

Strong Growth
in challenging times

Scotia Capital Financials
Summit

September 16, 2010



Strong Growth
in challenging times

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Disclaimer



“This presentation provides management with the opportunity to discuss the financial performance and condition of Home Capital Group Inc. and Home Trust Company and, as such, may contain forward-looking information about strategies and expected financial results. Various factors, many difficult to predict and to control, could cause actual results to differ materially from results projected in the forward-looking statements. Accordingly, the audience is cautioned against undue reliance on these remarks.”

Financial Post – August 20, 2010



The recession was supposed to be a killer for any company associated with the housing market, but someone forgot to tell that to Home Capital, a provider of non-standard mortgages in Canada. Earnings pre-recession in 2007 were \$2.59 per share, rising to \$3.13 per share in 2008, \$4.15 in 2009 and are forecast at \$4.88 this year. That's right, continued per-share gains throughout the worst recession in 80 years. For a mortgage company. These numbers were so unusual I had to check them twice (all info is from Bloomberg LLP).

What's more, Home Capital raised its dividend twice in 2008 and three times in 2009. Home Capital stock, at \$43, is a few dollars higher than it was before the recession. What did Home Capital do right while other mortgage companies imploded? Well, it kept costs in check, focused on customers and scooped up all the business that the banks were afraid to take on when things looked the bleakest.

By Peter Hodson, View from the Street, Financial Post

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Martin Reid
President





Home Capital (HCG – TSX)

- Home Trust Company - Federally regulated deposit taking institution (CDIC)
- Canada's one-stop mortgage lender offering
 - "Classic" non-prime mortgages
 - "Accelerator" Prime insured mortgages
 - "Equityline" Visa
 - Secured Visa product
 - eCommerce solutions
 - Retail Credit
 - Commercial lending
 - Term deposit products
- Investment grade rating from Standard & Poor's (BBB-) and Fitch (BBB)





A Few of Our Achievements – 2009

	<u>RESULTS</u>	<u>EXCEEDED TARGET</u>
Net income	32.9% ▲	<input checked="" type="checkbox"/>
EPS	32.6% ▲	<input checked="" type="checkbox"/>
Total assets and securitized mortgages	36.6% ▲	<input checked="" type="checkbox"/>
Return on equity	28.2%	<input checked="" type="checkbox"/>

Q2, 2010 Results → Continued Momentum

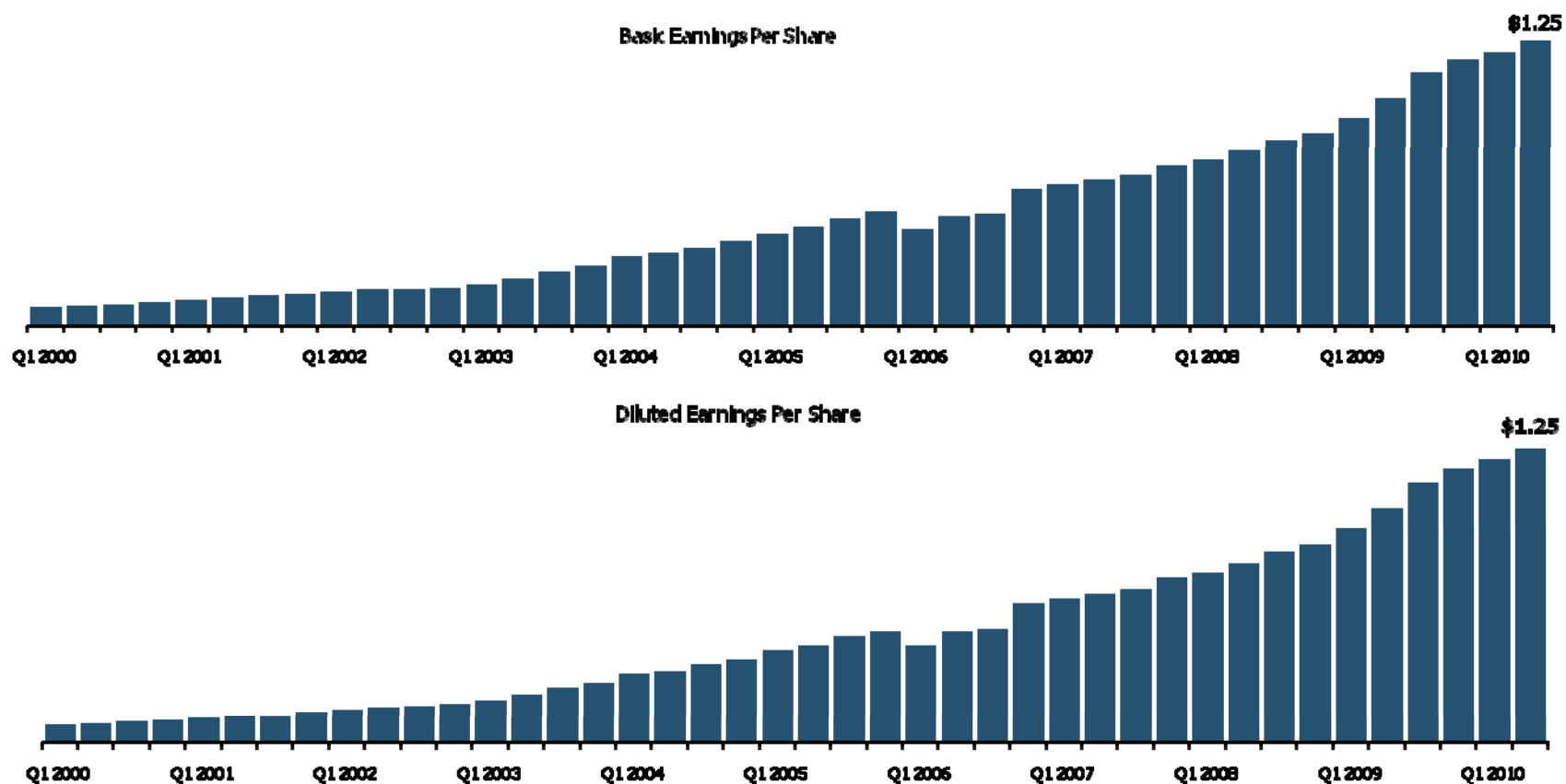


	<u>RESULTS</u>	<u>INCOME VS. Q2, 2009</u>
Net income	\$43.4M	26.3% ▲
EPS	\$1.25	25.0% ▲
Return on equity	27.1%	27.9%
Total assets and securitized mortgages	\$13.3B	40.8% ▲

Increased Basic and Diluted EPS



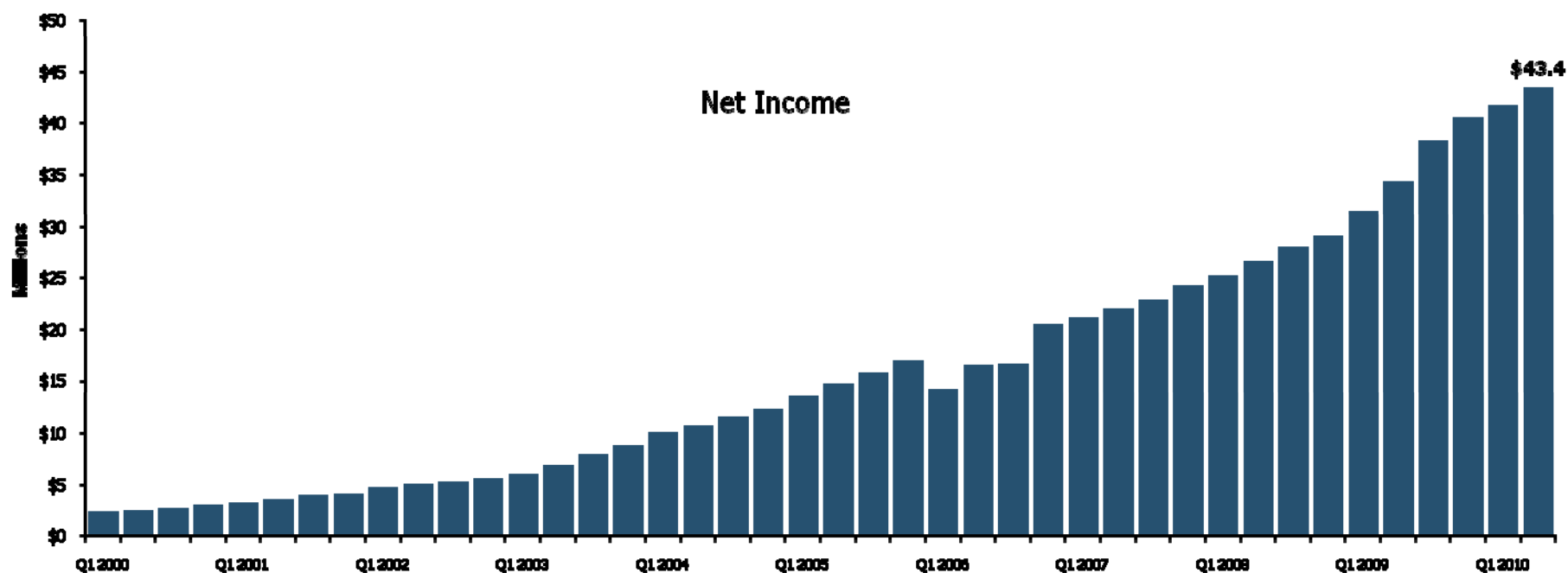
- Strong growth in both basic and diluted earnings per share, approximately doubling the rate of return every 2 years



Sustainable Earnings Growth



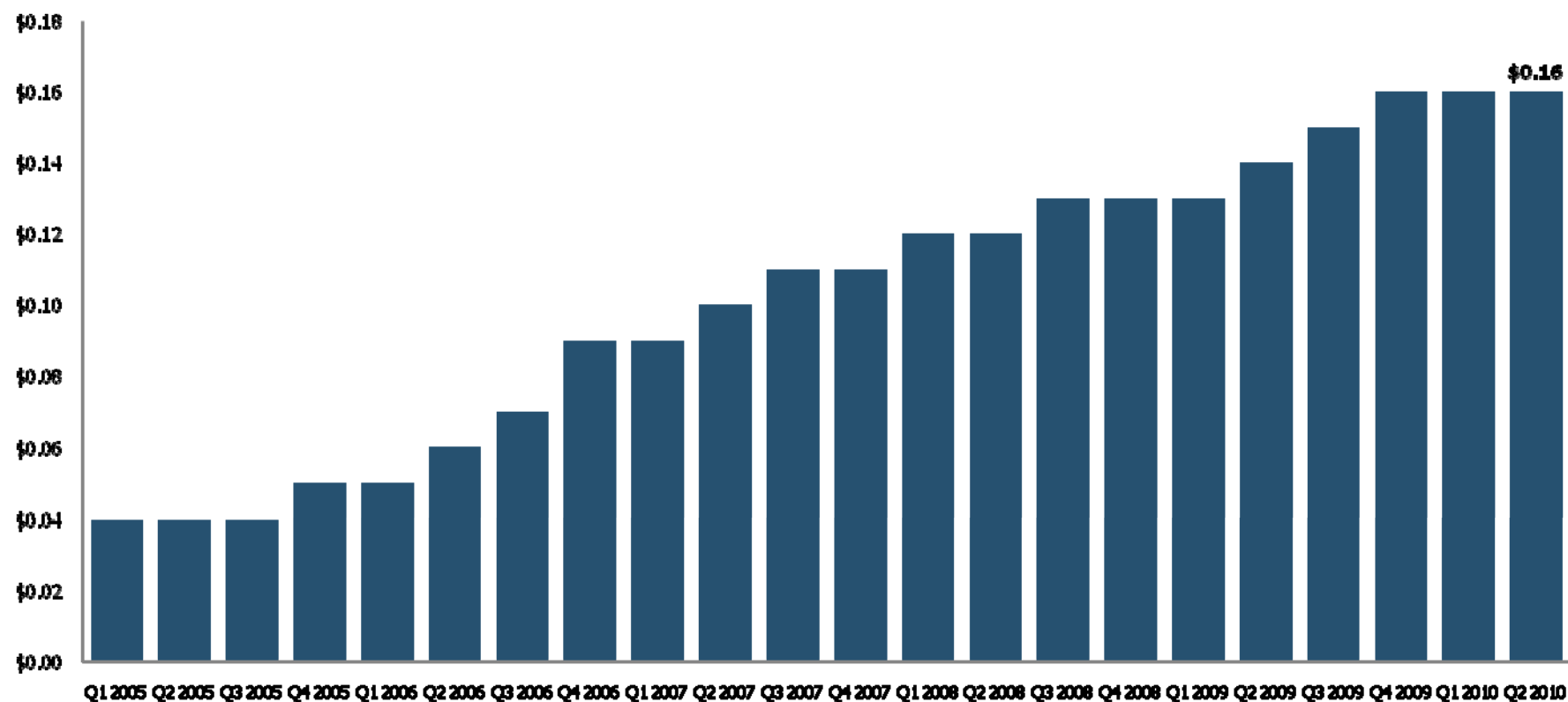
- Consistent earnings growth year after year even during challenging economic times
- 17th consecutive quarterly increase in earnings



Steady Dividend Increases



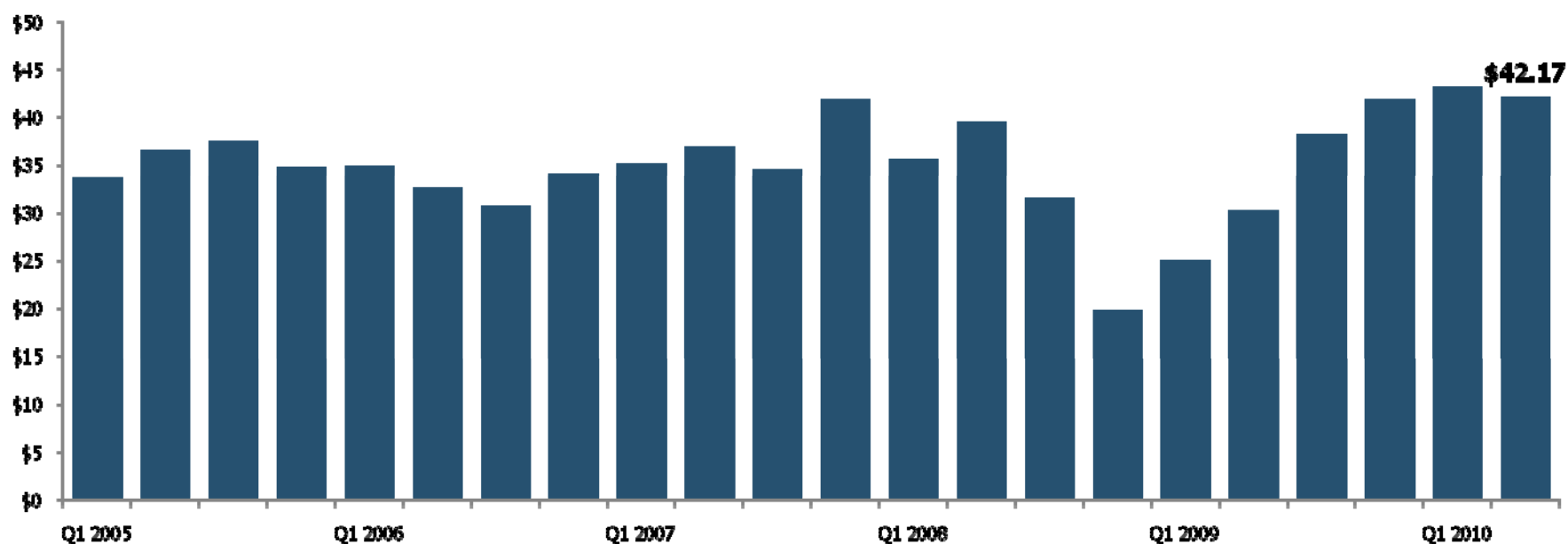
- Home Capital has raised its dividend 5 times since December 2007



Home Capital's Stock has Returned to Pre-Recession Levels



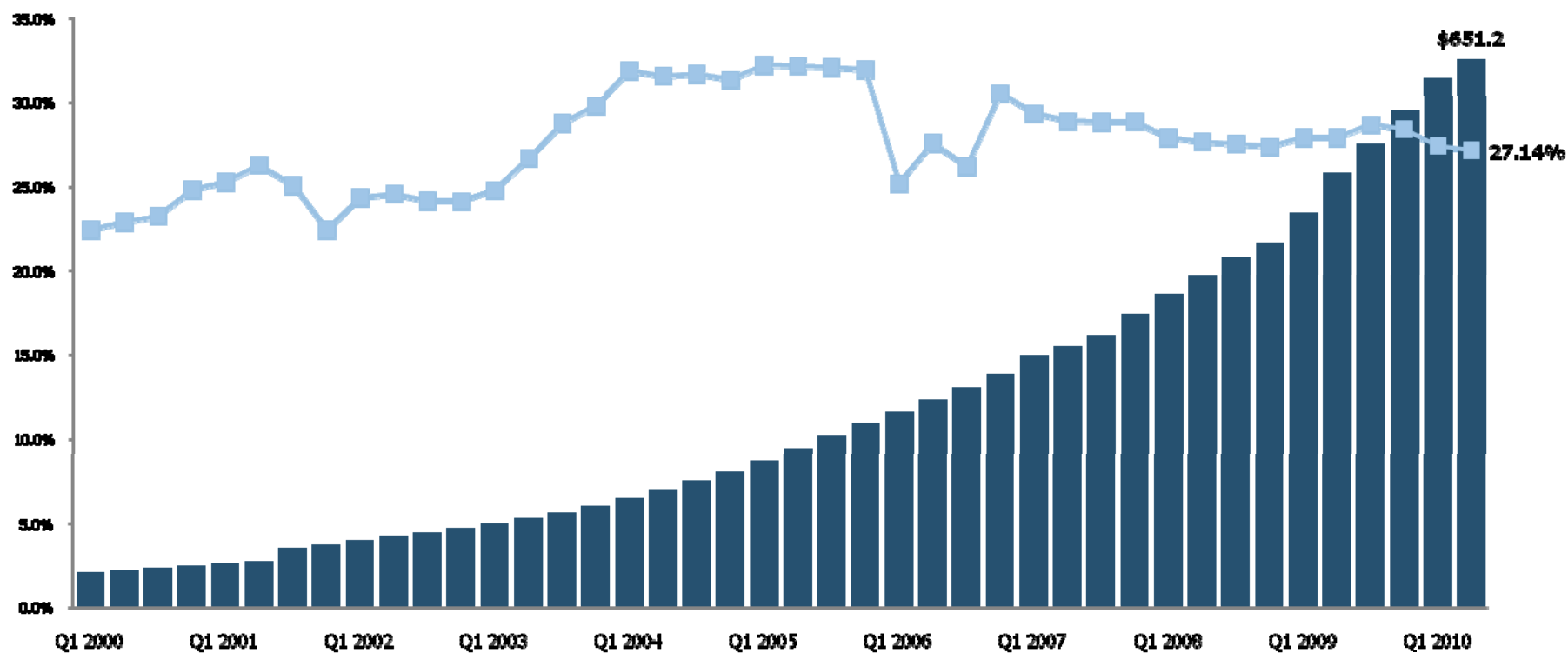
- Home Capital's stock has recovered to pre-2008 levels
- Annual high - \$48.55 – April 28, 2010
- Home Capital currently trades at approximately \$43 per share



Strong Shareholder Equity



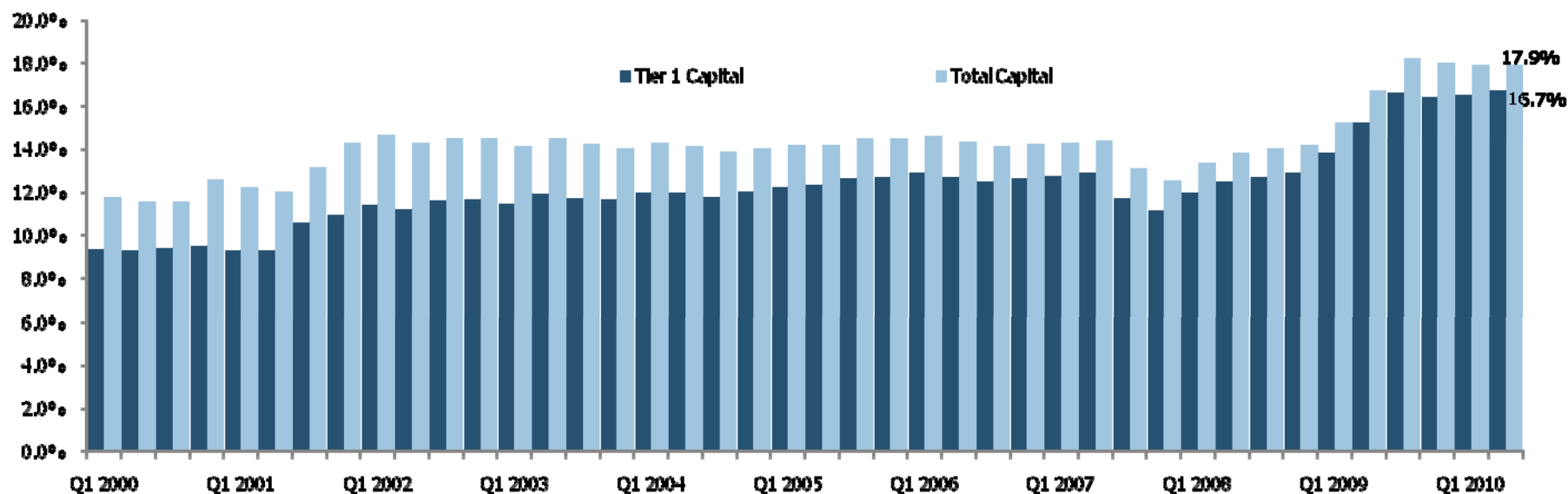
- Shareholder Equity is strong with no external debt, no preferred shares outstanding or any hybrid capital
- Superior return on Shareholder Equity – 12 years over 20% and 7 years over 25%



Prudent Capital Management



- Home is an industry leader in capital levels with Tier 1 and Total Capital at 16.7% and 17.9% at the end of Q2 2010
- Prudent Capital management during a time of economic uncertainty and greater regulatory oversight
- Well positioned for any future regulatory changes or market opportunities

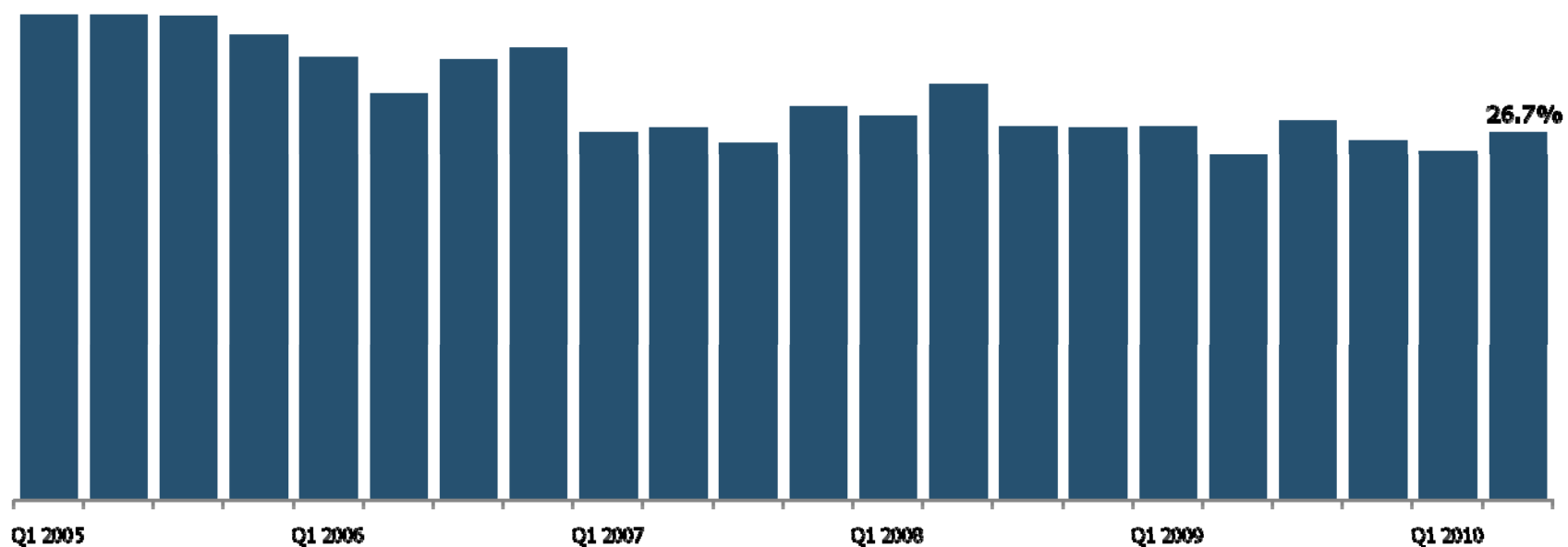


Industry Leading Efficiency Ratio



- Home's efficiency ratio continues to be significantly lower than the Big Banks
- Consistently low efficiency ratio as a result of a cost effective business model

Efficiency Ratio (TEB)

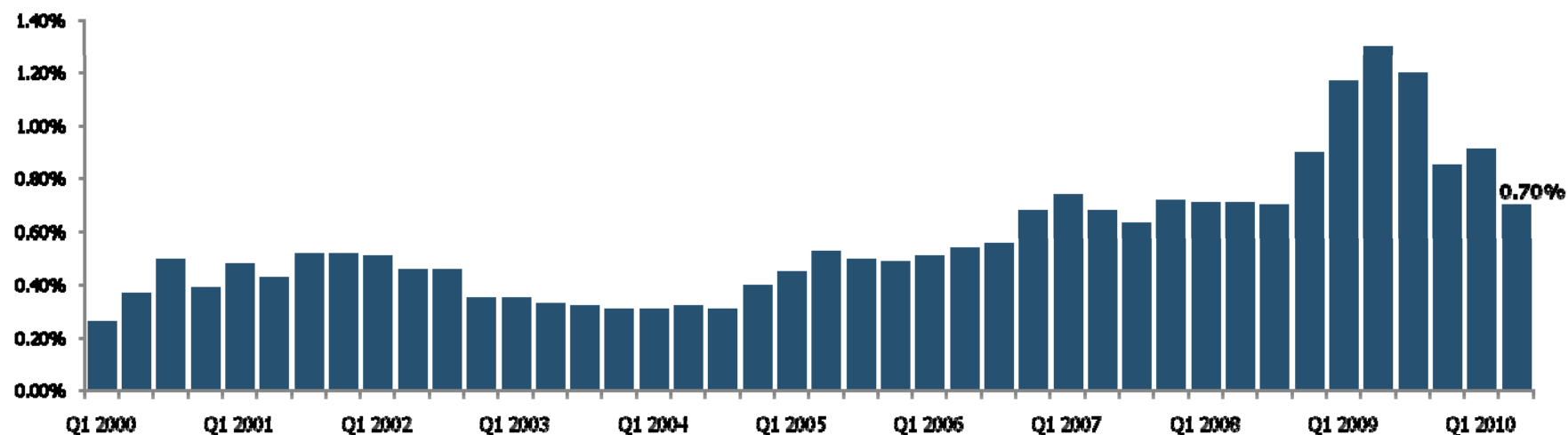


Exceptional Loan Management & Collections



- Improving arrears due to proactive strategies to tighten underwriting standards and taking into account local market conditions
- Prudent strategies to maintain a high credit quality
- Close monitoring of non performing loans and proactive measures to minimize losses
- Non-performing returning to historical levels after peaking in Q2 2009

Net Impaired as % of Gross Loans



Credit ratings confirm Home's financial strength



**STANDARD
& POOR'S**

- Affirmed rating
- Only retail Trust Company with investment grade

FitchRatings
KNOW YOUR RISK

- Upgraded rating from Stable to Positive

Home is the only non-bank owned Trust company in Canada with an investment grade rating



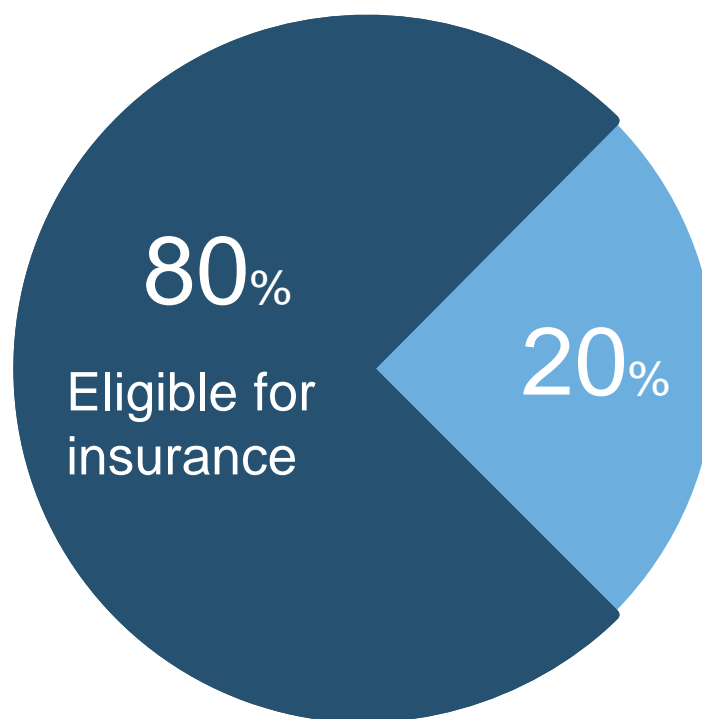
Home Capital has four core businesses



Large addressable market



- Total Canadian Mortgage Market ~ \$950B



Growth opportunity

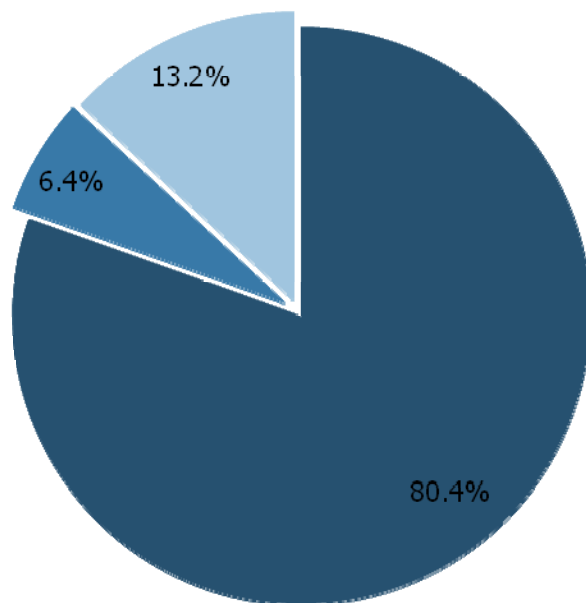




Diversified Earnings

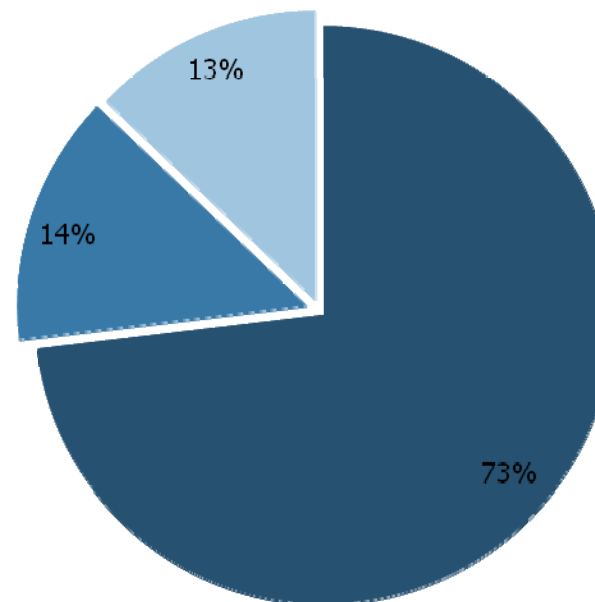
- 27% of earnings come from non-Mortgage lending activities

Balance Sheet by Segment



■ Mortgage Lending ■ Consumer Lending ■ Other

Income by Segment

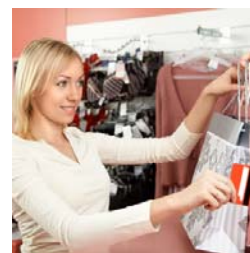


■ Mortgage Lending ■ Consumer Lending ■ Other

Continued growth in Visa / Retail Credit



- Return to growth in Equityline Visa
 - Secured by a collateral mortgage
- New initiatives
 - Product innovation
 - Expansion of broker referral program
- Expanded Retail Credit Division
 - Home improvement products
 - Residential water heaters



Momentum is clearly continuing



Strong residential origination growth continues

For Six Months Ended
June 30, 2010 June 30, 2009

Total
Originations ▲ 66%

\$3.34 B

\$2.01B

- 2010 Priorities
 - Focus on risk and valuations
 - Adjust geographical areas where we lend and expand lending criteria
 - Cautious expansion in our “Classic”, “Accelerator” and “Equityline” Visa products coast to coast
 - Increase spreads through risk based pricing

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Moving Forward



- Capitalize on “one-stop shop” for mortgages
- Grow on-balance sheet residential portfolios
- Limit exposure to non-residential lending





On Track to Achieve 2010 Goals

Net earnings

15-20% ▲

EPS

15-20% ▲

Combined total assets

15-20% ▲

Return on equity

20%

Summary



- Management is confident it can meet the 2010 targets through increased market share.
- Maintain prudent capital and liquidity levels given regulatory uncertainty.
- Strong business model with conservative lending.



Questions?



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