

Management's Responsibility for Financial Information

The consolidated financial statements of Home Capital Group Inc. were prepared by management, which is responsible for the integrity and fairness of the financial information presented. The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles, including the accounting requirements specified by the Office of the Superintendent of Financial Institutions Canada that apply to its subsidiary Home Trust Company. The financial statements reflect amounts which must, of necessity, be based on the best estimates and judgement of management with appropriate consideration as to materiality. The financial information presented elsewhere in this Annual Report is consistent with that in the financial statements.

Management is responsible for ensuring the fairness and integrity of the financial information. It is also responsible for the implementation of the supporting accounting systems. In discharging its responsibilities, management maintains the necessary internal control system designed to provide assurance that the transactions are properly authorized, assets are safeguarded and proper accounting records are held. The controls include quality standards in hiring and training of employees, written policies, authorized limits for managers, procedure manuals, a corporate code of conduct and appropriate management information systems.

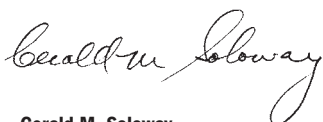
The internal control systems are further supported by a compliance function, which ensures that the Company and its employees comply with all regulatory requirements, as well as by a risk integration function and an operating risk management function that ensure proper risk control, related documentation and the measurement of the financial impact of risks. In addition, the internal auditor periodically evaluates various aspects of the Company's operations and makes recommendations to management for, among other things, improvements to the control systems.

Every year, the Office of the Superintendent of Financial Institutions Canada makes such examinations and inquiries as deemed necessary to satisfy itself that Home Trust Company is in a sound financial position and that it complies with the provisions of the Trust and Loan Companies Act (Canada).

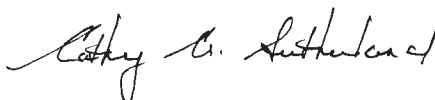
Ernst & Young LLP, independent auditors, appointed by the shareholders, perform an audit of the Company's consolidated financial statements and their report follows.

The internal auditor, the external auditors and the Office of the Superintendent of Financial Institutions Canada meet periodically with the Audit Committee, with management either present or absent, to discuss all aspects of their duties and matters arising therefrom.

The Board of Directors is responsible for reviewing and approving the financial statements and Management's Discussion and Analysis of results of operations and financial condition appearing in the Annual Report. It oversees the manner in which management discharges its responsibilities for the presentation and preparation of financial statements, maintenance of appropriate internal controls, risk management as well as assessment of significant transactions and related party transactions through its Audit Committee. The Audit Committee is composed solely of Directors who are not Officers or employees of the Company.



Gerald M. Soloway
Chief Executive Officer
Toronto, Canada
March 8, 2010



Cathy A. Sutherland, C.A.
Senior Vice President, Finance

Auditors' Report

To the Shareholders of **Home Capital Group Inc.**

We have audited the consolidated balance sheets of **Home Capital Group Inc.** (the "Company") as at December 31, 2009 and 2008 and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Licensed Public Accountants

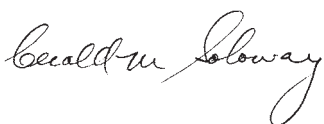
Toronto, Canada
March 8, 2010

Consolidated Balance Sheets

As at December 31 (000s)	2009	2008
ASSETS		
Cash resources	(Note 4)	
Deposits with regulated financial institutions	\$ 912,169	\$ 554,422
Restricted cash	17,965	-
	930,134	554,422
Securities	(Note 4)	
Held for trading	99,938	-
Available for sale	550,659	519,477
	650,597	519,477
Loans	(Note 5)	
Residential mortgages	4,369,458	3,263,206
Non-residential mortgages	708,425	826,882
Personal and credit card loans	342,918	368,962
Secured loans	47,739	72,518
General allowance for credit losses	(27,793)	(25,177)
	5,440,747	4,506,391
Other		
Securitization receivables	(Note 6)	139,870
Capital assets	(Note 7)	5,325
Other assets	(Note 8)	84,228
	339,396	229,423
	\$ 7,360,874	\$ 5,809,713
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits	(Note 9)	
Payable on demand	\$ 38,223	\$ 34,808
Payable on a fixed date	6,371,599	5,067,973
	6,409,822	5,102,781
Other		
Cheques and other items in transit	4,617	4,811
Other liabilities	(Note 10)	269,368
	360,764	274,179
Commitments and contingencies	(Note 15)	-
SHAREHOLDERS' EQUITY		
Capital stock	(Note 11)	39,094
Contributed surplus	3,606	3,283
Retained earnings	520,018	401,429
Accumulated other comprehensive income (loss)	21,268	(11,053)
	590,288	432,753
	\$ 7,360,874	\$ 5,809,713

See accompanying notes

On behalf of the Board:



Gerald M. Soloway
Chief Executive Officer



Norman F. Angus
Chairman of the Board

Consolidated Statements of Income

Year ended December 31 (000s, except per share amounts)	2009	2008
Income		
Interest from loans	\$ 334,148	\$ 339,242
Dividends from securities	17,742	9,237
Other interest	13,214	25,524
	365,104	374,003
Interest expense		
Interest on deposits	200,093	223,428
Net interest income		
Provisions for credit losses (Note 5(d))	11,526	6,638
	153,485	143,937
Non-interest income (loss)		
Fees and other income	29,326	28,452
Securitization income (Note 6)	92,397	58,582
Net realized and unrealized gain (loss) on investment securities	2,097	(5,365)
Net gain on disposition of subsidiary (Note 3)	-	69
Net realized and unrealized gain (loss) on derivatives	255	(1,046)
	124,075	80,692
	277,560	224,629
Non-interest expenses		
Salaries and benefits	41,559	36,182
Premises	5,916	4,439
General and administration	31,126	25,390
	78,601	66,011
Income before income taxes		
	198,959	158,618
Income taxes (Note 13)		
Current	27,825	35,533
Future	26,641	14,398
	54,466	49,931
Net income for the year		
	\$ 144,493	\$ 108,687
Average number of common shares outstanding (Note 11)		
Basic	34,450	34,512
Diluted	34,795	34,669
Net income per common share (Note 11)		
Basic	\$ 4.19	\$ 3.15
Diluted	\$ 4.15	\$ 3.13

See accompanying notes

Consolidated Statements of Comprehensive Income

Year ended December 31 (000s)	2009	2008
Net income	\$ 144,493	\$ 108,687
Other comprehensive income (loss), net of tax		
Net unrealized gains (losses) on securities available for sale (net of \$8,739 tax; (\$4,049) in 2008)	22,092	(10,463)
Reclassification of earnings in respect of available for sale securities (net of \$4,941 tax; \$1,796 in 2008)	10,229	5,707
Total other comprehensive income (loss)	32,321	(4,756)
Comprehensive income	\$ 176,814	\$ 103,931

See accompanying notes

Consolidated Statements of Changes in Shareholders' Equity

Year ended December 31 (000s)	2009	2008
Capital stock		
	(Note 11)	
Common shares		
Balance, beginning of year	\$ 39,094	\$ 38,899
Proceeds of options exercised	6,498	318
Repurchase of shares	(196)	(123)
Balance, end of year	\$ 45,396	\$ 39,094
Contributed surplus		
Balance, beginning of year	\$ 3,283	\$ 1,818
Amortization of fair value of employee stock options	1,543	1,516
Employee stock options exercised	(1,220)	(51)
Balance, end of year	\$ 3,606	\$ 3,283
Retained earnings		
Balance, beginning of year	\$ 401,429	\$ 313,620
Net income for the year	144,493	108,687
Dividends paid or declared during the year	(21,435)	(17,938)
Repurchase of shares	(4,469)	(2,940)
	(Note 11)	
Balance, end of year	\$ 520,018	\$ 401,429
Accumulated other comprehensive income (loss)		
Balance, beginning of year	\$ (11,053)	\$ (6,297)
Other comprehensive income (loss) (net of \$13,680 tax; (\$2,253) in 2008)	32,321	(4,756)
Balance, end of year	\$ 21,268	\$ (11,053)

See accompanying notes

Consolidated Statements of Cash Flows

Year ended December 31 (000s)	2009	2008
OPERATING ACTIVITIES		
Net income for the year	\$ 144,493	\$ 108,687
Adjustments to determine net cash flows relating to operating activities		
Future income taxes	26,641	14,398
Amortization of capital assets	2,644	2,823
Amortization of intangibles and other deferred assets	908	675
Amortization of securities	(1,979)	136
Provisions for credit losses	11,526	6,638
Change in accrued interest payable	(21,117)	23,965
Change in accrued interest receivable	1,708	(2,553)
Net realized and unrealized (gain) loss on investment securities	(2,097)	5,365
(Gain) loss on derivatives	(255)	1,046
Securitization gains on mortgage-backed securities	(92,397)	(58,582)
Amortization of fair value of employee stock options	1,543	1,516
Change in payments received for securitized pools	50,883	6,199
Others	(12,949)	4,598
Cash provided by operating activities	109,552	114,911
FINANCING ACTIVITIES		
Net increase in deposits	1,307,041	688,797
Issuance of capital stock	6,498	318
Normal course issuer bid	(4,665)	(3,063)
Exercise of stock options	(1,220)	(51)
Dividends paid	(20,010)	(17,260)
Cash provided by financing activities	1,287,644	668,741
INVESTING ACTIVITIES		
Activity in available for sale and held for trading securities		
Purchases	(954,444)	(555,804)
Proceeds on sales	767,516	385,792
Proceeds on maturities	135,615	73,313
Activity in mortgages		
Net increase	(3,593,849)	(1,954,052)
Proceeds from securitization	2,550,007	1,478,138
Change in securitization receivables	53,800	28,031
Net decrease (increase) in personal and credit card loans	23,918	(44,506)
Net increase in restricted cash	(17,965)	-
Net decrease in secured loans	24,308	8,833
Purchase of capital assets	(2,181)	(3,311)
Purchase of intangible assets	(26,174)	-
Cash used in investing activities	(1,039,449)	(583,566)
Net increase in cash and cash equivalents	357,747	200,086
Cash and cash equivalents, beginning of year	554,422	354,336
Cash and cash equivalents, end of year	\$ 912,169	\$ 554,422
Supplemental disclosure of cash flow information		
Amount of interest paid in year	\$ 221,209	\$ 199,440
Amount of income taxes paid in year	45,506	43,055

See accompanying notes

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Home Capital Group Inc. (the "Company") have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The significant accounting policies used in the preparation of these consolidated financial statements are summarized below.

Use of Estimates

The preparation of consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the consolidated balance sheet date and the reported amounts of revenue and expenses during the reporting period. Key areas where management has made estimates include allowance for credit losses, securitization, fair values and impairment of financial instruments, goodwill and income tax. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include the assets, liabilities and results of operations of the Company and all of its subsidiaries, after the elimination of intercompany transactions and balances.

The Company also consolidates variable interest entities when it is the primary beneficiary. Under AcG-15, *Consolidation of Variable Interest Entities*, guidance is provided for applying consolidation principles to certain entities that are subject to control on a basis other than ownership of voting interests. Under this standard, the Company must consolidate these entities if it is the primary beneficiary that is, as a result of this investment, exposed to a majority of expected losses or is in a position to benefit from a majority of the returns. Under this guideline, a trust operating as Regency Finance Corp. is consolidated and its assets are reported as secured loans on the balance sheet. Regency Finance Corp. consists only of these secured loans and the Company is the sole beneficiary.

Subsidiaries are defined as the corporations whose operations are controlled by the Company and are corporations in which the Company owns more than 50% of the voting shares. The subsidiaries included in the consolidated financial statements are Home Trust Company (Home Trust) and Payment Services Interactive Gateway Corp. (PSiGate), both of which are wholly owned.

Cash Resources

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise balances with less than 90 days to maturity from the date of acquisition, including cash and deposits with regulated financial institutions, treasury bills and other eligible deposits. Cash and deposits are carried at fair value. Interest income is recognized in income on an accrual basis and, to the extent not received at year-end, recorded as a receivable in other assets on the consolidated balance sheet.

Restricted cash is held as collateral by a third party for the Company's interest rate swap transactions.

Cheques and Other Items in Transit

Cheques and other items in transit represent uncleared settlements with other regulated financial institutions and are recorded at cost.

Securities

Securities are classified as either held for trading or available for sale based on management's intentions. On the settlement date, all securities are recognized at their fair value, which is normally the transaction price.

Held for trading securities are financial assets purchased for resale, generally within a short period of time, and primarily held for liquidity purposes. Interest earned is included in other interest income. Held for trading securities are measured at fair value, using published bid prices, as at the consolidated balance sheet date. All realized and unrealized gains and losses are reported in income under non-interest income. Transaction costs are expensed as incurred. The Company has not elected under the fair value option to designate any financial asset or liability as held for trading.

Available for sale securities are financial assets purchased for longer-term investment that may be sold in response to or in anticipation of changes in market conditions. Dividends and interest earned are included in dividends from securities or other interest. Available for sale securities are measured at their fair value, using published bid prices, as at the consolidated balance sheet date. Unrealized gains and losses, net of related taxes, are included in accumulated other comprehensive income until the security is sold or an other than temporary impairment is recognized, at which time the cumulative loss is transferred to net income. The Company conducts a quarterly review to identify securities which have indicators of possible impairment. Factors considered in determining whether a loss is other than temporary include the length of time and extent to which fair value has been below cost, financial condition and near-term prospects of the issuer, and the likelihood for recovery. Transaction costs are generally capitalized.

Effective January 1, 2008, all new bond acquisitions were designated as available for sale securities consistent with the Company's intention to hold them longer term.

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

Loans

Loans are recorded at amortized cost using the effective interest rate method. Interest income is allocated over the expected term of the loan by applying the effective interest rate to the carrying amount of the loan. The effective interest rate is the rate that exactly discounts estimated future cash receipts over the expected life of the loan. Origination revenues and costs are applied to the carrying amount of the loan.

Loans are carried net of the specific allowance for credit losses and any unearned income.

Interest income is accrued as earned until such time as the loan is recognized as impaired. At that time interest ceases to accrue and all previously accrued interest is reversed.

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 when it has been in arrears for 90 days. Secured and unsecured credit card balances that have a payment that is contractually 180 days in arrears are written off. Equityline Visa credit card balances are measured on a basis consistent with mortgage loans.

When loans are classified as impaired, the book value of these loans is brought back to their estimated realizable value based on the fair value of any security underlying the loan, net of any costs of realization, by totally or partially writing off the loan and/or establishing an allowance for loan losses.

An impaired loan cannot return to an accrual status unless all principal and interest payments are up to date and management is reasonably assured as to the recoverability of the loan.

Allowance for Credit Losses

An allowance for credit losses is maintained at an amount which in management's opinion is considered adequate to absorb all credit-related losses in its portfolio. Allowances are mainly related to loans but may also apply to other assets. The allowance consists of accumulated specific and general allowances, each of which is reviewed on a regular basis. The allowance is increased for credit losses, which are charged to income. The general allowance is deducted from the loans on the consolidated balance sheet.

Specific Allowances

Specific allowances are determined on an item-by-item basis and reflect the associated estimated credit loss. In the case of loans and Equityline Visa credit cards, the specific allowance is the amount required to reduce the carrying value of an impaired loan to its estimated realizable amount. The fair value of the underlying security is used to estimate the realizable amount of the loan. The allowance is the difference between the loan's carrying value and its estimated realizable amount. For secured and unsecured credit cards, specific provisions are provided for arrears over 120 days.

General Allowances

General allowances are established to absorb credit losses on the aggregate exposures in each of the Company's business lines for which losses have been incurred, but are not yet specifically identified on an item-by-item basis. The general allowance is based upon statistical analysis of past performance, level of allowance already in place and management's judgement. The general allowance, based on the historical loss experience, adjusted to reflect changes in the portfolios and credit policies, is applied to each pool of loans with common risk characteristics. This estimate includes consideration of economic and business conditions, management's judgement and the risks related to the model.

The amount of the provisions for credit losses that is charged to the consolidated statement of income is the amount that is required to establish a balance in the allowance for credit losses account that the Company's management considers adequate to absorb all credit-related losses in its portfolio of balance sheet items, after charging amounts written off during the year, net of any recoveries, to the allowance for credit losses account.

Loan Securitization (Securitization Receivables)

The Company periodically transfers pools of mortgages to special purpose entities or trusts which, in turn, issue securities to investors. Mortgage loan securitization is part of the Company's liquidity and capital management strategies. These transfers are accounted for as sales when the Company surrenders control of the transferred assets and receives consideration other than the beneficial interest in the transferred assets. The securitization trust has no recourse to the Company's other assets.

When such sales occur, the Company retains interest-only strips and servicing responsibilities for the assets sold. Gains or losses on these transactions are recognized as income and are dependent in part on the previous carrying amount of the financial assets involved in the transfer, allocated between the assets sold and the retained interests based on their relative fair value at the date of transfer, net of transaction costs. Retained interests are classified as available for sale assets and are stated at their fair value with unrealized gains and losses reported in accumulated other comprehensive income. The fair value of the retained interests is estimated using discounted cash flow methodology and management's best estimates of key assumptions, such as prepayment rates, average term of assets sold and other factors that influence the value of the retained interests.

Retained interests are revalued quarterly to assess for other than temporary impairment.

Capital Assets

Capital assets, which are comprised of office furniture and equipment, computer equipment, software and leasehold improvements, are recorded at cost and amortized over their estimated useful lives on a declining balance basis at the following annual rates:

Office furniture and equipment	20%
Computer equipment	30%-45%

Software is amortized on a straight-line basis over two years. Leasehold improvements are amortized on a straight-line basis over the remaining term of the leases.

Translation of Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates prevailing at the consolidated balance sheet date. Revenues and expenses denominated in foreign currencies are translated at the average exchange rates prevailing during the year. Realized and unrealized gains and losses on foreign currency transactions are included in fees and other income in the consolidated statements of income.

Goodwill and Intangible Assets

Goodwill and intangible assets are tested annually for impairment to ensure that their fair value is greater than or equal to book value. Any excess of book value over fair value is charged to income in the period in which the impairment is determined. It is management's belief that there is no impairment of goodwill or intangible assets as at December 31, 2009.

Intangible assets (customer contracts, lists acquired on acquisition and software development costs) are amortized on a straight-line basis over their useful lives. The Company capitalizes eligible development costs related to the development of its new core banking system. Amortization of these costs over its appropriate useful life will commence upon implementation.

Derivative Financial Instruments

Home Trust enters into non-trading derivative financial instruments as part of the mortgage securitization program. Non-trading derivatives entered into are carried at fair value in other assets or liabilities, on a net basis, with changes in fair value recorded in non-interest income on the consolidated statements of income.

During 2009 and 2008, the Company did not designate any non-trading derivatives for hedge accounting.

Deposits

Deposits are financial liabilities that are measured at cost using the effective interest rate method. Deposit origination costs are added to deposits on the consolidated balance sheet as incurred and amortized to interest expense over the term of the deposit.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes, whereby future tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the period in which those temporary differences are expected to be recovered or settled.

Future tax liabilities are included in other liabilities on the consolidated balance sheet.

Employee Future Benefits

The Company accrues its obligations under employee benefit plans, which include post-retirement plans (health costs). The cost of the post-retirement benefits earned by the affected employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of expected health care costs.

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

Stock-based Compensation Plans

The Company has three stock-based compensation plans, which are described in Notes 11 and 14.

Under the Company's Stock Option Plan, the fair value of options granted after January 1, 2003 is charged to salary expense over the option vesting period. The fair value of the options granted is determined using the Black-Scholes option pricing model using management's best estimates. Refer to Note 11 for the estimates applied.

With respect to options granted prior to January 1, 2003, the Company continues to apply the previous standards under which no compensation expense is recognized at the grant date and the consideration paid by the employees or Directors who exercise their stock options is credited to capital stock.

The Company offers a deferred share unit plan (DSU) which is open to Directors of the Company who annually elect to accept remuneration in the form of cash, cash and DSUs, or DSUs. Under the plan, the obligations for the DSUs are accrued quarterly based on the Directors' remuneration for the quarter. The obligations are periodically adjusted for fluctuations in the market price of the Company's common shares and allow for dividend equivalents. Changes in obligations under the plan are recorded as salary expenses in the consolidated statements of income with a corresponding increase in other liabilities on the consolidated balance sheets.

Under the Employee Share Purchase Plan, as described in Note 14, the Company's contribution is expensed when paid.

NOTE 2 CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2009 the Company adopted the new accounting standard issued by the Canadian Institute of Chartered Accountants (CICA), Section 3064, *Goodwill and Intangible Assets*. The implementation of this standard did not have a material impact on the Company's consolidated financial position and results of operations.

Effective January 1, 2009, the Company adopted CICA Emerging Issues Committee Abstract EIC-173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*. The abstract clarifies how the Company's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivatives. The new guidance did not have a material effect on the financial position or earnings of the Company.

The Company adopted CICA amendments to Section 3862, *Financial Instruments*, for its December 31, 2009 annual financial statements. The new standard provided for improved disclosures for fair value measurement, which include the classification of financial instruments into the three levels of the fair value hierarchy and additional details on financial instruments classified as level 3. The amendments also provide for additional disclosures regarding liquidity risk. The amendments did not have a material effect on the financial position or earnings of the Company as the standard impacts disclosures only. Please see Notes 6, 16 and 18 of these consolidated financial statements for the additional disclosures.

The Company adopted the amendments to Section 3855, *Financial Instruments – Recognition & Measurement*, which are retroactive, in its December 31, 2009 annual financial statements. The CICA issued various amendments that will reduce differences with International Financial Reporting Standards (IFRS). The amendments include changes to the classification of certain debt securities where there is no active market for those securities and how impairment is measured for those debt securities. Impairment on debt securities will be reversed if the conditions for reversal are met. The changes also permit the reclassification from held for trading and available for sale classifications in certain limited circumstances. Additionally, the amendments remove the exemption for loans and receivables to be categorized as held for trading. The amendments did not have a material impact on the financial position or earnings of the Company.

NOTE 3 DISPOSITION

On January 1, 2008, Home Trust sold all outstanding shares of its wholly owned subsidiary, Home Trust Asset Management Inc. (HTAM), for proceeds of \$0.2 million cash, resulting in a gain on disposition of \$0.1 million.

NOTE 4 CASH RESOURCES AND SECURITIES
(a) Cash Resources

(000s)	2009	2008
Deposits with regulated financial institutions ¹	\$ 912,169	\$ 554,422
Restricted cash ²	17,965	-
	\$ 930,134	\$ 554,422

¹ This includes a deposit of \$46.1 million (2008 - \$21.6 million) held as collateral for the Company's securitization activities.

² Restricted cash is held as collateral by a third party for the Company's interest rate swap transactions.

(b) Securities at Fair Value by Type and Remaining Term to Maturity

(000s)	Within 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	2009 Total Fair Value	2008 Total Fair Value
Held for trading						
Securities issued or guaranteed by Canada	\$ 99,938	\$ -	\$ -	\$ -	\$ 99,938	\$ -
Available for sale						
Securities issued or guaranteed by						
Canada	40,122	-	16,051	-	56,173	163,488
Corporations	55,959	138,126	-	-	194,085	189,311
Equity securities						
Common	6,689	-	-	-	6,689	5,346
Fixed rate preferred	54,045	49,938	167,286	16,698	287,967	152,652
Floating rate preferred	-	-	-	-	-	2,385
Income trusts	4,800	-	-	-	4,800	5,662
Mutual funds	945	-	-	-	945	633
	\$ 262,498	\$ 188,064	\$ 183,337	\$ 16,698	\$ 650,597	\$ 519,477

Effective January 1, 2008, all new bond acquisitions were designated as available for sale securities, consistent with the Company's intention to hold them longer term.

During 2009, on held for trading securities, the Company recognized in net income \$0.5 million (2008 - \$0.7 million) for interest and nil (2008 - \$1.5 million) for realized gains.

(c) Unrealized Gains and Losses on Available for Sale Securities

(000s, except %)	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Total Fair Value	2009 Weighted-average Yield
Securities issued or guaranteed by					
Canada	\$ 56,170	\$ 3	\$ -	\$ 56,173	1.6%
Corporations	194,120	-	(35)	194,085	1.3%
Equity securities					
Common	6,329	891	(531)	6,689	2.5%
Fixed rate preferred	279,862	13,038	(4,933)	287,967	5.4%
Income trusts	2,483	2,317	-	4,800	5.0%
Mutual funds	1,000	-	(55)	945	-
	\$ 539,964	\$ 16,249	\$ (5,554)	\$ 550,659	

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

						2008
(000s, except %)	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Total Fair Value	Weighted-average Yield	
Securities issued or guaranteed by						
Canada	\$ 161,943	\$ 1,545	\$ -	\$ 163,488	4.2%	
Corporations	186,966	2,345	-	189,311	4.3%	
Equity securities						
Common	7,447	569	(2,670)	5,346	2.6%	
Fixed rate preferred	182,572	253	(30,173)	152,652	5.1%	
Floating rate preferred	4,756	-	(2,371)	2,385	3.2%	
Income trusts	8,408	-	(2,746)	5,662	6.9%	
Mutual funds	1,000	-	(367)	633	-	
	\$ 553,092	\$ 4,712	\$ (38,327)	\$ 519,477		

The above unrealized losses represent differences between the carrying value of a security and its current fair value. The Company does not consider these losses to be other than temporary based on market conditions at December 31, 2009 and continues to regularly monitor these investments and market conditions.

At December 31, 2009, the Company had a net \$5.8 million (2008 - \$1.8 million) of unrealized losses on available for sale securities that were other than temporary in nature and were transferred into net income. These unrealized losses are not included in the table above.

NOTE 5 LOANS

(a) Loans by Geographic Region and Type

As at December 31

2009

(000s, except %)	Residential ¹ Mortgages	Non-residential ¹ Mortgages	Personal and Credit Card Loans	Secured Loans	Total	Percentage of Portfolio
British Columbia	\$ 476,418	\$ 9,270	\$ 22,617	\$ 7	\$ 508,312	9.3%
Alberta	358,683	76,424	54,209	5,367	494,683	9.1%
Ontario	3,241,147	570,339	258,952	40,749	4,111,187	75.2%
Quebec	131,776	31,660	1,594	-	165,030	3.0%
Maritimes	90,505	11,399	4,095	1,616	107,615	1.9%
Manitoba and Saskatchewan	70,929	9,333	1,451	-	81,713	1.5%
	\$ 4,369,458	\$ 708,425	\$ 342,918	\$ 47,739	\$ 5,468,540	100.0%

¹ Certain figures have been reclassified from the fourth quarter 2009.

As at December 31

2008

(000s, except %)	Residential Mortgages	Non-residential Mortgages	Personal and Credit Card Loans	Secured Loans	Total	Percentage of Portfolio
British Columbia	\$ 333,668	\$ 8,998	\$ 31,118	\$ 9	\$ 373,793	8.2%
Alberta	398,939	115,336	78,157	8,319	600,751	13.3%
Ontario	2,267,199	630,953	250,611	61,929	3,210,692	70.9%
Quebec	105,236	48,701	1,477	-	155,414	3.4%
Maritimes	90,167	12,408	6,002	2,261	110,838	2.4%
Manitoba and Saskatchewan	67,997	10,486	1,597	-	80,080	1.8%
	\$ 3,263,206	\$ 826,882	\$ 368,962	\$ 72,518	\$ 4,531,568	100.0%

(b) Past Due Loans that Are Not Impaired

As at December 31

2009

(000s)	Residential Mortgages	Non-residential Mortgages	Personal and Credit Card Loans	Secured Loans	Total
1-30 days	\$ 133,967	\$ 4,058	\$ 5,204	\$ 958	\$ 144,187
31-60 days	35,922	1,910	1,428	227	39,487
61-90 days	3,080	-	2,162	-	5,242
91-120 days	8,911	-	749	-	9,660
	\$ 181,880	\$ 5,968	\$ 9,543	\$ 1,185	\$ 198,576

As at December 31

2008

(000s)	Residential Mortgages	Non-residential Mortgages	Personal and Credit Card Loans	Secured Loans	Total
1-30 days	\$ 142,287	\$ 4,406	\$ 3,365	\$ 973	\$ 151,031
31-60 days	9,249	2,407	1,896	98	13,650
61-90 days	31,828	647	2,527	-	35,002
91-120 days	-	-	1,887	-	1,887
	\$ 183,364	\$ 7,460	\$ 9,675	\$ 1,071	\$ 201,570

(c) Impaired Loans and Specific Allowances for Credit Losses

As at December 31

2009

(000s)	Residential Mortgages	Non-residential Mortgages	Personal and Credit Card Loans	Secured Loans	Total
Gross amount of impaired loans	\$ 41,149	\$ 2,417	\$ 4,847	\$ 472	\$ 48,885
Specific allowances	(1,346)	(135)	(961)	(137)	(2,579)
	\$ 39,803	\$ 2,282	\$ 3,886	\$ 335	\$ 46,306

As at December 31

2008

(000s)	Residential Mortgages	Non-residential Mortgages	Personal and Credit Card Loans	Secured Loans	Total
Gross amount of impaired loans	\$ 34,643	\$ 164	\$ 6,309	\$ 1,007	\$ 42,123
Specific allowances	(1,680)	-	(547)	(699)	(2,926)
	\$ 32,963	\$ 164	\$ 5,762	\$ 308	\$ 39,197

Included in the gross amount of impaired loans are foreclosed loans with an estimated realizable value of \$2.2 million.

Notes to Consolidated Financial Statements

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(d) Allowance for Credit Losses

For the year ended						2009
(000s)	Residential Mortgages	Non-residential Mortgages	Personal and Credit Card Loans	Secured Loans	Total	
Specific allowances						
Balance at the beginning of the year	\$ 1,680	\$ -	\$ 547	\$ 699	\$ 2,926	
Provisions for credit losses	6,178	135	2,125	472	8,910	
Write-offs	(7,676)	-	(1,913)	(1,146)	(10,735)	
Recoveries	1,164	-	202	112	1,478	
	1,346	135	961	137	2,579	
General allowance						
Balance at the beginning of the year	16,136	4,580	3,700	761	25,177	
Provisions for credit losses	3,325	(182)	(253)	(274)	2,616	
	19,461	4,398	3,447	487	27,793	
Total allowance	\$ 20,807	\$ 4,533	\$ 4,408	\$ 624	\$ 30,372	
For the year ended						2008
(000s)	Residential Mortgages	Non-Residential Mortgages	Personal and Credit Card Loans	Secured Loans	Total	
Specific allowances						
Balance at the beginning of the year	\$ 634	\$ -	\$ 128	\$ 231	\$ 993	
Provisions for credit losses	2,971	-	937	953	4,861	
Write-offs	(2,176)	-	(644)	(541)	(3,361)	
Recoveries	251	-	126	56	433	
	1,680	-	547	699	2,926	
General allowance						
Balance at the beginning of the year	17,127	2,216	3,201	856	23,400	
Provisions for credit losses	(991)	2,364	499	(95)	1,777	
	16,136	4,580	3,700	761	25,177	
Total allowance	\$ 17,816	\$ 4,580	\$ 4,247	\$ 1,460	\$ 28,103	

(e) Loan Maturities

						2009	2008
(000s)	Within 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total Book Value	Total Book Value	
Residential mortgages	\$ 1,301,089	\$ 1,693,621	\$ 1,028,862	\$ 345,886	\$ 4,369,458	\$ 3,263,206	
Non-residential mortgages	256,787	248,484	158,549	44,605	708,425	826,882	
Personal and credit card loans	312,970	2,119	2,219	25,610	342,918	368,962	
Secured loans ¹	21,761	20,412	5,566	-	47,739	72,518	
	1,892,607	1,964,636	1,195,196	416,101	5,468,540	4,531,568	
General allowance for credit losses	-	-	-	-	(27,793)	(25,177)	
	\$ 1,892,607	\$ 1,964,636	\$ 1,195,196	\$ 416,101	\$ 5,440,747	\$ 4,506,391	

¹ Secured loans are held by Regency Finance Corp., which is consolidated as a variable interest entity.

(f) Collateral

The fair value of collateral held against mortgages is based on appraisals at the time a loan is originated. Appraisals are only updated should circumstances warrant it or if a mortgage becomes impaired. As at December 31, 2009, the total appraised value of the collateral for mortgages past due that are not impaired, as determined when the mortgages were originated, is \$361.7 million. For impaired mortgages, the total appraised value of collateral at December 31, 2009 is \$71.5 million.

NOTE 6 LOAN SECURITIZATION (SECURITIZATION RECEIVABLES)

The Company's subsidiary, Home Trust, securitizes residential mortgage loans, and in these securitizations Home Trust retains interest-only strips and servicing responsibilities. The retained interests consist of Home Trust's rights to future cash flows arising after the investors in the special purpose entity have received the return for which they contracted. The investors and the special purpose entity have no recourse to other assets of either the Company or Home Trust for failure of debtors to pay when due.

During the year, Home Trust sold \$2.60 billion (2008 – \$1.50 billion) of mortgages in securitization transactions. As at December 31, 2009, the retained interest in the securitization receivable recorded on the consolidated balance sheet for securitization transactions totalled \$229.4 million (2008 – \$139.9 million). This value is subject to prepayment and interest rate risks on the transferred receivables. Since these loans are transferred on a serviced basis, Home Trust has a servicing liability of \$30.4 million (2008 – \$10.3 million) included in other liabilities.

Included in the above is participation in the Canada Mortgage Bond (CMB) program. Total mortgage receivables of \$1.96 billion (2008 – \$1.09 billion) were transferred through the CMB program. As at December 31, 2009, the securitization receivable includes \$187.5 million (2008 – \$89.6 million) for the CMB retained interest. A servicing liability of \$28.5 million (2008 – \$9.1 million) is included in other liabilities and relates to the Company's obligation to service the assets in the CMB program.

Mortgage payments, which have been collected and are payable to the National Housing Authority (NHA) trusts, as at December 31, 2009 totalled \$92.9 million (2008 – \$42.0 million) and are reported under other liabilities. There are no expected credit losses on the securitized mortgage assets as the mortgages are guaranteed by Canada Mortgage and Housing Corporation, an agency of the federal government.

The impact of securitizations on the consolidated statement of income for the years ended December 31 is as follows:

(000s)	2009	2008
Net gain on sales of mortgages (net of hedging)	\$ 80,051	\$ 48,793
Impact of changes in prepayment rate assumptions	745	-
Excess spread earned on securitization receivable	10,622	8,990
Amortization of servicing liability	3,705	1,004
Other securitization expenses	(2,726)	(205)
	\$ 92,397	\$ 58,582

The following table provides quantitative information about key assumptions in measuring retained interests at the date of securitization of residential mortgages securitized during the years ended December 31:

	2009	2008
Prepayment rate	7.1%	7.6%
Discount rate	2.7%	3.4%
Excess spread	1.9%	2.6%
Weighted-average life in years	5.0	4.0

There are no assumptions for expected credit losses as these mortgages are all government-guaranteed.

The following table shows the impact on the fair value of the retained interest (level 3 financial instruments: see Note 18 for additional details) of using key economic assumptions and the sensitivity of the current fair value of residual cash flows to immediate 10% and 20% adverse changes in those assumptions:

(000s, except % and number of years)	2009	2008
Carrying amount of retained interest	\$ 229,418	\$ 139,870
Weighted-average life in years	4.7	3.7
Prepayment rate	7.7%	11.6%
Impact on fair value of 10% adverse change	(3,401)	(2,280)
Impact on fair value of 20% adverse change	(5,781)	(4,491)
Residual cash flows discount rate	2.7%	2.7%
Impact on fair value of 10% adverse change	(2,487)	(647)
Impact on fair value of 20% adverse change	(3,845)	(1,287)

There are no assumptions for expected credit losses as these mortgages are all government-guaranteed.

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The table below presents a reconciliation of the retained interest (level 3 financial instrument) for the year ended December 31, 2009:

(000s)	As at January 1, 2009	Total Gain (Loss) Recorded in OCI	Additions	Net Settlements	As at December 31, 2009
Securitization receivable	\$ 139,870	\$ 1,692	\$ 156,996	\$ (69,140)	\$ 229,418

The table below summarizes certain cash flows received from the securitization trusts:

(000s)	2009	2008
Net proceeds from new securitizations	\$ 2,550,007	\$ 1,478,138
Net cash flows received on retained interests	72,290	46,780

The table below summarizes quantitative information about the Company's loans:

(000s)	2009	
	Total Principal Amount	Principal Amount of Loans 61 or More Days Past Due
Total loans managed or securitized	\$ 9,616,251	\$ 101,628
Less mortgages securitized	4,147,711	37,841
Total gross loans reported on the consolidated balance sheet	\$ 5,468,540	\$ 63,787

(000s)	2008	
	Total Principal Amount	Principal Amount of Loans 61 or More Days Past Due
Total loans managed or securitized	\$ 7,145,826	\$ 105,759
Less mortgages securitized	2,614,258	26,811
Total gross loans reported on the consolidated balance sheet	\$ 4,531,568	\$ 78,948

NOTE 7 CAPITAL ASSETS

(000s)	2009		2008	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 10,636	\$ 8,768	\$ 1,868	\$ 1,849
Software	112	68	44	52
Office furniture and equipment	6,736	4,460	2,276	2,657
Leasehold improvements	3,221	2,546	675	767
	\$ 20,705	\$ 15,842	\$ 4,863	\$ 5,325

Amortization in respect of the above-noted capital assets for the year amounted to \$2.6 million (2008 - \$2.8 million).

NOTE 8 OTHER ASSETS

(000s)	2009	2008
Accrued interest receivable	\$ 26,153	\$ 27,861
Income taxes receivable	-	10,472
Goodwill	15,752	15,752
Intangible assets ¹	26,811	1,449
Other prepaid assets and deferred items	36,399	28,694
	\$ 105,115	\$ 84,228

¹ Intangible assets are primarily comprised of deferred costs capitalized for the development of the Company's new core banking system.

NOTE 9 DEPOSITS							
(000s, except %)						2009	2008
	Payable on Demand	Within 1 Year	1 to 3 Years	3 to 5 Years	Total	Total	
Individuals	\$ 38,223	\$ 3,324,073	\$ 2,227,286	\$ 780,982	\$ 6,370,564	\$ 5,061,603	
Businesses	-	21,222	12,928	5,108	39,258	41,178	
	\$ 38,223	\$ 3,345,295	\$ 2,240,214	\$ 786,090	\$ 6,409,822	\$ 5,102,781	
Effective yield	-	2.5%	3.4%	3.8%	3.0%	4.1%	

NOTE 10 OTHER LIABILITIES			
(000s)		2009	2008
Accrued interest payable		\$ 138,498	\$ 159,615
Dividends payable		5,901	4,476
Future income taxes (Note 13)		57,559	36,974
Income tax payable		3	-
Securitization servicing liability (Note 6)		30,389	10,288
Payable to MBS and CMB holders (Note 6)		92,896	42,013
Other, including accounts payable and accrued liabilities ¹		30,901	16,002
		\$ 356,147	\$ 269,368

¹ The Company has recognized a liability for employee future benefits in the amount of \$151,800 (2008 - \$140,000).

NOTE 11 CAPITAL					
(a) Authorized					
An unlimited number of common shares.					
An unlimited number of preferred shares, issuable in series, to be designated as senior preferred shares.					
An unlimited number of preferred shares, issuable in series, to be designated as junior preferred shares.					
(b) Issued and Outstanding					
		2009		2008	
(000s)	Number of Shares	Book Value	Number of Shares	Book Value	
Common shares					
Balance, beginning of year	34,434	\$ 39,094	34,532	\$ 38,899	
Options exercised	445	6,498	10	318	
Repurchase of shares	(166)	(196)	(108)	(123)	
Balance, end of year	34,713	\$ 45,396	34,434	\$ 39,094	

(c) Normal Course Issuer Bid

On July 29, 2009, the Company filed a Normal Course Issuer Bid which allowed it to purchase over a 12-month period, beginning August 1, 2009, up to 10% of the public float outstanding on July 29, 2009.

On July 28, 2008, the Company filed a Normal Course Issuer Bid which allowed it to purchase over a 12-month period, beginning August 1, 2008, up to 10% of the public float outstanding on July 28, 2008.

During the year, 165,400 (2008 - 108,400) common shares were purchased for \$4.7 million (2008 - \$3.0 million). The purchase price of shares acquired through the Normal Course Issuer Bid is allocated between capital stock and retained earnings. The cost of the common shares was reduced by \$195,924 in 2009 (2008 - \$123,000).

Notes to Consolidated Financial Statements

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(d) Stock Options

The details and changes in the issued and outstanding options are as follows:

	2009		2008	
(000s, except exercise price and number of years)	Number of Options	Weighted-average Exercise Price	Number of Options	Weighted-average Exercise Price
Outstanding, beginning of year	1,407	\$ 25.08	1,294	\$ 27.15
Issued	168	30.12	205	16.27
Exercised	(445)	11.86	(10)	28.12
Cancelled	(205)	29.76	(82)	35.32
Outstanding, end of year	925	\$ 31.32	1,407	\$ 25.08
Exercisable at year-end	458	\$ 32.84	661	\$ 18.73
Weighted-average term to maturity in years		3.8		3.4

The Company's stock option plan was approved by the shareholders of the Company on December 31, 1986. The plan was amended, effective May 29, 2002, to conform to the Toronto Stock Exchange's Revised Policy on Listed Company Share Incentive Arrangements. As at December 31, 2009, the maximum number of common shares that may be issued was 4,585,198, representing approximately 13.2% of the aggregate number of common shares. The exercise price of the options shall be fixed by the Board of Directors (the Board) at the time of issuance at the market price of such shares, subject to all applicable regulatory requirements. The market price per share shall not be less than the weighted-average price at which the common shares of the Company trade on the Toronto Stock Exchange during the two trading days immediately preceding the date on which the option is approved by the Board. The exercise period of any option will not extend beyond a period of seven years from the date of grant of the option. The period within which an option or portion thereof may be exercised by a participant will be determined in each case by the Board.

As at December 31, 2009, stock options outstanding to acquire common shares were as follows:

	Stock Options Outstanding	Stock Options Exercisable	Exercise Price per Share	Expiry Date
Options granted to				
Directors	100,000	25,000	\$ 34.51 ²	02/14/2012
	20,000	10,000	41.29 ²	12/07/2014
	20,000	5,000	16.27 ³	12/08/2015
	140,000	40,000		
Employees	3,000	3,000	10.56	07/23/2010
	25,000	25,000	34.55	02/14/2010
	93,750	93,750	35.25	12/06/2010
	10,000	10,000	42.02	03/03/2011
	105,000	78,750	27.89 ¹	10/25/2011
	45,000	22,500	27.71 ¹	12/01/2011
	50,000	50,000	34.51 ²	02/14/2012
	20,000	10,000	33.76 ²	03/07/2014
	170,000	85,000	41.29 ²	12/07/2014
	155,000	38,750	16.27 ³	12/08/2015
	25,000	-	17.06 ⁴	02/12/2016
	15,000	-	31.87 ⁴	05/05/2016
	10,000	-	35.56 ⁴	08/04/2016
	35,000	-	40.70 ⁴	11/03/2016
	22,500	-	41.06 ⁴	12/02/2016
	784,250	416,750		
	924,250	456,750	\$ 32.84	

¹ In 2006, the Company granted certain employees the right to receive stock options if certain performance criteria were met. As at December 31, 2009, three levels of performance had been met for 105,000 options and two levels of performance had been met for 45,000 options. As a result, 75% and 50%, respectively, of these contingently assumable options have been included in the computation of diluted income per common share.

² In 2007, the Company granted certain employees the right to receive stock options if certain performance criteria were met. As at December 31, 2009, two levels of performance had been met. As a result, 50% of these contingently assumable options have been included in the computation of diluted income per common share.

³ In 2008, the Company granted certain employees the right to receive stock options if certain performance criteria were met. As at December 31, 2009, one level of performance had been met. As a result, 25% of these contingently assumable options have been included in the computation of diluted income per common share.

⁴ In 2009, the Company granted certain employees the right to receive stock options if certain performance criteria were met. As at December 31, 2009, none of the performance criteria had been met. As a result, the contingently assumable options have not been included in the computation of diluted income per common share.

(e) Fair Value Compensation of Stock Options

The Company determines the fair value of options granted using the Black-Scholes option pricing model. The weighted-average fair value of the options granted during the year ended December 31, 2009 was \$14.55 for the 2009 issue. The weighted-average fair value of the options granted during the year ended December 31, 2008 was \$5.36 for the 2008 issue.

The following weighted-average assumptions were used to determine the fair value of the options on the date of grant:

	2009	2008
Expected dividend yield	1.54%	2.51%
Expected share price volatility	38.0%	33.2%
Risk-free rate of return	2.72%	2.67%
Expected period until exercise in years	6.0	7.0

For options granted after January 1, 2003, the Company determines the fair value of stock options on their grant date and records this amount as compensation expense over the period that the stock options vest, with a corresponding increase to contributed surplus. When these stock options are exercised, the Company records the amount of proceeds, together with the amount recorded in contributed surplus, in capital stock. Employee compensation expense increased by \$1.5 million (2008 - \$1.5 million) and net income decreased by the same amount with respect to options granted during the year.

The Company will not record any compensation expense for stock options granted prior to January 1, 2003. When these stock options are exercised, the Company will include the amount of proceeds in capital stock. If the Company had recorded compensation expense for such options based on their fair value, there would have been no impact on 2009 and 2008 net income and income per share as these options are now fully vested.

(f) Deferred Share Units

The Company grants deferred share units (DSUs) to Directors of the Company. Under the plan, the Directors may annually elect to accept remuneration in the form of cash, cash and DSUs or DSUs prior to the beginning of the year. DSUs earn dividend equivalents in the form of additional DSUs at the same rate as dividends on common shares. The participant is not allowed to convert the DSUs until retirement or termination of directorship. The cash value of the DSUs is equivalent to the market value of common shares when conversion takes place. The value of the DSUs liability as at December 31, 2009, was \$0.27 million (2008 - nil).

As of December 31, 2009, there were 6,468 DSUs available for grant under the plan. Of the DSUs issued, 6,468 DSUs remain outstanding at December 31, 2009.

(g) Income per Common Share ^(000s)

Basic income per common share is determined as net income for the year divided by the average number of common shares outstanding of 34,450 (2008 - 34,512).

Diluted income per common share is determined as net income for the year divided by the average number of common shares outstanding of 34,450 (2008 - 34,512) plus the stock options potentially exercisable, as determined under the treasury stock method, of 345 (2008 - 157) for a total of 34,795 (2008 - 34,669) diluted common shares.

(h) Capital Management

The Company has a capital management policy which governs the quantity and quality of capital held. The objective of the policy is to meet regulatory capital requirements, while also providing a sufficient return to investors. The Risk and Capital Committee and the Board of Directors annually review the policy and monitor compliance with the policy on a quarterly basis.

The Company's subsidiary, Home Trust, is subject to the regulatory capital requirements governed by the Office of the Superintendent of Financial Institutions Canada (OSFI). These requirements are consistent with international standards set by the Bank for International Settlements (BIS). Effective January 1, 2008, Home Trust Company adopted the new capital framework (Basel II) as required by OSFI. Under Basel II, the computation of risk-weighted assets was revised and a new measure for operational risk was introduced. Home Trust follows the Standardized Approach for calculating credit risk and the Basic Indicator Approach for operational risk.

The regulatory capital position of Home Trust was as follows:

(000s, except ratios and multiple)	2009	2008
Regulatory capital		
Tier 1	\$ 530,256	\$ 384,025
Total	581,036	424,202
Regulatory ratios		
Tier 1	16.4%	12.9%
Total	18.0%	14.2%
Assets to capital multiple	12.7	13.7

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Under Basel II, OSFI considers a financial institution to be well capitalized if it maintains a Tier 1 capital ratio of 7% and a Total capital ratio of 10%. Home Trust is in compliance with the OSFI capital guidelines.

NOTE 12 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components comprising the accumulated other comprehensive income (loss) are:

(000s)	2009	2008
Unrealized gains (losses) on:		
Available for sale securities	\$ 10,695	\$ (33,615)
Income taxes (expense) recovery	(2,733)	10,473
	7,962	(23,142)
Unrealized gains on:		
Securitization receivables	19,772	18,080
Income taxes (expense)	(6,466)	(5,991)
	13,306	12,089
Accumulated other comprehensive income (loss)	\$ 21,268	\$ (11,053)

NOTE 13 INCOME TAXES

(a) Components of the Provision for Income Taxes

(000s)	2009	2008
Current income taxes		
Federal	\$ 16,106	\$ 20,914
Provincial	11,719	14,619
	27,825	35,533
Future income taxes		
Federal	15,529	7,900
Provincial	11,112	6,498
	26,641	14,398
	\$ 54,466	\$ 49,931

(b) Reconciliation of Income Taxes

The combined federal and provincial income tax rate varies each year according to changes in the statutory tax rate imposed by the federal and provincial governments. The effective rate of income tax in the consolidated statement of income is different from the combined federal and provincial income tax rate of 32.7% (2008 - 31.5%).

(000s)	2009	2008
Income before income taxes	\$ 198,959	\$ 158,618
Income taxes at statutory combined federal and provincial income tax rate	\$ 65,082	\$ 52,565
Increase (decrease) in income taxes resulting from:		
Tax-exempt income	(5,657)	(2,835)
Non-deductible expenses	1,792	1,491
Future tax rate changes	(9,762)	(1,378)
Other	3,011	88
	\$ 54,466	\$ 49,931

(c) Sources of Future Income Tax Assets and Liabilities

(000s)	2009	2008
Future income tax liabilities		
Deferred agent commissions and other charges	\$ 18,761	\$ 7,761
Mortgage-backed securities receivable	49,560	40,828
	68,321	48,589
Future income tax assets		
Allowance for credit losses	7,549	7,776
Deferred commitment fees and unearned income	3,213	3,839
	10,762	11,615
Net future income tax liability	\$ 57,559	\$ 36,974

NOTE 14 EMPLOYEE BENEFITS**(a) Employee Share Purchase Plan**

Effective January 1, 2001, qualifying employees of Home Trust have the ability to purchase shares in the Company. Under the Employee Share Purchase Plan, qualifying employees can choose each year to have up to 10% of their annual base earnings withheld to purchase common shares. The Company matches 50% of the employee's contribution amount. All contributions are used by the plan's trustee to purchase the common shares during each pay period in the open market. The Company's contributions are fully vested immediately. The Company's contributions are expensed as paid and totalled \$0.5 million for 2009 (2008 - \$0.5 million).

(b) Employee Retirement Savings Plan

During the year ended December 31, 2009, Home Trust contributed \$0.7 million (2008 - \$0.4 million) to the employee group registered retirement savings plan.

NOTE 15 COMMITMENTS AND CONTINGENCIES**(a) Lease Commitments**

Contractual obligations in respect of premises and equipment leases at December 31, 2009 are as follows:

(000s)	2009	2008
2010	\$ 3,789	3,777
2011	3,777	2,547
2012	2,547	2,114
2013	2,114	2,266
2014	2,266	3,342
2015 and thereafter	3,342	17,835
	\$ 17,835	
(000s)	2009	2008
Rent paid	\$ 4,224	\$ 3,426

(b) Credit Commitments

Outstanding commitments for funding on mortgages amounted to \$553.4 million as at December 31, 2009 (2008 - \$242.4 million). Commitments for loans remain open for various dates through December 2010. The average rate on mortgage commitments is 3.82% (2008 - 5.94%).

The Company also has contractual commitments to extend credit to its clients for its credit card products. The contractual commitment for this product represents the maximum potential credit risk, assuming the contractual amount is fully utilized and the client defaults and collection efforts are unsuccessful. At December 31, 2009, these contractual commitments in aggregate were \$357.5 million (2008 - \$415.0 million) of which \$52.8 million (2008 - \$62.9 million) has not been drawn by customers. In addition, outstanding commitments for new Equityline Visa accounts were \$2.9 million at December 31, 2009 (2008 - \$2.5 million).

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These amounts in aggregate are not indicative of future cash requirements. Management does not expect any material adverse consequence to the Company's financial position to result from these commitments. Secured credit cards have spending limits restricted by collateral held by the Company.

(c) Directors' and Officers' Indemnification

The Company indemnifies Directors and officers, to the extent permitted by law, against certain claims that may be made against them as a result of their being, or having been, Directors and officers at the request of the Company. The nature of this indemnification prevents the Company from making a reasonable estimate of the maximum potential amount the Company could be required to pay to third parties. Management believes that the likelihood that the Company would incur a significant liability under these indemnifications is remote. The Company has purchased Directors' and officers' liability insurance.

NOTE 16 DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Company enters into contracts and commitments in order to protect itself against the risk of fluctuations in interest rates.

During the year the Company entered into interest rate swaps to hedge the economic fair value exposure of movements in interest rates from the Company's participation in the CMB program. The intent of the swaps is to have fair value movements in the swap be effective in offsetting the fair value movements of the Company's funding commitments under the CMB program. These transactions did not qualify for hedge accounting and therefore were accounted for on a mark-to-market basis, with changes in the fair value of the swap being recognized in income.

The following table summarizes the Company's derivative holdings as at December 31, 2009:

						2009
(000s)	Notional Amount	Current Replacement Cost	Credit Equivalent Amount	Risk- weighted Balance	Net Fair Market Value	
Interest rate swaps¹						
Maturing in 2011	\$ 124,870	\$ 1,037	\$ 1,130	\$ 226	\$ (28)	
Maturing in 2012	214,716	3,797	4,252	850	1,718	
Maturing in 2013	1,044,775	7,605	8,995	1,799	1,560	
Maturing in 2014	1,326,383	6,571	10,157	2,032	(1,918)	
Maturing in 2018	234,936	41	1,446	289	(3,796)	
Maturing in 2020	256,562	-	-	-	(8,193)	
	\$ 3,202,242	\$ 19,051	\$ 25,980	\$ 5,196	\$ (10,657)	
Bonds²						
Maturing in 2014	\$ 17,200	\$ 307	\$ 393	\$ 79	\$ 307	
Maturing in 2015	70,000	327	852	170	312	
Maturing in 2018	74,700	1,459	2,580	516	1,459	
Maturing in 2020	21,900	359	687	137	359	
	\$ 183,800	\$ 2,452	\$ 4,512	\$ 902	\$ 2,437	

¹ Interest rate swaps include CMB interest rate swaps and additional interest rate swaps the Company enters into to manage the reinvestment risk of the CMB program.

² The term of the bond forward contracts is based on the term of the underlying bonds.

The Company held the following financial derivatives as at December 31, 2008:

	2008					
(000s)	Notional Amount	Current Replacement Cost	Credit Equivalent Amount	Risk-weighted Balance	Net Fair Market Value	
Interest rate swaps						
Maturing in 2011	\$ 110,187	\$ 1,668	\$ 1,687	\$ 337	\$	787
Maturing in 2012	136,155	5,635	5,723	1,145	\$	4,037
Maturing in 2013	947,702	13,580	13,721	2,744	\$	(3,443)
Maturing in 2018	68,814	196	196	39	\$	(947)
	\$ 1,262,858	\$ 21,079	\$ 21,327	\$ 4,265	\$	434
Bonds						
Maturing in 2013	\$ 34,300	\$ -	\$ -	\$ -	\$	(636)

The following terms are used in the above table: "notional amount" represents the amount to which a rate or price is applied in order to calculate the amount of cash that must be exchanged under the contract; "current replacement cost" represents the cost of replacing the contract which has a positive fair value using current market rates; "credit equivalent amount" represents the total replacement cost and the potential future credit exposure, if the counterparty defaults; "risk-weighted balance" represents the credit risk equivalent, weighted based on the creditworthiness of the counterparty, as prescribed by OSFI; and "fair market value" represents the net value of the contracts using current interest rates.

In the previous table CMB interest rate swaps with a fair value of \$(10.3) million that are required for participation in the CMB program have fair values derived from inputs which the Company considers to be non-observable (level 3 financial instruments). The effect of changing one or more of the assumptions used to fair value these swaps to reasonably possible alternatives would impact net income as shown below:

(000s)	2009
Fair value of CMB interest rate swaps (level 3 financial instrument: see Note 18 for additional details)	\$ (10,307)
Parallel shift in discount rate	
Impact on fair value of 1% decrease	750
Impact on fair value of 1% increase	(884)
Prepayment rate	
Impact on fair value of 5% decrease	(1,157)
Impact on fair value of 5% increase	813

The table below presents a reconciliation of the CMB interest rate swaps for the year ended December 31, 2009:

(000s)	As at January 1, 2009	Total Gain (Loss) Recorded in Income Statement Excluding Net Settlements	Additions	Net Settlements Recorded in Income Statement	As at December 31, 2009
CMB interest rate swap	\$ (20,646)	\$ 7,682	-	\$ 2,657	\$ (10,307)

Total gain (loss) and net settlements on CMB interest rate swaps are recorded in the consolidated statement of income under securitization income and net realized and unrealized gain (loss) on derivatives.

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NOTE 17 INTEREST RATE SENSITIVITY

The Company is exposed to interest rate risk as a result of a difference, or gap, between the maturity or repricing date of interest-sensitive assets and liabilities. The following table shows the gap position at December 31 for selected period intervals. Figures in parentheses represent an excess of liabilities over assets or a negative gap position.

This schedule reflects the contractual maturities of both assets and liabilities, adjusted for assumptions regarding the effective change in the maturity date as a result of a mortgage becoming impaired and for credit commitments and derivatives.

Based on the current interest rate gap position at December 31, 2009, the Company estimates that a 100 basis point decrease in interest rates would decrease net interest income after tax and net present value of shareholders' equity over the next 12 months by \$7.4 million and \$9.2 million, respectively. A 100 basis point increase in interest rates would increase net interest income after tax and net present value of shareholders' equity over the next 12 months by \$7.4 million and \$7.8 million, respectively.

	2009							
(000s, except %)	Floating	0 to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	Over 3 Years	Non-interest-sensitive	Total
Assets								
Cash resources	\$ 68,941	\$ 815,093	\$ -	\$ 46,100	\$ -	\$ -	\$ -	\$ 930,134
Weighted-average interest rate	0.3%	0.3%	-	0.5%	-	-	-	0.3%
Securities	-	21,989	133,613	106,896	188,064	200,035	-	650,597
Weighted-average interest rate	-	3.3%	1.4%	1.8%	2.5%	5.5%	-	3.1%
Loans	-	693,348	361,331	778,203	1,950,673	1,606,232	50,960	5,440,747
Weighted-average interest rate	-	8.5%	7.3%	6.5%	6.1%	4.6%	-	6.0%
Other assets	-	-	-	-	-	-	339,396	339,396
Weighted-average interest rate	-	-	-	-	-	-	-	-
Total	\$ 68,941	\$ 1,530,430	\$ 494,944	\$ 931,199	\$ 2,138,737	\$ 1,806,267	\$ 390,356	\$ 7,360,874
Weighted-average interest rate	0.3%	4.0%	5.7%	5.7%	5.8%	4.7%	-	4.8%
Liabilities and shareholders' equity								
Deposits payable on demand	\$ 6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,217	\$ 38,223
Weighted-average interest rate	-	-	-	-	-	-	-	-
Deposits payable on a fixed date	-	568,242	632,830	2,132,314	2,240,214	786,090	11,909	6,371,599
Weighted-average interest rate	-	3.0%	2.7%	2.3%	3.4%	3.8%	-	3.0%
Other liabilities	-	-	-	-	-	-	360,764	360,764
Weighted-average interest rate	-	-	-	-	-	-	-	-
Shareholders' equity	-	-	-	-	-	-	590,288	590,288
Weighted-average interest rate	-	-	-	-	-	-	-	-
Total	\$ 6	\$ 568,242	\$ 632,830	\$ 2,132,314	\$ 2,240,214	\$ 786,090	\$ 1,001,178	\$ 7,360,874
Weighted-average interest rate	-	3.0%	2.7%	2.3%	3.4%	3.8%	-	2.6%
	\$ 68,935	\$ 962,188	\$ (137,886)	\$ (1,201,115)	\$ (101,477)	\$ 1,020,177	\$ (610,822)	-
Credit commitments and derivatives	-	(537,393)	70,977	29,137	262,865	174,414	-	-
Weighted-average interest rate	-	2.7%	6.6%	5.3%	2.8%	6.9%	-	-
Interest rate sensitivity gap	\$ 68,935	\$ 424,795	\$ (66,909)	\$ (1,171,978)	\$ 161,388	\$ 1,194,591	\$ (610,822)	-
Cumulative gap	\$ 68,935	\$ 493,730	\$ 426,821	\$ (745,157)	\$ (583,769)	\$ 610,822	\$ -	-

(000s, except %)	Floating	0 to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	Over 3 Years	Non-interest-sensitive	Total
Assets								
Cash resources	\$ 29,006	\$ 525,416	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 554,422
Weighted-average interest rate	0.5%	1.5%	-	-	-	-	-	1.5%
Securities	-	17,336	32,670	26,083	245,972	197,416	-	519,477
Weighted-average interest rate	-	5.0%	5.5%	4.2%	4.3%	4.7%	-	4.5%
Loans	-	900,115	494,177	953,676	1,355,465	768,084	34,874	4,506,391
Weighted-average interest rate	-	8.2%	7.0%	7.3%	7.3%	6.6%	-	7.3%
Other assets	-	-	-	-	-	-	229,423	229,423
Weighted-average interest rate	-	-	-	-	-	-	-	-
Total	\$ 29,006	\$ 1,442,867	\$ 526,847	\$ 979,759	\$ 1,601,437	\$ 965,500	\$ 264,297	\$ 5,809,713
Weighted-average interest rate	0.5%	5.7%	6.9%	7.2%	6.8%	6.3%	-	6.2%
Liabilities and shareholders' equity								
Deposits payable on demand	\$ 6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,802	\$ 34,808
Weighted-average interest rate	-	-	-	-	-	-	-	-
Deposits payable on a fixed date	-	923,590	574,581	1,785,252	1,318,923	451,102	14,525	5,067,973
Weighted-average interest rate	-	4.0%	4.0%	3.9%	4.4%	4.7%	-	4.1%
Other liabilities	-	-	-	-	-	-	274,179	274,179
Weighted-average interest rate	-	-	-	-	-	-	-	-
Shareholders' equity	-	-	-	-	-	-	432,753	432,753
Weighted-average interest rate	-	-	-	-	-	-	-	-
Total	\$ 6	\$ 923,590	\$ 574,581	\$ 1,785,252	\$ 1,318,923	\$ 451,102	\$ 756,259	\$ 5,809,713
Weighted-average interest rate	-	4.0%	4.0%	3.9%	4.4%	4.7%	-	3.6%
	\$ 29,000	\$ 519,277	\$ (47,734)	\$ (805,493)	\$ 282,514	\$ 514,398	\$ (491,962)	2.3%
Credit commitments and derivatives	-	(145,838)	30,130	34,825	80,837	46	-	-
Weighted-average interest rate	-	6.2%	7.5%	5.0%	6.3%	3.5%	-	-
Interest rate sensitivity gap	\$ 29,000	\$ 373,439	\$ (17,604)	\$ (770,668)	\$ 363,351	\$ 514,444	\$ (491,962)	\$ -
Cumulative gap	\$ 29,000	\$ 402,439	\$ 384,835	\$ (385,833)	\$ (22,482)	\$ 491,962	\$ -	\$ -

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NOTE 18 FAIR VALUE OF FINANCIAL INSTRUMENTS

The amounts set out in the following table represent the fair values of the Company's financial instruments, both on- and off-balance sheet, the valuation methods and assumptions of which are described below.

The estimated fair value amounts are designed to approximate amounts at which financial instruments could be exchanged in a current transaction between willing parties who are under no compulsion to act. For financial instruments which lack an available trading market, the Company applies present value and valuation techniques that use observable or unobservable market inputs. Because of the estimation process and the need to use judgement, the aggregate fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instruments.

(000s)	2009			2008		
	Carrying Value	Fair Value	Fair Value Over Carrying Value	Carrying Value	Fair Value	Fair Value Over Carrying Value
Assets						
Cash resources	\$ 930,134	\$ 930,134	\$ -	\$ 554,422	\$ 554,422	\$ -
Securities	650,597	650,597	-	519,477	519,477	-
Loans	5,440,747	5,775,417	334,670	4,506,391	4,532,833	26,442
Securitization receivable	229,418	229,418	-	139,870	139,870	-
Other	109,978	109,978	-	89,553	89,553	-
Liabilities						
Deposits and borrowings	6,409,822	6,613,327	203,505	5,102,781	5,411,281	308,500
Derivatives	8,220	8,220	-	202	202	-
Other	352,544	352,544	-	273,977	273,977	-
Off-balance sheet financial instruments						
Credit commitments	\$ 609,224	\$ 629,318	\$ 20,094	\$ 307,820	\$ 305,468	\$ (2,352)

The following methods and assumptions were used to estimate the fair values of both on- and off-balance sheet financial instruments:

- > Cash resources are assumed to approximate their carrying values due to their short-term nature. The fair value of treasury bills is determined using rates from the Bank of Canada.
- > Securities are valued based on the quoted bid price as provided in Note 4.
- > Fair value of loans is determined by discounting the expected future cash flows of the loans at market rates for loans with similar terms and credit risks.
- > Other assets are assumed to approximate their carrying values due to their short-term nature. Other assets include securitization receivable which is fair valued, as described in Notes 1 and 6.
- > Fair value of deposits payable on demand approximates their carrying value; fixed rate deposits are determined by discounting the contractual cash flows using the market interest rates currently offered for deposits with similar terms and risks.
- > Other liabilities are assumed to approximate their carrying values due to their short-term nature.
- > Fair value of credit commitments is determined by discounting the expected future cash flows of the credit commitments at market rates for loans with similar terms and credit risks. Carrying value amount represents the notional amount of the commitments. Fair value amount represents the original notional amount adjusted for change in fair value.
- > Fair value of derivative financial instruments are assumed to approximate their fair values as provided in Note 16.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (Unadjusted) Prices in Active Markets for Identical Assets or Liabilities: This level of hierarchy includes equity securities traded on the TSX and quoted corporate debt instruments.

Level 2: Valuation Techniques with Observable Parameters: This level of hierarchy includes interest rate swaps and bond forwards and certain corporate debt instruments.

Level 3: Valuation Techniques with Significant Unobservable Parameters: Instruments classified in this category have a parameter input or inputs which are unobservable and which have more than insignificant impact on either the fair value of the instrument or profit or loss of the instrument. This category includes the securitization receivable and certain interest rate swaps used for hedging in the CMB program. Please see Notes 6 and 16 for further information on the securitization receivable and interest rate swaps.

The following table presents the carrying value of financial instruments held at fair value across all three levels of the fair value hierarchy.

	2009			
(000s)	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
Bond forward contracts	\$ -	\$ 2,437	\$ -	\$ 2,437
Securities issued or guaranteed by Canada	99,938	-	-	99,938
Financial instruments available for sale				
Securities issued or guaranteed by				
Canada	-	56,173	-	56,173
Corporations	194,085	-	-	194,085
Equity securities				
Common	6,689	-	-	6,689
Fixed rate preferred	287,967	-	-	287,967
Income trusts	4,800	-	-	4,800
Mutual funds	-	945	-	945
Securitization receivable	-	-	229,418	229,418
Total	\$ 593,479	\$ 59,555	\$ 229,418	\$ 882,452
Financial liabilities at fair value				
Interest rate swaps	\$ -	\$ 350	\$ 10,307	\$ 10,657

During the year, the Company has not transferred any financial instrument from level 1 and level 2 to level 3 of the fair value hierarchy.

NOTE 19 EARNINGS BY BUSINESS SEGMENT

The Company operates principally through two operations - mortgage lending and consumer lending. The mortgage lending operation consists of mortgage lending, securitization of government-insured mortgages and secured loans. The consumer lending operation consists of credit cards, PSiGate and individual loans to customers of retail businesses. The Other category includes treasury and security investments and corporate activities.

The following tables detail the earnings of the Company by business segment:

	2009			
(000s)	Mortgage Lending	Consumer Lending	Other	Total
Net interest income	\$ 100,268	\$ 36,738	\$ 28,005	\$ 165,011
Provisions for credit losses	(9,653)	(1,873)	-	(11,526)
Fees and other income	18,145	11,043	138	29,326
Net gain on securities and mortgage-backed securities	92,652	-	2,097	94,749
Non-interest expenses	(48,482)	(10,862)	(19,257)	(78,601)
Income before income taxes	152,930	35,046	10,983	198,959
Income taxes	(41,279)	(11,631)	(1,556)	(54,466)
Net income	\$ 111,651	\$ 23,415	\$ 9,427	\$ 144,493
Goodwill	\$ 2,324	\$ 13,428	\$ -	\$ 15,752
Total assets	\$ 5,510,368	\$ 384,528	\$ 1,465,978	\$ 7,360,874

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2008

(000s)	Mortgage Lending	Consumer Lending	Other	Total
Net interest income	\$ 89,505	\$ 26,459	\$ 34,611	\$ 150,575
Provisions for credit losses	(5,202)	(1,436)	-	(6,638)
Fees and other income	15,163	12,888	401	28,452
Net gain (loss) on securities and mortgage-backed securities and disposition of subsidiary	57,536	-	(5,296)	52,240
Non-interest expenses	(39,528)	(9,000)	(17,483)	(66,011)
Income before income taxes	117,474	28,911	12,233	158,618
Income taxes	(37,749)	(9,849)	(2,333)	(49,931)
Net income	\$ 79,725	\$ 19,062	\$ 9,900	\$ 108,687
Goodwill	\$ 2,324	\$ 13,428	-	\$ 15,752
Total assets	\$ 4,709,331	\$ 392,458	\$ 707,924	\$ 5,809,713

NOTE 20 RISK MANAGEMENT

The Company is exposed to various types of risk owing to the nature of the business activities it carries on. Types of risk to which the Company is subject include credit, liquidity, interest rate and other price risks. The Company has adopted enterprise risk management (ERM) as a discipline for managing risk. The Company's ERM structure is supported by a comprehensive governance framework which includes policies, management standards, guidelines and procedures appropriate to each business activity. The policies are reviewed and approved annually by the Board of Directors.

A description of the Company's risk management policies and procedures is included in the shaded text on pages 32 to 39 of the Risk Management Section of the MD&A. Significant exposures to credit, liquidity and interest rate risks are described in Notes 4, 5, 16 and 17.

NOTE 21 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

NOTE 22 FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards

The CICA will transition financial reporting for Canadian public entities to International Financial Reporting Standards (IFRS) effective for fiscal years beginning on or after January 1, 2011. The Company's 2011 quarterly and annual reports will include comparative 2010 financial results under IFRS. The Company's IFRS transition project is underway and the Company is currently determining the financial impact to the balance sheet and income statement. The Company will provide progress updates through its quarterly reports during 2010. Please see pages 46 to 48 of the MD&A for further information.