

## Appendix D

## Appendix D

### Year 2000: Credit Risk Assessment Worksheet

Y2K Credit Risk Assessment Worksheet Page 1

#### Information

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The purpose of this worksheet is to help credit officers assess the level of a business borrower's risk associated with the Year 2000 (Y2K) problem and to ensure consistency of Y2K risk assessment approach.

The worksheet is multidimensional, assessing (1) the borrower's overall vulnerability to the Y2K problem, (2) the borrower's resources to manage the problem, and (3) the adequacy of the borrower's Y2K plan.

Although designed in a "check-the-box" format, the worksheet does not replace thoughtful and informed analysis.

Add to this worksheet issues that are specific to the business that you are assessing. Record and support appropriate conclusions driven by your information and analysis, whether or not derived directly from the worksheet logic.

The worksheet is divided into four parts:

- Part 1 is an overall Y2K *credit risk* conclusion, based on the assessments in Parts 2, 3, and 4.
  - Part 2 is a *vulnerability* assessment, which helps to determine whether the business because of its reliance on technology, supplier, and or customer concentrations, and other considerations is at high, medium, or low risk to the Y2K problem.
  - Part 3 is a *financial, management, and technology resource* assessment, which helps to determine whether the business is at high, medium, or low risk in relation to the depth and stability of resources available to address its Y2K problem.
  - Part 4 is a Y2K *plan* assessment, which helps to determine whether the business is at high, medium, or low risk based on the adequacy of its Y2K plan.
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Borrower Name _____	Risk Rating _____
Borrower Industry _____	SIC _____
Binding Commitments (\$000) _____	
Worksheet Prepared by _____	Telephone _____
Unit Name _____	Unit # _____
Date Prepared _____	

**Part 1: Year 2000 Credit Risk Summary and Conclusion**  
 Complete Part 1 after completing Parts 2, 3, and 4 on the following pages. Section C is provided for updating conclusions at intervals as required by managers or as new information is obtained from the borrower.

<b>A: Summary of Conclusions from Parts 2, 3, and 4</b>			
Part 2. Y2K Vulnerability Risk	<input type="checkbox"/> Low	<input type="checkbox"/> Medium	<input type="checkbox"/> High
Part 3. Y2K Resource Risk	<input type="checkbox"/> Low	<input type="checkbox"/> Medium	<input type="checkbox"/> High
Part 4. Y2K Plan Risk	<input type="checkbox"/> Low	<input type="checkbox"/> Medium	<input type="checkbox"/> High

<b>B: Conclusion: Overall Y2K Credit Risk Assessment</b>
Based on the above and other considerations as applicable, determine an overall Y2K credit risk conclusion for the borrower. Generally, if both resource and vulnerability risk assessments are low, the conclusion should be low overall risk regardless of the adequacy of the Y2K plan.
<input type="checkbox"/> Low Y2K credit risk <input type="checkbox"/> Medium Y2K credit risk <input type="checkbox"/> High Y2K credit risk
Comments:

<b>C: Update</b>
Date: _____ Name (if differs from above): _____ BANet: _____
Based on information in the comments below, provide an updated Y2K credit risk conclusion.
<input type="checkbox"/> Low Y2K credit risk <input type="checkbox"/> Medium Y2K credit risk <input type="checkbox"/> High Y2K credit risk
Comments:

<b>Part 2. Year 2000 Vulnerability Assessment</b>			
<b>A. Overall technological and business vulnerability to the year 2000 problem</b>			
	<b>Yes</b>	<b>No</b>	<b>Comments</b>
Are mainframe or mini-computer applications critical to core business operation, whether in-house or outsourced?			
Does core business operation depend on one or more automated processes (e.g., inventory, assembly line, shipping, customer orders, etc.), whether delivered on desktop computers or mainframes, whether in-house or outsourced?			
Does the business depend on any one supplier for 25% or more of inventory, is there a single mission critical supplier, and/or is the supply chain generally vulnerable to Y2K disruption?			
Does the business depend on any one customer for 25% or more of revenue and/or is the customer base generally vulnerable to Y2K disruption?			
Are there other key Y2K vulnerabilities? If you check yes, explain your assessment in the comment section.			
<b>B. Vulnerability Risk Conclusion</b>			
<ul style="list-style-type: none"> <li>• If all boxes in Section A. Above are checked <b>No</b>, it is likely that business vulnerability risk is low; if this is your conclusion, stop here and indicate low vulnerability risk below.</li> <li>• If one or more boxes above have been checked <b>Yes</b>, vulnerability to the Y2K problem is medium to high. Continue Part 2 by checking <i>yes</i> or <i>no</i> to the following (substantiate all <i>yes</i> responses).</li> </ul>			
	<b>Yes</b>	<b>No</b>	<b>Comment/Substantiation of "Yes" Response</b>
Is the business by its nature generally not vulnerable to technology failure (e.g., some personal service businesses)?			
If there is a business interruption caused by a Y2K problem, could the business recover rapidly because of ready accessibility of viable alternatives, or other reasons particular to this business operation?			
<ul style="list-style-type: none"> <li>• If one or more of the section B boxes above are checked <b>Yes</b>, it is likely that Y2K vulnerability is medium; if this is your conclusion, indicate medium vulnerability risk below.</li> <li>• If both boxes are checked <b>No</b>, it is likely that Y2K vulnerability is high; if this is your conclusion, indicate high vulnerability risk below.</li> </ul>			
<b>Overall Year 2000 Vulnerability Conclusion</b>			
Technological and business vulnerability risk is:		Comments:	
<input type="checkbox"/> <b>Low</b> <input type="checkbox"/> <b>Medium</b> <input type="checkbox"/> <b>High</b>			

**Part 3. Year 2000 Resource Risk: Financial, Management, and Technological Assessment**

Consider the adequacy of financial, management, and technology resources in relation to the extent of the technological vulnerability risk identified in Part 1.

**Low Resource Risk**

Financial, management, and technology resources (whether in-house or outsourced) available to address Y2K are superior to exceptional and business is not facing other unavoidable internal or external challenges likely to divert necessary resources.

**Medium Resource Risk**

Financial resources available to address Y2K are ample, management quality is good, technological expertise is readily available (in-house or outsourced) and business is not facing other unavoidable internal or external challenges likely to divert necessary resources.

**High Resource Risk**

Financial resources available to address Y2K are marginal to inadequate, management depth is thin, technological expertise is marginal to inadequate or not readily available, and/or business is facing other unavoidable claims on cash flow or business stability that threaten the adequacy of resources available for Y2K.

**Comments:**

**Part 4. Year 2000 Plan Assessment (based on discussions with management).**

	Yes	No	N/A	Comments
Does the business have a comprehensive Y2K plan that effectively prioritizes mission-critical systems?				
Does the Y2K plan have the endorsement and involvement of executive management?				
Has management clearly established that implementation of the Y2K plan has first priority?				
Does the Y2K plan include vendor compliance?				
Does the Y2K plan include contingencies for the impact of Y2K business interruptions affecting key vendors, suppliers, or customers?				

**Part 4. Year 2000 Plan Assessment Continued**

	Yes	No	N/A	Comments
Does the Y2K plan include computer controlled systems such as telecommunications, security systems, elevators, and climate control?				
Has a Y2K budget been established? (Enter budget totals in Comments.)				(\$000) 1997 \$ _____ 1998 \$ _____ 1999 \$ _____ 2000 and beyond \$ _____
Has the business incorporated the effect of Y2K into its financial planning?				
Has the business taken any steps to ensure key staff do not leave prior to project completion?				
Is the business generally meeting its plan deliverables at the dates specified in the plan?				Target completion date _____
Is the business developing contingency plans to mitigate risk if the Y2K project is not completed on time?				
Other key considerations:				

<b>Overall Plan Assessment</b>		
<input type="checkbox"/> <b>Low Risk: Good Overall Plan</b>  All questions above are answered yes or not applicable	<input type="checkbox"/> <b>Medium Risk: Adequate Plan</b>  Most questions above are answered yes or not applicable; those that are answered no are not critical to success.	<input type="checkbox"/> <b>High Risk: Inadequate Plan</b>  Most questions above are answered no, or one or more answered no are critical to success.