

HOME CAPITAL GROUP INC.

ANNUAL INFORMATION FORM

APRIL 17, 2000

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INCORPORATION

On December 12, 1979 Sonor Petroleum Corporation, a predecessor company to Home Capital Group Inc. (sometimes herein referred to as “Home Capital” or the “Company”), was continued under the Canadian Business Corporations Act. On March 21, 1986, the name of Sonor Petroleum was changed to Sonor Resources Corporation and, on December 31, 1986, was further changed to Home Capital Group Inc. On July 18, 1988, Home Capital was continued under the Business Corporations Act, 1982 (Ontario). The Company’s registered and principal office is located at 145 King Street West, Suite 1910, Toronto, Ontario, M5H 1J8.

Home Capital Group Inc. is a holding company that operates through its 100% owned subsidiary, Home Savings & Loan Corporation (“Home Savings”). Home Savings was incorporated on September 28, 1977 under the Loan and Trust Corporations Act (Ontario).

GENERAL DEVELOPMENT OF THE BUSINESS

In 1986, a new management group acquired control of Sonor Resources Corporation, a virtually inactive energy company. After disposing of the energy operations, management embarked on the development of a specialized financial services company.

In October 1986, the Company issued 2.5 million Class ‘B’ subordinated voting shares for proceeds of \$4.7 million. Of this, \$3.1 million was used as capital in the start-up of Kingsway General Insurance Company (“Kingsway”).

In December, 1986, the Company purchased 100 percent ownership of Home Savings in exchange for 3.4 million Class ‘B’ subordinated voting shares. At this time, the Company changed its name to Home Capital Group Inc. to reflect this acquisition and the Company’s strategy to provide specialized financial services to the markets that were ignored or underserved by larger companies.

In March 1987, an additional 2.75 million Class ‘B’ subordinated voting shares were issued for proceeds of \$4.9 million to increase the Company’s equity and allow it to provide additional capital to Home Savings.

In 1989, the Company determined to focus its resources on the growth of Home Savings and sold Kingsway to a management and investment group for \$3.9 million and transferred the entire portfolio of Home Capital Investment Management Inc. to a major investment management company.

In 1993 and 1994, and again in 1996, the Company issued subordinated debentures as a means of maintaining capital and repaying the bank loan. As at December 31, 1997, the senior debentures (\$1,294,000) bore interest at the rate of 10.50%, and the junior debentures (\$980,000) bore interest at the rate of 11.0%. During the course of the year and prior to maturity, \$379,000 of the senior debentures were converted into Class ‘B’ subordinated voting shares at a conversion price of \$1.00 per share. On July 29, 1998, the remaining \$915,000 senior debentures and the \$980,000 junior debentures matured and were converted into Class ‘B’ subordinated voting shares at a conversion price of \$1.00 per share. There are no amounts outstanding at year-end

On October 16, 1997, the Company entered into an agreement with Penfund Capital (No. 1) Limited, whereby Penfund provided a senior debenture, in the amount of \$5 million, for a period of five years. On July 21, 1998, the Company received an additional \$5 million under the same conditions as the original loan. Both loans bear interest at 8%. Principal is now repayable in yearly installments of \$500,000, which began on October 16, 1998. This will continue for a period of three more years, with the balance being payable in full on October 16, 2002. The proceeds of this second loan were used to inject an additional \$5 million of capital into Home Savings. This second tranche provided financing for the growth in 1999 and well into 2000.

GENERAL OVERVIEW

The principal business of Home Capital is conducted through its subsidiary, Home Savings, a regulated financial institution that provides deposit and mortgage lending services. Home Savings presently operates through its branches located in Toronto, Hamilton, St. Catharines, Calgary and Vancouver. There are presently 80 people employed.

Subsequent to year-end, Home Savings received its' Federal Trust charter and will operate under the name Home Trust Company ("Home Trust").

Home Trust takes deposits in the form of short-term deposits, debenture investment certificates and registered retirement savings plans. These deposit funds are then invested primarily in mortgages on residential properties, equity securities, bankers' acceptance, term deposits, treasury bills, corporate bonds and government bonds. Home Trust is a member of the Canada Deposit Insurance Corporation.

Home Trusts' primary source of revenue is interest income earned on lending activities and the investment of surplus funds in stocks, bankers' acceptance, term deposits, treasury bills and government bonds. The major expense is the interest paid on the deposits held. Lending activities and the maintenance of mortgages also generate fee income.

Home Trust competes with banks, trust companies and other deposit-taking institutions primarily in Ontario (Metropolitan Toronto, southern and central Ontario) Alberta and British Columbia. The Company has registered to do business in every province across Canada except Quebec. It is Home Trust's intention to open an office in Halifax, Nova Scotia in 2000. Home Trust's ability to attract retail and institutional deposits depends largely on the interest rates it offers. Home Trust competes with other mortgage lenders but concentrates on providing residential first mortgages. At the beginning of 1994, the Company re-entered the CMHC-insured mortgage market to further expand its insured mortgage portfolio. Home Savings has formed an alliance with a large financial institution in the role of the first choice alternative lender to clients of this institution. Home has also entered a pilot project with another large financial institution and will consider other strategic alliances as they are presented.

BUSINESS

The Company's sources of revenue consist of mortgage interest, fees earned from lending activities and interest, dividends and gains earned on the sale of investments. The following table illustrates the percentage of revenue by source:

(dollars in thousands)	1999	%	1998	%
Interest from mortgage loans	\$ 44,529	84.0%	\$ 35,025	83.3%
Other interest	2,438	4.6%	2,262	5.4%
Dividends	2,229	4.8%	1,587	3.8%
Fees and other income	3,594	6.8%	2,770	6.5%
Gain on sale of investments	231	0.4%	425	1.0%
	\$ 53,021	100.0%	\$ 42,069	100.0%

Loan Arrears

A loan is recognized as being impaired when the Company is no longer reasonably assured of the timely collection of the full amount of principal and interest. As a matter of practice, a loan is deemed to be impaired at the earlier of the date it has been specifically provided for or has been in arrears for 90 days. Although net impaired loans increased from \$1,243,000 in 1998 to \$1,333,000 in 1999, as a percentage of the total mortgage portfolio, they decreased 0.26% in 1998 to 0.21% in 1999.

Net impaired loans were as follows:

(000's)	1999	1998
Impaired mortgages	\$ 1,625	\$ 1,488
Specific mortgage provision	292	245

Net impaired mortgages	\$	1,333	\$	1,243
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Mortgages that were greater than 90 days in arrears increased slightly during the year, from \$1,488,000 in 1998 to \$1,506,000 in 1999. As a percentage of the gross mortgage portfolio, mortgages over 90 days in arrears decreased from 0.31% in 1998 to 0.23% in 1999. The following table illustrates the breakdown of the mortgages in arrears over 90 days:

(000's)	1999	1998
90 to 179 days	\$ 1,245	\$ 1,151
180 plus days	261	337
Total	\$ 1,506	\$ 1,488

The Company's policy is to reverse all accrued and unpaid interest once a loan is deemed to be impaired or it is 90 days in arrears, whichever occurs first.

Provision for Loan Losses

Provisions to loan losses are the charges to income for credit losses arising from the establishment of specific and general allowances. The mortgage loss allowance is broken down in the table below:

(000's)	1999	1998
Specific reserve	\$ 292	\$ 245
General reserve - high ratio vendor take back mortgages	10	91
General reserve	3,112	2,767
Total	\$ 3,414	\$ 3,103

HISTORICAL RESULTS AND PERCENTAGES

SELECTED CONSOLIDATED FINANCIAL DATA (in 000's except % and per share)

Five Year Financial Review

	Years Ended December 31				
	1999	1998	1997	1996	1995
Total assets	\$ 738,135	538,876	434,120	346,817	340,826
Bank loan payable	-	-	-	3,270	3,750
Senior term loan	9,000	9,500	5,000	-	-
Deposits and borrowings	684,869	493,386	399,497	318,838	314,631
Convertible subordinated debentures	-	-	2,274	3,000	2,250
Accounts payable and accruals	3,813	2,370	2,345	1,115	789
	697,682	505,256	409,116	326,223	321,420
Shareholders' equity	\$ 40,453	33,620	25,004	20,594	19,406

(cont't)

Five Year Financial Review

	1999	1998	1997	1996	1995
Net income	\$ 8,081	6,067	3,018	1,187	60

Ratios

Return on average assets	1.27%	1.25%	0.77%	0.35%	0.02%
Return on average shareholders' equity	21.89%	20.70%	13.24%	5.94%	0.31%

Statistics - Class A and Class B Subordinated Voting Shares

Class A and Class B subordinated voting shares outstanding	14,754	14,784	12,115	10,781	10,781
Net income per share	\$ 0.55	0.46	0.27	0.11	0.01
Book value per share	\$ 2.74	2.27	2.06	1.91	1.80

Quarterly Results

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Total
1999					
Total revenue	\$ 11,943	12,510	13,490	15,078	53,021
Net income	\$ 1,886	1,958	2,071	2,166	8,081
Per share	\$ 0.13	0.13	0.14	0.15	0.55
1998					
Total revenue	\$ 9,214	9,958	10,914	11,983	42,069
Net income	\$ 1,206	1,367	1,496	1,998	6,067
Per share	\$ 0.10	0.11	0.12	0.13	0.46

Dividend Policy

On February 23, 1999, the Board of Directors approved a dividend policy under which the Company intends to pay a quarterly dividend at the rate of 1.5 cents per share on outstanding convertible Class A and Class B subordinated voting shares, which is equivalent to an annual rate of 6 cents per share. A total of 6 cents per share was declared and/or paid during the year. The Company expects this dividend policy to continue.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Reference is made to the section entitled "Management's Discussion and Analysis" on pages 9 through 27 of the 1999 Annual Report to shareholders, which section is incorporated herein by reference.

DIRECTORS AND EXECUTIVE OFFICERS

The Directors of the Company were elected at the 1998 annual meeting of shareholders held May 26, 1999, or appointed by the Board of Directors and will hold office until the next annual meeting of the shareholders of the Company to be held on May 24, 2000 or until their successors are otherwise elected or appointed. The Directors also have appointed certain of their number to serve on the Company's Audit Committee, Executive Committee, Investment Committee and Compensation Committee.

Name, Principal Occupation and Business	Municipality of Residence	Director Since
JOHN CHRISTODOULOU * + Chairman and Chief Executive Officer Guardian Capital Group Inc.	Toronto, Ontario	1990
HON. WILLIAM G. DAVIS *	Toronto, Ontario	1999

P.C., C.C., Q.C.
Counsel, Torys

WILLIAM A. DIMMA * # ++ Toronto, Ontario 1994
Corporate Director

KENNETH A. FOWLER * ++ St. Catharines, Ontario 1987
President, Ken Fowler Enterprises Ltd.

HARVEY F. KOLODNY * + # Toronto, Ontario 1989
Professor of Management
Rotman School of Management
University of Toronto

JOHN M. E. MARSH # ++ Port Colborne, Ontario 1986
Corporate Director

SHEILA L. ROSS * # Toronto, Ontario 1999
Partner, TMP Worldwide
Executive Search

JOHN J. RUFFO * + # ++ Toronto, Ontario 1989
Corporate Director

GERALD M. SOLOWAY + ++ Toronto, Ontario 1986
President and Chief Executive Officer
Home Capital Group Inc.

Indicates:

* Audit Committee Member

+ Investment Committee Member

Human Resources and Nominating Committee

++ Executive Committee Member

Executive Officers

Name	Office	Municipality of Residence
William A. Dimma	Chairman of the Board	Toronto, Ontario
Gerald M. Soloway	President and Chief Executive Officer	Toronto, Ontario
W. Roy Vincent	Senior Vice-President and Chief Operating Officer	Toronto, Ontario

Sharron I. Hatton	Corporate Secretary	Toronto, Ontario
Gary L. Guthro	Vice-President, Finance	Stoney Creek, Ontario
Cathy Sutherland	Controller	Welland, Ontario

All of the above named directors and executive officers have held their present position or other executive positions with the same or associated firms or organizations for the past five years, except the following:

Gary L. Guthro (previously employed by the Company from 1987 to 1993) returned to the Company on April 7, 1997.

Shareholdings of Directors and Executive Officers

Directors and Officers of the Company, as a group, hold 2,504,165 Class A shares and 1,266,875 Class B subordinated voting shares, representing 82.8% of the total Class A shares and 10.8% of the total Class B subordinated voting shares, respectively.

Additional Information

The Class B subordinated voting shares of Home Capital trade on the Toronto Stock Exchange under the ticker symbol HCG.B.

Additional information relating to the directors' and officers' remuneration, principal holders of the Company's Class A shares, Class B subordinated voting shares and options to purchase securities is contained in the Company's Management Information Circular dated April 17, 2000 prepared in connection with the annual meeting of shareholders of the Company to be held on May 24, 2000. Additional financial information is provided in the Company's 1999 Annual Report.

Copies of the foregoing documents may be obtained upon request from the Corporate Secretary of the Company. Come visit our web sites: Home Capital Group Inc.- www.homecapital.com and Home Savings & Loan Corporation - www.hometruster.ca.