L A M U T U E L L E

Association Mutuelle des Fonctionnaires Internationaux
de l'Office des Nations Unies et Agences Spécialisées

Geneva, 29 June 2016

Dear Members,

The Board of Directors has explained on several occasions the stakes with which the Mutual Association is confronted due to the difficult economic situation, particularly the problems created by the strength of the Swiss franc and the negative interest rate applied on assets that the Mutual Association holds with the banks it works with. The decision taken by the United Kingdom to leave the European Union strengthens the negative dynamics.

In the current context we are obliged to take the following measures to assure the stability of the Mutual Association:

A. Decrease in the interest rate of the ordinary loan to 5.90% :

Following the decision by the Swiss Council to reduce the maximum interest rate for consumer loans from 15% to 10% and from 15% to 12% for credit card overdraft, the Board of Directors has decided to decrease the interest rate of the ordinary loan from 6.50% to 5.90%, which corresponds to a monthly interest rate of 0.48%, with immediate effect for new credits. As the interest rate is fixed for the entire duration, current loans will not be affected by this decrease. As far as the interest rate on the housing loan is concerned, the Board of Directors decided not to modify it taking into account the fact that the majority of the loans granted are for properties located outside the Franco-Swiss area and for which the credit institutions apply an interest rate much higher than the one proposed by the Mutual Association.

B. Decrease in the interest rate of the CHF current account to 0% :

Due to the negative interest rate applied by banks on short-term assets, the Mutual Association is obliged to decrease the interest rate on the CHF current account from 0.10% to 0% from 1 July 2016. Unfortunately the current market conditions force the Board of Directors to also consider a negative interest rate on these accounts. A decision will be taken in the following months.

C. Implementation of a ceiling to CHF 400,000 on the remuneration of the CHF deposit accounts:

As the interest rate proposed to members on the CHF deposit accounts depends on the net revenue of the financial year, and knowing that it will undoubtedly decrease, the Board of Directors must take action to protect the interest of the borrowers and depositors while impacting them as little as possible. After having considered various options, such as a freeze on deposits (which would penalize new members) or a cap on the members' deposits, it has opted for the measure which will have the least impact on members, the implementation of a ceiling on the remuneration of CHF 400,000. Members holding a CHF deposit account with a balance of more than CHF 400,000 at year-end (currently 212 members out of 6,334) will be remunerated as if they had only CHF 400,000. Amounts exceeding this limit will not benefit from any interest from the 2016 financial year. This measure is expected to continue to ensure an attractive interest rate on deposit accounts for all members. If this is not the case, the Board of Directors will be obliged to take other stringent measures, which it hopes to avoid.

While regretting such decisions, the Board of Directors insists on the fact that the Mutual Association follows the policy set by the Swiss National Bank to preserve the Swiss economy. If it were to continue in this direction, the Mutual Association will have no choice other than to follow the trend.

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