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# HOME CAPITAL GROUP INC.

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## HIGHLIGHTS

*For the three months ended March 31 (unaudited)*

	2000	1999
<b>SHAREHOLDER RETURNS</b>		
Net Income	\$ 2,321,812	\$ 1,886,130
Earnings per Share - Basic	0.16	0.13
- Fully Diluted	0.15	0.12
Return on Shareholders' Equity	22.4%	21.9%
Book Value per Common Share	2.88	2.40
Common Share Price (close March 31)	4.25	3.85
<b>GROWTH IN BUSINESS</b>		
Total Assets	\$ 748,835,212	\$ 576,002,378
Mortgage Loans	660,493,669	489,171,897
Deposits and Borrowings	693,442,700	528,985,496
Revenue	15,704,200	11,943,316
<b>FINANCIAL STRENGTH</b>		
Tier 1 *	9.35%	10.41%
Total Capital *	11.75%	13.76%
Common Shareholders' Equity	42,345,545	35,410,950
Market Capitalization	62,583,779	56,872,181

\* These figures relate to the Company's operating subsidiary, Home Trust Company.

MARCH 31, 2000  
First Quarter Report

**HOME CAPITAL GROUP INC.  
TO OUR SHAREHOLDERS:**

Home Capital Group Inc., through its wholly owned subsidiary, Home Trust Company, began the new year with a strong first quarter net income of \$2,321,812. This represents an increase of 23.1% over the same period last year, marking the nineteenth consecutive quarter in which earnings before unusual items exceeded those of the previous three months.

Other performance indicators reflected significant achievement over the same period as earnings per share rose from \$0.13 to \$0.16, return on equity increased from 21.9% to 22.4%, total assets grew from \$576,002,378 to \$738,835,212 and net non-performing loans as a percentage of the gross mortgage portfolio declined from 0.35% to 0.26%.

Our core business continues to perform exceptionally well and is expanding through our pursuit of above average returns on above average growth with below average risk. Business – and business conditions- in our traditional base of southern Ontario remain strong. First quarter results from our Calgary and Vancouver offices are meeting expectations and reflecting an encouraging trend for the future. Our valued network of mortgage brokers continues to be the mainstay of our mortgage lending business. And the early results of a new pilot project in Ontario with Scotiabank, in which we would be designated the preferred alternative provider of first residential mortgages for its customers, point to healthy growth potential in the future.

Our continued record of excellent performance and our positive outlook for the balance of the year, represent more than the achievement of immediate tactical objectives. More importantly, they reflect the strategic foundation from which your Company will pursue continued growth, profitability and value.

This foundation was further strengthened during the first quarter. Effective March 9, 2000 we received Letters Patent continuing Home Savings & Loan Corporation as a federal trust company. Home Trust Company, as Home Savings has become, is the first provincial loan corporation in a decade to become a federal trust company servicing Canada's national retail market.

This change represents more than just a change in name. It constitutes the potential for a significant business transformation. It expands our geographic and business focus from regional to national and from a mortgage lender towards more diversified product and service offerings. And while mortgage lending will remain our core business activity, we will now be able to increasingly leverage our experience and leadership serving customers in our niche market, a market that remains underserved by other institutions.

Your Company has successfully undertaken two significant activities simultaneously: 'minding the store' on an increasingly profitable basis on a year-over-year while developing and implementing the strategies that will position us for further success and the continued generation of value for our shareholders. The Company is on track to meet or exceed its stated goals for the current year.

On behalf of the Board of Directors, I invite all shareholders and guests to attend the Annual Meeting of Shareholders, which will be held in Ballroom B of the Crowne Plaza Toronto Centre, 225 Front Street West, Toronto, Ontario on Wednesday, May 24, 2000 at 11:00 a.m. local time. Shareholders and guests are also invited to join Directors and Management for lunch and refreshments following the Annual Meeting.

**GERALD M. SOLOWAY**

*President and Chief Executive Officer  
April 26, 2000.*

## CONSOLIDATED STATEMENTS OF INCOME

	(Unaudited)	
	Three Months Ended March 31	
	2000	1999
<b>REVENUE</b>		
Interest from mortgage loans	\$ 13,529,664	\$ 9,913,251
Other interest	511,535	597,387
Dividends	671,739	476,897
Fees and other income	991,264	723,859
Gain (Loss) on sale of investments	(2)	231,922
	<u>15,704,200</u>	<u>11,943,316</u>
<b>EXPENSES</b>		
Interest on deposits and borrowings	9,090,010	6,650,458
Salaries and benefits	1,211,526	955,036
Premises	206,501	164,744
General and administrative	1,357,599	1,145,839
	<u>11,865,636</u>	<u>8,916,077</u>
<b>INCOME BEFORE LOSS PROVISION &amp; INCOME TAXES</b>	3,838,564	3,027,239
Provision for mortgage losses	150,000	150,000
<b>INCOME BEFORE INCOME TAXES</b>	<u>3,688,564</u>	<u>2,877,239</u>
<b>INCOME TAXES</b>		
Current	1,049,422	670,503
Deferred	317,330	320,606
	<u>1,366,752</u>	<u>991,109</u>
<b>NET INCOME</b>	<u>\$ 2,321,812</u>	<u>\$ 1,886,130</u>

### NET INCOME PER CLASS A AND CLASS B SHARE:

For the period	\$0.16	\$0.13
Fully diluted	\$0.15	\$0.12
Number of outstanding Class A and B shares	14,725,595	14,771,995
Book value per share	\$2.88	\$2.40

	(Unaudited)	(Unaudited)	(Audited)
	3/31/00	3/31/99	12/31/99
<b>ASSETS</b>			
Cash and cash equivalents	\$ 9,518,993	\$ 19,777,572	\$ 20,163,978
Income taxes receivable	261,068	334,220	547,896
Investments	72,729,320	62,025,708	71,453,019
Mortgage loans	660,493,669	489,171,897	639,986,336
Fixed assets	619,151	486,460	639,395
Goodwill, net of accumulated amortization	2,486,589	2,579,546	2,509,828
Deferred deposit agent commissions	2,280,181	1,263,047	2,280,230
Other	446,241	363,928	554,455
	<u>\$ 748,835,212</u>	<u>\$ 576,002,378</u>	<u>\$ 738,135,137</u>

<b>LIABILITIES</b>			
Senior term loans	\$ 9,000,000	\$ 9,500,000	\$ 9,000,000
Deposits and borrowings	693,442,700	528,985,496	684,868,636
Accounts payable and accrued liabilities	925,095	978,778	1,040,210
Dividends payable	220,884	-	221,305
Deferred commitment fees	895,972	632,667	864,443
Deferred income taxes	2,005,016	494,487	1,687,686
	<u>706,489,667</u>	<u>540,591,428</u>	<u>697,682,280</u>

<b>SHAREHOLDERS' EQUITY</b>			
Capital stock	18,524,951	18,610,185	18,591,224
Contributed surplus	458,782	846,974	600,749
Retained earnings	23,361,812	15,953,791	21,260,884
	<u>42,345,545</u>	<u>35,410,950</u>	<u>40,452,857</u>
	<u>\$ 748,835,212</u>	<u>\$ 576,002,378</u>	<u>\$ 738,135,137</u>

#### CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

	Unaudited	
	Three months ended	
	March 31	
	2000	1999
Balance at beginning of period	\$ 21,260,884	\$ 14,067,661
Net income for the period	2,321,812	1,886,130
Dividends declared during the period	(220,884)	-
Balance at end of period	<u>\$ 23,361,812</u>	<u>\$ 15,953,791</u>

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Unaudited	
	Three months ended March 31	
	2000	1999
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 2,321,812	\$ 1,886,130
Add (deduct) items not affecting cash:		
Deferred income taxes	317,330	320,606
Depreciation and amortization	58,881	23,418
Amortization of goodwill and deferred financing costs	36,455	36,455
Provision for mortgage losses	150,000	150,000
(Gain) Loss on sale of investments	2	(231,922)
	<u>2,884,480</u>	<u>2,184,687</u>
Interest receivable	(340,776)	(432,046)
Interest payable	1,757,262	770,059
Income taxes receivable	286,828	(334,220)
Deferred agent commissions	49	(140,383)
Other assets and accounts receivable	94,998	145,987
Accounts payable and accrued liabilities	(115,115)	(66,990)
Dividends payable	(421)	-
Income taxes payable	-	(520,677)
Deferred commitment fees	31,529	3,109
	<u>1,714,354</u>	<u>(575,161)</u>
Cash provided by operating activities	<u>4,598,834</u>	<u>1,609,526</u>
<b>FINANCING ACTIVITIES</b>		
Issuance of common stock	26,250	-
Normal course issuer bid	(234,490)	(95,181)
Dividends declared	(220,884)	-
Net increase in deposits and borrowings	<u>6,816,802</u>	<u>34,829,607</u>
Cash provided by financing activities	<u>6,387,678</u>	<u>34,734,426</u>
<b>INVESTING ACTIVITIES</b>		
Activity in investment securities		
Purchase of investments	(1,946,540)	(23,440,949)
Proceeds of sales of investments	743,450	7,089,708
Proceeds of maturities	100,000	52,106
Activity in mortgages		
Purchased mortgages	(3,392,802)	
Net increase in mortgages	(17,109,883)	(17,367,362)
Fixed asset purchases	<u>(25,722)</u>	<u>(460)</u>
Cash used in investing activities	<u>(21,631,497)</u>	<u>(33,666,957)</u>
Net (decrease) increase in cash and cash equivalents	(10,644,985)	2,676,995
Cash and cash equivalents at the beginning of the period	<u>20,163,978</u>	<u>17,100,577</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>\$ 9,518,993</u>	<u>\$ 19,777,572</u>
Supplementary disclosure of cash flow information		
Amount of interest paid during the period	\$ 10,875,953	7,407,301
Amount of income taxes paid during the period	679,454	1,615,820

## CORPORATE DIRECTORY AND SHAREHOLDER INFORMATION

### **HOME CAPITAL GROUP INC.**

145 King Street West, Suite 1910  
Toronto, Ontario M5H 1J8

#### **DIRECTORS**

John M. Christodoulou  
Hon. William G. Davis P.C., C.C., Q.C.  
William A. Dimma  
Kenneth A. Fowler  
Harvey F. Kolodny  
John M. E. Marsh  
Sheila L. Ross  
John J. Ruffo  
Gerald M. Soloway

#### **OFFICERS**

William A. Dimma  
*Chairman of the Board*  
Gerald M. Soloway  
*President and  
Chief Executive Officer*  
W. Roy Vincent  
*Senior Vice President  
and Chief Operating Officer*  
Gary L. Guthro, C.A.  
*Vice President, Finance*  
Sharron I. Hatton  
*Corporate Secretary*  
Cathy A. Sutherland, C.A.  
*Controller*

#### **AUDITORS**

Ernst & Young LLP  
Chartered Accountants  
Toronto, Ontario

#### **BANKERS**

*Home Capital Group Inc.*  
*Home Trust Company*  
Bank of Montreal, St. Catharines

#### **CORPORATE COUNSEL**

*Home Capital Group Inc.*  
*Home Trust Company*

*Torys and  
Gowling Strathy & Henderson*

#### **TRANSFER AGENT**

Montreal Trust Company  
151 Front Street West  
Toronto, Ontario M5J 2N1

#### **CAPITAL STOCK**

As at March 31, 200 there were  
3,025,000 Class A and 11,700,595  
Class B Shares outstanding

#### **STOCK LISTING**

Toronto Stock Exchange  
Ticker Symbol: HCG.B

### **HOME TRUST COMPANY**

#### **BRANCHES**

##### **TORONTO**

145 King Street West, Suite 1910  
Toronto, Ontario M5H 1J8  
Tel: (416) 360-4663  
1-800-990-7881  
Fax: (416) 363-7611  
1-888-470-2092

Vice President, Mortgage Lending-  
Nick Kyprianou  
Vice President, Toronto Office -  
Brian R. Mosko  
Manager, Credit -  
Mal Nuzum  
Senior Manager, Mortgage Services-  
Jan Morrison  
Asst. Vice Presidents – Toronto Office  
James Hill  
Christine Nugent  
Managers, Mortgages –  
Brent Perry  
Vice President, Mortgage Development-  
Brian Stewart  
Manager, Mortgage Development-  
Diana Bailey

##### **HAMILTON**

Suite 800, 21 King Street West  
Hamilton, Ontario L8P 4W7  
Tel: (905) 522-0250  
1-800-944-3419  
Fax: (905) 522-1888

Branch Manager -  
Marguerite Ryan  
Manager, Mortgages -  
Brad Hamilton

##### **ST. CATHARINES**

Suite 100, P.O.Box 1554  
15 Church Street  
St. Catharines, Ontario L2R 7J9  
Tel: (905) 688-3131  
1-888-771-9913

Asst. Vice President –  
St. Catharines Office  
Wolf L. Schmutzer

Deposits & Accounting  
Fax: (905) 688-0534  
Mortgages  
Fax: (905) 988-1808

### **CALGARY**

441 – 5<sup>th</sup> Ave. S.W., Suite 310  
Calgary, Alberta T2P 2V1  
Tel: (403) 244-2432  
Fax: (403) 244-6542  
Senior Manager, Mortgages-  
Larry Frondall  
Manager, Mortgages-  
Steve Poitevin

### **VANCOUVER**

200 Granville Street, Suite 1288  
Vancouver, B.C. V6C 1S4  
Tel: (604) 484-4663  
Fax: (604) 484-4664  
Senior Manager, Mortgages-  
Dan Boyda  
Manager, Mortgages-  
Catherine Swallow

### **FOR SHAREHOLDER INFORMATION, PLEASE CONTACT:**

Sharron I. Hatton  
*Corporate Secretary*  
Home Capital Group Inc.  
145 King Street West, Suite 1910  
Toronto, Ontario M5H 1J8  
Tel: (416) 360-4663  
Fax: (416) 363-7611

### **WEBSITES:**

Home Capital Group Inc.  
– [www.homecapital.com](http://www.homecapital.com)  
Home Trust Company  
– [www.hometrusted.ca](http://www.hometrusted.ca)

**Home Capital Group Inc.  
has recently established an  
e-mail investor information  
service. Sign up for the  
service at our web site  
[www.homecapital.com](http://www.homecapital.com) and  
you will receive quarterly  
reports, the annual report,  
management information  
circular, and other articles  
of interest immediately upon  
release delivered to your e-  
mail address.**