

EFG International comments on US Municipal Bond Strategy and confirms no write-down implications

Zurich, 7 March 2008 – EFG Investment Bank, a subsidiary of EFG International based in Sweden, has received a number of questions that have arisen in relation to AKOS, a specialist investment product based on a US municipal bond strategy. Its comments follow below:

- AKOS was launched in November 2004, and was issued by Kommuninvest i Sverige AB. The investment was structured by JP Morgan. The bonds held as part of this strategy were managed by Bigelow Asset Management, a specialist in US municipal bonds. The total amount raised by JP Morgan was of the order USD 600 million, of which EFG Investment Bank raised approximately USD 210 million (SEK 1.4 billion).
- AKOS was based on issuing short-term bonds in order to fund the purchase of long-term municipal bonds. Municipal bonds are issued in the US by cities, counties and other municipal bodies. They are tax exempt in the US, and as a result generally trade at a higher price than taxable bonds of comparable quality. There is also a yield differential between short- and long-term municipal bonds, owing to uncertainty relating to tax treatment over time: the longer the municipal bond, the higher its relative yield. Once the interest rate risk arising from funding long-term assets with short-term liabilities has been hedged out, the investment was designed to realise the difference between long-term and short-term rates.
- This strategy has been a widespread and popular one: by some industry estimates, circa 10% of all long-term municipal bonds are managed in such a way.
- EFG Investment Bank was a distributor of this specialist investment product, which proved popular among a number of its clients, predominantly institutional, by virtue of its conceptual benefits and the performance record of similar strategies. Clients seeking to invest in AKOS were made fully aware by EFG Investment Bank of its characteristics and the potential risks. Indeed all clients signed waivers acknowledging the risks inherent in the investment.
- From its inception in November 2004 until February 2008, AKOS has performed within sustainable parameters, trading at a yield of 75-90% of comparable swap rates. However, recent exceptional and unprecedented market conditions have seen heavy selling of municipal bonds as part of a general flight to liquidity, which last week triggered the liquidation by three other funds of their municipal bond portfolios. This temporarily pushed the yield on municipal bonds to more than 100% of the yield on comparable swap rates, triggering margin calls by the banks

providing liquidity to AKOS. This has nothing to do with the credit quality of the underlying bonds.

- The actual sale of bonds pursuant to the margin call occurred on Monday 3 March 2008. Prior to the sale, EFG Investment Bank organised a new structure, in order to buy some of the assets being liquidated by the fund, on behalf of clients prepared to reinvest. All clients were contacted, and the total amount invested was USD 100 million. This has already produced a return of 40% on money invested, as the prices of municipal bonds have recovered.
- Of the total amount invested by clients, around a third was returned during the life of the fund by way of redemptions and interest income, an estimated additional 8% was recovered when municipal bonds were liquidated as a result of the margin call, and clients who reinvested have so far recouped a further 40%, based on the recovery in municipal bond prices in recent days.
- EFG International had no exposure on its own account, and will therefore not have to write-down the value of any assets as a result.

Contacts

EFG Investment Bank

Jonas Fischerström, Chief Investment Officer EFG Investment Bank.

+46 8 459 64 75/+46 736 99 64 75

jonas.fischerstrom@efgib.com

EFG International

Investor Relations

+41 44 212 7377

investorrelations@efginternational.com

Media Relations

+41 44 212 7387

mediarelations@efginternational.com

About EFG International

EFG International is a global private banking group offering private banking and asset management services, headquartered in Zurich. EFG International's group of private banking businesses currently operate in 50 locations in over 30 countries, with circa 2,000 employees. EFG International's registered shares (EFGN) are listed on the SWX Swiss Exchange. EFG International is a member of the EFG Group headquartered in Geneva, Switzerland, which is the third-largest banking group in Switzerland by Tier-1 Capital.

EFG International

Practitioners of the craft of private banking