

**Section 1 PURPOSE**

The Risk Oversight Committee (the "ROC" or "Committee") of Citystate Savings Bank, Inc. (the "CSBI" or "Bank") is a standing committee of the Board of Directors ("Board").

The purpose of the Committee is to assist the Board in fulfilling its responsibility with respect to:

- 1.1 the Citystate Savings Bank, Inc. (CSBI)'s risk governance structure,
- 1.2 the Bank's risk management guidelines and policies regarding credit, liquidity, market, operational and other related risk as necessary to fulfil the Committee's duties and responsibilities,
- 1.2 the Bank's risk tolerance
- 1.3 the Bank's capital, liquidity and funding, and
- 1.4 the performance of Bank's Chief Risk Officer

The Committee reports to the Board of Directors regarding Bank's risk profile, as well as its risk management framework, including the significant policies and practices employed to manage risks in CSBI's businesses, as well as the overall adequacy of the risk management function.

The Committee's role is one of oversight, recognizing that Senior Management is responsible for executing the bank's risk management. While the Committee has the responsibilities and powers set forth in this Charter, Senior Management is responsible for designing, implementing and maintaining an effective risk program. In this regard, the Bank's department heads or line managers are responsible for managing risks in the areas for which they are responsible.

Finally, the Bank's Chief Risk Officer ("CRO") manages the Bank's risk management guidelines and policies regarding credit, liquidity, market, operational and other related risk on a consolidated basis under CSBI's risk management framework.

The CRO also provide overall leadership for CSBI's risk management framework, independent risk management function and risk governance processes, including risk identification, measurement, monitoring and mitigation (i.e., I<sup>M</sup><sup>3</sup> Risk Framework)

## **Section 2 MEMBERSHIP**

- 2.1 The Committee shall be represented by at least three (3) Board members appointed by the Board of Directors after considering the recommendation of the Nominating and Governance Committee or until their successors shall be duly qualified and appointed.
- 2.2 One of the Board members in the Committee should be an independent director who has no material relationship to the Bank – or its subsidiaries or affiliates – that may interfere with the exercise of his/her independence from management and the Bank or shall otherwise compromise the independence requirements of the regulatory authorities.
- 2.3 The Board shall designate one Committee member as the Committee's chair (the "Chairman").
- 2.4 The Board may also appoint any Senior Management Officers as *ex officio* or non-voting member of the Committee.

## **Section 3 OPERATIONS**

- 3.1 The Committee shall hold regular meetings at least four times per year and report to the Board on a regular basis.

- 3.2 Meetings shall include any participants the Committee deems appropriate and shall be of sufficient duration and scheduled at such times as the Committee deems appropriate to discharge properly its responsibilities.
- 3.3 The Committee shall meet, as deemed necessary and appropriate, with the Chief Risk Officer and other Senior Management officers of the Bank, in separate executive sessions.
- 3.4 The Committee may form and delegate to one or more subcommittees all or any portion of the Committee's authority, duties and responsibilities, and may establish such rules as it determines necessary or appropriate to conduct the Committee's business.
- 3.5 The Committee shall have direct access to, and complete and open communication with, the Bank's Senior Management, including the Chief Risk Officer and other employees of the Risk Department, and may obtain advice and assistance from internal legal or other advisors.
- 3.6 The Bank shall provide for appropriate funding, as determined by the Committee, for the payment of:
  - a. ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties and responsibilities, and
  - b. compensation to independent legal or other advisors retained by the Committee.
- 3.7 The Committee shall review and assess annually its performance and report the results to the Board.
- 3.8 The Committee shall review and assess annually the adequacy of this charter and, if appropriate, recommend changes to this charter to the Board of Directors for approval.

**Section 4      OVERSIGHT FUNCTIONS***Oversight of Risk Management*

- 4.1      Review or discuss, as and when appropriate, with Senior Management, the Bank's risk governance structure and the Bank's risk management, guidelines and policies regarding credit, liquidity, market, operational and other related risk and the Bank's risk tolerance.
- 4.2      Review periodically the major risk exposures of the Bank and its business units, including credit, liquidity, market, operational and other related risk, against established risk measurement methodologies and the steps management has taken to monitor and control such exposures.
- 4.3      Receive, as and when appropriate, reports and recommendations from the Head of the Internal Audit Department (and other internal departments as necessary to fulfil the Committee's duties and responsibilities) regarding the results of risk management reviews and assessments.

*Oversight of Risk Tolerance*

- 4.4      Oversee the Bank's process and policies for determining risk tolerance and review management's measurement of overall risk tolerance to established levels. As appropriate, confirm risk tolerance levels and capital targets and limits.
- 4.5      Receive, as and when appropriate, reports and recommendations from the Senior Management (and other internal departments as necessary to fulfil the Committee's duties and responsibilities) on risk tolerance.

*Oversight of Capital, Liquidity and Funding*

- 4.6      Review periodically the steps the Bank management has taken to manage capital, liquidity and funding.

- 4.7 Receive, as and when appropriate, reports and recommendations from the Head of the Treasury Department (and other internal departments as necessary to fulfil the Committee's duties and responsibilities) on capital, liquidity and funding risk guidelines and policies.

*Oversight of the Chief Risk Officer*

- 4.8 Approve the appointment and, when and if appropriate, replacement of the Chief Risk Officer, who shall report directly to the Committee as well as to the Chief Executive Officer.
- 4.9 Review and evaluate periodically the qualifications and performance of the Chief Risk Officer.

*Coordination with Other Board Committees and Senior Management*

- 4.10 Coordinate with the Audit Committee and Operations Committee to help ensure that the Committee have received the information necessary to permit them to fulfil their duties and responsibilities with respect to oversight of risk management and risk assessment guidelines and policies.
- 4.11 Coordinate with the Compensation and/or Personnel Committee in relation to that Committee's role with respect to risk matters related to compensation.

*Other Functions*

- 4.12 Make such recommendations with respect to any of the above and other matters as the Committee deems necessary or appropriate.
- 4.13 Have such other authority, duties and responsibilities as may be delegated to the Committee by the Board.

**Section 5 CORE RESPONSIBILITIES**

*(Per BSP Circular No. 749, Series of 2012 – "Guidelines in Strengthening Corporate Governance in BSP supervised FIs")*

**5.1 Identify and evaluate exposures**

The Committee shall assess the probability of each risk becoming reality and shall estimate its possible effect and cost. Priority areas of concern are those risks that are most likely to occur and are costly when they happen.

**5.2 Develop risk management strategies**

The Committee shall develop a written plan defining the strategies for managing and controlling major risks. It shall identify practical strategies to reduce the chance of harm and failure or minimize losses if the risk becomes real.

**5.3 Oversee the implementation of the risk management plan**

The Committee shall conduct regular discussion on the institution's current risk exposure based on regular management reports and assess how the concerned units or offices reduced these risks.

**5.4 Review and revise the plan as needed**

The Committee shall evaluate the risk management plan to ensure its continued relevance, comprehensiveness, and effectiveness.

It shall revisit strategies, look for emerging or changing exposures, and stay abreast of developments that affect the likelihood of harm or loss.

The Committee shall report regularly to the Board of Directors the Bank's overall risk exposure, actions taken to reduce the risks, and recommend further actions or plans as necessary.