This offering statement must be delivered to every purchaser of the securities described herein prior to the purchaser becoming obligated to complete the purchase and, upon request, to any prospective purchaser and member.

No official of the Government of the Province of Ontario has considered the merits of the matters addressed in this offering statement.

The securities being offered are not guaranteed by the Deposit Insurance Corporation of Ontario or any similar public agency.

The prospective purchaser of these securities should carefully review the offering statement and any other documents it refers to, examine in particular the section on risk factors beginning on page 41 and may wish to consult his/her financial and tax advisors about this investment.

THE CIVIL SERVICE CO-OPERATIVE CREDIT SOCIETY, LIMITED

OFFERING STATEMENT

dated February 11, 2002

MAXIMUM $30,000,000 – MINIMUM $10,000,000
SERIES 1 CLASS A SPECIAL SHARES
(NON-VOTING, NON-PARTICIPATING, NON-CUMULATIVE)

The subscription price for each Series 1 Class A Special Share will be $1 per share. Each member of the Civil Service Co-operative Credit Society, Limited will be entitled to subscribe for a minimum of 1,000 Series 1 Class A Special Shares ($1,000) and a maximum of 150,000 Series 1 Class A Special Shares ($150,000).

There is no market through which these securities may be sold.

The purchaser of these securities may reverse his/her decision to purchase these securities if he/she provides notice in writing or by telegraph to the person from whom the purchaser purchases these securities within two days, excluding weekends and holidays, of having been provided with a copy of the latest offering statement.

These securities are subject to the transfer and redemption restrictions under the Credit Unions and Caisses Populaires Act, 1994 (the "Act") and the restrictions under this offering statement as set out on pages 26 to 27.

These securities are not deposits. These securities are not insured by the Deposit Insurance Corporation of Ontario. Dividends on these securities are not guaranteed.

Aussi disponible en français

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OFFERING STATEMENT SUMMARY

The following is a summary only and is qualified in its entirety by the more detailed information appearing elsewhere in this offering statement. Capitalized terms appearing herein and not otherwise defined shall have the respective meanings ascribed thereto elsewhere in this offering statement. Please also refer to the Glossary of Terms on page 8.

The Credit Union

The Civil Service Co-operative Credit Society, Limited ("**CS CO-OP**" or the "**Credit Union**") has been serving members across Ontario since its inception in 1908. From its roots as a credit union for federal government employees, it has evolved into a full service credit union with a broad bond of association serving over 126,000 active members through branches in Ontario in the National Capital Region, Kingston, the greater Toronto area, Borden, North Bay, Petawawa and Pembroke.

At December 31, 2001, CS CO-OP was one of the largest credit unions in Ontario, with approximately $1.1 billion in assets, 18 branches, 115 automated banking machines, a telephone banking centre and Internet banking. The Credit Union's primary business activities are concentrated on attracting savings deposits from members and granting Mortgage Loans, Personal Loans and Commercial Loans to members. See "The Civil Service Co-operative Credit Society, Limited" on page 12.

CS CO-OP has a wholly owned subsidiary, CS Society Holdings Inc., whose only business is to function as a holding company to hold the Credit Union's investments in subsidiaries. CS Society Holdings Inc. in turn has two wholly owned subsidiaries, CS Realty Corporation and CS Alterna Bank. CS Realty Corporation was intended to function as a real property corporation under the Act, but currently has only nominal assets and liabilities. CS Alterna Bank, which is now a Schedule 1 chartered bank under the *Bank Act* (Canada), however, forms an important part of CS CO-OP's future business strategy, as CS CO-OP plans to bring CS CO-OP and CS Alterna Bank together as a single federally regulated entity based on co-operative principles once permitted to do so from a legal and regulatory perspective. It is the intention of the board of directors of CS CO-OP, should this convergence occur, to act to protect the value of the shares of CS CO-OP upon the convergence. There currently is, however, no certainty regarding how the conversion of shares of CS CO-OP will occur on the convergence, because there is currently no legal mechanism in place to permit the convergence. As of December 31, 2001, CS Alterna Bank had assets of $39.4 million and liabilities of $29.2 million. In the opinion of the management and board of directors of CS CO-OP, CS Alterna Bank is not yet large enough to have a material impact on the consolidated results of CS CO-OP's operations. See pages 12 and 13 for further details.

Securities Offered

The Series 1 Class A Special Shares are Non-Cumulative, Non-Voting, Non-Participating shares of CS CO-OP with an issue price of $1.00 per share. These shares are special investment shares and constitute part of the authorized capital of the Credit Union. These shares are being offered only to CS CO-OP members who are resident in Ontario or, pursuant to an exemption granted by the Quebec Securities Commission, Quebec. The shares will be offered from the date hereof until such date as the board of directors shall determine, not exceeding six months from the date of the receipt for the offering statement, or until the date on which subscriptions for the Series 1 Class A Special Shares total a maximum of $30,000,000, whichever shall occur first (the "**Closing Date**").

The minimum and maximum subscription amounts allowed per member (18 years or older, if a natural person) are $1,000 and $150,000 respectively. Subscriptions, purchases and redemptions of the Series 1 Class A Special Shares will be processed exclusively through the branches and the corporate office of CS CO-OP. For branch locations, see "CS CO-OP Branch Information" on page 73.

The dividend rate on Series 1 Class A Special Shares will be set annually by the board of directors. This annual dividend rate, if and when declared, will not be less than a rate which exceeds by 150 basis points the yield on the Government of Canada five-year benchmark bond, as published by the Bank of Canada on its Internet site as at the date hereof. This shall not be construed to prevent the Board from declaring a pro-rated dividend where Series 1 Class A Special Shares are outstanding for only a portion of a fiscal year, provided that the annual rate which is pro-rated equals or exceeds the minimum dividend rate. This minimum annual rate will remain in effect for fiscal years beginning prior to the fifth anniversary of the initial issuance of the shares. The minimum annual dividend rate will be adjusted at the first Board meeting following the fifth anniversary of the initial issuance of the shares, and on each fifth anniversary thereafter (each such anniversary a "Minimum Dividend Adjustment Date"). Board policy states that the new minimum annual dividend rate for the five year period following a Minimum Dividend Adjustment Date will not be less than 150 basis points **above** the chartered banks' five year Guaranteed Investment Certificate ("GIC") rate, and will not exceed 150 basis points **above** the yield on the Government of Canada five-year benchmark bond, both as published by the Bank of Canada's Internet site, www.bankofcanada.ca, on that Minimum Dividend Adjustment Date. The Non-Cumulative dividend is payable if and when declared by the board of directors. Although there is no guarantee that a dividend will be paid, the Board's present intention is to pay a dividend yearly following each fiscal year-end of the Credit Union and prior to its annual general meeting, subject to Regulatory Capital and liquidity requirements.

Potential investors should note that dividends paid by credit unions are not treated as dividends for Canadian income tax purposes, and are instead treated as interest income. Dividends paid on the Series 1 Class A Special Shares will therefore not be eligible for the tax credit given to shareholders who receive dividends from taxable Canadian corporations. See page 25 for further details.

Series 1 Class A Special Shares are not redeemable by the holder thereof during the first five years following their issuance, and all redemptions are subject to the discretion of the Board of CS CO-OP. Redemptions, when permitted, will be further subject to a limit on the maximum number of shares that can be redeemed in any fiscal year; the Board will refuse redemption requests which exceed this limit, or otherwise fail to comply with the Credit Union's Articles of Incorporation ("Articles") and the Act. CS CO-OP, at its option, can acquire for cancellation all or part of the Series 1 Class A Special Shares outstanding at the Redemption Amount after a period of five years from their issuance. It is the policy of the Board that CS CO-OP will not acquire for cancellation all of the Series 1 Class A Special Shares without first declaring and paying a dividend on those shares for that portion of the then current fiscal year of the Credit Union during which those shares were issued and outstanding, at an annual rate not less than the then current minimum dividend rate. In the interest of increasing the liquidity of this investment for the shareholders, it is the Board's intention that CS CO-OP acquire for cancellation the Series 1 Class A Special Shares at the Redemption Amount as soon as it is permitted to do so by its Articles, provided all Regulatory Capital and liquidity requirements are met. It is therefore possible that these shares will be outstanding only for a period of five years from their issuance. See "Description of Securities Being Offered" on page 23.

Use of Proceeds

If fully subscribed, the gross proceeds from this issue will be $30,000,000. The costs of issuing the Series 1 Class A Special Shares are not expected to exceed $300,000, and these costs, net of applicable tax savings approximating $90,000, will be applied against the proceeds from the offering. The estimated maximum net proceeds of this offering of securities are $29,790,000. The funds raised from this offering will be used to add to CS CO-OP's share capital, to provide an increased capital base for future growth, and to facilitate the convergence of CS CO-OP and CS Alterna Bank by bringing the capital of the Credit Union closer to the level of 8.00% which is expected to be prescribed by the Office of the Superintendent of Financial Institutions, the regulator of federally regulated financial institutions, for the converged entity at the time of convergence. In addition, these funds will provide CS CO-OP with more opportunities to offer new products and services to its members through its branch network, strategic alliances and new and emerging technological advances. If this offering is fully subscribed (i.e. the full $30,000,000 is subscribed) and otherwise the Credit Union's assets, liabilities and equity are as stated in its audited financial statements as at December 31, 2001, the Credit Union could grow by $672.8 million, and would enjoy a Leverage Ratio of 8.05% and a Risk-Weighted Assets Ratio of 15.57%. On the same conditions except that the offering is only minimally subscribed (i.e. only $10,000,000 is subscribed), the figures are $272.8 million, 6.24% and 12.08%, respectively. See "Business Strategy" on page 18, and "Use of Proceeds from Sale of Securities" on page 32.

Capital Structure

CS CO-OP's authorized capital consists of Membership Shares, Class A Special Shares, Class B Special Shares and Class C Special Shares. There are no Class A, B or C Special Shares outstanding at the time of this offering. The Series 1 Class A Special Shares described in this offering statement have priority over the Membership Shares and the Class B and C Special Shares with respect to the payment of dividends and the return of capital. A complete description of the rights, terms, conditions and restrictions attached to the different classes of shares is contained in this offering statement. See "Capital Structure of the Credit Union" on page 19.

Risk Factors

Investments in the Series 1 Class A Special Shares are subject to a number of risk factors, including regulatory redemption restrictions, the continuous need to maintain minimum Regulatory Capital levels, the uncertainty of dividends, and the normal business risks associated with CS CO-OP's deposit and lending activities, including credit risk, investment risk, liquidity risk, interest rate risk, competitive risk, economic risk, the risk of Regulatory Action being taken against the Credit Union by the Superintendent or DICO, the Credit Union's reliance on its senior management personnel, the risk of the sudden incapacity or death of more than one member of the senior management team, business continuity risk, information technology risk and the risks inherent in the Credit Union's plans to bring together the Credit Union and CS Alterna Bank. See "Risk Factors" on page 41.

Dividend Policy

The dividend policy of the CS CO-OP board of directors is to pay a dividend on the Series 1 Class A Special Shares in every year in which there is sufficient net income to do so, while fulfilling all Regulatory Capital and liquidity requirements and ongoing operational requirements. The dividends on the Series 1 Class A

Special Shares are Non-Cumulative, with the dividend rate to be set annually by the board of directors if and when the dividend is declared, subject to the provisions detailed on page 40 regarding the minimum dividend rate if such a dividend is declared.

Selected Financial Information

The following table sets forth selected financial information as at the dates indicated, which has been derived from, should be read in conjunction with, and is qualified in its entirety by reference to the financial statements appearing on pages 52 to 68 in this offering statement and should also be read in conjunction with "Management Discussion and Analysis of Financial Condition and Results of Operations" on page 48.

(in thousands)	As at December 31		
	2001	**2000**	**1999**
Balance Sheets			
ASSETS			
Cash and cash equivalents	$98,987	$131,665	$152,138
Investments	50,710	98,681	70,788
Loans to members (net of allowance for impaired loans)	936,101	798,520	698,010
Capital and other assets	29,290	23,557	21,552
	$1,115,088	**$1,052,423**	**$942,488**
LIABILITIES AND MEMBERS' EQUITY			
Members' deposits	$1,012,025	$976,944	$866,421
Other liabilities	33,567	9,867	14,804
Membership shares	2,202	2,174	2,160
Reserves	67,294	63,438	59,103
	$1,115,088	**$1,052,423**	**$942,488**

(in thousands)	Years ended December 31		
	2001	**2000**	**1999**
Statements of Operations			
Interest and investment income	$72,259	$67,675	$59,506
Interest expense	34,586	32,589	28,438
Net interest income	37,673	35,086	31,068
Loan costs	2,061	1,586	1,594
	35,612	33,500	29,474
Other income	7,985	8,954	8,257
	43,597	42,454	37,731
Operating expenses	37,545	36,794	36,891
Income before income taxes	6,052	5,660	840
Provision for income taxes	2,196	1,325	239
Net income for the year	**$3,856**	**$4,335**	**$601**

GLOSSARY OF TERMS

"Act" - The *Credit Union and Caisses Populaires Act, 1994*, as now enacted or as the same may from time to time be amended, re-enacted or replaced.

"Administration" - a legal status ordered by the Deposit Insurance Corporation of Ontario ("DICO") in any of the following circumstances: (1) DICO, on reasonable grounds, believes that a credit union is conducting its affairs in a way that might be expected to harm the interests of members, depositors or shareholders or that tends to increase the risk of claims against the deposit insurer, but that Supervision by DICO as stabilization authority would, in this case, not be appropriate; (2) A credit union has contravened an order of DICO acting as a stabilization authority; (3) DICO is of the opinion that the assets of a credit union are not sufficient to give adequate protection to its depositors; (4) A credit union has failed to pay any liability that is due or, in the opinion of DICO, will not be able to pay its liabilities as they become due; (5) DICO, as a credit union's stabilization authority, makes a written request that the credit union be placed under Administration; or (6) DICO has received a report from the Superintendent of Financial Services that the Superintendent has ordered a credit union to cease operations; under which DICO has the power to: (a) Carry on, manage and conduct the operations of the credit union; (b) Preserve, maintain, realize, dispose of and add to the property of the credit union; (c) Receive the income and revenues of the credit union; (d) Exercise the powers of the credit union and of the directors, officers, loan officers and credit committees; (e) Exclude the directors of the credit union and its officers, committee members, employees and agents from the property and business of the credit union; and (f) Require the credit union, with or without obtaining member and shareholder consent, to (i) amalgamate with another credit union, (ii) dispose of its assets and liabilities, or (iii) be wound up.

"Agricultural Loan" – a loan to finance the production of cultivated or uncultivated field-grown crops; the production of horticultural crops, the raising of livestock, fish, poultry and fur-bearing animals; or the production of eggs, milk, honey, maple syrup, tobacco, wood from woodlots, and fibre and fodder crops.

"Basis Point" – one one-hundredth of a percentage point.

"Canadian Payments Association" - an association of Canadian financial institutions, for the purpose of assisting its members in the clearing of their clients' cheques and electronic debit items.

"Commercial Loan" - a loan, other than the following, made to any person for any purpose: an Agricultural Loan; a bridge loan; an Institutional Loan; a Personal Loan; a Mortgage Loan; a loan to an unincorporated association; a deposit made by a credit union with a financial institution; a loan fully secured by a deposit with a financial institution (including the credit union making the loan); a loan fully secured by debt obligations guaranteed by a financial institution other than the credit union making the loan; an investment in a debt obligation that is fully guaranteed by a stabilization authority or by a financial institution other than the credit union making the loan, fully secured by deposits with a financial institution (including the credit union making the loan) or fully secured by debt obligations that are fully guaranteed by a financial institution other than the credit union making the loan; an investment in a debt obligation issued by the federal government, a provincial or territorial government, a municipality, or any agency of such a government or municipality; an investment in a debt obligation guaranteed by, or fully secured by securities issued by, the federal government, a provincial or territorial government, a municipality, or by an agency of such a government or municipality; an investment in a debt obligation issued by a league; an investment in a debt obligation which is widely-distributed; an investment in shares or ownership interests that are widely-distributed; an investment in a participating share; or an investment in shares of a league.

"Institutional Loan" - a loan given to the federal government or a federal government agency, a provincial or territorial government or an agency of one, a municipality or an agency of one, a school board, or an entity primarily funded by the federal government, a provincial or territorial government, or a municipality.

“Interac®” - a national network of automated banking machines and point-of-sale terminals, enabling clients of a financial institution to use automated banking machines and terminals not owned and operated by that financial institution.

"Leverage Ratio" - total Regulatory Capital divided by total assets.

“Membership Shares” - shares required, according to the Credit Union’s by-laws, to maintain a membership in the Credit Union.

"Mortgage Loan" - loan made for the purpose of purchasing, renovating or improving residential property, and secured by a mortgage on a single-family residential property occupied by the borrower; or exceeding $25,000 and given to an individual for personal, family or household use, and secured by a mortgage on a residential property consisting of four units or less, one of which units is occupied by the borrower.

"Net Interest Margin" - the difference between the interest the Credit Union earns on loans to members and on investments and the interest that the Credit Union pays on deposits held by members and on borrowings from external sources.

"Non-Cumulative" - dividends not declared or paid for one fiscal year are not carried forward or added to the dividend of a following year but are forever extinguished.

"Non-Participating" – shareholders participate in the Credit Union’s income only through dividends declared at the discretion of the Board, and, in case of dissolution, receive only the Redemption Amount (see below) and do not participate in receiving any of the residual value of the credit union's assets.

“Non-Voting” - holders vote only at certain shareholder meetings, as permitted and required by the Act.

"Personal Loan" - loan given to an individual for personal, family or household use; or to an individual or entity for any other use if the loan, and all other loans outstanding to that individual or entity, does not exceed $25,000.00.

"PLUS®" - an international network of automated banking machines, functioning much like Interac.

"Redemption Amount" - the amount a shareholder receives on redemption or at which shares are transferred from one member to another; this amount is equal to the issue price of the shares ($1 per share) plus any dividends which have been declared but not yet paid.

"Redemption Price" - the amount paid up per share (the share's issue price).

"Regulatory Action" – the power, under the Act, of the Deposit Insurance Corporation of Ontario, as stabilization authority for the credit unions and caisses populaires in Ontario, to ask the Superintendent to place a credit union or caisse populaire under Supervision, and to itself place a credit union or caisse populaire under Administration, should it believe that there is potential for the credit union or caisse populaire to encounter financial or management problems which could affect its financial well-being or which could tend to increase the risk of claims by the credit union or caisse populaire against the deposit insurance fund.

"Regulatory Capital" - liabilities included as Regulatory Capital, and members' equity (Membership Shares; Series 1 Class A Special Shares; Class B Special Shares; Class C Special Shares; and reserves), less deductions specified in regulations passed pursuant to the Act.

"Risk-Weighted Assets" - the absolute value of assets in specified categories is multiplied by a percentage, varying between 0% and 100% depending on the risk attributed to each category as specified by the Deposit Insurance Corporation of Ontario. The sum of all the categories is the Credit Union's total Risk-Weighted Assets.

"Risk-Weighted Assets Ratio" - Regulatory Capital divided by Risk-Weighted Assets.

"Special Meeting" - a meeting of the members or shareholders of the Credit Union, other than its annual membership meeting.

"Special Resolution" - a resolution that is not effective until it is passed by the board of directors and confirmed by a resolution passed by a majority of not less than two-thirds of the votes of the members or shareholders, as the case may be, present at the meeting in person or, as permitted by the Credit Union's by-laws and articles of incorporation, by proxy.

"Substantial Portion" - assets having an aggregate value equal to or greater than 15 per cent of a credit union's assets at the end of its previous fiscal year.

"Supervision" - a legal status ordered by the Superintendent of Financial Services when: (1) A credit union asks, in writing, that it be subject to Supervision; (2) A credit union is not in compliance with prescribed Regulatory Capital or liquidity requirements; (3) The Superintendent has reasonable grounds for believing that a credit union is conducting its affairs in a way that, reasonably, might be expected to harm the interests of members or depositors or that tends to increase the risk of claims against the deposit insurer; (4) A credit union or an officer or director of it does not file, submit or deliver a report or document required to be filed, submitted or delivered under this Act within the time permitted under this Act; (5) A credit union did not comply with a Superintendent's enforcement order regarding an infringement of the Act; (6) A credit union is not complying with its own investment and lending policy; or (7) DICO, acting as stabilization authority, requests it; under which DICO, acting as stabilization authority, can: (a) order the credit union to correct any practices that the authority feels are contributing to the problem or situation that caused the credit union to be ordered subject to Supervision; (b) order the credit union and its directors, committee members, officers and employees not to exercise any powers of the credit union or of its directors, committee members, officers and employees; (c) establish guidelines for the operation of the credit union; (d) order the credit union not to declare or pay a dividend, or to restrict the amount of a dividend to be paid to a rate or amount set by the authority; (e) attend meetings of the credit union's board of directors and its credit and audit committees; and (f) propose by-laws for the credit union and amendments to its articles of incorporation.

THE CIVIL SERVICE CO-OPERATIVE CREDIT SOCIETY, LIMITED

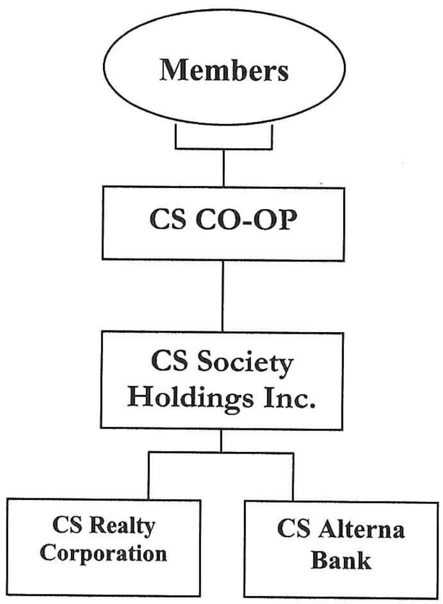
The Civil Service Co-operative Credit Society, Limited (“**CS CO-OP**” or the “**Credit Union**”) has been serving members across Ontario since its inception in 1908. CS CO-OP was incorporated as The Civil Service Co-operative Credit Society, Limited in 1928 and became the first such entity formed under the Co-operative Credit Act. The Act was revised in 1932 and became the Credit Unions Act of Ontario. From its roots as a credit union for federal government employees, the Credit Union has evolved into a full service credit union with a broad bond of association and branches in Ontario in the National Capital Region, Kingston, the greater Toronto area, Borden, North Bay, Petawawa and Pembroke.

Today, the Credit Union, operating as CS CO-OP, is one of Ontario’s largest credit unions, with assets in excess of $1.1 billion. CS CO-OP has a total membership of over 149,000 members, comprised of over 126,000 active members and approximately 23,000 inactive members who have not transacted business with the Credit Union in the last year. CS CO-OP’s corporate office is located at 400 Albert Street, Ottawa, Ontario, K1R 5B2, telephone: (613) 560-0130, fax: (613) 560-0177.

CS CO-OP offers members a full range of financial services, which include traditional savings and loan services and a wide variety of electronic services. Among these is a network of more than 115 automated teller machines. The Credit Union is a member of Interac and a limited partner in Ficanex, which operates the Exchange ABM network. The Credit Union also has access to the CIRRUS®, Maestro®, Presto!®, and Plus® networks in North America. Members also have access to financial services using telephone and Internet banking.

CS CO-OP is the sole owner of CS Society Holdings Inc., a holding company that owns CS CO-OP’s investments in CS Alterna Bank and CS Realty Corporation. CS Society Holdings Inc. is the sole owner of CS Alterna Bank, now a Schedule 1 Bank under the Bank Act, and CS Realty Corporation, which currently has only nominal assets and liabilities.

A pictorial representation of the ownership of the Credit Union and its subsidiaries is as follows:



On October 2, 2000, CS CO-OP continued its indirectly wholly owned subsidiary, Civil Service Loan Corporation, as a Schedule 2 (*i.e.*, not widely held) bank named CS Alterna Bank. CS Alterna Bank, due to changes in the Bank Act effective October 24, 2001, became a Schedule 1 (*i.e.*, Canadian, whether or not widely held) bank. As at December 31, 2001, CS Alterna Bank had three branches, located in Hull, Aylmer and Gatineau in the province of Quebec, and a fourth branch and its corporate office located in Ottawa, Ontario. The CS CO-OP branches of Albert Street, Sparks Street, Tunney's Pasture, Pembroke, Shepard, Scarborough and Borden are currently acting as agents for CS Alterna Bank. Under this agency agreement, CS CO-OP branches acting as agents accept deposits and grant loans and mortgages on behalf of CS Alterna Bank. The agency agreement is governed by internal policies and procedures, which have been shared with regulators of both entities. It is the intention of CS CO-OP and CS Alterna Bank to extend the agency model to all CS CO-OP branches by December 31, 2002. CS Alterna Bank has outsourced all of its processes to CS CO-OP. See "Material Contracts" on page 37.

The assets, liabilities, equity and operating results of all three subsidiaries have been consolidated with CS CO-OP's financial statements included in this offering statement at page 52. Management and the Credit Union's board of directors are of the opinion that none of the subsidiaries are of a significant enough size to justify separate disclosure. The assets, liabilities, equity and income of the subsidiaries have been excluded from the calculation of the Regulatory Capital (Leverage Ratio and Risk-Weighted Assets Ratios) and liquidity ratios presented in this offering statement because their inclusion would reduce the meaningfulness of the ratio or percentage.

CS Alterna Bank does, however, form a significant part of CS CO-OP's future business strategy, because of the Credit Union's plans to bring CS CO-OP and CS Alterna Bank together as one federally regulated entity based on co-operative principles as soon as it is permitted to do so from a legal and regulatory perspective. See pages 18 and 19 for further information.

Bond of Association and Membership

The Act specifies that a bond of association must exist among members of a credit union. Typically, such bonds of association may be community or geographically-based, industry or corporate sponsor-based, or otherwise based on a group of members with a common association. Until 1995, CS CO-OP's bond of association was primarily limited to employees and retirees of the federal government and their families. The bond of association was expanded in 1996 and again in 1998 and now includes virtually every person who lives or works in the province of Ontario. More specifically, the by-laws of the Credit Union provide membership opportunities to:

(a) persons employed under the Public Service Employment Act of Canada or employed in the public service of Canada otherwise than under that Act;

(b) persons who are appointees to or employed in any Crown corporation or departmental corporation within the meaning of the Financial Administration Act;

(c) persons whose salaries are paid out of the Consolidated Revenue Fund of Canada and who are appointees to or employed in any agency, commission, corporation or other organization, established by or under the authority of the Government of Canada or an Act of the Parliament of Canada, that is designated by the board of directors;

(d) judges and officers and employees of courts and tribunals who are appointed under the Constitution Act, 1867 or any Act of the Parliament of Canada;

(e) Senators and their employees, and members of the House of Commons and their employees, and employees of the Senate and House of Commons;

(f) employees of CS CO-OP;

(g) employees of a member society;

(h) a solicitor of record of CS CO-OP, designated by the board of directors;

(i) the spouse, parents, widow, widower or other relative of a member;

(j) a person who was, at any time, a person described in any of paragraphs (a) to (e), (l) or (m) who is, at the time of application for membership in the Society, entitled, by reason of his or her employment, appointment, membership or office referred to in such paragraph, to receive continuing payments in the nature of superannuation or disability payments;

(k) veterans, spouses of veterans and widows or widowers of veterans in receipt of an allowance under the War Veterans Allowance Act (or any successor legislation of the Government of Canada);

(l) persons employed by the Department of National Defence (whether in the Armed Forces or as civilian employees), the militia or the Royal Canadian Mounted Police;

(m) members and employees of any credit union that amalgamates with the Society or whose assets are purchased by the Society;

(n) subject to any regulations made under section 34 of the Act, any corporation, unincorporated organization or partnership:
   i) that is a Crown corporation or departmental corporation within the meaning of the Financial Administration Act;
   ii) that was at any time in its existence a crown corporation or departmental corporation within the meaning of the Financial Administration Act;
   iii) that is an organization the activities of which are mainly concerned with the welfare of employees of the Government of Canada and that is designated by the board of directors;
   iv) that is a corporation which has charitable, benevolent or cultural objects relating in whole or in part to employees or former employees of the Government of Canada and that is designated by the board of directors; or
   v) that is a corporation with share capital the majority of the voting shares of which are held by members of the Credit Union;

(o) persons who are civil servants, Crown employees or public servants under the *Public Service Act* (Ontario) (or any successor legislation) or who are employed by the Crown under that Act;

(p) persons entitled to be members of the plan under the *Public Service Pension Act* (Ontario) (or any successor legislation), or who are in receipt of a benefit under that Act (or any predecessor or successor legislation);

(q) any employee of any municipality under the *Municipal Act* (Ontario);

(r) any person to whom a pension is being paid under the Ontario Municipal Employees Retirement System;

(s) any person who resides or works within a municipality in Ontario (including a metropolitan, regional and district municipality) within which the Government of Canada maintains a permanent establishment;

(t) any partnership of which at least one of the partners is a member of CS CO-OP; and

(u) an entity funded in whole or in part by the Government of Canada, the government of a province or territory of Canada or a municipality.

In addition, pursuant to section 31(1) of the Act, the by-laws permit the Board to admit into membership any person which does not otherwise fit into the bond of association, provided that the number of members who do not come within the bond of association does not exceed three per cent of the number of members of the Credit Union.

With the expansions in its bond of association, CS CO-OP has laid the groundwork to greatly reduce its exposure to any future downsizing or privatization of federal government employment and is now instead exposed to general economic conditions which affect the community at large. See "Economic Risk" at page 46.

Subject to approval by the board of directors, membership in CS CO-OP is granted to applicants who are within the bond of association. Members are required to purchase and hold one Membership Share. The current issue price is $15.00 per Membership Share (except for Youth Membership Shares held by members under the age of 18, for which the issue price is $1.00). This requirement is pursuant to CS CO-OP's by-laws.

Corporate Governance

The business of the Credit Union is directed and governed by its board of directors (the "Board"), which consists of 10 individuals who are elected by the membership at general membership meetings, with each director being elected for a three-year term on a rotating basis to provide for continuity. The Board has responsibility and authority within the Credit Union to set overall policies and direction, which are then implemented and carried out by CS CO-OP's senior management. The Board has established committees to assist in its effective functioning and to comply with the requirements of the Act. In particular, the Finance and Audit Committee of the Board is responsible for, among other things, reviewing and recommending to the Board for approval any financial statements which are presented to the members, either at annual general meetings or within an offering statement. For the names, municipality of residence, offices with the Credit Union and the principal occupations of the directors and senior management of CS CO-OP as of the date of this offering statement, see "Board of Directors" on page 34 and "Senior Management" on page 35.

Regulatory Framework

Credit unions and caisses populaires in Ontario are governed by the Act. The Superintendent of Financial Services ("Superintendent") is charged with the responsibility of exercising certain powers and performing certain duties which are conferred or imposed by the Act. Among other duties, the Superintendent monitors compliance with section 84 of the Act, which requires that adequate and appropriate forms of Regulatory Capital and liquidity be maintained by credit unions and caisses populaires. The Credit Union, as of the date hereof, complies with all Regulatory Capital and liquidity requirements.

The Deposit Insurance Corporation of Ontario ("DICO") is a provincial Crown corporation responsible for insuring deposits made by members in credit unions and caisses populaires, in accordance with the requirements of the Act and DICO's Policy of Deposit Insurance. DICO is able to impose certain requirements as a condition of continuing its deposit insurance coverage and, in the event that a credit union or caisse populaire fails to comply and is believed to represent a serious threat to the deposit insurance fund, has broader power to take corrective action, which may include ordering a credit union under Administration, or requesting that the Superintendent order a credit union under Supervision. The Credit Union's deposit insurance is in good standing until December 31, 2002, and DICO has imposed no conditions on the maintenance of the Credit Union's deposit insurance coverage beyond a requirement that the Credit Union report any material adverse change to DICO so that DICO may take appropriate action.

The Series 1 Class A Special Shares being offered are not guaranteed by DICO or any similar public agency.

BUSINESS OF THE CIVIL SERVICE CO-OPERATIVE CREDIT SOCIETY, LIMITED

General Description of Business

CS CO-OP's mission is to build a lifetime partnership with its members. The Credit Union is licensed by the Superintendent to offer Personal Loans, Mortgage Loans, Commercial Loans, Institutional Loans and Agricultural Loans. Retail financial services for individuals include traditional banking services such as savings and chequing accounts, registered retirement savings plans ("RRSPs"), registered retirement income funds ("RRIFs"), mutual funds, loans and mortgages, as well as complementary services such as payroll deposit, telephone banking, Internet banking, and more. The Credit Union is a member of the Interac network and a limited partner in Ficanex, which operates the Exchange ABM Network. The Credit Union also has access to the CIRRUS®, Maestro®, Presto!®, and PLUS® networks in North America. Commercial services complete CS CO-OP's current product line. Commercial services include pay-per-use and packaged accounts, operating lines of credit, term loans and commercial mortgages as well as merchant services, investments and insurance (through a third party).

CS CO-OP has always refined and enhanced its traditional financial services and products, and developed and provided additional financial services through its existing service distribution network to better respond to member needs. The introduction of Tiered Interest Savings, Index Linked Term Deposits, and Stepped Daily Interest Chequing, and a full range of RRSP and RRIF investments and financial planning services, are only a few examples. Through its strategic alliances CS CO-OP also makes available to members additional services such as investments, brokerage, MasterCard®, foreign currency banknotes, wires and drafts, mutual funds, self-directed RRSPs and RRIFs (including mutual funds) and home and automobile insurance. CS CO-OP is continually looking for opportunities to offer additional and innovative products and services to its members, either directly or through its strategic alliance partners, and through new and emerging technological advances.

CS CO-OP's total assets have grown 22.88% over the past five years, from $907.5 million as at December 31, 1996 to $1,115.1 million as at December 31, 2001. A number of acquisitions have contributed to this growth. Between March 1998 and May 1999, loans and mortgages were acquired and deposits were assumed from the following entities:

Date	Entity	Loans and Mortgages ($ Millions)	Deposits ($ Millions)
March 31, 1998	Defence Community Credit Union Limited	$53.3	$56.6
July-September 1998	Capital Community Credit Union Limited	4.3	0.7
October 1998	Kingston Branch of a major Canadian chartered bank	12.8	6.4
May 31, 1999	Pembroke branch of Caisse Ste-Anne-Laurier d'Ottawa inc.	7.0	4.3
		$77.4	**$68.0**

The continuance of CS CO-OP's indirectly wholly owned subsidiary, Civil Service Loan Corporation, as CS Alterna Bank in October 2000 did not have a material impact on the consolidated results of operations of CS CO-OP, as the bank was in a start-up mode. As at December 31, 2001, the total assets of CS Alterna Bank were $39.4 million, and its liabilities were $29.2 million. As at December 31, 2001, an immaterial amount of these assets and liabilities have been acquired pursuant to CS Alterna Bank's agency relationship with CS CO-OP.

Personal Loans

Personal Loans to members comprise instalment loans, demand loans, and lines of credit. At December 31, 2001, CS CO-OP had a Personal Loan portfolio (net of allowance for impaired loans, hereinafter "net") of $274.8 million, representing 29.36% of total loans outstanding. At December 31, 2000, CS CO-OP had a net Personal Loan portfolio of $241.2 million, representing 30.21% of total loans outstanding. At December 31, 1999, CS CO-OP had a net Personal Loan portfolio of $234.4 million, representing 33.58% of total loans outstanding.

Mortgage Loans

CS CO-OP offers residential first and second Mortgage Loans to its members, and also offers secured lines of credit. It grants Mortgage Loans to individuals according to conventional mortgage lending standards for residential property. CS CO-OP offer closed, fixed rate; open, fixed rate; and open, variable rate mortgages; written with terms of six months to five years.

Of the Credit Union's residential mortgage portfolio as at December 31, 2001, 2000 and 1999, 37.71%, 35.19% and 30.90% respectively was comprised of high-ratio Mortgage Loans insured by the Canada Mortgage and Housing Corporation ("CMHC").

At December 31, 2001, net Mortgage Loans represented 53.98% of total loans outstanding, and totalled $505.3 million. At December 31, 2000, net Mortgage Loans represented 58.09% of total loans outstanding, and totalled $463.9 million. At December 31, 1999, net Mortgage Loans represented 61.44% of total loans outstanding, and totalled $428.8 million.

Commercial Loans

Commercial Loans by CS CO-OP consist of commercial mortgages, term loans, lines of credit and letters of credit granted to small- and medium-sized businesses in its bond of association. These loans function similarly to their counterparts in "Personal Loans" above, but expose the Credit Union to a greater risk of loss because of the risks inherent in lending to small and growing businesses, and the skill required to administer such loans; in particular, these loans are more risky than Personal Loans because of the larger amounts on loan, the more sophisticated documentation required both to establish capacity to borrow and also to secure the loan, the need for more careful and continuous review to protect the Credit Union's position, and the limited liability afforded by Canadian law to corporations. CS CO-OP has developed and follows commercial lending policies, which are approved and reviewed annually by the Board and which comply with the recommendations of DICO, to minimize its risk of loan delinquencies and losses.

At December 31, 2001, CS CO-OP had a net Commercial Loan portfolio of $156.0 million, representing 16.67% of total loans outstanding. At December 31, 2000, CS CO-OP had a net Commercial Loan portfolio of $93.4 million, representing 11.70% of total loans outstanding. At December 31, 1999, CS CO-OP had a net Commercial Loan portfolio of $34.8 million, representing 4.98% of total loans outstanding.

Agricultural Loans; Institutional Loans

The Credit Union did not have a material amount of either Agricultural Loans or Institutional Loans outstanding at December 31, 2001 or at any time for the years ended December 31, 2000 and December 31, 1999.

Administration

Affiliation

CS CO-OP is part of the Association of Credit Unions of Ontario, but is not affiliated with a league, as that term is defined in the Act, and is not a member of a liquidity pool, as that phrase is defined in the Act. Board and management are of the opinion that the costs of affiliation with a league and of membership in a liquidity pool outweigh the benefits.

Information Technology

The Credit Union has recently decided to replace its core banking system with software licensed from Summit Information Systems ("Summit"). This software will also replace the existing software licensed by the Credit Union to enable its members to accomplish telephone banking transactions.

The Credit Union has also recently contracted with Innovera Solutions to license software which enables its members to accomplish Internet banking transactions.

See pages 47 and 38, respectively, for a further discussion of these contracts.

Business Strategy

CS CO-OP was established over 90 years ago by and for the employees of the federal government. It has grown over that period of time to be one of Ontario's largest credit unions. In 1998, CS CO-OP expanded its bond of association to allow it to expand and improve its service delivery and products as well as to expand its membership base and provide a financial services alternative to more Ontario citizens. In 1998, the Credit Union adopted a growth strategy. In keeping with this strategy, during 1998 and 1999, CS CO-OP purchased the assets of Defence Community Credit Union Limited, most of the remaining assets of Capital Community

Credit Union Limited, the Kingston branch of a major Canadian chartered bank, and the Pembroke branch of Caisse populaire Ste-Anne-Laurier d'Ottawa inc.

Concurrent with these activities, CS CO-OP has been a key player in furthering the concept of a co-operative bank with federal and provincial governments. This concept calls for the creation of a federally regulated financial institution based on co-operative principles. CS CO-OP views the co-operative bank as its preferred way of expanding its activities outside of Ontario. As discussions continue with both levels of governments for the creation of such a bank, CS CO-OP took an interim measure to further this goal by continuing its indirectly wholly owned subsidiary, Civil Service Loan Corporation, as CS Alterna Bank, now a Schedule 1 chartered bank. CS CO-OP is currently considering methods of converging the Credit Union and CS Alterna Bank into one entity. When the enabling legislation becomes available and regulatory approvals are obtained, this converged entity would become a co-operative bank. In this regard it is important that CS CO-OP is seen to be, and continues to be, properly capitalized and financially sound.

Purpose of the Offering

The funds raised from this offering will be used firstly to build capital towards CS CO-OP's objective of achieving and maintaining a Leverage Ratio of at least 7.00%, well above the statutory requirement of 5.00%. As at December 31, 2001 the Credit Union's Leverage Ratio had reached 5.36%. Based on a Leverage Ratio of 5.00%, if this offering is fully subscribed and otherwise the Credit Union's assets, liabilities and equity are as indicated on the Credit Union's audited financial statements as at December 31, 2001, the Credit Union could support growth of $672.8 million, and would enjoy a Leverage Ratio of 8.05% and a Risk-Weighted Assets ratio of 15.57%. On the same conditions except that this offering is only minimally subscribed, the figures are $272.8 million, 6.24%, and 12.08% respectively.

In addition, these funds will allow CS CO-OP more opportunities to offer more products and services to its members through its current branch network, strategic alliances and new and emerging technological advances. See "Business Strategy" on page 18 and "Use of Proceeds from Sale of Securities" on page 32.

The funds will also better position CS CO-OP and CS Alterna Bank to converge both entities into a federally regulated financial institution based on co-operative principles, once legislative changes and regulatory approvals are obtained. Any converged entity will likely be subject to a higher Leverage Ratio requirement (8.00%) than is CS CO-OP (5.00%).

CAPITAL STRUCTURE OF THE CREDIT UNION

CS CO-OP's current authorized capital consists of an unlimited number of Membership Shares, and an unlimited number of Class A Special Shares, Class B Special Shares and Class C Special Shares.

Membership Shares

Each CS CO-OP member is required, as a condition of membership, to own one Membership Share with an issue price of $15.00. A member under the age of 18 is required to pay only $1.00 for his or her Membership Share. Each member 14 years of age or over is entitled to one vote at general membership meetings. The holders of Membership Shares may receive dividends if, as and when declared by the Board.

CS CO-OP's membership may, from time to time, amend the by-laws by Special Resolution to change the minimum number of Membership Shares required for membership in CS CO-OP. As required by the Act and CS CO-OP's Articles, Membership Shares are redeemable upon death, withdrawal or expulsion from membership. Membership Shares cannot be redeemed if the Credit Union is not meeting the Regulatory Capital and liquidity requirements of the Act. Membership Shares are redeemed at the amount paid up thereon, subject to any regulatory restrictions. Transfer of Membership Shares, other than to CS CO-OP, is prohibited by the Act and the Credit Union's Articles. As at December 31, 2001, there were 149,112 Membership Shares outstanding with an aggregate stated value of $2,201,794.

Membership Shares rank junior to Class A Special Shares, Class B Special Shares and Class C Special Shares with respect to priority in the declaration and payment of dividends.

In the event of the liquidation, dissolution or winding-up of the Credit Union or other distribution of assets or property of CS CO-OP among its members or shareholders for the purpose of winding-up its affairs, the holders of Membership Shares shall each be entitled to receive an amount representing equal portions of the assets or property of CS CO-OP remaining after payment of all CS CO-OP's debts and obligations, including redemption of all senior classes of shares, including Class A Special Shares, Class B Special Shares and Class C Special Shares.

Class A Special Shares

The Credit Union's Articles allow the Board to issue one or more series of Class A Special Shares, at any time and from time to time. Before a particular series is issued, the Board must fix the number of shares in such series, and must determine the designation, rights, privileges, restrictions and conditions to attach to the shares of such series. The Class A Special Shares rank senior to the Membership Shares and the Class B and Class C Special Shares in respect of the payment of dividends.

The Class A Special Shares are generally Non-Voting and Non-Participating. Holders of Class A Special Shares are, however, entitled to notice of meetings of the shareholders called for the purpose of authorizing the dissolution or winding-up of the Credit Union, or the transfer of all or a Substantial Portion of the Credit Union's assets, or the amalgamation of the Credit Union with another credit union, and of meetings of Class A Special Shareholders, as a class, called for the purpose of authorizing an amendment to the Articles of the Credit Union which will have a direct effect on the terms and conditions of the Class A Special Shares, except that the holders of the Class A Special Shares are not entitled to vote, or to vote separately as a class, upon a proposal to amend the Articles to change any maximum number of authorized Class A Special Shares; to increase the maximum number of authorized shares of a class or series of a class having rights or privileges equal or superior to the Class A Special Shares; to effect any exchange, reclassification or cancellation of all or part of the Class A Special Shares; or to create a new class or series of a class of shares equal or superior to the Class A Special Shares. Holders of Class A Special Shares have one vote per Class A Share held at such meetings.

In the event of the liquidation, dissolution or winding up of CS CO-OP or any other distribution of its assets for the purpose of winding-up its affairs, holders of Class A Special Shares will be paid the Redemption Amount for each such Class A Special Share held, in priority to payments to the holders of Membership Shares, and of Class B and Class C Special Shares, but after provision for payment of all of CS CO-OP's other debts and obligations, including any other securities which may rank senior to the Class A Special Shares. There are currently no securities outstanding, nor any provided for in the Articles, which rank senior to the Class A Special Shares. Holders of Class A Special Shares are not entitled to participate in any further distribution of residual assets of the Credit Union.

Class A Special Shares may not be issued or transferred except to members of the Credit Union, the Credit Union itself, or other entities prescribed under the Act.

There are no Class A Special Shares issued or outstanding as of the date of this offering statement.

Series 1 Class A Special Shares

The Board has authorized the creation and issuance of Series 1 Class A Special Shares at an issue price of $1.00 each. There are no Series 1 Class A Special Shares issued or outstanding as of the date of this offering statement.

For a complete description of the rights, terms, conditions and restrictions of Series 1 Class A Special Shares, see "Description of Securities Being Offered", beginning on page 23.

Class B Special Shares

The Credit Union's Articles allow the Board to issue one or more series of Class B Special Shares, at any time and from time to time. Before a particular series is issued, the Board must fix the number of shares in such series, and must determine the designation, rights, privileges, restrictions and conditions to attach to the shares of such series. The Class B Special Shares rank senior to the Membership Shares and the Class C Special Shares, but junior to the Class A Special Shares, in respect of the payment of dividends.

The Class B Special Shares are generally Non-Voting and Non-Participating. Holders of Class B Special Shares are, however, entitled to notice of meetings of the shareholders called for the purpose of authorizing the dissolution or winding-up of the Credit Union, or the transfer of all or a Substantial Portion of the Credit Union's assets, or the amalgamation of the Credit Union with another credit union, and of meetings of Class B Special Shareholders, as a class, called for the purpose of authorizing an amendment to the Articles of the Credit Union which will have a direct effect on the terms and conditions of the Class B Special Shares, except that the holders of Class B Special Shares are not entitled to vote, or to vote separately as a class, upon a proposal to amend the Articles to change any maximum number of authorized Class B Special Shares; to increase the maximum number of authorized shares of a class or series of a class having rights or privileges equal or superior to the Class B Special Shares; to effect any exchange, reclassification, or cancellation of all or part of the Class B Special Shares; or to create a class or series of a class of shares equal or superior to the Class B Special Shares. Holders of Class B Special Shares have one vote per Class B Share held at such meetings.

In the event of the liquidation, dissolution or winding up of CS CO-OP or any other distribution of its assets for the purpose of winding-up its affairs, holders of Class B Special Shares will be paid the Redemption Amount for each such Class B Special Share held, in priority to any payment to the holders of Membership Shares and the Class C Special Shares, but after the redemption, at the Redemption Amount, of all then issued and outstanding Class A Special Shares and the provision for the payment of all of CS CO-OP's other debts and obligations. Only Class A Special Shares rank senior to the Class B Special Shares, although no shares of either class are currently issued or outstanding. Holders of Class B Special Shares are not entitled to participate in any further distribution of residual assets of the Credit Union.

Class B Special Shares may not be issued or transferred except to members of the Credit Union, the Credit Union itself, or other entities prescribed under the Act.

There are no Class B Special Shares issued or outstanding as of the date of this offering statement.

Class C Special Shares

The Credit Union's Articles allow the Board to issue one or more series of Class C Special Shares, at any time and from time to time. Before a particular series is issued, the Board must fix the number of shares in such series and must determine the designation, rights, privileges, restrictions and conditions to attach to the shares of such series. The Class C Special Shares rank senior to the Membership Shares, but junior to the Class A and Class B Special Shares, in respect of the payment of dividends.

The Class C Special Shares are generally Non-Voting and Non-Participating. Holders of Class C Special Shares are, however, entitled to notice of meetings of the shareholders called for the purpose of authorizing the dissolution or winding-up of the Credit Union, or the transfer of all or a Substantial Portion of the Credit Union's assets, or the amalgamation of the Credit Union with another credit union, and of meetings of Class C Special Shareholders, as a class, called for the purpose of authorizing an amendment to the Articles of the Credit Union which will have a direct effect on the terms and conditions of the Class C Special Shares, except that holders of the Class C Special Shares are not entitled to vote, or to vote separately as a class, upon a proposal to amend the Articles to change any maximum number of authorized Class C Special Shares, to increase the maximum number of authorized shares of a class or series of a class having rights or privileges equal or superior to the Class C Special Shares; to effect any exchange, reclassification or cancellation of all or part of the Class C Special Shares; or to create a new class or series of a class of shares equal or superior to the Class C Special Shares. Holders of Class C Special Shares have one vote per Class C Share held at such meetings.

In the event of the liquidation, dissolution or winding up of CS CO-OP or any other distribution of its assets for the purpose of winding-up its affairs, holders of Class C Special Shares will be paid the Redemption Amount for each such Class C Special Share held, in priority to any payment to the holders of Membership Shares but after the redemption at the Redemption Amount of all then issued and outstanding Class A and Class B Special Shares, and provision for the payment of all of CS CO-OP's other debts and obligations. Only Class A and Class B Special Shares rank senior to the Class C Special Shares, although no shares of any of the three classes are currently issued or outstanding. Holders of Class C Special Shares are not entitled to participate in any further distribution of residual assets of the Credit Union.

Class C Special Shares may not be issued or transferred except to members of the Credit Union, the Credit Union itself or other entities prescribed under the Act.

There are no Class C Special Shares issued or outstanding as of the date of this offering statement.

CAPITAL STRUCTURE OF CS CO-OP'S SUBSIDIARIES

The capital structure of CS CO-OP's subsidiaries is as follows:

The capital of CS Society Holdings Inc. is comprised of an unlimited number of common shares. CS CO-OP owns 100% of the issued and outstanding shares of CS Society Holdings Inc.

The capital of CS Alterna Bank is comprised of an unlimited number of common shares. CS Society Holdings Inc. owns 100% of the issued and outstanding shares of CS Alterna Bank.

The capital of CS Realty Corporation is comprised of an unlimited number of common shares. CS Society Holdings Inc. owns 100% of the issued and outstanding shares of CS Realty Corporation.

See the pictorial representation of the ownership of CS CO-OP and its subsidiaries at page 12.

DESCRIPTION OF SECURITIES BEING OFFERED

Series 1 Class A Special Shares

Issue

Series 1 Class A Special Shares will only be issued to members of CS CO-OP who are resident in Ontario or Quebec, and who have attained the age of at least 18 years, if individuals, at a price of $1.00 per share. Legal persons may purchase Series 1 Class A Special Shares. A minimum subscription of 1,000 shares ($1,000) is required, and subscriptions are restricted to a maximum of 150,000 shares ($150,000).

The Credit Union has obtained all necessary regulatory approvals from the Quebec Securities Commission allowing it to sell these securities to members who are Quebec residents.

Dividends

The dividend rate on Series 1 Class A Special Shares will be set annually by the Board. This annual dividend rate, if and when a dividend is declared, will not be less than a rate which exceeds by 150 basis points the yield on the Government of Canada five-year benchmark bond, as published by the Bank of Canada on its Internet site as at the date hereof. This minimum annual dividend rate shall not be construed to prevent the Board from declaring a pro-rated dividend where Series 1 Class A Special Shares are outstanding for only a portion of a fiscal year, provided that the annual rate which is pro-rated equals or exceeds the minimum annual dividend rate. This minimum annual rate will remain in effect for fiscal years beginning prior to the fifth anniversary of the initial issuance of the shares. The minimum annual dividend rate will be adjusted at the first Board meeting following the fifth anniversary of the initial issuance of shares hereunder, and each fifth anniversary thereafter (each such anniversary a "Minimum Dividend Adjustment Date"). Board policy states that the new minimum annual dividend rate for each five year period following a Minimum Dividend Adjustment Date will not be less than 150 basis points **above** the rates offered by the chartered banks on the five-year guaranteed investment certificates ("GICs") they administer, and will not exceed 150 basis points **above** the yield on the Government of Canada five-year benchmark bond, both as published by the Bank of Canada Internet site, www.bankofcanada.ca, on that Minimum Dividend Adjustment Date. The Non-Cumulative dividend is payable if and when declared by the Board. It is therefore possible, in spite of the minimum dividend rate as outlined above, that no dividend will be declared and paid regarding a particular fiscal year of the Credit Union.

Dividends for the Series 1 Class A Special Shares are dependent upon, in part, the earnings of CS CO-OP and on its ability to comply with the Regulatory Capital and liquidity requirements of section 84 of the Act (see also "Capital Adequacy" in the section on "Risk Factors" on page 41). The payment of such dividends will be in such manner and on such terms as may be determined from time to time by the Board. The Board intends to meet and, if thought appropriate, to declare and pay such dividends to holders of Series 1 Class A Special Shares annually, after the Credit Union's fiscal year-end and before the annual general meeting of its members.

The dividend policy of the CS CO-OP Board for Series 1 Class A Special Shares shall be to pay a dividend in every year in which there is sufficient net income to do so while still fulfilling all other Regulatory Capital, liquidity and operational requirements. The dividend rate shall be established by the Board, in its sole and absolute discretion, within the provisions of the Articles outlined above regarding the minimum dividend rate, based on financial and other considerations prevailing at the time of the declaration.

Although there is no guarantee that a dividend will be paid in each year, it is contemplated by the Board that a dividend, commensurate with the minimum dividend requirements and policy outlined above, will be declared and paid in each year, provided that CS CO-OP is in compliance with section 84 of the Act. Dividends will be paid in cash.

Note that dividends paid by credit unions are not treated as dividends, but are instead treated as interest, for Canadian income tax purposes. Dividends paid on the Series 1 Class A Special Shares will therefore not be eligible for the tax credit given to shareholders who receive dividends from taxable Canadian corporations. See page 25 for further details.

Canadian Federal Income Tax Aspects

The following commentary has been prepared by management of the Credit Union and reviewed by Ernst & Young LLP, Chartered Accountants, based solely on the information contained in this offering statement and their understanding of the meaning and intent of the relevant provisions of the Income Tax Act (Canada), including legislation that is pending at the date of this offering statement. This commentary summarizes the principal Canadian federal income tax consequences to individuals, other than trusts, who are both resident in Canada and members of the Credit Union as determined for income tax purposes, who become holders by acquiring shares pursuant to this offering statement and who hold the interest as capital property ("Investor"). No advance income tax ruling has been requested or obtained from the Canada Customs and Revenue Agency ("CCRA") in connection with this offering statement and there is therefore the risk that the CCRA may have a different view of the income tax consequences to holders from that described herein. INVESTORS ARE CAUTIONED THAT THIS COMMENTARY IS OF A GENERAL NATURE ONLY AND IS NOT INTENDED TO CONSTITUTE ADVICE TO ANY PARTICULAR

INVESTOR. INVESTORS SHOULD SEEK INDEPENDENT ADVICE FROM THEIR OWN ADVISORS.

Interest

Investors who acquire one or more Series 1 Class A Special Shares will be required to include in income the dividends paid on the shares. **This amount will be considered to have been received, for income tax purposes, as interest income from Canadian sources and not as dividend income.**

Deductibility of Interest Expense

Interest expense incurred on money borrowed to acquire shares is generally deductible for income tax purposes. However, this is subject to the overriding condition that the interest expense be reasonable in the circumstances. The CCRA may disallow as a deduction that portion of an Investor's borrowing costs that exceed the expected dividends stated in the dividend policy. Interest expense for money borrowed in respect of shares held by or contributed to a RRSP contract is also not deductible.

Redemption

Any amount received on a redemption of a share in excess of its paid-up capital for income tax purposes will be considered to have been received as interest income and would not be included in the proceeds of disposition of the share.

Disposition

The disposition of a share may give rise to a capital gain (or capital loss) to the extent that the proceeds received on the disposition exceed (or are exceeded by) the sum of the adjusted cost base of the share and any costs of disposition. If certain criteria are met, a capital loss may be considered a business investment loss.

Generally, one-half of any capital gain (a "taxable capital gain") realized by an Investor in a taxation year must be included in computing such Investor's income for that taxation year, and one-half of any capital loss (an "allowable capital loss") realized by an Investor in a taxation year may be deducted from any taxable capital gains realized by the Investor in the year. Allowable capital losses in excess of taxable capital gains for a particular year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any following taxation year to the extent of taxable capital gains realized in such years, subject to and in accordance with the provisions of the Income Tax Act (Canada).

Purchasers who are intending to include Series 1 Class A Special Shares in an RRSP should also carefully review the redemption provisions and restrictions outlined at pages 26 and 41.

CS CO-OP Investment Retirement Plan

The Co-operative Trust Company of Canada will be the trustee of this retirement savings plan, which will accept Series 1 Class A Special Shares as contributions to a member's RRSP, but not to a member's RRIF.

Rights on Liquidation, Dissolution or Winding Up

On the liquidation, dissolution or winding up of the Credit Union, holders of Series 1 Class A Special Shares will be paid the Redemption Amount for each such share held, in priority to any payment to holders of the Membership Shares and of the Class B and Class C Special Shares, but after the provision for payment of all of CS CO-OP's other debts and obligations, including any other securities which may rank senior to Class A Special Shares. There are currently no shares ranking senior to Series 1 Class A Special Shares. Holders of Series 1 Class A Special Shares are not thereafter entitled to participate in any distribution of CS CO-OP's assets.

Voting Rights

Series 1 Class A Special Shares are Non-Voting for the purposes of membership meetings. In the event of a proposed dissolution, amalgamation, purchase and sale, lease or transfer of all or a Substantial Portion of the assets of CS CO-OP, or if there is a proposed resolution which affects the rights attached to the Series 1 Class A Special Shares, other than one to change any maximum number of authorized Class A Special Shares; to increase any maximum number of authorized shares of a class or series of a class having rights or privileges equal or superior to the Class A Special Shares; to effect any exchange, reclassification or cancellation of all or part of the Class A Special Shares; or to create a new class or series of a class of shares equal or superior to the Class A Special Shares; CS CO-OP will hold a special meeting of the holders of Series 1 Class A Special Shares. The holders of Series 1 Class A Special Shares shall have one vote per Series 1 Class A Special Share held at such meetings. Any decision must be approved by Special Resolution of those present in person or by proxy and voting, as permitted by the Credit Union's by-laws, and by a Special Resolution of the members; such a decision may also require the approval, by Special Resolution, of holders of a junior class of shares, if their rights are directly affected.

Redemption Provisions and Restrictions

Series 1 Class A Special Shares will not be redeemable by the holder thereof for a period of five years following their issuance, and all redemptions are subject to the discretion of the Board of the Credit Union. Starting from the fifth anniversary of the issuance of the shares and every year thereafter, redemption requests will be fulfilled annually, at the Redemption Amount for each such share redeemed, during the 60 day period after such anniversary, on a first come, first served basis as evidenced by the time and date to be marked on each request when received by CS CO-OP. Redemption requests not fulfilled during one fiscal year will be carried forward and considered by the Board for redemption in the applicable 60 day period in the following year. Redemption request forms will be accepted at any time after the date which is six months prior to the fifth anniversary of the issuance of the shares.

The Board will not approve a redemption when such redemption will cause the Credit Union to be unable to comply with the Regulatory Capital and liquidity requirements of section 84 of the Act. See "Risk Factors" - "Capital Adequacy", on page 41. Total redemptions of Series 1 Class A Special Shares are limited in any fiscal year to 10% of the issued and outstanding Series 1 Class A Special Shares at the beginning of that fiscal year, according to the Credit Union's audited financial statements for the immediately preceding fiscal year.

The Credit Union may purchase for cancellation, at the Redemption Amount for each such share purchased, all or any part of the outstanding Series 1 Class A Special Shares at any time and from time to time, after the expiry of five years from their issuance, subject to compliance with the Regulatory Capital and liquidity requirements of the Act. It is the policy of the Board that it will not acquire for cancellation all of the Series 1 Class A Special Shares without first declaring and paying a dividend on those shares for that portion of the then current fiscal year of the Credit Union during which those shares were issued and outstanding, at an annual rate not less than the then current minimum dividend rate. In the interest of increasing the liquidity of this investment for its members, it is the Board's intention that CS CO-OP will purchase for cancellation all of the then issued and outstanding Series 1 Class A Special Shares as soon as it is legally permitted to do so, subject to its compliance with Regulatory Capital and liquidity requirements. It is therefore possible that these shares will be outstanding only for a period of five years from their issuance.

Purchasers of Series 1 Class A Special Shares should carefully review the above redemption provisions and restrictions before proceeding, particularly if the shares are intended to be included in an RRSP. Series 1 Class A Special Shares should be considered a long-term investment with a minimum term of five years or more. Series 1 Class A Special Shares are not recommended as RRSP investments if the RRSP holder is age 58 or greater. These shares do not qualify for the RRIF products offered by CS CO-OP. As well, Series 1 Class A Special Shares may not be used as security for any CS CO-OP lending products. See "Risk Factors"-"Redemption Restrictions", on page 41.

Restrictions on Transfer

Series 1 Class A Special Shares may only be transferred to the Credit Union itself, to another CS CO-OP member, or to a person prescribed in the Act or its Regulations. Transfers are subject to the approval of the Board or its designate. Transfer requests will be made in writing, using a form approved by the Board. Transfer requests will be tendered to the corporate office of CS CO-OP or to any branch office, together with the certificate or certificates, or written acknowledgement or acknowledgements, representing the shares to be transferred. Series 1 Class A Special Shares may only be transferred to other members of CS CO-OP at a price equal to the Redemption Amount for each such share transferred.

No member, through original purchase or transfer from other members, is permitted to acquire and hold more than an aggregate of 150,000 Series 1 Class A Special Shares.

There is no market for Series 1 Class A Special Shares. Until such time as the Series 1 Class A Special Shares are redeemed or purchased for cancellation, the onus will be on members to identify other CS CO-OP members interested in buying or selling Series 1 Class A Special Shares. However, there is no guarantee that other CS CO-OP members will be interested in buying these Series 1 Class A Special Shares at any specific time.

Availability of the Full Wording of these Provisions.

Prospective purchasers of Series 1 Class A Special Shares may obtain, at every branch and at the corporate office of CS CO-OP, a copy of the Special Resolution of the membership, and the Resolution of the Board which amended CS CO-OP's Articles, which contain the full provisions attached to the Series 1 Class A Special Shares.

SUMMARY OF SHARE TERMS AND CONDITIONS

Rights	Membership Shares	Series 1 Class A Special Shares	Class B Special Shares	Class C Special Shares
Dividends	The holders of the Membership Shares are entitled, after payment of a dividend to holders of all other classes of shares, to receive Non-Cumulative cash or share dividends if, as, and when declared by the Board.	The holders of the Series 1 Class A Special Shares are entitled, in priority to any payment to holders of Class B Special Shares, Class C Special Shares, and Membership Shares, to receive Non-Cumulative cash or share dividends if, as, and when declared by the Board. The annual dividend rate, if and when a dividend is declared, will not be less than a rate which exceeds by 150 basis points the yield on the Government of Canada five-year benchmark bond as at the date hereof. This minimum annual rate will apply for fiscal years beginning prior to the fifth anniversary of the initial issuance of Series 1 Class A Special Shares. At the Board meeting following the fifth anniversary of the initial issuance and every subsequent fifth anniversary of the initial issuance (each such anniversary a "Minimum Dividend Adjustment Date"), the Board will adjust the minimum annual dividend rate. It is Board policy that the minimum annual rate during the five-year period following a Minimum Dividend Adjustment Date will be not less than 150 basis points above the rates offered by the chartered banks on the five-year GICs they administer, and will not exceed 150 basis points above the yield on the Government of Canada five-year benchmark bond, both as then published by the Bank of Canada on its Internet site.	The holders of the Class B Special Shares are entitled, in priority to holders of the Class C Special Shares and the Membership Shares but junior to the holders of the Series 1 Class A Special Shares, to receive dividends if, as, and when declared by the Board.	The holders of the Class C Special Shares are entitled, in priority to the holders of the Membership Shares but junior to the holders of the Series 1 Class A Special Shares and the Class B Special Shares, to receive dividends if, as, and when declared by the Board.

Rights	**Membership Shares**	**Series 1 Class A Special Shares**	**Class B Special Shares**	**Class C Special Shares**
Return of capital on dissolution	In the event of the liquidation, dissolution or winding up of the Credit Union, the holders of the Membership Shares are entitled to receive equal portions of the assets of the Credit Union remaining after payment of all of the Credit Union's debts and obligations, including required payments to the holders of Series 1 Class A Special Shares, Class B Special Shares, and Class C Special Shares.	In the event of the liquidation, dissolution or winding up of the Credit Union, the holders of the Series 1 Class A Special Shares are entitled to receive the Redemption Amount for each such share held, in priority to any payment to holders of the Class B Special Shares, the Class C Special Shares and the Membership Shares, but after the payment of the Credit Union's other debts and obligations.	In the event of the liquidation, dissolution or winding up of the Credit Union, the holders of the Class B Special Shares are entitled to receive the Redemption Amount for each such share held, in priority to any payment to holders of the Class C Special Shares and the Membership Shares, but after the payment of the Credit Union's other debts and obligations, including required payments to the holders of Series 1 Class A Special Shares.	In the event of the liquidation, dissolution or winding up of the Credit Union, the holders of the Class C Special Shares are entitled to receive the Redemption Amount for each such share held, in priority to any payment to the holders of the Membership Shares, but after the payment of the Credit Union's other debts and obligations, including required payments to the holders of Series 1 Class A Special Shares and Class B Special Shares.

Rights	Membership Shares	Series 1 Class A Special Shares	Class B Special Shares	Class C Special Shares
Redeemability at the holder's initiative (retraction)	Membership Shares may be redeemed only upon a member ceasing to be a member of the Credit Union and shall, subject to the Act, be redeemed by the payment, within 30 days of the member ceasing to be a member of the Credit Union, of the amount paid up per share.	No holder of Series 1 Class A Special Shares may redeem those shares during the first five years following the issuance of the shares. Holders of Series 1 Class A Special Shares may request redemption of those shares at any time following the date which is six months prior to the fifth anniversary of their issuance. The Credit Union will process redemptions only in the 60-day period following each anniversary date of the issuance of the shares. All redemptions are subject to the discretion of the Board. In no case shall the total number of Series 1 Class A Special Shares redeemed in any fiscal year exceed 10% of the issued and outstanding Series 1 Class A Special Shares reported on the Credit Union's audited financial statements for the preceding fiscal year, and in no case shall a redemption occur which would cause the Credit Union to fail to comply with Regulatory Capital and liquidity requirements.	The redeemability of Class B Special Shares at the initiative of the holder of those shares has yet to be determined, and will be determined at such time as a series of Class B Special Shares is created.	The redeemability of Class C Special Shares at the initiative of the holder of those shares has yet to be determined, and will be determined at such time as a series of Class C Special Shares is created.

Rights	Membership Shares	Series 1 Class A Special Shares	Class B Special Shares	Class C Special Shares
Redeemability at the Credit Union's initiative	Membership Shares are not redeemable at the Credit Union's initiative unless a member is expelled from membership.	The Credit Union may at its initiative redeem, subject to continued compliance with Regulatory Capital and liquidity requirements, at the Redemption Amount, all or any portion of the Series 1 Class A Special Shares outstanding at any time five years or more after the shares are issued. Board policy is to pay a pro-rated dividend for that portion of the then current fiscal year during which the shares were issued and outstanding before acquiring all such shares. To increase the liquidity of this investment for its members, CS CO-OP intends to redeem the Series 1 Class A Special Shares as soon as it is legally permitted to do so, subject to compliance with Regulatory Capital and liquidity requirements. It therefore possible that these shares will be outstanding only for five years following their issuance.	The redeemability of Class B Special Shares at the Credit Union's initiative has yet to be determined, and will be determined at such time as a series of Class B Special Shares is created.	The redeemability of Class C Special Shares at the Credit Union's initiative has yet to be determined, and will be determined at such time as a series of Class C Special Shares is created.
Voting	Each holder of a Membership Share has one vote on any matter considered at a general membership meeting of the Credit Union.	Series 1 Class A Special Shares do not carry any voting rights, except when the Act and the Articles permit these shares to carry voting rights.	Class B Special Shares do not carry any voting rights, except when the Act and the Articles permit these shares to carry voting rights.	Class C Special Shares do not carry any voting rights, except when the Act and the Articles permit these shares to carry voting rights.

USE OF PROCEEDS FROM SALE OF SECURITIES

If fully subscribed, the gross proceeds from this issue will be $30,000,000. The costs of issuing the Series 1 Class A Special Shares are not expected to exceed $300,000, and these costs, net of the applicable tax savings approximating $90,000, will be applied against the proceeds from the offering. The maximum net proceeds of this offering are, therefore, $29,790,000. See "Capital Adequacy", in the section on "Risk Factors" at page 41, for a discussion of the Credit Union's Leverage Ratio, Risk-Weighted Assets Ratio, and potential growth if this offering is fully or only minimally subscribed. The funds raised from this offering will be used to add to CS CO-OP's share capital and will provide an increased capital base for future growth and to facilitate the convergence of CS CO-OP and CS Alterna Bank. In addition, these funds will allow CS CO-OP to invest in further service and product improvements for its members, and to continue providing superior value-added services to its members in an environment of rapidly changing technology. See also "Purpose of the Offering" on page 19 above.

METHOD OF COLLECTING PROCEEDS

The Series 1 Class A Special Shares will be issued only for cash. If the funds to be used to pay for the Series 1 Class A Special Shares for which a subscriber has subscribed are on deposit at CS CO-OP or if the funds to be used are coming from a source other than CS CO-OP, such funds will be deposited with CS CO-OP, and in either case the subscriber shall authorize CS CO-OP to place a hold on an amount equal to the total issue price for the number of Series 1 Class A Special Shares for which the subscriber subscribes. The funds on hold will continue to earn interest until the hold is released. When the offering is completed, such hold will be released and the amount will be used to pay for the Series 1 Class A Special Shares subscribed. If the offering is withdrawn or if the subscriber exercises the right to reverse his/her decision to buy (as described on page 1 of this Offering Statement), the hold will be released immediately. See the Subscription, Transfer and Redemption Form on page 72.

CAPITALIZATION TABLE *

The following table sets out the capitalization of the Credit Union as at December 31, 2000 and December 31, 2001. A column has also been provided as at December 31, 2001, giving effect to the full issuance of the Series 1 Class A Special Shares as if they had been issued at that date.

(In thousands)	As at December 31 2000	2001	2001-as if the full issuance of Series 1 Class A Special Shares had taken place
Regulatory Capital			
Membership Shares	$2,174	$2,202	$2,202
Series 1 Class A Special Shares	$0	$0	$29,790
Reserves	63,117	67,094	67,094
Capitalization of CS Alterna Bank	(10,000)	(10,000)	(10,000)
Total	$55,291	$59,296	$89,086
Leverage ratio	5.18%	5.36%	8.05%
Leverage requirement	5.00%	5.00%	5.00%
Risk-weighted assets ratio	10.43%	10.37%	15.57%
Risk-weighted assets requirement	8.00%	8.00%	8.00%

*** All of CS CO-OP's share capital qualifies as Tier 1 Regulatory Capital.**

CS CO-OP®
Community Financial Services

PLAN OF DISTRIBUTION

1. The price to members for each Series 1 Class A Special Share will be $1.00.

2. There will be no discounts or commissions paid to anyone for the sale of the Series 1 Class A Special Shares.

3. One hundred percent (100%) of the proceeds of the sale of Series 1 Class A Special Shares will go to CS CO-OP.

Subscriptions for Series 1 Class A Special Shares shall be accepted from the date hereof, until such date as the Board shall determine, not being more than six months after the date of the receipt for the offering statement, or until the date on which subscriptions have been received for the maximum 30,000,000 Series 1 Class A Special Shares, whichever shall first occur (the "Closing Date"). Subscriptions will be accepted on a first come, first served basis, and subscription forms will be marked with the time and date accepted. Subscription and purchase of the Series 1 Class A Special Shares will be processed exclusively through the branches and the corporate office of CS CO-OP. Subscriptions received will be closely monitored, and, when the total number of shares for which subscriptions have been received approaches the maximum number of shares allowed in this offering statement, subsequent subscribers may not be allowed to subscribe for the full number of shares they desire, or their subscription request may be refused. This offering may not be over-subscribed, and subscriptions will not be pro-rated.

If, after six months from the date of this Offering Statement, subscriptions received for the Series 1 Class A Special Shares amount to less than $10,000,000 in the aggregate and this offering for Series 1 Class A Special Shares has not been renewed with the approval of the Superintendent, the offering will be cancelled and withdrawn, and all funds held to support subscriptions will be returned to the respective subscribers within 30 days of such cancellation and withdrawal, with applicable interest, without shares being issued.

In addition to the above, if the Board, at any time prior to the expiration of the receipt for this offering statement, is of the opinion that it will be impossible for the Credit Union to sell the minimum 10,000,000 Series 1 Class A Special Shares prior to the expiration of said receipt, the Board may consider and, if thought appropriate, approve a resolution to cease sales of the shares; to return to each subscriber the funds held to support his or her subscription for the shares, together with applicable interest, within 30 days following the date of the resolution; and to permit the receipt for this offering statement to expire.

Within 30 days of the Closing Date, either a share certificate, or a written acknowledgment, will be issued to each member whose subscription has been accepted (unless the offering of Series 1 Class A Special Shares has been canceled and withdrawn, or the Board has resolved to permit the receipt for this offering statement to expire, as outlined above) stating the number of Series 1 Class A Special Shares that have been registered in the name of the member on the securities register maintained by the Credit Union.

The above-noted terms and conditions regarding subscriptions and holds on deposit accounts are detailed on CS CO-OP's subscription form for Series 1 Class A Special Shares. A copy of the Subscription, Transfer and Redemption Form is printed in the Offering Statement on page 72.

If fully subscribed, the gross proceeds to be derived by CS CO-OP from the sale of the Series 1 Class A Special Shares shall be $30,000,000. The costs of issuing these securities are not expected to exceed

$300,000, and these costs, net of applicable tax savings approximating $90,000, will be applied against the proceeds of the offering. The estimated maximum net proceeds of this offering of securities are $29,790,000.

The Series 1 Class A Special Shares will not be sold by underwriters or other securities dealers. The minimum subscription shall be 1,000 shares ($1,000), and the maximum subscription shall be 150,000 shares ($150,000). Shares will only be allotted and issued when the full price of such shares has been fully paid.

MARKET FOR SHARES

There is no outside market through which the Series 1 Class A Special Shares may be sold. These securities may only be transferred to the Credit Union itself, to another member of CS CO-OP, or to a person prescribed by the Act and the Regulations.

Until such time as the Series 1 Class A Special Shares are redeemed or purchased for cancellation, the onus will be on members to identify other CS CO-OP members interested in buying or selling Series 1 Class A Special Shares. However, there is no guarantee that other CS CO-OP members will be interested in buying these Series 1 Class A Special Shares at any specific time. See "Description of Securities Being Offered - Restrictions on Transfer" on page 27.

Purchasers of the Series 1 Class A Special Shares who intend to include these shares in their RRSP should be particularly aware of the illiquidity of the shares. The Series 1 Class A Special Shares do not qualify for the RRIF products offered by CS CO-OP, and may not be used as security for any CS CO-OP lending products. The Series 1 Class A Special Shares are not recommended as an RRSP investment if the RRSP holder is 58 years of age or older.

AUDITORS, REGISTRARS AND TRANSFER AGENTS

A register of transfers is located at CS CO-OP's corporate office. All transfer agents and registrars are employees of CS CO-OP. The auditors of The Civil Service Co-operative Credit Society, Limited are Ernst & Young LLP, 100 Queen Street, Suite 1600, Ottawa, Ontario, K1P 1K1. Their consent to the use of their auditors' report follows on page 69.

BOARD OF DIRECTORS

The names, residential addresses, principal occupations and offices with the Credit Union of the directors of CS CO-OP are as follows:

Name and Municipal Residence	Principal Occupation	CS CO-OP Office	Board Committees
Stephen E. Dixon Ottawa, Ontario	Consultant	Chair	Governance
Richard Bertrand Ottawa, Ontario	Consultant	Vice-Chair	Governance
Evelyn Levine Ottawa, Ontario	Public Servant	Corporate Secretary	Human Resources Pension Governance

Name and Municipal Residence	Principal Occupation	CS CO-OP Office	Board Committees
Patrick Borbey Ottawa, Ontario	Public Servant	Director	Human Resources Pension
Dr. James G. Frank Ottawa, Ontario	Economist	Director	Finance and Audit
David N. Kinsman Ottawa, Ontario	Public Servant	Director	Human Resources Pension
Richard Neville Ottawa, Ontario	Public Servant	Director	Finance and Audit
Richard Ranger Aylmer, Quebec	Consultant	Director	Finance and Audit Human Resources Pension
Ginette Bethell Ottawa, Ontario	Consultant	Director	Finance and Audit
Claudia Roberts Vancouver, British Columbia	Retired	Director	Finance and Audit Human Resources Pension Governance

This list of directors, with their office, if any, in the Credit Union and their committee memberships is accurate as at the date hereof. The reader is reminded, however, that the normal corporate governance procedure of the Credit Union, which results in an annual general meeting of the Credit Union in March or April of each year, may result in directors being added to and removed from this list after the date hereof. Further, the reorganizational meeting of the Board will result in changes to the officers of the Credit Union, and may result in changes in the committee memberships of the various directors.

SENIOR MANAGEMENT

The names, residential addresses and positions of CS CO-OP senior management is as follows:

Name	Municipal Residence	CS CO-OP Position
Gary M. Seveny	Ottawa, Ontario	President & Chief Executive Officer
José Gallant	Ottawa, Ontario	Vice President Finance and Chief Financial Officer
Danielle Morin	Ottawa, Ontario	Vice President Sales & Marketing Vice President Client Services
Richard Morris	Ottawa, Ontario	Vice President and Chief Information Officer
Dominique Martel	Ottawa, Ontario	Vice President and Chief Operating Officer (CS Alterna Bank)
Terry Nielsen	Ottawa, Ontario	Senior Manager – Branch Sales and Service

Name	Municipal Residence	CS CO-OP Position
Adele Beckman	Ottawa, Ontario	Chief of Staff
Cindy Taylor	Ottawa, Ontario	Manager – Corporate Services
Madeleine Brillant	Gatineau, Quebec	Manager – Corporate Growth

All senior management have been employed by the Credit Union for the five years preceding the date hereof except:

- Richard Morris, who was previously Director of Information Management at the Department of Foreign Affairs and International Trade from 1997 to January 2000;
- Dominique Martel, who was previously Manager at Caisse populaire Trillium inc. until May 1997;
- Terry Nielsen, who was previously Manager Sales and Services-Ottawa East Region at a major Canadian chartered bank until April 2000:
- Adele Beckman, who was previously Associate Director-Regulatory Coordination at Bell Canada until April 1998; and,
- Madeleine Brillant, who was previously Audit Principal at Ernst & Young until March 1999.

LAWSUITS AND OTHER MATERIAL OR REGULATORY ACTIONS

During the normal course of business, the Credit Union enters into legal proceedings, primarily relating to the recovery of delinquent loans. As a result, various counterclaims or proceedings have been or may be instituted against the Credit Union. The disposition of the matters that are pending or asserted is not expected by the Board or management to have a material adverse effect on the financial position of the Credit Union or on the results of its operations. There are no legal proceedings brought by or against the Credit Union outside the ordinary course of the Credit Union's business. The Credit Union is also not aware of any Regulatory Action against the Credit Union contemplated by either the Superintendent or DICO.

MATERIAL INTERESTS OF DIRECTORS, OFFICERS AND EMPLOYEES

All loans to employees, officers, directors and persons related to them are advanced on materially the same terms and conditions as are accorded to all members of the Credit Union. As at December 31, 2001, 2000 and 1999, the aggregate value of interest-bearing Personal Loans, Mortgage Loans, and Commercial Loans outstanding to directors, officers and related persons totaled $921,000, $399,000, and $527,000 respectively. There was no allowance for impaired loans required in respect of these loans.

As members of CS CO-OP, the directors, officers and all employees all hold the required number of Membership Shares to maintain their memberships in CS CO-OP. Any director, officer or employee of CS CO-OP may therefore subscribe for the Series 1 Class A Special Shares, should they wish to do so.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only contracts entered into by the Credit Union within three years of the date hereof, or which are still in force, which may reasonably be regarded as presently material are the following:

Commitment Letter from a major Canadian chartered bank dated January 26, 2001; Amendment to Same dated June 18, 2001; General Hypothecation Agreement dated November 14, 1995; Safekeeping Agreement dated June, 1995

These agreements outline the Credit Union's credit, collateral and custodial arrangements with its financial institution. See "Debt Obligations Ranking Ahead of Series 1 Class A Special Shares" on page 39.

Guarantee and Postponement of Claim to a major Canadian chartered bank, dated November 22, 2000

CS Alterna Bank has entered into agreements similar to those described above with a major Canadian chartered bank. The Credit Union has guaranteed those obligations, to a limit of $500,000.

International Swap Dealers Association, Inc. (now known as the International Swaps and Derivates Association, Inc.) Master Agreements and Schedules entered into with a major Canadian chartered bank on December 16, 1991; with a major Canadian chartered bank on September 29, 1997; with a subsidiary of a major Canadian chartered bank on March 10, 1998; with a major Canadian chartered bank on March 19, 1998; with a Canadian Schedule 2 bank on October 30, 1998; with a major Canadian chartered bank on February 22, 2000.

From time to time in the ordinary course of business, financial institutions enter into interest rate swap agreements and other derivative contracts in order to manage interest rate exposure, and CS CO-OP is, as of the date hereof, party to the above-noted agreements, which enable such transactions to occur when necessary. CS CO-OP will only use derivative contracts to hedge or manage interest rate risk. The Credit Union will not use derivatives to speculate. CS CO-OP enters into off-balance sheet derivative contracts from time to time to reduce its exposure to interest rate risk, and, as of the date hereof, is party to the following such contracts: $10 million bearing a fixed rate of 6.4625% and a year end floating rate of 2.09%, and $10 million bearing a fixed rate of 4.89% and a year end floating rate of 2.11%. The Board has established a management Asset/Liability Committee ("ALCO") which manages the use of derivative products and is accountable to the Board through the Audit and Finance Committee. See "Audited Financial Statements", note 14, on page 66.

Lease Commitments

The Credit Union leases all its branch premises other than the main branch and corporate office. See "Audited Financial Statements, note 15(a)", on page 67.

Mortgage Purchase Program Agreement – Ontario with Co-operative Trust Company of Canada, dated October 31st, 2001

In November 2001, CS CO-OP sold a $23.8 million residential mortgage portfolio to Co-operative Trust Company of Canada as a method to increase liquidity. Pursuant to the agreement with Co-operative Trust

Company of Canada, legal title of the mortgages remain with CS CO-OP, which acts as agent on behalf of Co-operative Trust. CS CO-OP administers these mortgages on behalf of Co-operative Trust, and retains the right to repurchase the mortgages at any time on 2 months notice. The last of the mortgages currently administered by the Credit Union on behalf of Co-operative Trust expires in September, 2006, at which time the Credit Union has the option to renew those mortgages on its own account.

The Credit Union intends to enter into additional transactions with Co-operative Trust pursuant to this agreement as a measure to assist it in meeting its liquidity requirements.

Custom Agreement with IBM Canada Limited, dated June 13, 1996

The Credit Union obtains the use of its computer hardware and certain of its computer software programs through this agreement.

Agreement with Universal ATM Services Inc. dated January 1, 2000

This agreement covers branch cash delivery, ATM maintenance service and treasury service that allow the Credit Union to operate and maintain its network of 115 ATMs.

Broadband and IP Services Agreement with BCE Nexxia Inc., dated April 16, 1999; Advantage Frame Relay Agreement with Stentnor, dated April 8, 1999

The Credit Union, through these agreements, obtains its networking, Internet and other telecommunications services.

EFT/POS Gateway Service Participation Agreement with a major Canadian chartered bank, dated October 26, 1992

This agreement permits the Credit Union to offer Interac point-of-sale services to its members. The agreement had an initial term of three (3) years, and thereafter has renewed for one-year terms. The agreement may be terminated by either party on two hundred and ten (210) days prior written notice, to be effective at the end of a term, and otherwise only for cause.

Affiliate Card Program Agreement with a major Canadian chartered bank, dated June 15, 2000

This agreement enables the Credit Union to offer a CS COOP MasterCard® to its members. The agreement does not require the Credit Union, although it gives the Credit Union the option, to hold the receivables generated by its members' use of their MasterCards. The agreement has an initial term of five (5) years, and thereafter renews automatically for further two-year (2-year) terms unless terminated at the end of the initial term or renewal term by one (1) years notice.

Norstan Customer Master Agreement with Norstan Canada Inc., dated April 11, 1995

This agreement enables the Credit Union to offer telephone banking services to its members. The agreement continues indefinitely until terminated by either party on thirty (30) days written notice. This system will be replaced as part of the new core banking system to be provided by Summit Information Systems.

Agreements with Innovera Solutions Joint Venture, dated November 30, 2001 and Credit Union Central of British Columbia

These agreements enable the Credit Union to deliver Internet banking services to its members. The agreement with Innovera Solutions Joint Venture is a perpetual license for use of the software, with annual renewals for support services. The Credit Union may terminate support services by giving 90 days notice prior to the anniversary date of this agreement. The agreement with Credit Union Central of British Columbia covers the processing of the Credit Union's members' Internet banking transactions, and is renewed annually.

Networking Agreement with CMG Worldsource Financial Services Inc., dated August 31, 2000

This agreement enables the Credit Union to offer mutual funds to its members through dually-employed representatives, managers and compliance officers. Either party may terminate this agreement on one hundred and twenty (120) days notice, or immediately on certain defaults.

Bill Payment Services Agreement with Telpay Bill Payment Service, a division of Comcheq Technologies Inc., dated January 1, 1998

This agreement enables the Credit Union to offer bill payment functionality on its telephone banking and through the Internet.

Outsourcing Agreement with CS Alterna Bank, dated October 2, 2000

CS Alterna Bank outsources all of its processes, data processing and operations to CS CO-OP. CS CO-OP provides CS Alterna Bank with various services, including management services, information services, training, audit, building services, support areas, financial services, centralized lending, call centre, electronic services, and customer sales and service. The agreement continues perpetually, unless terminated by either party on six (6) months notice or immediately in the case of the insolvency of either party.

DEBT OBLIGATIONS RANKING AHEAD OF SERIES 1 CLASS A SPECIAL SHARES

CS CO-OP has access to a $23.5 million line of credit from a major Canadian chartered bank. The purpose of this facility is to cover fluctuations in daily clearing volume on CS CO-OP members' chequing accounts. CS CO-OP has pledged certain securities to secure one of these operating lines of credit and, when utilized, the operating line of credit is covered the next business day. During the period from January 1, 2001 to December 31, 2001, the balance owing on this line of credit has fluctuated from a high of $5.8 million to a low of $0 (for the year 2000, from a high of $6.3 million to a low of $0, and for the year 1999, from a high of $5.5 million to a low of $0). At December 31, 2001, the balance owing was $1.2 million, whereas, as at December 31, 2000 and 1999, the balance owing was $0. See "Notes to Financial Statements - Note 7" on page 59.

DIVIDEND RECORD AND POLICY

Prior to the creation in 1996 of Special Shares and in 1998 of Class A Special Shares, Class B Special Shares and Class C Special Shares, CS CO-OP's capital structure consisted only of Membership Shares. Prior to

1998, the minimum share requirement per member was $5. The Board adopted a resolution in 1997 to increase the issue price of each Membership Share to $10 on January 1, 1998 and to $15 on September 4, 1998. For members of record on December 31, 1997, the carrying value of existing membership shares was increased by $5 on December 31, 1997 and was increased by a further $5 on September 3, 1998 by way of a cash dividend paid on each Membership Share. These amounts totalled $740,483 and $35,685 respectively. All other after-tax net profits earned in the past five years have been allocated to retained earnings.

For a discussion of the priority of the various classes of shares in the payment of dividends, and the restrictions placed on the Board in the declaration of dividends, see pages 20, 21, 22, 23, 28 and 41.

The dividend policy of the CS CO-OP Board for Series 1 Class A Special Shares is to pay a dividend in every year in which there is sufficient net income to do so while still fulfilling all other Regulatory Capital and liquidity, as well as operational, requirements. The dividend rate shall be established by the Board, in its sole and absolute discretion within the provisions outlined below regarding the minimum dividend rate if a dividend is declared, based on financial and other considerations prevailing at time of the declaration. If the Board exercises its discretion to declare a dividend, the present intention of the Board is that the Credit Union would pay the dividend at least annually, following each fiscal year-end and before each annual general meeting of the members.

Although there is no guarantee that a dividend will be paid in each year, it is contemplated by the Board that a dividend, commensurate with the minimum dividend requirements and policy outlined below, will be declared and paid in each year, provided that CS CO-OP is in compliance with the Act's Regulatory Capital and liquidity requirements.

The annual dividend rate on the Series 1 Class A Special Shares, if and when a dividend is declared, will be not less than a rate which exceeds by 150 basis points the yield on the Government of Canada five-year benchmark bond, as published by the Bank of Canada on its Internet site as at the date hereof. This provision shall not, however, be interpreted to prevent the declaration of a pro-rated dividend where Series 1 Class A Special Shares are outstanding for only a portion of a fiscal year, provided that the annual rate which is pro-rated equals or exceeds the then current minimum dividend rate. This minimum annual rate will remain in effect for fiscal years beginning prior to the fifth anniversary of the initial issuance of the shares (the "Minimum Dividend Adjustment Date").

There shall be further Minimum Dividend Adjustment Dates on every anniversary of the initial issuance of Series 1 Class A Special Shares which is evenly divisible by five (*i.e.*, tenth, fifteen, twentieth, etc.) At the first Board meeting after any Minimum Dividend Adjustment Date, the Board shall irrevocably determine the minimum dividend rate which shall apply to all fiscal years of the Credit Union beginning prior to the next Minimum Dividend Adjustment Date, and such minimum annual rate shall remain unaltered until the Board meeting following the next Minimum Dividend Adjustment Date. Although CS CO-OP's Articles do not specify a formula to be used by the Board in determining minimum dividend rates which shall apply to fiscal years beginning after the fifth anniversary of the initial issuance of Series 1 Class A Special Shares hereunder, it is the policy of the Board that the minimum annual dividend rate shall be not less than a rate which exceeds by 150 basis points the rate offered on five-year guaranteed investment certificates administered by Canadian chartered banks, and will not exceed 150 basis points above the yield on the Government of Canada five-year benchmark bond, both as published by the Bank of Canada on its Internet site as at the relevant Minimum Dividend Adjustment Date.

The dividend, in the year Series 1 Class A Special Shares are first issued, shall be pro-rated for the number of days the Series 1 Class A Special Shares were issued and outstanding in that fiscal year. The Board will declare these dividends in the form of cash. Following the declaration of a dividend on the Series 1 Class A Special Shares, the board may declare a dividend to holders of junior classes of shares.

Note that dividends paid by credit unions are not treated as dividends, but are instead treated as interest, for Canadian income tax purposes. Dividends paid on the Series 1 Class A Special Shares will therefore not be eligible for the tax credit given to shareholders who receive dividends from taxable Canadian corporations. See page 25 for further details.

RISK FACTORS

The following risk factors should be considered in making a decision to purchase Series 1 Class A Special Shares.

Redemption Restrictions

There is no market through which the Series 1 Class A Special Shares may be sold. Further, it is not expected that any market will develop. These securities may only be transferred to the Credit Union itself, to another member of the Credit Union, or to a person prescribed by the Act.

Series 1 Class A Special Shares will not be redeemable by the holder thereof for a period of five years following their issuance. All redemptions are subject to the discretion of the Board of the Credit Union. The Act prohibits redemption of shares of a credit union if the board of directors of the credit union has reasonable grounds to believe that the credit union is, or the payment would cause it to be, in contravention of prescribed liquidity and Regulatory Capital tests for credit unions. Further, redemptions (after the first five years after the issuance of the shares) are limited in any fiscal year to 10% of the amount of Series 1 Class A Special Shares outstanding at the beginning of that fiscal year, according to the Credit Union's audited financial statements. Redemptions will only be allowed on an annual basis (after the first five years after the issuance of the shares) within the 60 day period following the anniversary date of the issuance of the shares. Consequently, holders of Series 1 Class A Special Shares may not be able to redeem their shares when they wish to do so.

The Credit Union may purchase for cancellation, at the Redemption Amount, all or any part of the outstanding Series 1 Class A Special Shares at any time and from time to time, after the expiry of five years from the issuance of the shares, subject to compliance with the Regulatory Capital and liquidity requirements of the Act. It is Board policy that the Credit Union will not acquire for cancellation all of its Series 1 Class A Special Shares without first declaring and paying a pro-rated dividend for the number of days the shares were issued and outstanding in that fiscal year, at an annual rate not being less than the then current minimum dividend rate. To increase the liquidity of this investment for its members, the Board intends that the Credit Union purchase for cancellation all its issued and outstanding Series 1 Class A Special Shares as soon as it is permitted to do so, subject to compliance with Regulatory Capital and liquidity requirements. It is therefore possible that these shares will be outstanding only for a period of 5 years from their issuance.

Purchasers of Series 1 Class A Special Shares intending to include the shares in their RRSPs should carefully review this risk factor before proceeding. Series 1 Class A Special Shares are not recommended as RRSP investments if the shareholder is 58 years of age or older. The shares do not qualify for the RRIF products offered by the Credit Union, and may not be used as security for any of the Credit Union's lending products.

Capital Adequacy

In accordance with the requirements of the Act, credit unions are required to maintain sufficient Regulatory Capital to meet two tests:

a) Leverage test

Regulatory Capital (Tier 1 and Tier 2) must amount to at least 5.00% of total assets, and the Tier 2 capital cannot exceed the level of Tier 1 capital.

b) Risk-weighted assets test

Regulatory Capital must amount to at least 8.00% of Risk-Weighted Assets.

At December 31, 2001, 2000, and 1999, the Credit Union met both tests with Regulatory Capital, net of certain deductions required by regulations passed pursuant to the Act, of $59.3 million, $55.3 million, and $52.9 million, respectively, which resulted in the following percentages :

	Leverage Test	Risk-weighted Assets Test
Capital ratios		
- December 31, 2001	5.36%	10.37%
- December 31, 2000	5.18%	10.43%
- December 31, 1999	5.65%	13.24%

After giving effect to the full issuance of the Series 1 Class A Special Shares and otherwise assuming the Credit Union's total assets Risk-Weighted Assets and Regulatory Capital remained as stated on the Credit Union's December 31, 2001 audited financial statements, CS CO-OP's Regulatory Capital ratios would increase to 8.05% and 15.57% respectively, exceeding regulatory requirements, and could support growth of $672.8 million if the constraint on growth is assumed to be the required Leverage Ratio of 5.00%. On the same terms and conditions, except that this offering is only minimally subscribed, CS CO-OP's Regulatory Capital ratios would increase to 6.24% and 12.08%, respectively, and the Credit Union could grow by $272.8 million.

The Leverage Ratio, Risk-Weighted Assets Ratio, and potential growth if this offering is completed are calculated as follows. If this offering is fully subscribed and otherwise all elements of the Credit Union's Regulatory Capital remain as reported on the Credit Union's audited financial statements as at December 31, 2001, CS CO-OP will enjoy Regulatory Capital of $89.1 million. Dividing Regulatory Capital by the Credit Union's total assets as at December 31, 2001 of $1,107.0 million (adjusted to take into account deferred charges and intangibles) provides a Leverage Ratio of 8.05%. Dividing Regulatory Capital by the Credit Union's Risk-Weighted Assets as at December 31, 2001 of $572.0 million provides a Risk-Weighted Assets Ratio of 15.57%. Dividing Regulatory Capital by the Leverage Ratio requirement of 5.00% shows that level of Regulatory Capital would support total assets of $1,781.7 million, and therefore that the Credit Union could grow by $672.8 million over its total assets as at December 31, 2001 of $1,108.9 million.

If this offering is only minimally subscribed, however, on the same terms and conditions, the Credit Union will enjoy Regulatory Capital of only $69.1 million. Dividing Regulatory Capital by the Credit Union's total assets as at December 31, 2001 of $1,107.0 million (adjusted to take into account deferred charges and intangibles) provides a Leverage Ratio of 6.24%. Dividing Regulatory Capital by the Credit Union's Risk-Weighted Assets as at December 31, 2001 of $572.0 million provides a Risk-Weighted Assets Ratio of 12.08%. Dividing Regulatory Capital by the Leverage Ratio requirement of 5.00% shows that level of Regulatory Capital could support total assets of $1,381.7 million, and therefore that the Credit Union could grow by $272.8 million over its total assets as at December 31, 2001 of $1,108.9 million.

The Credit Union is growing rapidly. The Credit Union has established methods to fund its growth that include reserves, securitizing some of its mortgages, and issuing non-Membership Shares. There is a significant likelihood that the Credit Union will undertake further offerings of non-Membership Shares in the future.

Payment of Dividends

This is the initial offering of Series 1 Class A Special Shares. There is therefore no dividend record for these shares.

The dividend rate on the Series 1 Class A Special Shares shall be established by the Board in its sole and absolute discretion within the provisions of the Articles regarding minimum dividend rates. The payment of dividends to the holders of Series 1 Class A Special Shares is dependent upon the ability of CS CO-OP to meet the Regulatory Capital and liquidity requirements of the Act, the availability of earnings, and the exercise by the Board of its discretion as to whether or not to declare a dividend. The dividend policy of the Board is described in the "Description of Securities Being Offered" section of this Offering Statement on page 23 and in the "Dividend Record and Policy" section of this Offering Statement on page 39. The Series 1 Class A Special Shares are Non-Cumulative. Despite the minimum dividend rate specified by the Credit Union's Articles, there is still, therefore, a risk that no dividend will be paid regarding a particular fiscal year of the Credit Union.

Normal Business Risks

(a) Credit Risk

One of CS CO-OP's most important business activities is the granting of loans and mortgages to members. With such activity, there exists the possibility of loss from uncollectible loans. As at December 31, 2001, 2000, and 1999, CS CO-OP had a total of $936.1 million, $798.5 million, and $698.0 million, respectively, outstanding in net loans and mortgages to all members, including $156.0 million, $93.4 million, and $34.8 million respectively, in net Commercial Loans, including commercial mortgages. In addition, the Credit Union had advanced approximately $133.5 million, $124.5 million, and $126.1 million, respectively, against approved secured and unsecured lines of credit of approximately $356.5 million, $336.0 million, and $326.2 million, respectively.

The loan portfolio by classification is detailed below.

Loans to members (in thousands)	December 31 **2001**	**2000**	**1999**
Personal loans and lines of credit	$278,266	$244,732	$238,029
Residential mortgages	505,537	464,053	429,067
Commercial loans and mortgages	157,286	93,911	34,970
	$941,089	$802,696	$702,066
Allowance for impaired loans	4,988	4,176	4,056
Total net loans to members	**$ 936,101**	**$798,520**	**$698,010**

CS CO-OP has developed lending policies and endeavours to hire experienced lending staff, obtain adequate loan security and maintain adequate internal controls. CS CO-OP has implemented numerous controls over compliance with internal policies and with government regulations. In addition, an internal audit department and a credit quality assurance department perform audits of branches and lending activities on a rotating basis. CS CO-OP's multiple branch environment also contributes to the diversification of economic backgrounds and portfolios.

CS CO-OP's loan portfolio consists of Mortgage Loans representing 53.72%, 57.81% and 61.11% of CS CO-OP's lending portfolio as at December 31, 2001, 2000 and 1999, respectively, with an outstanding balance of $505.5 million, $464.1 million, and $429.1 million, respectively. CS CO-OP's exposure to Commercial Loans, including commercial mortgages, represents 16.71%, 11.70%, and 4.98% of total loans outstanding at December 31, 2001, 2000 and 1999. As increased resources for infrastructure and recruitment of qualified commercial lending personnel were devoted to commercial lending, the Commercial Loan portfolio, including commercial mortgages, has increased by $122.3 million since December 31, 1999.

CS CO-OP's policy is to classify a loan as impaired when a specific provision has been established or a write-off taken or when, in the opinion of management, there is reasonable doubt as to the ultimate collectibility of principal or interest. A loan is also classified as impaired when interest or principal is contractually 90 days past due, unless the loan is fully secured and in the process of collection. Fully secured loans are classified as impaired after a delinquency period not exceeding 180 days. Once a loan is classified as impaired, all previously accrued interest is reversed and charged against current income, except for fully secured loans. This practice is in compliance with regulatory requirements regarding the cessation of interest accruals. The activity in the allowance for impaired loans, and information regarding the gross balance of impaired loans, is detailed in the notes to the financial statements, at note 5, on page 58.

The balance of loans identified as impaired, prior to any recovery from collateral on these loans, at December 31 of each of the following years was as follows:

	2001 (000's)	**2000 (000's)**	**1999 (000's)**
Impaired Personal Loans	$3,770	$3,379	$3,411
Percentage of total Personal Loans	1.35%	1.38%	1.43%
Impaired Mortgage Loans	$2,940	$3,127	$2,968
Percentage of total Mortgage Loans	0.58%	0.67%	0.69%
Impaired Commercial Loans	$81	$44	$304
Percentage of total Commercial Loans	0.05%	0.05%	0.87%
Total impaired loans	$6,791	$6,550	$6,683
Percentage of total loans	0.72%	0.84%	0.96%

The allowance for impaired loans provided for in the accounts of the Credit Union is in accordance, in all material respects, with the by-law of the Deposit Insurance Corporation of Ontario ("DICO") governing such allowances.

(b) Investment Risk

The Credit Union is also exposed to risk in respect of its investments. In particular, the investments in corporate entities may decline in value as a result of poor financial performance or other factors. As a result, the Credit Union may be unable to realize the full carrying value of each investment, in cash, within the time frame in which it wishes to do so. The investment policy, approved by the Board, requires that CS CO-OP invest funds surplus to loan demand and liquidity requirements so as to provide a reasonable return on invested funds, while limiting the risk to a prudent level. Permitted investments include debt obligations of the federal or a provincial government, debt obligations of chartered banks, their subsidiaries or other financial institutions, debt obligations fully guaranteed by the federal or a provincial government, and debt obligations of Canadian corporations that are rated R1-M or better by Dominion Bond Rating Service, or A or better by Moody's Bond Rating Service.

At December 31, 2001 the Credit Union's investment portfolio totalled $144.2 million and was comprised of government treasury bills and other discount notes. See "Notes to Financial Statements", note 3, on page 57.

(c) Liquidity Risk

Liquidity risk is the risk that a financial institution will have to sell assets at a loss to meet cash demands. While CS CO-OP is not a member of any liquidity pool, it has access to a $23.5 million operating line of credit from a major Canadian chartered bank.

CS CO-OP must maintain an amount at least equal to 8.00% of its deposits and borrowings in prescribed classes of assets pursuant to the Act. In the event that the Credit Union's liquidity were to fall below the current minimum prescribed level of 8.00%, the Credit Union would need to modify its business activities to preserve cash and, accordingly, it might not be in a position to redeem its shares. At December 31, 2001, 2000 and 1999, the Credit Union's liquidity position, including and excluding borrowings, was 11.80% and 12.08%, 15.79% and 15.79%, and 19.78% and 19.78%, respectively.

(d) Interest Rate Risk

Interest rate risk refers to the potential impact of changes in interest rates on the credit union's earnings when the yields or maturities of its deposits and liabilities are not matched with the yields or maturities of its investments, loans and mortgages. It is the policy of CS CO-OP to keep exposure to interest rate fluctuations within limits set by the Board and by the Act. These limits require management to maintain an asset/liability position which will generate an impact on after-tax income of less than 15 basis points of assets if rates change by 1%. CS CO-OP's asset and liability management committee meets at least monthly to monitor and manage the Credit Union's exposure to interest rate risk. As at December 31, 2001, CS CO-OP's position was such that a 1% interest rate increase/decrease would impact after-tax income by 10 basis points of assets or $1.1 million.

In the event that the Credit Union were to become mismatched to an extent which exceeds the limits described above, future profitability could become seriously eroded, with a resulting negative impact on the ability of the Credit Union to pay dividends or redeem its shares.

Like many other financial institutions, the Credit Union is exposed to significant changes in interest rates due to the mix of products and associated maturities within its balance sheet. In particular, given the dramatic and unusual decline in interest rates experienced over the last twelve months, interest rates on variable rate deposits have reached a floor, whereas those on variable rate loans and mortgages are still subject to any downward movements initiated by the Bank of Canada. Conversely, the Credit Union will directly benefit from every increase in the Bank of Canada rate anticipated with the expected recovery in the Canadian economy.

(e) Competitive Risk

The financial services industry continues to be extremely competitive. The major banks have expanded their traditional core banking business into other financial services lines of business, and they now dominate the brokerage and trust industries. As a result, the sheer size and increasing scope of their diversified operations represent a challenge to credit unions. The financial services market has also been transformed by the entry of low-cost providers of financial services (*e.g.*, ING Direct, PC Financial). However, as the banks continue to strive to increase their profits, they are exiting certain communities, giving credit unions the opportunity to become major financial service providers in these local areas. The success of credit unions largely depends on their ability to differentiate themselves from large banks and trust companies, and on their ability to be pro-active in providing new products and services to meet their members' needs while ensuring that they earn sufficient profits to continue to grow and prosper. The Credit Union has made a strategic decision to compete, not on price, but on building relationships with its members by providing excellent service.

(f) Economic Risk

The Canadian economy is currently in a recession, and recovery is not anticipated until the third or fourth quarter of 2002 at the earliest. That recovery is very dependent on the absence of further terrorist activity after the events of September 11, 2001, and the continued good progress of the "war on terrorism".

Like every other financial institution, CS CO-OP is affected by periods of economic downturn, which result in a lack of consumer confidence, a drop in demand for loans and mortgages and a reduction in the level of savings. CS CO-OP has a reasonably diverse membership by industry and by geographic area, although the Credit Union has an important number of members that are current and past employees of the federal public service and residents of the Greater Ottawa area.

(g) Regulatory Action

The Credit Union at this time does not anticipate any Regulatory Action being taken against it by either the Superintendent or DICO.

(h) Reliance on Key Management

The success of the Credit Union's business strategy, as with that of any other organization, is dependent on the ability of the Credit Union to attract and retain key management personnel. The inability to retain such persons or replace them with individuals of equal competence could affect the Credit Union's financial performance. The Credit Union has in place only with its President and Chief Executive Officer, and not with any other senior manager, a contract which requires him to provide the Credit Union with additional notice than would ordinarily be legally required of his intention to terminate his employment relationship with the Credit Union.

(i) Succession Risk

In the opinion of senior management and the board of directors, CS CO-OP is adequately positioned to deal with the sudden death or incapacity of one of its senior management team members, including the President and Chief Executive Officer. In common with many organizations, the Credit Union is somewhat vulnerable to the sudden death or incapacity of more than one member of its senior management team.

(j) Business Continuity Risk

The Credit Union, although it has a well-documented and thoroughly tested disaster recovery plan, is developing a more complete business continuity plan which will enable the Credit Union to get critical operations re-established in some manner to enable resumption of service to members in an acceptable time frame in the event of a disaster.

(k) Information Technology Risk

The Credit Union, as discussed on page 18, intends to enter into a contract in April 2002 with Summit regarding the purchase of a new core banking and accounting system. The provider of this integral system is a company headquartered in the United States of America, with no other Canadian clients. The vendor is, therefore, unfamiliar with Canadian law and regulation, and with an environment where complete English / French bilingualism is a necessity in its software. The Credit Union is aware of these risks and has gone through the following steps to mitigate the risks:

- The Credit Union applied a competitive process for the selection of the supplier and determined that Summit best met its business needs;
- The Credit Union performed a due diligence process to assess the company's commitment to the Canadian market by meeting with the senior management of Summit and reviewing its marketing plan to enter the Canadian market.
- The Credit Union enquired about the capacity of the company to provide a system tailored to its bilingualism and regulatory requirements and was informed that Summit has retained the services of a Canadian accounting firm to assist with this process. Summit indicated it is experienced in dealing with different jurisdictions, as it sells its systems in many states and countries. Summit also indicated they have adapted some of its products to Spanish/English bilingualism requirements. The Credit Union would not execute any agreement which did not bind Summit to deliver a fully-bilingual software that complies with Canadian law and regulation.
- The company is a wholly-owned subsidiary of Fi-Serv Financial Services, which provides similar services to other Canadian organizations.

(l) Risks in Convergence Strategy

Legislative amendments required to permit the Credit Union to become a federally regulated financial institution and to converge with CS Alterna Bank are not yet in place. If these amendments are not made, the Credit Union and CS Alterna Bank may not be able to complete their strategy, or may be forced to complete their strategy in a less than optimal manner, and not benefit from some of the advantages anticipated as a result of the convergence. The Credit Union is currently developing its convergence plan, which includes the strategic positioning of the converged entity in terms of markets, geographical area, demographic targets, etc. The success of the converged entity will depend in part on its ability to market itself successfully and to adapt to changing demographics and environments. The Credit Union also wishes to increase its capital to facilitate its convergence strategy, and this is one of the purposes of the offering. It is the intention of the Board, should this convergence occur, to act to protect the value of the shares of CS CO-OP upon the convergence. There is, however, no certainty regarding how the conversion of shares of

CS CO-OP will occur on the convergence, because there is currently no legal mechanism in place to permit the convergence.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CS CO-OP's assets grew by $172.6 million or 18.31% from December 31, 1999 to December 31, 2001. Over the same period, net loans and deposits grew by $238.1 million or 34.11% and $145.6 or 16.81%, respectively. This growth was mainly generated by CS CO-OP's branches, Commercial Loans and the federal government pay equity settlements, a large portion of which have been deposited at the Credit Union in the year 2000.

The residential Mortgage Loan and Personal Loan marketplace has been extremely competitive, as the banks as well as other financial services providers have all been trying to increase their market share. In this competitive market, CS CO-OP's residential mortgage and consumer lending volumes have remained relatively constant. However, commercial lending has increased significantly since 1999 as the Credit Union applied for, and received from the Financial Services Commission of Ontario, an expanded lending license permitting the Credit Union to grant commercial loans to its members. With this new lending license, CS CO-OP was able to invest excess liquidity into higher yielding loans. CS CO-OP's Commercial Loans, including commercial mortgages, outstanding at the end of 1999 were $35.0 million, increasing to $93.9 million and $157.3 million in 2000 and 2001, respectively.

The allowance for impaired loans as a percentage of total loans has, however, decreased from 0.58% in 1999 to 0.53% as at December 31, 2001. The provision for impaired loans as a percentage of average assets has increased from 0.16% in 1999 to 0.19% in 2001. This increase is due to the economic slowdown experienced in 2001, which has lead to increased bankruptcies, and to the building of a non-specific allowance for Commercial Loans to protect against potential future losses.

Other assets have also grown by 35.9% between 1999 and 2001 due mostly to the renovation of CS CO-OP's head office complex, a $4.5 million project which was completed in September 2001. Also included in this increase are the start-up costs of CS Alterna Bank, the Credit Union's indirectly wholly-owned subsidiary, and the deferred referral fees paid to third parties for referring retail credit business to CS CO-OP.

In 2001, borrowings were added to the balance sheet as a result of the sale of cash flows associated with a $23.8 million portfolio of residential mortgages to a third party. For accounting purposes, this transaction is viewed as financing and gives rise to the recording of a liability.

Earnings before taxes have been $6.1 million in 2001, $5.7 million in 2000 and $0.8 million in 1999. The earnings for 1999 were lower than expected due to costs associated with the transition to the year 2000, amortization of acquisition costs as well as service improvements and other initiatives to position CS CO-OP for future growth.

Both lending and deposit taking have been characterised by extremely competitive pricing over the last three years. CS CO-OP maintained its net interest margin as a percent of average assets at 3.29%, 3.36% and 3.17% for the years 2001, 2000 and 1999, respectively. During the same period, non-interest income as a percent of average assets decreased from 0.89% in 1999 to 0.74% in 2001. This decrease is due to the assets of CS CO-OP growing at a faster pace than that of the non-interest income.

Operating expenses as a percent of average assets have decreased from 3.97% in 1999 to 3.46% in 2001. This is due to the growth is assets since 1999 of 18.31% exceeding that of operating expenses which increased by only 1.77% over the same period. The dollar increase in operating expenses over the three year period is attributable to increased staffing levels to accommodate the outsourcing arrangement with CS Alterna Bank (whereby the Credit Union provides personnel and services to the bank in exchange for monetary consideration) and to support the business development and commercial services departments, and due to the introduction of an incentive pay program consistent with the industry. Operating expenses have also increased following the opening of a new branch in the south of Ottawa at the end of 1999. Conversely, the 1999 expenses included several non-recurring items such as expenses related to the year 2000 preparedness, consulting fees for efficiency improvements, and amortization of acquisition costs. Deposit insurance premiums have also reduced significantly following a new risk-based premium system implemented by DICO in 2001. These cost reductions have partially offset the additional expenses previously stated.

All after-tax net profits over the past three years have been allocated to CS CO-OP's reserves. As a result, member equity has grown by over 13.44% since December 31, 1999. CS CO-OP's Leverage Ratio in 2001 was 5.36%, compared to the required 5.00%. The Credit Union continues to be in compliance with Regulatory Capital requirements. See "Notes to Financial Statements" page 60 – Note 9.

The Credit Union's liquidity position has been in excess of the minimum requirement of 8.00% in each of the past three years, and was 11.80% as at December 31, 2001.

The table below shows the financial performance indicators of the Credit Union for the three years ended December 31, 2001, 2000 and 1999.

(Note: In the table below, 1 basis point ("bp") equals one one-hundredth of a percentage point of yearly average assets during the year)

Financial Performance Indicators	**2001**	**2000**	**1999**
Profitability			
Total assets (in thousands)	$1,115,088	$1,052,423	$942,488
Pre-tax profit (in thousands)	$6,052	$5,660	$840
Pre-tax profit (bp)	56	57	9
Net interest margin (bp)	329	336	317
Non-interest income (bp)	74	90	89
Non-interest expenses (bp)	346	369	397
Compliance with Capital Requirements			
Leverage Ratio	5.36%	5.18%	5.65%
Leverage Ratio requirement	5.00%	5.00%	5.00%
Risk-Weighted Assets Ratio	10.37%	10.43%	13.24%
Risk-Weighted Assets Ratio requirement	8.00%	8.00%	8.00%
Loan Asset Mix			
Total loans (in thousands)	$936,101	$798,520	$698,010
Personal loans (% of total)	29.36%	30.21%	33.58%
Mortgage Loans (% of total)	53.98%	58.09%	61.44%
Commercial Loans, other (% of total)	16.67%	11.70%	4.98%
Loan Asset Quality			
Allowance for impaired loans (% of total loans)	0.53%	0.52%	0.58%
Provision for impaired loans (% of average assets)	0.19%	0.15%	0.16%
Other Factors			
Total deposits (in thousands)	$1,012,025	$976,944	$866,421
Liquidity (% of deposits & borrowings)	11.80%	15.79%	19.78%
Asset growth (% change for period)	5.95%	11.66%	2.92%
Members' equity (in thousands)	$69,496	$65,612	$61,263
Equity growth (% change for Period)	5.92%	7.10%	4.38%

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

Management of Civil Service Co-operative Credit Society, Limited (the "Credit Union") is responsible for the preparation, presentation and consistency of financial information, including the financial statements, and other commentary contained in the offering statement. The financial statements and accompanying notes, prepared in accordance with the requirements of the *Credit Unions and Caisses Populaires Act, 1994* and Canadian generally accepted accounting principles, are considered by the Board and management to be fairly presented in all material respects. In preparing the financial statements, management has exercised judgement in the selection of significant accounting policies and the determination of reasonable estimates which are reflected therein.

Management has developed and maintains the necessary systems of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded and proper records maintained. The controls are monitored by the Credit Union's internal auditors.

The Finance and Audit Committee of the Board meets regularly with the Credit Union's management and internal and external auditors to review matters relating to the quality of financial reporting and internal accounting controls and the nature, extent and results of the audits. In addition, this Finance and Audit Committee recommends the appointment of external auditors and reviews and reports on the Credit Union's annual financial statements to the Board.

The Board is responsible for ensuring that management fulfils its obligations for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Deposit Insurance Corporation of Ontario conducts a periodic examination and inquiry into the affairs of the Credit Union, to ensure compliance with the Credit Union's by-laws and the provisions of the *Credit Unions and Caisses Populaires Act, 1994* under which the Credit Union is chartered and regulated.

Independent external auditors, appointed by the members of the Credit Union, examine the Credit Union's annual financial statements in accordance with Canadian generally accepted auditing standards and their report appears next. The auditors have free and independent access to the Finance and Audit Committee and personnel in the Credit Union's internal audit department. They meet with the Committee and with management to consider matters relating to financial statement presentation, internal controls and audit procedures.

Gary M. Seveny
President and Chief Executive Officer

José Gallant
Vice President Finance and Chief Financial Officer

Ottawa, Ontario
February 11, 2002

AUDITORS' REPORT

To the Members of The Civil Service Co-operative Credit Society, Limited

We have audited the consolidated balance sheets of The Civil Service Co-operative Credit Society, Limited ("CS CO-OP") as at December 31, 2001, 2000 and 1999, and the consolidated statements of operations and reserves and cash flows for each of the years then ended. These financial statements are the responsibility of the management of CS CO-OP. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of CS CO-OP as at December 31, 2001, 2000 and 1999, and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

ERNST & YOUNG LLP
Chartered Accountants

Ottawa, Ontario
January 25, 2002

THE CIVIL SERVICE CO-OPERATIVE CREDIT SOCIETY, LIMITED
CONSOLIDATED BALANCE SHEETS
December 31, 2001

ASSETS

	2001 (000's)	2000 (000's)	1999 (000's)
Cash and cash equivalents:			
Cash on hand and in bank (note 2)	$33,244	$29,761	$43,879
Short-term investments and accrued interest (note 3)	65,743	101,904	108,259
	98,987	131,665	152,138
Investments (note 3):			
Other short-term investments	16,947	47,057	56,748
Bonds	33,763	51,624	14,040
	50,710	98,681	70,788
Loans to members, net of allowance for impaired loans (notes 4 and 5):			
Personal loans	274,799	241,243	234,410
Residential mortgage loans	505,280	463,873	428,837
Commercial loans	156,022	93,404	34,763
	936,101	798,520	698,010
Other:			
Capital assets (note 6)	19,130	15,964	15,871
Other assets	10,160	7,593	5,681
	29,290	23,557	21,552
	$1,115,088	**$1,052,423**	**$942,488**

LIABILITIES AND MEMBERS' EQUITY

	2001 (000's)	2000 (000's)	1999 (000's)
Members' deposits:			
Demand deposits	$302,961	$290,614	$246,685
Term deposits	211,155	207,728	153,846
Registered retirement savings plans	322,156	309,535	304,665
Registered retirement income funds	175,753	169,067	161,225
	1,012,025	976,944	866,421
Other:			
Borrowing (note 7)	23,361	0	0
Future tax liability (note 17)	887	1,281	1,956
Other liabilities	9,319	8,586	12,848
	33,567	9,867	14,804
Membership shares (notes 8 and 9)	2,202	2,174	2,160
Reserves (note 9)	67,294	63,438	59,103
	$1,115,088	**$1,052,423**	**$942,488**

(See accompanying notes to the financial statements)

On behalf of the Board , Director , Director

CS COOP
Community Financial Services

THE CIVIL SERVICE CO-OPERATIVE CREDIT SOCIETY, LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS AND RESERVES
For the year ended December 31, 2001

	2001 (000's)	2000 (000's)	1999 (000's)
Interest income (note 11)	$64,188	$56,741	$49,636
Investment income	8,071	10,934	9,870
	72,259	67,675	59,506
Interest expense (note 11)	34,586	32,589	28,438
Net interest income	37,673	35,086	31,068
Loan costs	2,061	1,586	1,594
	35,612	33,500	29,474
Other income	7,985	8,954	8,257
	43,597	42,454	37,731
Operating expenses (note 12)	37,545	36,794	36,891
Income before income taxes	6,052	5,660	840
Provision for (recovery of) income taxes:			
Current	2,590	2,000	814
Future	(394)	(675)	(575)
	2,196	1,325	239
Net income for the year	3,856	4,335	601
Reserves, beginning of year	63,438	59,103	58,502
Reserves, end of year	$67,294	$63,438	$59,103

(See accompanying notes to the financial statements)

THE CIVIL SERVICE CO-OPERATIVE CREDIT SOCIETY, LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended December 31, 2001

	2001 (000's)	2000 (000's)	1999 (000's)
Operating activities:			
Net income for the year	3,856	$4,335	$601
Add (deduct) non-cash items:			
Amortization of capital assets and acquisition costs	4,650	5,006	4,647
Allowance for impaired loans	2,014	1,530	1,475
Future income taxes	(394)	(675)	(575)
Decrease (increase) in interest receivable	141	(737)	1,113
Increase (decrease) in interest payable	(633)	2,227	247
Decrease (increase) in amount receivable on derivative financial instruments	7	(15)	0
Increase in amount payable on derivative financial instruments	10	16	0
Increase in deferred charges	(542)	(494)	(138)
Other items, net	(1,318)	(6,121)	5,559
Cash generated by operating activities	7,791	5,072	12,929
Investing activities:			
Net decrease (increase) in investments	47,830	(27,156)	88,195
Net increase in loans to members	(139,595)	(102,040)	(34,565)
Acquisition of capital assets	(7,807)	(4,659)	(4,161)
Cash provided by (applied to) investing activities	(99,572)	(133,855)	49,469
Financing activities:			
Net increase in members' deposits	35,714	108,296	20,507
Net increase in membership shares	28	14	7
Net increase in borrowings	23,361	0	0
Cash provided by financing activities	59,103	108,310	20,514
Increase (decrease) during the year	(32,678)	(20,473)	82,912
Cash and cash equivalents, beginning of year	131,665	152,138	69,226
Cash and cash equivalents, end of year	$98,987	$131,665	$152,138
Supplemental information:			
Interest paid	$34,709	$30,362	$28,191
Income taxes paid	$3,006	$696	$3,348

(See accompanying notes to the financial statements)

THE CIVIL SERVICE CO-OPERATIVE CREDIT SOCIETY, LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001

Nature of Business

The Civil Service Co-operative Credit Society, Limited is a credit union operating under the name "CS CO-OP". It is incorporated under The Credit Unions and Caisses Populaires Act (Ontario) and is a member of the Deposit Insurance Corporation of Ontario (DICO).

1. Significant Accounting Policies

CS CO-OP follows Canadian generally accepted accounting principles. The most significant accounting policies are:

a) Consolidation -
The consolidated financial statements include the accounts of CS Alterna Bank, a wholly owned subsidiary. All significant intercompany balances and transactions have been eliminated.

b) Management Estimates -
The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

c) Investments -
Short-term investments and bonds are stated at cost plus accrued interest. Discounts or premiums on the purchase of bonds are deferred and amortized over the remaining term to maturity. Where applicable, investments are written down to recognize other than temporary declines in the underlying value.

d) Cash and Cash Equivalents -
Cash and cash equivalents include cash on hand, cash on deposit with other financial institutions, cheques and other items in transit, and short term investments, including accrued interest, with original maturities at acquisition of 90 days or less.

e) Loans to Members -
Personal loans, residential mortgage loans and commercial loans are recorded at principal amounts plus accrued interest, less allowance for impaired loans.

The allowance for impaired loans represents specific and general provisions. Specific allowances are established on individual loans according to DICO By-law #6 by reviewing the credit worthiness of the borrowers and the value of the collateral underlying the loan. General allowances are established by reviewing economic conditions and trends.

An allowance for impaired loans is established when there is no longer reasonable assurance that the full amount of principal and interest will be collected. In such cases, a specific provision is established to write down the loan to the discounted expected future cash flows at the effective interest rates and, if not measurable, to the fair value of any security, net of expected costs of realization.

f) Capital Assets -
Capital assets are presented at cost less accumulated amortization. Amortization is calculated on a straight-line basis at the following rates:

	Annual Rate
Building	10%
Furniture, equipment and software	10% to 33%
Leasehold improvements	Term of lease plus one option period.

g) Pension Benefits -
CS CO-OP maintains two pension plans including a defined benefit career average pension and a supplementary pension arrangement for certain senior executives. Both plans provide for pensions based on length of service and career average earnings.

Pension assets are valued at market values. Pension costs and accrued pension benefits are determined based upon actuarial valuations using the projected benefit method prorated on service, and management's best estimates.

Pension expense is the net of the cost of pension benefits for the current year's service, interest expense on pension liabilities, interest revenue on plan assets, and the amortization of pension adjustments on a straight-line basis over the expected average remaining service life of the employee group covered under the plans.

h) Income Taxes -
CS CO-OP uses the liability method of income tax allocation where temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes give rise to future income taxes.

i) Derivative Financial Instruments -
Swaps are accounted for under the accrual method. Where a swap agreement is terminated prior to its maturity, the resulting gain or loss is amortized over the original term of the agreement.

Premiums on index call options are amortized to interest expense over the life of the contract. The obligation to pay term deposit holders the increase in the value of the underlying index is carried at the amount that would be paid if the call option matured on the reporting date.

j) Fair Values -
The fair values of financial instruments are generally determined as follows:

Investments, interest rate swaps and call options - at market offer price quoted by investment dealers. Personal loans, residential mortgage loans and commercial loans to members, and members' deposits - at discounted cash flows using prevailing interest rates of instruments with similar remaining terms. The fair values of all types of loans to members are calculated before allowance for impaired loans.

The fair values of financial instruments with a term of less than 1 year approximate their carrying values, due to their short-term nature, except where otherwise indicated.

2. Cash in Bank

Cash in bank includes demand deposits with Canadian chartered banks earning interest at prime less 2.50%, which at December 31, 2001 was 1.50% (2000 - 5.00%; 1999 – 4.00%). At the end of the year, cash in bank totalled $18,111,000 (2000 – $16,320,000; 1999 - $23,676,000).

3. Investments

CS CO-OP invests surplus liquidity in the short-term money market and in the bond market. All investments held in short-term instruments are rated R1-M or better by the Dominion Bond Rating Service. All investments in bonds are rated A or better by Moody's Bond Rating Service. Investments are diversified by limiting investments in any one issuer to a maximum of 20% of the total portfolio for deposits other than those at the Government of Canada and its Crown Corporations, and a maximum dollar value of $5,000,000 to $50,000,000 depending on the credit risk of the issuer.

4. Loans to members

a) Personal loans -
Personal loans consist mostly of consumer instalment loans, lines of credit and other personal loans. These loans may be repaid in full or in part at any time without notice or penalty. Personal loans may be amortized over a maximum of 15 years, unless collateralized by real property in which case the amortization period can be up to 25 years. Interest rates on personal loans and other advances may be fixed for a maximum of 5 years. Loans payable on demand carry floating interest rates.

b) Residential Mortgage Loans -
Residential mortgage loans include first mortgages collateralized by real property such as a principal or seasonal residence.

Mortgage loans are repaid by regular instalment payments and are generally amortized over a maximum of 25 years. Open mortgage loans, which represent 7.89% of total residential mortgage loans, may be prepaid in full at any time without penalty. Closed mortgage loans may be prepaid at the mortgagor's option by a lump sum payment once yearly not exceeding 15% of the original loan amount, and/or by increasing once yearly the instalments by 15% of the previous instalment amount. Closed mortgage loans may also be prepaid twice per year by the equivalent of the mortgagor's bi-weekly net salary.

Repayment in full of closed mortgage loans prior to maturity is subject to a maximum penalty equal to the greater of:

- 3 months interest on the outstanding mortgage balance; and
- the interest rate differential between the current market rate and effective interest rate applied on the outstanding balance for the remaining term of the mortgage loan.

Interest rates on mortgage loans may be fixed for a maximum of 7 years.

Conventional mortgage loan advances may be made up to a maximum of 75% of the appraised value of the property. Mortgage loans in excess of 75% of the underlying security are insured with the Canada Mortgage and Housing Corporation or equivalent. As at December 31, 2001 a total of $190,663,000 in mortgage loans were insured under the National Housing Act (2000 - $163,285,000; 1999 - $132,570,000).

c) Commercial Loans -
Commercial loans include lines of credit, term loans and mortgage loans to individuals or corporations for business use. Loans secured by mortgages on non-owner occupied properties are also included in this category.

Commercial loans may be amortized over a maximum of 25 years. Lines of credit and term loans may be repaid in full or in part at any time without notice or penalty, while mortgage loans are repaid by regular instalment payments and may be subject to prepayment penalty.

Interest rates on commercial loans may be fixed for a maximum of 5 years.

d) Credit Risk-
CS CO-OP mitigates its credit risk exposure by limiting the principal amount of credit to a member at any given time: $250,000 in personal loans per member, $500,000 in residential mortgage loans per member,

CS CO-OP mitigates its credit risk exposure by limiting the principal amount of credit to a member at any given time: $250,000 in personal loans per member, $500,000 in residential mortgage loans per member, $10,000,000 in commercial loans per member and $18,000,000 in aggregate loans per member and connected persons; by performing a thorough credit analysis prior to approval of the loan; by obtaining collateral when appropriate; and, for commercial loans, by limiting the concentration by industry and geographic location.

5. Allowance for Impaired Loans

	2001 (000's)			
	Personal Loans	Residential Mortgage Loans	Commercial Loans	Total
Balance, beginning of year	$3,489	$180	$507	$4,176
Less: Loans written off	1,236	145	35	1,416
	2,253	35	472	2,760
Add: Recoveries on loans previously written off	214	0	0	214
Add: Allowance charged to operations	1,000	222	792	2,014
Balance, end of year	$3,467	$257	$1,264	$4,988

	2000 (000's)			
	Personal Loans	Residential Mortgage Loans	Commercial Loans	Total
Balance, beginning of year	$3,618	$231	$207	$4,056
Less: Loans written off	1,397	51	162	1,610
	2,221	180	45	2,446
Add: Recoveries on loans previously written off	200			200
Add: Allowance charged to operations	1,068		462	1,530
Balance, end of year	$3,489	$180	$507	$4,176

	1999 (000's)			
	Personal Loans	Residential Mortgage Loans	Commercial Loans	Total
Balance, beginning of year	$3,394	$142	$51	$3,587
Less: Loans written off	1,131	19	0	1,150
	2,263	123	51	2,437
Add: Recoveries on loans previously written off	144	0	0	144
Add: Allowance charged to operations	1,212	107	156	1,475
Balance, end of year	$3,619	$230	$207	$4,056

5. Allowance for impaired loans (cont'd)

The balance of loans identified as impaired, prior to any recovery from collateral on these loans, at the end of the year was as follows:

	2001 (000's)	2000 (000's)	1999 (000's)
Personal Loans	$3,770	$3,379	$ 3,411
Residential Mortgage Loans	2,940	3,127	2,968
Commercial Loans	81	44	304
	$6,791	$6,550	$6,683
Percentage of total loans	0.72%	0.84%	0.96%

No write-downs were made in respect of restructured loans during the year.

6. Capital Assets

	2001 Cost (000's)	2001 Accumulated Amortization (000's)	2000 Cost (000's)	2000 Accumulated Amortization (000's)	1999 Cost (000's)	1999 Accumulated Amortization (000's)
Land	$3,028		$3,028		$3,028	
Building	9,065	$3,331	6,539	$2,882	5,623	$2,544
Furniture, equipment and software	38,328	30,199	33,871	26,338	31,326	22,675
Leasehold Improvements	3,906	1,667	3,082	1,336	2,149	1,036
	54,327	$35,197	46,520	$30,556	42,126	$26,255
Accumulated amortization	35,197		30,556		26,255	
Net Book Value	$19,130		$15,964		$15,871	

7. Borrowings

a) Financing -
During the year, CS CO-OP entered into an agreement to sell the cashflows of a portfolio of residential mortgage loans to another financial institution. This transaction has been accounted for as financing because CS CO-OP has retained legal title over these loans. This financing has a maturity date of September 2006 and bears an average interest rate of 6.03%. As at December 31, 2001, its balance was $23,361,000 (2000 – nil, 1999 – nil).

b) Credit Facility-
CS CO-OP has access to a line of credit with a major Canadian bank, the approved limit of which is $23,500,000. This line of credit is payable on demand within 90 days, bears an interest at prime rate and is collateralized by fixed income securities having a total face value of $23,000,000. There was an outstanding balance of $1,229,000 against this facility at the end of the year (2000 – nil, 1999 - nil).

8. Membership Shares

The authorized share capital of CS CO-OP consist of the following:

(i) an unlimited number of Class A special shares, issuable in series
(ii) an unlimited number of Class B special shares, issuable in series
(iii) an unlimited number of Class C special shares, issuable in series
(iv) an unlimited number of membership shares

Each member under the age of eighteen is required, as a condition of membership, to own one membership share with an issue price of $1. All other members are required, as a condition of membership, to own one membership share with an issue price of $15. Membership shares carry the right to one vote at all general meetings of CS CO-OP, provided the member is at least fourteen years of age, and are redeemable at their issue price only when the member withdraws from membership in CS CO-OP.

Membership shares rank junior to Class A shares, Class B shares and Class C shares in the payment of dividends and in the event of liquidation, dissolution or winding-up of CS CO-OP. In addition, Class B and Class C shares rank junior to Class A shares, and Class C shares rank junior to Class B shares. There were no Class A, Class B nor Class C shares issued and outstanding as at December 31, 2001, 2000 and 1999.

During the year, the Board of Directors approved a resolution to amend CS CO-OP's articles of incorporation to create series 1 of the Class A Special Shares. These shares will be non-cumulative, non-voting, non-participating and will be redeemable by the member, after a period of five years of the date of the date of issue, to a maximum of 10% of the series 1 Class A shares outstanding at the end of the immediately preceding fiscal year. CS CO-OP will also have the option to purchase for cancellation all or any part of the outstanding series 1 Class A shares at any time after the expiry of the five years from the issue date. Subject to regulatory approval, it is the Board's intention to offer 30,000,000 such shares to CS CO-OP members at an issue price of $1 per share. It is anticipated that the dividend rate will be set at 150 basis points above the rate of the Government of Canada five-year benchmark bond as at the date of offering, expected to be in February 2002.

9. Regulatory Capital

Regulatory capital comprises membership shares and reserves.

The Credit Unions and Caisses Populaires Act requires that CS CO-OP maintain regulatory capital at the following levels as at December 31, 2001:

Regulatory capital as a % of total assets	5.00%
Regulatory capital as a % of risk weighted assets	8.00%

As at December 31, 2001, CS CO-OP met both of these requirements with regulatory capital ratios of 5.36% (2000 – 5.18%; 1999 - 5.65%) of total assets and 10.37% (2000 – 10.43%; 1999 - 13.24%) of risk weighted assets. At the same date, CS CO-OP's wholly-owned subsidiary, CS Alterna Bank, was also in compliance with its regulatory capital requirements.

10. Interest Rate Sensitivity and Fair Values

The following table sets out the carrying amounts (before allowance for impaired loans) and weighted average interest rates of rate sensitive financial instruments:

	2001 Maturity (000's)						
	Variable rate demand	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 7 years	Total (000's)
Short-term investments and bonds:							
Carrying Amount	-	$105,752	$10,568	-	-	$133	$116,453
Interest Rates	-	3.46%	6.26%	-	-	5.28%	4.94%
Personal loans:							
Carrying Amount	$185,652	$11,132	$5,282	$15,359	$19,533	$41,308	$278,266
Interest Rates	6.12%	6.07%	8.84%	8.77%	8.62%	8.22%	6.81%
Residential mortgage loans:							
Carrying Amount	$28,076	$82,447	$60,321	$106,034	$104,219	$124,440	$505,537
Interest Rates	4.00%	6.39%	6.49%	6.26%	7.48%	6.70%	6.54%
Commercial loans:							
Carrying Amount	$11,758	$84,216	$2,557	$8,704	$14,767	$35,284	$157,286
Interest Rates	5.07%	6.08%	6.48%	6.26%	7.49%	6.72%	6.30%
TOTAL	$225,486	$283,547	$78,728	$130,097	$138,519	$201,165	$1,057,542
Members' deposits:							
Carrying Amount	$330,108	$391,119	$108,626	$74,092	$62,408	$45,672	$1,012,025
Interest Rates	0.44%	3.64%	5.01%	5.06%	5.81%	4.80%	3.03%
Borrowings:							
Carrying Amount						$23,361	$23,361
Interest Rates						6.03%	6.03%
TOTAL	$330,108	$391,119	$108,626	$74,092	$62,408	$69,033	$1,035,386

10. Interest Rate Sensitivity and Fair Values (cont'd)

	2000 Maturity (000's)						
	Variable rate demand	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 7 years	Total (000's)
Short-term investments and bonds:							
Carrying Amount		$146,729	$26,552	$27,304	$0	$0	$200,585
Interest Rates		5.91%	6.04%	6.25%			5.97%
Personal loans:							
Carrying Amount	$184,788	$21,530	$5,279	$6,115	$10,099	$16,921	$244,732
Interest Rates	9.67%	8.67%	9.62%	9.32%	8.54%	8.96%	9.48%
Residential mortgage loans:							
Carrying Amount	$19,362	$100,005	$64,754	$70,326	$112,540	$97,066	$464,053
Interest Rates	7.50%	7.22%	6.54%	6.57%	6.36%	7.47%	6.88%
Commercial loans:							
Carrying Amount	$6,483	$44,177	$2,158	$3,211	$901	$36,981	$93,911
Interest Rates	8.11%	8.42%	6.53%	6.56%	6.35%	7.48%	7.51%
TOTAL	$210,633	$312,441	$98,743	$106,956	$123,540	$150,968	$1,003,281
Members' deposits:							
Carrying Amount	$315,076	$348,195	$146,157	$80,143	$31,476	$55,897	$976,944
Interest Rates	0.51%	4.79%	5.30%	5.38%	5.53%	5.91%	3.63%

10. Interest Rate Sensitivity and Fair Values (cont'd)

	1999 Maturity (000's) Variable rate demand	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 7 years	Total (000's)
Short-term investments and bonds:							
Carrying Amount		$170,386	$356	$4,508	$3,797		$179,047
Interest Rates		5.17%	6.53%	5.59%	5.59%		5.21%
Personal loans:							
Carrying Amount	$184,491	$31,273	$3,179	$5,587	$3,201	$10,297	$238,028
Interest Rates	8.86%	8.41%	8.52%	9.26%	8.16%	8.19%	8.77%
Residential mortgage loans:							
Carrying Amount	$21,137	$97,893	$66,650	$68,773	$60,867	$113,747	$429,067
Interest Rates	6.50%	6.72%	6.88%	6.46%	6.33%	6.34%	6.54%
Commercial loans:							
Carrying Amount	$594	$13,112	$4,535	$4,330	$2,327	$10,072	$34,970
Interest Rates	8.86%	6.78%	6.88%	6.46%	6.33%	6.34%	6.63%
TOTAL	$206,222	$312,664	$74,720	$83,198	$70,192	$134,116	$881,112
Members' deposits:							
Carrying Amount	$273,813	$349,272	$84,875	$101,646	$30,719	$26,096	$866,421
Interest Rates	0.53%	4.56%	4.84%	5.12%	4.61%	5.41%	3.41%

10. Interest Rate Sensitivity and Fair Values (cont'd)

The following table presents the estimated fair values of the financial instruments of CS CO-OP, including the fair value of loans which are calculated before allowance for impaired loans.

	2001 (000's)		2000 (000's)		1999 (000's)	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Financial assets:						
Cash equivalents	$98,987	$98,987	$131,665	$131,662	$152,138	$152,138
Investments	50,710	53,917	98,681	99,498	70,788	70,477
Loans to members	941,089	954,331	802,696	799,936	702,065	694,311
Other assets						
-other	8,138	8,138	5,793	5,793	4,286	4,286
-options	2,022	3,302	1,800	4,537	1,395	3,891
Financial liabilities:						
Members' deposits	(1,012,025)	(1,020,805)	(976,944)	(978,999)	(866,421)	(862,718)
Borrowings	(23,361)	(23,527)				
Other liabilities	(9,319)	(9,319)	(8,586)	(8,586)	(14,804)	(14,804)
	$56,241	$65,024	$55,105	$53,841	$49,447	$47,581
Excess (deficiency) of fair value over carrying value	$8,783		($1,264)		($1,866)	

11. Interest Income and Interest Expense

The interest income and interest expense for the year are attributable to the following accounts:

	2001 (000's)	2000 (000's)	1999 (000's)
Interest Income:			
Personal loans	$22,217	$22,703	$20,828
Residential mortgage loans	32,649	29,757	26,852
Commercial loans	9,322	4,281	1,956
	$64,188	$56,741	$49,636
Interest Expense:			
Demand deposits	$1,261	$1,164	$1,127
Term deposits	9,397	8,342	5,858
Registered retirement savings plan	14,284	14,025	13,634
Registered retirement income funds	8,665	8,288	7,718
Other	979	770	101
	$34,586	$32,589	$28,438

12. Operating Expenses

	2001 (000's)	2000 (000's)	1999 (000's)
Salaries and benefits	$17,134	$15,926	$14,352
Administration	8,442	8,103	9,977
Data processing	6,945	7,103	7,003
Occupancy	3,018	3,092	2,709
Deposit insurance premiums	1,012	1,756	1,820
Marketing and community relations	994	814	1,030
	$37,545	$36,794	$36,891

13. Employees' Defined Benefit Pension Plans

Information about the employees' defined benefit pension plans, in aggregate, is as follows:

	2001 (000's)	2000 (000's)	1999 (000's)
Accrued benefit obligation:			
Balance at the beginning of the year	$15,338	$14,354	$13,537
Current service cost	1,040	853	782
Interest cost	1,094	1,019	1,013
Benefits paid	(1,084)	(1,451)	(1,074)
Plan amendment	155	487	0
Actuarial losses (gains)	(659)	76	96
Balance, end of year	$15,884	$15,338	$14,354
Plans' assets			
Fair value at the beginning of the year	17,306	$16,475	15,755
Actual return on plan assets	(399)	1,459	1,050
Employer contributions	534	382	346
Employee contributions	479	441	398
Benefits paid	(1,084)	(1,451)	(1,074)
Fair value at end of year	$16,836	$17,306	$16,475
Overfunded status of plans	$952	$1,968	$2,122
Unamortized net actuarial losses (gains)	736	(211)	0
Unamortized past service costs (gains)	641	487	0
Unamortized transitional gains	(469)	(515)	(393)
Accrued benefit asset	$1,860	$1,729	$1,729

The following is a summary of the weighted average significant actuarial assumptions used in measuring the plans' accrued pension benefit obligations:

	2001	2000	1999
Discount rate	7.25%	7.25%	7.25%
Expected long-term rate of return on plan assets	6.80%	7.25%	7.50%
Rate of compensation increase	4.90%	5.00%	5.00%

The net pension plan expense of CS CO-OP is as follows

	2001 (000's)	2000 (000's)	1999 (000's)
Current service cost	$561	$412	$384
Interest cost	1,094	1,019	1,013
Expected return on plan assets	(1,177)	(1,172)	(1,179)
Amortization of transitional gains	(46)	(35)	0
Amortization of net actuarial losses (gains) and other	(64)	192	67
	$368	$416	$285

14. Derivative Financial Instruments

a) Swap Agreements -
CS CO-OP uses interest rate swap agreements to reduce risks associated with interest rate fluctuations and to control the matching of the maturity and interest adjustment dates of its assets and liabilities.

A summary of the fixed notional principal amounts on which CS CO-OP is obligated to pay a fixed rate of interest and receive a floating rate is given below:

	December 31, 2001			December 31, 2000			December 31, 1999		
Maturity	Notional Principal ('000's)	Average Fixed Rate Paid	Average Year End Floating Rate	Notional Principal ('000's)	Average Fixed Rate Paid	Average Year End Floating Rate	Notional Principal ('000's)	Average Fixed Rate Paid	Average Year End Floating Rate
2004	$10,000	6.46%	2.09%	$10,000	6.46%	5.73%	$10,000	6.46%	5.27%
2006	$10,000	4.89%	2.11%	--	--	--	--	--	--
TOTAL	$20,000	5.68%	2.10%	$10,000	6.46%	5.73%	$10,000	6.46%	5.27%

As at December 31, 2001, the accrued interest receivable amounted to $8,000, whereas the accrued interest payable amounted to $26,000 (2000 - $15,000 and $16,000 respectively; 1999 - nil).

As a result of the fixed rate payable under the contract being superior to the prevailing rate receivable, it would have cost CS CO-OP $770,000 as at December 31, 2001 (2000 - $329,000; 1999 - $6,000), on a net basis, to terminate its swap position.

b) Call Options -
As at December 31, 2001, CS CO-OP had issued $18,264,000 of indexed term deposits to its members (2000 - $16,614,000; 1999 - $14,914,000). These term deposits have maturities of 3 and 5 years and pay interest to the depositors, at the end of the term, based on the performance of the Toronto 35 Index, the S&P 500 Index, the proprietary G7 Equity Index, or the Euro North America Equity Index. CS CO-OP uses call options on the above Toronto 35 Index, S&P 500 Index, and G7 Equity Index, or the Euro North America Equity Index with equivalent maturities to offset the exposure associated with these products. These call options are included in accounts receivable and have fair values, which fluctuate depending on the volatility of the respective Index and the general market outlook. As at December 31, 2001, the fair value of the call options amounted to $3,302,000 (2000 - $4,537,000; 1999 - $3,891,000).

15. Commitments

a) Operating Leases -
CS CO-OP has minimum annual payments under operating leases as follows:

	2001 (000's)	**2000** (000's)	**1999** (000's)
2000			964
2001		969	664
2002	1,078	611	499
2003	951	511	403
2004	806	366	238
2005	629	241	
2006	370		
Thereafter	614	920	917

b) Credit Instruments -
As at December 31, 2001, the credit instruments approved but not yet disbursed were as follows:

	2001 (000's)	**Average term**	**Average rate**
Personal loans	$1,812	4 years	Prevailing rates on date disbursed
Residential mortgage loans	$8,763	4.7 years	5.87%
Commercial loans	$31,235	5 years	Prevailing rates on date disbursed
Lines of credit unfunded	$223,075	-	Prevailing rates on date disbursed
Letters of credit	$6,427	-	Prevailing rates on date disbursed

	2000 (000's)	**Average term**	**Average rate**
Personal loans	$310	3 years	Prevailing rates on date disbursed
Residential mortgage loans	$19,557	5 years	7.21%
Commercial loans	$61,593	5 years	Prevailing rates on date disbursed
Lines of credit unfunded	$211,458	-	Prevailing rates on date disbursed
Letters of credit	$8,226	-	Prevailing rates on date disbursed

	1999 (000's)	**Average term**	**Average rate**
Personal loans	$949	5 years	Prevailing rates on date disbursed
Residential mortgage loans	$12,470	5 years	7.34%
Commercial loans	$8,623	5 years	Prevailing rates on date disbursed
Lines of credit unfunded	$200,080	-	Prevailing rates on date disbursed

16. Other Statutory Information

a) Restricted Party Transactions -
At the end of the year, the total amount of loans related to restricted parties, as defined in section 82 of Regulation 76/95 to the Credit Unions and Caisses Populaires Act, was approximately $921,000 (2000 - $399,000; 1999 - $527,000). There was approximately $59,000 (2000 - $33,000; 1999 - $31,000) in interest earned for the year related to restricted parties.

b) Expenses Relative to Board of Directors -
The Directors and members of the Credit Committee are remunerated at rates to be fixed annually at the beginning of each year by the Board, and are also entitled to be paid their travelling and other expenses properly incurred by them in connection with the affairs of CS CO-OP. During the year, remuneration paid to Directors amounted to $99,000 (2000 and 1999 - nil). Other expenses incurred by the Board of directors amounted to $33,000 (2000 - $30,000; 1999 - $15,000).

17. Income Taxes

Significant components of the future tax liability of CS CO-OP as of December 31 are as follows:

	2001 (000's)	2000 (000's)	1999 (000's)
Capital cost allowance in excess of book depreciation	$424	$649	$1,213
Deferred pension expense	372	450	581
Deferred acquisition and start-up costs	294	192	162
Allowance for impaired loans	(98)	0	0
Non-capital loss carry-forward	(105)	(10)	0
	$887	$1,281	$1,956

The reconciliation of income tax computed at the statutory rates to income tax expense is as follows:

	2001		2000		1999	
	Amount (000's)	Per cent	Amount (000's)	Per cent	Amount (000's)	Per cent
Tax at combined federal and provincial rates	$2,547	42%	$2,490	44%	$379	45%
Federal large corporations tax	118	2%	125	2%	128	15%
Credit Unions deduction	(519)	-9%	(1,672)	-30%	(298)	-36%
Other - net	50	1%	382	7%	30	4%
	$2,196	36%	$1,325	23%	$239	28%

18. Comparative Amounts

Certain 2000 and 1999 comparative amounts have been reclassified to conform to the consolidated financial statement presentation adopted in 2001.

CONSENT OF AUDITORS

We consent to the use of our report dated January 25, 2002 to the Members of The Civil Service Co-operative Credit Society, Limited included in the Offering Statement dated February 11, 2002 relating to the sale and distribution of Series 1 Class A Special Shares of The Civil Service Co-operative Credit Society, Limited.

Ernst & Young LLP

ERNST & YOUNG LLP
Chartered Accountants

Ottawa, Ontario
February 11, 2002

CONSENT FROM CS ALTERNA BANK

February 11, 2002

In connection with the requirements of section 983(1) of the *Bank Act* and the *Name Use (Bank) Regulations* passed pursuant thereto, CS Alterna Bank hereby consents to the use by The Civil Service Co-operative Credit Society, Limited (the "Credit Union") of its name "CS Alterna Bank" within an Offering Statement made by the Credit Union and dated February 11, 2002, for the issue of 30,000,000 Series 1 Class A Special Shares.

Stephen E. Dixon
Vice-Chair of the Board
CS Alterna Bank

STATEMENT OF OTHER MATERIAL FACTS

All material facts relating to this share issue and to The Civil Service Co-operative Credit Society, Limited have been disclosed in this offering statement.

BOARD RESOLUTION

February 11, 2002

"The board of directors of The Civil Service Co-operative Credit Society, Limited approves the issue of Series 1 Class A Special Shares pursuant to the Articles of Incorporation of The Civil Service Co-operative Credit Society, Limited, as amended by a resolution of the board of directors passed February 8, 2002, and as described in the offering statement to be dated February 11, 2002."

I certify the above to be a true copy of a resolution adopted by the board of directors of The Civil Service Co-operative Credit Society, Limited at their meeting of February 8, 2002.

Evelyn Levine
Corporate Secretary

CERTIFICATE OF DISCLOSURE

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this offering statement as required by the *Credit Unions and Caisses Populaires Act, 1994* and the Regulations thereunder.

Dated at Ottawa, Ontario, February 11, 2002

SE Dixon

Stephen E. Dixon
Chairman of the Board

Gary M. S

Gary M. Seveny
President and Chief Executive Officer

J Gallant

José Gallant
Vice President Finance and Chief Financial Officer

CS CO-OP
Community Financial Services

SERIES 1 CLASS A SPECIAL SHARES
GENERAL SUBSCRIPTION, TRANSFER AND REDEMPTION FORM

1. MEMBER

Account # Br.# RSP Purchase? ☐ Yes ☐ No

Purchaser:

Joint Purchaser (if applicable) (N/A if RSP Purchase):

Joint Purchaser Account #

Address of Purchaser (Ontario or Quebec only):

……………………………………………………………………...

……………………………………………………………………...

Telephone of Purchaser:
Home ( )……………… Work ( ) …………………

2. PURCHASE

Purchase Amount
($1 per share) $,

S.I.N.	Date of birth
S.I.N.	Date of birth

OFFICE USE ONLY

Subscription received:

Date: ________________ Time: ____________am / pm

Staff signature: ________________________________

3. SOURCE OF FUNDS

Please indicate the source of funds to be used to purchase the shares. Funds will be transferred into a special interim term deposit (bearing interest at ____% per annum) and held to guarantee availability on the closing date. Holds will be released at the earliest of: (a) the date the offering closes and the shares have been purchased; (b) the date the share offering is withdrawn or cancelled by CS CO-OP or (c) the day you exercise your right not to purchase these shares (see Offering Statement).

Account # ________________________ Type: __________________ Funds to be held $ ______________________

4. TRANSFERS & REDEMPTIONS

All redemptions of shares are subject to the approval of CS CO-OP's Board of Directors. **Transfers** are generally permitted only to other CS CO-OP members at a price equal to the paid-up amount thereof plus any declared and unpaid non-cumulative dividends. **Redemptions** are processed on a first-come first-serve basis within the 60 day period following all anniversaries of the issuance of the shares following the fifth such anniversary. The redemption amount will be the paid-up amount thereon plus any declared but unpaid non-cumulative dividend. The total number of shares redeemable in one year is subject to restrictions. If CS CO-OP is unable to honor your request, your request will be carried forward and included in the redemptions to be considered in the applicable 60 day period in the next year.

☐ Please **transfer** the following shares as indicated:

Total shares to be transferred: $ _______________

Transfer price: $ _______________

RRSP Contract # (if applicable) _______________

Transfer to:

Member Name___________________________

OFFICE USE ONLY

Account #_____________Type: ____________

☐ Please **redeem** the following shares as indicated:

Total shares to be redeemed: $ _______________

RRSP Contract # (if applicable) _______________

(Note: Funds withdrawn from RRSP will occasion withholding taxes)

Deposit to:

Member Name_____________________________

OFFICE USE ONLY

Account #_____________Type: ______________

5. DIVIDEND OPTION

Please indicate in which type of account you desire your dividend to be put. Note: Cash dividends paid on shares held in an RRSP will be deposited to a Daily Interest RRSP Account.

☐ In Cash (i.e. cash deposit to CS CO-OP account) Type ________________

☐ RRSP (Deposit to Daily Interest RRSP Account) RRSP # ________________

6. AUTHORIZATION

All Statements as applicable.

(1) I/We hereby subscribe for …………………………… Series 1 Class A Shares at the price indicated in the purchase section above.
(2) I/We acknowledge having received and read the Offering Statement dated February 11, 2002 for CS CO-OP and, in particular, the terms and conditions set out on pages 28-31, and also the Risk Factors starting on page 41.
(3) I/We understand that, if purchased jointly, shares will be registered to us as joint tenants and right of survivorship applies (Not applicable to Quebec residents).
(4) I/We have considered whether or not I/we should obtain independent advice on the suitability of this investment to my/our particular financial situation, and have either obtained such advice or determined that I/we do not require such advice.
(5) I/We hereby authorize the hold on funds set out in Section 3.
(6) I/We hereby authorize the transfer of the shares as indicated above or request their redemption as indicated above, as applicable.
(7) I/We understand that the securities being purchased are NOT guaranteed by the Deposit Insurance Corporation of Ontario or any similar agency.

____
Date

Note: for transfers and redemption requests, the signature of all registered holders is required.

_______________________________ _______________________________
Witness' Signature (Unrelated to member) Member's Signature

_______________________________ _______________________________
Witness' Signature (Unrelated to member) Member's Signature

Original – Financial Services during subscription period, then Member file, Copy 1– Branch (EDP), Copy 2– Member

Feb02

CS CO-OP BRANCH INFORMATION

Main Branch 400 Albert St. Ottawa, ON K1R 5B2 (613) 560-0130 Fax: (613) 560-0177	**Orléans** Place Centrum 210 Centrum Blvd. Cumberland Township Orléans, ON K1E 3V7 (613) 560-0130 Fax: (613) 560-6365	**Scarborough** 200 Town Centre Ct. Scarborough, ON M1P 4X8 (416) 296-0248 Fax: (416) 224-1967
Bells Corners Moodie Square Centre 90 K Robertson Rd. Nepean, ON K2H 5Z1 (613) 560-0130 Fax: (613) 560-6359	**St. Laurent** St. Laurent Shopping Centre 1200 St. Laurent Blvd. Ottawa, ON K1K 3B9 (613) 560-0130 Fax: (613) 560-0137	**North Bay** 107 Shirreff Ave. North Bay, ON P1B 7K8 (705) 472-9700 Fax: (705) 472-9986
Billings Bridge 2269 Riverside Dr. Ottawa, ON K1H 7X4 (613) 560-0130 Fax: (613) 560-0180	**South Keys** 2300 Bank Street Ottawa, ON K1V 8S1 (613) 560-0130 Fax: (613) 560-0181	**Borden** CANEX Mall, CFB Borden, P.O. Box 310 36 El Alamein Rd., Borden, ON L0M 1C0 (705) 424-1301 Fax: (705) 424-9346
L'Esplanade Laurier 171 Bank St. Mall Level 2 Ottawa, ON K2P 1W5 (613) 560-0130 Fax: (613) 0144	**Sparks Street** 61 Sparks St. Ottawa, ON K1P 5A5 (613) 560-0130 Fax: (613) 560-6360	**Kingston** CANEX Mall, CFB Kingston, 7 Niagara Park P.O. Box 17000 Kingston, ON K7P 2B4 (613) 544-6051 Fax: (613) 541-1891
Merivale 1509 Merivale Rd. Nepean, ON K2G 3J3 (613) 560-0130 Fax: (613) 6381	**Tunney's Pasture** R.H. Coats Bldg Tunney's Pasture P.O. Box 3676 Ottawa, ON K1Y 4J8 (613) 560-0130 Fax: (613) 560-0127	**Petawawa** CANEX Mall, CFB Petawawa, 27 Festubert St. Petawawa, ON K8H 1N3 (613) 687-8157 Fax: (613) 687-8150
NRC C.I.S.T.I. Building M-55 Montreal Rd. Ottawa, ON K1A 0S2 (613) 560-0130 Fax: (613) 560-0175	**Shepard** 4900 Yonge St. Willowdale, ON M2N 6A4 (416) 224-2575 Fax: (416) 224-2578	**Pembroke** 545 Pembroke Street West Pembroke Ontario K8A 5P2 (613) 735-5039 Fax: (613) 735-5526