

SECTION III.A: INFORMATION TECHNOLOGY STEERING COMMITTEE (ITSC) CHARTER

**MANUAL OF POLICIES AND PROCEDURES:
INFORMATION TECHNOLOGY DEPARTMENT**

I. Scope

1. Committee of the Board

The Information Technology Steering Committee (“ITSC”) is a Committee appointed by the Board of Directors of Citystate Savings Bank, Inc., performs the functions outlined in this Charter, for each of the Bank’s departments and branches that have operation requiring oversight by the Committee. The reference to the Board in this Charter means the Board of Citystate Savings Bank.

2. Purpose of the Committee

The main purpose of ITSC is to assist the Board to fulfil its corporate governance and oversight responsibilities for the Bank’s investments, operation and strategy in relation to Technology and Information Systems (hereafter referred to as “technology”). In this role ITSC is responsible for performing its duties in accordance with this Charter.

Members of the ITSC are approved by the Board of Directors and are accountable to the senior executive. The Committee shall:

1. Provide strategic leadership for IT through the alignment of IT strategic objectives and activities with Bank’s strategic objectives and processes.
2. Report to the Board and provide appropriate advice and recommendation on matters covered by this Charter, in order to facilitate decision making by the Board.
3. Ensure open communication between the IT department and the other functional units of CSBI so as to promote collaborative planning.

II. Objectives

Specifically, ITSC will assist the Board by:

- Reviewing and recommending to the Board, management’s strategies relating to technology and their alignment with the Bank’s overall strategy and objectives;
- Reviewing and monitoring management’s strategies for developing or implementing new technologies and systems;
- Increasing awareness of the technology changes and innovations in the marketplace;
- Reviewing and recommending to the board new technology investments, and monitoring and reviewing the post implementation results of all key technology projects;
- Reviewing and recommending to the Board management’s strategies for sourcing of major technology suppliers and monitoring the technology governance framework for third party suppliers;
- Reviewing and monitoring the effectiveness of the IT Risk Management and Security Plan (including advising the Board Risk Committee on matters of Technology Risk and Security); and
- Monitoring cohesively of IT performance and instituting appropriate actions to ensure achievement of Bank’s objectives.

III. Duties and Responsibilities

ITSC shall recommend to the Board the Information Technology strategy and its implementation, together with relevant policies. To facilitate its oversight, the Committee will receive information

from management (and external advisors) in relation to the following matters. These matters are not exhaustive and may change from time to time.

It shall also regularly provide adequate information to the Board regarding IT performance, status of major IT projects or other significant issues to enable the Board to make well-informed decisions about the Bank's IT operations.

1. Technology Strategy and Innovation

- The Bank's technology strategy with respect to a 3-5 year horizon;
- The current and future technology architecture for the Bank;
- Year on year technology migration plans to give effect to the future architecture and strategy;
- Sourcing strategies for the Bank's selection and evaluation of the performance of its key external technology suppliers;
- Emerging global technologies and trends and their potential for application within the Bank.

2. Technology Operating Model and Governance

- The Technology Governance and Operation model which describes the operating structure, governance structure and key accountabilities for technology and the business;
- Strategies related to the development of skills, capabilities, succession and development of key technology staff.
- Policies, procedures and standards relating to Information Technology shall be reviewed by ITSC at least annually.

3. Technology Investment Oversight

- Proposals for all significant technology investments in capital value or categorized as high risk, including understanding the balance of the overall investment portfolio across risk, return and strategy;
- Quarterly reporting on the overall technology project portfolio health and key (strategic or high risk) individual technology projects;
- Post implementation reviews of all key projects including the achievement of expected benefits and return on investment;

4. Technology Operating Performance

- Strategic benchmarking of Technology performance against external peer groups from time to time.

5. Technology Risk and Security

- The effectiveness of disaster recovery plans and disaster recovery testing;
- Key technology security strategies and policies;
- Key technology risks and technology risk mitigation strategies, including the overall technology risk profile of the Bank;
- Investigates and reviews security issues relevant to the Bank's technology processes / systems and major Technology Audit issues;
- Ensures the Bank's compliance to laws and regulations relating to its information technology activities.

6. Technology Business Review

- Technology Business Review shall be conducted by ITSC every quarter.
- It shall cover the IT performance, status of major projects, direction and progress of IT Strategic Plan, and other significant issues.
- It shall also cover the IT budget, actual expenditure to date, and the current IT investment.
- A detailed report outlining the results of review as well as recommendations and catch-up plan to improve the strategy in achieving the set goals.

7. People Management

- The ITSC shall conduct a blended review and evaluation of the performance of the IT Department Head based on the Performance Appraisal Rating (PAR) Form of the Bank. There will be a rating by functional heads from the Senior Management and then, from the Board appointed oversight Committee members. A weighted average shall prevail as the final rating of the IT Department Head.

8. Others Responsibilities

The ITSC will refer to the Audit Committee or Risk Committee for any matters that have come to the attention of the ITSC that are relevant for noting or consideration, or which should be dealt with by, the Audit Committee or Risk Committee.

IV. Committee Membership

COMMITTEE MEMBERSHIP	DESIGNATION	APPOINTED MEMBERS
Chairman	Director	Susan M. Belen
Members	Chairman of the Board	D. Edgard A. Cabangon
	Director/President	Benjamin V. Ramos
	Independent Director	Edith D. DyChiao
	IT Department Head	Jimbo V. Balane
Alternate Member	Chief Operating Officer (COO)	Jaime Valentin L. Araneta
Observer/Advisory Capacity	Chief Information Security Officer	Vonnel A. Isip
	Chief Risk Officer	Inocencio Joven C. Abunan
	Chief Compliance Officer	Ariel V. Ajesta
	Chief Audit Executive	Sarah E. Benito

All permanent members of the ITSC should be very familiar with the IT department's policies, procedures and practices. An IT personnel shall be designated as Secretary to the Committee.

V. Self-Assessment

To assess the effectiveness of the Committee in performing its mandate and functions, each member of the Committee shall conduct semi-annual Self-Assessment Performance which will be done every July of the current year and January of the following year.

The accomplished Self-Assessment Form shall be forwarded to Compliance Department for collation and tabulation of results. The Committee shall discuss the results of Self-Assessment on its meeting and it shall also be reported to the Board of Directors (BOD) for confirmation.

VI. Meetings

1. Frequency

The ITSC shall meet once a month or as often as the need arises to properly act on matters of concern, as well as for monitoring purposes. For urgent issues, the Chairperson of the Committee may call a meeting at any time, or if so requested by any member of the Committee.

2. Quorum

A quorum will consist of three (3) members for a meeting to take place otherwise the meeting will be postponed, unless other methods of communication are available for those members who are not physically present. The Heads of the department and branches shall be invited to attend meetings as required. Other management personnel may also be invited to attend meetings when needed. The Committee may request certain parties to withdraw from any part of a meeting.

3. Agenda and Minutes

The appointed IT personnel, in conjunction with the Chairperson, will draw up the agenda for each meeting. The agenda and supporting documentation will be circulated to each member of the Committee and other officers and/or staff who will be requested to attend any meeting, at least 5 business days prior to each meeting. The secretary will prepare the minutes of the Committee meetings within 7 days of the conclusion of each meeting. Draft minutes will be provided to the Chairperson of the Committee for review, prior to distribution to all Directors. The draft minutes will also be included in the papers for the next Board meeting.

4. Reporting

In addition to providing the Board with a copy of the minutes of its meetings, ITSC will, through its Chairperson, report to the Board on its meetings, update the Board about material relevant to the Information Technology Steering Committee's role and make appropriate recommendations for approval by the Board.

5. Charter Review

The Information Technology Charter will be reviewed at least annually.