

Featured Company Report (May 2001)**Contact Information****Home Capital Group Inc.****(HCG.B:TSE)****W. Roy Vincent, Senior V.P.****Phone: 1-800-990-7881****Email: vincent@hometruster.com****Web Site: www.homecapital.com**

The FutureStock™ Review

Providing Timely Analysis on Canadian and US Companies**Fully Independent
Financial Analysis**One of two undervalued growth stocks
featured in the:*May 2001 Edition*www.keystocks.com*Senior Editor: Ryan Irvine, BBA (Finance)**Assistant Editor: Brent Larsen*

Home Capital Group Inc. (HCG.B:TSE) First Quarter Results

| 12 Month Results | 2001 (3 months) | 2000 (3 months) |
|----------------------|-----------------|-----------------|
| Revenues: | \$21,023,670 | \$15,704,200 |
| Net Earnings: | \$3,218,215 | \$2,321,812 |
| Earnings Per Share: | \$0.22 | \$0.20 |
| Cash Flow Per Share: | \$0.21 | \$0.19 |

In the Final Analysis

“Home Capital’s recently released first quarter results represented the 23rd consecutive period in which earnings exceeded those of the previous quarter. Although the company is currently facing somewhat softer economic conditions, to date management has seen no negative effects on the growth or profitability. Indeed, while a depressed labour market may produce short-term pain, with interest rates headed to historical lows, the long-term climate appears encouraging. Management has shown a propensity to manage risk, and grow operations through geographic expansion, increased product visibility, and now by expanding its product offerings. By sticking to its simple yet effective formula it appears Home Capital is well positioned for solid if not spectacular growth.” Senior Analyst, Ryan Irvine

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Home Capital Group Inc. is a holding company, which conducts its operations through its principal subsidiary, Home Trust Company. Home Trust is a federally regulated trust company offering deposit, mortgage lending, credit card issuing and trust services. The corporation is currently licensed to conduct business across Canada, and has offices in Ontario, Alberta and British Columbia. Home Trust is a member of the Canadian Deposit Insurance Corporation (CDIC).

Home Trust's Core Operations:

Home Trust has developed a market niche by carefully and prudently lending to people who are purchasing and/or refinancing a home and have had difficulty in obtaining their financing from one of the major banks, life insurance or trust companies. Today, Home Trust is recognized as one of Canada's leading alternative mortgage lenders. The company offers a range of investment instruments including Guaranteed Investment Certificates, Certificates of Deposit, Open Certificates of Deposit and Registered Retirement Savings Plans.

Typically, Home Trust's clientele fall into one of the following categories:

- ◆ Small business and self-employed professionals. The majority of these individuals cannot prove their income to the extent required by major lenders.
- ◆ Someone who is temporarily unemployed or has had a decrease in income.
- ◆ Former credit difficulties that have since been resolved and are now in a position to service a mortgage debt. This includes discharged bankrupts.
- ◆ Recent immigrants who have capital but do not have an earnings history to satisfy major lenders.

How Does Home Capital Make its Money?

Quite simply, its all about "the spread" – no, we're not referring to that rather thick layer of jam you put on your morning toast. For Home Capital, the spread is essentially the difference between what it pays you for your deposits and what you pay it (mortgage) in return for the pleasure of living in your new home. Traditionally, the company and the market as a whole likes to keep this figure in the area of 3 percent.

Rather than using complex derivative instruments or other more conventional strategies, which can lead to higher spreads but introduce entirely new levels of risk, Home Capital continues to employ a fully matched strategy. Essentially, what this means is if the company gets a 10-

year mortgage, it goes out and gets a matching 10-year deposit, thus locking in the spread and the profit. While not the sexiest approach on The Street, through volume increase and solid management, it has led to consistent growth over time and we see no reason why it cannot continue in the long term.

Recent Financials:

On May 2, 2001, Home Capital announced that its revenues for the three months ended March 31, 2000, increased 33.9 percent to \$21.0 million from \$15.7 million over the corresponding period of the prior year. Net income increased 38.6 percent to \$3,218,215 or \$0.22 per share from \$2,321,812 or \$0.16 in the corresponding period of the prior year. The quarter also saw Home Capital post a 25.3 percent return on equity up from 22.4 percent in the same period last year. Total assets are rapidly approaching the \$1 billion mark.

Key Areas of Growth:

Home Trust VISA

Last September, Home Trust successfully launched its Secured VISA Credit Card, Canada's first secured VISA card targeted at Canadians who may not be able to obtain a credit card or who desire to build or re-establish their credit. Subsequent to the end of the first quarter, the number of Home Trust VISA accounts passed the 10,000 mark. In March 2001, Home Trust entered into a credit card referral agreement with the Royal Bank of Canada whereby certain applicants declined for a Royal Bank VISA will be offered a Home Trust VISA product. They expect that this arrangement will assist the company in continuing the growth of their credit card portfolio. While management does not expect the VISA Cards to contribute significantly in the current year, the company is targeting a critical mass of approximately 20,000 cards by next year, at which point it expects to see a positive earnings contribution.

Issuance of Mortgage Backed Securities

On December 7, 2000, Home Trust announced it had issued its first Mortgage Backed Security. The first issue was such a positive in terms of earnings contribution that the company decided to issue its second Mortgage-Backed Security in the amount of \$14.5 million in the first quarter of this year and has now stated that Home Trust expects to conduct one issuance per quarter which should add approximately \$0.02 per share. Management has proven that securitization provides a capital-efficient means of increasing the company's mortgage lending activity and generating additional earnings.

| BALANCE SHEET | 2001(as at 03/31/01) | 2000(as at 12/31/00) |
|---------------------------|----------------------|----------------------|
| Current Assets: | \$269,719,606 | \$252,492,985 |
| Total Assets: | \$947,698,088 | \$881,924,852 |
| Current Liabilities: | \$322,821,232 | \$295,731,727 |
| Long Term Debt: | \$572,505,596 | \$536,691,759 |
| Total Liabilities: | \$895,326,828 | \$832,423,486 |
| Shareholders' Equity: | \$52,371,260 | \$49,501,366 |
| INCOME STATEMENT | 2001 (3 months) | 2000 (3 months) |
| Total Revenues: | \$21,023,670 | \$15,704,200 |
| Net Earnings: | \$3,218,215 | \$2,321,812 |
| Earnings Per Share (EPS): | \$0.22 | \$0.20 |
| Fully Diluted EPS: | \$0.21 | \$0.19 |



| KEY STATS | 2001 (trailing) |
|---------------------|-----------------|
| Price/Earnings: | 10.12 |
| Price/Sales: | 1.52 |
| Book Value/Share: | \$3.54 |
| Shares Outstanding: | 14,789,995 |
| Fully Diluted: | 15,467,995 |

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