Bank of Southern California, N.A.

Crisis Communication Plan

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BANK OF SOUTHERN CALIFORNIA, N.A.: CRISIS COMMUNICATIONS PLAN

Introduction

It is necessary for any organization to accept the fact that a crisis will be unexpected and may occur at any given moment. Developing a crisis communication plan prior to that event is the first and most important step in reducing Bank of Southern California's risk of unsuccessful crisis management. The following crisis communication plan has been developed to ensure that Bank of Southern California achieves their crisis communication goal of successfully mitigating the effects of a crisis on the well-being and success of Bank of Southern California and its customers at the time of the crisis event. The crisis communication plan will outline Bank of Southern California's stakeholders, Crisis Management Team, inherent risks, and media partnerships.

Background and History

Bank of Southern California, N.A. is a locally owned and operated financial institution in San Diego, California. Headquartered in the Del Mar area, Bank of Southern California employs a small but capable staff of 44, housed at the corporate office and individual branch locations. Bank of Southern California's mission statement states its commitment to "serving the unique business, professional and personal banking needs of the vibrant Southern California communities we serve" (Bank of Southern California, N.A., 2013).

Bank of Southern California, N.A. opened for business on December 18, 2001 as Ramona National Bank. At this time the bank was a one-branch operation in

Ramona, California, a rural area of San Diego County. The bank was funded through the sale of stock to local residents, but the primary investor and shareholder was, and still remains to be, [redacted] now controls the trust and majority of Bank of Southern California's shares. In its short history, the bank has overcome many obstacles including two name changes, a complete overhaul on the executive management team, and overcoming a cease and desist order from the Office of the Comptroller of the Currency (OCC). Bank of Southern California has seen dramatic growth over the last few years as it has expanded to six branches through both the opening of new locations and the acquisition of two branches of Palm Desert National Bank in 2010 (Bank of Southern California, N.A., 2013).

Stakeholder Analysis

In the event of a crisis, it is necessary to have an understanding of who Bank of Southern California's stakeholders are and how their role will impact crisis communications. Bank of Southern California's stakeholders include, but are not limited to: employees; customers; stockholders; technology and other service providers; regulatory and governing bodies; community groups; local media; other local banks.

Employees, Board Members, and Crisis Management Team. Bank of Southern California employees may be considered as a highly powerful and highly interested group of stakeholders. These individual are often the face of the organization, and whom customers will turn to in a time of crisis. Keeping these

individuals informed and engaged, so that they may in turn keep customers informed and satisfied will be vital to the organization's successful mitigation of a crisis. Some members of this group make up the Crisis Management Team, and should provide crisis communication training to each employee. The Crisis Management Team will be made up of the following positions and individuals.

- Team Leader – Nathan Rogge, the bank's President and CEO will act as the Team Leader, as he has the capability to make binding decisions for the bank and maintains the full faith of the Board of Directors and primary shareholder. In the event that Nathan Rogge is unavailable, Jim Burgess the bank's CFO, will act on his behalf.
- Financial Advisor – Jim Burgess, CFO, will advise the team leader on all financial matters in the event of a crisis. Jim has an intimate knowledge of the organization's financials and is authorized to seek credit from the Federal Reserve or other organizations if necessary. If Jim Burgess is unavailable, Robert Marshall, CCO (Chief Credit Officer), will act on his behalf.
- Legal Representative and Compliance Advisor – For legal matters that are unrelated with regulatory agencies, the bank's outside counsel will be called upon. Bank of Southern California does not maintain in-house counsel. For regulatory-related matters, Debbie Marshall, VP of Compliance Operations, currently oversees bank-wide compliance programs and will serve as advisor to the team leader. If Debbie Marshall is unavailable, Pamela Isaacson, CAO, will act on her behalf.

- Human Resources Representative and Security Director – Pamela Isaacson, CAO, will advise on all matters related to employee welfare and contingency planning. The CAO oversees bank-wide operations and has thorough knowledge and relationships with the organization's employees and multiple service and technology vendors. If Pamela Isaacson is unavailable, Robert Marshall, CCO, will act on her behalf.
- Technology – [redacted], is the contracted vendor that Bank of Southern California uses to maintain servers and technology. In a crisis event he will be called upon to monitor and quickly restore bank servers, communication networks, and technology.
- Communications – Tony DiVita, SVP of Sales and Marketing, will be charged with analyzing and disseminating information to all necessary stakeholders. Tony regularly prepares the majority of extra-organizational communication. If Tony DiVita is unavailable, Nathan Rogge, CEO, will act on his behalf.

Customers. Most customers have a high level of interest, but lower level of power in the event of a crisis. It is important to keep the customer base informed so as to mitigate uncertainty surrounding the situation. Keeping the customers informed and satisfied is vital to the survival of a crisis event as collectively the relationship that the bank maintains with these individuals is the lifeline of the bank.

Stockholders. [redacted], and the multiple trusts and organizations that he controls, account for ownership of [redacted] Bank of Southern California's stock, and reference to stockholders will refer to various stockholders and entities controlled by [redacted] collectively. This group has a high amount of power and interest in the success of the organization. It is important in the time of a crisis to ensure that stockholders are kept well informed and satisfied with the level of effectiveness of communication in a crisis event, as they are what allows Bank of Southern California to remain locally owned and operated. Effective mitigation of a crisis will ensure that the bank continues to operate successfully and maintain profitability will directly affect them.

Technology and Service Providers. Bank of Southern California contracts with multiple technology and service providers who provide software and maintain internal operating systems. This stakeholder group has a high level of power and interest in the operation of their products, especially in the midst of a crisis. It is important to keep open and clear communication with these individuals throughout a crisis, as their partnerships will be essential in a quick return to standard operations.

Regulatory and Governing Bodies. Regulatory and governing bodies such as the Federal Deposit Insurance Corporation (FDIC), Federal Reserve Board (FRB), and Office of the Comptroller of the Currency (OCC), will tend to have a high level of power but lower level of interest in the event of a crisis. In the event of a crisis it will be necessary for Bank of Southern California to communicate with and ensure

these bodies that a crisis is being effectively handled in a way that meets regulatory standards and protects consumer interests.

Community Groups. Bank of Southern California works with many community groups in the Southern California area, including, but not limited to: local Chambers of Commerce, Rotary Clubs, non-profit community organizations and clubs, professional organizations. In the event of a crisis, these stakeholders have low power and a lower level of interest. This group should be communicated with and informed of a major crisis, but generally need only be monitored.

Local Media. The local media will have a lower level of interest in the outcome of a crisis, but a great amount of power. In the event of a crisis it will be important for Bank of Southern California to keep them satisfied with open communication so as not to allow them to draw inaccurate conclusions. The media should be given pertinent information that will not have an adverse effect on the successful mitigation of the crisis; this information should include self-efficacy statements that they may provide to the general public. As Bank of Southern California is a Southern California based institution, media will generally include locally and demographically based publications, such as: *Ramona Sentinel, North County Times, San Diego Business Journal, The Union Tribune: Business Section*.

Other Local, Competing Banks. This is a group that is of low power and interest in the event of a crisis, but should nevertheless be monitored. In the event of a crisis, it is likely that other institutions may attempt to deeper their relationship with mutual customers. Our customers' relationships with these institutions should

be monitored and our customers kept informed and satisfied so as to ensure their business is not lost.

Risk Analysis

It is important to remember that there are many risks that are inherent in a financial institution. While any one of them has the potential to evolve into a crisis event, the following are some examples of crises events that have a higher probability of occurrence, or their occurrence yields greater consequences.

Systems Failure. The risk of a systems failure is one that carries a high probability, with consequences that range from low to high, depending upon the extent and length of the failure. A weather related systems failure in Southern California is much less probable, however Bank of Southern California contracts with [redacted], to provide the majority of it's operating and record retention systems. In the event that [redacted] offices experience extensive outages as the result of hurricanes, snowfall, or other severe weather, it could impact Bank of Southern California's ability to effectively do business. Systems that may be affected include: online banking, including wire operations and ACH origination; [redacted], providing current customer and account related information; [redacted] and clearing services, allowing bank employees and clients to electronically send checks for deposit through the FRB for clearing. Less probable cause for system failure with equally damaging consequences include natural disasters or malware.

Major Market Fluctuation. The sudden and drastic economic recession of 2008 and 2009 is evidence that this type of market movement can have a devastating impact on a financial institution. However, market fluctuation need not be as dramatic as the Great Recession in order to create a crisis event. A severe movement in interest rates or loss of liquidity would result in a credit crunch. An event such as this limits both the bank's ability to provide loans to customers, as well as the customer's ability to successfully repay existing loans. This could have a dramatic impact on the bank's high-risk lending portfolio, capital ratios, and profitability. For these reasons, this type of crisis is both high in probability with high consequences.

Major External Data Security Breach. A major data security breach of an external company that provides services to Bank of Southern California customers is both highly probable with potentially drastic consequences. Personal and financial customer information is provided to multiple service providers in the course of routine business transactions, and should one of those service providers experience a security breach the customer's information would be compromised, placing them at a high risk of falling victim to fraud. One of the most common forms of this type of data security breach is the attack on a retail merchant's point-of-sale systems and server, compromising customers' names and credit card numbers. While consumers may not be liable for fraud that occurs in this nature, financial institutions may be. Extensive external security breaches that are not swiftly discovered and reported to the bank carry the potential for staggering losses.

Robbery, Explosive Device, or Other Security Threat. The event of a robbery, use of an explosive device, or other security threat made by a criminal against Bank of Southern California has a low probability, but carries potentially high consequences. This is an inherent risk associated with the operation of a financial institution and the daily handling of large amounts of currency. While they are very infrequent events, an event like this can pose an immediate danger to both employees and customers and will gather nearly instantaneous media attention. In order to ensure the safety and security of Bank of Southern California employees, customers, and assets, it is vital that employees regularly follow established security procedures, have a working knowledge of security systems, and regularly undergo robbery and security training.

Major Internal Data Security Breach. The event of a major internal data security breach has a much lower probability of occurrence than any external breach, but carries high consequences. This type of crises is generally an intentional crisis that may occur via phishing, malware, pre-text calling, or other malicious means. Due to the grave consequences associated with this type of crisis, employees must be increasingly vigilant of potential identity thieves and data servers and systems must regularly undergo maintenance and be monitored for suspicious activity. The breach of internal data systems could result in the breach of privacy laws, compromising thousands of individual's personal and financial information, and result in the loss of trust from the community.

Media Analysis

In the event of a crisis, early and regular communication with local media outlets may be an essential part of the successful mitigation of a crisis. It is important that Bank of Southern California establish a relationship with these outlets prior to a crisis event, so as to have already earned their support and built a positive relationship when the crisis event occurs. While Bank of Southern California is a relatively small financial institution, it will be important to establish positive relationships with locally and demographically based media outlets in normal business operations. These media outlets may include but will not be limited to:

- *The Ramona Sentinel*
  Newspaper
  425-A 10th St.
  Ramona, CA 92065
  (760) 789-1350

- *The North County Times*
  Newspaper
  207 E. Pennsylvania Ave.
  Escondido, CA 92025
  (760) 740-5425

- *The Union Tribune, Business Section*
  Newspaper
  350 Camino De La Reina
  San Diego, CA 92108
  (619) 293-1211

- *The San Diego Business Journal*
  Magazine/Website
  4909 Murphy Canyon Rd., Ste. 200
  San Diego, CA 92123
  (858) 277-6359

- *San Diego Daily Transcript*
  Newspaper/Website
  2131 Third Ave.
  San Diego, CA 92101
  (619) 232-4381

- *San Diego Reader*
  Magazine
  2323 Broadway
  San Diego, CA 92102
  (619) 235-3000

- *The Desert Sun*
  Newspaper
  82632 U.S. Hwy 111
  Indio, CA 92201
  (760) 346-1181

- KUSI News
  News Television Station
  4575 Viewridge Ave.
  San Diego, CA 92123
  (858) 571-6397

- ABC News – San Diego
  News Television Station
  4600 Air Way
  San Diego, CA 92102
  (619) 237-6383

- CBS News San Diego
  News Television Station
  7677 Engineer Rd.
  San Diego, CA 92111
  (858) 571-8888

- NBC News San Diego
  News Television Station
  225 Broadway
  San Diego, CA 92101
  (619) 578-0201

Crisis Communication Plan Overview

In the event of a crisis, it will be the goal of Bank of Southern California to successfully mitigate the effects of a crisis on the well-being and success of Bank of Southern California and its customers. In order to achieve this, it is necessary to have a crisis communication plan established well before a crisis inevitably occurs. In the event of a crisis, it is Bank of Southern California's policy to maintain open communication with our stakeholders providing them current, correct, and pertinent information, so long as it does not violate the privacy of the customer or organization, or negatively impact the resolution of the crisis.

When a crisis occurs it will be necessary to notify and keep open lines of communication with all necessary stakeholders. As specifics of a crisis event cannot be predicted, it may be necessary to determine primary and secondary stakeholders at the time of a crisis. Generally speaking, stakeholders will be as follows:

Primary Stakeholders:

- Employees (Including the Crisis Management Team and Board of Directors)
- Customers
- Shareholders
- Technology and Service Providers

Secondary Stakeholders:

- Regulatory and Governing Bodies
- Community Groups
- Local Media
- Other Local, Competing Banks

As a financial institution there are certain risks that are inevitable. These risks vary in their probability and the severity of the consequences that they carry. Some of the risks that Bank of Southern California faces include:

- Systems Failure: High Probability, Varying Consequence
- Major Market Fluctuation: High Probability, High Consequence
- Major External Data Security Breach: High Probability, Potentially High Consequence
- Major Internal Data Security Breach: Low Probability, High Consequence
- Robbery, Explosive Device, or Other Security Threat: Low Probability, High Consequence

In the event of a crisis, it will be necessary to immediately notify a member of the Crisis Management Team, who will in-turn notify other team members so that crisis response and communication will be immediate and effective. The following positions will make up the Crisis Management Team and will generally be filled by an Officer of the bank. Each position should also maintain a back up, should the primary team member be unable to fulfill their duties.

- Team Leader – Nathan Rogge, President and CEO (Jim Burgess, CFO, as Secondary)
- Financial Advisor – Jim Burgess, CFO (Robert Marshall, CCO, as Secondary)
- Legal Representative and Compliance Advisor –
    - Unrelated Regulatory Matters – Outside Counsel
    - Regulatory-Related Matters – Debbie Marshall, VP of Compliance Operations (Pamela Isaacson, CAO, as Secondary)
- Human Resources Representative and Security Director – Pamela Isaacson, CAO, (Robert Marshall, CCO, as Secondary)
- Technology – [redacted]

- Communications – Tony DiVita, SVP of Sales and Marketing (Nathan Rogge, President and CEO as Secondary)

Closing

The foregoing crisis communication plan has provided Bank of Southern California with the necessary framework to successfully navigate a crisis event when the challenge arises. A thorough understanding of the bank's stakeholders, including their Crisis Management Team, risks that are inherent to a financial institution, and media partners, will allow Bank of Southern California to be prepared to mold this foundation to effectively react to a specific crisis event. The unexpected and inevitable nature of a crisis can be alleviated through company-wide utilization of Bank of Southern California's crisis communication plan, goals, and policy.

References

Bank of Southern California, N.A., (2013). *Annual Reports: 2012*, Retrieved from, Bank of Southern California, N.A., San Diego, 2013.

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