

May, 2002

Home Capital Group Inc. was originally featured in the May 2001 edition at a price of \$7.80. Since then, the company's shares performed very well and are currently trading at the \$14.90 level. On April 29, 2002, Home Capital announced its first quarter results for the period ending March 31, 2002. Revenues increased 22.7 percent to \$25.8 million from \$21.0 million in the corresponding period of the prior year. Net income jumped 47.1 percent to \$4.7 million or \$0.29 per share from \$3.2 million or \$0.22 per share in the same period last year. This represented the 27th consecutive period in which earnings exceeded those of the previous quarter.

Some of the quarterly highlights included:

- " Assets grew by 18.2 percent to \$1.13 billion over the same period last year
- " Return on equity stood at 24.4 percent
- " The core residential first mortgage business enjoyed strong and steady growth
- " Home Trust issued an \$18.3 million Mortgage Backed Security in February 2002, resulting in a \$0.7 million contribution to earnings
- " The company is on track to meet or exceed its stated goals for the current year

Home Capital's continued success is based in part on a conservative approach to risk management and adherence to well-regarded underwriting techniques. This tradition continues into 2002, as net impaired loans as at March 31, 2002 were 0.51 percent compared to 0.52 percent at December 31, 2001, and 0.48 percent at March 31, 2001. In addition to maintaining a very stable position on impaired loans, there were no losses realized in the company's mortgage portfolio in Q1.

We were again impressed by Home Capital's continued growth over the first quarter of this year. The company achieved another record performance as both total earnings and earnings per share were up substantially from the first quarter of the previous year and the fourth quarter of 2001. Home Capital has a proven and successful business strategy, a growing portfolio of solid products, and a prudent approach to risk that combines a high degree of attention with respected underwriting techniques and risk management procedures. Management remains confident that the positive results achieved in the first quarter will continue throughout 2002. As such, the company continues to offer good long-term prospects.