

Annual Report

20
23



OPERATIONAL STATISTICS	2023	2022	INDEX
Number of loan clients	82,733	75,841	109%
Number of deposit clients	36,094	34,956	103%
Number of staff	599	623	96%
Average loan size	2,230	2,083	107%
Share of rural clients	74%	74%	100%
Share of women clients	43%	42%	102%
Client retention rate	82%	82%	100%

KEY INDICATORS	2023	2022	INDEX
Return on Equity (ROE)*	13.03%	12.95%	101%
Return on Assets (ROA)*	2.23%	2.38%	93%
Cost to Income ratio	74.39%	73.21%	102%
PAR30	3.38%	3.17%	107%
CAR	23.01%	22.91%	100%

* ROA and ROE Before Tax

IN 000 EUR	2023	2022	INDEX
Total assets and liabilities	256,552	229,224	112%
Gross loan portfolio	201,952	173,912	116%
Customer deposits	156,450	128,300	122%
Equity	43,162	39,761	109%
Profit before tax	5,407	4,929	110%

Table of Contents

2023 Key Figures	2
Introduction From The CEO.....	4
Serbia Macroeconomic Environment.....	6
Serbia Banking Sector.....	8
About 3Bank Serbia.....	10
Heroes of Micro Business.....	12
Young Farmer Of The Year.....	13
Ifrs: Financial Statement Figures.....	14
Sustainable Development Goals.....	16
No Poverty.....	18
Zero Hunger.....	20
Decent Work.....	22
Responsible Consumption.....	24
Climate Action.....	26
Savings in 2023.....	28
Banking on Values.....	29

Vladimir Vukotić

Introduction From The President Of The Executive Board

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We are very satisfied with the achieved business results. The loan portfolio grew by 16% and at the end of the year amounted to RSD 23.7 billion. The number of credit clients increased by 9%, so we ended the year with more than 82,000 credit clients.

In 2023, which was a year of uncertainty due to global geopolitical trends, our value-based banking model based on shareholders structure consisting of leading European green banks and US impact investor, has once again proven resilient as we remained faithful and pushed boundaries in all three main goals: achieving a positive impact on the economy, society and the environment.

In addition to success in terms of outreach and financial results, we maintained our focus on improving access to loans for categories of clients for whom this access is difficult, in other words - financial inclusion. As much as 72% of our clients in 2023 were from rural areas, while the share of so-called “underbanked” clients, i.e. clients who previously did not have access to credit, amounted to 41%.

In addition to social performance, we have also made significant progress in one of the Bank’s most important strategic directions, within which we are improving the offer of products with a positive impact on the environment, in order to contribute to the “green transition” in the Republic of Serbia. In 2023, with that goal in mind, we created the first green loans, intended for improving the energy efficiency of residential buildings. It is of particular importance that we have made these products available to small farms and pensioners, i.e. client segments that had no access to this type of financing before.



Although it was a difficult year for agriculture, we maintained a leading position on the agricultural financing market, with as many as 52% of agricultural loan users being clients of 3 Banks, as well as 35% of entrepreneurs, which speaks in favor of active support for these segments. I would especially like to emphasize our support to startups, which usually do not have access to loans, which hinders them in business growth and development. The Bank essentially continues to be the only source of finance for all three vulnerable categories, which is recognized statewide.

Client deposits also achieved the targeted growth and reached the level of RSD 18.3 billion at the end of the year, which is a growth of 22% compared to 2022.

The said results were achieved thanks to the unreserved support of our shareholders, as well as the exceptional commitment and professionalism of our employees, and most importantly our clients who put continued trust in our relationship. On this occasion, on behalf of the Executive Board, I wish to thank all of them for their efforts and trust which once again made 3Bank to exceed expectations of the stakeholders.



3Bank Headoffice

Novi Sad, Serbia

Serbia Macroeconomic Environment

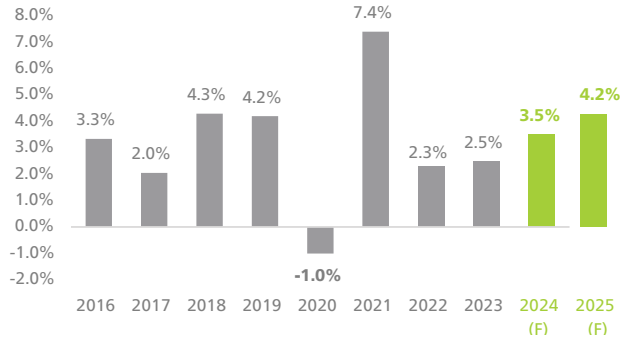
Despite the multidimensional crisis that has been ongoing for more than 3 years, Serbia has managed to preserve the stability of its economy and the consumers and investors confidence, as evidenced by cumulative real GDP growth in the period 2020 - 2023 of around 12 record inflows of FDI, continued growth of employment and wages in the private sector, as well as a record level of FX reserves.

According to the SORS data, the real GDP growth in Q4 2023 was 3.8% y/y (0.9% s.a.), which further accelerated compared to Q3. Real GDP growth in 2023 was 2.5%. Inflation has been on a decline since April 2023, in October 2023 it returned to a single digit level, while in December 2023 it slowed further to 7.6% y/y.

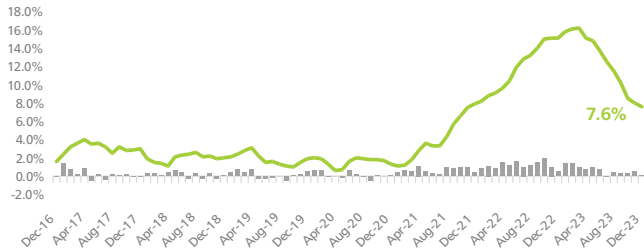
Inflation will continue to fall throughout the projection horizon, while the return to the target tolerance band is expected in mid 2024 and reaching the central point of target is expected by the end of 2024.

According to Labour Force Survey, the unemployment rate in Q4 2023 was 9.1%, which is 0.3 pp lower than in Q4 2022. This rate for the whole year 2023 is 9.5% on average and is around the last year's level. Fitch and S&P confirmed Serbia rating at BB+, with a stable outlook (Fitch in August 2023, S&P in October 2023).





GDP Growth (Y-o-Y)



Inflation (CPI)



Serbia Banking Sector in 2023

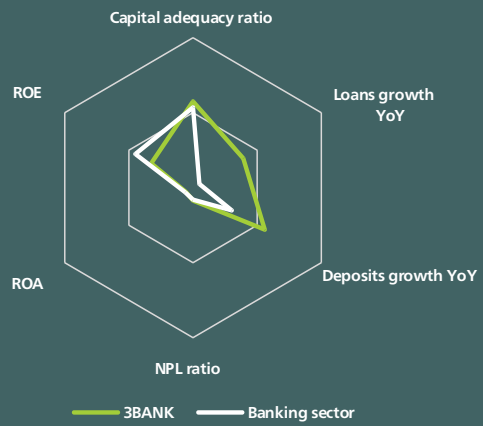


In 2023 the banking sector recorded a Profit before tax of RSD 138 bn which is 39% higher than at the end of 2022. Total assets continue to grow, they were higher by 9% compared to 2022, of what Loans to banks grew by 70% , Cash by 16%, Loans to clients by 2% and Other assets by 1% while Securities fell by 4%.

Total loans in the Serbian banking sector grew by 2% in 2023. Lending activity slowed during 2023, due to tightening of the monetary policy of the NBS and the ECB, the maturing of guarantee scheme loans, and the tightened bank lending standards.

Successful implementation of NPLs resolution activities, led to a record low level of NPL amounts. The amounts of NPL throughout 2023 continued to stand still, and are well below its pre-crisis level.

At end-December 2023, the NPL ratio was 3.2%. Profitability indicators of the banking sector were higher than in the same period last year. ROA increased from 1.9% to 2.4% and ROE from 13.8% to 18.0%. At the same time, net interest margin (net interest income / average assets) increased from 2.9% to 4.0%.



December 2023

Pre Tax ROE



About 3Bank Serbia



People first



Sustainability



Transparency

BOARD OF DIRECTORS - DECEMBER 2023

Name	Function	Represents
Andrew Pospelovsky	Chairperson	Independent
Frazer Hume	Member	OTI Inc.
Timothy Crijns – Gordinou de Gouberville	Member	Triodos funds
Goran Bašić	Member	Umweltbank
Jelena Bulatović	Member	Independent
Zorica Stevanović	Member	Independent
Georg Christoph von Carlowitz	Member	GLS



Inclusiveness



Innovation

EXECUTIVE BOARD - DECEMBER 2023

Name	Title/Function
Vladimir Vukotić	CEO/Chairperson of the EB
Slobodan Smiljković	BD/Member of the EB
Rajko Maljković	COO/CFO/Member of the EB
Novak Rakočević	CRO/ Member of the EB

3Bank has been active in Serbia since 2002, when it was first established as Opportunity Savings Bank which was then successfully transformed into a bank in 2007 with the license issued by the National Bank of Serbia.

In November 2021, Opportunity Bank changed its name to 3Bank. The Mission of 3Bank is to provide financial services to all those who make a positive economic, social and environmental impact, with special focus on clients who have difficulty in accessing such services.

Wishing to contribute not only to the prosperity of the bank itself, but of society as a whole, 3Bank operates with an aim to provide a chance for everyone.

During two decades of its operations, the Bank has disbursed about 300,000 microloans and thus helped creating of over 70,000 jobs. Over 300,000 jobs were sustained with the support of 3Bank.

Our values



People first

We strive to encourage positive changes in the lives of our employees, clients and the community itself

Sustainability

We are focused on social and environmental impact, as well as our bank's sustainability which is reflected in everything we do

Transparency

Being direct and honest is an integral part of our culture. This is how we build trust.

Inclusiveness

Equal rights to financial services for all. We pay special attention to those who have difficulties in accessing banking services.

Innovation

We are constantly striving to improve ways in which we operate and service our clients.



people



planet



prosperity

Heroes of Micro Business



For the second year in cooperation with the most read daily newspaper Blic, 3Bank organized the competition “Heroes of Micro Business” and three best entrepreneurs were chosen from the list proposed by 3Bank and the Chamber of Commerce. The competition aimed at entrepreneurship promotion, should motivate people to start their own businesses, create jobs for themselves and their families, and contribute to the progress of the community.

The first prize winner was Mladomirka Vučičević, a seamstress from Novi Pazar and a single mother of three sons who started her business after losing a job. She is planning to retire and leave the business to her son, thus this award in a way represent a peak of her working life. Mirna Rackov won the second prize. Failing to find a job, she decided to start her own business -making shoes for cultural and ethnic dancing associations. She is the only woman in this business branch in Serbia. Marina and Goran won third – place prize. They started their business with big dreams and 17 EUR in their pockets. The first shoes were made from leftover leather from a nearby factory, and today they produce shoes for an Italian company.

At the Awarding Ceremony, the Minister of Finance and Vice President of the Government of the Republic of Serbia, Siniša Mali, thanked 3Bank for its support to small entrepreneurs, which traditional banking does not recognize and praised the successful business model of 3 Bank, stressing that he is fully aware of the fact that it is easier to disburse one large loan than a large number of small ones.

Young Farmer Of The Year




**MLADI
POLJOPRIVREDNIK
GODINE**

In November 3Bank organized a first annual “Best Young Farmer” contest which will become traditional in order to help fight one of society major problems of aging villages and rural communities with unsustainable major cities population growth. Witnessing this process first hand since 2008 when we started financing agro our average clients’ age rose for 5 years, we wanted to use these extraordinary examples to motivate many other young people to create well-balanced life in villages and rural communities. Succeeding with only some youngsters to follow suit would mean great deal not only for them, but also for the development of rural areas and society as a whole. The finalists were chosen by the jury out of 250 candidates, and the final choice of 3 winners was made by audience voting for one of the finalists through 3 Bank’s website. The 1st winner was Natasa Matijas from Bingula, the second one was Marina Jovanovic from Karan, and the third one was Tijana Stokic from Lazarevo.

The competition brought great visibility and coverage despite minimal investments, surprisingly despite raging election campaign. Information about our competition was published on the most read internet portals, newspapers as well as videos have been played on TV programs with national coverage.

BALANCE SHEET (IN 000 EUR)	2023	2022	INDEX
Assets:			
Cash and balances with central bank	45,148	29,370	154%
Loans and receivables to banks & F.I.	2,888	19,353	15%
Loans and receivables to clients	199,232	170,032	116%
Intangible assets	1,799	1,863	97%
Property, plant and equipment	6,457	5,717	113%
Other assets	1,028	889	116%
Assets	256,552	229,224	112%
Liabilities:			
Deposits and other liabilities to banks & F.I.	45,672	49,143	93%
Deposits and other liabilities to clients	153,319	125,132	123%
Subordinated liabilities	9,118	10,116	90%
Provisions	35	92	39%
Current tax liabilities	81	0	0%
Other liabilities	4,947	4,394	113%
Liabilities	213,390	189,463	113%

IFRS: Financial Statement Figures



Equity:	2023	2022	INDEX
Share capital and share premium	15,916	15,896	100%
Retained profit	4,402	4,219	104%
Reserves	22,844	19,646	116%
Total equity	43,162	39,761	109%
Total liabilities & equity	256,552	229,224	112%

INCOME STATEMENT (IN 000 EUR)	2023	2022	INDEX
Interest income	37,944	30,218	126%
Interest expense	-9,616	-5,352	180%
Net interest income	28,329	24,866	114%
Fee and commission income	580	602	96%
Fee and comission expense	-382	-314	122%
Net fee and commission income	197	288	68%
Net gain / loss on change in fair value	0	0	0%
Net income from foreign exchange diff.	13	1	
Other operating income	14	2	
Net impairment loss on financial assets and off-balance sheet credit risk items	-1,920	-1,856	103%
TOTAL NET OPERATING INCOME	26,634	23,301	114%
Personnel expenses	-11,433	-10,029	114%
Depreciation expenses	-1,153	-1,010	114%
Other expenses	-8,752	-7,503	117%
Other income	111	170	66%
PROFIT BEFORE TAX	5,407	4,929	110%
Profit(Loss) from deferred tax	-202	57	
Income tax	-802	-766	105%
PROFIT AFTER TAX	4,402	4,219	104%



Sustainable Development Goals

1 NO
POVERTY



2 ZERO
HUNGER



8 DECENT WORK AND
ECONOMIC GROWTH



12 RESPONSIBLE
CONSUMPTION
AND PRODUCTION



13 CLIMATE
ACTION



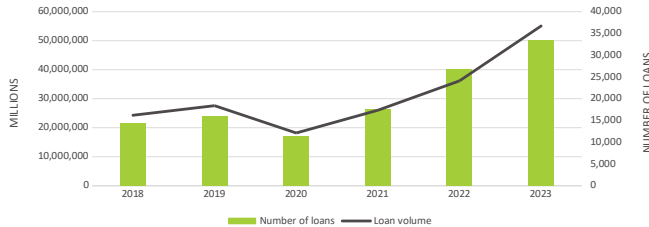
The Sustainable Development Goals, also known as global goals, are a universal call to action to eradicate poverty, protect the environment and ensure peace and prosperity for all as part of a new UN global plan for sustainable development.

To support the achievement of sustainable development goals, 3Bank focuses its activities and impact on the following five Sustainable Development Goals:



No Poverty

Goal 1



Loan disbursements to Micro Personal

56
mln €
micro personal
loan portfolio

15%
annual growth in the
number of active loan
clients

66%
loans in 2023
disbursed
to rural clients

56%
of loans in 2023
disbursed
to women

55 mln €
disbursed to
micro personal
clients in 2023

Lending to Micro Personal

First UN Sustainability goal is to end poverty in all its forms everywhere. In order to contribute to this goal, 3Bank supports clients from rural areas, clients with difficult access to banking services (underbanked clients) and low-income clients.

In 2023, the Bank's outreach recorded a significant growth in all three business lines, which includes growth in the number of loans in all the segments that the Bank measures in accordance with the SDG goals.

Bank has continued to make strong impact in rural communities (72%), especially with the underbanked population (40%) and low-income segment (21,25%) Loans for pensioners and employees allow a wide range of people with limited excess to financing to use our products and thus improve the standard of living of their households and family members.

In 2023, 53% more loans in number were disbursed than in the previous year, leading to the loan portfolio growth of 19% compared to 2022.

40%
underbanked

72%
rural

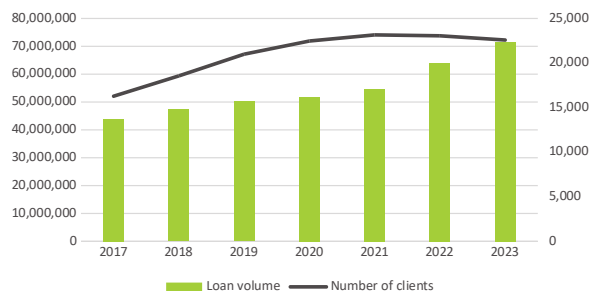
21%
low income



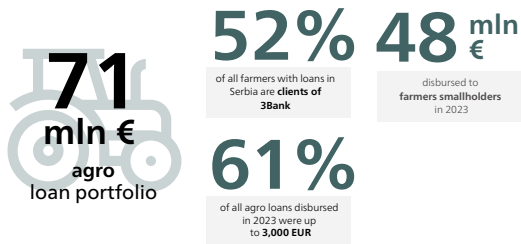


Zero Hunger

Goal 2



Loan disbursements to Farmers



Lending to Farmers

The zero hunger goal aims to end world hunger, achieve food security and improved nutrition and promote sustainable agriculture. In line with this goal, the Bank finances agricultural households and food production, thus helping to diversify the food market and food availability.

3Bank strives to contribute to self-employment, giving farmers an opportunity to start their own micro and small production and supports their efforts to increase and modernize intensive agricultural production.

In accordance with its mission, 3Bank supports the development of rural areas and local communities and, bearing in mind the importance of agricultural production, society as a whole. Considering unfavorable demographic trend in rural areas, caused by the decades-long migration of young people to urban centers, the Bank will further intensify its support to young farmers in their business plans in the coming period, in order to contribute to solving the problem of aging rural population and abandonment of villages.

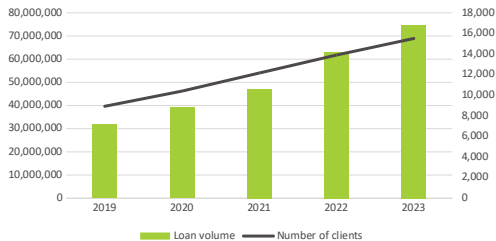
Although farmers faced great challenges in 2023, the Bank achieved a slight increase in the amount of loans disbursed, while the loan portfolio increased by 11% compared to 2022.





Decent Work And Economic Growth

Goal 8



Loan disburseals to Businesses



Lending to Businesses

This goal aims to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. To contribute to this goal, 3Bank finances startups in the early phase of their business when they mostly need support, entrepreneurs, micro SMEs, granting loans for different business activities. The Bank's goal is to stimulate the development of entrepreneurship and thus contribute to creating new jobs and reducing unemployment. By supporting its clients, 3Bank helps them to create jobs for themselves and members of their families, creating a better life for them, 3Bank contributes to whole community and its development. Thanks to Bank's support, over 70.000 jobs were created, of which 6161 in 2023. At 3 Bank, loan support to the business sector is complete, from empowering small business ideas for beginners, through providing support and improvements to entrepreneurial ventures, regardless of the size of the project or the size of the company, to the care of the small and large needs of the business sector in order to enable them to adequately respond to current or challenges in the realization of investments. In 2023, the Bank, in cooperation with the Serbian Entrepreneurship Foundation, developed a special credit line intended for beginners in business, operating for less than 2 years. Through this program, small businesses have the opportunity to receive financial support at the beginning of their business, when they need it the most, and it is mostly unavailable because startup financing carries high risks for banks. In 2023, 8% more loans were realized than during the previous year, while the loan portfolio grew by 19% compared to 2022.





Responsible Consumption And Production

Goal 12



The Responsible consumption and production goal aims to ensure sustainable consumption and production patterns.

The Bank has adopted the principles of reducing overall internal environmental impact, reducing energy consumption (and the use of green electricity), paper, waste and reducing the CO2 footprint.

In 2023, 3Bank launched a project aimed to optimize the process in a way that contributes to reducing the volume of printing. In 2023, paper consumption per loan was 10% lower than in 2022.

Along with the optimization of the process, the education of employees using internal communication tools was launched, in order to improve their knowledge about document management, without unnecessary printing. The Bank uses 100% electricity produced from renewable energy sources.





Climate Action

Goal 13

The climate action goal aims on take urgent action to combat climate change and its impacts. The Bank integrates environmental issues with social, cultural and economic aspects. In the lending process, we take into account aspects of environmental protection.

The Bank uses a list of exclusions, measures the impact of the portfolio according to the PCAF standard as well as GABV scores and reports in accordance with GRI principles. The Bank is one of the signatories of the GABV 3C Carbon initiative.

The Bank is constantly implementing measures aimed at environmental protection. Promo material that Bank uses is made of recycled materials, LED boxes were placed on all branches and, through internal communication channels, the Bank constantly raises employees' awareness of pollution and proposes activities that contribute to the environmental protection.

Thanks to all of these activities the Bank contributed to the reduction of CO2 emissions by as much as 12,380 CO2 / kg in 2023. Also in 2023, the Bank introduced Green products (agro and retail) in portfolio. The Bank disbursed 641 green loans in 2023, reaching portfolio of EUR 1.95M.





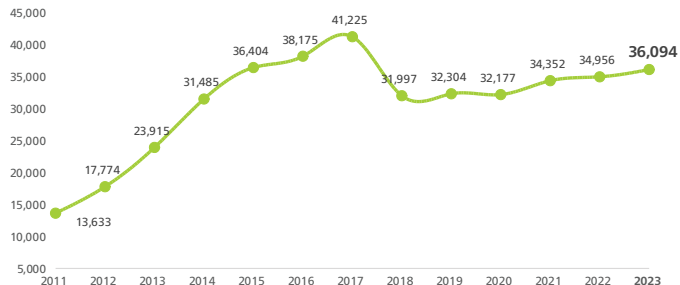
Savings In 2023.

The Bank's deposit strategy for 2023 was based on providing a framework for achieving and maintaining an adequate level of stable deposits in accordance with benchmark rate movements.

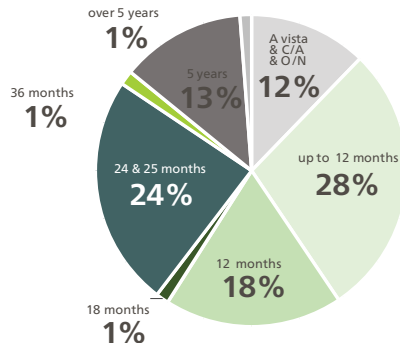
On December 31, 2023, the Bank recorded 22% annual growth of deposits and had at its disposal RSD 18,3 billion, of which 81% were deposits from private individuals.

The average nominal interest rate on RSD deposits increased by 78 bps, while the rise of EUR deposits amounted to 64 bps.

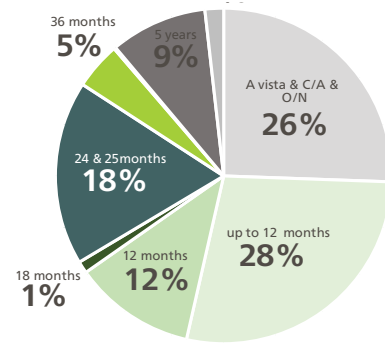
The balance of irrevocable deposits of legal entities recorded growth of 11%. Long-term deposits accounted for 35% of total deposits in the maturity structure of EUR-denominated savings deposits which is an increase by 2 p.p., while in the structure of RSD deposits, long term deposits had a share of 41%.



Number of active depositors



RSD



EUR



Banking On Values

3Bank is a member of the Global Alliance for Banking on Values (GABV <http://www.gabv.org/>), a network of banking leaders from around the world committed to changing the financial system so that it is more transparent, diverse, and supports economic as well as social and environmental sustainability. GABV is present in 40 countries, and the members collectively serve 60 million customers, hold up to USD 200 billion of combined assets under management, and are supported by 80,000 co-workers.

The members operate with the common goal of achieving sustainable economic and social development, with special emphasis on preserving the environment and supporting individuals to realize their potential and thus strengthen the communities in which they live and work. 3Bank is fully dedicated to contributing to the change of the financial system so that it is more transparent, diverse, and supports economic, social, and environmental sustainability.

Almost since its beginning, the Bank has been focused on financial inclusion, i.e., supporting clients with difficult or no access to loans. 45% of the bank's clients had never used loans prior to cooperation with 3Bank. 3Bank is also a bank that has a mission to educate customers to save, especially the population with lower incomes.

That is a reason that 3Bank is the only one in Serbia that pays higher interest on lower savings deposits than it does on higher ones. The Bank uses deposits to help individuals secure jobs, create an existence for their families, and thus contribute to the prosperity of the entire community. That is an added value for depositors—to be a part of creating a better world.

On Banking on Values Day 2023, GABV celebrated their members' remarkable work in revealing the real impact behind BIG words. Specifically, they were committed to 8 values that describe their movement: Intentional, Coherent, Contextual, Transparent, Systemic, Authentic, Inclusive, and Ambitious.



Global Alliance for
Banking on Values



PROUD MEMBER

