

ALTER MODUS DOO

FINANCIAL STATEMENTS FOR THE YEAR

ENDED ON DECEMBER 31, 2022

INDEPENDENT AUDITOR'S REPORT

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*This is English translation of the Report
originally issued in Montenegrin language
(For management purposes only)*

INDEPENDENT AUDITOR'S REPORT

To the Owners of Microcredit Financial Institution Alter Modus doo, Podgorica, Montenegro

Report on the audit of financial statements

Opinion

We have audited the financial statements of Microcredit Financial Institution Alter Modus d.o.o., Podgorica (hereinafter: the Company), which comprise the statement of financial position as of December 31, 2022, and the income statement, statement of changes in equity and statement of cash flow for the year then ended, including a summary of significant accounting policies and notes to the financial statements.

In our opinion, the financial statements give a true and fair view in all significant material aspects of the financial position of the Company as of December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with Law on Accounting of Montenegro and regulations of the Central Bank of Montenegro governing financial reporting of microcredit financial institutions.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs by IFAC). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of financial statements* section of our report. We are independent of the Company in accordance with the *ethical requirements* relevant for our audit of financial statements in Montenegro and we have fulfilled our other ethical responsibilities in accordance with these requirements (*The International Code of Ethics for Professional Accountants - IFAC, The Institute of Certified Accountants of Montenegro/Serbian Association of Accountants and Auditors, 2018*, official binding version in Serbian language). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and true and fair presentation of these financial statements and annual management report in accordance with the Law on Accounting of Montenegro and the regulations of the Central Bank of Montenegro governing the financial reporting of microcredit financial institutions, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process established by the Company.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We have communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Podgorica, March 7, 2023



Goran B. Strahinja, CPA, MA, BA

CEO, Principal – Partner

SFAI Montenegro d.o.o., Podgorica



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REPORT ON THE ANNUAL REPORT OF MANAGEMENT 2022

Our opinion on the financial statements does not include the annual management report for 2022.

In relation to the audit of these financial statements, it is our responsibility to read the annual management report and thus consider whether the annual management report in material aspects-items is consistent with the information in the financial statements, with our knowledge gained during the audit, or appears to be, in material terms, misrepresented.

In accordance with the requirements of the Law on Accounting of Montenegro, we are also obliged to give an opinion on whether the annual management report is prepared in accordance with the Law on Accounting of Montenegro, and consistent with the information contained in the financial statements.

Based on the procedures conducted during the audit, in our opinion, the annual management report is:


- compiled in accordance with the Law on Accounting of Montenegro, and
- consistent with the information contained in the financial statements.

Additionally, based on the knowledge about the company's operations and its business environment, acquired during the audit, we did not notice any material misstatements in the annual management report.

Significant characteristics of management report in 2022:

- In the 2022 Alter Modus management report, information intended for internal and external users of information is specifically designed for the needs of top management and medium and lower levels of management of the Company.
- The management report provides additional opportunities for insight into the business and performance of Alter Modus in 2022 with a look at business perspectives and business development continuity in 2023 based on the accounting assumption of going concern.
- The report presents business information for various needs of external users of financial information, especially from the point of view of implementation of business and operational strategy of the Company and the requirements of monitoring business processes.
- The management report 2022 provides significant information support for close monitoring of business performance and the ability to anticipate performance of future business operations.
- The information contained in the management report 2022 is effectively related to the data, presented graphically, containing significant elements of integrated reporting, something we consider as a valuable step forward.

Podgorica, March 7, 2023


Goran B. Strahinja, CPA, MA, BA
CEO, Principal – Partner
SFAI Montenegro d.o.o., Podgorica



**INCOME STATEMENT FOR THE YEAR FROM 1 JANUARY TO 31 DECEMBER
2022 (000 EUR)**

Position	Note	Current year	Previous year
Interest income	4	7,876	7,741
Deposits		0	0
Securities purchased under a resale agreement			
Loans and leasing		7,876	7,741
Securities held to maturity			
Other interest income			
Interest expenses	4	859	1,133
Deposits			
The securities are sold under a repurchase agreement			
Liabilities for loans and other borrowings		826	1,108
Other loans - overdue liabilities			
Subordinated debts			
Other interest expenses		33	25
NET INTEREST INCOME / EXPENSES		7,017	6,608
Costs for losses	5	(487)	(832)
NET INCOME / EXPENSES		7,504	7,440
Fee income	6	60	143
Loan fees		60	143
Fees for off-balance sheet transactions			
Fees for services rendered			
Other fees			
Fee expenses	6	225	216
Loan fees		134	135
Fees for off-balance sheet transactions			
Fees for services rendered		28	32
Other fees		63	49
NET FEE INCOME / EXPENSES		(165)	(73)
NET INCOME / EXPENSES FROM INTEREST AND FEES		7,339	7,367
Other income	10	393	273
Income from foreign exchange operations (net)			
Foreign exchange gains (revaluation)			
Income from trading in securities - net gain			
Other income		393	273
General and other costs		4,671	4,020
Salary and contribution costs	7	3,031	2,784
Costs of office space and fixed assets	8	756	658
Other expenses	9	884	578
NET INCOME / EXPENSES BEFORE EXTRAORDINARY ITEMS		3,061	3,620
Extraordinary income		36	7
Extraordinary expenses		13	47
NET OTHER EXTRAORDINARY INCOME AND EXPENSES		23	(40)
NET INCOME / EXPENSES AFTER EXTRAORDINARY ITEMS		3,084	3,580
Income taxes and contributions	11	415	326
NET PROFIT / LOSS		2,669	3,254

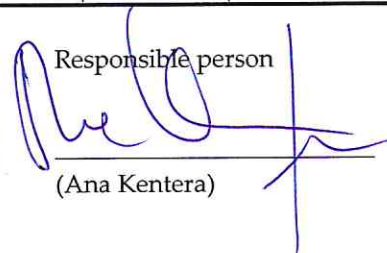
Person responsible for compiling financial statements



(Branko Tadić)



Responsible person



(Ana Kentera)

STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2022
(000 EUR)

Position	Note	Current year	Previous year
ASSETS			
Cash and deposit accounts with depository institutions	12	1,109	13,478
Cash and non-interest-bearing deposit accounts		1	0
Interest-bearing deposit accounts		1,108	13,478
Assets held for trading and available for sale, excluding shares			
Securities for trade			
Securities available for sale			
Securities purchased under resale agreement			
Loans and leasing operations	13	42,623	39,089
Less: Provisions for credit losses	13	(1,077)	(1,917)
Net loans and leasing operations		41,546	37,172
Securities held to maturity			
Business premises and other fixed assets	14	1,786	1,668
Acquired assets			
Investments in capital of other legal entities			
Other assets	15	930	1,188
MINUS: Provisions for losses on other assets (except position 4.a)			
TOTAL ASSETS:		45,371	53,506
LIABILITIES			
Deposits			
Noninterest-bearing deposits			
Interest-bearing deposits			
The securities are sold under a repurchase agreement			
Liabilities for loans and borrowings	16	18,087	25,745
Short-term - up to one year		9,548	15,658
Long-term - over one year		8,539	10,087
Obligations to the Government			
Other loans - overdue liabilities			
Due obligations			
Balance of outstanding - called for payment of off-balance sheet liabilities			
Other obligations	17	2,257	2,149
Provisions for potential credit losses by off-balance sheet exposures			
Subordinated debts			
TOTAL LIABILITIES:		20,344	27,894
Minority shareholder learning			
CAPITAL			
Preferred shares			
Ordinary actions			
Issue premiums			
Retained earnings / loss		2,669	3,254
Other capital		22,358	22,358
TOTAL CAPITAL:		25,027	25,612
TOTAL LIABILITIES AND EQUITY		45,371	53,506

Person responsible for compiling financial statements

Branko Tadić

(Branko Tadić)



Responsible person

Ana Kentera

(Ana Kentera)

**STATEMENT OF CASH FLOW FOR THE YEAR FROM 1 JANUARY TO 31 DECEMBER
2022 (000 EUR)**

Position	Current year	Previous year
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and commission income	8,237	8,589
Interest payments	(845)	(1,187)
Reacquisition of previously written off loans	337	215
Cash payments to employees and suppliers	(3,816)	(3,508)
Operating profit before changes in operating assets	(4,040)	2,328
Increase / decrease in operating assets		
Short-term assets		
Deposits held for regulatory or monetary control purposes		
Funds advanced to customers		
Net increase in credit card receivables		
Other transferable securities		
Transferable certificates of deposit		
Net cash from operating activities before income tax	(127)	6,437
Income tax paid	(322)	(132)
NET CASH FROM OPERATING ACTIVITIES	(449)	6,305
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of affiliates		
Dividends received		
Interest received		
Amount from sale of non-marketable securities		
Procurement of non-marketable securities		
Procurement of land, construction of plant and equipment	(469)	(114)
NET CASH FROM INVESTING ACTIVITIES	(469)	(114)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of loan capital	8,000	4,000
Broadcasting of priority shares by the affiliate		
Repayment of long-term loans by	(15,568)	(13,109)
Net decrease on other loans	(539)	(406)
Dividends paid	(3,254)	(544)
NET CASH FROM FINANCING ACTIVITIES	(11,451)	10,059
Effects of exchange rate changes on cash and cash equivalents		
Net increase in cash and cash equivalents	(12,369)	(3,868)
Cash and cash equivalents at the beginning of the period	13,478	17,346
Cash and cash equivalents at the end of the period	1,109	13,478

Person responsible for compiling financial statements

Branko Tadić
(Branko Tadić)



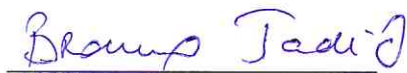
Responsible person

Ana Kentera
(Ana Kentera)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR FROM 1 JANUARY TO 31 DECEMBER 2022 (000 EUR)

Position	Current year	Previous year
Total value of capital at the end of the previous year	25,612	22,902
Net profit / loss	2,669	3,254
Dividends paid	(3,254)	(544)
Sale of additional bank capital	-	-
Other gains / deductions (describe)	-	(5,600)
Increasing the founding capital	-	5,600
Total amount of capital - must be equal to the amount in the balance sheet	25,027	25,612

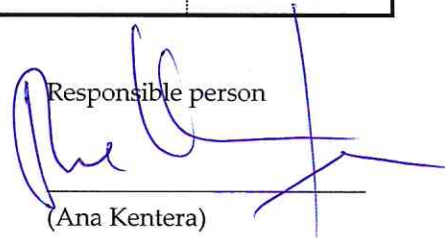
Person responsible for compiling financial statements



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Responsible person



(Ana Kentera)