



HOME CAPITAL GROUP INC.

ANNUAL INFORMATION FORM

MAY 23, 2001

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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 Trust Company (“Home Trust”) previously known as Home Savings & Loan Corporation. Home Savings & Loan Corporation was incorporated on September 28, 1977 under the Loan and Trust Corporations Act (Ontario). On March 9, 2000, Letter Patent of Continuance were issued authorizing Home Savings & Loan Corporation, incorporated under the Loan and Trust Corporations Act (Ontario) to carry on business as Home Trust Company under the Trust and Loan Companies Act (Canada).

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 Trust 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 Trust.

In 1989, the Company determined to focus its resources on the growth of Home Trust 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 a total of \$3 million subordinated debentures, convertible to Class B subordinated voting shares at \$1.00 per share, as a means of maintaining capital and repaying a bank loan. On or before the maturity date of the subordinated debentures, July 29, 1998, all of the subordinated debentures were converted.

On October 16, 1997, the Company entered into an agreement with Penfund Capital (No. 1) Limited (“Penfund”), 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 to October 16, 2002 when the balance is payable in full. The proceeds of this second loan were used to inject an additional \$5 million of capital into Home Trust. This second tranche provided financing for the growth in 1999 and well into 2000.

On November 10, 2000, the Company entered into an agreement with Surrey Metro Savings Credit Union (“Surrey Metro”), whereby Surrey Metro provided a subordinated secured note of \$5 million for a period of two years. The loan bears interest at 9.50% per annum and repayable in full on October 16, 2002. The proceeds of this loan were used to inject an additional \$5 million of capital into Home Trust for growth well into 2001.

GENERAL OVERVIEW

The principal business of Home Capital is conducted through its subsidiary, Home Trust, a regulated financial institution that provides deposit and mortgage lending services. Home Trust presently operates through its branches located in Toronto, Hamilton, St. Catharines, Calgary and Vancouver. There are presently 105 people employed. On March 9, 2000, the subsidiary previously known as Home Savings received its Federal Trust charter and is now operating under the name of Home Trust Company (“Home Trust”).

Home Trust takes deposits in the form of short-term deposits, debenture investment certificates, registered retirement savings plans and registered retirement income funds. 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 Trust’s 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, Alberta and British Columbia. The Company has registered to do business in every province across Canada except Quebec. 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 Trust has formed alliances with a few of the larger financial institutions in the role of the first choice alternative lender to clients of these institutions.

On December 7, 2000 Home Trust issued its first Mortgage-Backed Security (“MBS”). This is the securitization of mortgages that are insured under the Canada Mortgage and Housing Corporation (CMHC). These CMHC-insured mortgages originated by Home Trust are pooled, securitized and issued to investors as CMHC-insured Mortgage-Backed Securities. Interest is paid to the investors at the coupon rate stated on the securities. When the MBS was sold, the estimated present value of the net interest spread (the difference between the weighted average mortgage rate and the MBS coupon rate, less a normal servicing fee and an estimated principal pay-down) results in the gain or loss on the sale of the security adjusted by issuance costs. The Company intends to remain in the Mortgage-Backed Securities market for 2001 and the future.

On May 24, 2000 Home Trust became a General Member of VISA Canada, authorized to offer VISA cards and accordingly, engaged in the business of developing a secured VISA card. The efforts of the Company have been devoted to the development of a VISA card operation and to date have not earned significant revenues and is still considered to be in the development stage. Any revenues earned adjust the development costs on this operation and it is anticipated that the VISA card operations will be fully developed during 2001.

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 and mortgage-backed securities. The following table illustrates the percentage of revenue by source:

(dollars in thousands)	2000	%	1999	%
Interest from mortgage loans	\$ 60,193	85.3%	\$ 44,529	84.0%
Other interest	2,295	3.2%	2,438	4.6%
Dividends	2,898	4.1%	2,229	4.2%
Fees and other income	4,518	6.4%	3,594	6.8%
Gain on sale of investments	249	0.4%	231	0.4%
Gain on sale of mortgage-backed securities	453	0.6%	-	-
	\$ 70,606	100.0%	\$ 53,021	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. Net impaired loans increased from \$1,333,000 in 1999 to \$3,022,000 in 2000; as a percentage of the total mortgage portfolio, they increased from 0.21% in 1999 to 0.39% in 2000. These ratios compare favourably with other large financial institutions and the Company has reacted to this increase by increasing the general reserve from \$2,984,000 in 1999 to \$4,149,000 in 2000. This general reserve amounts to 86 basis points of risk-weighted assets as compared to 74 basis points in 1999.

Net impaired loans were as follows:

(000's)	2000	1999
Impaired mortgages	\$ 3,257	\$ 1,625
Specific mortgage provision	235	292
Net impaired mortgages	\$ 3,022	\$ 1,333

Mortgages that were greater than 90 days in arrears increased slightly during the year, from \$1,506,000 in 1999 to \$3,257,000 in 2000. As a percentage of the gross mortgage portfolio, mortgages over 90 days in arrears increased from 0.23% in 1999 to 0.42% in 2000. The following table illustrates the breakdown of the mortgages in arrears over 90 days:

(000's)	2000	1999
90 to 179 days	\$ 1,863	\$ 1,245
180 plus days	1,394	261
Total	\$ 3,257	\$ 1,506

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)	2000	1999
Specific reserve	\$ 312	\$ 420
General reserve - high ratio vendor take back mortgages	-	10
General reserve	4,149	2,984
Total	\$ 4,461	\$ 3,414

HISTORICAL RESULTS AND PERCENTAGES

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

Five Year Financial Review

	Years Ended December 31				
	2000	1999	1998	1997	1996
Total assets	\$ 881,925	738,135	538,876	434,120	346,817
Bank loan payable	-	-	-	-	3,270
Senior term loan	8,500	9,000	9,500	5,000	-
Subordinated secured loan	5,000	-	-	-	-
Deposits and borrowings	813,182	684,869	493,386	399,497	318,838
Convertible subordinated debentures	-	-	-	2,274	3,000
Accounts payable and accruals	5,741	3,813	2,370	2,345	1,115
	832,423	697,682	505,256	409,116	326,223
Shareholders' equity	\$ 49,501	40,453	33,620	25,004	20,594
Total Revenue	\$ 70,606		42,069	33,754	32,985
Net income	\$ 10,452	53,021 8,081	6,067	3,018	1,187
Ratios					
Return on average assets	1.29%	1.27%	1.25%	0.77%	0.35%
Return on average shareholders' equity	23.24%	21.82%	20.70%	13.24%	5.94%

Statistics - Class A and Class B Subordinated Voting Shares

Class A and Class B subordinated voting shares outstanding					
	14,804	14,754	14,784	12,115	10,781
Net income per share	\$ 0.71	0.55	0.46	0.27	0.11
Book value per share	\$ 3.34	2.74	2.27	2.06	1.91

Quarterly Results

2000	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Total
Total revenue	\$ 15,704	16,825	18,144	19,933	70,606

Net income	\$	2,322	2,485	2,655	2,990	10,452
Per share	\$	0.16	0.17	0.18	0.20	0.71
1999		1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Total
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

Dividend Policy

On February 23, 1999, the Board of Directors approved a dividend policy under which the Company paid a quarterly dividend at the rate of 1.5 cents per share on outstanding convertible Class A and Class B subordinated voting shares, equivalent to an annual rate of 6 cents per share. On May 25, 2000, the Board of Directors approved an increase in the dividend policy to 2.0 cents per share payable quarterly on outstanding Class A and Class B subordinated voting shares, equivalent to an annual rate of 8 cents per share. A total of 7.5 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 11 through 29 of the 2000 Annual Report to shareholders, which section is incorporated herein by reference.

DIRECTORS AND EXECUTIVE OFFICERS

The Directors of the Company were elected at the 1999 annual meeting of shareholders held May 24, 2000, and will hold office until the next annual meeting of the shareholders of the Company to be held on June 6, 2001 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 Human Resources and Nominating 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 * # @ P.C., C.C., Q.C. Counsel, Torys	Toronto, Ontario	1999
WILLIAM A. DIMMA * # @ Corporate Director	Toronto, Ontario	1994
KENNETH A. FOWLER * @ President, Ken Fowler Enterprises Ltd.	St. Catharines, Ontario	1987
HARVEY F. KOLODNY * + Professor of Management Rotman School of Management University of Toronto	Toronto, Ontario	1989
JOHN M. E. MARSH # @ Corporate Director	Port Colborne, Ontario	1986
SHEILA L. ROSS * + # Partner, TMP Worldwide Executive Search	Toronto, Ontario	1999
GERALD M. SOLOWAY + @ President and Chief Executive Officer Home Capital Group Inc.	Toronto, Ontario	1986

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
Cathy Sutherland	Treasurer	Welland, Ontario

Sharron I. Hatton Corporate Secretary Toronto, 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.

Shareholdings of Directors and Executive Officers

Directors and Officers of the Company, as a group, hold 2,504,167 Class A shares and 1,096,309 Class B subordinated voting shares, representing 82.8% of the total Class A shares and 9.3% of the total Class B subordinated voting shares, respectively.

Additional Information

The Class B subordinated voting shares of Home Capital Group Inc. 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 26, 2001 prepared in connection with the annual meeting of shareholders of the Company to be held on June 6, 2001. Additional financial information is provided in the Company's 2000 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 Trust Company – www.hometruster.ca.