



Mega International Commercial Bank

Operational Risk Management Report

Panama Branch





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I. Introduction

The Operational Risk Management process of Mega International Commercial Bank Co., Ltd. is managed through an integral supervision structure at the corporate level and independent throughout the organization, considering Sub-structures in our Head Office and Departments in each Bank's branches for the identification, evaluation, mitigation, monitoring and control of the Operational Risk, including the policies that support these evaluations and the communication, as part of the internal control environment.

II. Operational Risk Definitions

The Rule No. 7-2011 define the Operational Risk as follow: "the possibility of incurring losses due to deficiencies, failures or inadequacies of human resources, processes, technology or infrastructure, or due to external events. This definition includes the legal risks related to such factors.

III. Objectives

a) General

- ❖ Having a structure to identify, assess, monitor, control and mitigate operational risk efficiently in order to minimize potential losses that could result.

b) Specific

- ❖ Define policies and procedures for managing operational risk.
- ❖ Efficiently manage the risks associated with people, processes, technology and external events.
- ❖ Define and disseminate operational risk culture.
- ❖ Ensure compliance with standards and regulations relating to operational risk management.

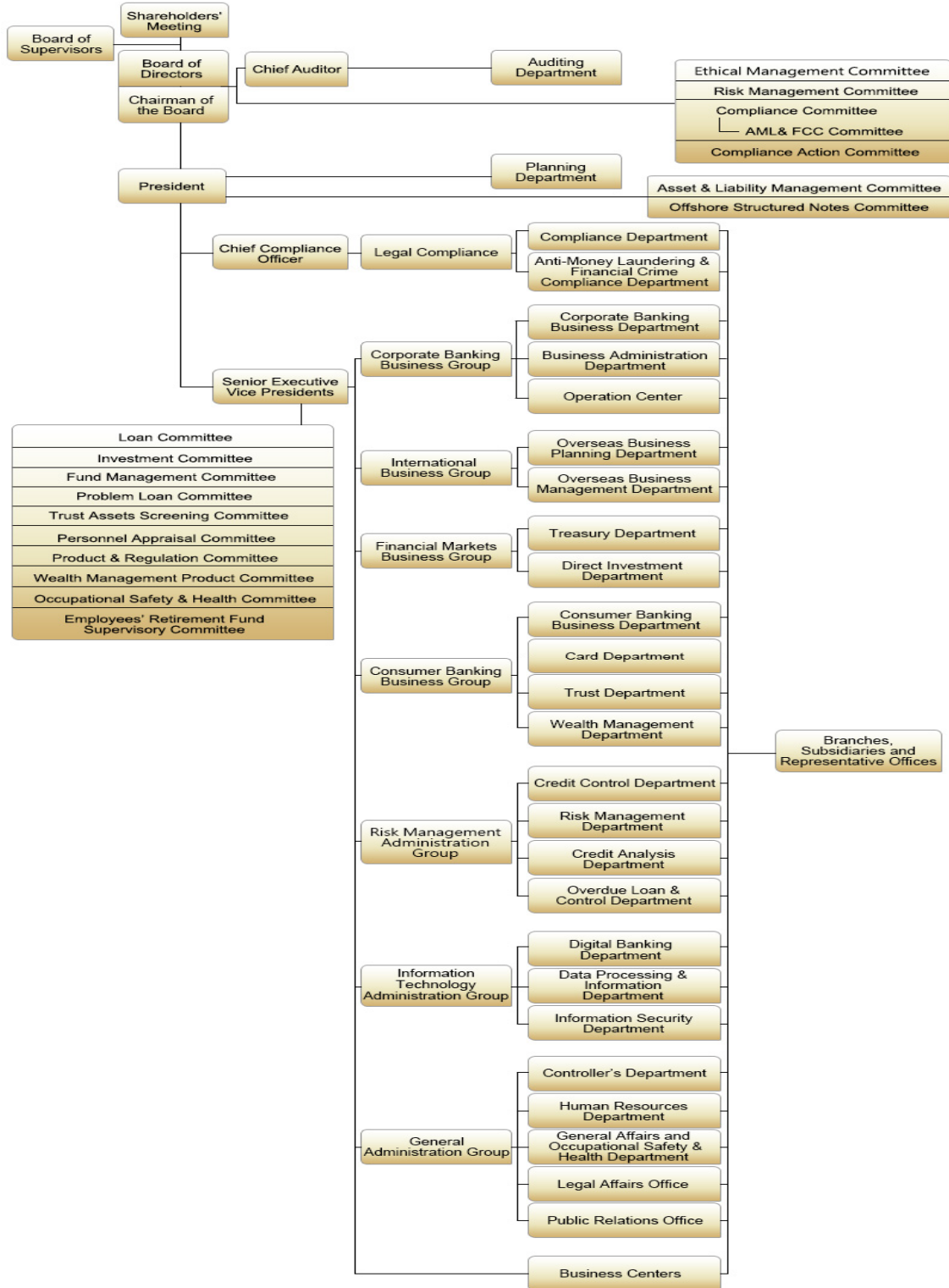
IV. Organization Chart

1. Head Office Organization Chart

The Integral Risk Management of Mega International Commercial Bank Co., Ltd. Panama Branch is managed by our Head Office located in Taipei, Taiwan, through the "Risk Control Department", which monitors and evaluates Risk Management in all Bank branches globally; however, the Bank Branch established in Panama will be the first instance in charge of the monitoring of Operational Risk Management.

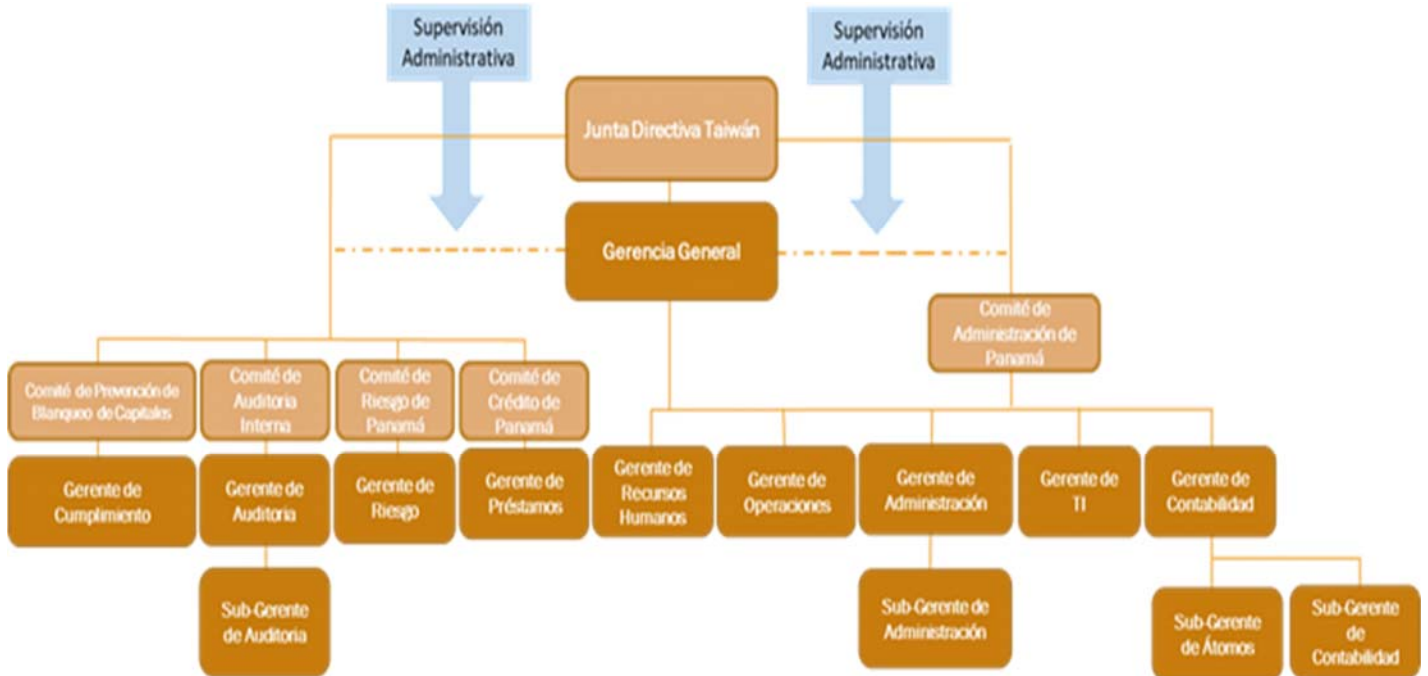


Head Office Organization Chart





2. Panamá Branch Organization Chart



V. Achievements in Operational Risk Management

The Operational Risk Management in Mega International Commercial Bank Co., Ltd. Panama Branch has an important evolution in recently years. This evolution includes, the creation of the Risk Committee in the Branch, the strengthening with additional units in the Risk Dept. and the planning of different tasks related to the operational risk management in the branch.

This activity is supported in the Branch by the following elements:

D. Operational Risk Management - Policies and procedures

Mega International Commercial Bank Co., Ltd. Panama Branch developed an Operational Risk Management Manual. This document includes the policies and procedures for the attention of this type of risk in the Branch. Each of the stages and elements of the system has clear and effectively applicable policies.

This policy allows an adequate Operational Risk management operation and is translate into the conduct and procedures rules that are the guide to the performance of the Bank's Branch in Panama in this matter.



E. Operational Risk Management Tools

The tools used in the Operational Risk Management in the Bank's Branch include:

- a) Operational Risk Profile for the Bank's Branch in Panama
- b) Global and specific limits by type of Operational and by Areas
- c) Self-assessment Process
- d) Operational Risk Matrix
- e) Inherent and Residual Operational Risk Maps
- f) Operational Risk Indicators (KRI's)
- g) RO event collection format
- h) Operational Risk Database

These tools are structured through a books in Excel format in a simple way, programmed through Macro-commands and formulas that interrelate whit different sheets and final outputs through reports for analysis. This group of structured books has been improved with the support of the external consultants who have supported us in recently periods in terms of improving these processes and tools in the Bank's Branch in Panama.

F. Formation and Training

Annually, the Risk Management Unit of the Panama Branch presents to the Risk Committee and sends to Head Office the Annual Training Calendar, as part of the risk management strategy and with the objective of improving the Culture of Operational Risk Management in the Bank's Branch in Panama

These trainings include

- Operational Risk Workshops with the Functional Units of the different Departments.
- Training on the tools used in the Operational Risk Management
- General training for all members of the Bank's Branch in Panama
- And Presentations on the internal website of the Branch for new collaborators