BANCA INTESA

KPMG d.o.o. Beograd
Kraljice Natalije 11
11000 Beograd

28 February 2014

Ladies and Gentlemen:

This representation letter is provided in connection with your audit of the financial information prepared for consolidation purposes ("financial statements") **of Banca Intesa a.d. Beograd, ("the Reporting Entity") for the year ended 31 December 2013, for the purpose of expressing an opinion as to whether these** financial information prepared for consolidation purposes has been prepared, in all material respects, in accordance with the instructions issued by Intesa Sanpaolo Group Accounting Instructions.

We confirm that the representations we make in this letter are in accordance with the definitions set out in Appendix A to this letter.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

1. **We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated 20 June 2013, for the preparation and fair presentation of the financial statements in accordance with the instructions issued by Intesa Sanpaolo Group Accounting Instructions.**

2. **Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.**

3. **The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter (SUAM).**

Information Provided

4. **We have provided you with:**

   (a) access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;

   (b) additional information that you have requested from us for the purpose of the audit; and

   (c) unrestricted access to persons within the Reporting Entity from whom you determined it necessary to obtain audit evidence.

5. **All transactions have been recorded in the accounting records and are reflected in the financial statements.**

6. **We acknowledge our responsibility for such internal control as we determine necessary for the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. In particular, we acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.** We have communicated to you all deficiencies in internal control of which we are aware.

7. **We confirm the following:**

   (a) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

   Included in Appendix A to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

   (b) We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Reporting Entity and involves:

   - **management;**
   - **employees who have significant roles in internal control; or**
   - **others where the fraud could have a material effect on the financial statements.**

   (c) We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Reporting Entity's financial statements communicated by employees, former employees, analysts, regulators or others.

8. **We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.**

Further, we have disclosed to you and have appropriately accounted for and/or disclosed in the financial statements in accordance with Intesa Sanpaolo Group Accounting Instructions all known actual or possible litigation and claims whose effects should be considered when preparing the financial information prepared for consolidation purposes.

9. We have made available to you all books of account and supporting documentation and all minutes of meetings of shareholders, audit committee, executive board and all minutes of meetings of the board of directors.

10. **We have disclosed to you the identity of the Reporting Entity's related parties and all the related party relationships and transactions of which we are aware and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with Intesa Sanpaolo Group Accounting Instructions.**

Included in Appendix A to this letter are the definitions of both a related party and a related party transaction as we understand them and as defined in IAS 24.

11. Except as disclosed to you already, there have been no communications from regulatory agencies, governmental representatives, tax authorities employees or others concerning investigations or allegations of non-compliance with laws and regulations, deficiencies in financial reporting practices or other matters that could have a material adverse effect on the financial information prepared for consolidation purposes.

The results of NBS supervision that was performed during Q4 of 2013 were not yet communicated with the Bank and no reports were issued yet. However, no significant effects and findings are expected.

Information Provided in Respect of Key Judgements and Assumptions Made by Management

12. We confirm that we have provided you with all relevant information regarding the following:

(a) judgments, apart from those involving estimations, management has made in the process of applying the Reporting Entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements, including:

- classification and reclassification of financial instruments;

- the criteria developed by the Reporting Entity to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business, when classification of property is difficult (pursuant to the requirement in IAS 40, *Investment Property*).

(b) key assumptions concerning the future, and other key sources of estimation uncertainty at the date of the statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, including:

- major assumptions concerning future events affecting classes of provisions, as required in specified circumstances by IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*;
- the methods and significant assumptions applied in determining the fair value of investment property, including a statement whether the fair value was supported by market evidence or was based on other factors, which the Reporting Entity has disclosed, because of the nature of the property and lack of comparable market data;
- significant assumptions applied in measuring fair values of revalued items of property, plant and equipments, as required by IAS 16, *Property, Plant and Equipment.*

Management Intent and Plans, and Other Information that is Known Only to Management

13. All sales transactions are final and there are no side agreements with customers or other terms that allow for the return of merchandise, except for conditions covered by usual and customary warranties.

14. There are no liens or encumbrances on the Reporting Entity's assets.

15. We confirm that we have disclosed to you all information in relation to the following matters:

(a) onerous contracts, i.e. those contracts under which the unavoidable costs of meeting the obligation exceed the economic benefits to be received under it, including losses arising from sale and purchase commitments that are onerous contracts under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*;

(b) liabilities for interest on deposits *and other indebtedness, including subordinated notes an*d participation loans;

(c) losses from transactions not recognised in the statement of financial position;

(d) agreements and options to buy back assets previously sold, including sales with recourse;

(e) assets pledged as collateral;

(f) arrangements with financial institutions involving restrictions on cash balances and lines of credit or similar arrangements;

16. The Reporting Entity has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, for example debt covenants.

17. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

18. We have no plans or intentions that may affect the carrying amount or classification of assets and liabilities.

19. We have no plans to abandon lines of product or other plans or intentions on behalf of the Reporting Entity that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realizable value.

Title to Assets, Classification and Carrying Amount of Assets, and Impairment of Assets

20. The Reporting Entity has satisfactory title to all assets.

21. Non-current assets or disposal groups classified as held for sale are available for immediate sale in their present condition, subject only to terms that are usual and customary for sales of such assets, and their sale is highly probable as defined by IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations*.

22. We confirm that we have appropriately performed impairment testing in accordance with IAS 36, *Impairment of Assets* including the following:

    (a) At the reporting date we have performed impairment testing for any asset or cash generating unit (CGU) for which there is an indication of a possible impairment at that date. In this regard we confirm that we have appropriately assessed, at the reporting date, whether there is any indication that an asset or CGU may be impaired;

    (b) Information provided to and used by management for determining the recoverable amount of assets and CGUs is consistent with the Reporting Entity's planning and with the requirements of IAS 36 and IFRS 13;

    (c) Reasonableness comparisons to market data at the reporting date, e.g., market capitalisation, have been performed and management is satisfied that the results are not inconsistent with its overall assessment of recoverable amounts;

(d) Market conditions that arise after the reporting date have been considered to determine whether they are adjusting or non-adjusting events for the purposes of determining either fair value less cost of disposal or value in use;

(e) For measuring fair value less cost of disposal, we have considered the highest and best use of the assets or CGUs that is physically possible, legally permissible and financially feasible;

(f) We confirm that we have provided you with all relevant information relating to the impairment testing performed in accordance with IAS 36 and IFRS 13 including key assumptions used and judgment made.

Financial Assets

23. We have assessed all financial assets, except those measured at fair value through profit or loss, to determine whether there is any objective evidence of impairment as a result of one or more loss events that occurred subsequent to their initial recognition, and any impairments identified have been recognised in the financial statements, as appropriate. In respect of investments in equity instruments, we have recognised an impairment loss when there has been a significant or prolonged decline in the fair value of the instrument below cost or other objective evidence of impairment. We have determined whether a decline in fair value below cost is 'significant' or 'prolonged' in accordance with criteria as represented to you.

24. We confirm that we have the positive intention and ability to hold all financial assets classified as "held to maturity" to their maturity in accordance with IAS 39, *Financial Instruments: Recognition and Measurement.*

Compliance with Externally Imposed Capital Requirements

25. The Reporting Entity has complied with all externally imposed capital requirements in accordance with Law is 10 million EUR and CAR min 12%.

Derivatives and Hedging Activities

26. Derivatives are used for hedging purposes only /risk mitigation purposes. Hedging derivatives are used for liquidity management (cash flow swapping)with no resulting P&L volatility, so hedge accounting is not applied.

27. Derivatives and hedging activities have accounted for in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, including designation and documentation of the hedging relationship, initial and periodic assessment of effectiveness and measurement of ineffectiveness. All information about derivatives and hedging

activities has been disclosed in the financial statements in accordance with IFRS 7, *Financial Instruments: Disclosures*.

28. We have disclosed to you all the terms of derivative transactions, and significant judgments and assumptions made by management in applying such terms to determine the accounting treatment for derivative transactions.

29. There are no side agreements associated with any derivative instruments.

30. We have evaluated all financial instruments and other contracts to identify embedded derivatives that are required to be separated from the respective host contracts and accounted for separately as derivatives under IAS 39, *Financial Instruments: Recognition and Measurement*. We confirm that all embedded derivatives that are required to be separated under IAS 39 have been identified and accounted for separately as derivatives.[1]

Exposures to Risks Arising from Financial Instruments

31. We confirm that we have disclosed information relating to the Reporting Entity's exposures to risks arising from financial instruments that is adequate to enable users to evaluate the nature and extent of those risks to which the Reporting Entity is exposed at the end of the reporting period, in accordance with IFRS 7, *Financial Instruments: Disclosures*, including the exposures to risks and how they arise, our objectives, policies and procedures for managing the risks, the methods used to measure risks, and a summary of quantitative data about our exposure to risks.

32. The quantitative data disclosed are representative of the Reporting Entity's exposure to risks arising from financial instruments during the period.

33. There are no outflows of cash that could occur significantly earlier than indicated in the summary quantitative data about exposure to liquidity risk or that could be for significantly different amounts from those included in that data.

Fair Value of Financial Assets and Financial Liabilities

34. We believe the assumptions and techniques used by us are appropriate and that all fair value measurements are determined in accordance with IFRS 13 *Fair Value Measurement*.

In circumstances where the fair value of a financial asset or liability at initial recognition is different from the transaction price, we have immediately recognised a gain or loss equal to the difference in the income statement if and only if the fair value measurement is evidenced by a quoted price in an active market for an identical asset or liability, or is based on a valuation technique that uses only data from observable markets. If the fair value measurement at initial recognition does not meet either of these conditions, then the difference is deferred and subsequently recognised as a gain or loss only to the extent it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

35. We have appropriately disclosed fair values of financial assets and financial liabilities in the financial information prepared for consolidation purposes in accordance with IFRS 13, *Fair Value Measurement*. We believe the disclosures appropriately categorise those fair value measurements in the fair value hierarchy. We have disclosed the methods and assumptions applied in determining the fair values of each class of financial instruments.

Post-Employment Benefits

36. *We confirm that all post-employment employee benefit pla*ns have been identified, properly classified and accounted for, either as defied benefit or defined contribution plans in accordance with IAS 19, *Employee Benefits*. There are no other plans.

38. We further confirm that:

(a) all significant post-employment benefits, including any arrangements that are statutory, contractual or implicit in the employer's actions; arise in the Republic of Serbia; and are either funded or unfunded; have been identified and properly accounted for;

(b) all employee benefits for key management personnel are disclosed adequately.

Share-Based Payment Transactions and Recharge Arrangements

39. The Reporting Entity did not have share-based payment transactions in the reporting period that meets the requirements of IFRS 2 Share-based Payment.

Taxation Balances

40. Recognised deferred tax assets are measured at the tax rates enacted or substantively enacted at the end of the reporting period and represent those amounts that are probable of realisation taking into account management's estimates of future taxable profit. In determining estimates of future taxable profit against which the deductible amounts can be utilised, management has considered the existence of taxable temporary differences that will reverse in the same period that deductible amounts will reverse and also has considered appropriate tax planning opportunities that the Reporting Entity is more likely than not to take advantage of in order to generate future taxable profit.

41. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Reporting entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

42. We have not received any advice or opinion that contradicts the Reporting Entity's support for accounting for income taxes, that contradicts the financial statement amounts and presentations in respect of tax, or that is necessary to understand the Reporting Entity's tax accrual and related matters and has not been disclosed to you.

Provisions, Contingent assets, Contingent liabilities

43. There are no:

(a) other liabilities that are required to be recognised and no other contingent assets or contingent liabilities that are required to be disclosed in the financial statements in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, including liabilities or contingent liabilities arising from illegal or possibly illegal acts, or

(b) other environmental matters that may have a material impact on the financial statements.

(c) The Bank does not expect any other outflows but provisions that have already been booked for litigations in the amount of TEUR 2,866.

Functional Currency

44. We have considered which currency is the currency of the primary economic environment in which the Reporting Entity operates (the "functional currency"). In making this assessment, we have used our judgment to determine the functional currency that most faithfully represents the underlying transactions, events and conditions of the Reporting Entity. We have concluded that the functional currency of the Reporting Entity is the RSD.

Business Combinations

45. We did not identify business combinations in accordance with the scope of IFRS 3 Business Combinations.

Going concern

46. We have made an assessment of the Reporting Entity's ability to continue as a going concern taking into account all available information about the future, which under IAS 1, *Presentation of Financial Statements* is at least, but is not limited to, twelve months from the end of the reporting period. We confirm that we are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Reporting Entity's ability to continue as a going concern.

Subsequent events

47. **All events subsequent to the date of the financial statements and for which Intesa Sanpaolo Group Accounting Instructions require adjustment or disclosure have been adjusted or disclosed.**

Additional representations

48. We confirm that we send letter to all layers, on your request, that we have any kind of cooperation through 2013:

1. Marović, Bulevar oslobođenja 82/III, Novi Sad
2. Miodrag Vojnović, ul. Jevrejska br. 2, Novi Sad
3. Predrag Zagorčić, ul. Pavla Simića br. 2, Novi Sad
4. Goran Draganić, ul. Kolarčeva br. 5, Beograd
5. Lidija Marković, ul. Resavska br. 64, Beograd
6. Todorović & Šebek, Svetogorska 22, Beograd
7. Mirjana Stanković, Mišarska 10/3, Beograd
8. Zoran Perović, Kneza Miloša 55/1, Beograd
9. Nenad Živković, Bulevar Mihajla Pupina 10ž, lokal VP 77, Beograd
10. Knežević-Kopilović, Savska 13/1, Beograd
11. Vladan Radojević, Makenzijeva 78, Beograd
12. Goran Andrić, Nušićeva 15, Beograd
13. Zora Lozanić, Kralja Milana 4/IV, Beograd
14. Edvard Štulić, Resavska 34, Beograd
15. Tijana Tišma, 27. Marta 41/84, Beograd
16. Živković & Samardžić, Makedonska 30, Beograd
17. Nevena Veselinović, Stevana Sremca 9 Beograd
18. Kovačević & Partners, Jovana Đorđevića 11, Novi Sad
19. Milan Gucunja, Petra Drapšina 48, Novi Sad
20. Željko Marović, Bulevar Oslobođenja 82/III, Novi Sad
21. Nebojša Stanković, Obrenovićeva 36/4, Niš
22. Janković, Milovanović & Petrović, Save Kovačevića 1, Kragujevac
23. Nevena Mihailović, Kneza Miloša 2, Valjevo
24. Spasojević & Nikić, Dr Pantića 89, Valjevo
25. Miroslav Bojić, Karađorđeva 1, Čačak
26. Vesna Petković, Karađorđeva 7/I/1, Šabac
27. Negoslav Gačić, Karađorđeva 46, Šabac
28. Pavlov & Andrić, Vlade Zečevića 4, Loznica

Also we confirm that besides listed layers we did not have any business relationship with others.

29. We confirm that fair value of Reporting Entity's clients' assets under mortgage and pledges, on which estimation of future cash flows from which collection of Reporting

Entity's receivables is based, is estimated fairly and that these assets are marketable in foreseeable future.

30. We confirm that mortgages and pledges, on which estimation of future cash flows from which collection of Reporting Entity's receivables is based, are adequately registered in relevant registers. There are no legal omissions related to registration of them. There is no risk that the Reporting Entity will lose the litigation for which the defendant for annulment of registration in relevant registers.

Yours truly,

R. Rad

Rada Radovic
Head of Finance and Accounting Department

Dragica Mihajlovic
Head of Financial Management and Treasury Division

Banca Intesa a.d. Beograd

Draginja Djuric
President of the Executive Board

Appendix A to the Management Representation Letter of Banca Intesa a.d. Beograd

Financial information prepared for consolidation purposes

A complete set of financial information prepared for consolidation purposes comprises:

- Package M1;
- Checklist;
- Form 3 – Destination policy for profit results
- Form 6 – Reconciliation of loan quality between local statements and Intesa Sanpaolo reporting;
- Form 13 –Reconciliation of net shareholders' equity between local statements and Finance package;
- Form 14 – Intesa Sanpaolo shares in the portfolio
- Forms 17, 18, 19 and 20 - Reconciliation between the Financial Statements drawn up with the local accounting principles and that coming from the reporting package;
- RP1 – Sovereign Risk;
- H1 – Operations with related parties;
- VR2 Package VR2 (only schedule BA-REQ-SVIG);
- Package R
- Package M1 delivery form.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state the following:

Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

a) was available when financial statements for those periods were authorised for issue; and

b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related party and related party transaction

Related party – A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24, *Related Party Disclosures* as the "reporting entity").

a) A person or a close member of that person's family is related to a reporting entity if that person:

   i) has control or joint control over the reporting entity;

   ii) has significant influence over the reporting entity; or

   iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:

   i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

   ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

   iii) Both entities are joint ventures of the same third party.

   iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

vi) The entity is controlled, or jointly controlled by a person identified in (a).

vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

a) a government that has control, joint control or significant influence over the reporting entity; and

b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction – A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.