



HOME CAPITAL GROUP INC.

Fourth Quarter Report December 31, 2003

Financial Highlights

For the Period Ended December 31	Three Months Ended		Year Ended	
	(Unaudited) 2003	(Unaudited) 2002	(Unaudited) 2003	(Audited) 2002

OPERATING RESULTS

Net Income	\$ 8,735,890	\$ 5,540,809	\$ 29,506,766	\$ 20,594,857
Total Revenue	41,656,383	30,362,592	144,588,792	112,556,421
Earnings per Share - Basic **	\$ 0.26	\$ 0.17	\$ 0.88	\$ 0.62
- Fully Diluted**	0.25	0.16	0.86	0.59
Return on Shareholders' Equity	29.81%	24.13%	27.35%	24.26%
Return on Average Assets	1.91%	1.64%	1.79%	1.63%
Productivity Ratio	36.21%	45.31%	40.45%	44.80%

(Non-interest Expense/Net Interest Income plus Fee Income)

GROWTH IN BUSINESS

Total Assets	\$ 1,897,176,105	\$ 1,394,288,570
Loans	1,608,301,399	1,171,101,630
Deposits and Borrowings	1,664,103,157	1,215,179,179
Common Shareholders' Equity	121,165,714	94,586,335
Mortgage Backed-Security Assets Under Administration	315,130,632	140,642,687

FINANCIAL STRENGTH

Capital Measures

Risk Adjusted Assets*	\$ 994,516,000	\$ 755,185,000
Tier 1 Capital Ratio*	11.65%	11.66%
Total Capital Ratio*	14.02%	14.52%

Credit Quality

Net Impaired Loans % of Gross Loans	0.31%	0.35%
Allowance % of Gross Impaired Loans	191.86%	174.94%
Annualized Provision % of Gross Loans	0.26%	0.30%

Share Information

Book Value per Common Share**	\$ 3.61	\$ 2.82
Common Share Price – Close**	16.63	7.25
Market Capitalization	557,509,234	243,003,978

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

** After giving effect to the Stock dividend described in Note 7 - Subsequent Event .

Home Capital Group Inc. is a holding company, publicly traded on the Toronto Stock Exchange (HCG.B), operating through its principal subsidiary, Home Trust Company. Home Trust is a federally regulated trust company offering deposit, mortgage lending, retail credit and credit card issuing services. Licensed to conduct business across Canada, Home Trust has offices in Ontario.

HOME CAPITAL GROUP INC. TO OUR SHAREHOLDERS

Home Capital Achieves Record Results in 2003 Net Earnings for the fourth quarter increase by 57.7% as Return on Equity reaches 29.8%

With the completion of its fourth quarter and year-end, Home Capital Group (TSX:HCG.B) has again achieved strong increases in earnings, earnings per share, return on equity and total assets.

The Company has now completed **34 consecutive quarter-over-quarter increases in earnings**. With these outstanding results, Home Capital has surpassed all of its previously stated annual performance targets.

- Net earnings increased 57.7% to \$8.7 million for the three month period ended December 31, 2003, compared with \$5.5 million for the same period in 2002. Net earnings for the year rose 43.3% to \$29.5 million, compared to \$20.6 million for 2002.
- Total assets were \$1.90 billion at December 31, 2003. This represents growth of 36.1% over total assets of \$1.39 billion at year-end 2002 and 7.6% from September 30, 2003. Combined total assets and securitized mortgages originated and managed by the Company increased by 44.1% over December 31, 2002 from \$1.53 billion to \$2.21 billion.
- Return on equity for the fourth quarter was 29.8%, compared to 24.1% for the same period of 2002. For the year, return on equity increased to 27.4%, compared with 24.3% for the previous year. 2003 represents the sixth consecutive year in which return on equity has exceeded 20%.
- During the quarter, the Company issued an additional \$89.4 million in MBS pooled residential mortgages, generating \$3.5 million in revenues. The comparable figures for the same period in 2002 were \$26.6 million and \$1.3 million respectively. The Mortgage-Backed Security (MBS) portfolio administered by Home Trust reached \$315.1 million at December 31, 2003.

The Company's growth and profitability performance in 2003 was driven, in part, by a significant increase in the value of new mortgages advanced throughout the year, which grew by 64.0% year-over-year. We foresee continued strength in new mortgage growth in 2004, and Home Capital has established a goal to increase new mortgage originations by 20% in the year ahead. The Company is encouraged by the probability of sustained, affordable interest rates as well as our success in further expanding our valued network of mortgage brokers. In addition, housing demand remains strong across the country.

Home Capital remains successful in balancing asset growth with excellent portfolio quality. The Company continues to adhere to highly effective underwriting and risk management techniques. Net impaired loans at December 31, 2003 represented 0.31% of the total portfolio, compared with 0.32% at September 30, 2003, and down from the 0.35% recorded at year end 2002.

Subsequent to the year-end, the Company announced that it would pay a dividend to the holders of its Class B subordinate voting shares, payable in Class B shares of the Corporation at the rate of one Class B share for each Class B share held. This stock dividend was declared as a means of effectively "splitting" the outstanding stock of Home Capital Group, with the goal of creating greater liquidity for the Company's shareholders and improving market access to shares of Home Capital Group. The stock dividend was paid on January 29, 2004 to shareholders of record at the close of business on January 21, 2004.

At the same time, the Company's Board of Directors also declared an annualized increase in the cash dividend from \$0.15 per share to \$0.24 per share. Following completion of the stock dividend, this will result in an annual dividend of \$0.12 per share. A quarterly dividend of \$0.03 per share will be paid on March 1, 2004 to shareholders of record at the close of business on February 12, 2004.

Home's business continued to gain momentum throughout 2003, and we are very optimistic about the Company's prospects for robust growth and enhanced profitability again in 2004. As in previous years, Home Capital has set performance targets for itself over the coming year.

These include:

- 20% increase in total net earnings.
- 20% increase of fully-diluted earnings per share.
- 20% increase in combined total assets and securitized mortgages originated and managed by Home Trust.
- 20% return on equity.

The Company is confident that it can meet or exceed all these targets in 2004.

GERALD M. SOLOWAY

President & Chief Executive Officer
February 11, 2004

WILLIAM A. DIMMA

Chairman of the Board

Please note: Home Capital Group Inc.'s 2004 annual general meeting is scheduled for Wednesday, May 12, 2004 at 11:00 a.m. to be held at the Design Exchange, Trading Floor (Second Floor), 234 Bay Street, Toronto, Ontario. All are welcome.

Management's Discussion and Analysis of Operating Performance

Financial Review

Home Capital Group Inc.'s increased profitability during the twelve months of 2003, as compared to the same period in 2002, was primarily due to the following factors;

- Total interest and dividend income was \$124.4 million at December 2003 compared to \$101.2 million for the 2002 year end.
- Net interest income increased by 29.3% to \$59.3 million in 2003 over \$45.9 million in 2002.
- Non-interest income increased to \$20.2 million in 2003 from \$11.4 million in 2002.
- Non-interest expenses increased by \$6.6 million to \$32.1 million in 2003 over the \$25.6 million reported for the year ended 2002. The increase in non-interest expenses was more than offset by the increase in revenues. The productivity ratio improved from 44.8% in 2002 to 40.5% for 2003.

Income

Interest and dividend income in the fourth quarter of 2003 increased by 30.7% or \$8.1 million over the same period of 2002. For the year ending December 31, 2003 interest and dividend income climbed by 22.9% or \$23.2 million over 2002. This growth is largely attributable to the expansion of the mortgage portfolio, which generated increased interest income of \$6.6 million over the same three months last year, and \$19.7 million over the same twelve months in 2002. The Company's consumer lending line of business (which includes retail credit and credit card issuing services) contributed a total of \$1.7 million in interest income in the fourth quarter compared to \$1.1 million in the final quarter of 2002. For the year ending December 31, 2003, interest income from consumer lending was \$6.0 million, up \$2.1 million over the same period one year earlier.

Dividends from securities increased by \$0.4 million in the fourth quarter over the last three months of 2002, and increased by \$0.1 million over the same twelve month period last year. The small change was principally the result of the Company having received a \$2.6 million dividend on redemption of preferred shares during the second quarter last year. In 2003 the Company received two preferred share redemptions which resulted in a \$1.9 million deemed dividend for the Company; however, this securities redemption was accompanied by a \$2.2 million operating loss which is reflected for the year in the (Loss) on Sale of Securities and Redemption line of the Statement of Income. For further information on this transaction please refer to Note 6 of these Interim (Unaudited) Consolidated Financial Statements.

Net Interest Income

Net interest income is the difference between income earned on investments and the interest paid on deposits and any borrowings to fund those investments. This income is adjusted to a taxable equivalent basis due to non-taxable dividend income that is received by the Company. Net interest income (on a taxable equivalent basis) was \$17.6 million for the fourth quarter, up \$5.0 million from the \$12.6 million reported in the same period last year, and \$62.6 million for 2003, an increase of \$13.6 million from the \$49.0 million reported for the previous year.

These increases were the result of the growth of the loan portfolio, which averaged \$1.56 billion for the quarter ending December 31, 2003 as compared to \$1.13 billion for the same quarter of 2002. The averages for the year as a whole were \$1.39 billion for 2003 and \$1.06 billion in 2002. The interest spread on the core business of loan lending over deposit taking remained the same for the fourth quarters of 2003 and 2002 at 3.8%, and 3.7% for the twelve months periods in 2003 and 2002.

Provision for Credit Losses

The Company expensed \$1.4 million in the quarter and \$4.3 million for 2003 through the provisions for credit losses compared to \$1.1 and \$3.6 million last year, respectively. The Company continues to add to the general allowance for credit losses primarily in response to the growth of the loan portfolio. The total general allowance amounted to \$10.3 million at year end, an increase of \$2.7 million over the \$7.6 million at December 31, 2002 and a \$0.8 million rise over the \$9.5 million allowance at September 30, 2003.

Non-Interest Income

Total non-interest income was \$7.3 million for the quarter and \$20.2 million for the year, an increase of \$3.2 million and \$8.8 million from the same periods in 2002. The consumer lending line of business contributed \$1.1 million of fee income in the fourth quarter and \$3.8 million for the year, compared to \$0.8 and \$3.3 million in the previous year, respectively.

The Company issued three MBS pools in the fourth quarter, consisting of \$89.4 million of Canada Mortgage and Housing Corporation insured residential mortgages for a total of \$211.8 million in securitizations for 2003. This represents an increase of \$116.9 million over the \$94.9 million total in 2002. Gains on these securitizations of \$3.9 million were realized for the quarter and \$9.9 million for the year ended 2003, compared to \$1.5 million and \$4.4 million in 2002. Total MBS funds under administration by Home Trust Company at the end of this quarter were \$315.1 million. These securities were sold without recourse, and the Company continues to service these mortgages.

Non-Interest Expenses

Total operating expenses for the three months ending December 31, 2003 were \$8.7 million, an increase of 21.5%, or \$1.5 million, over the fourth quarter of 2002 and up by 25.4%, or \$6.5 million, over the year-ended December 31, 2002. The consumer lending line of business non-interest expenses increased to \$1.5 million for this quarter and \$5.7 million for the year, as compared to \$1.3 million and \$5.4 million last year.

Salaries and staff benefits rose by \$0.4 million, or 13.3%, over the quarter ended December 31, 2002 and \$2.9 million, or 27.9%, over the same twelve months of 2002. This growth is the result of additional hires required to support the continued growth of the core mortgage lending business. The Company ended the year with 191 employees as compared to 164 at December 31, 2002.

General and administrative expenses increased by \$1.1 million, or 27.8%, over the fourth quarter of the prior year and \$3.2 million, or 22.7%, over 2002. This increase is related primarily to variable expenses that are volume driven. Growth in the mortgage lending business has expanded the Company's requirement for deposits, which in turn has increased deposit commissions and referral expenses.

The productivity ratio, which is defined as non-interest expenses as a percentage of total revenues less interest expense, declined to 36.2% for the quarter and 40.5% for the year. This is an improvement when compared to the 45.3% and 44.8% achieved in the fourth quarter and twelve months of 2002, respectively.

Income Tax Provision

On November 24, 2003 the Ontario government tabled a bill that reverses the previously proposed corporate tax rate reductions. Effective January 1, 2004 and going forward the general rate for Ontario will increase to 14.0% from the 2003 tax rate of 12.5%. The Federal tax rate reductions remain unchanged. As a result of this legislative change, the Company recognized an increase of \$761,225 in the future income tax provision. This translates into a reduction in earnings per share of \$0.02 for 2003.

Risk Management

The Company's key risk management policies and practices remain in place and unchanged from those outlined on pages 21 through 25 of the 2002 Annual Report.

Interest Rate Risk

The objective of interest rate risk management is to ensure that the Company realizes stable and predictable earnings over specific time periods. The Company has adopted a fully balanced approach to the management of its asset and liability positions to prevent interest rate fluctuations from materially impacting future earnings. During the second quarter of 2003 the Company sold \$10.0 million of Government of Canada 4.5% bonds maturing September 1, 2007. These bonds were sold short with the intent of hedging against the issuance of Mortgage-Backed Securities (MBS) in this quarter. These funds were invested in a short-term instrument until the next MBS pool was completed and sold. In the third quarter, the hedge was closed, resulting in a gain of \$32,000. In the fourth quarter the Company sold \$40.0 million of Government of Canada 4.25% bonds maturing September 1, 2008. These bonds were again sold short with the intent of hedging against the issuance of MBS pools during 2004. These funds are currently invested in short-term instruments. As of December 31, 2003 had the Company closed this transaction. The net impact of this hedge would be a \$407,000 unrealized financial loss to the Company.

Credit Risk

The provision for credit losses expensed during the fourth quarter was \$1.4 million, which is up from \$1.1 million that was expensed in the third quarter of this year, and \$1.1 million in the fourth quarter of 2002. The credit quality of the loan portfolio remains strong, with total net impaired loans (NILs), at \$5.1 million at December 31, 2003 compared to \$4.2 million at December 31, 2002 and \$4.9 million at September 30, 2003. These levels represent NILs of 0.31% of the total loan portfolio for this quarter, down from both the 0.35% reported on December 31, 2002 and 0.32% at September 30, 2003.

The composition of the Company's mortgage portfolio consists of 96.1% residential, 2.7% store and apartments, and 1.2% non-residential. Within the residential mortgage portfolio, 5.1% is insured by Canada Mortgage and Housing Corporation. First mortgages represent 99.6% of the total mortgage portfolio. The non-residential mortgage portfolio increased slightly over the year as a result of a \$25.4 million portfolio purchased by the Company from the Bank of Nova Scotia in the third quarter, 94.1% of which was non-residential. This portfolio is well seasoned and provides a yield of 8.3% with an average term duration of two years.

As of December 31, 2003 the gross credit card receivable balance totalled \$35.7 million, comprised of \$30.6 million in accounts secured either by cash deposits or residential mortgage collateral, and \$5.1 million in unsecured. The total credit approved includes \$45.1 million in secured, and \$6.8 million in unsecured credit card accounts as compared to \$17.0 million in secured and \$9.5 million unsecured at December 31, 2002. This decrease in the unsecured portfolio is due to the Company not accepting any new unsecured accounts. Equity Plus VISA credit cards are secured by a collateral residential mortgage and this product amounted to \$21.8 million of the credit card receivable balance as compared to \$4.0 million at December 31, 2002. Cash security deposits on credit card accounts amounted to \$13.7 million and are included in the Company's deposits and borrowings.

Consumer retail loans receivable were \$12.1 million, an increase of \$3.3 million or 37.5%, over the \$8.8 million reported at December 31, 2002 quarter end and up 1.7%, or \$0.2 million, from September 30, 2003.

Total losses realized on loans for the fourth quarter were \$319,500 as compared to \$415,500 experienced in the last quarter of 2002. Losses realized on loans for the year are \$1.4 million, down from the \$1.7 million losses last year. Almost all these losses were related to the unsecured consumer lending operation with the mortgage lending operation experiencing no net losses in 2003. Last year's losses were also related to the unsecured loans, with the mortgage line of business providing a small recovery. The Company has ensured that it is well positioned for any future unforeseen losses by establishing general allowances of \$10.3 million at December 31, 2003 as compared to the general allowances of \$7.6 million at December 31, 2002. Total general allowances were increased to 103.6 basis points of the Company's risk-weighted assets, up from 100.1 basis points on December 31, 2002 and 103.2 basis points at September 30, 2003.

Capital Management

The Company's capital base continues to be strong. The tier 1 capital ratio of 11.7% remained the same as September 30, 2003 and December 31, 2002. The total capital ratio was 14.0% for this quarter, having declined when compared to the 14.2% and 14.5% as at September 30, 2003 and December 31, 2002, respectively. This decrease on the total capital ratio is a result of the strong growth in Home Trust Company's total assets of 36.3% and an increase in the risk weighted assets of 31.7%, while capital grew by 27.2% over the same twelve month period. These ratios remain in excess of the minimum regulatory requirements of 7.0% for tier 1 capital and 10.0% for total capital.

Balance Sheet

Total assets as at December 31, 2003 were \$1.90 billion, an increase of \$502.9 million, or 36.1%, over the \$1.39 billion reported one year ago and up by \$133.5 million, or 7.6%, over the September 30, 2003 balance of \$1.76 billion. The loan portfolio growth of \$437.2 million, or 37.3%, contributed to most of the year-over-year asset increase. Residential mortgages contributed \$394.7 million to the loan portfolio's growth and consumer lending added \$21.4 million. Other mortgages (non-residential) increased by \$23.9 million substantially as a result of a mortgage portfolio purchased from the Bank of Nova Scotia during the third quarter of 2003. MBS receivables added \$11.2 million to total assets. Deferred development costs from the establishment of the credit card operation decreased by \$0.6 million over December 31, 2002 resulting from the ongoing amortization of this asset. The Company's investment portfolio increased by \$39.5 million, and cash resources increased by \$11.3 million. The Company's liquid assets, which consist of bank deposits, treasury bills, bankers' acceptance and governments bonds and debentures, increased from \$67.0 million at December 31, 2002 to \$117.7 million at December 31, 2003. This increase was undertaken in response to the growth in the liabilities due within 100 days. As a result of increased liquidity levels, the ratio of liquid assets to 100 day liabilities has remained nearly unchanged at 32.9% at December 31, 2002 versus 33.1% at December 31, 2002.

Other assets increased by \$4.6 million, consisting of accrued interest receivable, deferred agent commissions, goodwill, and other prepaid and deferred assets (Note 3). Deferred agent commissions increased alongside the growth in deposits and borrowings. Commissions are amortized over the terms of deposits, and lengthening deposit terms have correspondingly increased the deferred asset.

Liabilities in this quarter rose to \$1.78 billion, an increase of \$476.3 million, or 36.6%, over the \$1.30 billion reported at December 31, 2002. The majority of this year-over-year increase is related to the growth in deposits and borrowings of \$448.9 million; the increase in liabilities funded all of the loan portfolio growth and increase in cash resources. Retained earnings and other liabilities funded the increase in the securities and other assets. Other liabilities increased by \$28.4 million, or 40.8%, over the \$69.5 million reported at December 31, 2002. This growth was principally the result of increases in accrued interest payable of \$15.7 million, relating to the growth in deposits and borrowings. Accounts payable and accrued liabilities contributed \$5.9 million and the increase in deferred commitment fees added \$2.3 million, due to the growth of the mortgage loan portfolio (Note 4).

Shareholders' equity climbed to \$121.1 million, an increase of \$26.5 million, or 28.1%, over \$94.6 million at December 31, 2002. This growth was internally generated from the net earnings for the year of \$29.5 million, less \$2.8 million for dividends paid and payable to shareholders.

New Business Venture

In the fourth quarter, Home Trust Company entered into a new arrangement with Regency Finance Corp., a Canadian company based in Toronto, for Home Trust to be Regency's agent in offering second mortgage loans to homebuyers based in Ontario. This new service will serve borrowers who require additional purchase financing, or who wish to refinance their residential property up to 85% of the current market value and will provide Home Trust with fee revenue. Once the loans have been funded, a Trustee securitizes these mortgages and sells them as a pool at par value, with a committed interest rate of 6% and a participation in any surplus proceeds available after expenses are paid. During the fourth quarter Home Trust was the buyer of these securitized pools.

In the fourth quarter, second mortgages of \$3.7 million were advanced under this arrangement and Home Trust purchased \$3.6 million in Notes Receivable made up of these securitized pools. Home Trust undertakes all non-repayment risk on these loans through the Notes Receivable. These securities have an average duration of 2.4 years with an average yield of 6.24%.

Outlook

Home Capital, operating through its principal subsidiary Home Trust Company, will continue to expand its core residential mortgage lending business by serving market segments that are underserved by other lenders. The Company will also continue to explore related opportunities in the Canadian financial services marketplace that complement its existing core competencies. The consumer lending activities will continue to round out its product and service offerings.

The low inflation and attractive interest rate environment that characterized 2003 is expected to continue throughout 2004. As a result of the favourable economic climate, the Company's strategic positioning, and its risk management and operational effectiveness, Home Capital anticipates strong financial performance and profitable growth going forward.

Caution Regarding Forward-Looking Statements

This report may contain forward-looking statements, including statements regarding the business and anticipated financial performance of Home Capital Group Inc. These statements are subject to a number of risks and uncertainties. Actual results may differ materially from results contemplated by the forward-looking statements, principally related to global capital market activity, changes in government monetary and economic policies,

Earnings by Business Segment

(Unaudited) Three Months Ended (000's)

	Mortgage Business		Consumer Lending Retail Services & Credit Cards		Other*		Total	
	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31
	2003	2002	2003	2002	2003	2002	2003	2002
Net Interest Income	\$ 12,759	\$ 8,988	\$ 1,405	\$ 1,104	\$ 2,570	\$ 1,643	\$ 16,734	\$ 11,735
Provisions for Credit Losses	(1,094)	(476)	(311)	(581)	-	-	(1,405)	(1,057)
Fees and Other Income	2,514	1,588	1,077	828	-	-	3,591	2,416
(Loss) Gain on Securities & Mortgage-Backed Securities	3,871	1,464	-	-	(189)	175	3,682	1,639
Non-interest Expense	(5,059)	(4,649)	(1,487)	(1,346)	(2,146)	(1,160)	(8,692)	(7,155)
Net Income Before Provision for Income Taxes	12,991	6,915	684	5	235	658	13,910	7,578
Provision for Income Taxes	(4,838)	(1,781)	(250)	(2)	(86)	(254)	(5,174)	(2,037)
Net Income	\$ 8,153	\$ 5,134	\$ 434	\$ 3	\$ 149	\$ 404	\$ 8,736	\$ 5,541

(Unaudited) Year Ended (000's)

	Mortgage Business		Consumer Lending Retail Services & Credit Cards		Other*		Total	
	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31
	2003	2002	2003	2002	2003	2002	2003	2002
Net Interest Income	\$ 43,889	\$ 33,295	\$ 5,018	\$ 3,653	\$ 10,371	\$ 8,914	\$ 59,278	\$ 45,862
Provisions for Credit Losses	(3,020)	(1,661)	(1,266)	(1,927)	-	-	(4,286)	(3,588)
Fees and Other Income	8,073	5,990	3,844	3,296	-	-	11,917	9,286
(Loss) Gain on Securities & Mortgage-Backed Securities	9,949	4,389	-	-	(1,658) **	(2,309) **	8,291	2,080
Non-interest Expense	(19,177)	(15,813)	(5,742)	(5,443)	(7,236)	(4,385)	(32,155)	(25,641)
Net Income (Loss) Before Provision for Income Taxes	39,714	26,200	1,854	(421)	1,477	2,220	43,045	27,999
Provision for Income Taxes	(12,318)	(6,710)	(679)	163	(541)	(857)	(13,538)	(7,704)
Net Income (Loss)	\$ 27,396	\$ 19,490	\$ 1,175	\$ (258)	\$ 936	\$ 1,363	\$ 29,507	\$ 20,595

*Other - includes other investments and corporate activities.

** (Loss) gain on securities & mortgage-backed securities—refer to Note 6 of the Interim Unaudited Consolidated Financial Statements.

Consolidated Statements of Income

	Three Months Ended		Year Ended	
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	December 31 2003	December 31 2002	December 31 2003	December 31 2002
Income				
Interest from Loans	\$ 31,561,700	\$ 24,348,881	\$ 112,842,234	\$ 91,076,601
Dividends from Securities (Note 6)	1,758,049	1,379,527	7,759,952	7,630,864
Other Interest	1,063,686	579,197	3,778,543	2,483,169
	34,383,435	26,307,605	124,380,729	101,190,634
Interest Expense				
Interest on Deposits & Borrowings	17,649,198	14,572,872	65,103,787	55,328,733
Net Interest Income	16,734,237	11,734,733	59,276,942	45,861,901
Provision for Credit Losses	1,405,000	1,057,000	4,286,000	3,588,000
	15,329,237	10,677,733	54,990,942	42,273,901
Non-interest Income				
Fees and Other Income	3,591,350	2,415,606	11,917,077	9,286,335
Securitization Gains on Mortgage-Backed Securities	3,871,070	1,464,446	9,949,184	4,389,222
(Loss) on Sale and Redemption of Securities (Note 6)	(189,472)	174,935	(1,658,198)	(2,309,770)
	7,272,948	4,054,987	20,208,063	11,365,787
	22,602,185	14,732,720	75,199,005	53,639,688
Non-interest Expenses				
Salaries and Staff Benefits	3,351,617	2,957,830	13,183,265	10,310,219
Premises	466,365	384,088	1,771,416	1,317,454
General and Administration	4,874,078	3,812,846	17,199,898	14,013,055
	8,692,060	7,154,764	32,154,579	25,640,728
INCOME BEFORE INCOME TAXES	13,910,125	7,577,956	43,044,426	27,998,960
Income Taxes				
Current	3,548,098	2,711,640	11,415,777	5,781,804
Deferred	1,626,137	(674,493)	2,121,883	1,622,299
	5,174,235	2,037,147	13,537,660	7,404,103
NET INCOME	\$ 8,735,890	\$ 5,540,809	\$ 29,506,766	\$ 20,594,857
NET INCOME PER CLASS A AND CLASS B SHARE:				
Basic (Note 7)	\$0.26	\$0.17	\$0.88	\$0.62
Fully Diluted (Note 7)	\$0.25	\$0.16	\$0.86	\$0.59
AVERAGE NUMBER OF CLASS A AND CLASS B SHARES OUTSTANDING				
Basic (Note 7)	33,530,130	33,346,192	33,523,960	33,020,706
Fully Diluted (Note 7)	34,629,870	34,262,568	34,446,220	34,623,906
Total Number Of Outstanding Class A and B Shares (Note 7)	33,534,390	33,517,790	33,534,390	33,517,790
Book Value Per Share (Note 7)	\$3.61	\$2.82	\$3.61	\$2.82

Consolidated Balance Sheets

	(Unaudited) December 31 2003	(Unaudited) September 30 2003	(Audited) December 31 2002
ASSETS			
Cash Resources			
Deposits with Regulated Financial Institutions	\$ 30,099,947	\$ 26,058,258	\$ 24,580,055
Treasury Bills Guaranteed by Government	36,751,090	26,964,947	30,954,941
	66,851,037	53,023,205	55,534,996
Securities			
Issued or Guaranteed by Canada	55,685,216	35,568,798	12,559,449
Issued or Guaranteed by Province	798,298	499,862	6,197,648
Other Securities	112,783,745	111,743,165	111,002,945
	169,267,259	147,811,825	129,760,042
Loans			
Personal and Credit Card Loans	46,618,674	39,324,687	25,251,930
Residential Mortgages	1,511,311,393	1,423,718,776	1,116,647,294
Other Mortgages	60,670,932	62,399,464	36,758,286
General Allowance for Credit Losses	(10,299,600)	(9,473,204)	(7,555,880)
	1,608,301,399	1,515,969,723	1,171,101,630
Other			
Mortgage-Backed Securities Receivable	21,583,484	16,313,566	10,375,022
Capital Assets	1,892,784	2,094,659	2,194,806
Deferred Development Costs	2,167,067	2,317,067	2,767,067
Other Assets (Note 3)	27,113,075	26,108,017	22,555,007
	52,756,410	46,833,309	37,891,902
	\$ 1,897,176,105	\$ 1,763,638,062	\$ 1,394,288,570
LIABILITIES			
Senior Term Loans	\$ -	\$ -	-
Term Loan	10,000,000	10,000,000	10,000,000
Subordinated Term Loan (Note 5)	4,000,000	4,000,000	-
Subordinated Secured Loan	-	-	5,000,000
Deposits and Borrowings			
Payable on Demand	13,979,959	7,692,048	12,207,188
Payable on a Fixed Date	1,650,123,198	1,540,536,584	1,202,971,991
	1,678,103,157	1,562,228,632	1,230,179,179
Other			
Cheques and Other Items in Transit	6,195,194	7,299,469	5,825,939
Other Liabilities (Note 4)	91,712,040	80,817,826	63,697,117
	97,907,234	88,117,295	69,523,056
	1,776,010,391	1,650,345,927	1,299,702,235
SHAREHOLDERS' EQUITY			
Capital stock	31,733,465	31,622,740	31,930,215
Contributed Surplus (Note 2)	33,296	-	-
Retained earnings	89,398,953	81,669,395	62,656,120
	121,165,714	113,292,135	94,586,335
	\$ 1,897,176,105	\$ 1,763,638,062	\$ 1,394,288,570

Consolidated Statements of Changes in Shareholders' Equity

	Three Months Ended		Year Ended	
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	December 31	December 31	December 31	December 31
	2003	2002	2003	2002
CAPITAL STOCK				
Class A Convertible Shares				
Balance at Beginning of Period	\$ -	\$ 576,295	\$ 576,295	\$ 1,390,000
Conversion to Class B Subordinated Voting Shares	-	-	(576,295)	(813,705)
Balance at End of Period	\$ -	\$ 576,295	\$ -	\$ 576,295
Class B Subordinated Voting Shares				
Balance at Beginning of Period	\$ 31,622,740	\$ 30,901,518	\$ 31,353,920	\$ 29,906,523
Conversion from Class A Convertible Shares	-	-	576,295	813,705
Proceeds of Options Exercised	110,725	581,202	283,650	1,505,177
Redemption of Shares	-	(128,800)	(480,400)	(871,485)
Balance at End of Period	31,733,465	31,353,920	31,733,465	31,353,920
Total Capital Stock	\$ 31,733,465	\$ 31,930,215	\$ 31,733,465	\$ 31,930,215
CONTRIBUTED SURPLUS				
Balance at Beginning of Period	\$ -	\$ -	\$ -	\$ -
Amortization of fair value of employee stock options (Note 2)	33,296	-	33,296	-
BALANCE AT END OF YEAR	\$ 33,296	\$ -	\$ 33,296	\$ -
RETAINED EARNINGS				
Balance at the Beginning of the Period	\$ 81,669,395	\$ 57,618,078	\$ 62,656,120	\$ 43,906,002
Net Income for the Period	8,735,890	5,540,809	29,506,766	20,594,857
Dividends Paid During the Period	-	-	(1,757,601)	(1,341,972)
Dividends Declared During the Period	(1,006,332)	(502,767)	(1,006,332)	(502,767)
BALANCE AT END OF THE PERIOD	\$ 89,398,953	\$ 62,656,120	\$ 89,398,953	\$ 62,656,120

Consolidated Statements of Cash Flows

	Three Months Ended		Year Ended	
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	December 31	December 31	December 31	December 31
	2003	2002	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income for the Period	\$ 8,735,890	\$ 5,540,809	\$ 29,506,766	\$ 20,594,857
Add (Deduct) Items not Affecting Cash:				
Future Income Taxes	1,626,137	(674,493)	2,121,883	1,622,299
Amortization of Capital Assets	208,200	300,188	743,257	950,595
Amortization of Securities	(38,760)	73,461	61,451	24,680
Amortization of Deferred Financing Costs	14,541	20,810	56,800	122,812
Amortization of Deferred Development Costs	150,000	149,252	600,000	596,648
Provision for Credit Losses	1,405,000	1,057,000	4,286,000	3,588,000
Change in Accrued Interest Receivable	(287,890)	(159,584)	(1,905,919)	(715,088)
Change in Accrued Interest Payable	6,133,586	4,624,174	15,724,301	10,572,062
Loss on Sale of Securities	189,472	(174,935)	1,658,198	2,309,770
Gain on Sale of Mortgage-Backed Securities	(3,871,070)	(1,464,446)	(9,949,184)	(4,389,222)
Change in Mortgage-Backed Securities Receivable	1,703,880	726,559	4,972,846	2,230,705
Change in Other Assets	(731,710)	6,327	(2,641,988)	(4,358,679)
Change in Cheques and Other Items in Transit	(1,104,275)	(468,216)	369,255	1,167,520
Change in Other Liabilities	2,756,648	2,046,112	9,664,544	3,244,585
Amortization of Fair Value of Employee Stock Options (Note 2)	33,296	-	33,926	-
Cash Provided by Operating Activities	16,922,945	11,603,018	55,302,136	37,561,544
FINANCING ACTIVITIES				
Issuance of Subordinated Term Loan	-	-	5,000,000	-
Repayments for Subordinated Secured Loan	-	-	(5,000,000)	-
Repayments of Senior Term Loans	-	(1,322,015)	-	(8,000,000)
Repayment of Term Loan	-	-	(1,000,000)	-
Issuance of Term Loan	-	-	-	10,000,000
Deferred Financing Costs	-	(3,485)	(66,962)	(208,837)
Net Increase in Deposits and Borrowings	115,874,526	68,534,257	448,923,979	220,058,505
Issuance of Capital Stock	110,725	581,202	283,650	1,505,177
Normal Course Issuer Bid	-	(128,800)	(480,400)	(871,485)
Dividends Paid	(628,489)	(478,127)	(2,260,368)	(1,825,170)
Cash Provided by Financing Activities	115,356,762	67,183,032	445,399,899	220,658,190
INVESTING ACTIVITIES				
Activity in Securities				
Purchases	(37,362,226)	(24,788,156)	(117,742,714)	(92,102,746)
Proceeds on Sales	10,839,150	2,713,823	52,060,027	44,733,312
Proceeds on Maturities	4,916,931	11,103,851	24,455,822	14,733,435
Activity in Mortgages				
Net Increase	(175,535,872)	(103,345,086)	(605,609,245)	(298,722,531)
Proceeds from Securitization of Mortgage-Backed Securities	86,301,562	25,831,758	205,584,663	91,903,930
Purchased Mortgages	-	-	(25,387,669)	-
Net Increase in Personal and Credit Card Loans	(7,605,095)	(4,567,612)	(22,305,643)	(12,253,664)
Purchases of Capital Assets	(6,325)	(191,710)	(441,235)	(977,229)
Cash Used in Investing Activities	(118,451,875)	(93,243,132)	(489,385,994)	(252,685,493)
Net Increase in Cash and Cash Equivalents	13,827,832	(14,457,082)	11,316,041	5,534,241
Cash and Cash Equivalents at the Beginning of the Period	53,023,205	69,992,078	55,534,996	50,000,755
Cash and Cash Equivalents at the End of the Period	\$ 66,851,037	\$ 55,534,996	\$ 66,851,037	\$ 55,534,996
Supplementary Disclosure of Cash Flow Information				
Amount of Interest Paid During the Period	\$ 11,515,612	\$ 9,899,821	\$ 49,379,486	\$ 44,756,671
Amount of Income Taxes Paid During the Period	3,549,919	1,207,800	10,853,672	5,926,745

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, 2002, as set out in the 2002 Annual Report on pages 33 through 47. 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 for the change in accounting policy for stock-based compensation.

2. STOCK-BASED COMPENSATION

The Company provides compensation to certain employees and directors in the form of stock options. All options granted under the plan from 1999 through 2001 are vested and expire five years from their grant date. Options granted after January 1, 2002 vest, subject to performance targets, over a four-year period at a rate of 25% per year and expire between five and seven years.

During the quarter ended December 31, 2003, the Company changed its accounting policy on a prospective basis such that the fair value of new options granted after January 1, 2003 is charged to income over the option vesting period. The fair value is determined using the Black-Scholes Options Pricing Model using management's best estimate. For stock options granted prior to January 1, 2003, the Company shall continue with its former policy of recording an issuance of common share capital, rather than compensation expense, when options are exercised.

Consequently, due to the change in accounting policy, employee compensation increased by \$33,296 and with an offsetting credit to Contributed Surplus for the 170,000 stock options awarded to employees on July 23, 2003. These stock options expire in July 2010.

Had the Company recorded compensation expense for stock options granted prior to January 1, 2003 using the fair value method, employee compensation expense would have increased by \$360,900 (2002 - \$ 183,640) and net income would have decreased by \$228,740 (2002 - \$ 112,720).

3. OTHER ASSETS

	December 31 2003		September 30 2003		December 31 2002
Accrued Interest Receivable	\$ 9,587,257	\$	9,299,367	\$	7,681,338
Deferred Agent Commission	6,290,486		5,991,184		5,162,462
Goodwill	2,323,914		2,323,914		2,323,914
Other Prepaid Assets and Deferred Items	8,911,418		8,493,552		7,387,293
	\$ 27,113,075	\$	26,108,017	\$	22,555,007

4. OTHER LIABILITIES

	December 31 2003		September 30 2003		December 31 2002
Accrued Interest Payable	62,930,199	\$	56,796,613	\$	47,205,898
Income Taxes Payable	1,907,798		1,735,638		437,624
Dividends Payable	1,006,332		628,489		502,767
Deferred Commitment Fees	4,570,978		4,012,532		2,309,699
Future Income Taxes	9,006,403		7,380,266		6,884,520
Other, Including Accounts Payable and Accrued Liabilities	12,290,330		10,264,288		6,356,609
	91,712,040	\$	80,817,826	\$	63,697,117

Notes to the Interim Unaudited Consolidated Financial Statements - Continued

5. SUBORDINATED TERM LOAN

On January 23, 2003 the Company received \$5.0 million from Canadian Western Bank ("Canadian Western") to repay a \$5.0 million subordinated secured loan with Surrey Metro Savings Credit Union. The loan from Canadian Western is for a term of five years, payable on July 10, 2007 with interest calculated at the bank's prime lending rate, plus 4.0%. The collateral for this loan includes: a promissory note from the Company; a general security agreement, subject only to permitted encumbrances not exceeding the \$10.0 million granted by the Company in favour of the "first security" to Canadian Western; a secondary pledge of all the issued and outstanding shares in the capital of Home Trust Company; and assignment to Canadian Western of \$5.0 million in subordinated notes issued to Home Trust Company.

On February 4, 2004 Canadian Western approved a reduction in the interest rates on both loans payable. Effective March 1, 2004 the interest rate payable on the term loan and the subordinated term loan payable to Canadian Western will be reduced to the bank's prime lending rate plus 2%.

6. SECURITIES REDEMPTION

On May 26, 2003 Royal Bank called their Series K preferred shares for redemption. The redemption price was allocated between proceeds of disposition and a deemed dividend. These securities were held in the subsidiary Home Trust Company for investment purposes. Home Trust Company held 200,000 preferred shares of Royal Bank with a book value of \$8.1 million (\$40.49 per share). The redemption price of \$39.13 per share for \$7.8 million was allocated as follows:

- \$1.6 million deemed dividend of which was not taxable for Home Trust Company
- \$6.2 million proceeds of disposition of the shares

This resulted in a loss on the sale of the securities of \$1.9 million which was recorded in the results for the three months ending June 30, 2003 and year to date ended December 31, 2003..

On December 12, 2003 Desjardins Laurentian Financial called their Series A preferred shares for redemption. The redemption price was allocated between proceeds of disposition and a deemed dividend. These securities were held in the subsidiary Home Trust Company for investment purposes. Home Trust Company held 100,000 preferred shares of Desjardins Laurentian Financial with a book value of \$2.5 million (\$25.55 per share). The redemption price of \$25.30978 per share for \$2.5 million was allocated as follows:

- \$0.3 million deemed dividend of which was not taxable for Home Trust Company
- \$2.5 million proceeds of disposition of the shares

This resulted in a loss on the sale of the securities of \$0.3 million which was recorded in the results for the three months and year to date ending December 31, 2003.

7. SUBSEQUENT EVENT

On January 7, 2004 the Company declared a stock dividend that would pay to the holders of Class B subordinated voting shares a dividend payable in Class B shares of the Company at the rate of one Class B share for each Class B share held. This dividend was paid on January 29, 2004 to shareholders of record at the close of business on January 21, 2004.

The directors have fixed the aggregate consideration for the Class B shares payable as a stock dividend at \$1.00, and directed the sum of \$1.00 be transferred from the retained earnings of the Company to the stated capital account maintained for the Class B shares.

Consequently, amounts presented on a per share basis reflect the impact of this stock dividend. The following table shows amounts computed on a pre-stock-dividend basis for the quarters ended and years ended December 31, 2003 and December 31, 2002;

	Three Months Ended		Year Ended	
	December 31 2003	December 31 2002	December 31 2003	December 31 2002
Net Income	\$ 8,735,890	\$ 5,540,809	\$ 29,506,766	\$ 20,594,857
Net income per Class A and Class B share				
Basic	\$0.52	\$0.33	\$1.76	\$1.25
Fully Diluted	\$0.50	\$0.32	\$1.71	\$1.19
Average Number of Class A and Class B Shares Outstanding				
Basic	16,765,065	16,673,096	16,761,980	16,510,353
Fully Diluted	17,314,935	17,131,284	17,223,110	17,311,953
Total Number of Class A and B Shares	16,767,195	16,759,895	16,767,195	16,758,895
Book Value Per Share	\$7.22	\$5.64	\$7.22	\$5.64

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
Harvey F. Kolodny
John M. E. Marsh
Robert A. Mitchell, C.A.
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*

Rod Adams
Senior Vice President

Nick Kyprianou
Senior Vice President

Cathy A. Sutherland, C.A.
Treasurer

Sharron I. Hutton
Corporate Secretary

Auditors

Ernst & Young LLP
Chartered Accountants
Toronto, Ontario

Bankers

*Home Capital Group Inc.
Home Trust Company*

Bank of Montreal,
St. Catharines, Ontario

Corporate Counsel

*Home Capital Group Inc.
Home Trust Company*

Torys LLP and
Gowling Lafleur Henderson LLP

Transfer Agent

Computershare Trust Company of
Canada
100 University Avenue
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Capital Stock

As at December 31, 2003 there were
33,534,390 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
Harvey F. Kolodny
John M. E. Marsh
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Sheila L. Ross
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Vice President
Brian R. Mosko

Asst. Vice Presidents, Toronto Office
Hugh Anderson
James Hill

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Laurie Chalabardo
Pierre Lafleur
Bobby Ramgoolam
Agostino Tuzi

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Marguerite Ryan

Manager, Mortgages
Brad Hamilton

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Senior Manager, Mortgages
Larry Frondall
Manager, Mortgages
Christine O'Connor

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Asst. Vice President, Mortgages
Heather Flegg

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Regional Managers, Mortgage Lending
Scott Congdon
Jeff Ayer

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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 at our web site www.homecapital.com and you will receive quarterly reports, press releases, the annual report, the management information circular, and other information pertaining to the Company.