



HOME CAPITAL GROUP INC.

First Quarter Report March 31, 2004

Financial Highlights

For the Three Months Ended (Unaudited)

In Thousands of Dollars Except Per Share and Percentage Amounts

	March 31 2004	December 31 2003	March 31 2003
OPERATING RESULTS			
Net Income	\$ 10,030	\$ 8,736	\$ 6,022
Total Revenue	42,772	41,656	32,247
Earnings per Share - Basic**	\$ 0.30	\$ 0.26	\$ 0.18
- Fully Diluted**	0.29	0.25	0.18
Return on Shareholders' Equity	31.87%	29.81%	24.79%
Return on Average Assets	2.06%	1.91%	1.66%
Productivity Ratio (Non-interest Expense/Net Interest Income Plus Fee Income)	37.37%	36.21%	43.92%
GROWTH IN BUSINESS			
Total Assets	\$ 1,993,843	\$ 1,897,176	\$ 1,512,934
Loans	1,710,550	1,608,301	1,254,861
Deposits	1,745,739	1,664,103	1,317,658
Common Shareholders' Equity	130,551	121,166	99,736
Mortgage-Backed Security Assets Under Administration	346,947	315,131	179,662
FINANCIAL STRENGTH			
Capital Measures			
Risk Adjusted Assets*	\$ 1,049,840	\$ 994,516	\$ 820,353
Tier 1 Capital Ratio*	11.96%	11.65%	11.44%
Total Capital Ratio*	14.26%	14.02%	14.14%
Credit Quality			
Net Impaired Loans % of Gross Loans	0.31%	0.31%	0.35%
Allowance % of Gross Impaired Loans	197.33%	191.86%	182.39%
Annualized Provision % of Gross Loans	0.18%	0.35%	0.35%
Share Information			
Book Value per Common Share**	\$ 3.88	\$ 3.61	\$ 2.98
Common Share Price – Close**	25.00	16.63	7.25
Market Capitalization	841,685	557,509	242,700

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

** After giving effect to the Stock Dividend distributed on January 29, 2004, effectively a two for one share split.

Home Trust Company www.hometrusted.ca

Home Capital Group Inc. www.homecapital.com

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, Alberta, British Columbia and Nova Scotia.

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

**Home Capital Sustains Profitability and Growth Momentum
Net Earnings for the first quarter increased by 66.5% and Return on Equity hits 31.9%
HCG.B joins the S&P/TSX Composite Index**

Home Capital Group (TSX:HCG.B) sustained its strong, forward momentum into the first quarter of 2004, recording strong growth in earnings, earnings per share, total assets and a record 31.9% return on equity. With the completion of this quarter, the Company has now achieved **35 consecutive quarter-over-quarter increases in earnings**.

- Net earnings increased 66.5% to \$10.0 million for the three month period ended March 31, 2004, compared with earnings of \$6.0 million for the same period in 2003 and an increase of 14.8% over the \$8.7 million for the quarter ending December 31, 2003.
- Basic earnings per share increased by 66.7% to \$0.30, compared with \$0.18 for the first quarter of 2003 and 15.4% over the \$0.26 reported in the fourth quarter of 2003. Fully diluted earnings per share rose to \$0.29 from \$0.18 in the first quarter of 2003, an increase of 61.1% and 12.0% over the \$0.25 reported in the fourth quarter of 2003.
- Total assets were \$1.99 billion at March 31, 2004. This represents growth of 31.8% over total assets of \$1.51 billion at March 31, 2003 and an increase of 5.1% over assets of \$1.90 billion at year-end 2003. Combined total assets and securitized mortgages originated and managed by the Company increased by 38.3% to \$2.34 billion, compared with \$1.69 billion at March 31, 2003 and an increase of 5.8% compared to the \$2.21 billion reported at December 31, 2003.
- Return on equity for the first quarter was 31.9%, compared with 24.8% for the first quarter and 29.8% in the fourth quarter last year .
- During the quarter, the Company issued an additional \$46.6 million in Mortgage-Backed Security (MBS) of pooled residential mortgages, generating \$2.6 million in revenues. The comparable figures for the first quarter of 2003 were \$42.3 million and \$1.6 million respectively. The MBS portfolio administered by Home Trust stood at \$346.9 million at the end of this quarter.
- Total mortgage originations in the first quarter of 2004 amounted to \$250.6 million an increase of 25.1% over the \$200.3 million advanced in the first quarter of last year.

At the close of trading on March 19, 2004, Home Capital Group was added to the S&P/TSX Composite Index. This places it among a select group of approximately 225 companies characterized for their relative market size and trading activity. Mutual funds and other financial units that track the S&P/TSX index will now hold a proportionate weighting of Home Capital shares.

During the quarter, Home Capital also obtained an investment grade credit rating. Fitch Rating Agency assigned a BBB- debt rating. The ability to issue investment grade debt could minimize shareholder dilution if additional capital was required for future growth.

Home Capital continues to focus on balancing asset growth with excellent portfolio quality. Net impaired loans as March 31, 2004 represented 0.31% of the total portfolio, unchanged from December 31, 2003 and down from the 0.35% recorded one year earlier.

The Company's Board of Directors declared a quarterly dividend of \$0.03 per share payable June 1, 2004 to shareholders of record at the close of business on May 14, 2004.

We remain confident that the robust earnings growth achieved during of first quarter will continue through the balance of 2004.

GERALD M. SOLOWAY
President & Chief Executive Officer
April 22, 2004

WILLIAM A. DIMMA
Chairman of the Board

Please note: On behalf of the Board of Directors, we are pleased to invite all shareholders to the Company's Annual and Special Meeting of Shareholders, to be held at the Design Exchange, Trading Floor, 234 Bay Street, Toronto, Ontario on **Wednesday, May 12, 2004 at 11:00 a.m.** local time. Shareholders and other guests are invited to join Directors and Management for lunch and refreshments afterwards.

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, changes in interest rates, inflation levels and general economic conditions, legislative and regulatory developments, competition and technological change. When relying on forward-looking statements to make decisions, investors and others should carefully consider the foregoing factors and other uncertainties and should not place undue reliance on such forward-looking statements. Home Capital Group Inc. does not undertake to update any forward-looking statements, oral or written, made by itself or on its behalf.

Management's Discussion and Analysis of Operating Performance

Net Income

Net income was \$10.0 million for the first quarter, compared with \$8.7 million in the fourth quarter of 2003 and \$6.0 million in the quarter ending March 31 last year. This increase over the prior comparable periods was due to the following factors;

- Total interest and dividend income was \$35.5 million for the three months ended March 31, 2004 as compared to \$34.4 million for December 31, 2003 and \$27.5 million for the three months ended March 31, 2003.
- Net interest income increased by 5.6% and 40.9%, respectively, to \$17.7 million at March 31, 2004 over \$16.7 million for the three months ended December 31, 2003 and \$12.5 million for the three months ended March 31, 2003.
- Non-interest income was \$7.2 million for March 31, 2004, relatively unchanged from December 31, 2003 and up by 53.2% over March 31, 2003.
- Non-interest expenses increased by \$0.6 million to \$9.3 million in 2004 over the \$8.7 million reported for the three months ending December 31, 2003, and by \$1.7 million over the first quarter of 2003. The increase in non-interest expenses was more than offset by the rises in revenues. The productivity ratio improved from 43.9% at March 2003 to 37.4% for the first quarter of 2004.

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. Net interest income was \$17.7 million this quarter, an increase of \$0.9 million over the fourth quarter of 2003 and \$5.1 million over the first quarter last year.

This increase is due to the rise in interest income of \$1.1 million over December 2003 and \$8.0 million over March 2003. These increases were the result of the growth of the loan portfolio, which grew to \$1.71 billion at March 31, 2004 as compared to \$1.61 billion at December 31, 2003 and \$1.25 billion at March 31, 2003.

Interest expense grew by \$0.2 million over December 2003 and \$2.9 million over March 2003. The interest spread on the core business of loans over deposits remained the same for all three comparable periods at 3.8%.

The mortgage operation continues to be the principal contributor to the increase in the net interest income at \$13.8 million for the first quarter 2004, compared to \$12.8 million and \$9.7 million for December 31 and March 31, 2003. The consumer lending division contributed to \$1.5 million to net interest income for the three months ended March 31, 2004 compared to \$1.4 million at December 31, 2003 and \$1.1 million at March 31, 2003.

Provision for Credit Losses

The Company expensed \$0.8 million in the quarter through the provisions for credit losses, compared to \$1.4 million for the quarter ended December 31, 2003 and \$1.1 million for the first quarter of 2003. 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 \$10.9 million at March 31, 2004, an increase of \$2.6 million over the \$8.3 million at March 31, 2003 and a \$0.6 million rise over the \$10.3 million allowance at December 31, 2003. During the quarter, net impaired loans increased to \$5.3 million compared to \$5.1 million at December 31, 2003 and \$4.4 million at March 31, 2003. The Company has experienced no net losses in the residential mortgage portfolio in the last two years.

Non-Interest Income

Total non-interest income was \$7.2 million for the quarter, an increase of \$2.5 million over the same quarter last year and representing a very small decline from the fourth quarter of 2003. The consumer lending line of business contributed \$0.9 million of fee income in this quarter, relatively consistent with the \$1.1 million for the fourth quarter of 2003 and \$0.8 million for the first quarter of 2003.

The Company issued two MBS pools in the first quarter, consisting of \$46.6 million of Canada Mortgage and Housing Corporation insured residential mortgages, compared to \$42.3 million in the March 31, 2003 quarter and down from the \$89.4 million issued in the fourth quarter of 2003. Income from securitizations of \$2.6 million were realized in the quarter, up from the \$1.9 million realized in the March 2003 quarter and down from the \$3.9 million in the December 2003 quarter. Total MBS funds under administration by Home Trust Company at the end of the current quarter reached \$346.9 million. These securities were sold without recourse, and the Company continues to service these mortgages.

The investment securities portfolio realized net gains of \$1.3 million this quarter compared with net gains of \$0.3 million in the same quarter last year and net losses of \$0.2 million in the fourth quarter of 2003.

Non-Interest Expenses

Total operating expenses for the three months ending March 31, 2004 were \$9.3 million, an increase of 7.1%, or \$0.6 million, over the fourth quarter of 2003 and up by 22.8%, or \$1.7 million, over the first quarter ended March 31, 2003. Non-interest expenses for the consumer lending line of business decreased to \$1.3 million for this quarter, as compared to \$1.4 million and \$1.5 million for the three months ended March and December of last year.

Salaries and staff benefits rose by \$0.5 million, or 15.0%, over the quarter ended December 31, 2003 and \$0.6 million, or 17.5%, over the same three months of 2003. This growth is the result of additional personnel required to support the continued growth of the core mortgage lending business as well, required contributions to government benefit programs were higher than in the fourth quarter of last year. The Company ended this quarter with 193 employees as compared to 191 employees at the year end, and 178 on March 31, 2003.

General and administrative expenses remained constant from the fourth quarter of the prior year and increased by \$1.0 million, or 25.5%, over the three months ended March 31, 2003. 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, ended the quarter at 37.4%. This is an improvement when compared to the 43.9% at March 31, 2003 and a slight increase over the 36.2% achieved in the fourth quarter 2003.

Income Tax Provision

The reported effective tax rate after adjusting for the non-taxable dividends was 36.6% for the quarter compared to 35.6% for the first quarter last year. The increase in the effective tax rate is primarily due to changes in the Ontario statutory rates. The Ontario statutory rate increased to 14.0% on January 1, 2004 from the 12.5% rate effective in 2003.

Balance Sheet

Total assets as at March 31, 2004 were \$1.99 billion, an increase of \$480.9 million, or 31.8%, over the \$1.51 billion reported one year ago and up by \$96.7 million, or 5.1%, over the December 31, 2003 balance of \$1.90 billion. Growth in the loan portfolio of \$455.7 million, or 36.3%, contributed to most of the year-over-year asset increase. Residential mortgages contributed \$414.8 million to the loan portfolio's growth and consumer lending added \$24.0 million. Other mortgages (non-residential) increased by \$19.5 million, mostly as a result of a mortgage portfolio purchased from the Bank of Nova Scotia during the third quarter of 2003. MBS receivables added \$11.4 million to total assets. Deferred development costs resulting from the establishment of the credit card operation decreased by \$0.6 million over March 31, 2003 from the ongoing amortization of this asset. The Company's investment portfolio increased by \$18.9 million, and cash resources decreased by \$8.6 million. Other assets increased by \$4.0 million, consisting of accrued interest receivable, deferred agent commissions, and other prepaid and deferred assets (Note 4). 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. Accrued interest receivable increased by \$1.6 million in relation to the increase in the loan and securities portfolio year over year.

Liabilities in this quarter rose to \$1.86 billion, an increase of \$450.1 million, or 31.9%, over the \$1.41 billion reported at March 31, 2003. Most of this year-over-year increase is related to the growth in deposits of \$428.1 million. The increase in deposit liabilities funded most of the loan portfolio growth. Retained earnings and other liabilities funded the remaining increase in the loan portfolio along with increase in the securities and other assets offset by the decrease in cash resources funding the shortfall. Other liabilities increased by \$23.0 million, or 28.6%, over the \$80.5 million reported at March 31, 2003. This growth was principally the result of increases in accrued interest payable of \$13.3 million, which related to the rise in deposits and borrowings. Accounts payable and accrued liabilities contributed \$5.8 million and the increase in deferred commitment fees added \$2.3 million, due to the growth of the mortgage loan portfolio. Future income tax liabilities increased by \$2.1 million as a consequence of the increase in the Ontario effective tax rate (Note 5).

Shareholders' equity rose to \$130.6 million, an increase of \$30.8 million, or 30.9%, over \$99.7 million at March 31, 2003. This growth was internally generated from the net earnings for the twelve months of \$33.5 million, less \$3.3 million for dividends paid and payable to shareholders. The remaining \$0.5 million was from the proceeds received on the exercise of Company share options.

On January 7, 2004 the Company declared a stock dividend that on January 29, 2004 paid the holders of Class B subordinated voting shares one Class B share for each Class B share held. Consequently, the numbers of shares reported for prior years have been doubled for comparison purposes, period over period.

Risk Management

The Company's key risk management policies and practices remain in place and unchanged from those outlined on pages 21 through 26 of the 2003 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. In the fourth quarter the Company sold \$40.0 million of Government of Canada 4.25% bonds maturing September 1, 2008. These bonds were sold short with the intent of hedging against the issuance of MBS pools during 2004. During this quarter the Company closed \$10.0 million of this short position, realizing a \$0.3 million loss, which was netted against other interest income. As of March 31, 2004, the Company had an unrealized loss of \$1.2 million on the remaining \$30.0 million of this short position.

The Company's interest rate risk management policy monitors the relationship between changes in interest rates and the impact on the economic value of shareholders equity. As at March 31, 2004, an immediate and sustained 100 basis point increase in rates would have decreased the economic value of shareholders equity over the next twelve months by \$0.3 million after-tax.

Liquidity Risk

The Company holds a sufficient amount of liquidity to fund its obligations as they come due under normal operating conditions as well as under various stress scenarios with a framework of minimum levels of liquid assets to be held at all times. The Company holds liquid assets in the form of cash, bank deposits, treasury bills, bankers acceptances and government or government guaranteed bonds and debentures to meet the Company's minimum standards for liquidity. On March 31, 2004, liquid assets amounted to \$110.3 million, up 53.9% from the \$71.7 million held at March 31, 2003.

Credit Risk

The provision for credit losses expensed during the first quarter was \$0.8 million, which is down from \$1.4 million that was expensed in the fourth quarter of 2003, and from \$1.1 million in the first quarter of 2003. The credit quality of the loan portfolio remains strong, with total net impaired loans (NILs), at \$5.3 million at March 31, 2004 compared to \$5.1 million at December 31, 2003 and \$4.4 million at March 31, 2003. These levels represent NILs of 0.31% of the total loan portfolio for this quarter and the December 31, 2003 quarter end, and down from the 0.35% reported on March 31, 2003.

The composition of the Company's mortgage portfolio consists of 96.5% residential, 2.5% store and apartments, and 1.0% non-residential. Within the residential mortgage portfolio, 5.2% is insured by Canada Mortgage and Housing Corporation. First mortgages represent 99.5% of the total mortgage portfolio.

As of March 31, 2004 the gross credit card receivable balance totalled \$42.1 million, comprised of \$37.5 million, or 89.1% in accounts secured either by cash deposits or residential mortgage collateral, and \$4.6 million, or 10.9% which is unsecured. The total credit approved includes \$57.2 million in secured, and \$6.7 million in unsecured credit as compared with \$21.3 million in secured and \$9.1 million unsecured at March 31, 2003. The Company is not accepting any new unsecured accounts. Equity Plus VISA credit cards are secured by a collateral residential mortgage, and this product amounted to \$28.5 million of the credit card receivable balance as at March 31, 2004 as compared to \$6.4 million at March 31, 2003. Cash security deposits on credit card accounts amounted to \$14.6 million, and are included in the Company's deposits and borrowings.

Consumer loans receivable were \$10.6 million, an increase of \$0.9 million or 9.3%, over the \$9.7 million reported at March 31, 2003 quarter end.

Write-offs applied against the accumulated allowance for credit losses, realized on loans for the first quarter of 2004 were \$342,600 as compared to the fourth quarter of 2003 at \$319,500 and \$428,200 experienced in the first quarter of 2003. All these losses were related to the unsecured loans in the consumer lending operation, with the mortgage lending operation experiencing no net losses to-date in 2004. In both December and March of 2003 the 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 \$10.9 million at March 31, 2004 as compared to the general allowances of \$10.3 million at December 31, 2003 and \$8.3 million at March 31, 2003. Total general allowances were increased to 103.7 basis points of the Company's risk-weighted assets, up from 103.6 basis points on December 31, 2003 and 101.2 basis points at March 31, 2003.

Capital Management

The Company's subsidiary, Home Trust Company's ("Home Trust") capital base continues to be strongly positioned. The tier 1 capital ratio of 12.0% represented increases from both the 11.7% at December 31, 2003 and the 11.4% at March 31, 2003. The total capital ratio was 14.3% for this quarter, also increasing from the 14.0% and 14.1% reported at December 31 and March 31, 2003. This increase on the total capital ratio is a result of the strong growth in Home Trust's total assets of 32.0% from March 31, 2003 to March 31, 2004, as risk-weighted assets increased by 27.6%, while capital grew by 28.7% 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.

Segmented Information

For the first quarter of 2004, all lines of business improved their results, compared to both the fourth and first quarters of 2003.

Mortgage Business

The Company's principal line of business contributed \$8.6 million of net income for the quarter ended March 31, 2004, as compared to \$8.1 million for the same period in December 2003 and \$5.4 million for March 31, 2003. The total value of new mortgages advanced in the first quarter of 2004 amounted to \$250.6 million, as compared to \$200.3 million for the same period ended March 31, 2003.

The Company securitized \$46.6 million of residential mortgages in the first quarter realizing total income on securitization of \$2.6 million. This was up from the \$42.2 million securitized in the first quarter of last year with income of \$1.9 million and down from the \$3.9 million in income on \$89.4 million of securitizations in the fourth quarter of 2003. This will continue to be a contributor to the Company's income however, the new mortgage business will still be the major contributor with interest spreads of 3.8%.

The second mortgage program comprised of the agreement with Regency Finance Corp. (Regency) whereby, the Company acts as Regency's agent in offering second mortgage loans. The program is still in its early stages having been launched in the fourth quarter of 2003. During the first quarter of 2004, second mortgages totalling \$2.7 million were advanced under this arrangement, all of which were securitized into Notes and purchased by the Company.

As of March 31, 2004 the Company held \$6.2 million in notes of these securitized pools. These notes have a yield of 8.7% with an average duration of 3.3 years. The Company also receives additional fee income for servicing and administering these mortgages for Regency. This additional income amounted to 1.33%, on an annualized basis. This business also provides the Company with additional opportunities in the first mortgage residential market that may not have been reached previously.

Consumer Lending and Credit Cards

This line of business contributed \$0.5 million to net income for the three months ended March 31, 2004 largely due to the growth in the Equity Plus VISA portfolio. This product comprises 67.8% of the receivable balance and carries an average interest rate of 12.0% on unpaid balances.

Outlook

Home Capital is committed to serving selected segments of the financial services marketplace that are not being served by major financial institutions. The low inflation and attractive interest rate environment that have characterized 2003 and early 2004 are anticipated to continue. 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. These quarterly financial results clearly indicate that the Company is well on its way to achieving and exceeding its stated objectives for 2004.

Certification of Interim Consolidated Financial Statements

The consolidated financial statements of Home Capital Group Inc. were prepared by management, which is responsible for the integrity and fairness of the financial information presented. Management has reviewed the Interim Consolidated Financial Statements of Home Capital Group Inc. for the period ending March 31, 2004. Based on our knowledge, the Interim Consolidated Financial Statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the Interim Consolidated Financial Statements. Based on this knowledge, the Interim Consolidated Financial Statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of Home Capital Group Inc. as of March 31, 2004.

The Board of Directors and Audit and Risk Management Committee of Home Capital Group Inc. reviewed this quarterly report. The disclosure controls and procedures of Home Capital Group Inc. support the ability of the President and Chief Executive Officer and Treasurer of Home Capital Group Inc. to assure that Home Capital's Interim Consolidated Financial Statements are fairly presented.

Gerald M. Soloway
President and Chief Executive Officer
April 22, 2004

Cathy A. Sutherland, CA
Treasurer

Consolidated Statements of Income

<i>In Thousands of Dollars, Except Per Share Amounts (Unaudited)</i>	For the Three Month Periods Ended		
	March 31 2004	December 31 2003	March 31 2003
Income			
Interest from Loans	\$ 32,970	\$ 31,562	\$ 25,458
Dividends from Securities	1,706	1,758	1,397
Other Interest	852	1,063	664
	35,528	34,383	27,519
Interest Expense			
Interest on Deposits & Borrowings	17,857	17,649	14,980
Net Interest Income	17,671	16,734	12,539
Provision for Credit Losses (Note 2)	759	1,405	1,100
	16,912	15,329	11,439
Non-interest Income			
Fees and Other Income	3,407	3,591	2,499
Securitization Income on Mortgage-Backed Securities	2,567	3,871	1,920
Gain (Loss) on Sale and Redemption of Securities	1,270	(189)	309
	7,244	7,273	4,728
	24,156	22,602	16,167
Non-interest Expenses			
Salaries and Staff Benefits	3,853	3,352	3,280
Premises	587	466	421
General and Administration	4,871	4,874	3,882
	9,311	8,692	7,583
INCOME BEFORE INCOME TAXES	14,845	13,910	8,584
Income Taxes			
Current	4,150	3,548	1,939
Deferred	665	1,626	623
	4,815	5,174	2,562
NET INCOME	\$ 10,030	\$ 8,736	\$ 6,022
NET INCOME PER CLASS A AND CLASS B SHARE:			
Basic (Note 6)	\$ 0.30	\$ 0.26	\$ 0.18
Fully Diluted (Note 6)	\$ 0.29	\$ 0.25	\$ 0.18
AVERAGE NUMBER OF CLASS A AND CLASS B SHARES OUTSTANDING			
Basic (Note 6)	33,570	33,530	33,339
Fully Diluted (Note 6)	35,056	34,630	34,163
Total Number Of Outstanding Class A and B Shares	33,667	33,534	33,476
Book Value Per Share	\$ 3.88	\$ 3.61	\$ 2.98

Consolidated Balance Sheets

	March 31 2004	December 31 2003	March 31 2003
<i>In Thousands of Dollars</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
ASSETS			
Cash Resources			
Deposits with Regulated Financial Institutions	\$ 48,944	\$ 30,100	\$ 22,562
Treasury Bills Guaranteed by Canada	2,905	36,751	37,928
	51,849	66,851	60,490
Securities			
Issued or Guaranteed by Canada	65,860	55,685	19,918
Issued or Guaranteed by Provinces	798	798	9,165
Other Securities	107,995	112,784	126,662
	174,653	169,267	155,745
Loans			
Personal and Credit Card Loans	52,507	46,619	28,533
Residential Mortgages	1,610,781	1,511,311	1,195,994
Other Mortgages	58,116	60,671	38,633
General Allowance for Credit Losses (Note 2)	(10,854)	(10,300)	(8,299)
	1,710,550	1,608,301	1,254,861
Other			
Mortgage-Backed Securities Receivable	24,067	21,584	12,651
Capital Assets	2,391	1,893	2,186
Deferred Development Costs	1,987	2,167	2,617
Other Assets (Note 4)	28,346	27,113	24,384
	56,791	52,757	41,838
	\$ 1,993,843	\$ 1,897,176	\$ 1,512,934
LIABILITIES			
Term Loan	10,000	10,000	10,000
Subordinated Term Loan	4,000	4,000	5,000
Deposits			
Payable on Demand	9,084	13,980	8,276
Payable on a Fixed Date	1,736,655	1,650,123	1,309,382
	1,759,739	1,678,103	1,332,658
Other			
Cheques and Other Items in Transit	7,279	6,195	8,448
Other Liabilities (Note 5)	96,274	91,712	72,092
	103,553	97,907	80,540
	1,863,292	1,776,010	1,413,198
SHAREHOLDERS' EQUITY			
Capital stock	32,077	31,734	31,559
Contributed Surplus (Note 7)	57	33	-
Retained earnings	98,417	89,399	68,177
	130,551	121,166	99,736
	\$ 1,993,843	\$ 1,897,176	\$ 1,512,934

Consolidated Statements of Changes in Shareholders' Equity

For the Three Month Periods Ended

<i>In Thousands of Dollars (Unaudited)</i>	March 31 2004	December 31 2003	March 31 2003
CAPITAL STOCK			
Class A Convertible Shares			
Balance at Beginning of Period	\$ -	\$ -	\$ 576
Conversion to Class B Subordinated Voting Shares	-	-	-
Balance at End of Period	-	-	576
Class B Subordinated Voting Shares			
Balance at Beginning of Period	31,734	31,623	31,354
Conversion from Class A Convertible Shares	-	-	-
Proceeds of Options Exercised	343	111	33
Redemption of Shares	-	-	(404)
Balance at End of Period	32,077	31,734	30,983
Total Capital Stock	\$ 32,077	\$ 31,734	\$ 31,559
CONTRIBUTED SURPLUS			
Balance at Beginning of Period	\$ 33	\$ -	\$ -
Amortization of fair value of employee stock options (Note 7)	24	33	-
BALANCE AT END OF YEAR	\$ 57	\$ 33	\$ -
RETAINED EARNINGS			
Balance at the Beginning of the Period	\$ 89,399	\$ 81,669	\$ 62,656
Net Income for the Period	10,030	8,736	6,022
Dividends Paid During the Period	-	-	-
Dividends Declared During the Period	(1,012)	(1,006)	(501)
BALANCE AT END OF THE PERIOD	\$ 98,417	\$ 89,399	\$ 68,177

Consolidated Statements of Cash Flows

For the Three Month Periods Ended

<i>In Thousands of Dollars (Unaudited)</i>	March 31 2004	December 31 2003	March 31 2003
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income for the Period	\$ 10,030	\$ 8,736	\$ 6,022
Adjustments to Determine Net Cash Flows Relating to Operating Activities:			
Future Income Taxes	665	1,626	623
Amortization of Capital Assets	156	208	158
Amortization of Securities	(56)	(39)	120
Amortization of Deferred Financing Costs	15	15	13
Amortization of Deferred Development Costs	180	150	150
Provision for Credit Losses	759	1,405	1,100
Change in Accrued Interest Receivable	(326)	(288)	(622)
Change in Accrued Interest Payable	4,766	6,134	7,149
(Gain) Loss on Sale of Securities	(1,270)	189	(309)
Gain on Sale of Mortgage-Backed Securities	(2,567)	(3,871)	(1,920)
Change in Mortgage-Backed Securities Receivable	1,409	1,704	802
Change in Other Assets	(922)	(732)	(1,154)
Change in Cheques and Other Items in Transit	1,084	(1,104)	2,623
Change in Other Liabilities	(875)	2,757	624
Amortization of Fair Value of Employee Stock Options (Note 7)	24	33	-
Cash Provided by Operating Activities	13,072	16,923	15,379
FINANCING ACTIVITIES			
Issuance of Subordinated Term Loan	-	-	5,000
Repayments for Subordinated Secured Loan	-	-	(5,000)
Deferred Financing Costs	-	-	(67)
Net Increase in Deposits	81,636	115,875	102,479
Issuance of Capital Stock	343	111	33
Normal Course Issuer Bid	-	-	(404)
Dividends Paid	(1,006)	(629)	(503)
Cash Provided by Financing Activities	80,973	115,357	101,538
INVESTING ACTIVITIES			
Activity in Securities			
Purchases	(23,322)	(37,362)	(36,900)
Proceeds on Sales	9,226	10,839	7,060
Proceeds on Maturities	10,036	4,917	4,044
Activity in Mortgages			
Net Increase	(143,374)	(175,536)	(123,875)
Proceeds from Securitization of Mortgage-Backed Securities	45,245	86,301	41,164
Net Increase in Personal and Credit Card Loans	(6,204)	(7,605)	(3,307)
Purchases of Capital Assets	(654)	(6)	(148)
Cash Used in Investing Activities	(109,047)	(118,452)	(111,962)
Net Increase in Cash and Cash Equivalents	(15,002)	13,828	4,955
Cash and Cash Equivalents at the Beginning of the Period	66,851	53,023	55,535
Cash and Cash Equivalents at the End of the Period	\$ 51,849	\$ 66,851	\$ 60,490
Supplementary Disclosure of Cash Flow Information			
Amount of Interest Paid During the Period	\$ 13,091	\$ 11,516	\$ 7,830
Amount of Income Taxes Paid During the Period	5,667	3,550	2,017

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, 2003, as set out in the 2003 Annual Report on pages 33 through 49. These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The accounting policies and methods of application 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. These interim consolidated financial statements reflect amounts, which must, of necessity, be based on the best estimates and judgment of management with appropriate consideration as to materiality. Actual results may differ from these estimates.

2. LOANS

(A) Impaired Loans and Related Allowance for Specific Credit Losses

As At March 31, 2004

<i>In Thousands of Dollars</i>	Gross Amount of Impaired Loans		Specific Allowances		Carrying Value
Personal and Credit Card Loans	\$	261	\$	261	\$ -
Residential Mortgages		5,460		175	5,285
Other Mortgages		-		-	-
	\$	5,721	\$	436	\$ 5,285

As At December 31, 2003

Personal and Credit Card Loans	\$	340	\$	299	\$ 41
Residential Mortgages		5,150		275	4,875
Other Mortgages		178		-	178
	\$	5,668	\$	574	\$ 5,094

As At March 31, 2003

Personal and Credit Card Loans	\$	329	\$	304	\$ 25
Residential Mortgages		3,835		8	3,827
Other Mortgages		557		-	557
	\$	4,721	\$	312	\$ 4,409

(B) Allowance for Credit Losses

For the Three Month Period Ended March 31, 2004

<i>In Thousands of Dollars</i>	Specific Allowance		General Allowance For Credit Risk		Total
Balance at the Beginning of the Period	\$	574	\$	10,300	\$ 10,874
Provisions for Credit Losses for the current period		205		554	759
Write-offs		(384)		-	(384)
Recoveries		41		-	41
Balance at the End of the Period	\$	436	\$	10,854	\$ 11,290

For the Three Month Period Ended December 31, 2003

Balance at the Beginning of the Period	\$	315	\$	9,473	\$ 9,788
Provisions for Credit Losses for the current period		578		827	1,405
Write-offs		(377)		-	(377)
Recoveries		58		-	58
Balance at the End of the Period	\$	574	\$	10,300	\$ 10,874

For the Three Month Period Ended March 31, 2003

Balance at the Beginning of the Period	\$	383	\$	7,556	\$ 7,939
Provisions for Credit Losses for the current period		357		743	1,100
Write-offs		(484)		-	(484)
Recoveries		56		-	56
Balance at the End of the Period	\$	312	\$	8,299	\$ 8,611

Notes to the Interim Unaudited Consolidated Financial Statements - Continued

3. LOAN SECURITIZATION

During the first quarter 2004, the Company securitized government guaranteed residential mortgage loans through the creation of mortgage backed securities of \$46.6 million (\$42.3 million - Q1 2003). The Company retained the rights to future excess interest on the residential mortgages valued at \$3.9 million (\$3.1 million - Q1 2003) and received cash flows on the securitization of these residential mortgages of \$45.2 million (\$41.2 million - Q1 2003). The gain on sale, net of transaction fees and expenses, was \$2.3 million (\$1.6 million - Q1 2003). The key assumptions used to value the sold and retained interests included a prepayment rate of 6.5% (7.0% - Q1 2003), an excess spread of 2.7% (2.4% - Q1 2003) and a discount rate of 3.6% (4.2% - Q1 2003). There are no expected credit losses as the mortgages are government guaranteed.

4. OTHER ASSETS

<i>In Thousand of Dollars</i>	March 31 2004	December 31 2003	March 31 2003
Accrued Interest Receivable	\$ 9,913	\$ 9,587	\$ 8,303
Deferred Agent Commission	6,791	6,290	5,072
Goodwill	2,324	2,324	2,324
Other Prepaid Assets and Deferred Items	9,318	8,912	8,685
	\$ 28,346	\$ 27,113	\$ 24,384

5. OTHER LIABILITIES

<i>In Thousand of Dollars</i>	March 31 2004	December 31 2003	March 31 2003
Accrued Interest Payable	\$ 67,696	\$ 62,930	\$ 54,355
Income Taxes Payable	585	1,908	562
Dividends Payable	1,012	1,006	501
Deferred Commitment Fees	5,052	4,571	2,723
Future Income Taxes	9,672	9,007	7,508
Other, Including Accounts Payable and Accrued Liabilities	12,257	12,290	6,443
	\$ 96,274	\$ 91,712	\$ 72,092

6. CAPITAL STOCK

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.

All capital stock has been restated to reflect this stock dividend for the previous periods for comparative purposes.

<i>Thousands of Dollars</i>	Mar. 31 2004		Dec. 31 2003		Mar. 31 2003	
	Number Of Shares	Amount	Number Of Shares	Amount	Number Of Shares	Amount
Convertible Class A	-	\$ -	-	\$ -	2,508	\$ 576
Class B Subordinated Voting Shares	33,667	32,077	33,534	31,734	30,967	30,983
		\$ 32,077		\$ 31,734		\$ 31,559
Share Purchase Options						
Outstanding, End of Period	1,450		1,501		1,415	
Exercisable, End of Period	794		651		710	

Notes to the Interim Unaudited Consolidated Financial Statements - Continued

7. STOCK BASED COMPENSATION

During the first quarter 2004, for all options issued after January 1, 2003 the Company recognized a compensation expense of \$24,000 for stock option awards in the Consolidated Interim Income Statement with an off-setting credit to Contributed Surplus. The fair value of options granted was estimated at the date of grant using the Black-Scholes valuation model with the following assumptions; risk-free interest rate of 3.5%, expected option life of 4.2 years, expected volatility of 28.5% and expected dividend yield of 3.4%. During the first quarter 2004, 70,000 options were granted with a weighted average fair value of \$4.85 per option. These options granted vest, subject to performance targets, over a four-year period at a rate of 25% per year and expire in seven years.

For those options issued prior to January 1, 2003 no compensation expense has been recognized. Had these options fallen under the same accounting policy they would have had the effect of reducing net income by \$58,000.

8. EARNINGS BY BUSINESS SEGMENT

	For the Three Months Ended March 31, 2004							
	Thousands of Dollars (Unaudited)	Mortgage Business	Consumer Lending Retail Services & Credit Cards	Other	Total			
Net Interest Income	\$	13,818	\$	1,544	\$	2,309	\$	17,671
Provisions for Credit Losses		(470)		(289)		-		(759)
Fees and Other Income		2,473		931		3		3,407
Gain on Sale of Securities & Mortgage-Backed Securities		2,567		-		1,270		3,837
Non-interest Expense		(5,254)		(1,327)		(2,730)		(9,311)
Income Before Income Taxes		13,134		859		852		14,845
Income Taxes		(4,506)		(310)		1		(4,815)
Net Income	\$	8,628	\$	549	\$	853	\$	10,030

	For the Three Months Ended December 31, 2003							
	Thousands of Dollars (Unaudited)	Mortgage Business	Consumer Lending Retail Services & Credit Cards	Other	Total			
Net Interest Income	\$	12,759	\$	1,405	\$	2,570	\$	16,734
Provisions for Credit Losses		(1,094)		(311)		-		(1,405)
Fees and Other Income		2,514		1,077		-		3,591
Gain (Loss) on Sale of Securities & Mortgage-Backed Securities		3,871		-		(189)		3,682
Non-interest Expense		(5,059)		(1,487)		(2,146)		(8,692)
Income Before Income Taxes		12,991		684		235		13,910
Income Taxes		(4,838)		(250)		(86)		(5,174)
Net Income	\$	8,153	\$	434	\$	149	\$	8,736

	For the Three Months Ended March 31, 2003							
	Thousands of Dollars (Unaudited)	Mortgage Business	Consumer Lending Retail Services & Credit Cards	Other	Total			
Net Interest Income	\$	9,675	\$	1,100	\$	1,764	\$	12,539
Provisions for Credit Losses		(646)		(454)		-		(1,100)
Fees and Other Income		1,655		844		-		2,499
Gain on Sale of Securities & Mortgage-Backed Securities		1,920		-		309		2,229
Non-interest Expense		(4,942)		(1,406)		(1,235)		(7,583)
Income Before Income Taxes		7,662		84		838		8,584
Income Taxes		(2,224)		(31)		(307)		(2,562)
Net Income	\$	5,438	\$	53	\$	531	\$	6,022

For management reporting purposes, our operations are grouped into the main business segments of Mortgage and Deposit Business, Consumer Lending which consists of consumer loans and credit card operations. The other segment includes security investments and corporate activities.