



# HOME CAPITAL GROUP INC.

## HIGHLIGHTS

*For the period ended December 31*

	<u>Three</u> <u>Months Ended</u>		<u>Twelve</u> <u>Months Ended</u>	
	(Unaudited) 2000	(Unaudited) 1999	(Unaudited) 2000	(Audited) 1999
<b>SHAREHOLDER RETURNS</b>				
Net Income	\$ 2,990,255	\$2,165,569	\$10,451,634	\$8,081,108
Earnings per Share	0.20	0.15	0.71	0.55
Return on Shareholders' Equity	24.8%	21.9%	23.2%	21.8%
Book Value per Common Share	3.34	2.74	3.34	2.74
<b>GROWTH IN BUSINESS</b>				
Total Assets			\$ 881,924,852	\$738,135,137
Mortgage Loans			773,064,867	639,986,336
Deposits and Borrowings			813,181,658	684,868,636
Revenue			70,606,394	53,020,998
<b>FINANCIAL STRENGTH</b>				
Tier 1 *			9.46%	9.10%
Total Capital *			12.58%	11.57%
Common Shareholders' Equity			\$ 49,501,366	\$40,452,857

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

Come visit us on the web: Home Trust Company ([www.hometruster.com](http://www.hometruster.com))  
Home Capital Group Inc. ([www.homecapital.com](http://www.homecapital.com))

DECEMBER 31, 2000  
Fourth Quarter Report

**Home Capital Group Inc.**  
**To Our Shareholders**

I am pleased to report the results of a year marked by record earnings and key milestones that have widened the scope of our business activity and positioned your Company for accelerated growth going forward.

The fourth quarter saw continued strong growth in our core residential mortgage lending business, resulting in the Corporation's net income rising to \$2,990,255 or \$0.20 per share, an increase of 38.1% compared to \$2,165,569 or \$0.15 per share in the fourth quarter 1999. This period under review represents the 22<sup>nd</sup> consecutive quarter in which earnings exceeded those of the previous quarter.

Return on equity for the fourth quarter stood at 24.8% compared to 21.9% recorded the previous year, total assets increased by 19.5% to \$881,924,852, and revenues rose from \$15,078,035 to \$19,933,098.

These results, and those of the previous quarters, contributed towards our record performance for the twelve months ended December 31, 2000. Home Capital Group achieved net income of \$10,451,634, a 29.3% increase over the \$8,081,108 reported one year earlier. Earnings per share rose from \$0.55 to \$0.71, an increase of 29.1%. Return on equity for the year stood at 23.2% compared to the 21.8% achieved in 1999, and revenues grew from \$53,020,998 to \$70,606,394, an increase of 33.2%.

Net impaired loans as at December 31, 2000 represented 0.39% compared to 0.50% as of September 30, 2000 and 0.21% reported at the end of 1999. In your Company's prudent approach to provisioning, we have increased our general reserve to 0.86% of assets on a risk-weighted basis.

In November we secured a \$5.0 million credit facility with Surrey Metro Savings Credit Union, enabling us to increase the regulatory capital base of Home Trust Company. This, together with retained earnings, will enable your Company to accommodate anticipated asset growth well into 2001.

During the quarter, Home Trust issued its first Mortgage Backed Security (MBS), a \$12.4 million pooling of residential mortgages to generate additional earnings through low-risk and off balance sheet activity. The mortgages contained in the pool for this MBS are insured by Canada Mortgage and Housing Corporation (CMHC). We are actively pursuing further securitization opportunities in 2001 as a means of continued acceleration of our mortgage lending without corresponding capital requirements.

Home Trust VISA, which was launched at the end of the third quarter of 2000, made considerable progress through year-end. Our credit card program is gathering momentum and we look forward to strong growth in the portfolio throughout 2001 as we continue to build this new line of business.

In December we welcomed a new senior member to the Company's management team. Rod Adams, Senior Vice President, brings a wealth of experience to the Company. He previously served as president of both Associates Financial Services of Canada and Beneficial Financial Inc.

In October we announced a Normal Course Issuer Bid and, as at year-end, the company had repurchased 15,300 shares.

The Board of Directors declared a quarterly dividend of \$0.02 per share payable on February 13, 2001 to shareholders of record at the close of business on January 15, 2001.

In closing, our core residential mortgage business continues in its leadership position. This leadership, and our operational efficiencies, have delivered the profitability and growth detailed in this report. To build on this success, we have introduced several important product initiatives that will be fully reflected in 2001. We are confident that our strong financial performance and robust growth in 2000 will continue in the coming year.

Gerald M. Soloway  
President and Chief Executive Officer  
February 7, 2001

## CONSOLIDATED STATEMENTS OF INCOME

	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	Three Months Ended		For the Year Ended	
	December 31		December 31	
	2000	1999	2000	1999
<b>REVENUE</b>				
Interest from mortgage loans	\$ 16,778,244	\$ 12,844,740	\$ 60,192,995	\$ 44,528,838
Other interest	653,654	635,844	2,295,398	2,437,848
Dividends	759,528	634,732	2,898,549	2,229,405
Fees and other income	1,133,930	963,369	4,517,614	3,593,819
Gain (Loss) on sale of investments	155,157	(650)	249,253	231,088
Gain on sale of Mortgage Back Securities	452,585	-	452,585	-
	19,933,098	15,078,035	70,606,394	53,020,998
<b>EXPENSES</b>				
Interest on deposits and borrowings	11,676,258	8,865,859	41,359,973	30,180,851
Salaries and benefits	1,373,194	1,166,101	5,002,930	4,124,573
Premises	236,859	202,587	872,475	611,264
General and administrative	1,731,143	1,255,661	6,086,291	4,746,054
	15,017,454	11,490,208	53,321,669	39,662,742
<b>INCOME BEFORE LOSS PROVISION &amp; INCOME TAXES</b>				
	4,915,644	3,587,827	17,284,725	13,358,256
Provision for mortgage losses	585,000	150,000	1,275,000	600,000
<b>INCOME BEFORE INCOME TAXES</b>				
	4,330,644	3,437,827	16,009,725	12,758,256
<b>INCOME TAXES</b>				
Current	1,736,624	371,799	6,361,911	3,163,344
Future	(396,235)	900,459	(803,820)	1,513,804
	1,340,389	1,272,258	5,558,091	4,677,148
<b>NET INCOME</b>				
	\$ 2,990,255	\$ 2,165,569	\$ 10,451,634	\$ 8,081,108

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

For the period	\$0.20	\$0.15	\$0.71	\$0.55
Fully diluted	\$0.19	\$0.14	\$0.68	\$0.52
Number of outstanding				
Class A and B shares	14,804,395	14,753,695	14,804,395	14,753,695
Book value per share	\$3.34	\$2.74	\$3.34	\$2.74

## CONSOLIDATED BALANCE SHEETS

	(Unaudited)		(Audited)	
	12/31/00		12/31/99	
<b>ASSETS</b>				
Cash and cash equivalents	\$	21,153,775	\$	20,163,978
Income taxes receivable		-		547,896
Investments		77,724,027		71,453,019
Mortgage back securities receivable		1,372,127		-
Credit Card Receivable		339,210		-
Mortgage loans		773,064,867		639,986,336
Capital assets		1,047,279		639,395
Goodwill, net of accumulated amortization		2,416,871		2,509,828
Deferred deposit agent commissions		2,732,267		2,280,230
Deferred development cost		711,176		-
Other		1,363,253		554,455
	\$	881,924,852	\$	738,135,137
<b>LIABILITIES</b>				
Senior term loan	\$	8,500,000	\$	9,000,000
Subordinated term loan		5,000,000		-
Deposits and borrowings		813,181,658		684,868,636
Accounts payable and accrued liabilities		1,848,537		1,040,210
Dividends payable		296,088		221,305
Income taxes payable		1,587,102		-
Deferred commitment fees		1,126,235		864,443
Future income taxes		883,866		1,687,686
		832,423,486		697,682,280
<b>SHAREHOLDERS' EQUITY</b>				
Capital stock		18,629,583		18,591,224
Contributed surplus		266,825		600,749
Retained earnings		30,604,958		21,260,884
		49,501,366		40,452,857
	\$	881,924,852	\$	738,135,137

## CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

	(Unaudited)		(Unaudited)		(Unaudited)		(Audited)	
	Three months ended		Three months ended		For the year ended		For the year ended	
	December 31		December 31		December 31		December 31	
	2000	1999	2000	1999	2000	1999	2000	1999
Balance at beginning of period	\$	27,910,791	\$	19,316,620	\$	21,260,884	\$	14,067,661
Net income for the period		2,990,255		2,165,569		10,451,634		8,081,108
Dividends paid during the period		-		-		(811,472)		(666,580)
Dividends declared during the period		(296,088)		(221,305)		(296,088)		(221,305)
Balance at end of period	\$	30,604,958	\$	21,260,884	\$	30,604,958	\$	21,260,884

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	(Unaudited)	(Audited)
	For the year ended	
	December 31	
	2000	1999
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 10,451,634	\$ 8,081,108
Add (deduct) items not affecting cash:		
Future income taxes	(803,820)	1,513,804
Depreciation and amortization	363,687	267,603
Amortization of goodwill and deferred financing costs	151,607	145,819
Provision for mortgage losses	1,275,000	600,000
Gain on sale of investments	(249,253)	(231,088)
Gain on sale of mortgage back securities	(452,585)	-
	<u>10,736,270</u>	<u>10,377,246</u>
Interest receivable	(1,331,295)	(1,207,650)
Interest payable	7,298,051	3,572,410
Deferred agent commissions	(452,037)	(1,157,566)
Other assets and accounts receivable	(734,332)	(84,186)
Accounts payable and accrued liabilities	808,327	(5,558)
Dividends payable	74,783	221,305
Income taxes payable (receivable)	2,134,998	(1,068,573)
Deferred commitment fees	261,792	234,885
	<u>8,060,287</u>	<u>505,067</u>
<b>Cash provided by operating activities</b>	<u>18,796,557</u>	<u>10,882,313</u>
<b>FINANCING ACTIVITIES</b>		
Repayments of senior term loan	(500,000)	(500,000)
Receipt of subordinated term loan	5,000,000	-
Deferred financing costs	(133,116)	-
Issuance of common stock	222,000	125,875
Normal course issuer bid	(517,565)	(486,241)
Dividends declared	(296,088)	(221,305)
Dividends paid	(811,472)	(666,580)
Net increase in deposits and borrowings	121,014,971	187,910,396
<b>Cash provided by financing activities</b>	<u>123,978,730</u>	<u>186,162,145</u>
<b>INVESTING ACTIVITIES</b>		
Activity in investment securities		
Purchase of investments	(14,711,162)	(37,647,423)
Proceeds of sales of investments	3,845,941	9,148,135
Proceeds of maturities	4,854,315	2,582,096
Activity in mortgages		
Purchased mortgages	(3,392,803)	(84,039,693)
Net increase in mortgages	(142,152,014)	(83,700,596)
Proceeds from securitization of mortgage back securities	11,502,867	-
Net increase in credit card receivables	(339,210)	-
Investment in deferred development costs	(711,176)	-
Fixed asset purchases	(682,248)	(323,576)
<b>Cash used in investing activities</b>	<u>(141,785,490)</u>	<u>(193,981,057)</u>
Net (decrease) increase in cash and cash equivalents	989,797	3,063,401
Cash and cash equivalents at the beginning of the period	20,163,978	17,100,577
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>\$ 21,153,775</u>	<u>\$ 20,163,978</u>
Supplementary disclosure of cash flow information		
Amount of interest paid during the period	\$ 34,042,853	26,610,194
Amount of income taxes paid during the period	5,250,957	4,632,107

## 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  
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*  
Sharron I. Hatton  
*Corporate Secretary*  
Cathy A. Sutherland, C.A.  
*Treasurer*

#### 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

Computershare Investor Services Inc.  
(formerly Montreal Trust Company)  
100 University Avenue  
Toronto, Ontario M5J 2Y1

#### CAPITAL STOCK

As at December 31, 2000 there were  
3,025,000 Class A and 11,779,395  
Class B Shares outstanding

#### STOCK LISTING

Toronto Stock Exchange  
Ticker Symbol: HCG.B

### HOME TRUST COMPANY

#### BRANCHES

##### TORONTO

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Senior Vice President  
Rod Adams  
Vice President Toronto Office -  
Brian R. Mosko  
Vice President, Business Development-  
James Appleyard  
Vice President, Mortgage Lending-  
Nick Kyprianou  
Vice President, Construction Lending-  
David Collins  
Manager, Credit – Mal Nuzum  
Senior Manager, Mortgage Services –  
Jan Morrison  
Asst. Vice Presidents – Toronto Office  
Heather Flegg  
James Hill  
Christine Nugent  
Vice President, Mortgage Development –  
Brian Stewart

##### HAMILTON

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Branch Manager -  
Marguerite Ryan  
Manager, Mortgages –  
Brad Hamilton

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

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Manager, Mortgages –  
Steve Poitevin

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Dan Boyda  
Managers, Mortgages –  
Cathy Swallow  
Dwayne Engelsman

*For more information about  
HOME TRUST VISA, please call  
1-877-569-6333.*

#### FOR SHAREHOLDER INFORMATION, PLEASE CONTACT:

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#### 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  
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.**