



First
Ukrainian

Annual Report

2014

First Ukrainian
International Bank

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Welcome to First Ukrainian

Artem Nidzelskiy

deputy manager
of branch, Kyiv



First Ukrainian International Bank was more than once recognized by independent ratings as one of the leaders among Ukrainian banks in disclosure of information on its operations.

Despite the challenges of 2014 we did not reduce our standards of information disclosure and customer service quality.

We improved our business processes in response to new challenges of the time.



We can't afford to be unconfident or weak.



We can only move forward.



We believe that together we build a new future.

FUIB Banking Group

- The Group includes the banks FUIB and “Renaissance Capital”
- One of the best by sustainability and performance indicators on the market
- A part of the largest financial and industrial group in Ukraine SCM
- Universal business model
- Optimal banking solutions for companies and private individuals

2,3
million

private customers

30
thousand

corporate customers

1000

points of presence
throughout the
country

40 of 100

largest companies
among the customers



We created a reliable, sustainable and successful bank
for our customers

Address of the Chairman of the Management Board



Today the team of First Ukrainian ensures the stable work of the bank in an extremely difficult political and economic situation.

Our professionalism and self-devotion were tested by the events of 2014. We are grateful to our customers and partners for their trust. Together we build a new future for the new country.



Sergey Chernenko
Chairman of the Management Board of FUIB

+5.5
thousand

new corporate customers

+190
thousand

new private customers

2.7
billion

profit before provisions and tax

Address of the Chairman of the Supervisory Board



Ilya Arkhipov
Chairman of the Supervisory
Board of FUIB and Managing
Director of SCM Advisors (UK) Limited

This is a time of challenge
for our business model and
strategy.

A few years ago we chose the
route of qualitative growth.
Thereby the Bank responded
appropriately to the new economic
crisis.

We enhance the position of FUIB
due to merger of banking assets of
the SCM Group.

38%

operating expenses
to income

7.3%

the biggest ever
net interest margin

Sustainability proven



FUIB is one of the 5 largest banks that successfully passed the NBU stress test under the IMF stand-by program.

By results of the diagnostics, no need of additional capitalization for FUIB was identified.

This stress testing was aimed at the assessment of asset quality, adequacy of regulatory and Tier 1 capital, and identification of the required amount of additional capitalization of the bank by the end of 2016.



We are professionals and the criterion of our professionalism is whether we could reasonably build our business able to adapt to external realities, make long-term forecasts and meet the challenges. I believe that we overcame the issue and built such a business model.



Sergey Chernenko
Chairman of the
Management Board
of FUIB

Stronger together

On 27 October 2014 the General Meeting of shareholders of the PJSC “First Ukrainian International Bank” (FUIB) and the JSC “Bank Renaissance Capital” made a decision for reorganization of JSC “Bank Renaissance Capital” through merger with PJSC “FUIB”. On 16 March 2015 the legal merger of banks took place.



Capital growth

The capital of the united FUIB increased by UAH 295 million or 6%



Increased competitiveness

The best offer of deposit and loan products



Expansion of the geography of presence

Branch network of the bank increased to 187 (exclusive of the ATO area)



Trust of investors

In December 2014 First Ukrainian obtained a consent from Eurobond holders to change the main terms of the notes.

The maturity date was extended from 31 December 2014 to 31 December 2018. The coupon rate remained unchanged at 11 per cent p.a.



The leader in quality of disclosure of information for investors in 2014

According to the research of Investor Relations Agency and the “Capital” magazine.

Banking market overview

Sergiy Magdych

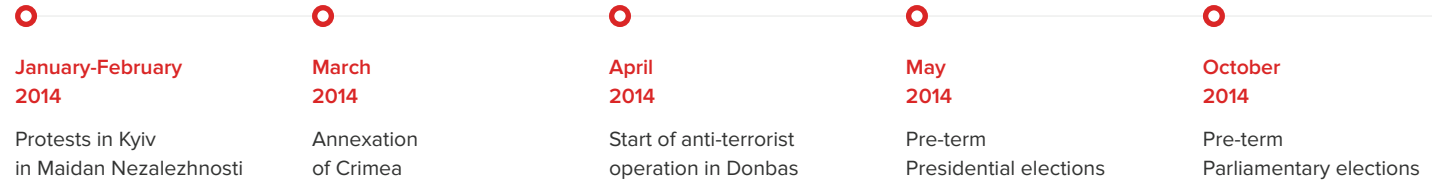
Head of Department
for Large Corporate
Clients, Kyiv

Alexander Chernyavskiy

FUIB's client

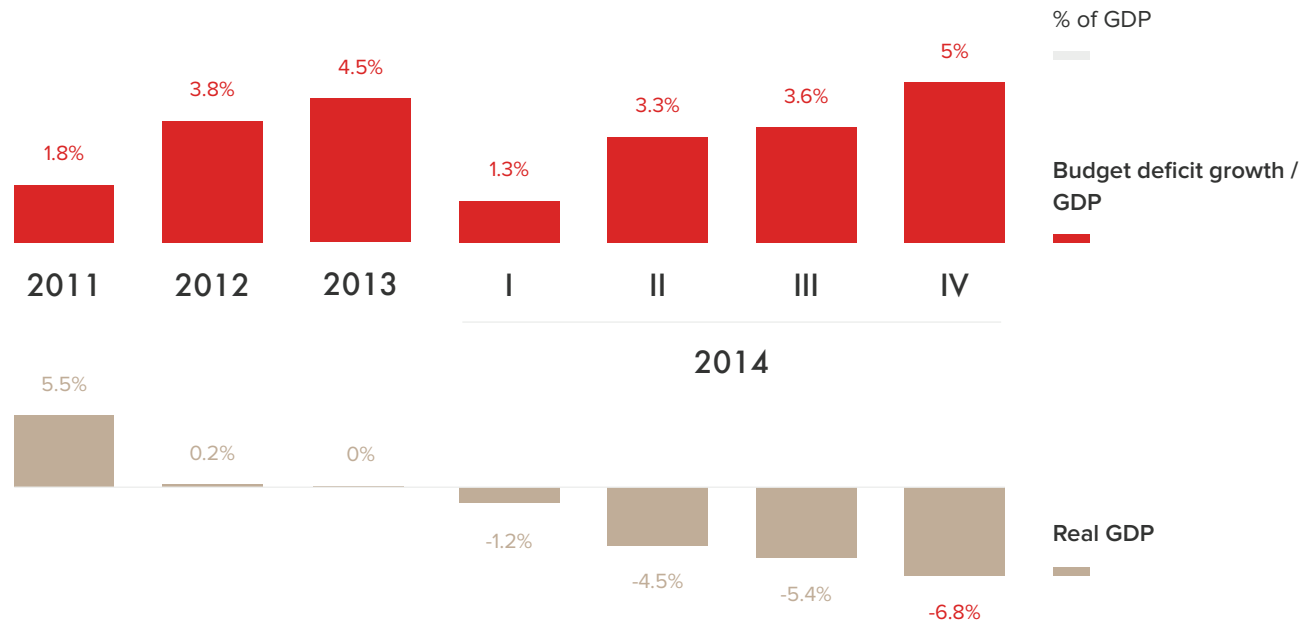


Chronology of events



Worsening of main macroeconomic indicators

GDP and budget deficit growth

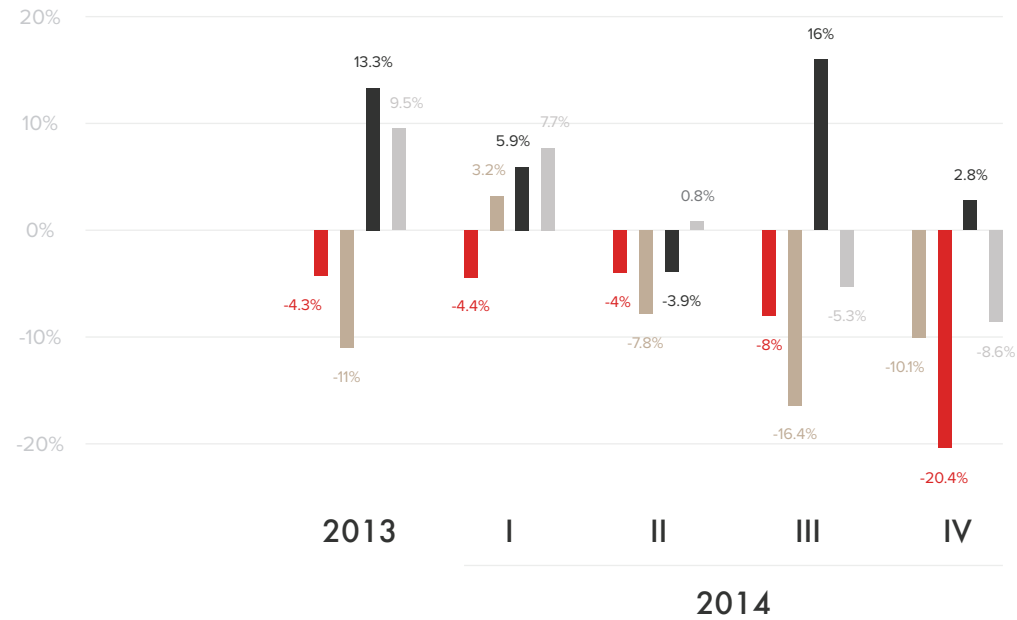


Real GDP for 2014 reduced by

6.8%

That was the biggest GDP decline rate since 2009.

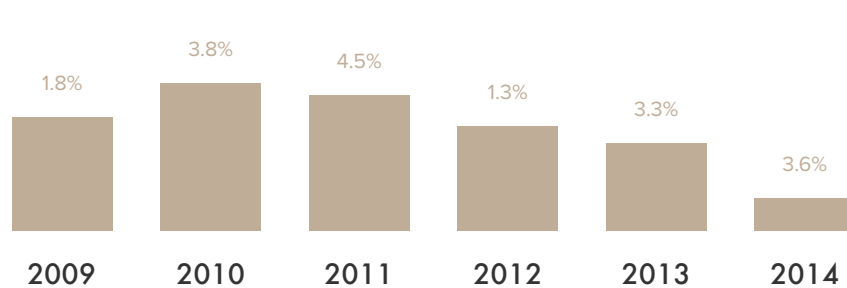
Dynamics of main sectors of economy



2014 Results:

Industrial production	-10.1%
Construction	-20.4%
Agriculture	-9.6%
Retail trade	+2.8%

Dynamics of the NBU gold reserves



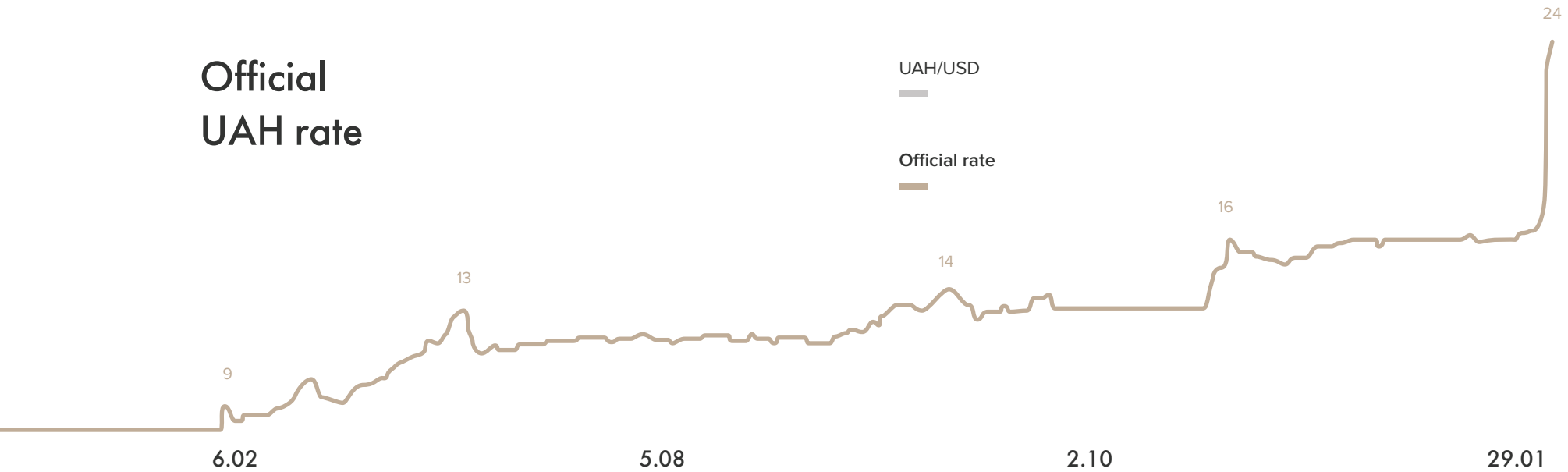
bln USD

Gold reserves

12.9
billion USD

decrease of gold reserves at National Bank of Ukraine (-63.1%)

Official UAH rate



→ During 2014 Ukrainian national currency devaluated to main foreign currencies. Thus official exchange rate UAH/USD increased by 97% from 7.99 UAH/1\$ to 15.77 UAH/\$1 on 31th of December 2014. At the same time the market rate reached 22 UAH/1\$.

Macroeconomics



-8.4%

Real income of the population



25%

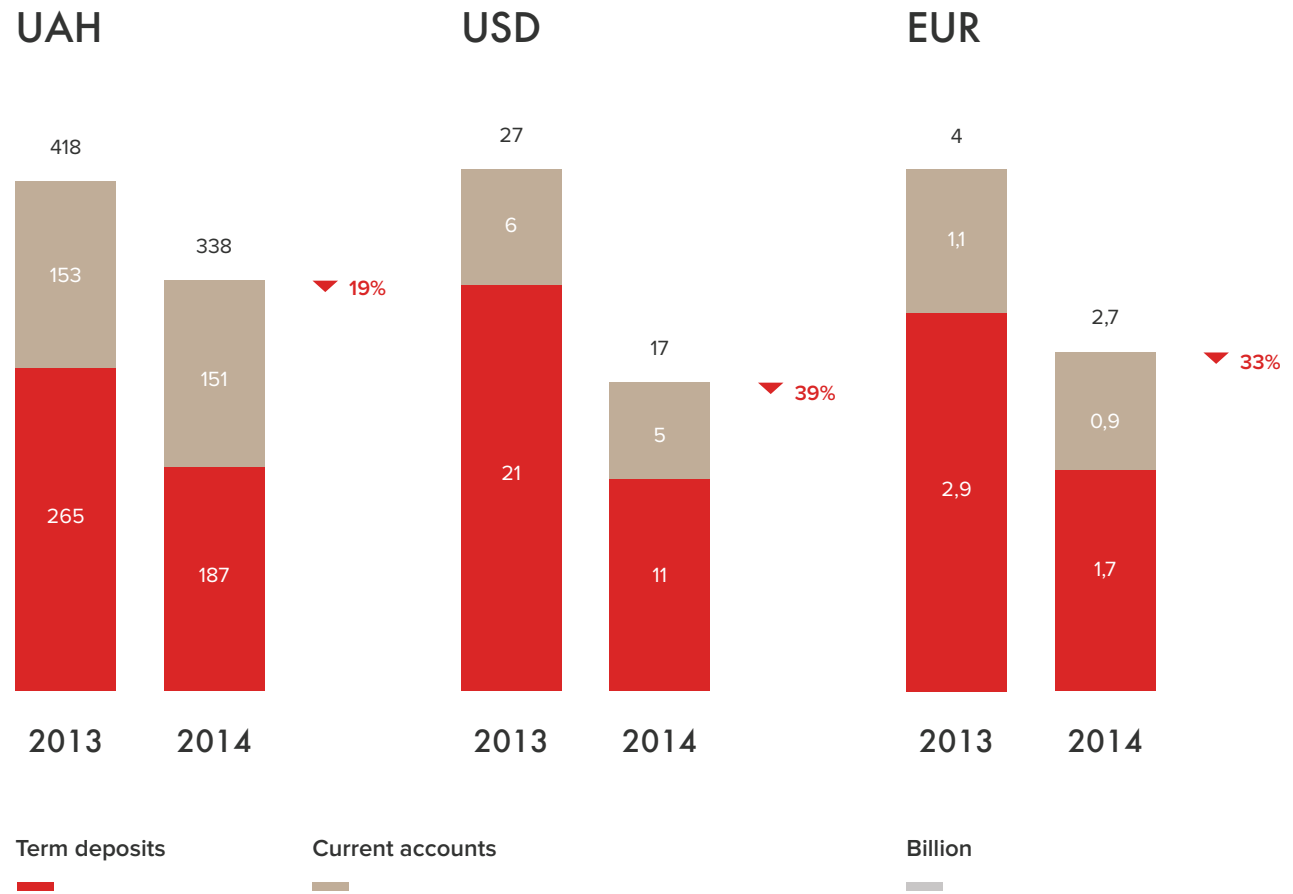
Consumer inflation
the highest indicator since 2008



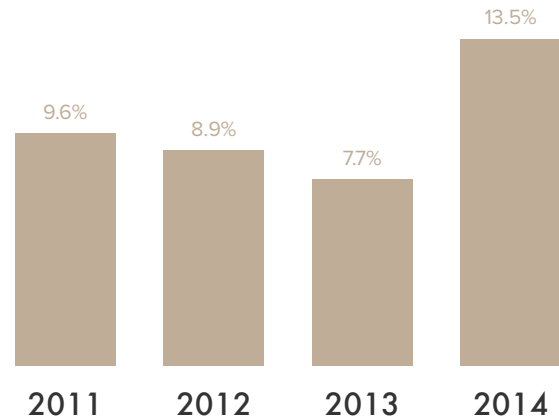
At the end of the year the long-term sovereign rating of Ukraine was reduced to “CCC-” by the agency Standard&Poor’s

Banking system

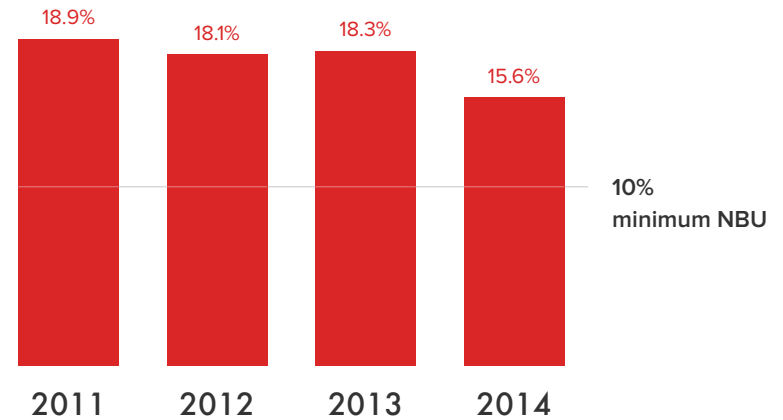
Customer accounts



Percentage of past-due loans in gross loan portfolio of banks



Capital adequacy ratio of banks



The share of overdue loans in the gross loan portfolio of Ukrainian banks grew by almost twice, and the capital adequacy decreased.



In 2014 the banking system faced the biggest ever challenges.

Almost 50 Ukrainian banks found themselves on the verge of bankruptcy with temporary NBU administration imposed. Upon an IMF requirement, the National Bank made a stress testing of the 15 largest Ukrainian banks.

FUIB was one of the 5 largest banks that successfully passed this stress-test

Effect of Crimea and military actions in the Donbas on FUIB business

Crimea

FUIB managed to retain a major part of Crimean assets in the segment of corporate customers while most of retail loans were lost.

Crimea is:

1.3%

of the gross loan portfolio

10.4%

of provisions

2.3%

of customer accounts

Closed:

6

outlets of FUIB

4

outlets of Renaissance Credit

FUIB performed 100% of its obligations to the customers in Crimea. We take our business, customers and staff responsibly.

Several thousand customers continued their cooperation with the bank in mainland Ukraine.

Losses on loans portfolio in Crimea



57%

296.8 mln UAH

Loans to large corporate customers were moved to mainland Ukraine; most of corporate borrowers from SME segment and private customers defaulted immediately after the annexation of Crimea.

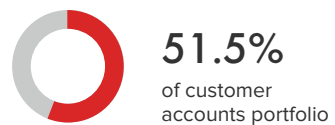


Sergey Chernenko
Chairman of the Management Board of FUIB

The Donbas

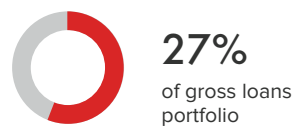
Donetsk region

Current and term deposits accounts



10.8 bln UAH

Loans portfolio



6.6 bln UAH

Luhansk region

Current and term deposits accounts



0.4 bln UAH

Loans portfolio



0.3 bln UAH

—

The consequences of military actions

42

closed outlets in Donetsk and Lugansk regions

197

ATMs remain in ATO area

45 mln UAH

preliminary estimate of financial loss of the bank

43%

of provisions

A substantial part of FUIB business was concentrated in Donetsk region.

The main challenge of 2014 was the forced suspension of operations in one of the most economically developed regions of the country.

In the conditions of business evacuation FUIB has never stopped its work and continued to provide comprehensive services to its customers on the territories controlled by the Ukrainian government.



Sergey Chernenko
Chairman of the Management Board of FUIB

Crisis management



Evheniy Blagyy

main expert of department
for pledged assets, Kyiv



A business continuity plan was launched in the bank a few years ago but it was intended for short-term crises.

Last year we had to reconsider the business continuity plan as a flexible crisis management system.



Fedot Yeryomenko
Deputy Chairman of the Management Board for risk control

Full-scope customer service

without payment delays

100%

performance of obligations



Business continuity plan

At the beginning of 2014 the Anti-crisis Committee working 24/7 was established



An alternative channel for payments through Kyiv was organized

It enabled FUIB to avoid the interruption of transactions after the occupation of premises of the Regional Department of the NBU in Donetsk in June 2014.



Main and backup Data Processing Centers were gradually moved from the ATO area

Now they successfully function in safe locations.



FUIB changed its legal address to Kyiv one:
4, Andreyevska St., Kyiv.



FUIB equipped all key branches with alternative power sources in case of rolling blackouts



The archives of banking and customer documents were moved from the ATO area

51 mln UAH

of investments in Data Processing Center and software

4.1 mln UAH

expenses for moving of Data Processing Centers and archives



We reacted promptly to all contingent situations. Our well-timed and reasonable actioned were positively assessed by our customers.



Leader of the competition BEST CIO-2014 of the portal "Computer Revue" in the nomination "Overcoming Circumstances"



Tomasz Wisniewski
Deputy Chairman of the Management Board, the Chief Operating Officer



650

employees were moved to other regions of Ukraine



75

children of these employees were moved as a priority

And provided with recreation facilities in summer camps in Odesa and Kherson regions



28 mln UAH

million bank allocated for moving of employees and their families from the ATO area

And for organization of their work in other regions and financial aid to the aggrieved persons



In the critical situation we did not leave our colleagues who worked in Donetsk and Lugansk regions.

We offered them jobs in other regions of Ukraine, helped to move with families and find the accommodation.

For several months the bank financially supported those who could not leave the ATO area and had to be on vacation.



Tatyana Kostyuchenko
the Deputy Chairman of the Management
Board for human resources



The best Ukrainian bank in corporate social responsibility

According to the reputable international rating Global Banking & Finance Review Awards-2014

GLOBAL BANKING
& FINANCE REVIEW

Financial Performance

Anna Glazunova

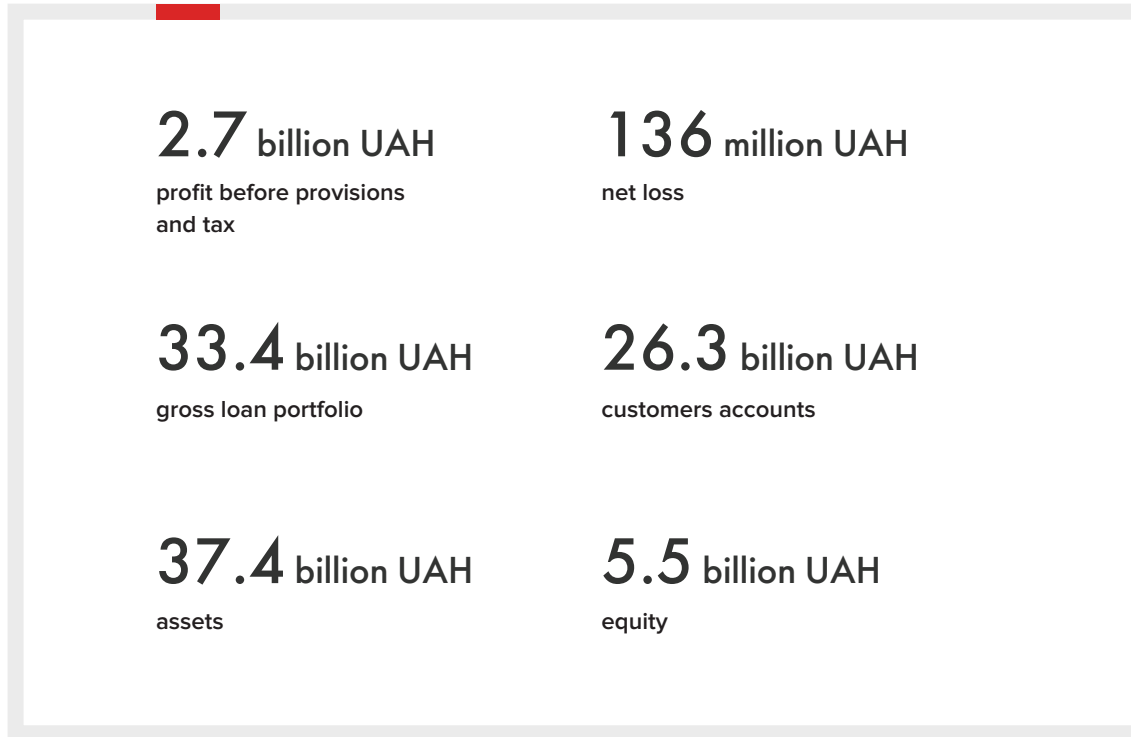
Head of Personal service
Division, Kyiv

Alexander Shnurenko

FUIB's client



Main performance results



FUIB has a sustainable business model

able to generate operating profit in the situation of deep political and economic crisis in the country.

7.2%

Return on assets before provisions (ROA)

48.2%

Return on equity before provisions (ROE)

7.3%

Net interest margin (NIM)

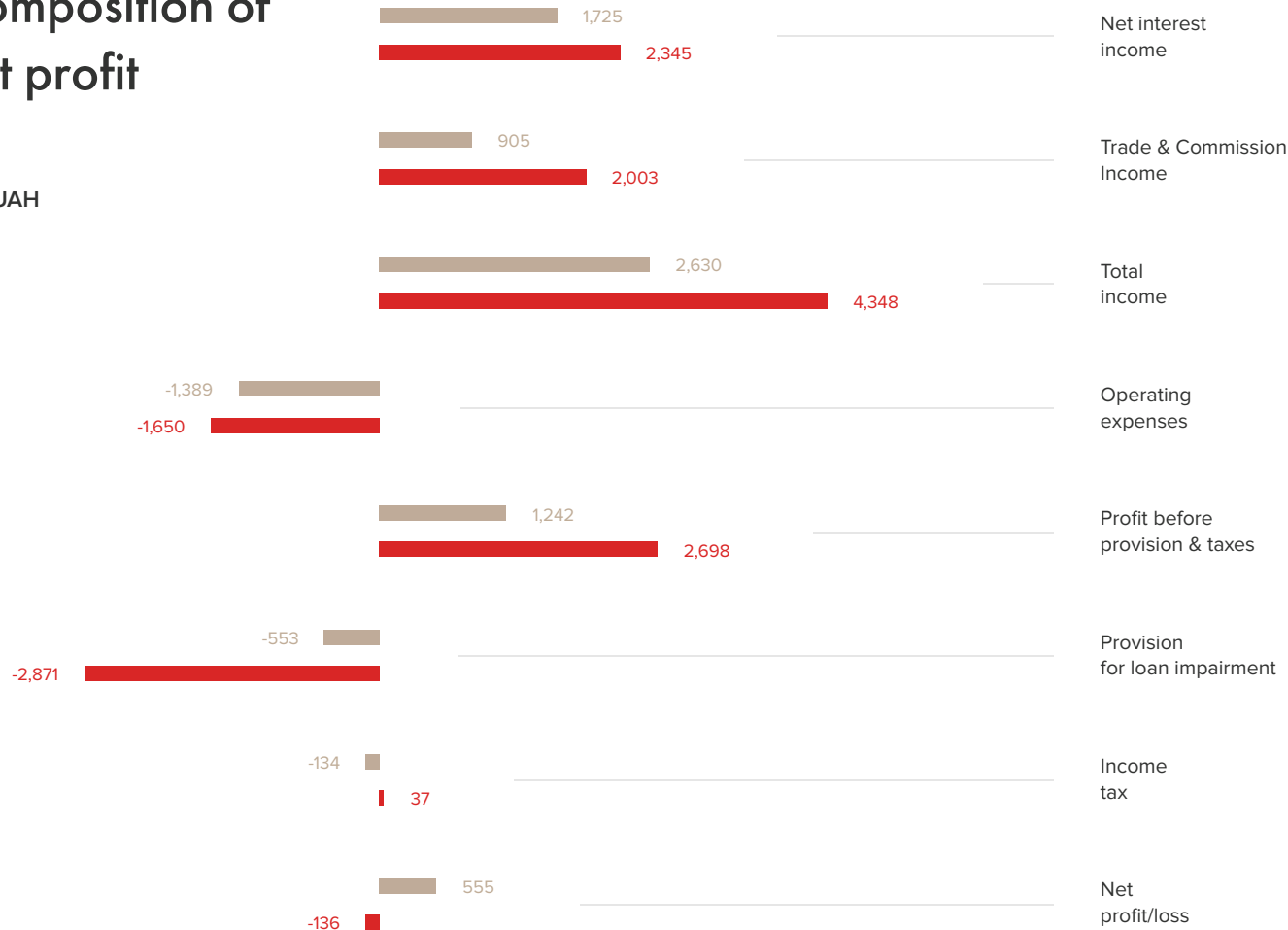
Composition of net profit

mln UAH



2013

2014



2 times

growth of profit before provisions & taxes

2 times

growth of fee & trading income

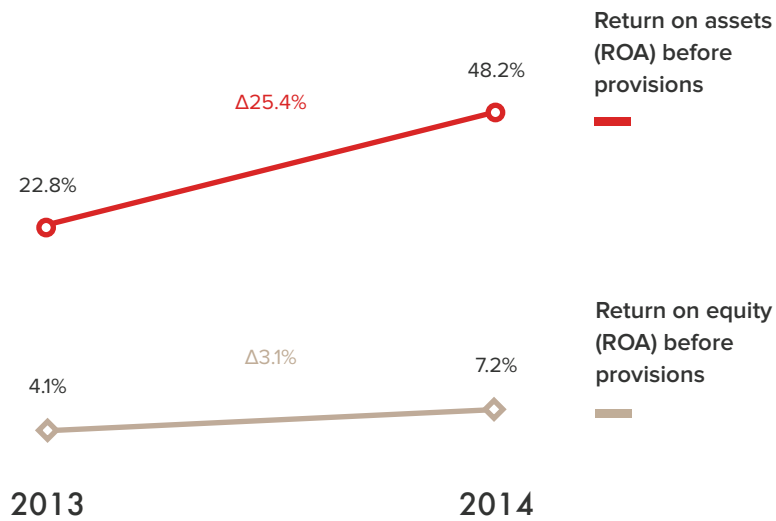
5 times

growth of provisions

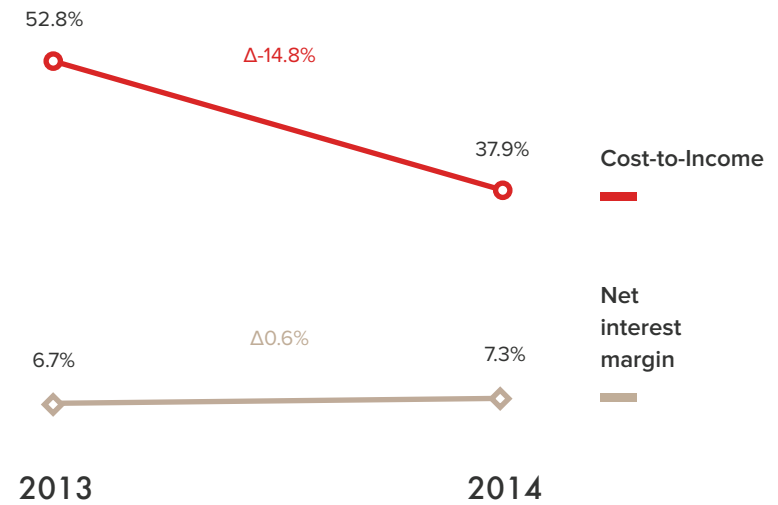
Moderate growth of OPEX

despite 25% inflation

Operating Performance



Operating Efficiency

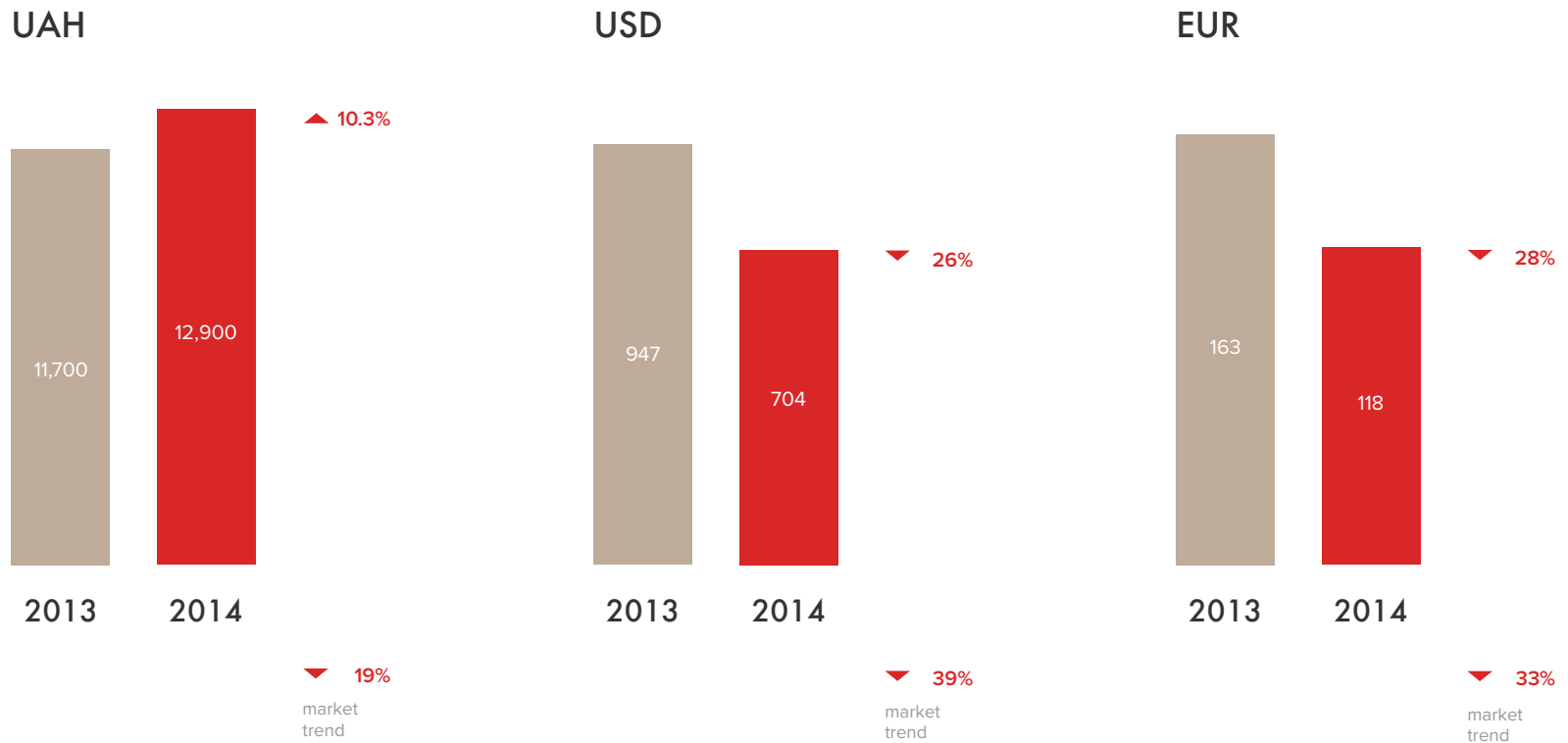


The Group improved the indicators of return on assets and equity before provisions

Net interest margin (NIM) reached 7.3%

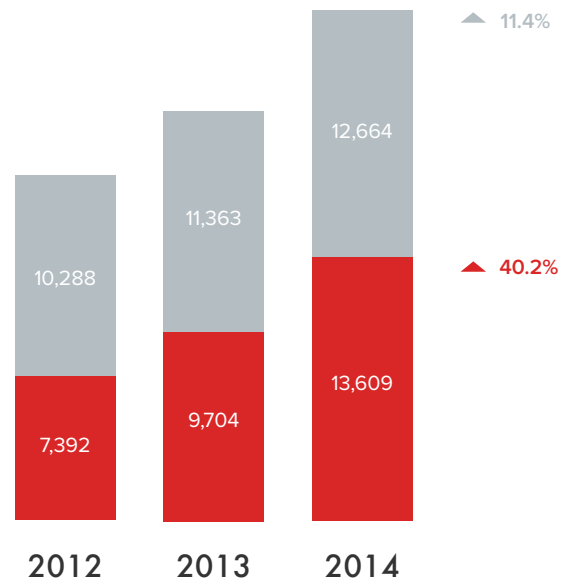
Cost-to-income ratio reduced to 37.9%

Customer accounts



Despite the outflow of funds in the banking system, FUIB became one of the market leaders in retention of funds

Customer accounts by segments



Individual accounts



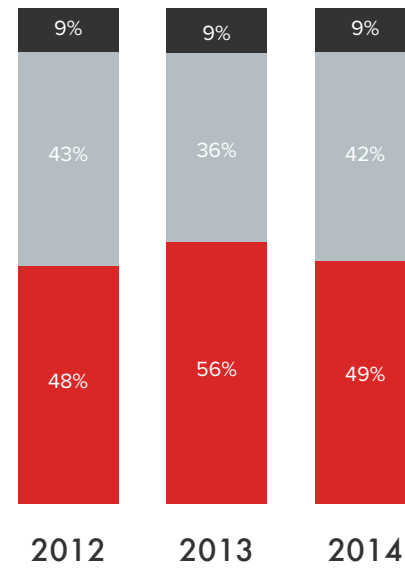
Corporate accounts



mIn UAH



Customer accounts by currencies



EUR & other



USD

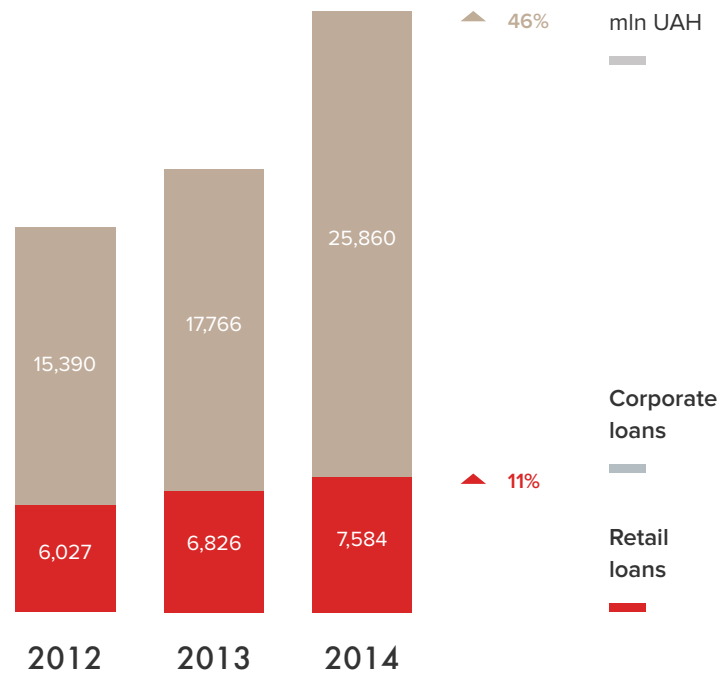


UAH

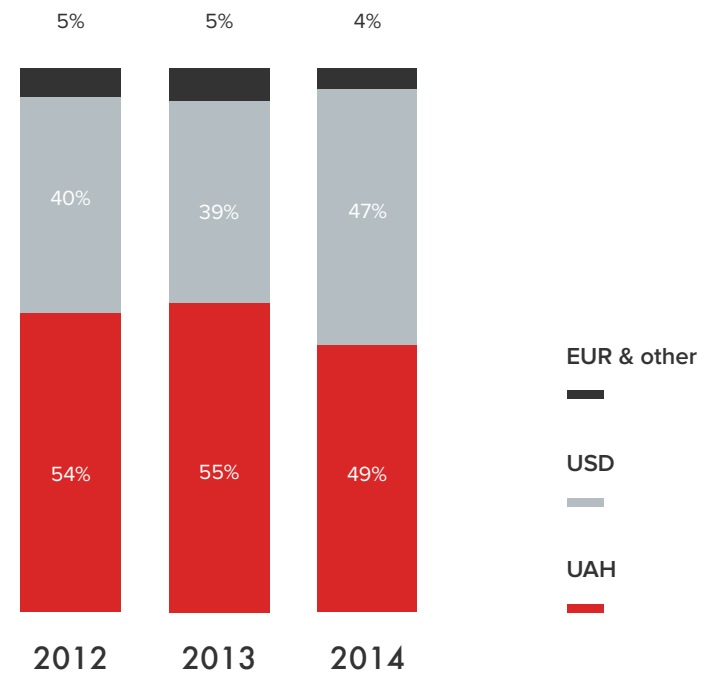


Loans to retail and corporate customers

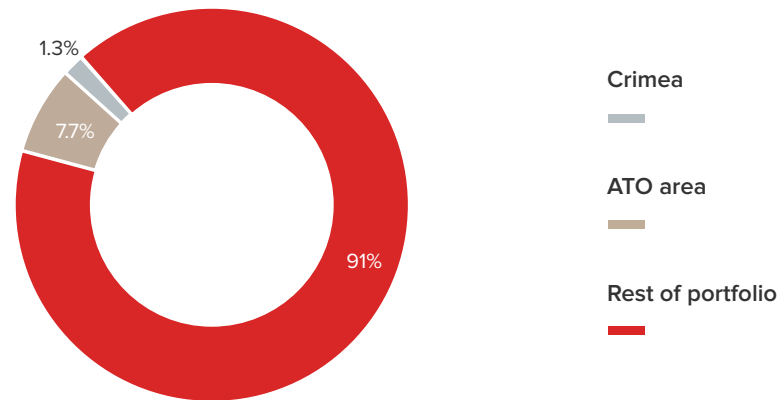
Gross loan portfolio



Loan portfolio by currency

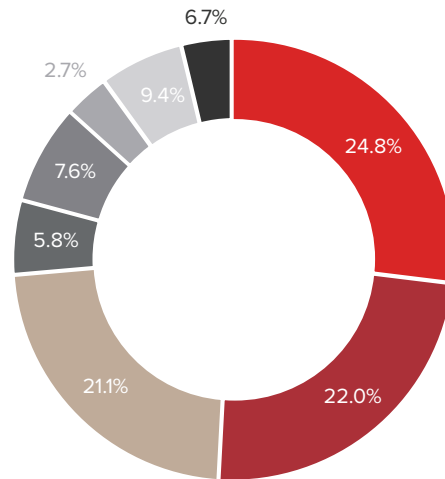


Percentage of borrowers from Crimea and the ATO area in gross loan portfolio of the Banking group as of 31.12.14



Diversification

Corporate loans
by economy segments



Agriculture & food industry

Trade & agency services

Construction & Real estate

Non-banking financial institutions

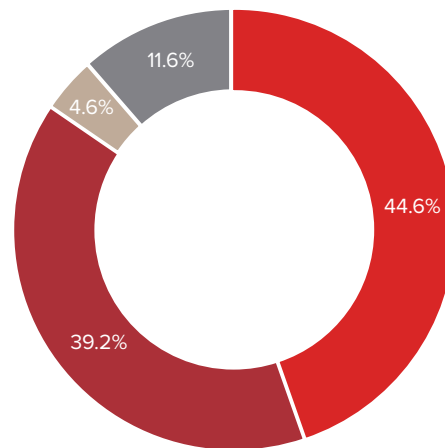
Machine building

Transport & infrastructure

Metallurgy & mining

Other

Retail loans
by products



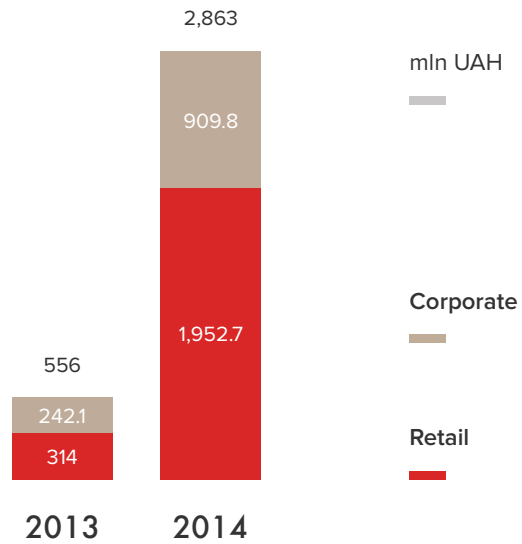
Consumer loans

Mortgages

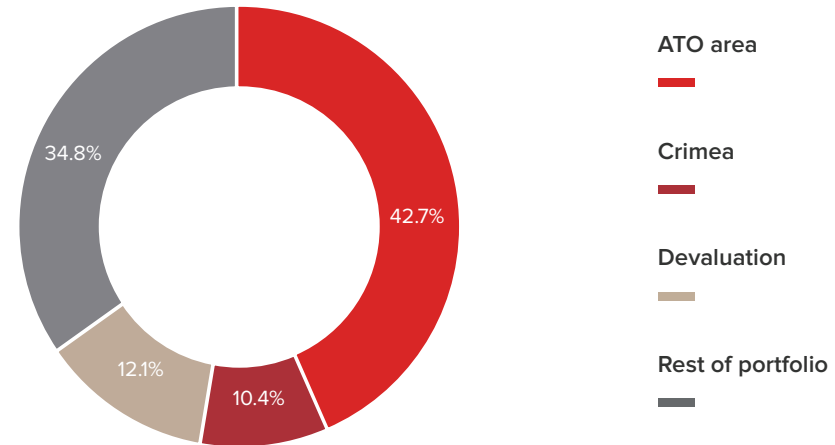
Car loans

Other

Allowance for loan impairment

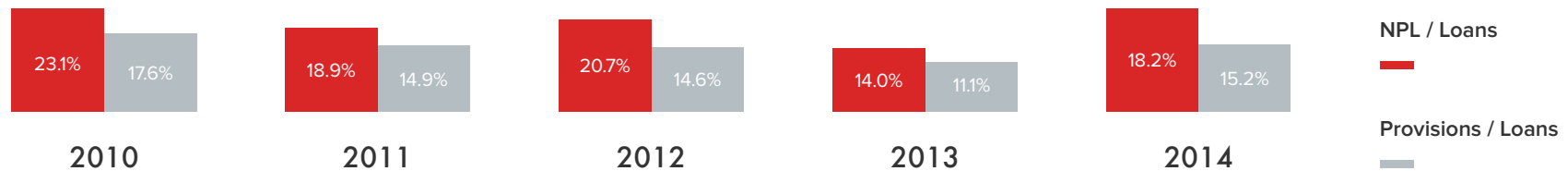


Allowance structure



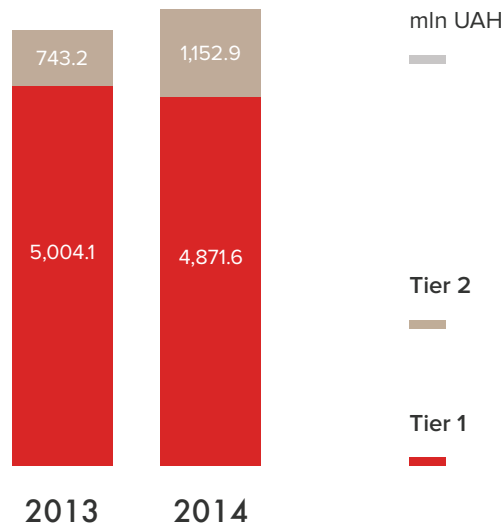
By results of 2014 loan provisions increased 5 times because of deterioration of macro-economic situation, UAH devaluation, default of Crimean customers and growth of problem debt of customers from Donetsk and Luhansk regions.

Asset quality



Strong Capital Base

Total capital

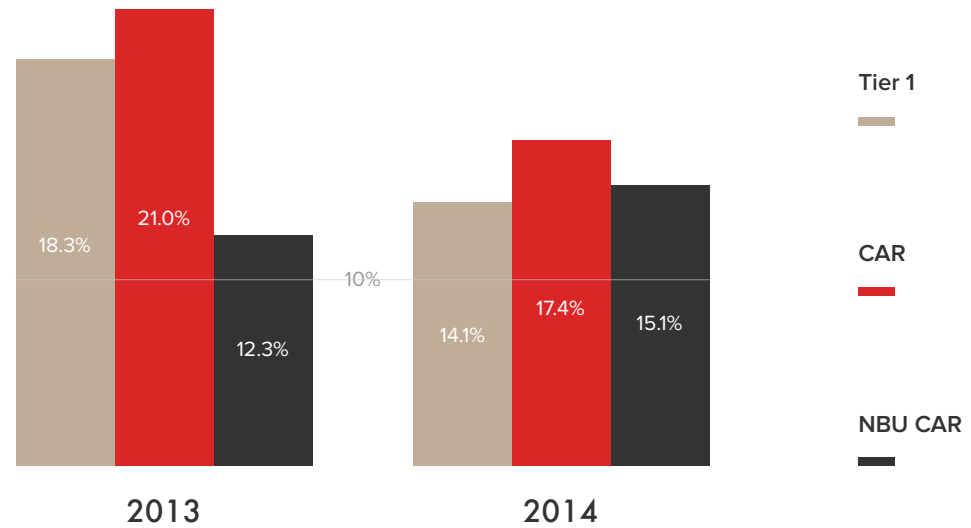


One of the highest capital adequacy ratios in the banking sector

No need for additional capitalization of FUIB was identified

in results of the stress testing held by the NBU under the IMF stand-by program.

Capital adequacy ratios



No 8

among the largest banks by the level of capital

6%

increase of capital as a result of merger of FUIB with Renaissance Credit



CAR of FUIB exceeds the minimal 10% level set by the NBU

Eurobonds

In December Eurobond holders consented to amendment of terms and conditions of the notes.

The final maturity date was extended to 31 December 2018 from 31 December 2014. The coupon rate remained unchanged at 11 per cent p.a.

On December 31, 2014 the Bank redeemed 45 million USD of principal amount that was distributed among the noteholders supporting who voted in favour of the proposed amendments on pro rata basis.

The remaining principal amount is subject to repayment as follows:

the first instalment of 10 million USD will be redeemed on 31 December 2015 and the remaining amount will be paid out with 10 equal quarterly instalments starting from 30 September 2016.

The outstanding principal amount stands at 208 million USD.

Overview of business lines' financial results



Marta Lesyshyn

senior expert of
retail business division, Lviv

Corporate business

FUIB for many years has been a leader of the market of services for corporate customers. Despite all the challenges we faced, FUIB remains one of the most sustainable banks.

The past year was a breakthrough year in the work with small and medium-size business. We are optimistic about the future and focus on the development of remote service channels and high service quality.



Alexey Volchkov
Deputy Chairman of the Management Board of FUIB in charge of corporate business



No 1

in factoring among Ukrainian banks. The bank increased its market share from 8.6% to 23.7%.

TOP 5

banks by amount of documentary transactions among Ukrainian banks

TOP 5

banks to which insurance companies entrust their term deposits

— League of insurance companies of Ukraine

26 billion UAH

corporate loan portfolio

13.6 billion UAH

corporate customer accounts

16%

of corporate business income is generated by small & medium business customers

+45.6%

loans to corporate customers

+52.5%

term deposits of customers

147 million UAH

net profit of corporate business

Performance

— Corporate business remains the key source of income for the bank

26.5%

share of corporate net commission income in gross commission income of the Banking Group

7.6%

share of commission income from documentary business in net commission income of the Banking Group

16.2%

share of commission income from currency exchange transactions in net commission income of the Banking Group

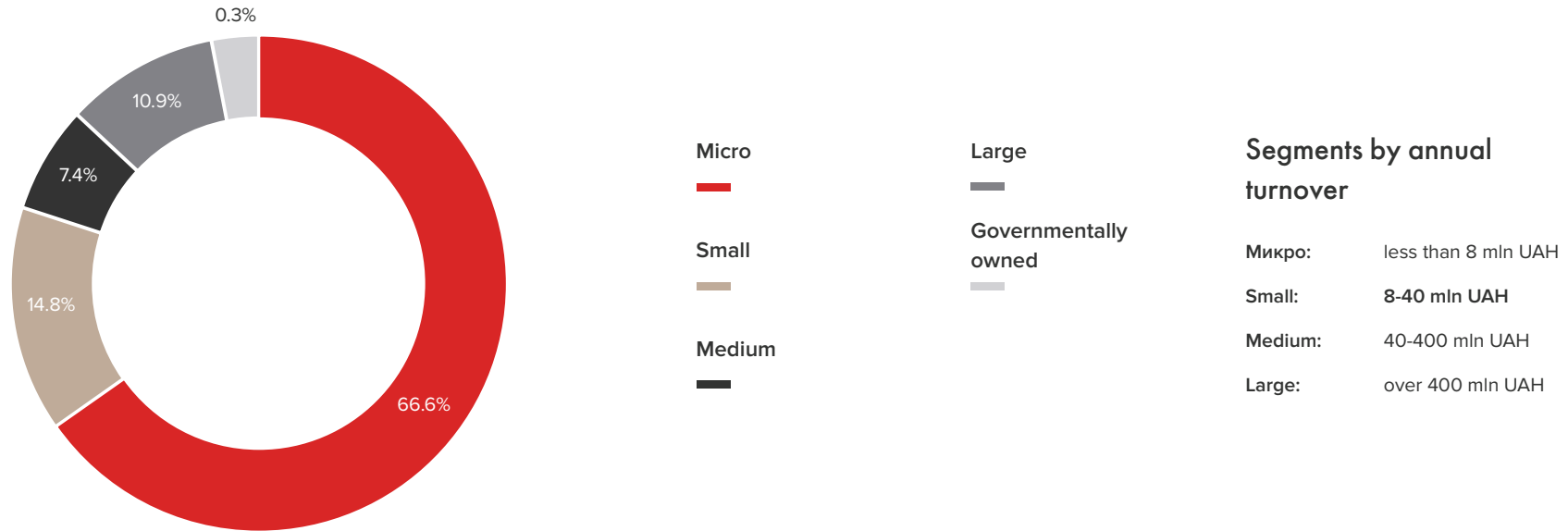


FUIB is among TOP 10 Banks in Viability Rating 2014

according to the Forbes Ukraine magazine

Forbes

Diversification of customer segments



40
companies of 100
largest in Ukraine

5,500
of new customers

30,000 +
of corporate customers

The biggest increase was shown by the segment of large companies and by the micro segment as a result of the migration of clients from problem banks to reliable ones and improvement of performance of FUJB account managers in acquisition of new customers.

2014 – the year of small and medium-size business for FUIB

- SME Customer Service Center was established
- SME segment customer managers were recruited in branches
- Launch of products for micro business

70%

of all factoring transactions in 2014

82%

of new users of “FUIB Online Corporate” are small & micro business customers

5,000

new SME customers increased the client base of corporate business by 17%

Retail Business

2014 showed that our customer attraction channels work well. The inflow of deposits in the central regions of Ukraine covered significant portfolio losses in the Eastern regions.



Sebastian Rubaj
Deputy Chairman of the Management Board of FUIB in charge of retail business

2.3 mln
clients

12.7 bln UAH
individual customer accounts

4.6 bln UAH
retail loan portfolio

+8%
customer portfolio

+10%
term deposits

+11%
loans to individuals

50.4%
share of net commission income of retail business in gross net commission income of the Banking Group

Substantial growth of customers by segments

Segments by monthly income or max deposit balance

- VIP: over 250,000 UAH
- Affluent: 30,000-250,000 UAH
- Middle: 5,000-30,000 UAH
- Mass: up to 5,000 UAH

+11%

VIP clients

+6%

affluent clients

+9%

middle segment

+8%

mass segment



One of TOP 10 reliable banks in Ukraine

according to the rating by Dragon Capital and the “New Time” magazine

Dragon Capital
НОВОЕ ВРЕМЯ

Deposits

10.1 billion UAH on term and current accounts with both banks (+10%). Volume of deposits grew mainly due to devaluation of Hryvnia to US Dollar and Euro

The outflow of client funds by results of the year was lower than in the banking system though we did not limit the drawdown of funds from current or deposit accounts.



Grade 5

“The Highest Reliability” of deposits according to the rating agency “Credit Rating”



Loans

3.4 bln UAH

consumer loans. Minor changes

+47%

consumer loans portfolio

+35%

credit card portfolio

In 2014 many banks left the market of consumer loans while the FUIB Banking Group remained one of the leaders of this market. There was minor change in the consumer loan portfolio because of high repayment rate.

Geography of presence



157

outlets in 24 regions of Ukraine



800

consumer loans points of sales



2,600

ATMs in the Radius network



40

Bank@work outlets allow us to provide services to our customers directly at their job sites

Quality of Service

Angelina Yazykova

leading expert
for operational banking,
Mariupol

Valeria Sadovaya

senior expert
for client service, Kyiv



Quality of Service is a part of FUIB strategy

Not many financial institutions can afford the improvement of service quality in these difficult times but we see it as our competitive advantage.

All our efforts are aimed at gaining and retention of trust and loyalty of our customers.



Sergey Chernenko
Chairman of the Management
Board of FUIB



**FUIB received an award
Best Customer Service
Bank 2014**

from the International Finance
Magazine (UK)



FUIB wants to hear the needs and wishes of clients through research, surveys and feedback.

A client can leave a feedback on the work of the bank in any convenient way:



At branches

in a customer feedback book



By calling

the Customer Service Center



On the website



In social networks

Managing quality of service

82.33%

the indicator of individual customers service quality in the FUIB branch network corresponding to the grade “good”

“Mystery Shopper” research

80%

assessment of depositors service quality, which corresponds to the grade “good”

Results of external research of customer satisfaction “Customer Satisfaction Index” (CSI). The grade has not been reduced for 3 years already.

Retail business took the task of processing customers’ enquiries. Panic-driven behavior of the population, closing of branches in Crimea and Donbas and at the same time inflow of new clients in other regions became a serious challenge for the bank.

But we did not reduce our service quality standards and our clients appreciated our efforts.



Sebastian Rubaj

Deputy Chairman of the Management Board of FUIB in charge of retail business





We seek to be the best bank for business. For this purpose we analyze the needs of our clients on a regular basis and implement the required amendments in services as soon as possible.

Due to such an approach we managed to keep a high level of service despite the big increase of the client base



Alexey Volchkov
Deputy Chairman of the Management Board of FUIB in charge of corporate business

82%

satisfaction of large corporate clients

74%

satisfaction of SME clients

Data of the customer satisfaction research "Customer Satisfaction Index" (CSI) carried out in January 2015.



The lowest level of disputed transactions in CEMEA* region by results of the analysis of transactions for 2014 by the company Visa



*Central and Eastern Europe, Middle East and Africa

Customer Service Center

+64%

growth of incoming calls during 2H 2014

86%

of the received calls were processed despite the dramatic increase of the workload

61%

of incoming enquiries were processed through the self-service facility IVR



Increase of incoming calls was caused by closing of the bank's branches in the ATO area, panic-driven behavior of customers and amendments in legislation.



Πthe indicator of service quality in the Customer Service Center according to the "Mystery Shopper" research for 2014.

Corresponding to the grade "excellent"

Strategic highlights

Yuliana Rodionova

analyst manager
at Quality & Service Division, Kyiv

Igor Davydenko

expert at retail
business division, Kyiv



Merger of FUIB and Renaissance Credit

- Completion of operational merger
- Reorganization of branch network
- Unification of products and business processes

Our goal is synergy of the strongest aspects of the two banks.

On the one hand, it is the reliability of FUIB confirmed by the results of the stress testing of the NBU, high quality of service and expertise in working with high-yield market segments. On the other hand, it is the operational efficiency and simplicity, the experience in the development of consumer loans from «Renaissance Credit» bank, the leader in this segment.



Sergey Chernenko
Chairman of the Management
Board of FUIB



Corporate Business



Resource-free finance:
bills, bank guarantees



Increase of
the volume of
transactional business



Development of products
and services for SME and
micro-business segment
clients

Retail Business



Increase of maturities
and reduction of cost
of raised deposits



Conservative
lending

and in high-marginal products
only: cash loans, credit cards



Growth of customer
service quality

**Thank you
for viewing!**