



June 8, 2009

Dear Member:

Re: Key Savings + Credit Union's Prime Rate

The Bank of Canada has lowered the Bank Rate from 4.75% to 0.25%, a 4.50% reduction since 2007. When the Bank of Canada changes the Bank Rate, these changes usually affect other interest rates, including mortgage rates and prime rate changes charged by financial institutions. These changes can also indirectly affect the interest paid to consumers on investments and other savings accounts. Under normal circumstances, financial institutions mirror the change in the Bank Rate with a corresponding change in their own Prime Rate. During this period the Key Savings + Credit Union Prime Rate has dropped from 6.00% while Key Savings followed this approach, but we now need to implement a minimum rate of 3.00% on our Credit Union Prime Rate.

Unlike the large chartered banks, credit unions cannot take advantage of the low costs of borrowing from the Bank of Canada and Key Savings + Credit Union borrows from our member depositors to lend to other member borrowers. This reliance on our members to fund the loan portfolio is one reason why Key Savings has remained safe and stable.

While lending rates have been declining for the past year, unfortunately deposit rates have not decreased to the same extent as loan rates, resulting in a compression of our financial margin. The global credit crisis has caused banks to turn back to the retail deposit market for additional funding and with this increased competition the deposit rates have remained relatively high. While this is good news for depositors, it is compressing Key Saving's financial margin to the point where recent reductions in lending rates, without compensating reductions in deposit rates, could result in Key Savings + Credit Union becoming unprofitable.

Our commitment to our members is to act in their best interests while ensuring the safety and financial stability of Key Savings + Credit Union. Responsible management of our members' resources is a high priority and for this reason we have decided to implement a minimum rate of 3.00% for our Credit Union Prime Rate effective July 1, 2009. This will allow us to ensure the continuing safety and financial soundness of Key Savings + Credit Union. We view this departure from our normal practise of following the Bank Rate changes as a temporary measure brought on by unprecedented circumstances. We will continue to monitor market trends closely and adjust our rates to remain as competitive within the markets as we have always been.

The Board and Management of Key Savings + Credit Union would like to thank all members for your understanding as we work together to manage our Credit Union through these difficult times to ensure our long term success. Please contact our lending representatives or myself at 403-232-4505 should you have any questions or concerns.

Sincerely,
KEY SAVINGS + CREDIT UNION LIMITED

LD (Doug) Glessing
Chief Executive Officer

