



**HOME CAPITAL GROUP INC.**

**ANNUAL INFORMATION FORM**

**March 23, 2007**

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#### Financial Information

Unless otherwise specified, all information presented herein is presented at December 31, 2006.

References herein to the Annual Report are references to the 2006 Annual Report of Home Capital Group Inc.

The 2006 Annual Report and all other documents referred to herein are available on SEDAR ([www.sedar.com](http://www.sedar.com)) and are incorporated herein by reference.

## FORWARD-LOOKING STATEMENTS

From time to time Home Capital Group Inc. (the “Company” or “Home Capital”) makes written and verbal forward-looking statements. These are included in the Annual Report, periodic reports to shareholders, regulatory filings, press releases, Company presentations and other Company communications. Forward-looking statements include, but are not limited to, business objectives and targets, Company strategies, operations, anticipated financial results and the outlook for the Company, its industry, and the Canadian economy. Forward-looking statements are typically identified by words such as “believe,” “expect,” “anticipate,” “estimate,” “plan,” “may” and “could” or other similar expressions.

By their very nature, these statements require us to make assumptions and are subject to inherent risks and uncertainties, general and specific, which may cause actual results to differ materially from the expectations expressed in the forward-looking statements. These risks and uncertainties include, but are not limited to, global capital market activity, changes in government monetary and economic policies, changes in interest rates, inflation levels and general economic conditions, legislative and regulatory developments, competition and technological change. The preceding list is not exhaustive of possible factors. These and other factors should be considered carefully and readers are cautioned not to place undue reliance on these forward-looking statements. The Company does not undertake to update any forward-looking statements, whether written or verbal, that may be made from time to time by it or on its behalf.

## CORPORATE STRUCTURE

### **Name, Address and Incorporation**

On December 12, 1979, Sonor Petroleum Corporation, a predecessor company to Home Capital was continued under the Canada Business Corporations Act. On March 21, 1986, under new management the name of Sonor Petroleum Corporation was changed to Sonor Resources Corporation (a virtually inactive energy company) 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 2300, Toronto, Ontario, M5H 1J8.

### **Intercorporate Relationships**

Home Capital 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 to carry on business as Home Trust Company under the Trust and Loan Companies Act (Canada).

## GENERAL DEVELOPMENT OF THE BUSINESS

### **Three Year History**

Home Capital is a holding company, publicly traded on the Toronto Stock Exchange (HCG), operating through its principal subsidiary, Home Trust Company. Home Trust is a federally regulated trust company offering deposit, mortgage lending, securitization of insured residential first mortgages, retail credit and credit card issuing services. Home Trust is licensed to conduct business across Canada, with offices in Ontario, Alberta, British Columbia and Nova Scotia. From 2003 to 2006, Home Capital’s total assets grew by \$2.01 billion to \$3.90 billion at December 31, 2006. The Company also administers mortgage assets, which amounted to \$1.11 billion at December 31, 2006.

## **Highlights of the Last Three Years**

### **Fiscal 2004**

On March 11, 2004, Fitch Ratings assigned a BBB- long-term senior rating and an F3 short-term rating to both Home Capital and its wholly owned subsidiary Home Trust. The ratings are reflective of Home Capital's good profitability and asset quality, and its solid capital and reserve levels.

On March 19, 2004, Home Capital was added to the S&P/TSX Composite Index. This index is used by the financial community at large as a broad indicator of market activity for the biggest and most heavily traded companies on the Toronto Stock Exchange.

On May 13, 2004, the shareholders of the Company approved a special resolution authorizing the reclassification of its issued and outstanding "Class B Subordinated Voting Shares" to "Common Shares" and eliminating all other authorized but unissued classes of Common Shares.

### **Fiscal 2005**

Home Trust ("Société de Fiducie Home"), on May 9, 2005, obtained a license to conduct all trust activities in the province of Quebec. Initially, this license was used to expand our business relationship in the VISA merchant acquiring business with First Data International. We have since expanded into the Quebec mortgage lending market.

On July 24 2005, the Company successfully completed conversion to a new provider of credit card processing services, Certegy Card Services, Inc., which has since been acquired by Fidelity National Card Services, Inc. ("Fidelity"). Fidelity is a leading provider of credit card processing services to credit unions and regional banks across North America.

In November 2005, Standard & Poor's ("S&P") assigned its BBB/A-2 long-term and short-term counterparty ratings to Home Trust Company and BBB-/A-3 to Home Capital Group Inc. These S&P investment grade ratings, together with the Company's previously announced investment grade ratings from Fitch Ratings, will enable Home Capital and Home Trust to access the public debt market at favourable rates, if required, to help fund future growth.

### **Fiscal 2006**

Early in 2006, the Company announced a change to its VISA products with the change of the Equity Plus VISA to Equityline VISA providing clients with a VISA Gold product. The VISA Gold product has proven to be financially beneficial to the Company, growing to account for \$152.7 million of the outstanding VISA balances since the product was relaunched in January 2006.

The Board of Directors approved a Normal Course Issuer Bid, commencing on August 1, 2006. From time to time, the market price of the Company's shares do not fully reflect the value of its business and future prospects and as such the purchase of outstanding shares may represent an appropriate use of the Company's available funds. As at December 31, 2006 the Company repurchased 32,000 shares at a cost of \$0.9 million.

The Company's continued commitment to corporate governance initiatives was publicly recognized in 2006 through a number of citations. The Company ranked in a tie for seventh place in Canadian Business Magazine's Sixth Annual Corporate Governance rankings of nearly 300 companies surveyed, placed sixth in the Corporate Knights Fifth Annual Best 50 Corporate Citizens rankings of 291 companies surveyed, and ranked in a tie for thirteenth place of 204 companies in the Globe and Mail Report on Business fifth annual survey of corporate governance practices at Canada's largest public companies. Further, the Ontario Chamber of Commerce recognized the Company's ongoing efforts to achieve a high level of corporate governance by selecting the Company to receive the Chamber's 2006 Outstanding Business Achievement Award for Corporate Governance.

The Company recognizes the importance of providing value for its shareholders and during 2006 this was further enhanced through a significant increase in total share dividends rising 58.8% over the prior year to end the year at \$0.27 per share.

The Company's overall asset base experienced another year of strong double-digit growth in 2006. From December 31, 2003 to December 31, 2006, the Company's total assets grew by \$2.01 billion to \$3.90 billion. Total assets, including assets

under administration through the MBS program, for the period December 31, 2003 to December 31, 2006 grew by \$2.80 billion to \$5.01 billion.

The Company's key priorities moving forward are to continue business growth across all operating segments, continue efforts in controlling costs and minimizing credit losses, enhance marketing opportunities by cross selling products and generate further market penetration. The Company is committed to meeting the targets as set out on page 5 of the 2006 Annual Report.

### **Significant Acquisitions During Last Fiscal Year**

There were no acquisitions or dispositions that occurred during the year ended December 31, 2006.

Further information regarding the development of the Company over the last three fiscal years can be found under the heading "Report to Shareholders" on pages 1 through 5 of the Company's 2006 Annual Report, on pages 5 through 6 of the Company's 2005 Annual Report and on pages 4 through 7 of the Company's 2004 Annual Report, which are incorporated by reference herein.

## **DESCRIPTION OF THE BUSINESS**

### **General**

The principal business of Home Capital is conducted through its wholly owned subsidiary, Home Trust, a federally regulated financial institution that provides deposit, mortgage lending, securitization of insured residential first mortgages, retail credit and credit card issuing services. Home Trust focuses on providing residential first mortgages to borrowers that do not meet all of the major banks' lending requirements. At December 31, 2006, Home Trust operated through six branches located in Toronto, Hamilton, St. Catharines, Calgary, Vancouver and Halifax. At that date 350 full-time staff were employed. Subsequent to December 31, 2006, the Company consolidated the Hamilton Branch with the Toronto Branch.

### **Mortgage and Deposit Business**

Home Trust's principal line of business is mortgage lending on residential properties that is primarily funded by retail deposits.

Home Trust's borrowers consist of self-employed individuals, individuals with a short or limited credit history and individuals with some impairment in their credit history. These mortgages are referred through an extensive mortgage broker network, from other financial institutions and current customers of Home Trust. The Senior Vice President and COO and the Senior Vice President of Home Trust are responsible for the mortgage lending business. Credit approval within the mortgage lending portfolio is determined by lending amounts: the higher the loan amount, the higher the authority level required for credit approval. All proposed mortgages over \$1,000,000 require approval from two officers of the Company and the Chair of the Audit and Risk Management Committee on the behalf of the Board of Directors.

It is Home Trust's policy to require the approval of the Audit and Risk Management Committee on loans where its aggregate exposure to the borrower exceeds 5% of Home Trust's total regulated capital. In any event, the total aggregate exposure is not to exceed 20% of total regulated capital.

Home Trust takes deposits in the form of short-term deposits, guaranteed investment certificates, registered retirement savings plans and registered retirement income funds. Deposits are raised through deposit brokers or through branch locations. The deposit funds are then invested in loans on residential properties with any excess absorbed by the Company's securities portfolio to maximize returns.

Home Trust commenced securitization of pools of residential mortgages insured by Canada Mortgage and Housing Corporation ("CMHC") on December 7, 2000. These residential mortgages originated by Home Trust are pooled, securitized and issued to investors as CMHC-insured Mortgage-Backed Securities ("MBS"). Interest is paid to the investors at the coupon rate stated on the MBS. The Company retains an ongoing interest in the net future cash flows of the MBS (the difference between the weighted-average mortgage rate and the MBS coupon rate, less a normal servicing fee and an estimated principal paydown). At the time of sale of the MBS, the Company values the ongoing interest based on management's best estimate of the net present value of the future net cash flows to be received from the pool and recognizes a gain on the sale of the MBS. The net present value of all future net cash flows to be recovered is recorded on the balance

sheet as Mortgage-Backed Securities receivable. As at December 31, 2006, these assets under administration amounted to \$1.11 billion and the Mortgage-Backed Securities receivable was \$51.0 million. Additional information regarding Mortgage-Backed Securities can be found in Note 4 of the Notes to the Consolidated Financial Statements on pages 40 and 41 of the 2006 Annual Report.

Home Trust entered into an arrangement with Regency Finance Corp. (“Regency”), a Canadian company based in Toronto in late 2003. Home Trust is Regency’s exclusive agent in offering second mortgage loans to homebuyers. This product provides financing to borrowers who require additional purchase financing or who wish to refinance their residential property greater than 75% of the current market value. Home Trust earns administration and servicing fee revenue, which is reported under fee income in the mortgage and deposit segment of the business. These mortgage loans are securitized into pools and then sold. While the Company is currently the sole investor, these pools are open to participation by external investors. As at December 31, 2006 these purchased pools amounted to \$70.3 million and are recorded on the consolidated balance sheet as Secured Loans. In 2006 these Secured Loans earned the Company an average yield of 6.7% interest income.

The mortgage activities accounted for 83.8% of the consolidated total revenue and 74.4% of the Company’s consolidated net income for the year ended December 31, 2006. This compares to 84.8% and 78.3%, for fiscal 2005 and 85.5% and 80.6%, for fiscal 2004. Lending activities and the maintenance of loans also generate fee income. The major expense is the interest paid on the deposits held which represents 63.5% of total expenses at December 31, 2006, 62.6% of total expenses at December 31, 2005 and 63.4% of total expenses at December 31, 2004.

Late in 2006 after considerable analysis and evaluation, Home Trust commenced commercial mortgage lending. The Company will lend a small percentage of the value of high-quality real estate loans and then carry the loans for a short period. The Company chose to enter the market to utilize excess borrowing capacity that complements our existing skills and market reach. As at December 31, 2006 the Company was committed for \$50 million and advanced \$28.3 million.

### **Consumer Lending**

Home Capital broadened its product offerings with the introduction of the Home Trust VISA credit card late in 2000. In March 2002, Home Trust launched a new VISA product, the Equity Plus VISA card and discontinued accepting new unsecured accounts. In the first quarter of 2006, the Company re-launched the Equity Plus VISA as the Home Trust Equityline VISA. Equityline VISA combines the flexibility of a secured line of credit with the convenience of VISA and the added benefits of a Gold card with no annual fee. The Equityline VISA product allows homeowners to use their home equity as collateral to obtain credit from \$10,000 to \$250,000. These credit cards are subject to the same lending policies as set out in the mortgage lending operation of Home Trust with the exception of the loan-to-value limits for the total loan amount. At December 31, 2006, 6,560 cards have been issued for total authorized credit of \$272.8 million compared to December 31, 2005 with 3,438 cards for authorized credit of \$128.7 million and December 31, 2004 with 2,067 cards for authorized credit of \$82.6 million.

In 2006 Home Trust established an in-house VISA call centre to better serve the expanded client base resulting from this new product line.

The Company also provides personal loans to the clients of approved retail operations. Although this product offering is not expected to experience significant growth going forward, the operation continues to be a profitable contributor for the Company.

Credit cards and retail credit services are products that have been developed to provide diversification in the Company’s revenue stream. The businesses makes up 9.5% of the consolidated total revenue and 15.0% of the Company’s consolidated net income for the year ended December 31, 2006. This compares to 8.1% and 10.1% for the year ended December 31, 2005 and 7.9% and 7.7% for the year ended December 31, 2004, respectively.

### **Other**

Other corporate activities of the Company involve the investment of surplus deposits into securities, providing other interest income and dividend income. This was 6.7% of the consolidated total revenue earned by the Company and 10.6% of the consolidated net income at December 31, 2006. This compares to 7.1% and 11.6%, for the year ended December 31, 2005 and 6.6% and 11.7%, for the year ended December 31, 2004, respectively.

## **Material Contracts**

On October 4, 2004, Home Trust signed a contract with Certegy Card Services Inc., now Fidelity National Card Services, Inc. (“Fidelity”), to provide technology services for the processing and execution of all transactions related to the credit card operation. Home Trust’s card processing is performed by Fidelity including but not limited to application data, cardholder and related account information, cardholder authorization transaction and history logs and past due, over-limit and fraudulent account information. Fidelity invoices Home Trust on a monthly basis describing all services in detail with the fees as quoted in the appendix of the contract. This contract has been extended to July 31, 2013.

On May 9, 2005 the Company entered into a ten-year lease agreement with 2748355 Canada Inc. for new premises at its present location 145 King Street West in Toronto, requiring annual payments of approximately \$1.1 million. The Company took possession on September 1, 2005 and moved and consolidated its operations to two floors in the same building in early 2006. This nearly doubles its square footage and enables the Company to continue to expand its staffing to accommodate continued business growth.

On March 31, 2006 the Company signed an International Swap Dealers Association Agreement with a regulated financial institution (“Dealer”). This agreement was entered into for the purpose of enabling the Company to conduct interest rate swap transactions for hedging purposes. The agreement stipulates criteria that the Company must meet in order to enter into or close a swap transaction, along with available credit and reporting requirements. It also identifies the Dealer’s responsibilities for the execution, documentation and processing of transactions.

On June 1, 2006 the Company signed a Master Services Agreement (“Agreement”) with Deloitte & Touche LLP (“Deloitte”) to provide additional services, supporting the design and testing of the Company’s internal controls over financial reporting. Pursuant to a Staff Notice issued by the Canadian Securities Administrators (“CSA”), the CSA proposed to amend Multilateral Instrument 52-109 to require the CEO and CFO to report on the design and operating effectiveness of internal controls over financial reporting. The Agreement specifies both the Company’s and Deloitte’s respective responsibilities with regard to this engagement.

## **RISK FACTORS**

The Company through its wholly owned subsidiary, Home Trust, like other financial institutions, is exposed to several factors which could adversely affect its business, financial condition or operating results. A discussion of risks affecting the Company appears under the heading “Risk Management” beginning on page 22 of the Management’s Discussion and Analysis for the year ended December 31, 2006 and these pages are incorporated herein by reference. Risks noted in the “Other Risks” section of the Management’s Discussion and Analysis are addressed below.

### **Industry Factors**

#### **Competitive Conditions**

Home Trust competes with banks, trust companies, private lenders and other deposit-taking institutions primarily in Ontario, Alberta, British Columbia, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Quebec. The Company is an alternative mortgage lender and the largest provider of residential mortgages to borrowers who do not qualify at the major banks. The Company is registered to carry on business in every province across Canada. Home Trust’s ability to attract retail and institutional deposits depends largely on the interest rates it offers. Further, Home Trust competes with other mortgage lenders but concentrates on providing residential first mortgages. The Company also competes in the CMHC-insured mortgage market to further expand its insured mortgage product offerings. Home Trust has formed alliances with a few of the larger financial institutions as an alternative lender to clients of these institutions.

#### **Accuracy and Completeness of Customer and Counterparty Information**

When deciding to extend credit to enter into transactions with customers and counterparties, the Company may rely on information provided by or on behalf of those customers and counterparties, including audited financial statements and other financial information. We may also rely on certain representations made by customers and counterparties that the information they have provided is accurate and complete. The Company’s financial results could be adversely affected if the financial statements or other financial information provided by customers and counterparties is materially misleading.

### **Environmental Protection**

The Company is exposed to some financial risk as a result of environmental laws. To manage this potential exposure the Company factors environmental risk into its credit evaluation procedures ensuring that the Company's interests are reasonably protected. To date no environmental risks have had any material effect on the Company's operations and the Company does not expect any material effects for the future years.

### **Company-specific Factors**

#### **Execution of Strategic Plan**

The Company's financial performance is influenced by our ability to execute the strategic plan developed by senior management. If this strategic plan is not met or there is a change in the strategic plan, the Company's earnings could potentially grow at a slower pace or decline.

#### **Changes in Accounting Standards and Accounting Policies and Estimates**

From time to time, the Accounting Standards Board of the Canadian Institute of Chartered Accountants changes the financial accounting and reporting standards that govern the preparation of the Company's financial statements. These changes can be difficult to anticipate and can materially impact how the Company records and reports its financial condition and results of operations. In some instances, we may be required to retroactively apply a new or revised standard that results in our restating prior period financial statements.

The accounting policies the Company utilizes determine how the Company reports its financial condition and results of operations, and they require management to make estimates or rely on assumptions about matters that are inherently uncertain. Such estimates and assumptions may require revisions, and changes to them may materially adversely affect the Company's results, operations or financial condition. Significant accounting policies and estimates are described in Note 1 to the Company's Consolidated Financial Statements.

As detailed in the Accounting Standards and Policy section of the Management's Discussion and Analysis, the Company has identified four accounting policies as being "critical" to the presentation of the Company's financial condition and results of operations as they require management to make particular subjective and/or complex judgements about matters that are inherently uncertain and the likelihood that materially different amounts could be reported under different conditions using different assumptions and estimates.

#### **Specialized Skill and Knowledge**

The success of the Company is based on, among other things, the skills and expertise of its human resources. The recruitment of competent resources and continuous training are key activities crucial to the Company's performance. At December 31, 2006 the Company employed 350 individuals. If the Company is unable to retain and attract qualified employees and executives, the results of operations and financial condition, including the Company's competitive position, may be materially adversely affected.

#### **Economic Dependence**

The Company's business is highly dependent upon information technology systems. However, the Company has entered into agreements with certain suppliers who provide support for the information technology infrastructure. Home Trust has entered into an agreement with a third party for the development and support of the central information system. Home Trust has also entered into an agreement with a supplier of information technology services that covers the processing and execution of all transactions related to its credit card operations.

#### **Other Factors**

The Company cautions that the above discussion of risk factors, including those in the Management's Discussion and Analysis for the year ended December 31, 2006 found starting on page 22, are not exhaustive. When relying on forward-looking statements to make decisions with respect to the Company, investors should consider the foregoing factors as well as other uncertainties or potential events that may adversely impact the Company.

## **DIVIDENDS**

Dividends are payable on the Common Shares of the Company if and when declared by the Board of Directors.

During the year ended December 31, 2006, the Company declared dividends totaling \$0.27 per Common Share as compared to \$0.17 and \$0.12 for fiscal 2005 and 2004, respectively.

## DESCRIPTION OF CAPITAL STRUCTURE

### General Description of Capital Structure

The authorized capital of the Company consists of an unlimited number of Common Shares, an unlimited number of Senior Preferred Shares and an unlimited number of Junior Preferred Shares. As at December 31, 2006, 34,165,640 Common Shares were issued and outstanding. No Senior Preferred Shares or Junior Preferred Shares were issued or outstanding on December 31, 2006.

Each Common Share carries one vote per share in respect of each matter to be voted on at a meeting of the shareholders. The Senior Preferred Shares and Junior Preferred Shares carry no votes in respect of matters to be voted upon at the meeting except where otherwise required by law.

After payment to the holders of the Senior Preferred Shares and the Junior Preferred Shares of the amount or amounts to which they may be entitled, the holders of the Common Shares shall be entitled to receive any dividend declared by the board of directors of the Corporation and to receive the remaining property of the Corporation upon dissolution.

On May 13, 2004, the shareholders of the Company approved a special resolution authorizing the reclassification of its issued and outstanding “Class B Subordinated Voting Shares” as “Common Shares” and eliminating all other authorized but un-issued classes of Common Shares.

On January 7, 2004, the Company declared a stock dividend that would pay to the holders of Class B subordinated voting shares (now referred to as Common Shares) payable at the rate of one share for each Common Share held. All information regarding Common Shares or per share amounts have been restated to reflect this stock dividend.

The Common Shares of the Company are listed on the Toronto Stock Exchange (“TSX”) under the symbol HCG.

### Ratings

The Company has a contractual relationship with both Standard & Poor’s (“S&P”) and Fitch Ratings (“Fitch”) for the provision of credit rating information. Management of the Company meets with these agencies at least annually and shares with them the Company’s latest financial projections and business plan assumptions.

Information regarding the ratings assigned by credit rating agencies can be found in the tables below and on page 21 of the 2006 Annual Report. The following is the complete list of ratings assigned to both the Company and Home Trust:

	Home Capital Group Inc.		Home Trust Company	
	Standard & Poor’s	Fitch Rating	Standard & Poor’s	Fitch Rating
Long term rating	BBB-	BBB-	BBB	BBB-
Short term rating	A - 3	F3	A - 2	F3
Outlook	Stable	Stable	Stable	Stable

Ratings and other opinions issued by the credit rating agencies are statements of opinion and not statements of fact as to creditworthiness or recommendations to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization. The rating outlook of “Stable” indicates that the rating is not likely to change. A rating of “Positive”, “Stable” or “Negative” is provided to help give an investor an understanding of the rating agency’s opinion regarding the outlook for the rating in question. However, the investor must not assume that a positive or negative trend necessarily indicates that a rating change is imminent.

## **S&P**

### **Long-term rating**

An obligor rated 'BBB' has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments. The "+" or "-" symbols show relative standing within the rating category.

### **Short-term rating**

An obligor rated 'A-3' has adequate capacity to meet its financial obligations. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments. An obligor rated 'A-2' has satisfactory capacity to meet its financial commitments. However, it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in the highest rating category.

## **Fitch**

### **Long-term rating**

Good credit quality. 'BBB' ratings indicate that there are currently expectations of low credit risk. The capacity for payment of financial commitments is considered adequate but adverse changes in circumstances and economic conditions are more likely to impair this capacity. This is the lowest investment grade category. The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories.

### **Short-term rating**

Fair credit quality. The capacity for timely payment of financial commitments is adequate; however, near term adverse changes could result in a reduction to non-investment grade.

## **MARKET FOR SECURITIES**

### **Trading Price and Volume**

The following table shows the price ranges and the volume traded for the Common Shares for each month of the most recent fiscal year.

<b><u>Price Range and Volume Traded</u></b>			
Home Capital Group Inc. (Common Shares) Symbol: "HCG" on the TSX			
<b>Month</b>	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Volume</b>
January 2006	39.50	34.51	1,228,462
February 2006	43.00	38.25	1,297,497
March 2006	42.30	30.60	5,449,289
April 2006	35.79	32.19	3,098,417
May 2006	35.69	30.60	1,508,281
June 2006	33.35	28.90	2,020,795
July 2006	33.75	29.00	699,587
August 2006	32.50	30.00	603,643
September 2006	32.01	30.00	944,016
October 2006	30.93	27.50	1,455,725
November 2006	29.45	25.00	1,977,458
December 2006	34.50	28.10	1,437,122
<b>Total</b>			<b>21,720,292</b>

## DIRECTORS AND OFFICERS

### Name, Occupation, Committees and Security Holdings

Name, City, Province/State, Country of Residence and Year First Became Director	Principal Occupation	Positions with the Company <sup>1</sup>	Number and Class of Securities Beneficially Owned, Directly or Indirectly, or Controlled or Directed as at December 31, 2006
Gerald M. Soloway Toronto, Ontario, Canada (1986)	President and Chief Executive Officer of the Company	Director, President and Chief Executive Officer	2,302,313 Common Shares
John M. Marsh Port Colborne, Ontario, Canada (1986)	Corporate Director	Director	1,498,102 Common Shares
Harvey F. Kolodny Toronto, Ontario, Canada (1989)	Professor Emeritus, Joseph L. Rotman School of Management, University of Toronto (educational institution)	Director	26,000 Common Shares
William A. Dimma Toronto, Ontario, Canada (1994)	Corporate Director	Chairman of the Board and Director	29,000 Common Shares
The Hon. William G. Davis Brampton, Ontario, Canada (1999)	Counsel, Torys LLP (North American law firm)	Director	5,000 Common Shares
Robert A. Mitchell, C.A. Oakville, Ontario, Canada (2002)	Corporate Director	Director	2,000 Common Shares
Norman F. Angus Old Lyme, Connecticut, United States (2005)	Managing Director, Stuart Lammert & Company (Corporate advisory firm)	Director	5,000 Common Shares
Janet L. Ecker Ajax, Ontario, Canada (2005)	Advisor, LeDrew Laishley Reed LLP (Governance, government relations and strategic communications advice for a Toronto law firm)	Director	4,300 Common Shares
Warren K. Walker Toronto, Ontario, Canada (2006)	Corporate Director	Director	2,000 Common Shares

1. The Audit and Risk Management Committee is currently comprised of **Messrs. Dimma, Walker and Mitchell, Ms. Ecker and Mr. Mitchell** is the Chairman. The Executive Committee is currently comprised of **Messrs. Davis, Dimma, Marsh, and Soloway**, and **Mr. Dimma** is the Chairman. **Mr. Mitchell** is a member ex-officio. The Human Resources and Compensation Committee is currently comprised of **Messrs. Davis, Dimma, Marsh and Ms. Ecker**, and **Ms. Ecker** is the Chairman. The Investment Committee is currently comprised of **Messrs. Kolodny, Angus, Mitchell and Soloway**, and **Dr. Kolodny** is the Chairman. The Corporate Governance and Nominating Committee is currently comprised of **Messrs. Davis, Dimma, Kolodny and Walker**, and **Mr. Dimma** is the Chairman. In addition, each of **Messrs. Dimma, Davis, Kolodny, Marsh, Mitchell, Angus, Walker and Soloway** and **Ms. Ecker** is currently a director, and **Mr. Soloway** is the President & CEO of the Company's subsidiary, Home Trust Company.
2. All terms for directors are for one year of service.

3. Each of the individuals listed in the previous table have held their respective positions and offices with the same, predecessor or associated firms or organizations for the past five years except:
- **Robert A. Mitchell**, C.A., of Oakville, Ontario, is a retired partner of Ernst & Young LLP, an accounting firm, having acted as auditor and advisor to significant clients in a broad cross-section of industries from June 1963 to his retirement in September 2001. He currently is also a director of Acuity Funds Ltd.. He has also participated on numerous working groups in the investment management, securities dealer and trust company industries as well as the volunteer sector.
  - **Norman F. Angus**, of Old Lyme, Connecticut, has had a lengthy investment-banking career in both Canada and the United States, advising major public sector issuers and governments on such matters as privatization, restructuring and demutualization. He is currently a managing director and has been with Stuart Lammert & Co., a North American corporate advisory firm since September 2002. Prior to that time he was with UBS from 2000 to 2002 and Lehman Brothers from 1988 to 2000.
  - **Janet L. Ecker**, of Ajax, Ontario, has been an advisor with the law firm of LeDrew Laishley Reed LLP, since June 1, 2004, where she counsels clients on government relations, strategic communications, governance and public/private partnerships. She is also President of the Toronto Financial Services Alliance, a panelist on TVO and a Fellow in the School of Policy Studies, Queen's University. Ms Ecker is a former Minister of Finance (2002-2003), Minister of Education (1999-2002), Government House Leader (2001-2002) and Minister of Community and Social Services (1996-1999) in the Government of Ontario. She holds the following corporate directorships: CMA Holdings Inc. and Minacs Worldwide Inc.
  - **Warren K. Walker**, of Toronto, Ontario, is the former Head of Global Risk Management of Scotiabank where he was responsible for the credit, marketing and operational functions across all business lines globally. Prior to becoming Head of Global Risk Management, he held various positions within the Scotiabank including Executive Vice President, Electronic Delivery and U.S. Expansion, Executive Vice President, Retail, Senior Vice President & General Manager, Ontario and Senior Vice President, Commercial Banking. He currently serves as Chairman of the Board of Stephenson's Rental Services. He also serves on the Banking and Insurance Advisory Board of NCR Corporation of Dayton, Ohio.

The following table sets out the name of each executive officer that is not a director of the Company, and their position, municipality, province and country of residence and the length of their employment, as at December 31, 2006.

Name	Office	Municipality, Province and Country of Residence	Employed Since
Nick Kyprianou	Senior Vice President	Ancaster, Ontario, Canada	1992
Brian R. Mosko	Senior Vice President	Toronto, Ontario, Canada	1989
Cathy A. Sutherland	Vice President, Finance	Welland, Ontario, Canada	1990
Chris Ahlvik	Vice President, Corporate Counsel	Richmond Hill, Ontario, Canada	2006

All of the above named 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 for the following:

- Mr. Ahlvik has been employed with the Company since 2006 and was appointed an officer of the Company on February 13, 2006.

### **Shareholdings of Directors and Executive Officers**

To the knowledge of Home Capital, as at December 31, 2006, the directors and officers of Home Capital as a group, beneficially owned, directly or indirectly, or exercised control or direction over 11.7% of the outstanding Common Shares of Home Capital and no director or executive officer of Home Capital beneficially owned or controlled voting securities of any subsidiaries of Home Capital.

### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

No director or executive officer of the Company has, within the 10 years prior to the date of this Annual Information Form, been a director or executive officer of any company that (i) was the subject of a cease trade or similar order for more than 30 consecutive days, (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order for more than 30 days, or (iii) within one year of the director or executive officer ceasing to act in that capacity, became bankrupt or insolvent, instituted proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, except as follows:

- i) Mr. Dimma, the Chairman and a director of the Company, was a director of American Eco Corporation from 1997 until the year 2000. In the year 2000, American Eco went into Chapter 11 in the USA and CCAA in Canada. Subsequently it moved to Chapter 7 in the USA and into insolvency.
- ii) Mr. Davis, a director of the Company, was a director of Dylex Limited from 1995 until May 16, 2001 when he resigned as a result of a change of control transaction. Dylex was adjudged bankrupt in September 2001 with an effective date of mid-June 2001.

### **Conflicts of Interest**

There are no existing or potential material conflicts of interest between the directors and officers of the Company or its wholly owned subsidiary, Home Trust.

## **LEGAL PROCEEDINGS**

The Company and its wholly owned subsidiary, Home Trust, are not involved in any material legal proceedings.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

No director or executive officer or an associate thereof had any material interest, direct or indirect, in any transaction within the three most recently completed fiscal years that has or had a material effect on the Company.

## **TRANSFER AGENTS AND REGISTRARS**

The transfer agent and registrar of the Company is Computershare Investor Services Inc. The transfer books for the Common Shares of the Company are kept in Toronto, Ontario, Canada.

## **INTEREST OF EXPERTS**

Ernst & Young LLP, Chartered Accountants, were auditors of the Company for the year ended December 31, 2006 and prepared and executed the audit report accompanying the annual financial statements. Ernst & Young LLP, Chartered Accountants are independent in accordance with the auditors' rules of professional conduct in Canada.

## AUDIT AND RISK MANAGEMENT COMMITTEE INFORMATION

### Audit and Risk Management Committee Charter

The Company's Audit and Risk Management Committee Charter sets out its responsibilities and duties, membership qualifications and procedures for reporting to the Board of Directors. A copy of the charter, approved by the Board of Directors on March 3, 2006 and reviewed by the Board on February 13, 2007, is attached hereto as Appendix "A".

### Composition of the Audit and Risk Management Committee

As of December 31, 2006, the Audit and Risk Management Committee was comprised of the following four directors, all of whom are independent directors:

Robert A. Mitchell, C.A., Chairman  
William A. Dimma  
Janet L. Ecker  
Warren K. Walker

Each member of the Audit and Risk Management Committee is financially literate within the meaning of Multilateral Instrument 52-110 on Audit Committees.

### Relevant Education and Expertise

The following section lists the relevant education and expertise of each Audit and Risk Management Committee member.

#### Robert A. Mitchell, C.A. (Chairman of the Audit and Risk Management Committee)

Robert Mitchell is a former partner of Ernst & Young LLP, an accounting firm, having acted as auditor and advisor to significant clients in a broad cross-section of industries and also as Ernst & Young's Director of Services to the trust company industry until his retirement on September 30, 2001. He currently serves on the Board of Acuity Funds Ltd. He has also participated in numerous working groups in the investment management, securities dealer and trust company industries as well as the volunteer sector. Mr. Mitchell is a Chartered Accountant and has a B.Comm. from the University of Toronto. Mr. Mitchell has been a director of the Company since 2002.

#### William A. Dimma, C.M., O.Ont

William Dimma holds numerous directorships at major Canadian corporations and is the former president of Torstar Corporation and Royal LePage. He currently holds the following corporate directorships: Magellan Aerospace Corporation, Brookfield Asset Management Inc. (formerly Brascan Corporation), Malibu Engineering and Software Ltd., and York University Development Corporation. Mr. Dimma is also a director of numerous not-for-profit institutions and the author of "Excellence in the Boardroom". Mr. Dimma has a B.A.Sc. from the University of Toronto, an M.B.A. from York University and a D.B.A. from the Harvard Business School. Mr. Dimma has been a director of the Company since 1994 and has also been the Chairman of the Board during his tenure.

#### Janet L. Ecker, ICD.D.

Janet L. Ecker, of Ajax, Ontario, has been an advisor with the law firm of LeDrew Laishley Reed LLP, since June 1, 2004, where she counsels clients on government relations, strategic communications, governance and public/private partnerships. She is also President of the Toronto Financial Services Alliance, a panelist on TVO and a Fellow in the School of Policy Studies, Queen's University. Ms Ecker is a former Minister of Finance (2002-2003), Minister of Education (1999-2002), Government House Leader (2001-2002) and Minister of Community and Social Services (1996-1999) in the Government of Ontario. Ms. Ecker has an Honours Bachelor of Arts degree in Journalism from the University of Western Ontario. She holds the following corporate directorships: CMA Holdings and Minacs Worldwide Inc. Ms. Ecker has been a director of the Company since 2005.

#### Warren K. Walker, BComm, MBA

Warren K. Walker, of Toronto, Ontario, has enjoyed an extensive career in the banking industry spanning 21 years with Scotiabank and commenced his career at Royal Bank of Canada in 1976. Mr. Walker acts as Chairman of the Board of Stephenson's Rental Services Limited and serves on the Banking and Insurance Advisory Board of NCR Corporation of

Dayton, Ohio. Mr. Walker has a Bachelor of Commerce – Industrial and Labour Relations from McGill University and an M.B.A. in finance from McGill University. Mr. Walker has been a director of the Company since 2006.

### **Prior Approval for Policies and Procedures**

The Audit and Risk Management Committee adopted a policy regarding the services that could be provided by its external auditors. The policy specifies the prior approval procedure for non-auditing services provided by the Company's external auditors. The current policy generally prohibits the Company from hiring its auditors to provide certain services unrelated to audits of the Company and its subsidiaries, including services related to bookkeeping, the design and implementation of financial information systems, evaluation, actuarial, internal audit and investment banking services, management and human resource functions, and legal services.

### **External Audit Fees by Category**

The following table presents by category the aggregate fees to the external auditors Ernst and Young LLP, Chartered Accountants for the fiscal years ended December 31, 2006 and 2005.

Fee Category	Year Ended December 31, 2006 (\$)	Year Ended December 31, 2005 (\$)
Audit Fees	306,450	237,000
Audit-related Fees	5,000	11,500
Tax Fees	15,500	19,550
All Other Fees	-	-
<b>Total Fees</b>	<b>326,950</b>	<b>268,050</b>

#### Audit Fees

Audit Fees include all aggregate fees to Ernst & Young LLP for the audit of the annual consolidated financial statements, examinations of the interim financial statements, other statutory audits and submissions and fees related to interpretation of standards of accounting and financial disclosure.

#### Audit-related Fees

Audit-related Fees include all aggregate fees for certification services and other related services traditionally carried out by the independent auditor, including the audit of various trusts and other entities.

#### Tax Fees

Tax Fees include all aggregate fees to Ernst & Young LLP for tax-related advice, tax compliance and tax planning. These services consist of tax compliance including the review of tax returns, tax planning relating to income tax, capital tax, goods and services tax, and provincial sales tax.

#### All Other Fees

All Other Fees include aggregate fees for all services other than those posted in audit fees, audit-related fees and tax fees. No other fees were paid or payable for fiscal 2006 and 2005.

## **ADDITIONAL INFORMATION**

Additional information relating to Home Capital Group Inc. may be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's web site at [www.homecapital.com](http://www.homecapital.com).

Additional information relating to the directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Company's Management Information Circular issued in connection with the Annual Meeting of the Shareholders to be held on May 16, 2007.

Additional financial information is provided in the Company's Consolidated Financial Statements and Management's Discussion and Analysis for the year ended December 31, 2006, which is available in the 2006 Annual Report and at [www.sedar.com](http://www.sedar.com).

Copies of the foregoing documents may be obtained upon request from the Corporate Secretary of the Company at Home Capital Group Inc., 145 King Street, Suite 2300, Toronto, Ontario, M5H 1J8 and are available on the Company web site: [www.homecapital.com](http://www.homecapital.com).

The Company will provide to any person or company, upon request to the Corporate Secretary of the Company at the head office of the Company:

- (a) when the securities of the Company are in the course of a distribution under a preliminary short form prospectus or a short form prospectus,
  - (i) one copy of the Company's Annual Information Form ("AIF"), together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the AIF;
  - (ii) one copy of the comparative consolidated financial statements of the Company for its most recently completed financial year for which consolidated financial statements have been filed together with the accompanying report of the auditors and one copy of the most recent interim consolidated financial statements;
  - (iii) one copy of the Company's Management Information Circular in respect of its most recent annual meeting of shareholders that involved the election of directors or one copy of any annual filing prepared instead of that information circular, as appropriate; and
  - (iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or other short form prospectus and are not required to be provided under clauses (i), (ii) or (iii); or
- (b) at any other time, one copy of any other documents referred to in (a) (i), (ii), (iii) and (iv) above, provided the Company may require the payment of a reasonable charge if the request is made by a person or company who is not a holder of the Company's securities.

**APPENDIX “A”**  
**HOME CAPITAL GROUP INC.**  
**AUDIT AND RISK MANAGEMENT COMMITTEE**  
**CHARTER**

**Overall Role and Responsibility**

The Audit and Risk Management Committee (“Audit Committee”) shall assist the Board of Directors (“Board”) of Home Capital Group Inc. (the “Corporation”) in the Board’s oversight role with respect to (i) the quality and integrity of financial information; (ii) the effectiveness of the Corporation’s risk management and legal and regulatory compliance practices; (iii) the external auditor’s performance, qualifications and independence, and (iv) the performance of the Corporation’s internal audit function.

**Membership**

The Audit Committee shall consist of three or more Directors appointed annually by the Board. Members of the Audit Committee shall serve at the pleasure of the Board for such term or terms as the Board may determine.

Each of the members of the Audit Committee shall satisfy the independence standards established by the Board and the applicable independence requirements of the laws governing the Corporation.

The Board shall appoint one member of the Audit Committee as the Committee Chair.

Each member of the Audit Committee shall be financially literate, in accordance with applicable regulatory requirements, or agree to become financially literate within a reasonable time of appointment.

**Meetings**

The Audit Committee shall meet as often as the Audit Committee determines, but not less frequently than four meetings annually.

The quorum for meetings of the Committee shall be two (2) of its members.

The affirmative vote of a majority of the members of the Audit Committee participating in any meeting of the Audit Committee is necessary for the adoption of any resolution.

The Audit Committee shall not transact business unless a majority of members present are resident Canadians.

The Audit Committee shall have unrestricted access to management and employees of the Corporation.

The Audit Committee shall hold regularly scheduled meetings at which members of management are not present. The Audit Committee is expected to establish and maintain free and open communication with management, the external auditor and the internal auditor and shall periodically meet separately with each of them.

The Corporate Secretary, his or her designate, shall act as secretary at Audit Committee meetings. Minutes of Audit Committee meetings shall be recorded and maintained by the Corporate Secretary and subsequently presented to the Audit Committee for approval.

### **Accountabilities and Responsibilities**

The Audit Committee shall have the accountabilities and responsibilities set out below as well as any other matters that are specifically delegated to the Audit Committee by the Board.

### **Financial Reporting**

- Review and discuss with senior management and the external auditor the annual audited financial statements, the external auditor's report thereon and the related management's discussions and analysis. After completing its review, if advisable, the Audit Committee shall approve and recommend for Board approval, the annual financial statements and related management's discussion and analysis.
- Review and discuss with senior management and the external auditor the Corporation's interim financial statements, the external auditor's report thereon and the related management's discussion and analysis. After completing its review, if advisable, the Audit Committee shall approve and recommend for Board approval, the interim financial statements and related management's discussion and analysis.
- Review and discuss with management and the external auditor the Corporation's annual and quarterly disclosures made in management's discussion and analysis. The Audit Committee shall approve any reports for inclusion in the Corporation's Annual Report, as required by applicable legislation and make a recommendation thereon to the Board.
- Review and discuss with senior management and the external auditor management's report on its assessment of internal controls over financial reporting and the external auditor's attestation report on management's assessment.
- Review and discuss with senior management and the external auditor at least annually significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements, including any significant changes in the Corporation's selection or application of accounting principles, any major issues as to the adequacy of the Corporation's internal controls and any special steps adopted in light of material control deficiencies.
- Review and discuss with senior management and the external auditor at least annually reports from the external auditor on: critical accounting policies and practices to be used; significant financial reporting issues, estimates and judgments made in connection with the preparation of the financial statements; alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditor; and other material written communications between the external auditor and senior management, such as any senior management letter or schedule of unadjusted differences.
- Discuss with the external auditor at least annually any "management" or "internal control" letters issued or proposed to be issued by the external auditor to the Corporation.
- Review and discuss with management and the external auditor at least annually any significant changes to the Corporation's accounting principles and practices suggested by the external auditor, internal audit personnel or senior management.
- Discuss with management the Corporation's earnings press releases, financial information and earnings guidance (if any) provided to analysts and rating agencies and any other material financial disclosure.

- Review and discuss with senior management and the external auditor at least annually the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Corporation's financial statements.
- Discuss with the external auditor any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information and any significant disagreements with senior management.
- Review and discuss with the Chief Executive Officer and the Vice President, Finance the procedures undertaken in connection with the Chief Executive Officer and Vice President, Finance certifications for the annual and interim filings with applicable securities regulatory authorities.
- Review disclosures made by the Corporation's Chief Executive Officer and Vice President, Finance during their certification process for the annual and interim filing with applicable securities regulatory authorities about any significant deficiencies in the design or operation of internal controls which could adversely affect the Corporation's ability to record, process, summarize and report financial data or any material weaknesses in the internal controls, and any fraud involving management or other employees who have a significant role in the Corporation's internal controls.
- Discuss with senior management, at least annually, any legal matters that may have a material impact on the financial statements, operations, assets or compliance policies and any material reports or inquiries received by the Corporation or any of its subsidiaries from regulators or governmental agencies.

#### **Oversight of the External Auditor**

- Appoint or replace the external auditor (subject to shareholder ratification) and responsibility for the compensation and oversight of the work of the external auditor (including resolution of disagreements between management and the external auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The external auditor shall report directly to the Audit Committee.
- Pre-approve all audit services and permitted non-audit services (including the fees, terms and conditions for the performance of such services) to be performed by the external auditor. When appropriate, the Audit Committee may delegate to one or more members the authority to grant pre-approvals of audit and permitted non-audit services. The Audit Committee shall annually review any delegation of authority to grant pre-approvals of audit and permitted non-audit services. Decisions of any member of the Audit Committee to whom this authority has been granted must be presented to the full Audit Committee at its next scheduled meeting.
- Evaluate the qualifications, performance and independence of the external auditor, including (i) reviewing and evaluating the lead partner on the external auditor's engagement with the Corporation, and (ii) considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the external auditor's independence. The Audit Committee shall present its conclusions with respect to the external auditor to the Board and, if so determined by the Audit Committee, recommend that the Board take additional action to satisfy itself of the qualifications, performance and independence of the external auditor.
- Obtain and review a report from the external auditor at least annually regarding: the external auditor's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the external auditor, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the external auditor; any steps taken to deal with any such issues; and all relationships between the external auditor and the Corporation.
- Review and discuss with management and the external auditor prior to the annual audit the scope, planning and staffing of the annual audit.
- Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law.

- Review and approve policies for the Corporation's hiring of partners and employees or former partners and employees of the Corporation's current and former external auditor.

#### **Oversight of the Corporation's Internal Audit Function**

- Review with the internal auditor, the external auditor and senior management at least annually, the mandate, independence, qualifications, staffing and budget of the internal audit department and the internal audit department's annual work plan.
- Review the periodic reports of the internal audit department on internal audit activities and the results of its audits.

#### **Oversight of Risk Management**

- Review and approve periodically management's risk philosophy and risk management policies.
- Review with senior management at least annually reports demonstrating compliance with risk management policies.
- Review with senior management the quality and competence of management appointed to administer risk management policies.
- Review reports from the external auditor and the internal auditor at least annually relating to the adequacy of the Corporation's risk management practices together with management's responses.
- Discuss with senior management at least annually the Corporation's major financial risk exposures and the steps senior management has taken to monitor and control such exposures, including the Corporation's risk assessment and risk management policies.

#### **Oversight of Regulatory Compliance**

- Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- Discuss with senior management and the external auditor at least annually any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Corporation's financial statements or accounting.
- Meet with the Corporation's regulators, in accordance with applicable law.
- Exercise such other powers and perform such other duties and responsibilities as are incidental to the purposes, duties and responsibilities specified herein and as may from time to time be delegated to the Audit Committee by the Board.

#### **Performance Review**

The Audit Committee shall annually review and assess the performance of the Audit Committee and the adequacy of this Charter and, where appropriate, shall recommend changes to the Board for the Board's approval.

### **Independent Advisors**

The Audit Committee shall have the authority to retain such independent advisors as the Audit Committee may deem necessary or advisable for its purposes. The expenses related to such engagement shall be funded by the Corporation.

### **Report to the Board**

The Chair of the Audit Committee shall report to the Board on material matters arising at the Audit Committee meetings, and shall present the Audit Committee's recommendation(s) to the Board for the Board's approval.

This Charter was approved by the Board on March 3, 2006.

This Charter was reviewed by the Board on February 13, 2007.