



New quality



2012

Annual Report

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Statement

First Ukrainian International Bank (FUIB) remained one of the most profitable, financially sustainable and efficient banks in the Ukrainian banking industry in 2012. We celebrated two decades of successful work with our customers that are the cornerstone of our success. Moreover, we strengthened our position among the ten largest banks in Ukraine and we also revised our five-year development strategy with an even stronger focus on high-quality growth.



Operational efficiency and customer service quality are central to what we do at the Bank as our team works in all segments of banking.

We continue to develop a comprehensive range of products and services for companies and individuals. For us, it is all about offering the pathways to innovations via new channels, products and formats that our clients need and want – and will appreciate.



Ilya Arkhipov, Chairman of the Supervisory Board of FUIB, and
Sergey Chernenko, Chairman of the Management Board of FUIB

Financial Performance

Our financial performance results for 2012 were consistently strong. The Bank earned USD 86 m profit before provisions, 13% up over the previous year. We increased provisions for the loan portfolio in line with a possibility for a less favorable economic situation in the coming year. Making these projections and the appropriate preparations for them, **FUIB** net profit was USD 34.7 m. **FUIB** team worked hard to assure that the Bank's portfolio quality and level of provisioning remain among the best in the country, while the loans/deposits ratio stands at 98.7%, which is unique in Ukraine's banking industry.



The Bank's record high growth in retail deposits and the increase in corporate portfolio — which outperformed the dynamics of the rest of the Ukrainian banking system — shows that **FUIB is the preferred bank for an increasing number of corporate and retail customers.**

We continuously study customer needs as we concentrate on using our new cutting-edge banking platform to enable our highly professional banking team to improve customer service quality, launch new products quickly and provide the most valuable and efficient solutions to every client of the Bank.

Acknowledgement of achievements and appreciation of **FUIB's** annual results by the customers, shareholders, business community and the public inspire the team as we work hard to further develop our Bank to be as flexible, modern and client-centric as is possible.

« On behalf of Ukraine's best banking team, we take great pleasure in sharing our joint accomplishments with our stakeholders in this online Annual Report. »

Sergey Chernenko, Chairman of the Management Board of **FUIB** and
Ilya Arkhipov, Chairman of the Supervisory Board of **FUIB**

The Bank's ROE and ROA before provisions of 2.6% and 14.1% remain among the best in the Ukraine's banking system.

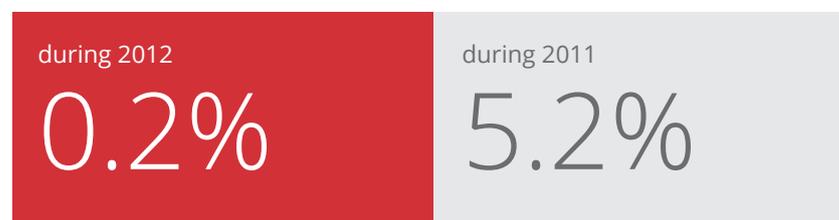
Banking Environment

Throughout 2012 Ukraine's banking environment was characterised by macroeconomic uncertainty, high devaluation expectations and growing administrative pressure on the monetary and credit system.

With debt crisis escalation in the eurozone, continuing volatility in international financial and commodity markets, and internal political and economic processes a deceleration of economic growth was observed.

Weakened macroeconomic indicators in the second half of 2012 lead to a downgrade in Ukraine's sovereign credit ratings by international rating agencies.

Growth in Ukraine's real GDP:



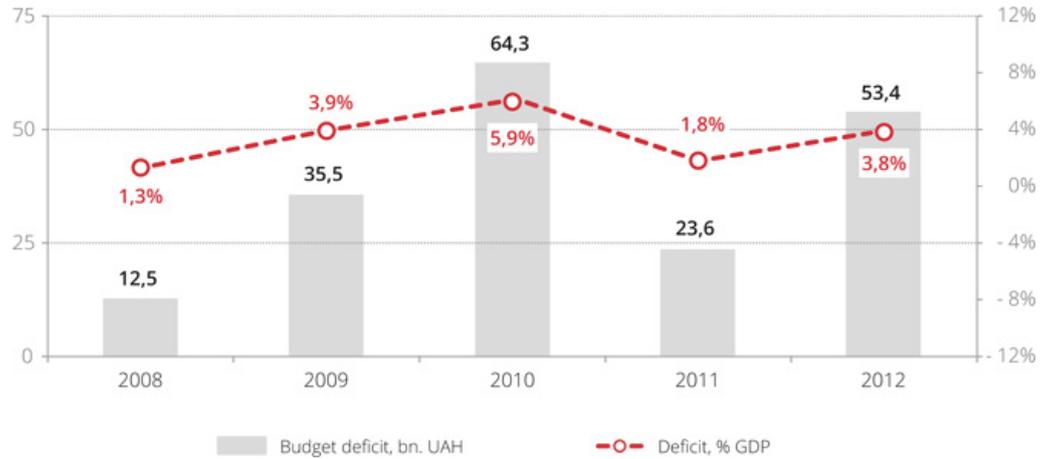
During 2012 the balance of payments deficit grew by 70% year-over-year (to USD 4.2 bn) against a background of growth in the disparity between exports and imports of goods and services to USD 14.8 bn in 2012 (USD 10.2 bn in 2011).

Ukraine's balance of payments deterioration and devaluation expectations increased volatility in the currency market. The National Bank of Ukraine eased pressure on the national currency through currency interventions, which resulted in the USD 7.2 bn (-22.8%) decline in the gold and currency reserves to the critically low level of USD 24.5 bn.

During the year Ukraine's budget deficit totalled USD 53.4 bn or 3.8% of GDP

(which is 2.3 times more than in 2011), and its total sovereign debt grew by 8.9% to USD 64.5 bn.

Ukraine's budget deficit



The unfavourable external environment along with regulatory restrictions applying to foreign currency lending made banks focus on the domestic resource market, toughening the competition for resources.

In the second half of 2012 the banking system operated under pressure from decreased hryvnia liquidity

caused by the monetary policy of the National Bank of Ukraine aimed at supporting the currency exchange rate and conversion of individual accounts from hryvnia into foreign currencies. As a result, throughout the year lending to the real economy sector was moderate, and in retail business high-margin consumer lending prevailed.



One of the main trends in the market in 2012 was withdrawal of foreign banks from the Ukrainian market as a result of exacerbated debt problems of the eurozone and restricted possibilities for supporting subsidiary banks in Ukraine.

Over the last three years the share of foreign banks in the assets of the banking system decreased to 50% at the end of 2012 (63% at the end of 2009). The industry remains rather fragmented with the ten largest banks accounting for 53% of all banking activity although there are 176 banks in the system.

According to its performance results for 2012, the banking system for the first time demonstrated a profit of UAH 4.9 bn, which was mainly attributable to lower provisions for active operations.

Main performance results

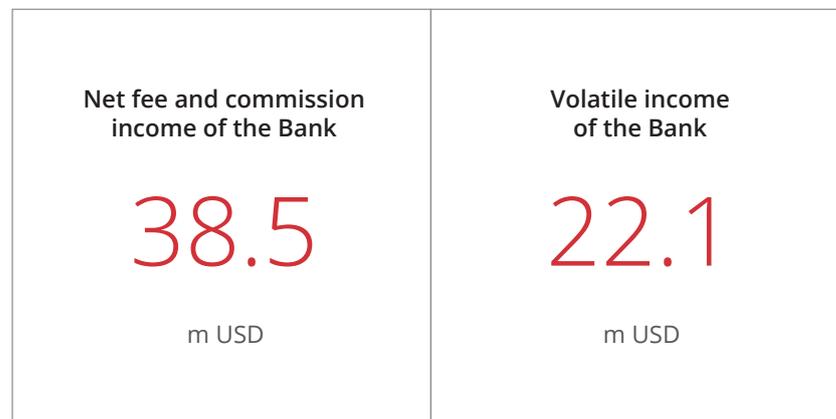


According to its performance results for 2012 **FUIB** earned a profit before provisions and taxes of USD 86.0 m, which is USD 9.9 m (or 13.1%) up year-over-year. The growth was achieved through an increase in all components of the Bank's operating income before provisions.

The 2012 net interest income of **FUIB** grew year-over-year by USD 21.2 m (+17.3%) to USD 143.9 m through better quality of managing the Bank's assets and liabilities and enhanced internal business processes.

The pressure on margin caused by the rise in cost of hryvnia resources in the second half of 2012 was eased by using the resources towards higher-margin retail consumer loans. The increased foreign currency resources were applied towards lending to corporate customers.

Also, in 2012 a portfolio of foreign currency denominated government securities was formed, which enabled diversification of the Bank's securities portfolio, hedging currency risks, and earning interest income from this currency asset. During the growth in rates for hryvnia resources, funds were efficiently raised and applied to earnings from arbitrage.



The Bank's 2012 net fee and commission income of USD 38.5 m was up USD 6.0 m (+18.5%) year-over-year as a result of growth in income from payment card transactions, trade finance, and fees from insurance companies.

The volatile income of the Bank was up by USD 4.2 m (+23.3%) to USD 22.1 m due to a rise in income from foreign exchange operations, derivative financial instruments, and a lessened impairment of securities, as compared to the previous year.

During 2012 the Bank's operating expenses increased by USD 21.5 m (+22.2%) to USD 118.4 m,

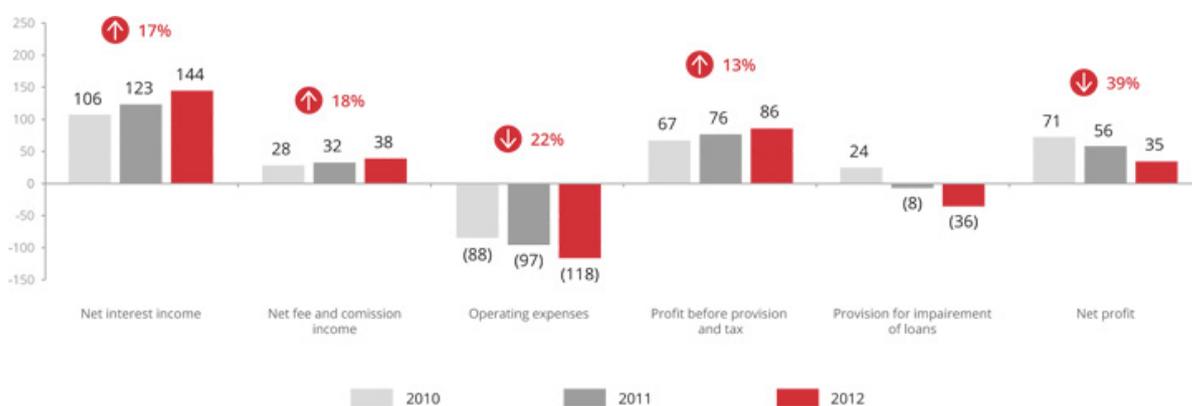
which was mainly caused by changes in the Bank's organisational structure, development of staff motivation programmes and implementation of business development projects.

The provisions for loan portfolio and credit related commitments during 2012 totalled USD -36.2 m. Provision for the corporate loan portfolio was USD -4.7 m, whereas in 2011 there was reversal of the provision of USD 5.4 m.

The increase in provision was necessitated by a drop in cost of pledged property and a rise in exposition of pledged objects, which was somewhat compensated by significant reversals related to improvement in major default scenarios.

Provision for the retail loan portfolio was USD -31.1 m, which is USD 14.5 m up year-over-year because of deteriorated expectations of repayments of the mass portfolio and revision of the time frames for recovery of problem loans to the affluent customer segment.

Composition of net income, m USD



As a result, the Bank generated a net profit for 2012 of USD 34.7 m, which is USD 21.7 m (-38.5%) down year-over-year due to growth in provisions and the Bank's operating expenses related to implementation of new business activities development projects.

As of 31.12.2012 the assets of **FUIB were USD 3447.4 m.**

The year-over-year decrease by USD 273.5 m (-7.3%) was caused by an outflow of "hot" corporate funds, as of the end of 2011 totalling USD 560 m on the Bank's balance sheet, which were applied by customers toward government securities and accounts with other banks. As of the end of 2012 corporate accounts were USD 923.3 m, which corresponds to the 5th position in the rankings of Ukrainian banks.



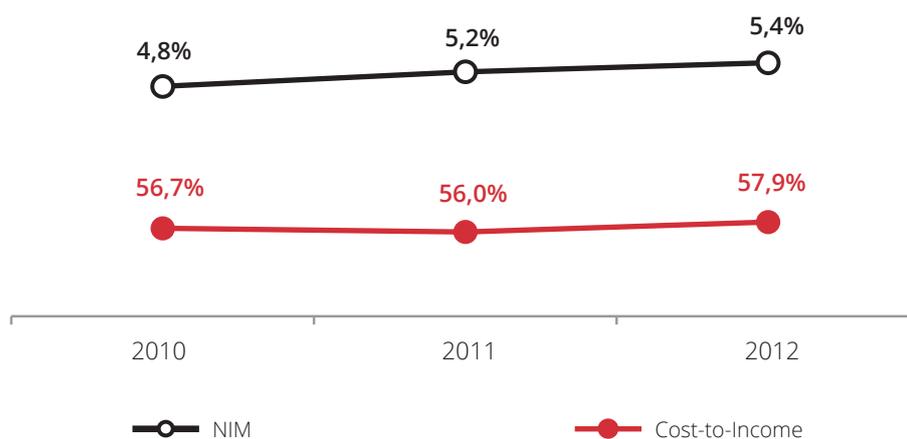
Throughout 2012 the main source of funding for development of **FUIB** was retail accounts, which grew by USD 196.1 m (+18.1%) to USD 1280.0 m.

The Bank retained the 8th position in the industry, and the growth rate of hryvnia accounts with **FUIB** (+35.0%) more than two times outperformed their growth rate in the banking system (+16.3%).

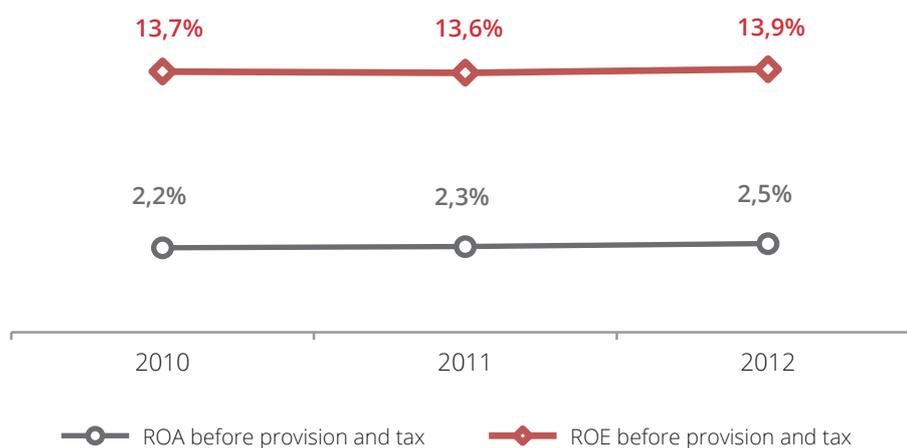
The Bank applied increased resources toward lending to customers. During 2012 the corporate loan portfolio increased by USD 109.0 m (+6.0%) to USD 1925.4 m. Half of this growth was achieved through lending to SME segment customers. By volume of corporate loans for 2012 **FUIB** advanced one place in the rankings by the NBU to the 9th position as of 31.12.2012.

The retail loan portfolio during 2012 grew by USD 94.7 m (+15.6%) to USD 701.0 m, which corresponds to the 9th position in NBU rankings. In Ukraine's banking system as a whole throughout 2012 there was a decline in retail loans (-6.6%).

Operating efficiency



Operating performance



Financial result of corporate business

Corporate business earned a profit of USD 53.4 m, having increased the operating income by 21%

During 2012 the corporate business of FUIB generated operating income of USD 98.8 m or 20.7% up year-over-year through:

- growth in net interest income of 20.3% to USD 82.4 m as the result of an increase in volume and margin of the corporate loan portfolio;
- growth in net fee and commission income of 13.4% to USD 16.0 m as a result of an increase in income from foreign exchange and trade finance operations of the Bank.

The operating expenses of corporate business during 2012 grew as compared to 2011 by 4.0% to USD 38.6 m, while the cost to income (C/I) ratio improved from 45.3% for 2011 to 39.0% for 2012.

The provisions for corporate business during 2012 totalled USD 6.8 m, whereas in 2011 there was reversal of the provisions.

As a result, during 2012 the Bank's corporate business earned USD 53.4 m profit before taxes, which is 5.0% up year-over-year.

Financial result of retail business

Retail business income doubled year-over-year, totalling USD 2.6 m

Operating income of retail business for 2012 totalled USD 102.0 m, which is nearly two times more than in 2011 (+86.9%).

The main contribution to growth in operating income was made by 2.1 times year-over-year growth in net interest income to USD 81.3 m resulting from an increase in volume of the retail loan portfolio with dominance of consumer lending and growth in the volume of customer accounts.

<p>Net fee and commission income of retail business</p> <p>18.9</p> <p>m USD</p>	<p>Trading income of retail business</p> <p>1.2</p> <p>m USD</p>
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The net fee and commission income of retail business for 2012 was USD 18.9 m, which is 25.8% up year-over-year due to growth in income from payment card transactions and fees from insurance companies.

The trading income of retail business underwent a slight growth (+3.4%) to USD 1.2 m.

Operating expenses of retail business during 2012 grew year-over-year by 9.3% to USD 60.3 m, while the C/I ratio improved from 101.1% for 2011 to 59.1% for 2012.

Growth in consumer lending led to a 2.4 times increase in provisions over 2012 as compared to 2011 to USD 39.1 m.

Thus, according to its performance results for 2012 retail business earned a profit before taxes of USD 2.6 m, whereas over 2011 it produced a negative financial result of USD -16.6 m.

Investment activities

As a part of managing the liquidity of FUIB in the 1st half of 2012 the Bank formed a portfolio of sovereign bonds (Ukrainian government bonds denominated in foreign currencies); in the 2d half of the year liquidity was supported through investments of funds of corporate customers.

<p>Operating income</p> <p>12.0</p> <p>m USD</p>	<p>Net fee and commission income</p> <p>3.7</p> <p>m USD</p>	<p>Trading income</p> <p>3.4</p> <p>m USD</p>
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Operating income generated by FUIB from investment activities during 2012 totalled USD 12.0 m or 59.2% down as compared to 2011. The decline in operating income was mainly caused by a 79.8% year-over-year drop in net interest income to USD 4.7 m as the result of a decline in income from interbank market activities and repayment of debt to foreign banks.

Net fee and commission income from investment activities for 2012 was USD 3.7 m, which is 6.9% down year-over-year.

Trading income from investment activities grew by 281.0% to USD 3.4 m mainly because of an increase in the marginal income from dealership.

Operating expenses for investment activities during 2012 dropped year-over-year by 4.3% to USD 6.9 m, whereas the C/I ratio worsened from 24.6% for 2011 to 57.6% for 2012. The reversal of provisions during 2012 totalled USD 0.3 m (USD 5.2 m during 2011).

Key financials

FUIB 2012 (IFRS)

Balance Sheet as of 2012 year-end, USD mln	2012	2011	Change 2012/2011 USD mln	%
Net assets as of end of reporting period	3 447,4	3 720,9	(273,5)	-7,3%
Gross loan portfolio:	2 626,4	2 422,7	203,7	8,4%
Gross loans to corporate customers	1 925,4	1 816,4	109,0	6,0%
Gross loans to individual customers	701,0	606,3	94,7	15,6%
Gross securities portfolio	425,1	522,9	(97,9)	-18,7%
Customers accounts:	2 203,3	2 531,3	(328,0)	-13,0%
Corporate accounts	923,3	1 447,4	(524,1)	-36,2%
Individual accounts	1 280,0	1 083,9	196,1	18,1%
Equity	633,1	604,9	28,1	4,6%
Total capital (Tier 1 + Tier 2)	662,9	651,9	11,0	1,7%

Statement of income, USD mln	2012	2011	Change 2012/2011 USD mln	%
Net interest income	143,9	122,7	21,2	17,3%
Net fee and commission income:	60,5	50,3	10,2	20,2%
Net commission income	38,5	32,5	6,0	18,5%
Trading and other volatile income	22,1	17,9	4,2	23,5%
Operating income	204,4	173,0	31,4	18,2%
Operating Expense	(118,4)	(96,9)	(21,5)	22,2%
Profit before provisions and taxes	86,0	76,1	9,9	13,0%
Allowance for impairment of assets	(36,2)	(7,7)	(28,5)	372,5%
Profit tax	(15,2)	(12,1)	(3,1)	25,6%
Net profit	34,7	56,4	(21,7)	(38,5%)

Performance indicators	2012	2011	2012/2011
ROA before provisions (Profit before provisions and taxes / Net average assets)	2,5%	2,3%	0,2%
ROE before provisions (Profit before provisions and taxes / Average capital)	13,9%	13,6%	0,3%
ROA (Net profit / Net average assets)	1,0%	1,7%	-0,7%
ROE (Net profit / Average capital)	5,6%	10,1%	-4,5%
NIM (Net Interest Income / Average productive assets)	5,4%	5,2%	0,2%
C/I (Operating expenses / Total income)	57,9%	56,0%	1,9%

Structural indicators (average balance sheet)	2012	2011	2012/2011
Net loan portfolio / Customer accounts	98,7%	93,4%	5,3%
Customer accounts to liabilities	78,9%	75,5%	3,4%
Current accounts to total customer accounts	40,6%	45,0%	-4,4%

Assets quality	2012	2011	2012/2011
NPL* / Loans to customers	20,9%	19,1%	1,8%
Allowances / Loans to customers	14,8%	15,1%	-0,3%
Allowances / NPL*	70,7%	79,4%	-8,7%

Capital adequacy	2012	2011	2012/2011
CAR (Basel)	23,5%	25,3%	-1,8%
CAR (NBU)	17,6%	15,9%	1,8%

* NPL – loans in the arrears over 60 days

Strategic highlights

FUIB market positions



In 2012 FUIB revised its strategy and adjusted the underlying assumptions about evolution of the domestic market on the back of international financial and commodity market developments. In the short run FUIB's business will grow less aggressively in line with the moderate rate of the domestic economic recovery.

The key strategic priorities of FUIB remain unchanged. The Bank's team continues to build a diversified universal bank centred on satisfying all banking needs of customers, providing them with one-stop-solutions and exceptional service quality.

FUIB customer will be provided a comprehensive range of services:

complete service for corporate clients, large, medium-sized companies and small businesses; and unique service for individuals covering all customer needs ranging from consumer and mortgage lending to wealth management and even e-trading.



Our strategic goal is not merely to grow by scale, but to become the best bank by operating efficiency and service excellence.

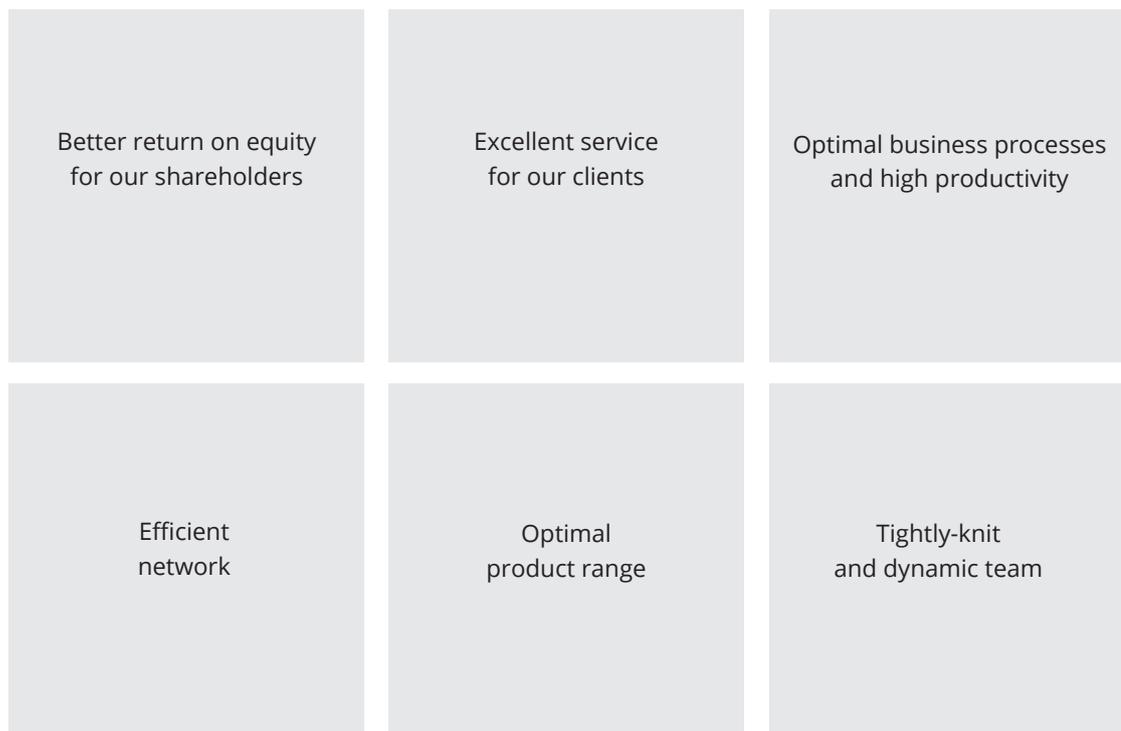


Sergey Chernenko, Chairman of the Management Board of **FUIB**

In the short term **FUIB's** primary focus will be not on the growth of market share, but instead on enhancement of operating efficiency and business quality. The Management and Supervisory Boards of **FUIB** consider quality of growth of primary importance; therefore the bank will grow by profitability, efficiency and service excellence.

That is why the team is working on efficiency improvements: processes, products, and evaluation of return on investments being made. These components will promote efficiency enhancement and the success of **FUIB**.

Efficiency



FUIB continues to invest in operating efficiency enhancement and improving back office operations.



We relieve the outlets of excessive operating load so that they can focus on delivery of better quality services to our customers and acquisition of new clients **FUIB**.



Natalya Kosenko
Deputy Chairman of the Management Board in charge of network development

Efficiency enhancement project – new ABS

Early in 2013 **FUIB** switched to the new Automated Banking System (ABS), which will enable it to enhance performance efficiency and service quality, and will become the value adding factor for the Bank's customers.

Clients will experience the effect of implementation of the new operating platform over time in the form of quicker response to their requests, flexibility of new products and offers, and higher service efficiency overall.



Customer satisfaction is the cornerstone of our strategy. By studying client needs we move forward and improve our service. With the new automated banking system we build the next generation service model to serve our customers quickly and comfortably.



Tomasz Wisniewski
Deputy Chairman of the Management Board

As a universal bank **FUIB works in all market and customer segments. Through an ongoing and consistent analysis of customer needs the team of the Bank looks for new efficient customer service models.**



Customer and customer needs are at the center of **FUIB**'s business model. We seek understanding of our customer's personal and business needs, and try to satisfy both most efficiently



Tatyana Chernenko
Head of Strategic Marketing Department

FUIB invests in online and mobile banking channels to meet client needs

PUMB Online Internet banking

Consistently developing its innovative products and remote access channels in 2012, the **FUIB** team broadened the range of Internet, cable television and landline communication service providers that customers may use in making PUMB Online payments on his/her own with no transaction fee.

Payments to 40 mobile communication and Internet service providers are accepted: Kievstar, MTS, Life:), Volia-Kabel, PeopleNet, Intertelecom and a number of others, along with the possibility to top up accounts in "VKontakte" and "Odnoklassniki" social networks and popular online games.

iPUMB for Windows Phone

In spring **FUIB** introduced its Windows Phone-based mobile application iPUMB for Internet banking users. With this application users may enjoy the main functions of PUMB Online Internet banking version: banking payments, money transfers between accounts, online money deposits, management of payment card limits, repayment of loans, mobile phone account top up, and other operations.

The application is available in three language versions – Ukrainian, Russian and English, and is downloadable for free from Windows Phone Marketplace.

iPUMB for mobile phones and tablets

Over the year the application iPUMB for Apple iPhone users was upgraded along with the mobile version of PUMB Online – special "light" web version of **FUIB** online banking for any mobile phone with Internet access (not only smartphones and mobile communicators).

+30%

Throughout 2012 the number of PUMB Online Internet banking users grew by 30% to 321 000 customers.

+195 000

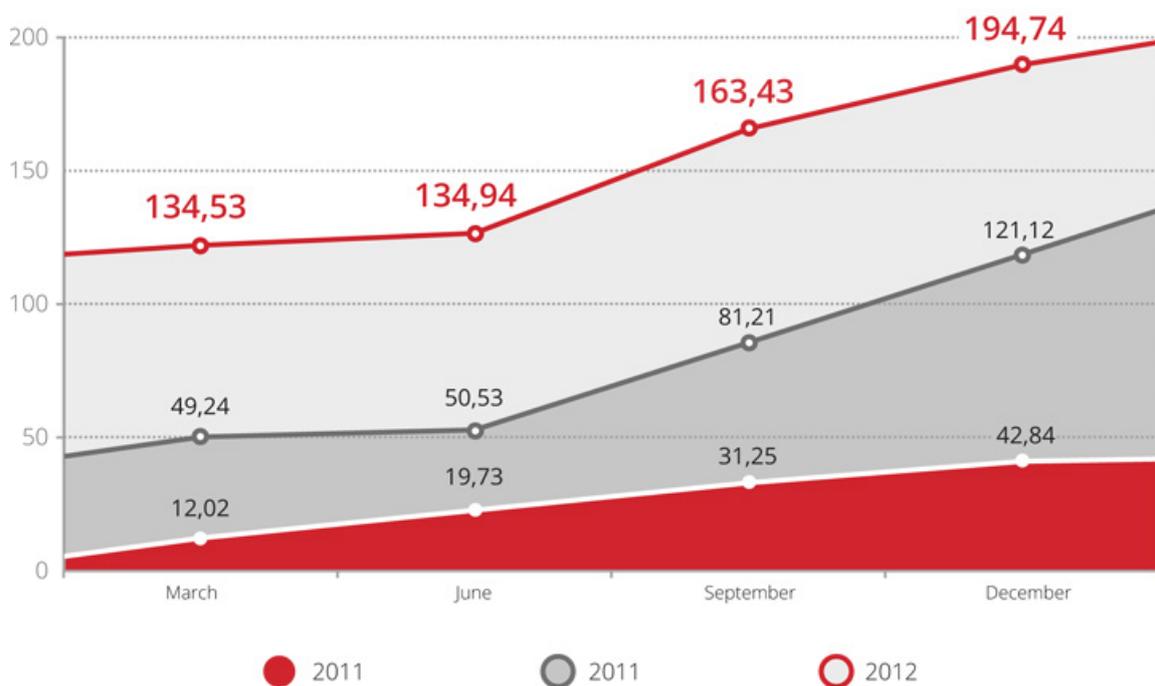
Active operations during December 2012 totalled 195 000, which is 1.6 times up year-over-year.

A quarter of PUMB Online users use it at all times through mobile devices, while on weekends the number of such users grows to 40%. **FUIB** will continue to enhance functionality of this service and develop versions for other popular mobile platforms.

FUIB was recognised the leader in The Most Electronic Banks rankings by InvestGazeta business weekly,

which appraised Internet banking service development among banks in Ukraine, and was praised in Best Internet Banking nomination of UKRAINIAN BANKER AWARDS 2012, held annually by InvestGazeta.

Operations via PUMB online internet banking



The internal quality of **FUIB** is mirrored in its pursuit of retaining the strongest and most tightly-knit team in the industry. The personnel management policy is aimed at forming and retaining the best personnel in the industry. This is why **FUIB** invests in personnel development, efficiency enhancement and corporate culture creation, which enables strengthening the team and attracting new members.

As part of creating the new culture, the performance appraisal system for managers as well as the “Best employee” recognition program were launched; while the new online learning platform was created and the concept of managing the personnel succession was approved. **FUIB** management strives to get employee feedback on the many changes being made. Hence the bank will launch measurement of the satisfaction of the Bank’s personnel and implementation of an institute of coaching.

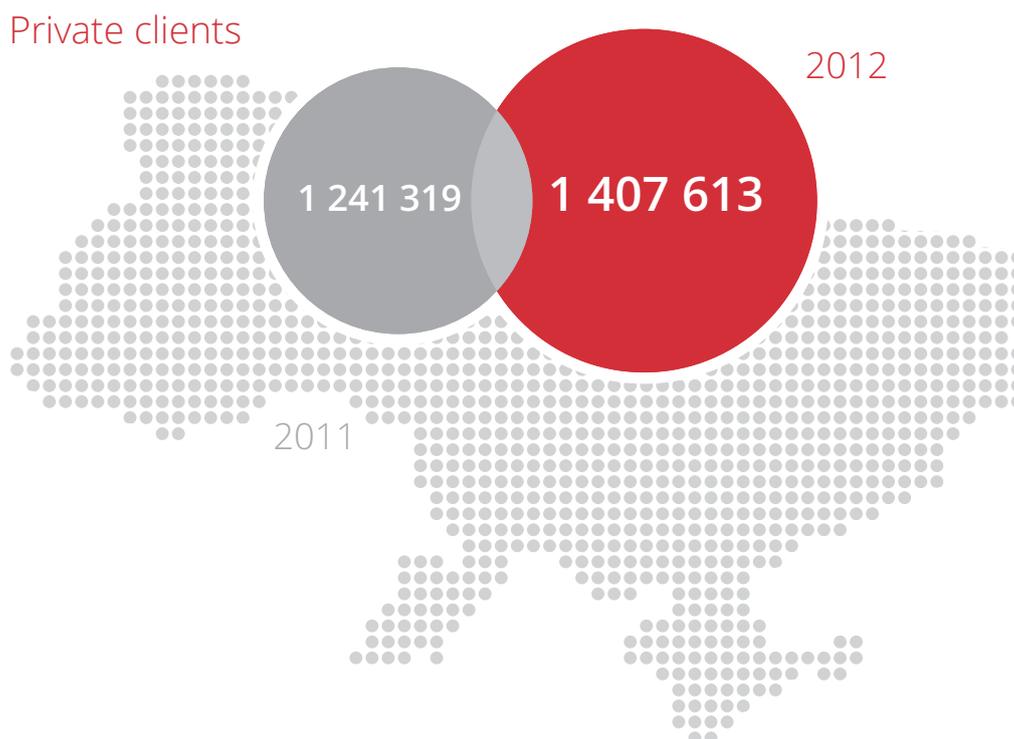


We care about our personnel and consider them the most important factor for our business success. As we are building the new corporate culture that embodies high staff involvement, mindfulness and dedication, we introduced a personnel polling practice to learn about our employees’ priorities and needs, degree of their involvement in decision making and the level of understanding of the strategy. We want to know what they think about working at **FUIB**.

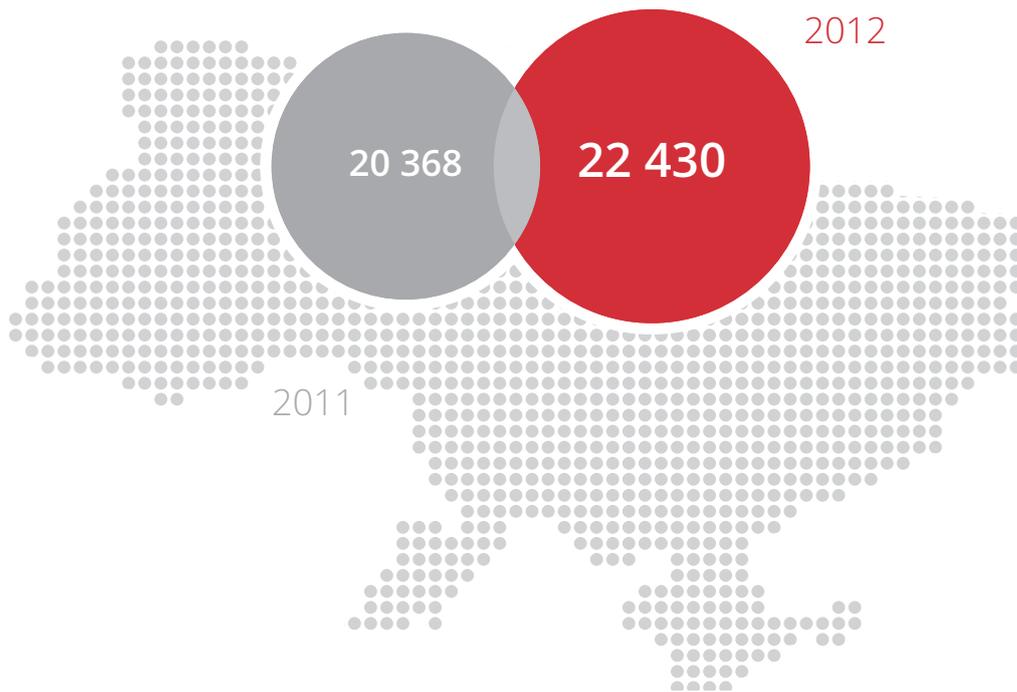


Yelena Dyatlova
Deputy Chairman of the Management Board in charge of the personnel management

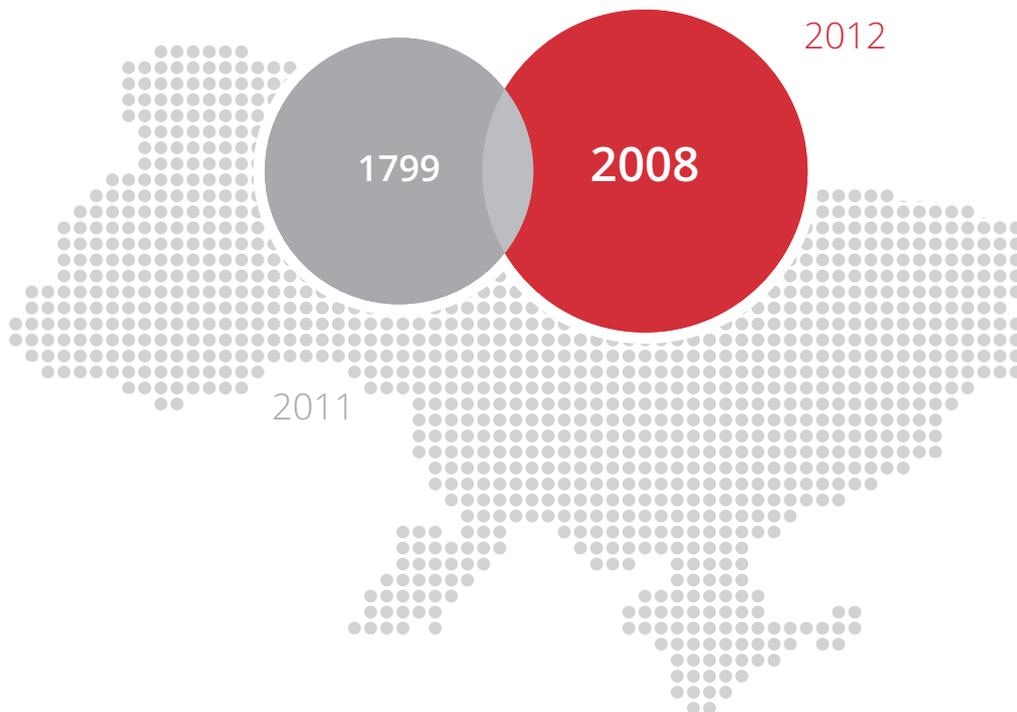
Business overview



Small and medium business



Corporate business



Corporate business

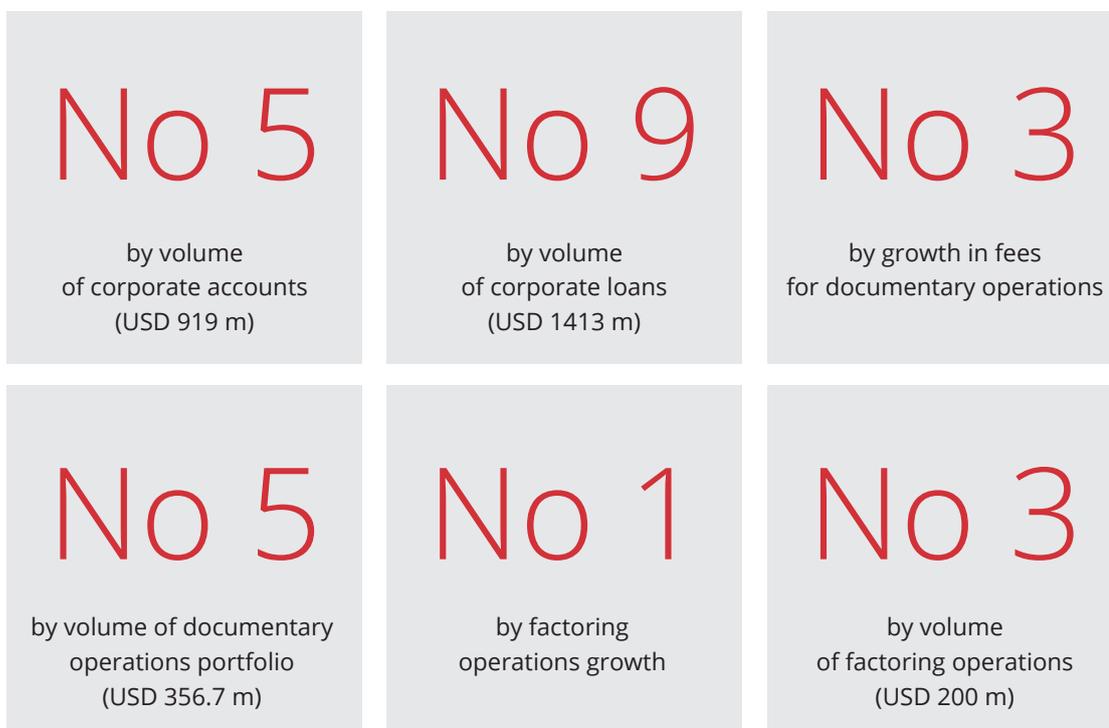


2012 was yet another successful step of implementing strategy and growing our market share. We did it via improving the quality of our services and providing clients with the most professional services in the industry. We enhanced business diversification and efficiency, grew the corporate loan portfolio twice faster than the industry (on average), made the TOP-3 best banks in trade finance, were a leader in factoring operations and became one of the ten largest lenders to the agricultural business. In 2013 we will use the new banking system platform for enhancing the efficiency of existing products and launching new products and services for each of the customer segments within our scope



Aleksey Volchkov

Deputy Chairman of the Management Board in charge of the corporate business



Loans to agricultural sector over 2012 accounted for 32.7% of portfolio of loans to SME (USD 60.7 m)

FUIB continues implementing a strategy for corporate business development providing for retention of leading positions in the large corporate segment and diversification via development of business for the small and medium enterprises (SME), including a new product and service model and intensification of sales to this segment. The Bank is active in acquiring new customers and extending product and service offers to existing customers, providing them with the highest service quality and a complete range of products, including trade finance, documentary operations, factoring and FX/currency control.



During 2012 the corporate business of FUIB increased its loan portfolio and improved resource allocation,

and improved business diversification by growing the number of customers by more than 2 thousand legal entities and increasing the volume of new loans to SME to 50% of the total volume of new loans.

Increasing product and service offers to existing corporate customers and development of documentary and currency exchange operations led to an increase in the corporate business net fee and commission income by 13.4%.

FUIB increased the share of SME business in total income from corporate business to 20%.

Assets of the SME business grew by 52% to USD 207 m; and the liabilities, by 7% to USD 180 m. Share of this segment in the total assets growth was 50%. During 2012 the number of SME customers grew by 10% to 22 600.

The Bank retained leading positions in activities such as documentary operations and trade finance, and remained the market maker by currency exchange operations in the interbank market, offering direct dealing services to its large and medium-sized corporate customers.

While the ratings of our country were weakening and the issue of new credit limits for the banks was not that simple, FUIB's highly qualified team increased the volume of documentary operations by the record high 25% year-over-year and won a number of major and significant deals in direct competition with international and Eastern European banks.

Segmentation

FUIB is present in the segments of large, medium and small enterprises, and develops a service model and products for each segment.

Large corporates segment

Bank continues applying the high-quality customised service model

Medium corporate business

By size and needs it is closer to the large corporate segment, FUIB delivers a complete range of services at an efficient for the medium segment price.

Small businesses

FUIB is developing efficient standardized solutions and has ensured customer services at the bank's retail outlets.

The Bank focuses on meeting all customer needs in banking services, both business and personal ones.

Focus products

FUIB continues investing in improvement of existing and development of new products for corporate customers that complement the one-stop-solution service model.

Among core products for the medium and small enterprises segment are the documentary products.

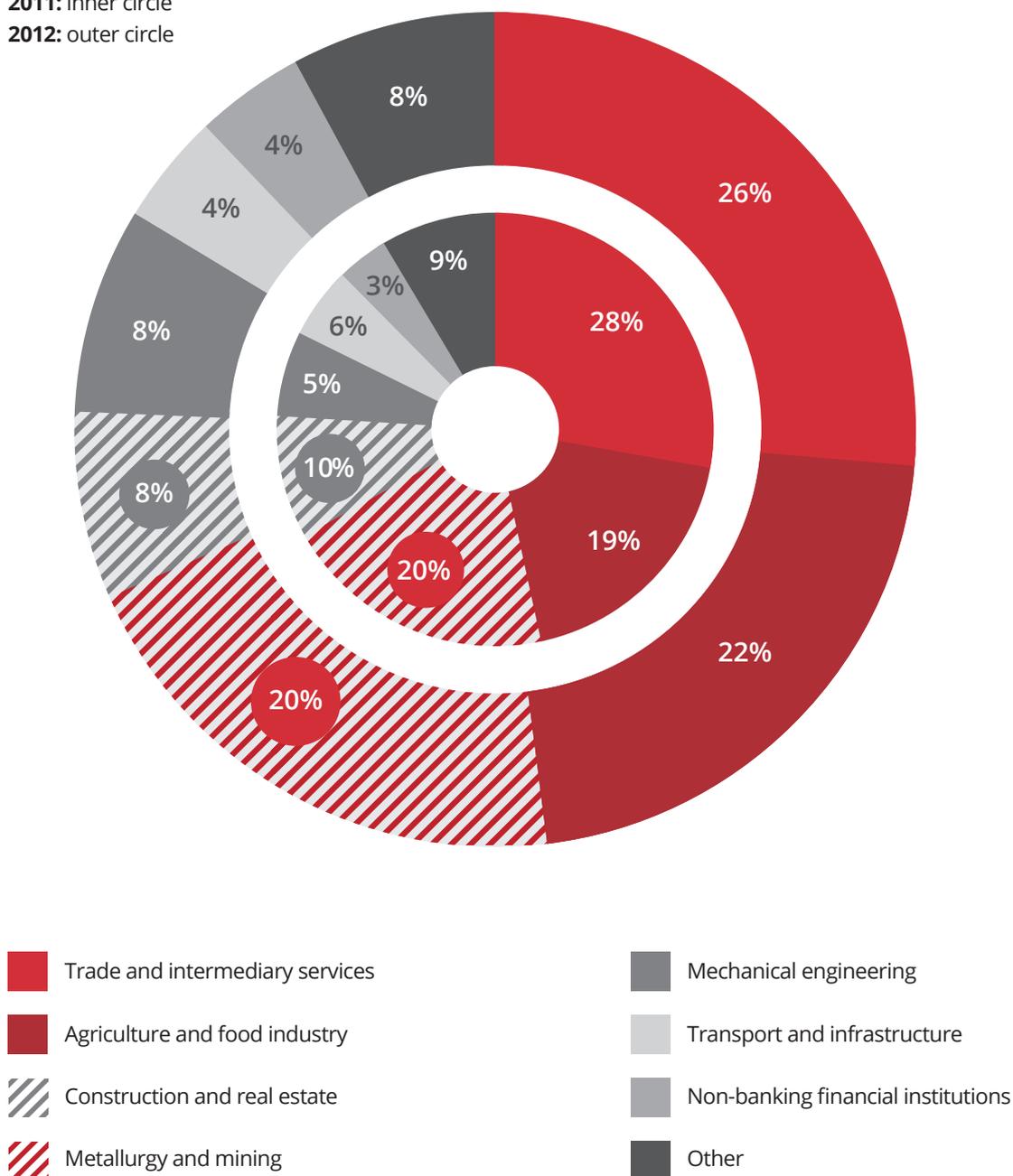
In 2012, having identified the respective customer need in Ukraine, FUIB added a domestic guarantees service to the traditional for the Bank trade finance servicing of clients' international operations. Moreover, the Bank has strengthened competencies of its team and now provides its customers with additional expertise in export and import operations acting as the currency control agent.

A new product, factoring, complemented the range of FUIB's products for large and medium enterprises and became an additional working capital financing instrument providing companies with the possibility to pay to their suppliers by means of factoring programmes. This product was popular in 2012 during periods of increased hryvnia liquidity deficit in the financial market and facilitated acquisition of new customers who appreciated the competencies and flexibility of FUIB's team. The bank's portfolio in factoring operations grew on the back of the team's success in development and launch of new products and processes, which improved industry positions by scope of factoring operations.

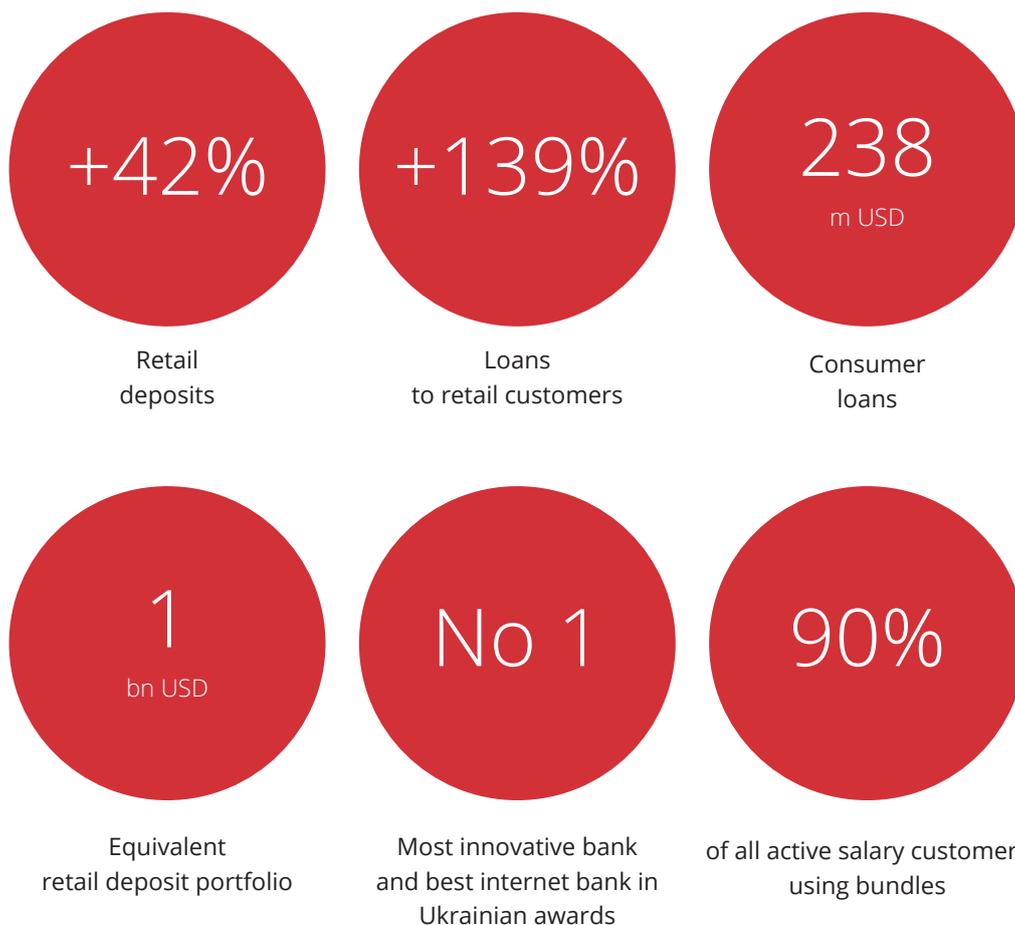
In 2013 the corporate business team continues with the profitability management project, and implements business processes' automation and new functions on the platform of the new automated banking system (ABS). Also, the Bank builds up the portfolios of documentary operations and trade finance, and tranche lending to large and medium enterprises. In the medium business area, focus remains on the sector of agricultural businesses, on making larger deals, and further regional diversification of the portfolio.

Corporate loan portfolio's structure by industries in 2011 and 2012

2011: inner circle
2012: outer circle



Retail business



Retail business growth in size and scope remains a top priority for the bank's business diversification to become a fully universal bank. The team works towards increasing the share of retail business in the total income of the Bank. This is why the Management and Supervisory Boards pin considerable hopes on Stephan Guglieri, new head of retail business and Executive Director, who joined the team in 2012.

To ensure customer-centric development of the retail business, customer service excellence is integrated in the key performance indicators (KPIs) of all **FUIB** executives top-down.

The bank continues strengthening customer relations and industrialized its ability to communicate to its customers via multi-channels. It offered clients a number of innovative products, such as insured loans and bundled services, and invested in modern banking channels, further optimizing PUMB online internet banking platform and building up its network of ATMs and POS terminals.

To support retail business development **FUIB** will invest in a new format of outlets

and creation of a cutting-edge technological platform ensuring prompt decision making.

The Bank will continue to support and promote the products, analysing their value for the customers and **FUIB**.



2012 was a fantastic year of business growth, continued preparation for the future, innovation and profit enhancement. We have reinforced the platform for retail business and beat the record in individual deposits growth. Our award-winning PUMB Online Internet banking and its iPUMB applications, bundled services and other innovative products were highly appreciated by clients. We maintain our key focuses – customer-centricity, innovation and process excellence. Step-by-step we are becoming the first choice bank for individual customers



Stephan Guglieri
Executive Director and Deputy Chairman of the Management Board
in charge of retail banking

Segmentation

The retail business of **FUIB** continues building its presence in all the retail segments with focus on middle and affluent customer segment. For each of the segments the Bank develops product and service models corresponding to customer needs, and satisfies them in the most cost-effective and convenient for the customer way.

- **FUIB** will provide banking services to the mass customer segment near to and at their workplaces.
- The differentiated service model for the middle and affluent customer segment includes complex service for comfortable saving and account management, cash loans (overdrafts), auto credits and mortgage loans. The Bank provides a full range of services via remote channels, Internet banking and personal service delivered by a manager who settles all the issues in one place.
- To affluent customers **FUIB** offers money saving and wealth management services, and provides a number of customized services via the Persona Club incorporating dedicated staff and lines of products. Among the new products for affluent and wealthy customers are brokerage and portfolio management as well as Internet trading, which the Bank is developing in 2013.



Deposits

The individual deposit portfolio of **FUIB** in 2012 grew to over USD 1 bn. This outstanding growth in the deposit portfolio at the average for the market deposit rates offered by the bank demonstrated the strength of **FUIB** brand, high confidence of the customers in the Bank and ability of the team to raise money even in the challenging market.

Moreover, over 80% of the deposits are term deposits, and over 50% of the deposits have been made for 12 months and longer periods. The number of deposits made through PUMB Online by means of the Deposit Constructor grew by 90% as compared to 2011.



Car loans

In 2012 despite the underlying market conditions, high interest rates and constrained liquidity, **FUIB** was able to maintain a 5% market share in auto lending. The bank has ambitions to continue to improve its product range and processes to maintain and reinforce its market position in this segment.



Bundles

Early in the year the key services of issuing cards and administration services of **FUIB** were bundled into four service packages. These bundles provided great value and convenience to customers and enhanced the revenue stream for the bank. By the end of the year over half a million customers, or nearly 90% of all active payroll clients, switched to the packaged service.



Credit card

The Bank successfully launched a credit card to its payroll customers. The credit card has a grace period of 46 days, which applies both to payments at merchants and cash withdrawals – a unique proposition in Ukraine.

FUIB invests in strengthening the security of electronic payments for its customers

As a result of the campaigns held by the Bank aimed at activating and implementing card packages, the number of cards, which customers of **FUIB** used to pay for goods and services, grew by 93%, and the volume of POS transactions increased by almost 70%. During the year 2012 **FUIB** and its partner banks issued 2 648 137 Visa International and MasterCard Worldwide branded payment cards (YOY growth of 42%) and installed 2142 ATMs.

FUIB's Processing Center granted access to the 3D-Secure technology to holders of payment cards issued by its partner banks. With this service now FUIB's partner banks can ensure their customers security of their Internet payments.

In 2012 FUIB once again underwent an independent audit, which confirmed its compliance with the international payment card industry data security standard (PCI DSS).

Also in 2012 the acquiring processes were audited by MasterCard Worldwide international payment system, which confirmed the high level of fraud control and security of payment card acceptance at merchants served by FUIB's Processing Centre.

The POS terminal network of First Ukrainian International Bank (FUIB), the fourth largest in Ukraine, during 2012 grew by 6.5% to 6543 terminals. Turnover in the terminal network increased by 67% to USD 328 m.

Investment activities

Diversification of FUIB's securities portfolio

In 2012 FUIB enhanced the efficiency of use of available funds, investing actively in high yielding government securities and growing the securities portfolio by 56.7% to USD 406 m as of the end of the year.

Investment in sovereign bonds (Ukraine's government bonds denominated in foreign currencies), enabled diversification of the securities portfolio of the Bank, hedging currency risks, and earning interest income from this asset. Also, securities deals generating arbitrage income without diversion of the Bank's resources were concluded.

Interbank market

As the market maker in the interbank credit and deposit market last year, FUIB remained in the top-three leading banks by volume of portfolio.

FUIB's team of carried out FX transactions for the Bank's customers, successfully managed the Bank's own liquidity and efficiently performed arbitrage transactions in the open market using SWAP transactions and unsecured lending. During 2012 the number of customers using the direct dealing service grew, which enabled increasing profit for the year from such operations. Implementation of the new ABS in the Bank made it possible to automate a number of processes, including those relating to treasury operations, thus significantly reducing operational risks and speeding up customer service.

Capital markets

In April 2012 **FUIB** organised a UAH 300 million corporate bond issue by Ilich-Agro Donbass (HarvEast Group) to be used for financing working capital of the holding company.

Also, the Bank acted as paying agent for placement of the bonds, coupon payments and bond repayment at maturity. The other underwriter, along with **FUIB**, was Dragon Capital; co-underwriter, Altana Capital.

External borrowings

In July 2012 **FUIB** prepaid the syndicated loan of USD 237 million, the terms of which provided for its repayment in equal instalments at LIBOR +3.25%.

Towards the syndicated loan repayment **FUIB** paid the total of USD 31 million. Thus, the international borrowings portfolio of the Bank decreased by USD 31 m (11%). The international borrowings portfolio decreased in line with the terms of the loan agreements and due to strong and sustainable financial position of the Bank in the market. The positive credit history and successful cooperation with international institutional investors facilitates the Bank's further activities in international capital and credit markets in the future.

Corporate Governance

FUIB applies an efficient corporate governance system.

The corporate governance philosophy of **FUIB** is based on maintaining a balance of interests among all stakeholders, relationships between the shareholders and third parties, openness of business and information transparency, and equality and objectivity in decision making.

As the leader in information openness among joint stock companies **FUIB** consistently enhances its business transparency. In order to assist shareholders and investors in making reasoned decisions the Bank discloses in a timely manner exhaustive and true information, inter alia, about its financial standing and performance indicators.

The supreme governing body of **FUIB** is the General Meeting of Shareholders

Supervisory Board

The Supervisory Board, appointed by and accountable to the General Meeting of Shareholders, ensures protection of rights of the shareholders of FUIB and within the FUIB's Articles of Association and the laws of Ukraine controls and supervises the activity of the Management Board of the Bank.

Management Board

The Management Board is the executive body managing FUIB's day-to-day activity and fulfilling tasks set by the shareholders and the Supervisory Board.

Audit Committee

The Audit Committee examines financial and economic activity of the Bank, exercises control over compliance by the Bank with the law and assures the lawfulness of its operations.

Internal Audit Department

The Supervisory Board is assisted by the Internal Audit Department which facilitates the governing bodies in ensuring efficient performance by the Bank.

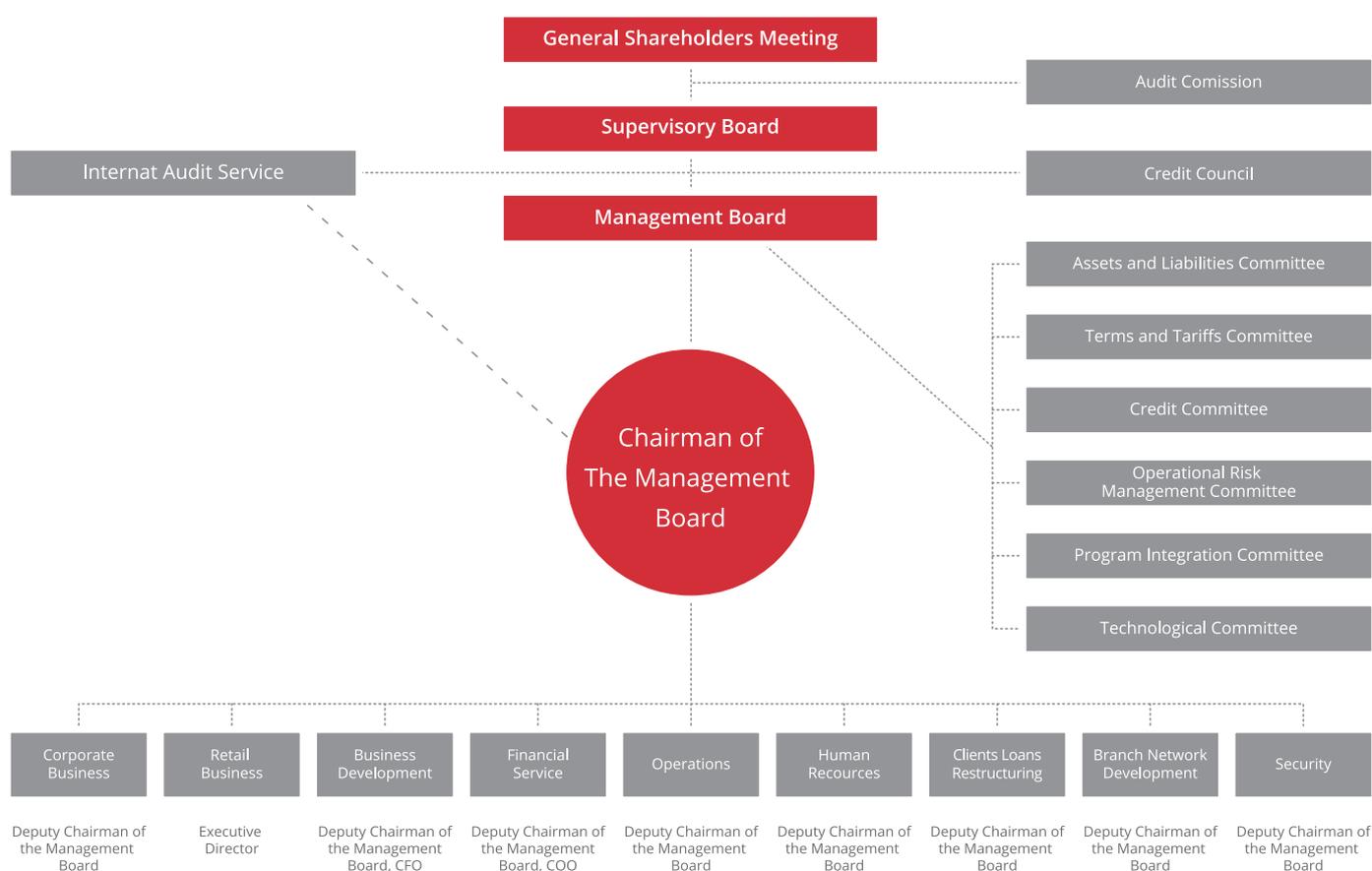
Independent auditor

Each year the financial statements of FUIB are audited by an independent auditor (audit company) not affiliated with the Bank or its shareholders.

Compliance Control Service

In line with the Basel Committee on Banking Supervision recommendations, the Bank has the Compliance Control Service in charge of exposing non-adherence to the law, the Bank's internal regulations, fair competition standards, and conflict of interests; it also conducts complex measures to eliminate the causes and minimize the consequences of such risks.

Corporate Governance Structure of **FUIB**



General Meeting of Shareholders

During 2012 **FUIB** held the Annual General Meeting and two Extraordinary General Meetings. The issues on the agendas of the Extraordinary General Meetings of Shareholders related to amending and restating **FUIB's** Articles of Association.

Resolutions of the General Meeting of Shareholders

- The Annual General Meeting on 20 April 2012 approved **FUIB's** 2011 Annual Report and the independent auditor's report on **FUIB's** 2011 Annual Report, the report of the Audit Committee, and distribution of the Bank's profit for 2011; considered the reports of the Supervisory Board, Management Board and Audit Committee on the Bank's performance results for 2011.
- The Extraordinary General Meeting on 23 August 2012 approved amendments to and restated the Bank's Articles of Association, appointed persons authorised to authenticate the restated Articles of Association and to ensure that they are agreed upon by the National Bank and publicly registered.

- The Extraordinary General Meeting on 24 December 2012 approved amendments to and restated the Bank's Articles of Association, appointed persons authorised to authenticate the restated Articles of Association and to ensure that they are agreed upon by the National Bank and publicly registered.

Supervisory Board



Ilya Arkhipov

Managing Director of SCM Advisors (UK) Limited
Chairman of the Supervisory Board



Anna Dugadko

Manager of Business Development, SCM
Member of the Supervisory Board



Sergiy Kurilko

Deputy Director, 'Voropayev and Partners' Legal Firm
Member of the Supervisory Board

Working Groups of the Supervisory Board

The Supervisory Board is assisted by the Working Group on Audit and Risks, Working Group on Appointments and Remuneration, and Working Group on Strategy, Marketing and Brand Management, all formed in 2011.

Audit and Risks

The Working Group on Audit and Risks controls formation of the complete and accurate financial statements, reliability and effectiveness of the internal control system and the risk management function of the Bank.

Appointments and Remuneration

The Working Group on Appointments and Remuneration ensures hiring of qualified employees and creation of stimuli necessary for their successful performance.

Strategy, Marketing and Brand Management

The Working Group on Strategy, Marketing and Brand Management supervises issues relating to the Bank's development strategy, and controls issues of FUIB's strategic marketing, reputation protection and brand management.

Management Board of FUIB

The Management Board is assisted by the Credit Committee, Operational Risk Management Committee, Program Integration Committee, Technological Committee, Assets and Liabilities Committee, and the Terms and Tariffs Committee. For detailed information about them please refer to [FUIB](#) site.



Sergey Chernenko

Chairman of the Management Board



Igor Kozhevnikov

Deputy Chairman of the Management Board, Chief Financial Officer, Member of Management Board



Stéphan Guglieri

Member of Management Board, Executive Director



Aleksey Volchkov

Deputy Chairman of the Management Board, Corporate Business



Tomasz Wisniewski

Deputy Chairman of the Management Board, Chief Operating Officer



Yelena Dyatlova

Deputy Chairman of the Management Board, Human Resources



Natalya Kosenko

Deputy Chairman of the Management Board, Member of Management Board, Branch Network Development



Konstantin Shkolyarenko

Deputy Chairman of the Management Board, Debt Restructuring



Artur Zagorodnikov

Deputy Chairman of the Management Board, Business Development