

Year-end preparation: What's on your mind?

SOX 404 Highlights

U.S. Banking & Capital Markets Webcast | October 25, 2006

PricewaterhouseCoopers' U.S. Banking & Capital Markets Practice held its Sarbanes-Oxley 404 webcast on October 25, 2006, the ninth event in its 404 series. Since commencing in 2004, these events have been part of PwC's goal to create a networking forum for our clients to exchange ideas and practices as well as learn about new topical developments to enhance 404 efficiency and effectiveness. We continue to receive positive feedback and are planning a tenth update in 2007. Information will be provided as soon as it is available.

We had approximately 400 participants on the webcast, including compliance, internal auditor, finance, treasury and legal professionals. Discussions included:

- Regulatory Update
- Year 3 Observations
- 404 Hot Topics
- Complex Financial Models
- IT General Controls

The following PwC subject matter professionals shared their insights and answered questions during the webcast:

- **Rick Bennett**, Partner, U.S. Banking & Capital Markets Practice
- **Donna DiGiacomo**, Principal, Systems and Process Assurance
- **Jay Harris**, Partner, Banking & Specialty Finance Practice
- **Jorge Milo**, Partner, Assurance Policy Leader
- **Susan Mooradian**, Partner, Financial Services Practice
- **John Oliver**, Partner, U.S. Banking & Capital Markets Practice
- **Ric Pace**, Partner, Regulatory Advisory Practice
- **Jonathan Bicknell**, Senior Manager, U.S. Banking & Capital Markets Practice
- **Rick Moyer**, Senior Manager, U.S. Banking & Capital Markets Practice

To access the webcast and materials:

Please go to www.pwc.com/conf and click on:

[October 25, 2006 | U.S. Banking & Capital Markets SOX 404 Webcast.](#)

Please contact Amy Rose at 646.471.7630 with any questions regarding this webcast.

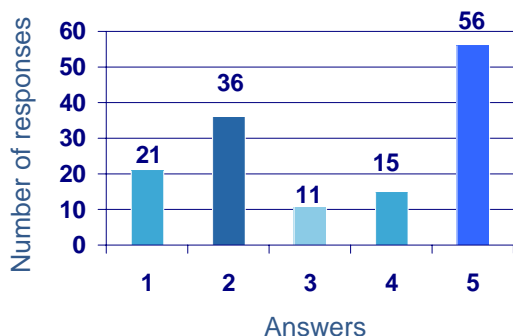
Following are key highlights from the webcast that you might find helpful as you evaluate your current status and ongoing efforts to refine your Section 404 process. More detailed insights may be heard in the webcast replay.

Regulatory Update: What's Next From the PCAOB & SEC

The Public Company Accounting Oversight Board (PCAOB) and the Securities Exchange Commission (SEC) continue to examine means to improve the effectiveness and efficiency of internal control assessments performed pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 (SOX). The SEC issued a Concept Release to assess the need for potential guidance for management in assessing internal control over financial reporting. A significant number of issuers, investors and auditors responded to the Concept Release, providing comments ranging from no guidance is necessary to any guidance provided would be helpful. As a result of comments received and open meetings held, the SEC issued its proposed guidance for management on December 13, 2006. In the response to the Concept Release, PwC provided suggested amendments to PCAOB Auditing Standard (AS 2). We supported the core principles of AS 2, but recommended certain areas where effectiveness and efficiency can be improved. On December 19, 2006, the PCAOB issued (i) a proposed standard to supersede AS 2 (ii) a new standard on considering and using the work of others, and (iii) proposed amendments to PCAOB Interim Standards.

Audience Polling Question: How has your company responded to the SEC Concept Release around Management Guidance for 404?

- 1) We were not aware of the Concept Release – 15%
- 2) We did not respond to the SEC – 26%
- 3) We do not want additional guidance – 8%
- 4) We cited a few areas where we would like additional guidance – 11%
- 5) We would like any guidance they can provide – 40%



Year 3 Observations: Increased Efficiency, Benefits and ROI

Our clients are making significant strides in improving the efficiency of their 404 execution. Nearly 75 percent of the webcast participants indicated that efficiencies have been gained by:

- focusing their efforts on key controls;
- testing only significant accounts and risks; and
- performing a better mapping of significant accounts to the information technology systems used to support these accounts.

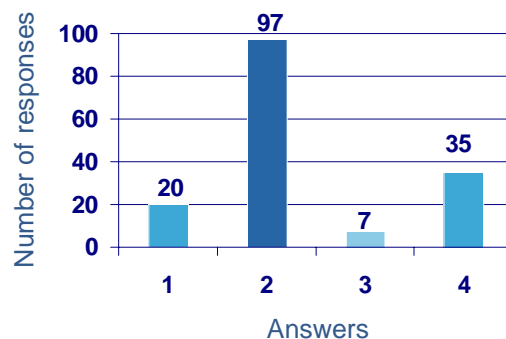
In addition to gaining efficiencies, we are seeing an increase in the benefits of testing for 404 purposes, as issuers increase their testing at “the top of the house”, including:

- testing business reviews by senior management;
- whistleblower and compliance functions; and
- the implementation and application of complex accounting standards.

Also, many clients are now seeing their return on investments made during SOX implementation as SOX project teams indicate that management self-assessments are becoming stronger due to in-house trainings.

Audience Polling Question: Have you altered your approach to better leverage a top down/risk-based approach and enhance efficiency?

- 1) Yes, significant efficiencies have been gained – 13%
- 2) Yes, some efficiencies have been gained – 61%
- 3) Yes, but it has not enhanced efficiency – 4%
- 4) No – 22%



404 Hot Topics: Current and forward thinking on Sarbanes Oxley. What to expect

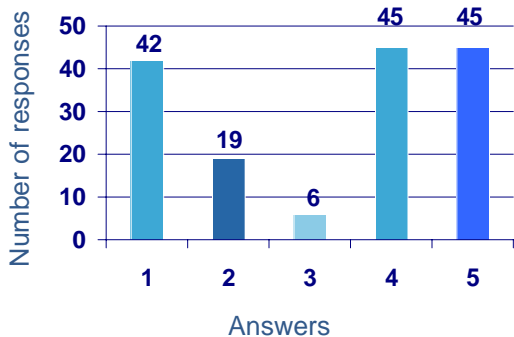
Companies continue to focus on areas where complexities in accounting drive difficulties in designing effective internal controls. As companies continue to

strengthen their internal control over financial reporting in these areas, a number of “404 hot topics” have evolved. When polled, the webcast respondents considered the following areas to be the highest risk of a material weakness to their company: Complex Financial Models, Accounting for Derivatives and Accounting for Taxes.

Many of these issues originate from the difficulty in documenting accounting policies in complex accounting areas, such as derivatives and taxes. During the webcast, the panelists covered best practices in these areas, as well as effective controls around the statement of cash flows and footnote preparation.

Audience Polling Question: Which represents the highest risk of material weakness to your company?

- 1) Accounting for Derivatives – 27%
- 2) Accounting for Taxes – 12%
- 3) Accounting for Asset Transfers – 3%
- 4) Complex financial models – 29%
- 5) Other – 29%

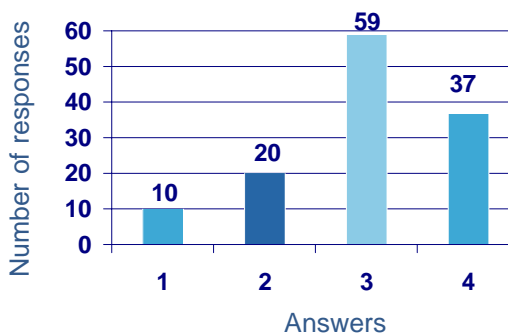


Complex Financial Models: Potential Significant Risk

Complex Financial Models are used within many key financial reporting processes, such as but not limited to FAS 91 amortization, allowance for loan losses and fair value estimates. During the webcast, the panelists discussed common model control deficiencies and offered several tips to strengthen controls in the following areas: gaps in the design effectiveness of key model controls due to ineffective model risk assessments; exposure to significant key person risk and, potentially, fraud due to insufficient model documentation; ineffectively controlled operational risks associated with models implemented in desktop applications such as ACCESS and EXCEL; and deficient model change management controls. The panelists also provided practical insights on how a Model Risk Management Program can serve as an effective company-level control.

Audience Polling Question: What best represents your company’s progress in implementing effective controls around complex financial models?

- 1) They always worked, so we did not have to do very much – 8%
- 2) We have prepared an inventory of models – 16%
- 3) We have an inventory and have implemented controls on a risk basis – 47%
- 4) We have an inventory, implemented controls and are now looking to build efficiencies – 29%



IT General Controls: Data Security and ITGC Complexities

Assessing Informational Technology General Controls (ITGC’s) continues to be a very difficult and time intensive part of assessing a company’s internal control over financial reporting. Scoping which systems are critical and could have a material affect on the consolidated financial statements is a key step in performing an effective and efficient assessment. Benchmarking can also assist with increasing the efficiency of the assessment. Benchmarking is based on the assumption that an automated control will continue to work properly, unless the underlying code or process is changed. As such, it is imperative to have strong change management controls to utilize a benchmarking strategy.

Data security continues to be a concern in today’s evolving automated world. In a recent PwC survey of 7,791 executives*, only 33 percent stated that they were very confident in their company’s IT security. This percentage decreased to 22 percent when the executives were asked the same question regarding their vendors and suppliers. Designing third-party contracts to include specific controls that must be followed is a critical step in ensuring data security.

*The Global State of Information Security 2006, a worldwide study by CIO, CSO and PricewaterhouseCoopers, was conducted online from April 5th to May 22nd, 2006. 7,791 CEOs, CFOs, CIOs, VPs and directors of IT and information security from 50 countries participated.