



# **Corporate Government Code**

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## **1. GENERAL CONCEPTS**

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### **1.1. SCOPE**

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This Corporate Government Code defines the structure, composition and responsibility of the governing bodies of Banco de la Nación Argentina (hereinafter BNA) and refers to the development of its activities in order to achieve the purposes set forth in its Charter, in accordance with good governance practices and transparency in management.

### **1.2. CORPORATE GOVERNMENT CODE**

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This Code was approved by BNA through a resolution of its Board of Directors establishing corporate government guidelines and policies provided for under Com. "A" 5201 and supplementary communications of Banco Central de la República Argentina (hereinafter BCRA) on "Guidelines for the corporate governance in financial institutions".

It is a necessary part of the Bank's activities and businesses, and its governing bodies, which shall, in performing their duties, abide by the principles and regulations set forth herein.

It is a set of rules that govern the several activities and businesses performed by BNA and the operation of its governing bodies, pursuant to the Bank Charter and the legal rules in force applicable to the financial sector. This code is not intended to govern all specific aspects and situations that may arise in the course of the Bank's transactions and businesses. Notwithstanding the foregoing, the applicable rules shall be adapted and construed to cover any unforeseen situations in accordance with the principles and guidelines set forth herein.

#### **1.2.1. LEGAL SYSTEM**

BNA is a State-owned autarchic entity created by Law No. 2841 passed by the National Congress on Oct/16/1891. Its Charter in effect was enacted through Law No. 21799 "Charter of Banco de la Nación Argentina", dated May/18/1978, published in the Official Gazette on Jun/16/1978 and partially amended through Laws No. 22602 (OG Jun/08/1982), No. 25229 (OG Sep/07/2000) and No. 26585 (OG Jan/04/2010).

Pursuant to its legal nature it has budgetary and administrative autonomy; it is governed by the provisions under Law No. 21526 "Law of Financial Institutions", its Charter and other related legal rules, acting in coordination with the economic and financial policies established by the National Government. The general rules issued for the organization and operation of the National Public Administration, particularly the acts which may result in restrictions on the legal capacity or powers granted by reason of its specific regime shall not be applicable to the Bank (Charter Art. 1<sup>o</sup>).

The Bank's transactions are guaranteed by the Argentine Republic (Charter Art. 2°) and its registered office is that of its Head Office, located at Bartolomé Mitre 326 in the City of Buenos Aires (Charter Art. 7°).

### **1.2.2. HISTORY**

In 1891 the creation "of a big National Bank that would include in its line the entire Republic" was promoted, "with the double purpose of attending to present demands and the future economic development" and it should have "all the guarantees of a good administration"; such was the proposal of President Carlos Pellegrini in his speech to the National Congress when submitting the bill for the creation of the Bank. On October 16 Law No. 2841 was enacted and on October 26, 1891 the first Board of Directors of Banco de la Nación Argentina was established; "I have faith in its destiny", the Argentine President stated in his speech when putting the Board of Directors in operation.

BNA was created during Carlos Pellegrini presidency as a means of overcoming a devastating financial crisis affecting particularly the then existing banking system.

According to its law of creation, BNA could perform all the transactions and was entitled to all the rights and prerogatives that had been granted to its predecessor, Banco Nacional. In a few years it included in its line the entire territory of the country, becoming the largest commercial bank in Argentina, actively participating in the main events of the economic life of the country, strongly contributing to the assistance of the rural sector and to the worldwide recognition of the Argentine Republic in the agribusiness sector.

Another priority of BNA was providing assistance to small and medium enterprises, as well as guaranteeing the access to the several services with a universal standard, reaching all sectors of the population and providing services all over the country.

Along with those commitments and in line with the innovations occurring in the last decades in banking operations, the institution has diversified its business lines to enter new market segments, specially non-traditional areas, incorporating new practices more related thereto.

Sensitive to changes occurring in the economic relations among nations, BNA extends its activities abroad and after opening branches in Latin America, participates in the leading international financial centers (North America, Europe and Asia).

### **1.2.3. PURPOSE**

Art. 3° of the Charter describes as the main purpose of BNA the provision of financial assistance to micro, small and medium enterprises, whatever the business activity they are engaged in. In such respect BNA shall:

- Provide support to agriculture and livestock production, promoting an efficient development;
- Facilitate the establishment and settlement of the rural producer and, subject to the priorities of credit lines available, his right to own land;

- Finance the efficient transformation of agriculture and livestock production and its commercialization through all its stages;
- Promote and support foreign trade and, particularly, encourage the exports of Argentine goods, services and technology, performing each and every act aimed at attaining the growth of such trade;
- Attend to the needs of commerce, industry, mining, tourism, services and other economic activities;
- Promote a balanced regional development, taking into account the spirit of Article 75 of the National Constitution;
- Grant credits for the acquisition, building or repair of housing;
- Participate in the creation and administration of trusts and in the remaining transactions authorized by Law No. 21526 on Financial Institutions.

In addition, it operates as a financial agent of the Federal Government in an operational sense and as such, it receives government deposits and makes payments for and on behalf of the Republic. BNA complements its business by participating in other companies' share capital: trusts, factoring, stock-exchange, mutual funds and related services in the financial activity, also providing insurance services in compliance with Law No. 20091 "Insurers and their control" as amended, submitting to its supervisory body.

#### **1.2.4. INSTITUTIONAL PURPOSES**

BNA has always acted in the Financial System as a market benchmark, by focusing on the support to micro, small and medium enterprises carrying out agricultural, livestock, industrial, commercial, service and technological as well as foreign trade activities, particularly encouraging the exports of goods, services and technology.

It makes available to companies producing goods and services credits for investment and working capital, also granting financing and guarantees to the foreign trade activity, and assisting individuals, through personal and mortgage loans for housing and interrelated products.

It contributes to a balanced regional development by providing the productive activities of every region of the country with its financial products and services.

BNA develops its international activity, both commercial and financial, sustained on a network of operational branches and representative offices abroad which adapting themselves to the demands of each market they participate in, constitute an essential instrument in the development of international and foreign trade businesses. This structure satisfies a series of basic objectives such as supporting the Bank business profile, improving and incorporating products that meet the demand of international banking and financial services from our customers; improving relationships and activities with correspondent banks that enable the doing of business; facilitating and promoting a higher growth in the Bank's activity as an instrument for the development of foreign trade, by supporting and advising customers in their international business, backing their presence in fairs and expositions overseas, specially to Small and Medium Enterprises (SMEs).

### **1.3. BOARD OF DIRECTORS**

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BNA is managed by a Board of Directors consisting of a President, a Vice President and ten Directors; all of them are native Argentine citizens, by option or naturalized, having exercised their citizenship for a minimum period of ten years (Charter Art. 9°). The President, Vice President and Directors are appointed by the National Executive Branch and remain four years in office, with the possibility of being reappointed (Charter Art. 10°).

The President of the Board of Directors is the legal representative of the Institution. He shall observe the fulfillment of the provisions of this Charter and other regulatory and legal provisions, the execution of which is under control of the Bank. He is authorized to act in, and resolve all those matters not expressly reserved to the decision of the Board of Directors (Charter Art. 14°).

The Board of Directors establishes the rules for the economic and financial performance of the Bank, decides on transactions with the customers and resolves the cases not specified in such rules (Charter Art.15°).

### **1.4. TOP MANAGEMENT**

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The management of the Bank is in charge of the General Manager assisted by a Managerial Committee made up by the Deputy General Managers.

The Board of Directors appoints the General Manager and Deputy General Managers proposed by the President. They are the immediate advisors of the President, Vice President and Directors, and in such capacity, they attend the meetings of the Board of Directors. The General Manager is responsible for the enforcement of the rules, regulations and resolutions adopted by the Board of Directors, and may issue any internal regulations necessary to that end (Charter Art. 19° and 20°).

### **1.5. GENERAL PROVISIONS**

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The relationships between the Bank and the National Executive Branch shall be kept through the Ministry of Economy, except for the simple proceedings, which shall be communicated directly to the corresponding public entities (Charter Art. 26°).

The Bank, as an Entity of the National State, is exclusively submitted to the Federal Jurisdiction. In the event of being plaintiff in a trial, the Federal Jurisdiction shall be concurrent with the Ordinary Courts of the Provinces, and the Federal National Jurisdiction over Civil and Commercial matters of the Federal Capital shall be concurrent with the National Ordinary Courts. The Bank is empowered to refrain from filing a jurisdictional defense when acting in foreign countries performing commercial transactions as an institution of private law (Charter Art. 27°).

When the Bank acts in foreign countries as an institution of private law, the provisions of the Law of Financial Institutions as well as other regulations issued consequently shall not be applicable thereto (Charter Art. 32°).

### **1.5.1. SUPERVISION**

BNA, pursuant to Law No. 24156 of “Financial Administration and Control Systems of the National Public Sector” is audited by *Auditoría General de la Nación* (the General Audit of the Nation) (hereinafter AGN), as an external control body of the National Public Sector, which reports to the National Congress.

The observance by the Bank of the provisions of the Charter and other applicable laws, decrees, resolutions and provisions are supervised by a Statutory Auditor appointed by the National Executive Branch.

The Statutory Auditor who shall exercise the control of legality and accounting system shall be a lawyer, a university graduate in economy or a certified public accountant, and shall fulfill the other conditions required for Directors. He shall hold office for two years, and may be reappointed (Charter Art. 21°).

It is a duty of the Statutory Auditor to inform the Board of Directors and the National Executive Branch through the Ministry of Economy, of the operational performance of the Institution.

In the exercise of his duties he shall be subject to the liabilities set forth by the National laws for the performance of this office (Charter Art. 22°).

### **1.5.2. INSTITUTIONAL VALUES**

Integrity, commitment to customers and the community, respect, honesty, aptitude and reliance are values deep-rooted in the culture of our Institution and guiding its actions, and we are constantly working to disseminate them in the society. The ethical, quality and security vision accompanying our daily work strengthen the history and image of the Bank, thus maintaining our prestige through more than 100 years of active presence in the life of our country.

Among other values:

- BNA offers its customers several service channels for inquiries, product requests, suggestions, claims and/or complaints, which are served by a skilled team.

- BNA data bases are registered with the National Database Register, being the first commercial public bank to comply with Law No. 25326 (“habeas data”), Sect. 21°, (Personal Data Protection), thus securing customers the control and good use of their personal data, and compelling BNA to adopt those technical and organizational measures necessary to guarantee the security, confidentiality and integrity in the management of family, postal, tax and personal data.



- In its website [www.bna.com.ar](http://www.bna.com.ar), BNA informs the guidelines and recommendations regarding the compliance with investor protection rules in terms of public offers of securities, shares, mutual funds, etc.
- BNA does not provide services to offshore banks (banks that are not allowed, as incorporated in their banking license, to advance transactions with citizens of their home country or in the local currency of their home country), Internet banks (banks operating only through the Internet, having no physical offices) and shell banks (banks incorporated in a jurisdiction in which they have no physical presence, or which are unaffiliated with a regulated financial group).

## **2. BOARD OF DIRECTORS**

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### **2.1. DUTIES**

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Pursuant to Art. 15° of its Charter, the Board of Directors shall:

- Establish the rules for the economic and financial management of the Bank, decide on transactions with the customers and resolve the cases not specified in such rules.
- Determine the characteristics and conditions of the Bank transactions and fix the interest rates, discounts, commissions and terms therefor.
- Prepare and approve the annual budget, its readjustments and the plan of action of the Bank, submitting them to the Ministry of Economy (Subsection deleted by Art. 41 of Law No. 22602 of General Budget for Year 1982).
- Establish the regime of contracts, bonus and donations to be followed by the Bank.
- Establish the functional organization of the Bank and issue the internal rules, as well as the administrative and accounting regulations.
- Create and close branches, agencies, offices, and any other kind of representative offices in the country and abroad according to the provisions of Art. 8° of the Charter. Settle correspondent offices and appoint correspondents.
- Issue statutes, rules and working and operating conditions of branches abroad, and the salary policy of their Argentine or foreign personnel, for which the legislation, the banking characteristics and the customs and practice of each country shall be taken into consideration.
- Establish the plan of acquisition and sale, under any system of ownership of the premises necessary for real estate transactions or for the management of the Bank, as well as for their building or repair, assigning them fully or partially to its usage and selling the unused portion.

- Establish the system of acquisition, repair, conservation and sale of those properties guaranteeing the Bank credits.
- Establish for each fiscal year the amortization, write-offs, provisions, and allowances and fix the amounts to be assigned in order to increase the capital, and for such other purposes as set forth under Art. 5° of the Charter.
- Approve the annual balance sheet of the Bank, profit and loss account and the annual report, that shall be submitted to the National Executive Branch and published.
- Appoint the General Manager, the Deputy General Managers of the Bank, proposed by the President.
- Discharge from services or exonerate officers and employees of the Bank. Issue the statute of the Bank staff, ruling their admission, permanence, salary, promotion, social and welfare service, training, disciplinary system, leave, incompatibilities and removal.
- Appoint the Directors, Statutory Auditors, Trustees or Auditors in the companies or syndicates it takes part in.

The above-mentioned duties are merely illustrative and do not prevent the performance of any other act inherent in the aims of the Institution and to the better fulfillment of its purposes.

## **2.2. STRATEGIC PURPOSES AND ORGANIZATIONAL VALUES**

The strategic purposes of BNA are those established in its purpose (Charter Art. 3°), with the characteristics stated in “Institutional Purposes” and “Institutional Values” hereof.

In this framework, BNA plans its management on a yearly basis through the approval by the Board of Directors of a properly detailed Action Plan divided in sub-periods, which is specifically in line with the Business Plan and the projected economic and financial performance, also including estimates of material and human resources, projects and products needed to achieve the purposes set by the Institution.

Said planning tools are generated with different views, including those of business units abroad and related companies.

The control of such purposes is performed on a regular basis according to the characteristics of the assessed instrument.

Such process is communicated to the different levels of the organization, establishing priorities, specific responsibilities and project execution terms, in order to achieve the pursued purposes in a coordinated and systematic way.

## **2.3. RESPONSIBILITIES**

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The Board of Directors collectively acts and resolves all issues in accordance with the regulations governing the financial sector, with the Charter provisions, with internal rules and regulations according to the specific needs of the banking industry.

### **2.3.1. BOARD OF DIRECTORS COMMISSIONS**

All Board of Directors decisions should be adopted in plenary meetings, with the participation, for a better work organization, of several Commissions that analyze together with the heads of the various areas of the functional structure, those issues to be addressed by the top management of the Institution.

The commissions assume the responsibilities of a Committee when required by BCRA regulations.

Those Commissions are composed of at least three Directors acting as President, Vice President and Member, with the participation of officers from the different areas involved in each Commission. They meet on a weekly basis, except in justified cases.

Commissions are as follows: Commercial Banking and Individual Banking, International Banking; Risk and Collection Management; Human Resources and Administrative Inquiries; Money Laundering Control and Prevention Committee; General Audit, Legal Affairs and Operations; Finance; Marketing and Press and Public Relations; Planning and Management Control; Systems and Organization; Administration and Banking Security.

## **3. TOP MANAGEMENT**

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The Bank's administration is carried out by the General Manager assisted by a Managerial Committee composed of the Deputy General Managers. All of them shall be Argentine citizens, either native or by option or naturalized, having exercised their citizenship for a minimum period of ten years, shall be persons of well-known competence in economics and banking, they shall not be included in the provisions of incapacity mentioned in Art. 13° of the Charter, and shall not have any other remunerated job, except for teaching activities.

### **3.1. RESPONSIBILITIES**

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Top Management members shall have the skill and experience needed in the financial activity to manage the business under their supervision, as well as the proper control of personnel in those areas, according to the responsibility for their corresponding duties and functions.

When conducting their duties, in their specific fields of competence, they are responsible of ensuring the achievement of the strategic purposes and institutional values, by managing the commercial, operational, administrative and control issues in connection with policies established by the Board of Directors and enforcing the internal regulations and those of the corresponding controlling bodies.

## **4. COMMITTEES**

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### **4.1. AUDIT COMMITTEE**

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BNA has a Committee of the Board of Directors called “General Audit, Legal Affairs and Operations Committee”, which is established within the “Audit Committee”, in compliance with the Minimal Internal Control Standards for Financial Institutions laid down by BCRA.

The operation of the Committee is established in the “Internal Regulations” approved by the Audit Committee in December 1997. It has the responsibilities and duties established by Banco Central de la República Argentina in its Minimal Internal Control Standards.

The Bank President, by virtue of his or her powers, decides on the composition of the Audit Committee, as well as any subsequent amendments thereto.

The Committee is composed of at least:

- Two (2) Directors (\*)
- Auditor General (CAE – Chief Audit Executive)

(\*) One of the Directors is appointed President of the Committee and the other Vice President.

The Audit Committee meets, if possible, on a weekly basis. Such periodicity may be modified by the Bank President, providing for at least one meeting per month.

Pursuant to the provisions established by BCRA in the Minimal Internal Control Standards for Financial Institutions, Audit Committee members are, in comparison with the other members of the Board of Directors, primarily liable for any possible breach of the rules on internal control resulting in the imposition of penalties –pursuant to Art. 41° and 42° of the Law of Financial Institutions-.

#### **4.1.1. RESPONSIBILITIES AND DUTIES**

The Committee, as organized in the Institution, together with the Internal Audit and the General Management, reasonably assures the addressing of the main issues detected by the Bank’s Internal and External Audit and the Controlling Bodies, while encouraging the implementation of the recommendations made, timely and properly reporting to the Board of Directors of the Institution on the progress made, cooperating with the creation of a proper control environment.

The Minutes of the Audit Committee meetings are submitted to the Board of Directors during its plenary meetings.

## **4.2. OTHER COMMITTEES**

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### **4.2.1. COMMITTEE FOR THE CONTROL AND PREVENTION OF MONEY LAUNDERING, FINANCING OF TERRORISM AND OTHER ILLEGAL ACTIVITIES (CCP)**

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The Committee for the Control and Prevention of Money Laundering, Financing of Terrorism and other Illegal Activities (originally the Committee for Control and Prevention hereinafter the CCP) assists the Compliance Officer in designing and implementing the strategy for control and prevention of money laundering, financing of terrorism and other illegal activities, in accordance with the legal and administrative rules in force, in order to minimize criminal, civil, commercial or any other type of liabilities, both of the Institution and its officers, following the guidelines, principles and policies designed and implemented by the Bank's top management.

The Management of the Anti Money Laundering Unit (hereinafter AMLU), following the instructions of the Compliance Officer, presents CCP the issues to be discussed and subsequently submitted to the Board of Directors.

The Board of Directors of BNA appoints the Directors who will hold the positions of President, Vice President and Member of the CCP.

The General Manager, the Auditor General, the Operations Deputy General Manager, the AMLU Manager and the person in charge of the General Management Cabinet participate in CCP meetings.

The CCP may summon other representatives of Deputy General Managements or Departmental Managements to participate in the meetings when it is considered necessary to address any issues related thereto.

Members of the CCP remain in office until expiration of the term as Directors or according to the decision of the Board of Directors of the Bank. Should the President be absent or resign, he or she shall be replaced by the Vice President.

The CCP shall hold meetings at least once a month. When necessary or urgent, the Compliance Officer, or whoever replaces him or her, or the AMLU Management, may request that special meetings be held.

The AMLU, represented by the executive secretary of the Committee, prepares the agenda, including the Directors and Officers summonsed and the issues to be discussed. The decisions adopted are communicated to the Board of Directors of the Institution during its plenary meeting.

### **4.2.2. COMMITTEE ON INFORMATION TECHNOLOGY (CIT)**

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The Committee on Information Technology (CIT) assists the Board of Directors in designing and implementing the information technology and related security strategies,

including in this latter case the development of the proper infrastructure, in order to minimize losses that may occur due to weaknesses in the Bank security systems, and criminal, civil, commercial or any other type of liabilities, both of the Institution and its officers. In every case the guidelines, principles and policies designed and implemented by the Bank's top management are followed.

The Committee on Information Technology (CIT) shall perform the duties established by BCRA and, among other things, shall:

- Oversee the correct operation of the Information Technology environment;
- Contribute to the improvement of the efficiency thereof;
- Get acquainted with the Information Technology and Systems Plan, and in the event of any comments regarding its nature, scope or timing, the Committee shall discuss them at the meetings;
- Analyze from time to time the above plan and review the compliance therewith;
- Review the reports issued by the audits related to the Information Technology and Systems environment, and supervise the execution, by the General Management, of corrective measures aimed at regularizing and minimizing the weaknesses noted; and keep a timely communication with the officers of the Systems External Audit Management of the Superintendence of Financial and Exchange Entities, regarding the problems identified at the examinations performed at the Institution and the monitoring of actions carried out in order to solve them.

The Board of Directors of BNA appoints the Directors who will hold the positions of President, Vice President and Member of the Committee on Information Technology (CIT).

The General Manager, the Deputy General Manager of Systems and Organization and the people in charge of the Information Security and Systems Audit areas participate in the meetings of this Committee.

The Committee on Information Technology (CIT) may summon other Deputy General Managements or Departmental Managements to participate in the meetings when it is considered necessary to address any issues related thereto.

The Minutes of the Committee on Information Technology meetings are submitted to the Board of Directors during its plenary meetings.

## **5. INTERNAL AND EXTERNAL AUDITS. INTERNAL CONTROLS**

### **INDEPENDENCE**

The Board of Directors ensures that the officer responsible for performing the Internal Audit function in the Financial Institution is not the same officer – or part of the staff – performing the external audit function, so that independence and objectivity of both functions are not affected.

## **ACCESS TO INFORMATION**

The Board of Directors, through the Audit Committee, ensures that, both internal audit and external audit function have unrestricted access to all sectors and to all information of the Institution.

### **5.1. INTERNAL AND EXTERNAL AUDITS**

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#### **5.1.1. INTERNAL AUDIT**

Internal Audit process at BNA is performed by the General Audit, and the duty thereof, pursuant to the Organizational Manual in effect, is to “Conduct the assessment and monitoring of internal control of the institution and its controlled companies”.

The Institution has formally provided that Internal Audit is an independent and objective activity for assurance and consultation, designed to add value and improve the Bank’s transactions. It helps the Institution to fulfill its purposes providing a systematic and disciplined approach in order to assess the effectiveness of risk management, control and governance processes.

In order to ensure the General Audit independence, it reports to the Board of Directors.

Its main purposes are: to promote the assessment of the businesses carried out within the environment of the Organization and its controlled companies, verifying the effectiveness and efficiency of their actions and transactions and the proper protection of the assets of the Institution and the controlled companies subject to review, assessing reliability, integrity, objectivity, usefulness and timing of the information; analyzing, in the process, the compliance with the applicable laws and regulations and adherence to policies and purposes established by the Board of Directors of the Institution and the Management of the controlled companies subject to review. Furthermore, BNA General Audit has issued the By-laws and the Code of Ethics, pursuant to The International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors headquartered in the United States of America (IIA). This Code consists of a series of Relevant Principles and Rules of Conduct for the Internal Audit practice, describing the expected behavior from its members and the staff that provides support to the Internal Audit activity.

Internal Audit activity follows the Annual Audit Plan, prepared in accordance with the provisions set forth in BCRA Minimum Internal Control Standards and taking account of SIGEN General Internal Control Standards (Resolution 107/98-SGN). Moreover, SIGEN requirements set forth by Law 24156 “Financial Administration and Controlling Systems of the Public Sector” and Resolution 163/94-SGN providing for the obligation to submit the Annual Work Plan to such body for approval, are complied with.

In the course of its work, it performs an assessment of the Internal Control of companies wherein BNA has a majority interest, excluding insurance companies that have an Internal Audit Management reporting to its own Board of Directors and Audit Committee; this Management however is subject to an annual assessment regarding compliance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors headquartered in the United States of America. Such assessment is carried out by BNA General Audit, and findings thereof are submitted both to the Audit Committee of the Bank and to the relevant insurance companies.

In September 2011 BNA General Audit obtained the Quality Assessment certification for the internal audit activity pursuant to the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors headquartered in the United States of America, with the maximum rating for this kind of assessments ("Globally Compliant").

The main purpose of the assessment was to determine whether the activity undertaken by the Internal Audit of the Institution, either at the level of Head Office, Domestic or Overseas Branches, or BNA Group, is in compliance with the standards defined in the International Framework for Professional Practice of Internal Auditing, pursuant to the Standards issued by the Institute of Internal Auditors headquartered in the United States of America.

Because of this certification BNA is positioned as the leading Financial Institution in Argentina and one of the few Financial Institutions in Latin America to obtain a quality certification for its Internal Audit.

### **5.1.2. EXTERNAL AUDIT**

In compliance with the regulations provided in the "Minimum Standards for External Audits", BNA carries out the hiring of well-known auditors in the market to review financial statements and other information required by the governing body.

External auditors, together with AGN, perform the review of the Bank financial statements. In order to preserve the auditor's independence, BNA oversees the compliance with regulatory and ethics issues when hiring them, maintaining such criteria for the whole period they hold office. For this purpose, it ensures that the auditor does not engage services considered inconsistent by BCRA, or contrary to BNA concepts of professional ethics.

Furthermore, an external audit is hired for each overseas Branch of BNA in accordance with the provisions set forth in the financial standards and regulations of such countries.

### **5.2. INTERNAL CONTROLS**

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BNA acknowledges the concept of internal control defined in the "Minimal Internal Control Standards", designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of transactions,
- Reliability of financial information,
- Compliance with applicable laws and regulations.

To that effect, and within the control framework proposed through the COSO report (Committee of Sponsoring Organizations of the Treadway Commission), BNA complies with the internal control aspects that are interrelated and are inherent in the management of the Institution:



Internal control consists of five interrelated aspects, which are integrated with the management process:

Control Environment: The control environment determines the operating method of the institution, influencing the consciousness of its employees regarding control. It is the basis for all other internal control aspects, providing discipline and structure.

Control environment factors include integrity, ethical values and competence of the employees of the Institution; the management philosophy and the operational management style; the way in which management (in a broad sense) assigns the authority and responsibilities, and organizes and professionally trains the employees, and the attention and guidelines provided by the Board of Directors.

Risk Assessment: Every institution faces a variety of risks from external and internal sources that should be assessed. A precondition to risk assessment is the establishment of objectives, connected at different levels and internally compatible. Risk assessment is the identification and analysis of significant risks for the achievement of objectives and it is useful for determining how risks should be managed. Due to the changing economic, financial, regulatory and operational conditions, mechanisms to identify and face the special risks related to such changes are required.

Control Activities: Control activities are the policies and procedures that help assure that management guidelines are followed. This involves assuring that necessary actions are taken to control the risks related to the achievement of the objectives of the institution. Control activities are performed throughout the Institution, at all levels and in every function. They include a broad range of activities as approvals, authorizations, verifications, settlements, profitability and operating performance reviews, safeguarding of assets and segregation of duties.

Information and Communication: Relevant information shall be timely and properly identified, captured and communicated allowing each employee to meet his or her responsibilities. Information systems produce reports, containing operational, financial and accounting information as well as data related to the compliance with rules, that make it possible to properly conduct and control business. It also includes both internally-generated information and information on external issues and relevant activities and conditions necessary to make decisions and provide information to third parties. In a broader sense, effective and efficient communication must flow throughout the Institution. All personnel should receive from Management a clear message that control responsibilities should be taken seriously. Employees should understand their role in the internal control system and how their individual activities are related to everybody else's work in the Institution.

Monitoring (Supervision): The internal control system shall be monitored. Monitoring is a process that assesses the quality of the system's performance (proper operation) over time. This is accomplished through ongoing monitoring activities, independent periodic assessments or a combination of both. The ongoing monitoring is performed in the course of operations. It includes both regular managerial and supervisory activities as well as other activities conducted by the employees in exercising their duties.

## **6. ECONOMIC INCENTIVES POLICY FOR EMPLOYEES**

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As a means of encouraging the achievement of business objectives, since 2005, BNA develops and implements an Encouragement and Motivation Program for the employees of the domestic Branch Network and Head Office, in line with the objectives established in the annual Business Plan. This program is adapted and perfected on an ongoing basis, in accordance with experience acquired, in order to achieve the best results for the Institution. Such program applies the same criteria in measuring the different business units, making no distinctions as regards areas or employees.

In addition to the foregoing, this Institution implements an attendance incentive program, with the purpose of encouraging a more responsible and committed attitude by employees in such respect.

Furthermore, and always with the purpose of encouraging in its employees a feeling of belonging to and identification with the Institution, other types of benefits are established that contribute to their well-being, such as: Textbook Loan Program and Summer Camps for employees' children, Special Education Expenses for employees' disabled children, Annual Tuition Assistance Subsidy for those employees who, due to the amount of their salaries, are not entitled to receive it pursuant to the provisions of the Family Allowance System, etc.

All these benefits are authorized by the Board of Directors.

## **7. OTHER ORGANIZATIONAL POLICIES**

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### **7.1. TRANSPARENCY POLICY**

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The Bank provides to the public in general and especially to its customers free access to its web site [www.bna.com.ar](http://www.bna.com.ar), which is updated on an ongoing basis. This web site offers information both on the Institution and the products it offers to the public in general and to specific customers.

The Institution guarantees that the information provided through e-payment channels, which access is authorized from the Bank's corporate web site, complies with all information security, confidentiality and integrity regulations.

The publication of accounting information adopted by the Institution facilitates the transparency process. For this reason and through BCRA web site [www.bcra.gov.ar](http://www.bcra.gov.ar), it is possible to consult financial statements, financial indicators, composition of the Board of Directors and Management members among other information related to BNA.

Fiduciary Activities: BNA through Fiduciary Banking, reporting to the Deputy General Management of Finance, acts as Trustee Bank both in Public Trusts, created -through the pertinent regulation- by the State, whether at the national, provincial or municipal level as well as in the private sector. The purposes and strategies of such trust funds are established in their respective law of creation and derive from State decisions, and they are controlled through audits conducted by several bodies. The Institution in such capacity, is in charge of the execution of the several trusts, their accounting, tax filing and settlement, as well as the trust account reports. It establishes the trust property, administers and manages the different trusts in which the Institution plays the above-mentioned role. In the private sector, the Bank administers security trusts originated in credit facilities granted, with the purpose of supporting the fulfillment of the secured obligations, assuring the collection of credits. It also acts as trustee in administration trusts in the private sector. BNA has a legal, accounting and operating management system resulting in the proper administration of the different processes of the fiduciary activity and its control, fully in compliance with the contractual obligations.

## **7.2. “KNOW YOUR ORGANIZATIONAL STRUCTURE” POLICY**

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The Board of Directors considers that knowledge and understanding by all BNA members, of the organizational structure and the internal regulations in force is essential for business development.

For such reason, its employees are duly informed –through ongoing updates- about the structure -including description of duties and functions-, procedures and regulations of each area. All internal regulations in force in this regard are published in the Bank’s internal network, with free access for all employees of the Institution.

## **7.3. RISK MANAGEMENT POLICY**

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Based on international standards, BNA defines policies and procedures as well as it assigns resources and responsibilities involving the different units and hierarchical levels, with the purpose of continuously improving risk management.

In addition, BNA establishes the Minimum Capital requirement for the Institution by considering the risks inherent in the different activities performed (credit, interest rate, market) fully in compliance with BCRA regulations in force.

Procedures aimed at identifying, assessing and reporting occasional events, and analyzing the effectiveness of mitigants and controls are implemented through the Operational Risk Management unit. To that effect, the duties of different units are also adapted, with the purpose of improving the continuing review over management of different operational risks and mitigating possible adverse economic effects; adopting detection mechanisms for a timely alert and the implementation of corrective actions.

The Credit Risk area prepares the risk assessment, control and allowance regulations, supervises the assessment of risk assets and the management recommendations thereof, and guarantees the assessment and analysis of customers’ economic and financial condition.

The Finance Area, through the “Assets and Liabilities” and “Treasury” Management circuit, develops and implements the Bank’s financial management, pursuant to the regulations established by the Board of Directors of the Institution, managing the use of liquidity, the funds necessary for the regular performance of activities, the legal reserve and the intermediation margins. It covers the management of reserve, position and the strategies for capture and placement of funds.

Sensitivity tests are also conducted regarding the liquidity risk where, based on the monthly projection and applying estimates for a scheduled term, a report is prepared containing assumptions purporting to measure the extent of possible mismatches in cash flows.

Finally, as regards the overseas branches, each office manages its risks in accordance with the guidelines and policies established by the Head Office, with different levels of responsibility regarding risk management, as well as different levels of approval thereof. In addition, they have their own mechanisms and policies according to the mandatory regulations in force of each Central Bank. For operational and management follow-up purposes, detection mechanisms are applied as well as other measures such as: establishment of the annual country limits, credit exposure reports, full reports with general indicators, periodic legal reports, among others. Pursuant to the foregoing, the overseas branches design disaster recovery plans and stress tests in accordance with the business complexity for each location and in line with national requirements.

In order to optimize the mentioned segments, in accordance with BCRA regulations, BNA created the Risk Management area, reporting to the Bank’s General Management.

#### **7.4. TRAINING**

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BNA encourages training and promotion for its officers, implementing management processes and tools that ensure the ongoing training and learning, by providing growth opportunities in line with the potential and capabilities of the staff.

Training activities performed by the Institute “Daniel A Cash” of the Human Resources Management, are focused on the promotion of persons and the communication applied to each level of the Bank, which has resulted in the continuing improvement of internal processes and customer service quality.

All actions are intended to prepare the Bank staff to efficiently perform its role, and develop those aspects improving the working environment, and provide banking career opportunities.

Training programs are structured using a method that combines and covers such instruments as: On-site Training, including theory, practice and workshops; E-learning Programs and Internships in Regional Managements, Branches, and /or Head Office areas, as applicable.

Furthermore, in terms of the strategies defined by each BNA Unit, and in accordance with the Organization policy, the general guidelines for staff self training on a semiannual basis shall be provided at three levels: Branch: topics to be addressed are determined according

to the employee needs in relation to the function performed and the objectives of this business unit; Regional Management: they are defined according to the needs of the business units (Branch and Regional Management) in agreement with the core strategic guidelines of the Organization; and Head Office: they are provided for their areas based on strategic guidelines of the Bank, as a supplement to the training policy of the Bank.

## **7.5. PROFESSIONAL CONDUCT AND ETHICS STANDARDS**

As a result of the business integrity principles and in compliance with the laws in effect, BNA requires the staff to follow the conduct and professional ethics standards as provided in the Personnel Regulations of the Bank, wherein the duties and rights, and the minimum guidelines for disciplinary actions and financial liability are listed, and in the Code of Ethics for Public Officials, containing the standards of conduct and performance, to be followed by the employees of our Institution and members of the Board of Directors, as defined in Decree No. 41/99 by the Executive Branch.