or money market instruments from six or more issues of one issuer and the value of the securities or money market instruments separately does not exceed 20 per cent of the Investment Plan Assets.

3.6.5. The Investment Plan Assets may be invested in securities or money market instruments issued or guaranteed by local governments if:

- 1) they are issued or guaranteed by a local government that is located in the countries listed in clause 3.6.1(1) or 3.6.1(2) of the Prospectus;
- 2) they comply with the requirements under clause 3.7.1 hereof;

The aggregate of investments in securities or money market instruments issued or guaranteed by one local government will not exceed 5% of the Investment Plan Assets. This restriction will not apply to investments in debt securities issued by local governments of Latvia.

3.6.6. The Asset Manager may invest up to 100% of the Investment Plan Assets in debt securities issued or guaranteed by the government of Latvia if it is in compliance with the conditions specified under clause 3.6.4.

3.7. Rules for investing in corporate capital and debt securities

3.7.1. The Investment Plan Assets may be invested in corporate equity or debt securities if the securities:

- 1) are admitted to a regulated market in Latvia, another European Union member state, a European Economic Area member state;
- 2) are admitted to the official, or substantially equivalent, listing of a stock exchange (regulated market) that is registered in a member state of the Organization for

¹ European Economic Area member states (at the time of approval of the Prospectus) – the United Kingdom, Austria, Belgium, Bulgaria, Czech Republic, Denmark, France, Greece, Estonia, Italy, Ireland, Luxembourg, Cyprus, Latvia, Lithuania, Malta, the Netherlands, Norway, Poland, Portugal, Romania, Finland, Spain, Slovakia, Slovenia, Hungary, Iceland, Liechtenstein, Germany, Sweden.

² Organisation for Economic Cooperation and Development member states (at the time of approval of the Prospectus) – the United Kingdom, the USA, Australia, Austria, Belgium, Czech Republic, Denmark, France, Greece, Iceland, Italy, Ireland, Japan, New Zealand, Canada, Korea, Luxembourg, Mexico, the Netherlands, Norway, Poland, Portugal, Finland, Slovakia, Spain, Switzerland, Turkey, Hungary, Germany, Sweden.

Economic Cooperation and Development and a full member of the International Federation of Stock Exchanges;

- 3) are not admitted to the regulated markets referred to in (1) and (2) of this clause, and the terms of issue of the securities stipulate that the admission of the securities to the regulated markets will be done within one year of the day on which the subscription to the relevant securities is opened. If said securities are not admitted to the regulated markets referred to in (1) and (2) of this clause within one year of the day on which the subscription to the relevant securities is opened, then the Asset Manager will have a duty to repurchase those securities at a price equivalent to their acquisition value.

3.7.2. If investments are made in the securities referred to in clause 3.7.1, the following investment restrictions shall apply:

- 1) the aggregate of investments in equity securities issued by one issuer will not exceed 5% of the Investment Plan Assets and at the same time 5% of the equity capital and the number of voting shares of one issuer;
- 2) the aggregate of investments in debt securities issued by one issuer will not exceed 10% of the Investment Plan Assets and at the same time 10% of the debt securities issued by one issuer;
- 3) the aggregate of investments in the securities referred to in clause 3.7.1 (3) may not exceed 20 per cent of the Investment Plan Assets.

3.8. Rules for deposits with credit institutions

3.8.1. The Investment Plan Assets may be deposited with a credit institution that has received a licence to operate as a credit institution and that holds a permission to provide financial services in Latvia, another European Union member state, or European Economic Area member state.

3.8.2. Deposits with one credit institution will not exceed 10 per cent of the Investment Plan Assets. This restriction shall not apply to demand deposits with the Custodian Bank.

3.9. Rules for investing in securities denominated in foreign currencies

3.9.1. The Asset Manager may invest up to 30% of Investment Plan Assets in currencies that are not any of the currencies of payout of the funded pension scheme capital. The aggregate of investments in such one other currency may not exceed 10 per cent of the Investment Plan Assets.

3.9.2. Investments in euros will not be treated as investments in currencies that are not any of the currencies of payout of the funded pension scheme capital.

3.10. Rules for investing in derivative financial instruments

The Investment Plan Assets may only be invested in derivative financial instruments for purposes of hedging against the value fluctuation risk of certain Investment Plan Assets that can occur if the price of the relevant asset changes or the exchange rate changes and only if the following additional conditions are complied with:

- 1) if the relevant derivative financial instruments are admitted to a regulated market registered in Latvia, a member state of the European Union or a country of the European Economic Area or admitted to the official, or substantially equivalent, listing of a stock exchange (regulated market) that is registered in a member state of the Organization for Economic Cooperation and Development and is a full member of the International Federation of Stock Exchanges;
- 2) if the liabilities attached to the derivative financial instruments have been assumed by a credit institution that has received a licence to operate as a credit institution and that holds a permission to render financial services in Latvia, another European Union member state, or a member state of the European Economic Area.

3.11. Rules for investing in investment funds

3.11.1. The Investment Plan Assets may be invested in investment funds registered in Latvia, other member state of the European Union, or a member state of the European Economic Area.

3.11.2. The aggregate of investments in one investment fund may not exceed 5% of the Investment Plan Assets and 10% of the net assets of such investment fund.

3.11.3. The aggregate of investments in investment funds managed by the Asset Manager may not exceed 10 per cent of the Investment Plan Assets.

3.11.4. The aggregate of investments in investment funds registered in Latvia or other member state which are not open-ended investment funds or essentially equivalent undertakings for collective investments as defined in the Investment Management Companies Law may not exceed 10 per cent of the Investment Plan Assets.

3.12. Principles and procedure of borrowing against the Investment Plan Assets

The Asset Manager may borrow for up to three months on the account of the Investment Plan Assets with a view to ensuring short-term liquidity, but not exceeding 50 per cent of the Investment Plan Assets.

3.13. Other Investment Plan Assets investment restrictions

3.13.1. Investments in financial instruments issued by a business enterprise that is in the same group as the Asset Manager may be made through stock exchanges only (regulated markets) and investments in such financial instruments may not exceed 5 per cent of the Investment Plan Assets.

3.13.2. The aggregate of investments in investment funds managed by business enterprises in the same group as the Asset Manager may not exceed 15 per cent of the Investment Plan Assets.

3.13.3. The aggregate of investments in securities or money market instruments issued by one business enterprise or business enterprises of one group may not exceed 10% of the Investment Plan Assets.

3.13.4. The aggregate of deposits with one credit institution, or credit institutions of one group, and investments in financial instruments issued by that credit institution, or credit institutions of one group, may not exceed 15% of the Investment Plan Assets. This restriction shall not apply to demand deposits with the Custodian Bank.

3.13.5. Investments in equity securities, in investment funds that may invest in equity securities or financial instruments with substantially equivalent risk, and in risk market may not, in aggregate, exceed 50 per cent of the Investment Plan Assets.

3.13.6. If the Investment Plan Assets are used by the Asset Manager in repo transactions, then the obligations arising from such transactions must not exceed 50 per cent of the Investment Plan Assets.

3.13.7. The investment restrictions laid down in this Prospectus in respect of investments in one issuer's debt securities or money market instruments, as well as in units of one open-ended investment fund (as defined by the Investment Management Companies Law), may be exceeded if such the exceeding is a result of fluctuations in the value of Investment Plan investments or if the quantity or value of the issued debt securities or money market instruments, or the value or quantity of issued or outstanding units, could not be determined or calculated at the time of investment.

3.13.8. A deviation from the investment restrictions will not invalidate the transaction in question, yet the Asset Manager will have a duty to reimburse for any loss incurred through such an action by Investment Plan participants and third parties, except for events stipulated in clause 3.13.7 of the Prospectus.

3.13.9. The compliance of the investment portfolio of the Investment Plan with the investment restrictions is determined on the basis of the investment value specified in Section 7 'Methods and Procedure for Determining Value of the Investment Plan Assets and Units'.

3.14. Rules for investing in venture capital market

3.14.1. The Investment Plan Assets may be invested in the venture capital market - the market that offers capital to businesses, which are registered in Latvia, other European Union member states or European Economic Area countries, in their development stage.

3.14.2. Investments in venture capital market will be made in business enterprises that have been set up with the purpose to further invest their assets, mainly in other business enterprises that have been recently set up and have high growth potential or in business enterprises that required financial assistance, e.g. development of innovative products and services and that have no other sources of funding available.

3.14.3. The aggregate of investments in the venture capital market may not exceed 5 per cent of the Investment Plan Assets. Investments in the capital of a capital company in development stage may not exceed 5% of the equity capital of or voting shares in that capital company, while the share of investments in a business enterprise set up for the purpose of financing business enterprises in development stage or investments in the capital of a business enterprise set up for the purpose of financing business enterprises in development stage, may not exceed 30 per cent of the aggregate investment (capital) or of the capital of that business enterprise.

3.15. Rules for investing in structured term deposits or bonds

3.15.1. The Plan assets may be invested in structured term deposits or bonds, including in those with a risk premium payment. Income from such a deposit is tied to the price of securities of certain issuers or the value of an index. Such investments make it possible to earn when equity market prices rise, while preserving invested capital when equity market prices fall.

3.15.2. Investments in structured term deposits are subject to the restrictions laid down in clause 3.8.1 and 3.8.2.

3.15.3. Investments in structured bonds are subject to the restrictions laid down in clause 3.7.1 and 3.7.2.

RISKS

Risk is understood to mean any potential loss that may result from investing. Based on the sources of risk, risks can be divided in the following main risks: market risk, credit risk, liquidity risk, currency risk and operational risk.

Market risk means that the prices of an entire asset group (e.g. stocks listed on the Riga Stock Exchange) fall. The Asset Manager minimizes this risk by a balanced investment policy and diversification of investments across various asset groups. In this way, falling prices of one asset group may be counterbalanced by growing prices of another asset group. The Asset Manager may use relevant derivative financial instruments to mitigate the market risk. The Plan assets may be invested in structured term deposits, including in those with a risk premium payment. Income from such a deposit is tied to the price of securities of certain issuers or the value of an index. If the price or the value of index falls below the underlying, then no income from such an investment is earned i.e. the fixed interest, which would otherwise have been earned from investing money in a regular term deposit or bond, is lost. If a risk premium is paid in making such an investment, then such risk premium will be treated as part of the investment acquisition cost, and there is a risk that the return on investment may be lower than acquisition cost.

Interest rate risk is one of the market risks. The value of debt securities can vary depending on changes in interest rates: when interest rates rise, the value of these securities decreases, and vice versa. This risk is hedged by investing in financial instruments of various maturities.

Credit risk is a risk that the issuer of debt securities or the credit institution with which the Investment Plan Assets are deposited becomes unable to meet their obligations. The value of debt securities can change depending on changes in the creditworthiness of the issuer: if the creditworthiness declines, the price of the securities falls and vice versa. This risk is mitigated

by the Asset Manager through conducting due diligence on the issuer prior to investing, as well as by monitoring the financial and economic position of the issuer during the investment. The Asset Manager may use relevant derivative financial instruments for the mitigation of the credit risk. Credit risk also involves counterparty credit risk, which arises when the counterparty, with whom the Asset Manager has entered into a transaction on the account of the Investment Plan Assets, is unable to perform their obligations. To minimize this risk, the Asset Manager enters into transactions with credit institutions, whose credit risk is low, as well as with reliable partners specializing in the relevant market segment.

Liquidity risk means the risk that an investment in certain securities is not marketable within a short period of time without causing the price of this security to fall. This risk only becomes relevant when the Agency gives orders for cancellation of a substantial number of Investment Plan units. To minimize this risk, the Asset Manager invests a part of the Investment Plan Assets in liquid securities that are readily convertible to cash at minimum cost, as well as holds a part of assets in a cash account with the Custodian Bank.

Currency risk means the risk that the value of assets invested in foreign exchange may drop as foreign exchange rates change against the lats. This risk is mitigated through the restriction that a maximum of 30% of the Investment Plan Assets may be invested in foreign currencies and that a maximum of 10% of the Investment Plan Assets may be invested in one foreign currency. The Asset Manager may use relevant derivative financial instruments for the mitigation of currency risk.

Operational risk means the possibility of incurring a financial loss in day-to-day operations of the Asset Manager and the Custodian Bank, for example, due to an employee's deliberate or unintentional deviation from statutory requirements or due to a failure in the means of communication or computer systems, etc. The operational risk is minimized through a sound internal control framework, the protection and backup of information systems and databases, and through ensuring adequately qualified staff.

When selecting an investment plan, participants of the state funded pension scheme should take into account the risk that is attached to investing of the Investment Plan Assets and might affect the performance of the Investment Plan that can be both positive or negative. Neither Swedbank Ieguldījumu Pārvaldes Sabiedrība AS, nor Swedbank AS, or any other financial or state institution guarantees preservation or growth of the value of investments. The historical yield of the Investment Plan does not guarantee a similar yield in the future.

RIGHTS OF INVESTMENT PLAN PARTICIPANTS

Investment plan participants are entitled, by giving a relevant application to the Agency, to that their funded pension capital be transferred to other asset manager or other investment plan. Investment plans and asset managers can be changed in accordance with the procedure prescribed by the Law.

Investment plan participants are entitled to receive information from the Agency about the Investment Plan, the Custodian Bank and the Asset Manager in accordance with the procedure prescribed by the Law. Other rights of Investment plan participants are stipulated in the Law and this Prospectus.

MANAGEMENT OF THE INVESTMENT PLAN

6.1. Asset Manager

6.1.1. Asset Manager's registered office

The Investment Plan Assets are managed by Swedbank Ieguldījumu Pārvaldes Sabiedrība AS. Asset Manager's registered office: Balasta dambis 1a, Riga LV-1048, Latvia, which also is its principal place of business.

6.1.2. Asset Manager's incorporation date and registration number

Swedbank Ieguldījumu Pārvaldes Sabiedrība AS was founded on 17 March 1997. The Asset Manager was re-registered with the Commercial Register of the Enterprise Register of the

Republic of Latvia on 30 July 2002. The single registration number of Swedbank Ieguldījumu Pārvaldes Sabiedrība AS: 40003337582.

Licence No.2 to operate as an investment company was issued on 13 April 1999. The licence was re-registered and a new licence to provide investment management services was issued on 24 September 2004 (Financial and Capital Market Commission's Licence Register No. 06.06.04.116/143).

The licence for management of the state funded pension scheme assets was issued on 21 June 2002.

6.1.3. Asset Manager's founding capital and paid-up capital

The Asset Manager's equity capital at the time of foundation was LVL 100,000. The registered and paid-up equity capital of the Asset Manager is LVL 435,000.

6.1.4. Council of the Asset Manager

Hakan Fredrik Johan Hadsorph Wilkens - Council Chairperson. From 2005 to 2009 Head of Nordic Institutional Sales & Business Development at Dexia Asset Management. From 2009 to 2010 Head of Large Mandates at Swedbank Robur AB. From 2010 to 2011 Head of Institutional Sales at Swedbank Robur AB and Managing Director at Swedbank Robur Kapitalforvaltning AB. From 2011 - Strategic Clients & Strategic Business at Swedbank Robur AB and from 2012 Council Chairperson at Swedbank Investeerimisfondid AS (Estonia) and Council Chairperson at Swedbank investicijų valdymas UAB (Lithuania). No essential (above 10%) stake in other companies.

Anna Maria Gårdö - Deputy Council Chairperson. Holder of master degree in law from Uppsala university (Sweden). From 2005 to 2010 Associate at Ashurst Law Firm, Stockholm Office. From 2010 - Legal Counsel at Swedbank Robur Fonder AB (Sweden). Council Member at Swedbank Investeerimisfondid AS (Estonia) and Council Member at Swedbank investicijų valdymas UAB (Lithuania). No essential (above 10%) stake in other companies.

Karl Otto Matthias Stoye - Council Member. Higher education in economics Stockholm University Sweden and Uppsala University. From 1994 to 1998 working as Accounting Manager at Locum Drift AB. From 2009 – Accounting Manager at Swedbank Robur Fonder AB and from 2012 Council Member at Swedbank Investeerimisfondid AS (Estonia) and Council Chairperson at Swedbank investicijų valdymas UAB (Lithuania). No essential (above 10%) stake in other companies.

Māris Mančinskis – Council Member. Hold's an MBA degree in finance from School of Business, Hofstra University (New York, USA). From 2004 to 2006 – Head of Corporate Banking and Board Member at AS Hansabanka (Latvija). From 2006 to July 2008 – Board Chairperson at Swedbank AS (Russia). From 2006 to 2008 – Board Member of AS Hansabank (Hansabank Group) Estonia. From From July 2008 to December 2008 – Advisor to Board Chairperson of Swedbank AS (Russia). From February 2009 – Board Member at Swedbank AS (Estonia). From February 2009 – Board Chairperson at Swedbank AS (Latvia). No essential (above 10%) stake in other companies.

Renārs Karašs – Council Member. Hold's an MBA degree in senior management from the Stockholm School of Economy in Riga. From July 2006 to October 2008 – Head of Investment Products at AS Hansabanka (Latvija). From October 2008 – Head of Sales and Service Management at Swedbank AS (Latvia). From February 2009 – Board Member at Swedbank Atklātais Pensiju Fonds AS (Latvia); from February 2010 – Board Manager. No essential (above 10%) stake in other companies.

The Council of the Asset Manager is not directly involved in managing the Investment Plan Assets. The Council is a supervisory institution of the Asset Manager, which supervises the activities of the Board subject to the scope provided for in the articles of association.

6.1.5. Asset Manager's Board

Harijs Švarcs – Board Chairman from August 2007. Holder of master's degree in Economics from the University of Latvia and master's degree from the City University (London), Cass Business School (2002). Holder of the qualification of a Chartered Financial Analyst (CFA). From 1997 to 1999 - Financial Analyst at Tallinn Pank Securities Latvia. From 1999 to 2001 - Macroeconomics Analysis Specialist and Senior Economist at the Bank of Latvia. From 2002 to 2007 - Financial Analyst and Manager of the External Reserve Portfolio at the Bank of Latvia. No essential (above 10%) stake in other companies.

Pēteris Stepiņš – Board Member. From October 2007 – Asset Management Officer from October 2007. Graduated from the University of Latvia with bachelor's degree in Social Sciences in Economics in 2003 and master's degree in Social Sciences in Economics in 2005. A Chartered Financial Analyst. In 2004 - Economist at AS Preses Nams. From 2004 to 2006 - Chief Economist at the Economics Division of AS Latvijas Krajbanka. From 2006 to 2007 - Analyst at Analysis & Planning Department at Swedbank AS (former name - AS Hansabanka). No essential (above 10%) stake in other companies.

The Board of the Asset Manager is not directly involved in managing the Investment Plan Assets. The Board of the Asset Manager approves the Investment Plan Prospectus and reports, appoints the Investment Plan Manager, approves and authorises the employees who are entitled to operate with the Investment Plan Assets, decides on delegating the Investment Plan management services to other persons, as well as controlling the provision of services delegated.

6.1.6. Investment Plan Manager

Pēteris Stepiņš is the Manager of the Investment Plan.

The Manager is responsible for management of the Investment Plan Assets. The Manager operates with the Investment Plan Assets in compliance with the investment policies laid down in the Prospectus and subject to applicable investment restrictions.

The Manager also manages Swedbank Pensions Investment Plan Stability.

6.1.7. Asset Manager's Shareholder

Swedbank Robur AB (registered in Stockholm, Sweden, under No. 556110-3895) is the sole shareholder of Swedbank Ieguldījumu Pārvaldes Sabiedrība AS.

6.1.8. Other investment plans managed by the Asset Manager

At the time of approval of this Prospectus, the Asset Manager also manages **Swedbank Pensions Investment Plan Stability**, which is a 2nd pillar pension investment plan with a conservative investment policy and its assets are invested in fixed income instruments.

6.1.9. Delegation of the Investment Plan management services to third parties

The Asset Manager may delegate, subject to the procedure set out in the Law, individual services related to management of the Investment Plan to other persons that have the appropriate qualifications and background. Following delegation of Investment Plan management services to a third party, the Asset Manager itself shall continue providing at least one the Investment Plan management services. In the event of the third party, to whom the Asset Manager has delegated an Investment Plan management service, transferring the delegated service, in full or in part, to other person, the Asset Manager shall, as stipulated in the Law, cause the Commission's consent to be obtained prior to transfer of the services in question and cause the Investment Plan participants to be notified thereof as prescribed in the Prospectus.

The Asset Manager has entered into agreements with Swedbank AS under which Swedbank AS provides the Asset Manager with services related to the administrative management of the Investment Plan, including:

- handling legal issues in connection with management of the Investment Plan;

- internal audit services.

The Asset Manager has entered into agreements with Swedbank Robur Fonder AB under which Swedbank Robur Fonder AB provides the Asset Manager with services related to the management of the Investment Plan investments:

- financial analyses of investment targets in connection with investment of the Investment Plan Assets;
- investment of Investment Plan Assets in specific investment targets, incl. decision-making on such investments;
- ensuring execution of transactions connected with the Investment Plan Assets;

and services related to administrative management of the Investment Plan:

- determination of the Investment Plan value and the value of Investment Plan Units;
- accounting for the transactions with the Investment Plan Assets.

If a service related to management of the Investment Plan is delegated to a third party, the Asset Manager will inform the participants of the Investment Plan on the type of the service delegated and publish the statutory information on the third party on the website of the Asset Manager.

6.1.10. Fee payable to the Asset Manager

The fee payable to the Asset Manager for management and servicing of the Investment Plan is 1.52% (one point fifty-two per cent) per annum of the average value of the Investment Plan Assets.

The fee payable to the Asset Manager is calculated and accrues daily.

The fee is paid to the Asset Manager monthly not later than on the tenth banking day of the next month for previous month.

The fee payable to the Asset Manager may be altered, but it may not exceed the maximum fee specified in this Prospectus.

The fee is calculated daily, by multiplying the value of the Investment Plan on previous banking day by the fee and dividing the result by the number of calendar days in the reporting year. The total amount of the fee payable for a certain period is calculated by summing up the daily fees calculated from the beginning of the period to the day of calculation (inclusive).

On the day when the fee is paid out, the paid-out fee is deducted from the calculated fee.

6.2. Custodian Bank

6.2.1. Custodian Bank's name, incorporation date and registration number

The duties of Custodian Bank are performed by Swedbank AS registered with the Register of Enterprises of the Republic of Latvia on 14 May 1992 and re-registered with the Commercial Register Office of the Register of Enterprises of the Republic of Latvia on 19 May 2004. Custodian Bank's single registration number: 40003074764.

6.2.2. Custodian Bank's registered office

The registered office of the Custodian Bank is: Balasta dambis 1a, Riga, LV 1048.

6.2.3. Description of Custodian Bank's duties in relation to management of and record-keeping in Investment Plan Assets

The Asset Manager enters into an agreement with the Custodian Bank on custody of the Investment Plan Assets and servicing of Investment Plan's accounts.

The Custodian Bank has a duty to perform custody of the Investment Plan Assets in compliance with the Law and the Custodian Bank Agreement; to monitor that payments into and from the Investment Plan are in compliance with the Law and the Prospectus; to monitor that the value of Investment Plan units is calculated in compliance with the Law, the Commission's regulations, and the Prospectus; to execute orders given by the Asset Manager

if they comply with the Law, the Commission's Regulations, the Prospectus, and the Custodian Bank Agreement; to monitor that the payments in connection with transactions in the Investment Plan Assets are duly made.

In performing its obligations, the Custodian Bank acts independently from the Asset Manager and exclusively in the interests of the Investment plan participants;

The Custodian Bank has a duty to cooperate with the Agency and the certified auditors appointed by it; provide the Agency, upon its request, with statements on Asset Manager's accounts in relation to management of the Investment Plan Assets; make available to the certified auditors appointed (for audits of the Asset Manager) all and any documents related to the management of the Investment Plan Assets and in custody by the Custodian Bank; as soon as possible and not later than on the next banking day to notify the Commission in writing of any actions of the Asset Manager that are in violation of the requirements of the Law regarding the management of the pension scheme assets or that are in violation of the Custodian Bank Agreement.

6.2.4. Fee payable to the Custodian Bank; calculation and payment of the fee

For the services provided under the Custodian Bank Agreement, the Custodian Bank receives monthly fee in accordance with the agreement entered into by and between the Custodian Bank and the Asset Manager. The fee payable to the Custodian Bank will be deducted from the Investment Plan Assets upon the Asset Manager's order.

The Custodian Bank's fee for the custody of the Investment Plan Assets is 0.18% per annum of the average value of the Investment Plan.

The fee payable to the Custodian Bank for custody of the Investment Plan Assets is calculated and accrues daily.

The fee is paid to the Custodian Bank monthly not later than on the tenth banking day of the next month for previous month.

The fee is calculated daily, by multiplying the value of the Investment Plan on previous banking day by the fee and dividing the result by the number of calendar days in the reporting year. The total amount of the fee payable for a certain period is calculated by summing up the daily fees calculated from the beginning of the period to the day of calculation (inclusive).

On the day when the fee is paid out, the paid-out fee is deducted from the calculated fee.

6.3. Certified auditor of the Investment Plan

The certified auditor of the Investment Plan is SIA Deloitte Audits Latvia. Its Registration No. with the Enterprise Register of Latvia is: 40003606960. Registered office: Grēdu iela 4a, Rīga, LV 1019, Latvia. Certified Auditor Business Enterprise Licence No. 43.

METHODS AND PROCEDURE FOR DETERMINING VALUE OF INVESTMENT PLAN ASSETS AND ASSET UNITS

7.1. Determining value of Investment Plan Assets

7.1.1. The value of Investment Plan Assets is calculated in accordance with the procedure prescribed by the Law and other legislation, in compliance with the procedures of the Asset Manager and other internal documents of the Asset Manager. The Investment Plan Value is the difference between the value of the assets and liabilities of the Investment Plan.

7.1.2. The following general principles are employed in determining the value of the Investment Plan Assets.

- 1) going concern principle – under which it is assumed that the Investment Plan will continue to operate as a going concern;
- 2) reconciliation or continuity principle – under which it is assumed that the same valuation methods will be used as were applied for determining the Investment Plan Value before;

- 3) prudence principle – under which the valuation must be carried out with due prudence at all times;
- 4) accrual principle – under which, the Investment Plan Value is estimated by taking into account all revenues and expenses of the Investment Plan, irrespective of the date of receipt or payment thereof and in accordance with the accrued amount until the date of determination of the Investment Plan Value;

7.1.3. The purchase or sale of assets is recorded on the day of the transaction.

7.1.4. All financial assets or financial liabilities of the Investment Plan is initially stated at cost being equivalent to the fair value of the price paid in case of financial assets or the price received in case of financial liabilities. The transaction costs, which are directly relevant to every particular transaction, e.g. acquisition of financial asset or settlement of financial liability, are deemed integral part of the transaction and are included in the calculation of the value of the Investment Plan's assets. The cost of the Investment Plan's financial assets and financial liabilities will later be adjusted according to the increase or decrease in these assets or liabilities, and the Asset Manager will be responsible to ensure that this value reflects the potential sales price, or the fair value, of the securities as accurately as possible. The fair value is the amount, for which an asset can be replaced, or the liabilities can be performed, in an arm's length transaction.

7.1.5. Determining the value of debt securities and money market instruments

Investments in debt securities (those of both fixed and floating income) and in money market instruments may be classified as investments available for sale or as investments held until maturity.

7.1.5.1. Investments available for sale

The fair value securities and money market instruments, which are classified as available for sale, is determined as the last known (available) market price of these instruments. The relevant stock exchange price or the market participants' price, which is obtained from credible sources (such as Reuters, Bloomberg, market participants' websites and other trustworthy sources of information) shall be applied as the market price.

Where it is impossible to determine the value using the procedure set out above, the valuation of securities will be done in accordance with the respective market interest rates that are obtained from credible sources (such as Reuters, Bloomberg, market participants' websites and other trustworthy sources of information).

7.1.5.2. Investments held to maturity

Debt securities and money market instruments that are classified as held-to-maturity shall be stated at the amortized cost, using the actual interest method.

7.1.6. Determining the value of equity securities

The fair value of equity securities is determined as the last known (available) market price of these instruments. The relevant stock exchange price or the market participants' price, which is obtained from credible sources (such as Reuters, Bloomberg, market participants' websites and other trustworthy sources of information) shall be applied as the market price.

7.1.7. Determining the value of deposits with credit institutions

The interest on deposits with credit institutions will be calculated per every day and it accrues until maturity date of the term deposit. If it is stipulated in the deposit agreement that the accrued interest will be paid out in parts, then on the day, on which the accrued interest is received, the received interest amount will be deducted from the accrued interest.

If the return on term deposit is linked to the price of certain issuers' securities or to an index and credit institutions offer the option to increase the share of profit from deposit subject to payment of a certain risk premium, then that risk premium will not be added to the term deposit amount, but will instead be treated as part of the deposit product acquisition cost.

7.1.8. Determining the value of derivative financial instruments

The fair value of derivative financial instruments is determined as the last known (available) market price of these instruments. The relevant stock exchange price or the market participants' price, which is obtained from credible sources (such as Reuters, Bloomberg, market participants' websites and other trustworthy sources of information) shall be applied as the market price.

7.1.9. Determining the value of investments in investment funds

Investments in investment funds are stated at their fair value. The fair value is the latest available (known) fund unit value determined by the manager of the fund in question.

7.1.10. Determining the value of investments in venture capital market

Investments in venture capital markets are stated at their fair value. The fair value is the value of the Investment Plan's investment in the business enterprise as determined on the basis of the latest available financial statement of the business enterprise or information in other statement released by the business enterprise's management body.

7.2. Determining the value of Investment Plan Asset Units

7.2.1. The value of an investment plan unit is the ratio of the value of the Investment Plan Assets as of the day of calculation to the number of registered Investment Plan Units as of the day of calculation. The value of one Investment Plan Unit at the time of inception of the Investment Plan is one lats.

7.2.2. The value of an Investment Plan Unit is calculated taking into account the following:

- 1) new Investment Plan Units are calculated by the Asset Manager by translating the assets, which are transferred from the Agency Account into the Investment Plan account with the Custodian Bank, into Investment Plan Units (hereinafter-newly calculated Investment Plan Units);
- 2) the newly calculated Investment Plan Units is the ratio between the assets, which are transferred from Agency's account within one payment period, and the value of an Investment Plan Unit in the relevant calculation period;
- 3) The number of Investment Plan Units is calculated and rounded off with the accuracy of seven figures after the decimal point.

7.2.3. The Investment Plan Unit value will be calculated at 2400 hours of each business day of the Custodian Bank, which is when the Investment Plan Asset prices as at the end of the respective business day are fixed.

7.2.4. The value of Investment Plan Units is calculated with the accuracy of seven figures after the decimal point.

7.2.5. Information on the value of the Investment Plan and its units is available at the office of the Asset Manager and on the website of the Custodian Bank (Swedbank AS), www.swedbank.lv, and at the State Social Insurance Agency.

7.3. Procedure for re-investment of Investment Plan's income

All income of the Investment Plan is re-invested in various assets on the basis of the investment policy and investment restrictions set out in the Prospectus.

7.4. Financial year of the Investment Plan

The financial year of the Investment Plan is the same as the calendar year: it starts on January 1 and ends on December 31.

TAXES AND DUTIES

In accordance with the Law, the Investment Plan is not a legal person and is not subject to taxation. If legislation stipulates taxation on investment targets and transactions in the Investment Plan Assets, then the Asset Manager shall make such payments out of the Investment Plan Assets.

No taxes are payable by scheme participants upon change of the asset manager.

Pensions calculated in accordance with the funded capital of the state funded pension scheme participant will be taxed in accordance with the general procedure.

OTHER INFORMATION REQUIRED BY EXISTING AND POTENTIAL PARTICIPANTS IN THE INVESTMENT PLAN

Procedure of amending the Prospectus

Any amendments to this Prospectus may be made in accordance with the procedure prescribed by the Law. If the Law requires the amendments in question to be registered with the Commission, they shall enter into force after their registration with the Commission and approval by the Agency within the timeframe specified in the Law.

DECLARATION BY THE ASSET MANAGER'S BOARD ON THE VALIDITY OF INFORMATION IN THE PROSPECTUS

We certify that the information provided in this Prospectus is true and all facts, which may be detrimental to the interests of existing and potential participants of the state funded pension scheme, have been disclosed.

Position	Signature	Name printed
Board Chairperson	_____	Harijs Švarcs
Board Member	_____	Pēteris Stepiņš