



HOME CAPITAL GROUP INC.

FINANCIAL HIGHLIGHTS

For the period ended December 31

	Three Months Ended		Twelve Months Ended	
	(unaudited) 2001	(unaudited) 2000	(unaudited) 2001	(audited) 2000
OPERATING RESULTS				
Net Income	\$ 4,113,585	\$ 2,990,255	\$ 14,859,569	\$ 10,451,634
Total Revenue	24,917,231	19,933,098	91,727,818	70,606,394
Net Investment Margin (TEB) **	3.81%	3.32%	3.59%	3.25%
Earnings per Share - Basic	0.27	0.20	0.99	0.71
- Fully diluted	0.25	0.19	0.91	0.66
Return on Shareholders' Equity	22.45%	24.83%	23.83%	23.24%
Productivity Ratio	36.62%	40.47%	40.69%	40.90%
Book Value per Common Share	\$4.60	\$3.34	\$4.60	\$3.34
Common Share Price – close	\$11.15	\$5.90	\$11.15	\$5.90
GROWTH IN BUSINESS				
Total Assets			\$ 1,121,214,975	\$ 881,924,852
Mortgage Loans			939,721,385	773,064,867
Deposits and Borrowings			1,021,358,806	813,181,658
Common Shareholders' Equity			75,202,525	49,501,366
FINANCIAL STRENGTH				
Total Tier 1 Capital *			\$ 66,138,000	\$ 45,533,000
Total Capital *			86,387,000	60,533,000
Risk Adjusted Assets *			605,127,000	481,118,000
Tier 1 Capital Ratio *			10.93%	9.46%
Total Capital Ratio *			14.28%	12.58%
Net Impaired Loans as a % of Gross Loans			0.52%	0.39%

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

** These figures are converted to a taxable equivalent basis.

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Home Capital Group Inc. www.homecapital.com

DECEMBER 31, 2001
Fourth Quarter Report

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

Record earnings achieved during 4th quarter and the year

Home Capital Group Inc. (TSE:HCG.b) has completed the most successful fourth quarter and year in its history. The Company has met or exceeded each of its previously stated annual performance targets. Even more important, there is every reason to believe that the Company will maintain this positive trend during 2002 through its wholly owned subsidiary, Home Trust Company.

26th consecutive quarter of increasing earnings

Net income for the fourth quarter grew by 37.6% to \$4,113,585 from the \$2,990,255 recorded for the same period in 2000. Net earnings per share for the quarter rose by 35.0% to \$0.27 from the \$0.20 for the previous year.

For the year, the Company realized net earnings of \$14,859,569, up 42.2% over the \$10,451,634 achieved during 2000. Net earnings per share for the year rose by 39.4% to \$0.99 from \$0.71. Fully diluted earnings per share rose 37.9% from \$0.66 to \$0.91.

The Company greatly exceeded the targets announced in the 2000 Annual Report of at least 20% growth in earnings and in fully diluted earnings per share for the 2001 fiscal year.

Return on equity over 20% for 4th consecutive year

Return on equity during the fourth quarter was 22.5% as compared to the 24.8% achieved one year earlier. This reduction resulted from the additional \$13,440,000 in equity raised in September 2001. For the year return on equity increased to 23.8% from the 23.2% recorded in 2000.

This represents the fourth consecutive year in which return on equity has exceeded 20%.

Asset growth over 27%

Assets grew to \$1,121,214,975, an increase of 27.1% over the \$881,924,852 at year-end 2000. In addition, the Company administers a portfolio of mortgage-backed securities originated and sold by Home Trust, which grew from \$12,422,409 at the year ended 2000 to \$65,626,630 for the current year end and is not reflected in the asset total.

Responsible risk management continues

Net impaired loans at the end of 2001 represented 0.52% of the total portfolio, remaining the same as the third quarter of 2001, up from the 0.39% recorded at year-end 2000.

The Company had also targeted an increase in its general allowance during 2001 so that it would represent at least 90 basis points of risk-weighted assets at year-end. This provision stood at \$5,517,376 at December 31, 2001, representing 91 basis points of risk-weighted assets and an increase of \$1,368,245 from the amount at the end of the previous year.

General allowance included in tier 2 capital

During the quarter, the Office of the Superintendent of Financial Institutions Canada (OSFI) authorized Home Trust to include a portion of the Company's general allowance in tier 2 capital. This approval from OSFI permits the Company to include over \$5 million of its general allowance as part of its regulatory capital base.

At year-end, the Company's tier 1 capital rose to \$66.1 million from \$45.5 million reported at the end of 2000. Total capital rose to \$86.4 million from \$60.5 million in 2000. Total capital ratio at year-end was 14.3% which is significantly higher than the average of the six leading banks at 12.5%.

Continued success with mortgage-backed securities (MBS)

Mortgage securitization continues to represent a profitable and sustainable segment of the Company's business. During the fourth quarter the Company issued a further \$11.1 million in MBS pooling of residential mortgages, generating \$881,000 in revenue. During the year as a whole, the Company issued \$57.7 million in mortgage-backed securities, resulting in revenues of \$3.0 million.

Home Trust VISA focuses on secured credit card

The Company's original strategy was to provide a credit card to the underserved market, which would include both secured and

unsecured products. Through ongoing testing and behaviour analysis in the marketplace, Home Trust has identified the consumer need for the secured product and is now focusing on this product. There is a large opportunity to provide a service to Canadians that are establishing or re-establishing their credit. As at December 31, 2001 the number of cardholder accounts totaled 21,395 as compared to 2,060 at the end of 2000. Receivables have grown to \$11,404,992 from \$339,210 last year. With the VISA credit card portfolio continuing to mature, we anticipate the VISA program will be profitable in 2002.

Progress in retail credit services

The Retail Credit Services division, formed during the second quarter of 2001, continued to grow through year-end. Designed to provide financing for customers purchasing products from 20 established businesses, the division ended 2001 with \$3,260,671 in receivables. During the fourth quarter a contract was signed with Creditwave to provide consumer financing for Staples Business Depot. An agreement was also signed with Aeros Canada Inc. (Electrolux). The Company is encouraged by the positive launch of this new line of business and anticipates the division will make a measurable contribution to earnings during 2002.

Quarterly dividend declared

The Board of Directors declared a quarterly dividend of \$0.025 per share payable on March 1, 2002 to shareholders of record at the close of business on February 14, 2002.

Share conversion announced

Subsequent to the end of the quarter, on January 25, 2002, Home Capital announced a share conversion that reduced the number of the Company's multi-vote shares. The holders of the Company's 3,025,000 convertible Class 'A' multi-vote shares have converted 1.5 million of the Class 'A' shares into the same number of single-vote Class 'B' subordinated voting shares. The 1.5 million shares have been listed on the Toronto Stock Exchange.

This conversion increased the float of publicly traded Class 'B' shares from 13,322,610 to 14,822,610 with no dilutive effect on the Company's earnings per share. Following this conversion, the remaining 1,525,000 Class 'A' shares will represent 7.6 million votes (34%) while the Class 'B' shares will represent 14.8 million votes (64%). The Class 'A' shareholders have taken this action without benefit or enhancement. They and the Board agreed that reducing the number of multi-vote shares outstanding is in the best interests of Home Capital and all of its shareholders by enhancing the liquidity of the Class 'B' shares and placing voting control in the hands of the investing public.

A positive business environment and outlook

The Company believes that the positive performance in the quarter under review and the year is sustainable. There exists a strong demand in the marketplace for national alternatives to the products offered by traditional financial institutions. Home Trust has been successful in understanding and meeting the needs of this large target market.

Canada is experiencing somewhat softer economic conditions, however we have not seen any negative effects on the growth or profitability of the Company to date. We remain vigilant and are confident that our well regarded underwriting techniques and risk management procedures will continue to serve us well in the future.

The Company is well positioned to continue its upward earnings momentum and we are confident in our ability to continue generating value for all shareholders during 2002.

GERALD M. SOLOWAY
President & Chief Executive Officer
February 12, 2002

Management Discussion and Analysis of Operating Performance

Revenues

Home Capital Group Inc. has maintained its continued business growth for the fourth quarter and the year ended 2001. Revenues increased 25.0% or \$5.0 million over the same quarter in 2000. For the twelve months revenues increased 29.9% or \$21.1 million

over the year ended December 31, 2000. This increase was largely due to the increase in the mortgage portfolio, which generated increased interest income of \$3.9 million over the three months ending December 2000 and \$16.0 million over the same twelve-month period of last year. The remaining increase in revenues was provided by the sale of Government of Canada bonds which generated approximately \$0.6 million and the sale of a pool of CMHC insured mortgages which added approximately \$0.9 million to revenues in the fourth quarter. For the twelve months the gain on the sale of CMHC insured mortgages added \$3.0 million to revenue. The growth in the securities portfolio from \$55.4 million at December 31, 2000 to \$81.1 million at the end of this year provided an additional \$1.6 million in revenues.

Net Investment Income

Net investment income is the difference between income earned on investments and the interest paid on deposits and any borrowings to fund those assets. This income has been adjusted to a tax equivalent basis due to non-taxable dividend income received by the Company. Net investment income was \$10.6 million in the quarter as compared to \$7.1 million in same period in 2000 and \$35.9 million for the current year-ended as compared to \$26.3 million for 2000. This resulted in an increase of 49.3% over the previous year's quarter and 36.5% for the twelve months in 2000.

This improvement was the result of increased margins on the core business of mortgage lending over deposit taking reflected by a 3.83% spread for the quarter and 3.41% for the year end results versus 3.07% for the quarter and 3.10% for last year. The Company has invested the surplus funds in securities increasing the investment portfolio from \$77.7 million in December 2000 to \$100.3 million (or 29.0%) at December 2001. This increase resulted in dividend investment income on a tax equivalent basis rising to \$6.6 million or 59.0% over the same twelve-month period last year.

The overall net investment spread for the Company, which is the average rate of return on earning assets less the average rate paid on interest bearing liabilities, was 3.42% this year up from 2.97% in 2000.

Gain on Sale of Mortgage-Backed Securities

In the fourth quarter the Company issued its fourth Mortgage-Backed Security (MBS) for the year, consisting of \$11.1 million principal pooling of Canada Mortgage and Housing Corporation insured mortgages. This resulted in a gain of \$0.9 million for the quarter and total gains of \$3.0 million were reported for fiscal 2001.

Operating Expenses

Total operating expenses for 2001 increased to \$16.5 million, up by 37.6% or \$4.5 million over the \$12.0 million reported for the year ended December 2000. The majority of this increase is related to salaries and staff benefits, which rose by \$2.5 million or 47.9%. This is related to the increase in the core business of mortgage lending, the staffing required for the Company's move to the in-house computer system and development of certain other new lines of business. The implementation of the new in-house computer system resulted in start-up costs for training, servicing and depreciation on new equipment purchases that amounted to \$1.0 million of the overall increase in general and administration expenses of \$1.9 million. These additional costs are necessary to accommodate future expected increases in business volumes. Commissions paid to deposit brokers increased by \$0.4 million or 27.2%; this is driven by the increase in new deposits and borrowings amounting to \$208.2 million or 25.6% in 2001 over the previous year.

The productivity or efficiency ratio, defined as the measurement of non-interest expenses as a percentage of total revenues, reduced slightly to 40.7% for the year, over the 40.9% experienced last year. This improvement was the result of the increase of 38.2% in net interest income versus an increase of only 37.6% in operating expenditures. The ability to keep productivity ratio below 45% illustrates the Company's success in maintaining costs at a reasonable level while expanding the core mortgage business, upgrading internal operations and developing new businesses ventures.

Credit Quality

The net impaired loans have increased in the fourth quarter of 2001 to \$5.0 million or 0.52% of the total loan portfolio in comparison to \$3.0 million or 0.39% in the fourth quarter of 2000. This ratio is comparable to the 0.52% or \$4.8 million as at September 30, 2001. Mortgage loans in the province of British Columbia continue to contribute to the increase in the net impaired loans. The collection/foreclosure process in this province extends the resolution period to approximately twelve months resulting

in expanding arrears totals. Losses have not been experienced and are not expected in the files under collection. Changes made in our underwriting criteria and the continuing process to collect delinquent files are expected to return the arrears to normal levels. The balance of the portfolio excluding British Columbia represents over 95% of the total and is performing satisfactorily. Excluding the British Columbia portfolio, the net impaired loans represent 0.37% of the portfolio. The Company closely monitors the impaired loans and has established a loan loss allowance of \$5.6 million versus \$4.5 million in 2000.

The Company's mix of the mortgage portfolio consists of 95.8% residential mortgages, 2.7% store and apartments and 1.5% non-residential. Of the 95.8% residential mortgage portfolio, 4.2% is insured by Canada Mortgage and Housing Corporation. First mortgages represent 99.9% of the total mortgage portfolio.

The Credit Card Receivable balance is comprised of \$3.4 million in secured and \$8.0 million in the unsecured portfolio. The total credit approved is comprised of \$6.1 million in secured and \$10.9 million in the unsecured market. Segments of the unsecured credit card portfolio experienced poorer credit performance than projected. The credit underwriting standards have been revised in response to the delinquencies experienced and the broader economic conditions. The Company has focussed on collections to further address the delinquencies. The total allowance provided on the VISA credit card operation amounts to \$0.4 million or 4.0% of the total receivable balance including those VISA cards secured by a deposit with the Company. Security deposits on VISA cards amounted to \$6.1 million and are included in the Company's deposits and borrowings.

Total Company losses realized on loans year-to-date are \$855,500. These losses consist of \$165,600 in the core mortgage business, \$686,800 is related to the developing credit card business and the remaining \$3,100 to the new retail consumer loans business. Last year losses consisted of \$227,500 for the mortgage business; the credit card operation did not commence until September 20, 2000. The Company has increased the provision for this quarter to \$0.9 million as compared to \$0.6 million in the same quarter last year. Total provisions booked for the year amounted to \$2.5 million, which represents \$1.2 million or 92.0% over the \$1.3 million booked in the twelve months of 2000. The Company has ensured it is well positioned for any future unforeseen losses by establishing a general allowance of \$5.5 million at December 31, 2001 as compared to the general allowance of \$4.2 million at December 31, 2000.

The general allowance has increased to 91.2 basis points of the risk-weighted assets at December 31, 2001 compared to 86.2 basis points provided in December of the previous year.

Balance Sheet

Total assets as at December 31, 2001 closed at \$1.1 billion, an increase of 27.1% or \$239.3 million, over the \$881.9 million reported a year ago. The mortgage loans increase of \$166.7 million or 21.6% contributed to the majority of the asset increase. Other major contributors were cash and cash equivalents (short-term liquid assets) which increased \$24.2 million and the Company's increase in the investments of preferred shares made up \$25.8 million. Mortgage-backed securities receivables added \$3.9 million and credit card receivables grew by \$11.1 million to the Company's total assets at year-end. Total deferred development costs for the credit card operation increased by \$2.7 million to \$3.4 million at December 31, 2001. Credit card receivables are comprised of 28.4% secured and 71.6% unsecured at December 31, 2001. Retail credit services added \$3.3 million to the growth in assets. This product is in the first year of operations and has provided positive contributions to the earnings of the Company. We are continuing to add well-established retailers to allow our Company to provide financing to their clients.

Capital assets increased due to the purchase of additional equipment for the new in-house computer system which added \$1.2 million and approximately \$3.0 million was added in deferred agent commission and other assets. The deferred agent commissions have increased in relation to the increase in the deposits and borrowings. The amount of deposits raised through deposit agents in 2001 was 68.2% of new funding versus 57.2% in the same period last year. However, 57.3% of this funding related to deposits with terms over 2 years as compared to 37.7% in the prior period. Commissions are amortized over the term of the deposit and the extended terms have increased the deferred asset.

Liabilities in this quarter have increased to \$1.1 billion, an increase of \$213.6 million or 25.7% over the \$832.4 million reported at December 31, 2000. The majority of this increase is related to the growth in deposits and borrowings of \$208.2 million, this increase primarily funded the growth in mortgage loans, cash and investments.

Shareholders' equity climbed to \$75.2 million, an increase of \$25.7 million or 51.9% over the balance of \$49.5 million in December of last year. This growth in equity is attributable to funds received from the share issuance in September 2001 of \$12.4

million (net of issuance costs) and earnings for the year of \$14.9 million less dividends paid and payable to shareholders of \$1.6 million.

Capital Ratios

On November 23, 2001 the Company's subsidiary, Home Trust was given approval to include the general allowances to the equivalent of 0.875% of Risk Weighted Assets. This inclusion amounts to over \$5.0 million in the Tier 2 capital. This general allowance inclusion also improved the capital ratios in the subsidiary Home Trust. The total capital ratio increases to 14.28% at December 31, 2001. The ratio for total capital is well in excess of the minimum target of 10% for total capital.

Outlook

The Company continues to be committed to further strengthening the balance sheet and maintaining a minimum of 20% return on equity. We will continue to look for further opportunities in the market that are not being serviced by the major financial institutions. We will continue to enhance revenue and profits through Mortgage-Backed Securities and continue to match assets and liabilities to ensure that interest rate fluctuations will have little impact on future earnings.

While there has been a minor increase in the net impaired loans, which is consistent with the industry experience, the Company is managing with this in mind and will continue to increase our general provision to ensure we are well positioned in the event of any unforeseen losses.

Due to the continued low interest rates in 2001 and into 2002 housing and auto sales continue to climb. The Bank of Canada has further reduced the prime rate from 2.50% at December 31, 2001 to the current rate of 2.25%. This has resulted in the drop in the chartered bank rates from 4.00% at December 31, 2001 to the current rate of 3.75%. These reduced rates will continue to assist in the affordability of housing across Canada.

CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended		Twelve Months Ended	
	(unaudited)	(unaudited)	(unaudited)	(audited)
	December 31		December 31	
	2001	2000	2001	2000
REVENUE				
Interest from loans	\$ 20,714,884	\$ 16,778,244	\$ 76,180,653	\$ 60,192,995
Other interest	1,109,589	653,654	3,301,376	2,295,398
Dividends	1,168,114	759,528	4,504,690	2,898,549
Fees and other income	1,117,690	1,133,930	4,733,165	4,517,614
Gain (Loss) on sale of investments	(108,155)	155,157	5,821	249,253
Gain on sale of mortgage-backed securities	915,109	452,585	3,002,113	452,585
	24,917,231	19,933,098	91,727,818	70,606,394
EXPENSES				
Interest on deposits and borrowings	13,278,822	11,676,258	51,293,111	41,359,973
Salaries and staff benefits	1,675,310	1,463,694	7,535,183	5,093,430
Premises	316,749	236,859	983,233	872,475
General and administration	2,269,593	1,640,643	7,934,683	5,995,791
	17,540,474	15,017,454	67,746,210	53,321,669
INCOME BEFORE LOSS PROVISION & INCOME TAXES	7,376,757	4,915,644	23,981,608	17,284,725
Provision for losses	900,000	585,000	2,447,735	1,275,000
INCOME BEFORE INCOME TAXES	6,476,757	4,330,644	21,533,873	16,009,725
INCOME TAXES				
Current	390,128	1,736,624	2,295,949	6,361,911
Deferred	1,973,044	(396,235)	4,378,355	(803,820)
	2,363,172	1,340,389	6,674,304	5,558,091
NET INCOME	\$ 4,113,585	\$ 2,990,255	\$ 14,859,569	\$ 10,451,634
NET INCOME PER CLASS A AND CLASS B SHARE:				
For the period	\$0.27	\$0.20	\$0.99	\$0.71
Fully diluted	\$0.25	\$0.19	\$0.91	\$0.66
Average Number of outstanding Class A and B shares	15,289,758	14,785,148	15,047,077	14,769,422
Total Number of outstanding Class A and B shares	16,347,610	14,804,395	16,347,610	14,804,395
Book Value per share	\$4.60	\$3.34	\$4.60	\$3.34

CONSOLIDATED BALANCE SHEETS

	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
	December 31	September 30	December 31
	2001	2001	2000
ASSETS			
Cash and cash equivalents	\$ 45,347,709	\$ 44,352,572	\$ 21,153,775
Income taxes receivable	1,024,840	1,259,840	-
Investments	100,249,982	113,987,963	77,724,027
Mortgage-backed securities receivable	5,269,385	4,337,400	1,372,127
Credit card receivable	11,404,992	10,102,761	339,210
Consumer loans	3,260,671	2,222,812	-
Mortgage loans	939,721,385	903,298,778	773,064,867
Capital assets	2,168,172	2,013,179	1,047,279
Goodwill, net of accumulated amortization	2,323,914	2,347,154	2,416,871
Deferred deposit agent commissions	4,236,300	4,018,885	2,732,267
Deferred development costs	3,363,715	2,576,431	711,176
Other	2,843,910	2,872,837	1,363,253
	\$ 1,121,214,975	\$ 1,093,390,612	\$ 881,924,852
LIABILITIES			
Senior term loans	\$ 8,000,000	\$ 8,500,000	\$ 8,500,000
Subordinated secured loan	5,000,000	5,000,000	5,000,000
Deposits and borrowings	1,021,358,806	999,337,213	813,181,658
Accounts payable and accrued liabilities	4,653,319	4,392,299	1,848,537
Dividends payable	483,200	407,700	296,088
Income taxes payable	-	-	1,587,102
Deferred commitment fees	1,254,904	1,054,663	1,126,235
Future income taxes	5,262,221	3,289,177	883,866
	1,046,012,450	1,021,981,052	832,423,486
SHAREHOLDERS' EQUITY			
Capital stock	31,296,523	31,133,943	18,629,583
Contributed surplus	-	-	266,825
Retained earnings	43,906,002	40,275,617	30,604,958
	75,202,525	71,409,560	49,501,366
	\$ 1,121,214,975	\$ 1,093,390,612	\$ 881,924,852

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>
	Three months ended		Twelve months ended	
	December 31		December 31	
	2001	2000	2001	2000
Balance at beginning of period	\$ 40,275,617	\$ 27,910,791	\$ 30,604,958	\$ 21,260,884
Net income for the period	4,113,585	2,990,255	14,859,569	10,451,634
Dividends paid during the period	-	-	(1,075,325)	(811,472)
Dividends declared during the period	(483,200)	(296,088)	(483,200)	(296,088)
Balance at end of period	\$ 43,906,002	\$ 30,604,958	\$ 43,906,002	\$ 30,604,958

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Twelve months ended	
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
	December 31		December 31	
	2001	2000	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	\$ 4,113,585	\$ 2,990,255	\$ 14,859,569	\$ 10,451,634
Add (deduct) items not affecting cash:				
Future income taxes	1,973,044	(396,235)	4,378,355	(803,820)
Amortization of capital assets and investments	38,115	140,536	189,754	363,687
Amortization of goodwill and deferred financing costs	53,819	42,243	215,272	151,607
Provision for losses	900,000	585,000	2,447,735	1,275,000
(Gain) Loss on sale of investments	108,155	(155,157)	(5,821)	(249,253)
Gain on sale of mortgage-backed securities	(915,109)	(452,585)	(3,002,113)	(452,585)
	6,271,609	2,754,057	19,082,751	10,736,270
Interest receivable	274,046	(63,789)	(1,031,720)	(1,331,295)
Interest payable	2,410,922	3,151,886	10,017,998	7,298,051
MBS receivable	306,582	(338,884)	1,000,341	(338,884)
Deferred agent commissions	(217,415)	(190,623)	(1,504,033)	(452,037)
Other assets and accounts receivable	(1,652)	(218,823)	(1,602,972)	(734,332)
Accounts payable and accrued liabilities	261,020	494,354	2,804,782	808,327
Income taxes payable (receivable)	235,000	(362,801)	(2,611,942)	2,134,998
Deferred commitment fees	200,241	38,550	128,669	261,792
	3,468,744	2,509,870	7,201,123	7,646,620
Cash provided by operating activities	9,740,353	5,263,927	26,283,874	18,382,890
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of senior term loans	(500,000)	(500,000)	(500,000)	(500,000)
Receipt of subordinated term loan	-	5,000,000	-	5,000,000
Net increase in deposits and borrowings	19,610,671	38,724,760	198,159,150	121,014,971
Deferred financing costs	-	(133,116)	-	(133,116)
Issuance of common stock	185,830	67,500	12,969,240	222,000
Normal course issuer bid	(23,250)	(90,835)	(569,125)	(517,565)
Dividends paid	(407,700)	(295,794)	(1,371,413)	(1,032,777)
Cash provided by financing activities	18,865,551	42,772,515	208,687,852	124,053,513
CASH FLOWS FROM INVESTING ACTIVITIES				
Activity in investment securities				
Purchase of investments	(6,566,330)	(4,845,471)	(50,730,239)	(14,711,162)
Proceeds of sales of investments	18,969,984	974,567	23,202,572	3,845,941
Proceeds of maturities	1,042,799	2,754,315	5,680,907	4,854,315
Activity in mortgages				
Purchased mortgages	-	-	-	(3,392,803)
Net increase in mortgages	(47,584,237)	(41,015,796)	(224,425,915)	(142,152,014)
Proceeds from securitization of mortgage-backed securities	10,759,867	11,841,751	55,820,593	11,841,751
Net increase in credit card receivable and consumer loans	(3,030,701)	(339,210)	(15,830,194)	(339,210)
Investment in deferred development costs	(787,284)	(235,457)	(2,652,539)	(711,176)
Capital asset purchases	(414,865)	(329,743)	(1,842,977)	(682,248)
Cash used in investing activities	(27,610,767)	(31,195,044)	(210,777,792)	(141,446,606)
Net increase in cash and cash equivalents	995,137	16,841,398	24,193,934	989,797
Cash and cash equivalents at the beginning of the period	44,352,572	4,312,377	21,153,775	20,163,978
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	\$ 45,347,709	\$ 21,153,775	\$ 45,347,709	\$ 21,153,775
Supplementary disclosure of cash flow information				
Amount of interest paid during the period	\$ 10,866,489	\$ 8,503,330	\$ 41,276,866	\$ 34,042,853
Amount of income taxes paid during the period	310,844	2,190,700	5,947,692	5,250,957

Notes to the Interim Unaudited Consolidated Financial Statements

1. Accounting Policies Used to Prepare the Interim Unaudited Consolidated Financial Statements

These interim unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2000, as set out in the 2000 Annual Report as set out in pages 34 through 41. These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The accounting policies and methods of applications used in the preparation of these interim consolidated financial statements are consistent with the accounting policies used in the Company's most recent annual audited financial statements except as described in Note 2 below.

2. Change in Accounting Policies

a) Net Income Per Share

The Canadian Institute of Chartered Accountants has approved a new accounting standard for computing and disclosing net income per share which the Company has adopted. The most significant change is that when calculating fully diluted net income per share under the new standard, we would assume that proceeds received from the exercise of stock options are used to repurchase outstanding shares, whereas under the old standard, the assumption was that proceeds of possible stock options exercised were invested to earn revenues. The Company calculates the net income per share by dividing net income for the period, by the weighted average number of shares outstanding for the period. The basic and fully diluted net income per share is presented in the consolidated statements of income. We have adopted this new standard retroactively and have restated diluted earnings for the prior period. The net impact of the change is a decrease in diluted earnings per share of \$0.02 for the year ended December 31, 2000.

b) Mortgage Securitization

Effective July 1, 2001 the Company adopted, on a prospective basis, the method of accounting for the transfer and servicing of receivables required by The Canadian Institute of Chartered Accounts' recommendations in Accounting Guideline 12 (AcG 12), Transfers of Receivables.

Under the securitization arrangements, the Company sells pools of mortgages to investment vehicles which issue securities to investors. These pools of mortgages are insured by Canada Mortgage and Housing Corporation (CMHC). Based on the prior recommendations, these transactions were accounted for as sales when the significant risks and rewards of ownership had been transferred and there was reasonable assurance regarding the measurement of the consideration derived from the sale. Gains on these transactions were recorded in non-interest income, provided there was no recourse against the Company and the sale was recognized when the cash was collected. Based on the current recommendations, these transactions are accounted for as sales when the Company is deemed to have surrendered control over these assets and when consideration other than beneficial interest in these assets has been received by the Company. As defined under AcG 12 the Company has completed the transfer of receivables when all conditions are satisfied to be accounted for as a sale and the cash is received by the Company.

3. Mortgage Securitization

On November 15, 2001, the Company securitized \$11.1 million of residential mortgage loans under the insured program with Canada Mortgage and Housing Corporation. This transaction was accounted for in accordance with the new recommendations of the Canadian Institute of Chartered Accountants regarding transfers of receivables. The Company is applying these recommendations on a prospective basis for all new transfers of receivables effective July 2001.

The gain on sale results from all discounted cash flows related to the sale for the five years to come, including future revenues and charges, based on interest rates and anticipated prepayment hypotheses. The key assumptions used to value the sold and retained interest include a pre-payment rate of 7%, an excess spread of 3.5% and a discount rate of 7.7%. The Company retains the responsibility for servicing the mortgage loans and there are no credit losses as the mortgages are government guaranteed.

4. Credit Card Receivables

Credit card receivables consist of balances owing including any accrued and unpaid interest. The cards outstanding consist of 72% unsecured and 28% secured credit cards. The security deposits relating to the secured cards are held separately under the Company's guaranteed funds. The total approved credit consists of \$10.9 million unsecured and \$6.1 million secured totaling \$17.0 million of credit available. The average interest rate charged on the credit card portfolio is 20.0%.

5. Deferred Development Costs

In May 2000 Home Trust was authorized to offer VISA cards and accordingly, engaged in the business development of offering Home Trust VISA. The Company was considered to be in the development stage of these activities until December 31, 2001. Refer to notes 1 H) and 7 in the 2000 Annual Report.

Costs incurred for the VISA Project under Development

Balance at the beginning of the period	\$	711,176
Development costs incurred		6,915,269
Revenues – Income		<u>(4,262,730)</u>
Balance at the end of the period	\$	<u>3,363,715</u>

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

AUDITORS

Ernst & Young LLP
Chartered Accountants
Toronto, Ontario

BANKERS

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Home Trust Company*

Bank of Montreal, St. Catharines

CORPORATE COUNSEL

*Home Capital Group Inc.
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CAPITAL STOCK

As at December 31, 2001 there were
3,025,000 Class A and 13,322,610
Class B Shares outstanding

STOCK LISTING

Toronto Stock Exchange
Ticker Symbol: HCG.B

HOME TRUST COMPANY

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

DIRECTORS

Hon. William G. Davis P.C., C.C., Q.C.
Chairman of the Board
William A. Dimma
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Dan Boyda

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

FOR SHAREHOLDER INFORMATION, PLEASE CONTACT:

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WEBSITES:

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www.homecapital.com
Home Trust Company
www.hometruster.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 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.