



HOME CAPITAL GROUP INC.

ANNUAL INFORMATION FORM

MAY 17, 2002

**HOME CAPITAL GROUP INC.
ANNUAL INFORMATION FORM
MAY 20, 2002**

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		Annual Report	Proxy Circular
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(1) Reference

The portion referred to above of the following documents are incorporated by reference to Annual Information Form:

- (i) Annual Report for the year ended December 31, 2001 (the "Annual Report").
- (ii) Management Proxy Circular dated as of April 19, 2002 (the "Proxy Circular").

Financial Information

Unless otherwise noted, all information is given at, or for, the fiscal year ended December 31, 2001 and is expressed in Canadian dollars.

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, Letters 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.

On September 11, 2001, the Company completed its sale of 1.4 million of Class 'B' subordinated voting shares which were sold under a short form prospectus dated August 29, 2001. Gross cash proceeds totalled \$13.4 million reduced by \$0.9 million for share issue costs. Of the net proceeds of \$12.5 million, \$7.0 million was used to purchase common shares in the wholly-owned subsidiary Home Trust.

Subsequent to the year-end, the Company announced on January 25, 2002 a share conversion that reduced the number of the Company's multi-vote Class 'A' shares. The holders of the Company's 3,025,000 convertible Class 'A' multi-vote shares have converted 1,500,000 of the Class 'A' shares into the same number of single-vote Class 'B' subordinated voting shares, effective January 24, 2002. The 1,500,000 shares have been listed on the Toronto Stock Exchange increasing the publicly traded Class 'B' subordinated voting shares from 13,322,610 to 14,822,610.

On March 12, 2002, Kenneth Fowler, who retired as director of the Company in the first quarter, converted his remaining 270,833 Class 'A' shares to the same number of Class 'B' subordinated voting shares. This conversion further increased the float of publicly trade shares by the 270,833.

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 139 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.

(dollars in thousands)	2001	%	2000	%	1999	%
Interest from loans	\$ 76,181	83.0%	\$ 60,193	85.3%	\$ 44,529	84.0%
Other interest	3,301	3.6%	2,295	3.2%	2,438	4.6%
Dividends from securities	4,505	4.9%	2,898	4.1%	2,229	4.2%
Fees and other income	4,733	5.2%	4,518	6.4%	3,594	6.8%
Gain on sale of securities	6	0.0%	249	0.4%	231	0.4%
Securitization gain on sale of mortgage-backed securities	3,002	3.3%	453	0.6%	-	-
	\$ 91,728	100.0%	\$ 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 and 5,017,000 in 2001; as a percentage of the total mortgage portfolio, they increased from 0.21% in 1999 to 0.39% in 2000 and 0.52% in 2001.

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 and \$5,517,000 in 2001. This general reserve amounts to 91 basis points of risk-weighted assets as compared to 86 basis points in 2000 and 74 basis points in 1999.

Net impaired loans were as follows:

(000's)	2001	2000	1999
Impaired loans	\$ 5,553	\$ 3,257	\$ 1,625
Specific loan provision	536	235	292
Net impaired loans	\$ 5,017	\$ 3,022	\$ 1,333

The following table illustrates the breakdown of the loans in arrears over 90 days:

(000's)	2001	2000	1999
90 to 179 days	\$ 3,749	\$ 1,863	\$ 1,245
180 plus days	1,804	1,394	261
Total	\$ 5,553	\$ 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)	2001	2000	1999
Specific reserve	\$ 536	\$ 312	\$ 420
General reserve - high ratio vendor take back mortgages	-	-	10
General reserve	5,518	4,149	2,984
Total	\$ 6,054	\$ 4,461	\$ 3,414

Competition

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.

New Lines of Business

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. In 2001 the Company issued a further four more "MBS" which resulted in \$3.0 million in gains on the income statement. Total outstanding principal value of these securities at December 31, 2001 amounted to \$65.6 million.

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. As at December 31, 2001, the VISA project has completed its development stage and will be fully operational as of January 1, 2002.

In April, 2001 a new product was formed to provide installment financing for customers purchasing products from established merchants. This product is shown as personal loans on the balance sheet and in 2002 has been renamed to the Retail Credit Services division.

HISTORICAL RESULTS AND PERCENTAGES

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

Five Year Financial Review

	Years Ended December 31				
	2001	2000	1999	1998	1997
Total assets	\$ 1,136,220	892,078	738,136	538,876	434,120
Senior term loan	8,000	8,500	9,000	9,500	5,000
Subordinated secured loan	5,000	5,000	-	-	-
Deposits and borrowings	995,120	794,666	671,068	493,386	399,497
Convertible subordinated debentures	-	-	-	-	2,274
Accounts payable and accruals	52,897	34,411	17,615	2,370	2,345
	<u>1,061,017</u>	<u>842,577</u>	<u>697,683</u>	<u>505,256</u>	<u>409,116</u>
Shareholders' equity	\$ 75,203	49,501	40,453	33,620	25,004
Total Revenue	\$ 91,728	70,606	53,021	42,069	33,754
Net income	\$ 14,860	10,452	8,081	6,067	3,018
Ratios					
Return on average assets	1.47%	1.28%	1.27%	1.25%	0.77%
Return on average shareholders' equity	23.83%	23.24%	21.82%	20.70%	13.24%

Five Year Financial Review (continued)

	Years Ended December 31				
	2001	2000	1999	1998	1997
Class A and Class B subordinated voting shares outstanding	16,348	14,804	14,754	14,784	12,115
Net income per share	\$ 0.99	0.71	0.55	0.46	0.27
Book value per share	\$ 4.60	3.34	2.74	2.27	2.06

Quarterly Results

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Total
2001					
Total revenue	\$ 21,024	22,027	23,760	24,917	91,728
Net income	\$ 3,218	3,546	3,982	4,114	14,860
Per share	\$ 0.22	0.24	0.26	0.27	0.99
2000					
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

Dividend Policy

On May 25, 2000, the Board of Directors approved a dividend policy under which the Company paid a quarterly dividend at the rate of 2.0 cents per share on outstanding convertible Class A and Class B subordinated voting shares, equivalent to an annual rate of 8.0 cents per share. On June 6, 2001, the Board of Directors approved an increase in the dividend policy to 2.5 cents per share payable quarterly on outstanding Class A and Class B subordinated voting shares, equivalent to an annual rate of 10.0 cents per share. A total of 9.0 cents per share was declared and/or paid during the year. The Company expects this dividend policy to continue.

DIRECTORS AND EXECUTIVE OFFICERS

The Directors of the Company were elected at the 2000 annual meeting of shareholders held June 6, 2001, and will hold office until the next annual meeting of the shareholders of the Company to be held on May 29, 2002 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 (1)(2) Chairman and Chief Executive Officer Guardian Capital Group Inc.	Toronto, Ontario	1990
HON. WILLIAM G. DAVIS (1)(3)(4) P.C., C.C., Q.C. Counsel, Torys	Toronto, Ontario	1999
WILLIAM A. DIMMA (1)(3)(4) Corporate Director	Toronto, Ontario	1994
HARVEY F. KOLODNY (1)(2) Professor, Rotman School of Management, University of Toronto	Toronto, Ontario	1989
JOHN M. E. MARSH (3)(4) Corporate Director	Port Colborne, Ontario	1986
SHEILA L. ROSS (1)(3) Partner, TMP Worldwide Executive Search	Toronto, Ontario	1999
GERALD M. SOLOWAY (2)(4) President and Chief Executive Officer Home Capital Group Inc.	Toronto, Ontario	1986

Indicates:

- (1) Audit Committee Member
- (2) Investment Committee Member
- (3) Human Resources and Nominating Committee
- (4) Executive Committee Member

Executive Officers

Name	Office	Municipality of Residence
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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 A. 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 1,117,450 Class B subordinated voting shares, representing 82.8% of the total Class A shares and 8.4% 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 19, 2002 prepared in connection with the annual meeting of shareholders of the Company to be held on May 29, 2002. Additional financial information is provided in the Company's comparative financial statements for the year ended December 31, 2001 and is contained in the 2001 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.hometrusted.ca.