

HOW  
DOES THE

# EUROBANK

2015

ANNUAL REPORT

WORK

LIQUIDITY  
PROFIT  
ALLOWANCE  
MERGER  
STRESS TESTING

**WE HAVE ALWAYS BEEN A  
TRANSPARENT BANK**

**NOW WE WILL MAKE OUR  
REPORTING SIMPLER AND CLEARER**

# SIMPLY ABOUT THE BANK

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We prepared the FUIB 2015 annual report in a new format so that you will be able to better understand how the bank works.

It's an annual report for ordinary people. It's written in simple language and without complicated words that are familiar only to financial analysts.

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Key financial indicators, which demonstrate the bank's reliability and staying power, are depicted in a convenient infographic format with greater clarity.

You will learn how the bank works and what we do to safeguard the money you entrusted to us.

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**How does the bank manage the crisis?**

# Will the bank be able to return **YOUR MONEY?**

**Kaca**

Liquidity indicators will give  
you an answer



| What is liquidity?

# Liquidity shows THE RELIABILITY OF THE BANK



## What is liquidity?

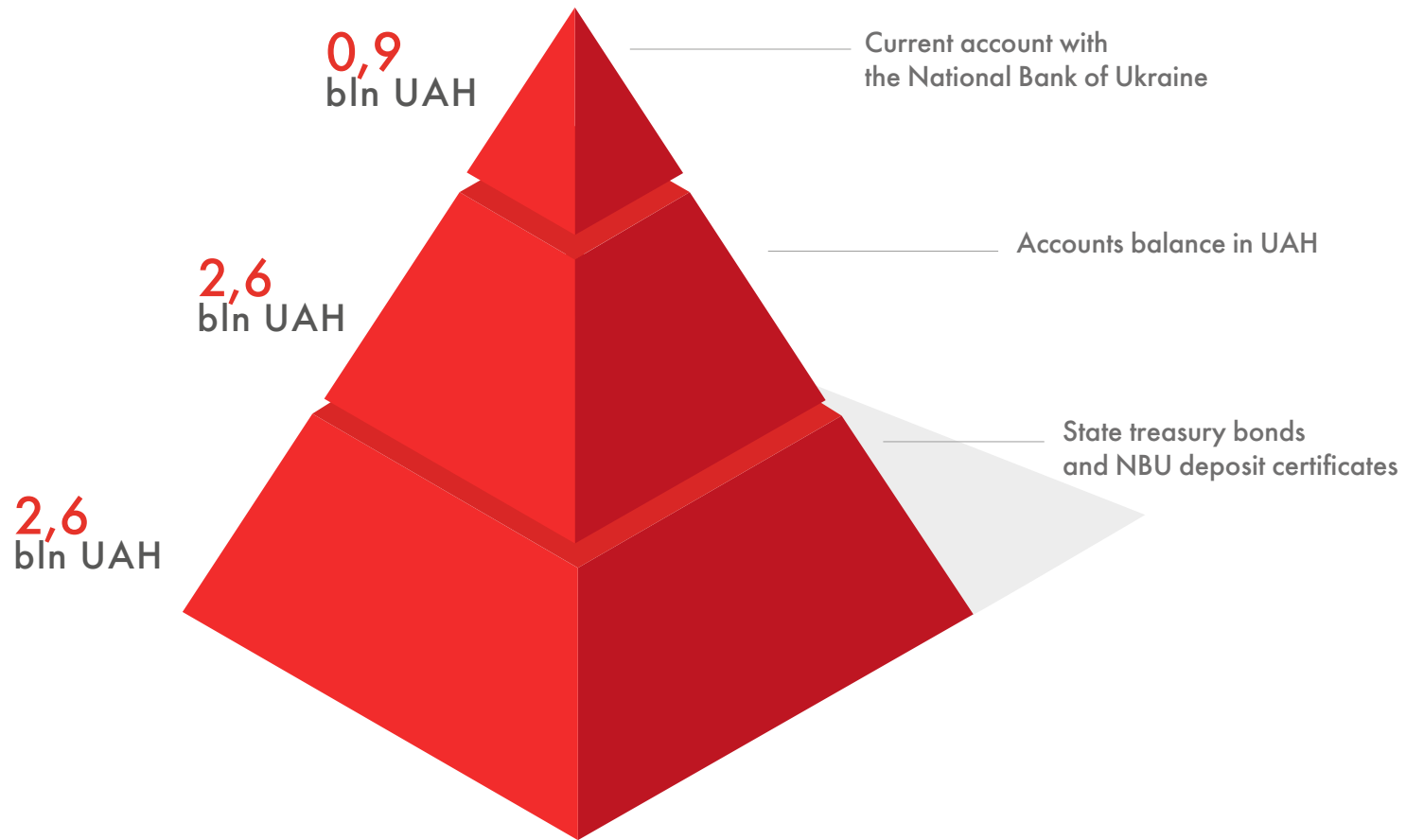
Liquidity is a bank's readiness to return to you every hryvnia you deposited.

Just as you save money to meet emergencies, the Bank keeps some money in order to return it to you at the right time.

The Bank saves these funds in advance in what is called a liquidity cushion.

This reserve ensures that the Bank would be able to return your money to you with a profit.

# FUIB LIQUIDITY CUSHION



# Who decides and how is the decision made about **WHAT LIQUIDITY SHOULD BE?**

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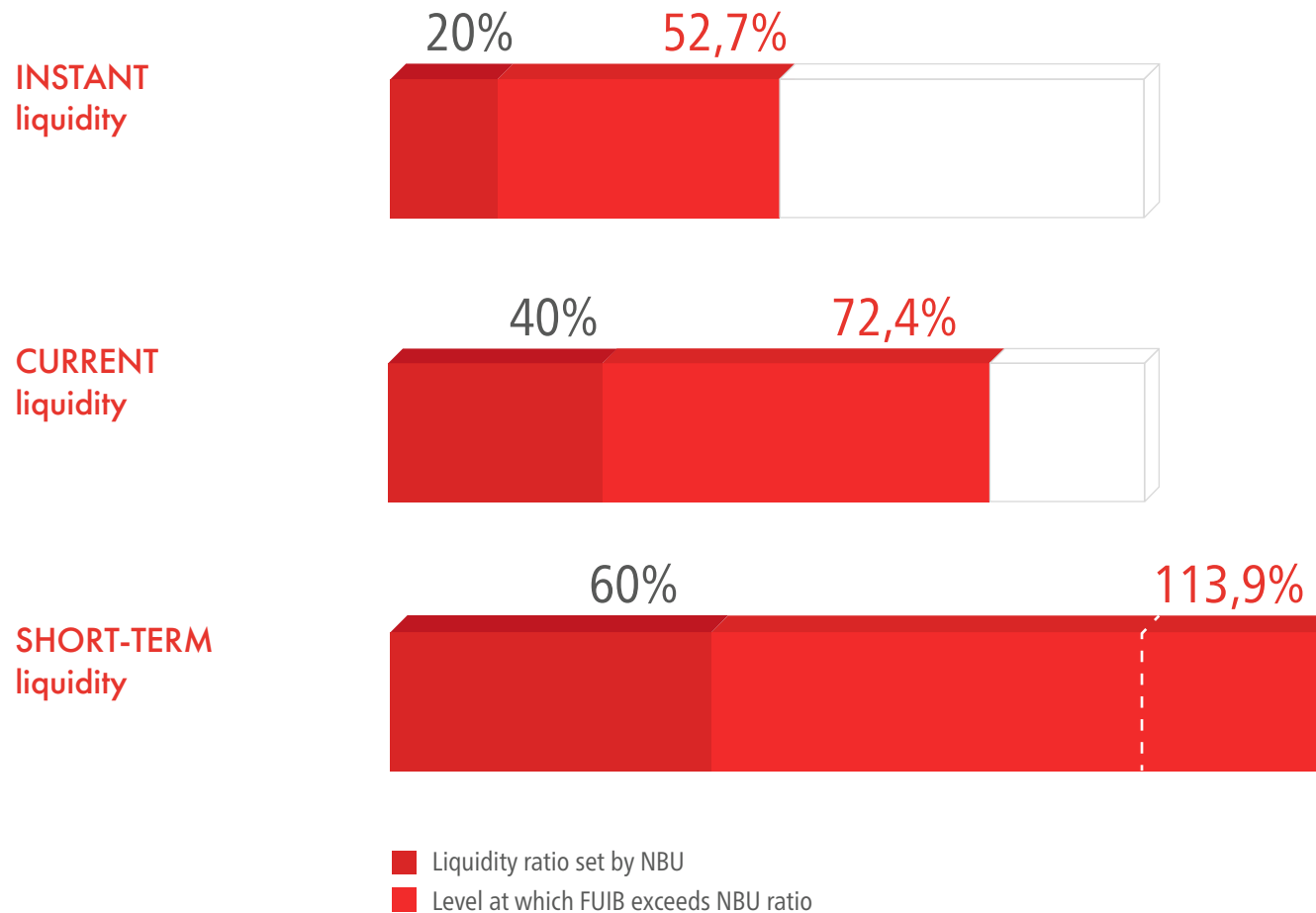
The National Bank of Ukraine sets its own bank requirements and calls them liquidity ratios. If the bank doesn't meet these requirements, it can't be considered reliable.

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A bank can decide to save more than the NBU requires.



# What is **FUIB LIQUIDITY?**



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There are three different types of liquidity: instant, current and short-term.

FUIB saves more funds, than NBU requires.

# Why does FUIB exceed the **REQUIREMENTS OF THE NBU?**



Our priority is to have all the necessary funds available.

A focus on liquidity has been a part of FUIB's conservative financial policy for many years.

This approach reduces bank's possibility of increasing profit on one hand and provides stability and allows the bank to fulfill its obligations to clients on the other hand.

**Serhiy Chernenko,**  
**FUIB's Chairman of the Board**



# How do you judge the **BANK VIABILITY?**



Operating profit will give  
you an answer

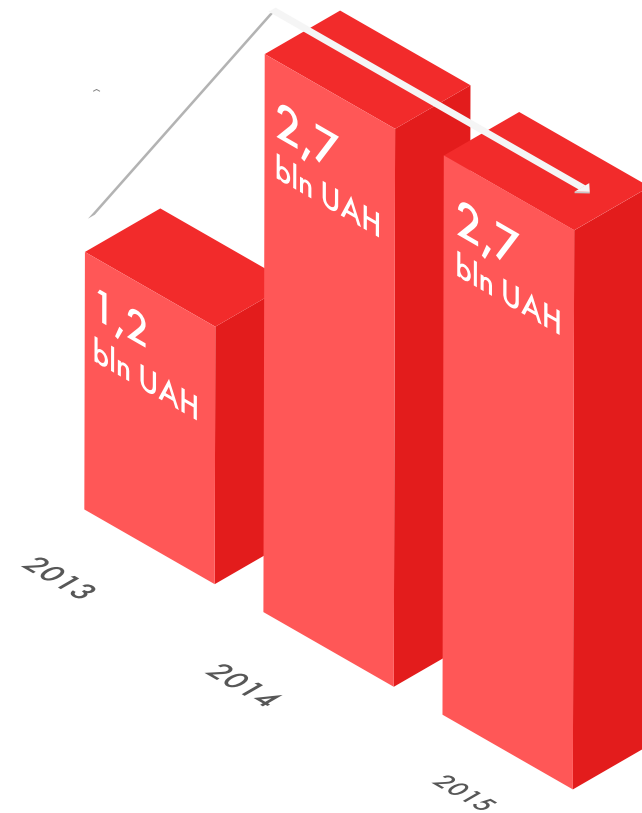
 | What is operating profit?

# Operating profit distinguishes an ALIVE BANK FROM A NON-ALIVE BANK



## Operating profit

shows whether your bank is able to make money even in difficult times.  
Every hryvnia works and earns in an alive bank.



Operating profit dynamics

# COST TO INCOME

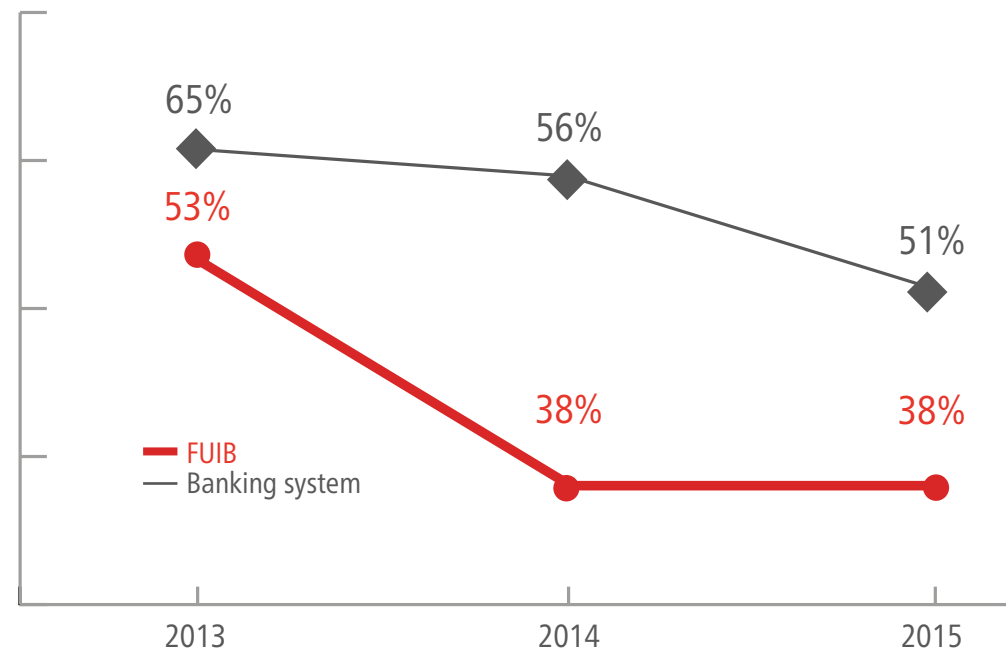
## demonstrates bank efficiency

It's important to ensure that a bank doesn't spend more money than needed to work efficiently.

The lower the ratio of costs to the size of income is, the more efficient is the bank's operating performance.

This indicator is called *cost to income*.

FUIB is more efficient than the banking system.



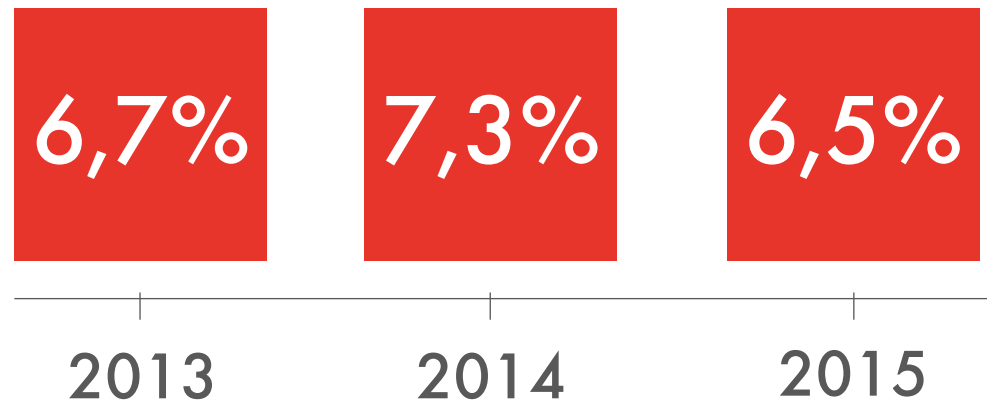
Cost to income dynamics

Data: NBU

# Another indicator of efficiency: **NET INTEREST MARGIN**

Net interest margin is a measure of the difference between credit and deposit rates.

FUIB is operationally profitable because it knows how to keep the interest margin.



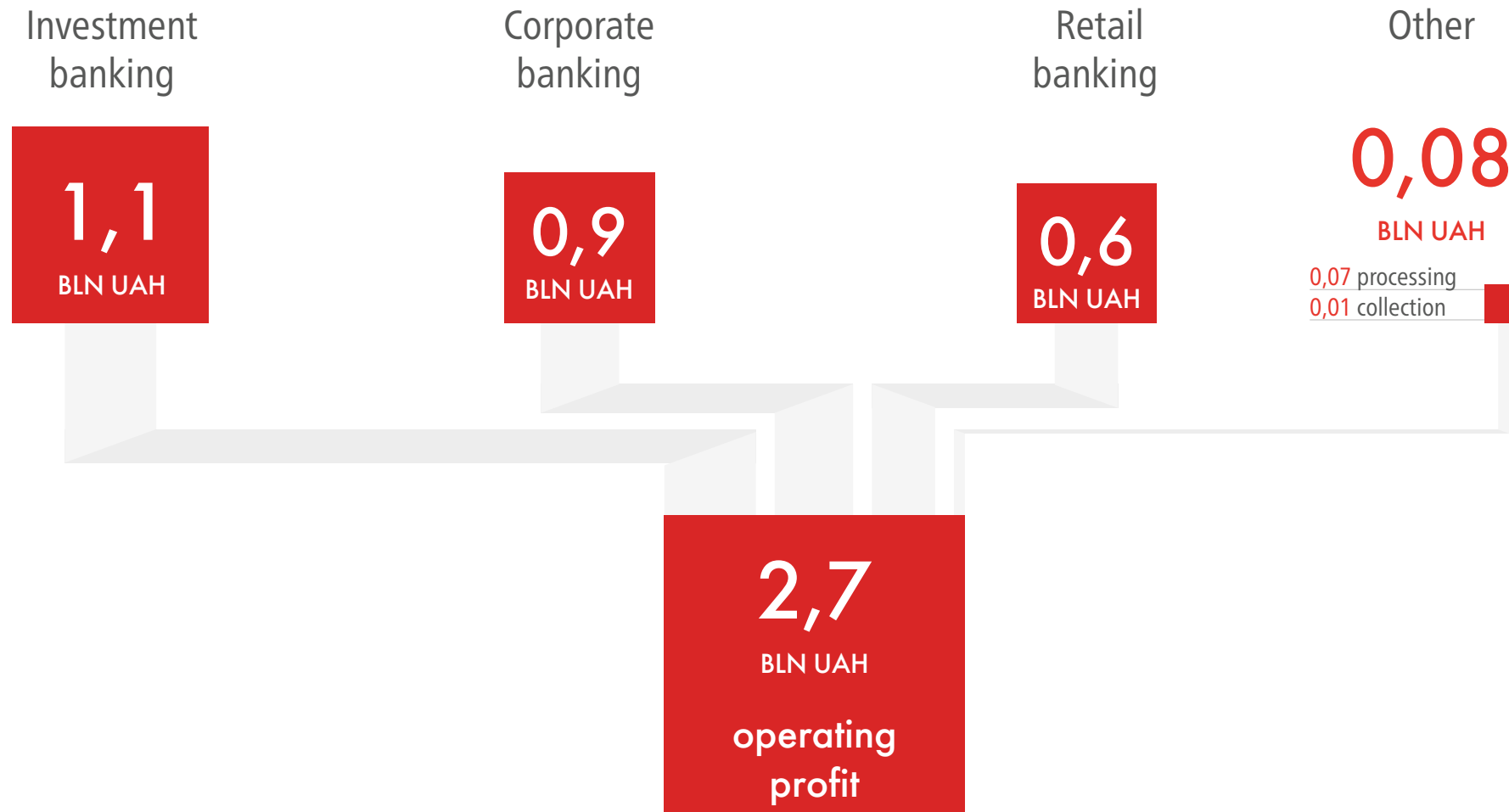
**For comparison:**

Net interest margin of banking system in 2015 was 3,9%

Data: NBU

# WHAT DID FUIB EARN IN 2015?

Business operations that formed operating profit



# INVESTMENT BANKING

**1,1**  
bIn UAH  
of operating profit

**43%**

FUIB's investment profit  
before provision and  
tax

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A significant share of operating profit in 2015 was earned on transactions with NBU deposit certificates and state treasury bonds, currency trading and trading on the interbank market.



# CORPORATE BANKING

860

mln UAH  
of operating profit

FUIB continues to maintain leadership in working with large companies. At the same time the Bank is actively developing cooperation with small and micro business.

21,2

bln UAH —  
loan portfolio

13,6

bln UAH —  
deposit portfolio

40

companies from  
TOP 100 ranking are  
our clients

Nº1

in Factoring

# CORPORATE BANKING



FUIB received a 'financial Oscar' in the category of SME support from Business newspaper.

**31%**

share of SMEs in the operating profit of corporate banking

**+3,4**

thousand of SME clients per year

**52%\***

SME clients would recommend FUIB

**82%\***

level of SME customer satisfaction

\* based on the results of external studies of satisfaction and customer loyalty Customer Satisfaction Index (CSI and NPS) in 2015

# RETAIL BANKING

**586**

**mIn UAH**  
of operating profit

The main challenge in 2015 was restoring trust in the banking system. FUIB completely fulfilled its obligations toward depositors.

**Nº5**

in retail deposits

**14**

bIn UAH  
of retail deposits  
in 2015

**1,3**

bIn UAH  
of consumer loans

**+50%**

FUIB's online activiti

# RETAIL BANKING

FUIB was selected as an agent bank by the Deposit Guarantee Fund in 2015.

**2,2**  
bln UAH

monetary  
compensation  
was paid by DGF  
to depositors of  
insolvent banks

**0,7**  
bln UAH

of paid funds were  
entrusted to FUIB by  
depositors

# Other banking: PROCESSING CENTER

71

mln UAH  
of operating profit

MasterCard recognised FUIB's Processing Center as one of the most effective in Europe.

25

banks partners

7

thousand  
POS - terminals

2,6

thousand  
ATMs

240

mln  
operations

# Other banking: COLLECTION

**12**  
mln UAH  
of operating profit



Not all banks dared to transport money to Mariupol but it was a necessity for FUIB's activity there.

We used our own secure transport to not only support our own banking operations there but we also provided cash transport services for other banks which grew into a business that generated profit for FUIB

**Serhiy Chernenko,**  
FUIB's Chairman of the Board

**796**  
objects are served every  
month

**54**  
cities where this  
option is available

**33**  
collection vehicles are  
utilized

**12**  
bln UAH  
cash was collected

# How we support **PROFITABILITY**



Despite the difficult economic situation, FUIB's business model remains effective and profitable.

In 2015 we primarily focused on working with existing customers, small business and consumer loans.

We continue to cooperate with those clients who showed themselves well during times of crisis. We do not enter the investment market because we believe the time for investment projects has not come yet. However, we continue to support their current financial needs.

**Serhiy Chernenko,**  
**FUIB's Chairman of the Board**



# Speaking frankly about: **WHERE LOSSES ARE COMING FROM?**



And why bank reserves a certain amount



Learn more about



# Allowance are necessary for bank **SOLVENCY**



## What are allowance?

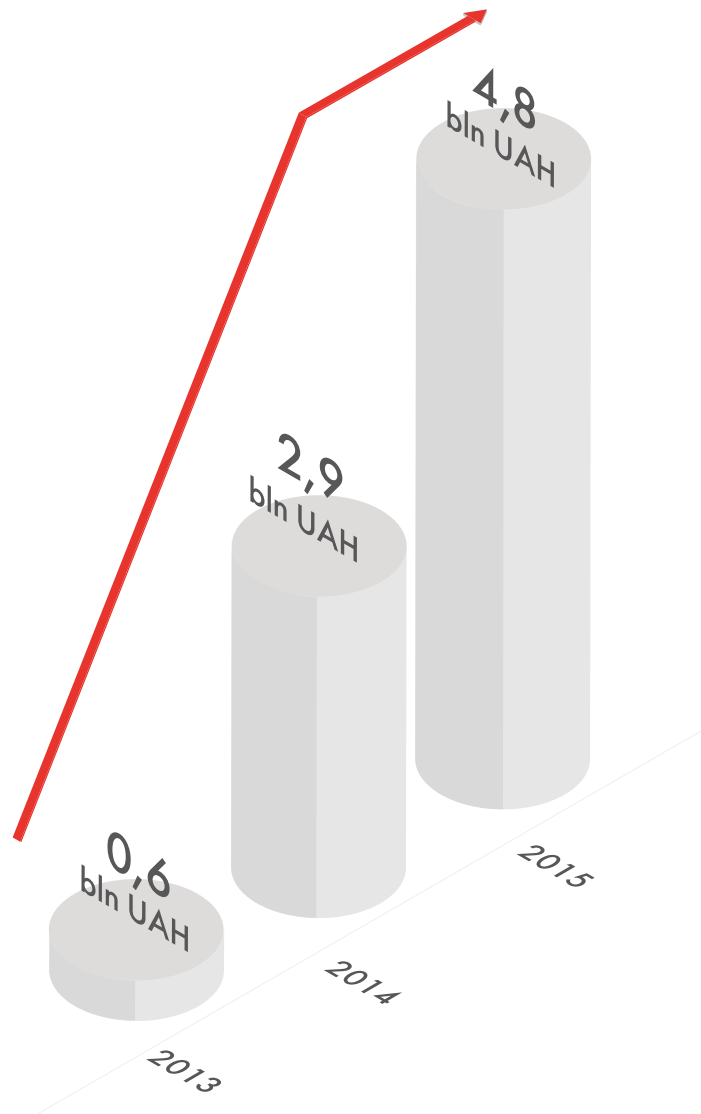
The Bank earns money for you when it issues loans for companies or private individuals and pays interest to depositors from these earnings.

Sometimes borrowers don't return money to the Bank but the Bank must return deposits promptly.

It forces the Bank to reserve a certain amount under risk of non-payment of a loan debt.

Because of the crisis in the country, many businesses were destroyed or went bankrupt, many businesses were shut down and many Ukrainians lost their jobs and sources of income over the last 2 years.

# FUIB ALLOWANCE

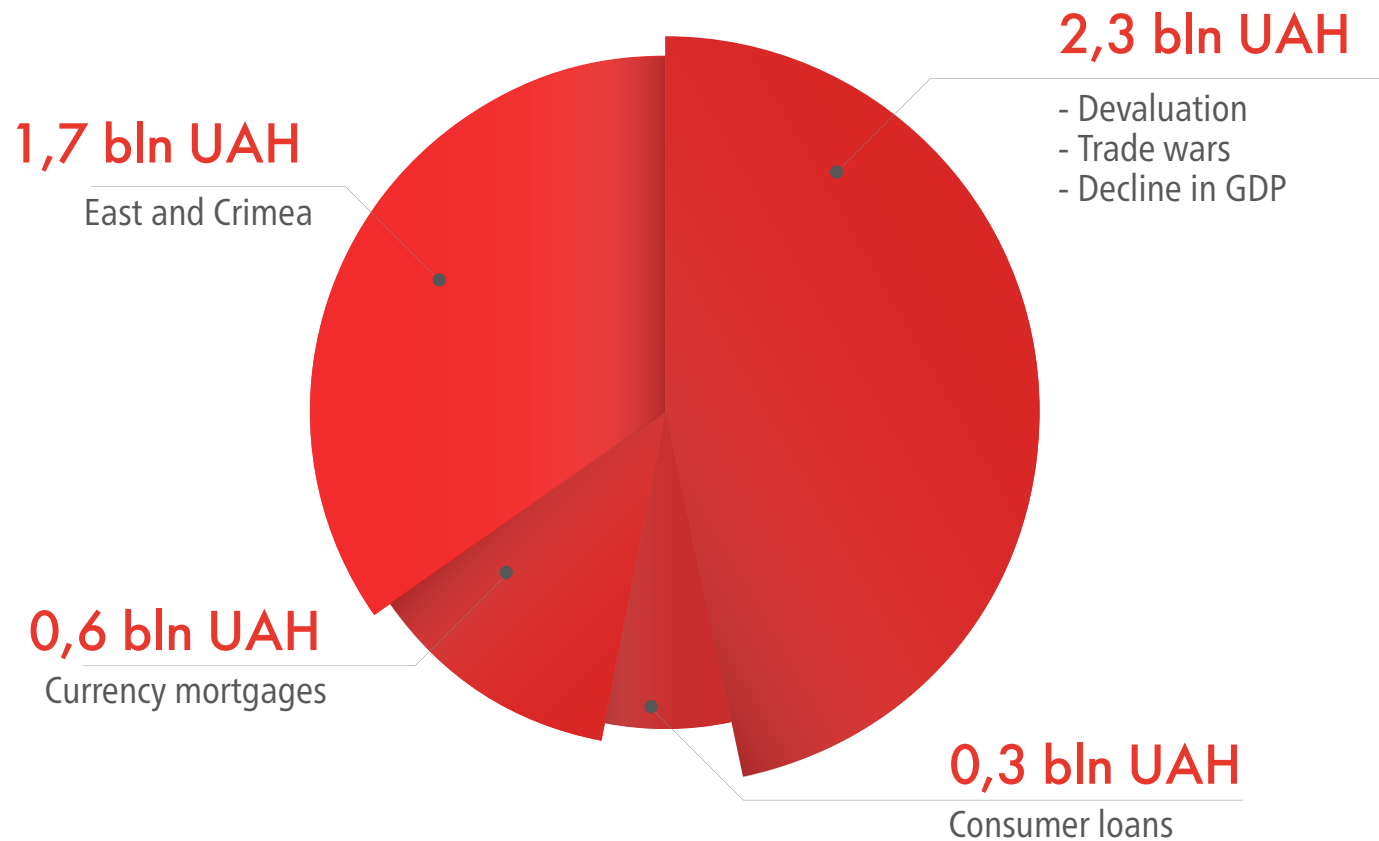


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Loan arrears increased and the Bank was forced to reserve a lot more funds than usual.

4,8 billion UAH were saved in allowance in 2015.

# Structure of FUIB RESERVES



# How the bank IS WORKING WITH DEBTORS

**1**  
**bln UAH**  
OF DEBT  
RETURNED  
BY FUIB  
IN 2015

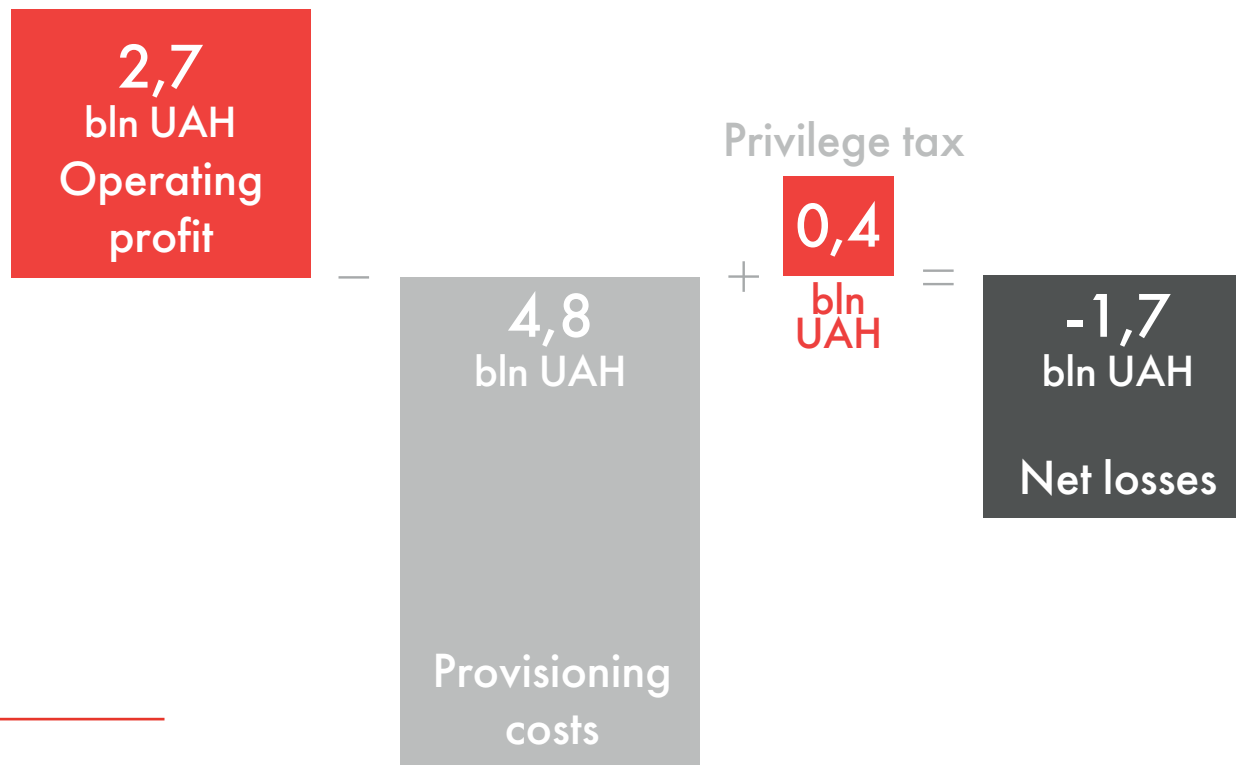
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Partnerships and constructive positions are our priorities.

FUIB is working with debtors systematically by offering solutions and debt restructuring programs.

FUIB joined the Memorandum on restructuring currency mortgage loans in 2015.

# How do allowance affect the BANK'S FINANCIAL RESULTS



Allowance literally ate bank profit.

Clients of the bank were badly affected by the difficult situation in the country. Allowances have increased significantly. But FUIB earned a lot of money and high operating profit reduced the negative impact of the crisis.

# What does OUR CONSERVATIVE APPROACH MEAN?



2015 was extremely difficult in terms of the quality of our assets. We honestly accepted related to us allowance, which greatly affected outcome of our financial performance.

FUIB has a very conservative approach to credit risk assessment. Increase in allowance associated with evaluation of potential losses on corporate and retail loans.

That's why it's a positive sign when you see significant volume of bank allowance. If a bank has no allowance, it simply can't form it.

**Serhiy Chernenko,**  
**FUIB's Chairman of the Board**



# MERGER OR ACQUISITION?

Картки від ПУМБ

Легкі розрахунки з усім світом

WiFi

Банк для бізнесу  
**B2B**  
Bank to business

Difficult times require clever decisions



Learn more about

# FUIB and RENAISSANCE CREDIT MERGER



Merger may be used for business expansion, market penetration or as an anti-crisis measure – or for all these at once.

We decided to merge FUIB and Bank Renaissance Credit to become stronger.

Our goal was to compensate the loss of business in eastern Ukraine, to strengthen positions in mass segment of the market and build a platform for fast and quality future growth.



# WHY **MERGER** but not acquisition?



The FUIB and Renaissance Credit merger is another step that brings us closer to the main goal - creation of a universal bank, which will become the leader in the Ukrainian market.

Our goal is to create a synergy of strengths of these two banks. We value the reliability, high quality service and expertise in working with highly profitable market segments owned by FUIB on one hand, and speed, simplicity and expertise in developing consumer loans from the leader in this segment - Renaissance Credit bank, on the other.

**Serhiy Chernenko,**  
**FUIB's Chairman of the Board**



# How long did it take and **HOW MUCH DID MERGER COST?**

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**1 year**

The project lasted a year. Anyone who knows about merging big businesses realizes that this is a record time.

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**90 mln UAH**

Overall the Bank spent a little bit more than 90 mln UAH on the merger but the result was worth it.

# What did **FUIB GET?**

# 200

**mIn UAH**  
positive effect  
of combining 2 banks

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But it's not just about money.

We restarted FUIB with: new geography, new customers, new technologies, and a new team.

**+295**

mIn UAH to capital

**+14**

cities

**+38**

branches

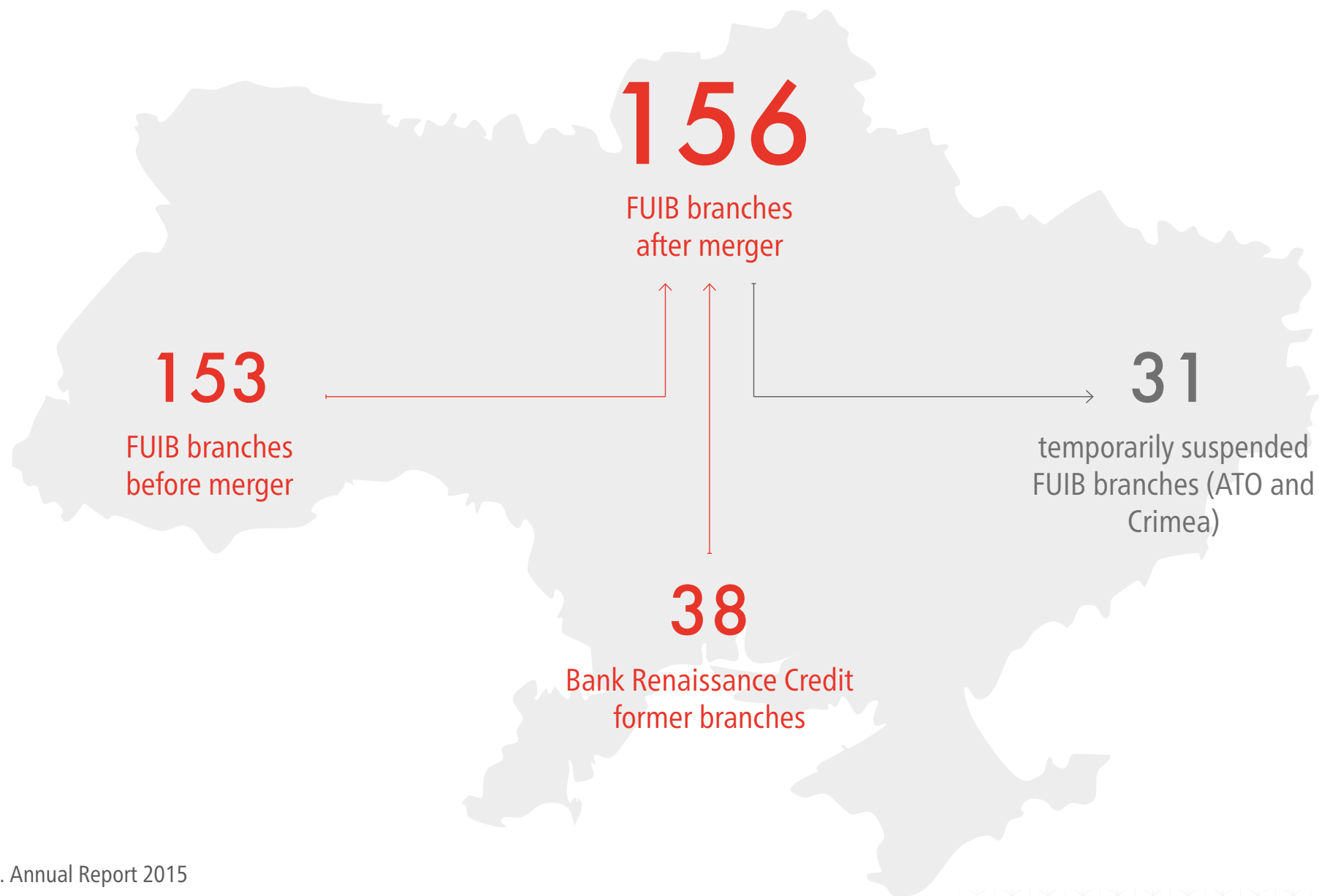
**+600**

thousand clients

**4,1**

thousand employees to the  
FUIB team

# FUIB BEFORE AND AFTER MERGER



# WHAT ARE BENEFITS

## for customers of combined banks?

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**FUIB clients** got new credit products, speed and simplicity of Bank Renaissance Credit - leader of retail lending.

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**Bank Renaissance Credit clients** became clients of a large and reliable bank with high standards and quality of service.

# INVESTMENTS IN SERVICE QUALITY

We tried to make sure that customers don't feel the difficulties of merging two banks. That's why we invested a lot in the comfort and quality of service.

**143**  
mln UAH

IT

**5**  
mln UAH

training and  
development of  
employees

**1,5**  
mln UAH

quality management

**13**  
mln UAH

ATM and terminals

**29**  
mln UAH

rebranding and redesign  
of branches

# How does the bank **MANAGE THE CRISIS?**



ПУМБ

Stress testing result will give you an answer

 | [What is stress testing?](#)

# TEST OF ENDURANCE



## What is stress testing?

NBU checks if a bank can stand under adverse conditions such as inflation, devaluation, decline in GDP etc.

National Bank of Ukraine makes banking system healthier.

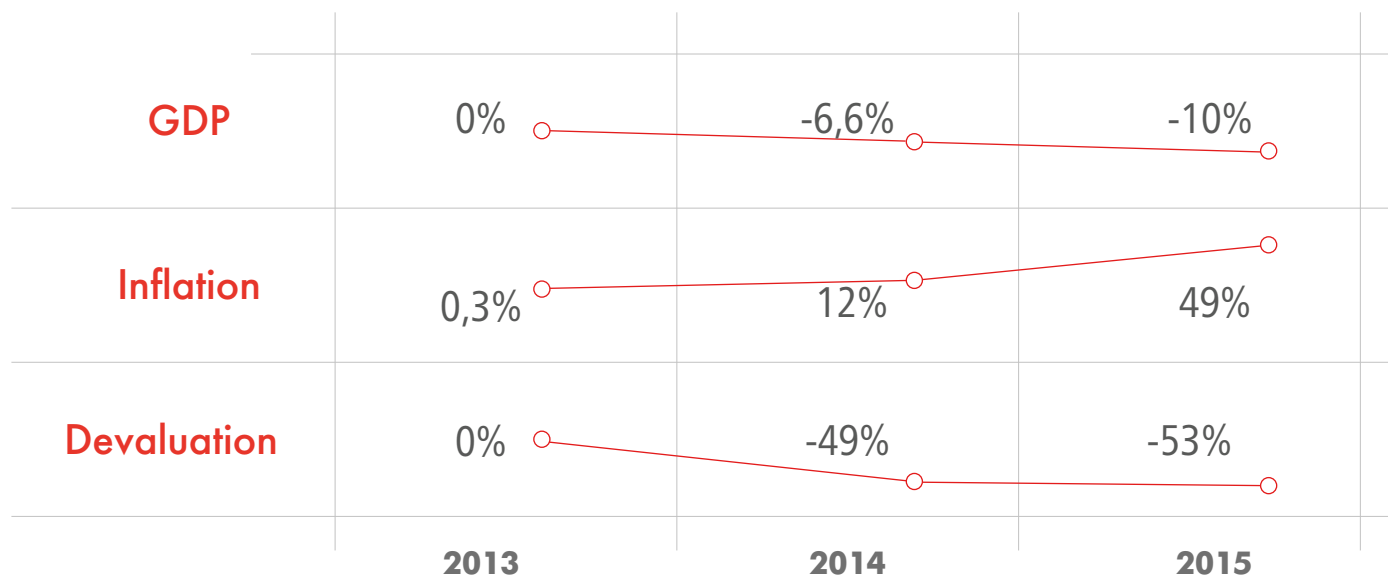
67 insolvent and doubtful banks were withdrawn from the market. Beneficiaries of all financial institutions finally became known. Requirements for banks financial opportunities were significantly increased due to difficult economic situation.

In order to verify compliance with new requirements National Bank of Ukraine conducts stress tests.



# INDUSTRY SITUATION OVERVIEW

## over the past few years



Over the past three years the economic situation has deteriorated dramatically.

Data: Minister of Finance, NBU

# What has happened TO BANKS IN 2015?

**46**

**banks**

were withdrawn  
from the market

**66**

**bln UAH**

paid by DGF to depositors of  
insolvent banks

**321**

**bln UAH**

banking system  
allowance

**34%**

**capital reduction**

in TOP-20 banks

**67**

**bln UAH**

banking system  
total losses

# What is FUIB

## STRESS TESTING RESULT?

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FUIB remains one of the strongest and most reliable banks in Ukraine.

The Bank approved a schedule of recapitalisation until 2019 together with the regulator.

Legal requirements for lending to related entities have changed in 2015. According to new rules FUIB will reduce its share of such loans to 25% over the next 3 years.

**BY 12  
BLN UAH**  
FUIB WILL BE  
RECAPITALISED  
IN SEPTEMBER 2016

# NBU WILL IMPROVE the banking system



The crisis revealed systematic errors both in the economy and in the banking system.

The Banking system got through a serious cleaning of fake banks that actually destroyed the market by foolish lending and aggressive tariff policy on deposits.

In this regard the National Bank of Ukraine has made a tremendous effort by clearing the banking sector.

It provided an opportunity to create new game rules for all participants.

**Serhiy Chernenko,**  
**FUIB's Chairman of the Board**



AS YOU CAN SEE, THE BANK IS NOT THAT  
COMPLICATED :)

AND IF YOU STILL HAVE QUESTIONS, CONTACT US VIA  
SOCIAL MEDIA.

WE WILL BE HAPPY TO ANSWER YOUR QUESTIONS!

