



LA MUTUELLE

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

October 8, 2008

Dear Members,

The financial crisis that the world is currently facing has and will have an impact on us all. The Board of Directors would like to bring its members up to date on the situation of the Mutual Association.

Since its foundation in 1959, the principal objective of our Mutual Association is to minimize risk at all levels, both for investing the saving accounts of our members as well as loans granted to the members.

As concerns loans, 1/3 of the members' deposits in Swiss francs are lent to other members as per a cautious lending policy with the aim to minimize risk. To-date this objective is reached.

As per the investments, they are divided among the following categories :

- Managed accounts (bonds and deposits) with 5 banks
- Term deposits with 4 banks
- Structured product with guaranteed capital
- Bonds in CHF for the CHF accounting and in USD for the USD accounting

The managed accounts, which represent approximately 1/3 of the members' deposits, do not present any problem at the moment and the current value remains similar to that of December 2007.

The term deposit accounts, which represent approximately 10% of the total assets, are invested with quality banks. Our goal is to increase the amount of the deposits.

The structured product with guaranteed capital are invested with quality Guarantors and do not present any problem for the time-being.

The investments in bonds, which represent approximately 24% of the members' deposits, are kept with quality States and Corporate establishments. However, due to the current financial crisis, certain American debtors that were highly rated have been downgraded due to their strong link with the subprime loans. We have therefore decided to sell, at a loss, two bonds with which we no longer feel comfortable and for which a marginal loss was accounted. Our bond portfolio includes numerous financial titles that we follow closely. At this time, we believe that the risk of bankruptcy of the major banks (UBS, Crédit Suisse, HSBC, Bank of America,...) is limited, even if it cannot be entirely excluded. We think that the saying "Too big to fail" applies to the situation at hand as bankruptcy of one of the major banks would be catastrophic for the economy.

At the time of this note, the result of the 2008 financial exercise amounts to CHF 7,197,000 (loss included) which is only slightly lower than that of October 2007 (CHF 7,832,000). The result of the 2008 USD financial exercise however amounts to USD 79,400 which is far greater than October 2007 (USD 25,400).

Despite the very serious current financial crisis, the Mutual Association is experiencing a minimum of consequences and will continue with prudence to ensure that it remains as such. Nevertheless and in the spirit of caution, we can already say that the interest rate on the Swiss franc deposit accounts to be distributed in 2008 will most likely be less than in 2007 (2% net). As we feel that the situation may persist in 2009, we will continue to increase our provisions in case of loss as per the policy initiated in 2006. The interest rate for the CHF current account remains at 0.50%. The USD interest rate is announced and distributed monthly until the financial situation stabilizes. For the month of October 2008 the rate is 2.50%.

The Members of the Board of Directors