



HOME CAPITAL GROUP INC.

Third Quarter Report September 30, 2004

Financial Highlights

	Three Months Ended		Nine Months Ended	
<i>For the Period Ended September 30 (Unaudited)</i>				
<i>In Thousands of Dollars Except Per Share and Percentage Amounts</i>	2004	2003	2004	2003
OPERATING RESULTS				
Net Income	\$ 11,550	\$ 7,885	\$ 32,280	\$ 20,771
Total Revenue	48,555	37,153	135,885	102,933
Earnings per Share - Basic**	\$ 0.34	\$ 0.24	\$ 0.96	\$ 0.62
- Fully Diluted**	0.33	0.23	0.92	0.61
Return on Shareholders' Equity	31.68%	28.77%	31.60%	26.64%
Return on Average Assets	2.04%	1.86%	2.03%	1.75%
Productivity Ratio (Non-interest Expense/Net Interest Income Plus Fee Income)	34.62%	38.91%	36.18%	42.29%
BALANCE SHEET HIGHLIGHTS				
Total Assets			\$ 2,351,512	\$ 1,763,638
Loans			2,037,185	1,515,970
Deposits			2,067,477	1,548,229
Common Shareholders' Equity			151,198	113,292
Mortgage-Backed Security Assets Under Administration			455,282	239,942
FINANCIAL STRENGTH				
Capital Measures				
Risk Adjusted Assets*			\$ 1,223,524	\$ 917,990
Tier 1 Capital Ratio*			11.76%	11.71%
Total Capital Ratio*			13.85%	14.21%
Credit Quality				
Net Impaired Loans % of Gross Loans			0.32%	0.32%
Allowance % of Gross Impaired Loans			193.97%	186.29%
Annualized Provision % of Gross Loans			0.19%	0.25%
Share Information				
Book Value per Common Share**			\$ 4.48	\$ 3.38
Common Share Price – Close**			23.81	12.70
Market Capitalization			803,674	425,569

*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 Capital Group Inc. is a holding company, publicly traded on the Toronto Stock Exchange (HCG), 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 Records 37th Consecutive Quarter of Increased Earnings
Net Earnings for the Third Quarter Increase by 46.5%; Return on Equity is 31.7%**

Home Capital Group Inc. (TSX:HCG) delivered a strong performance in the third quarter of 2004 with a return on equity of 31.7% and increased growth in earnings, earnings per share and total assets. The Company has now achieved consistent quarter-over-quarter increases in earnings for 37 consecutive quarters.

- Net earnings for the three-month period ended September 30, 2004 increased 46.5% to \$11.6 million, compared with earnings of \$7.9 million for the same period a year earlier. Net income for the nine months of 2004 rose by 55.4% to \$32.3 million from the \$20.8 million recorded in the same period of 2003.
- Basic earnings per share increased by 41.7% to \$0.34, compared with \$0.24 for the comparable quarter of 2003. Fully diluted earnings per share rose by 43.5% to \$0.33 from \$0.23 recorded in the third quarter of the previous year. Net income per share for the nine month period increased from \$0.62 to \$0.96, and on a fully diluted basis from \$0.61 to \$0.92.
- Total assets at September 30, 2004 were \$2.35 billion, an increase of 33.3% over assets of \$1.76 billion at September 30, 2003 and 24.0% greater than the \$1.90 billion in assets recorded at the end of 2003.
- Return on equity for the third quarter was 31.7%, compared to 28.8% for the comparable quarter of 2003 and 31.6% in the second quarter of 2004. For the first nine months of 2004, return on equity was 31.6%.
- During the quarter, the Company issued a further \$82.9 million in Mortgage-Backed Securities (MBS) poolings of residential mortgages, generating \$3.5 million in revenues. The comparable figures for the third quarter of 2003 were \$43.9 million and \$2.6 million respectively. The MBS portfolio under administration stood at \$455.3 million at September 30, 2004, compared with \$239.9 million at September 30, 2003.
- Total mortgage originations in the third quarter of 2004 amounted to \$414.7 million, an increase of 28.9% over the \$321.7 million advanced in the third quarter of the previous year. If last year's one-time mortgage portfolio purchase of \$25.4 million is excluded, total mortgage originations during the third quarter would increase by 40.0% over the same quarter last year. During the first nine months of 2004, the Company's mortgage originations of \$1.05 billion was an increase of 37.2% over the \$765.2 million recorded for the same period of 2003.
- Net impaired loans at September 30, 2004 represented 0.32% of the total portfolio, comparable to 0.32% at June 30, 2004 and 0.32% recorded in the same quarter last year. The Company continues to adhere to highly-effective underwriting and risk-management techniques.

The Company's Board of Directors has declared a quarterly dividend of \$0.03 per share payable on December 1, 2004 to shareholders of record at the close of business on November 15, 2004.

While the Bank of Canada has increased its key lending rate, there is no indication that recent or anticipated increases in interest rates will adversely affect the Company's core business activities to any significant degree. In fact, the Company is experiencing exceptional growth in all aspects of its business activities.

This is attributable in part to the positive market factors that have shaped our operating environment. These factors include the number of building permits that have been issued, a vibrant residential housing construction sector, favourable mortgage rates, steady consumer demand for new homes, plus recent and projected population growth in a number of the Company's geographic business areas. Additionally, the Company continues to experience an increase in market share and we expect these positive conditions to remain in effect well into the foreseeable future.

Home Capital has a proven, sustainable business model and operates in a large, underserved residential niche market that still has a very large untapped potential. We remain confident that the Company is on track to meet or exceed its targets for the balance of the year and into 2005.

GERALD M. SOLOWAY
President & Chief Executive Officer
October 21, 2004

WILLIAM A. DIMMA
Chairman of the Board

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 \$11.6 million for the third quarter, compared with \$7.9 million in the third quarter of 2003 and \$32.3 million for the nine months ending September 2004 compared to \$20.8 million for the same period last year. This increase over the prior comparable periods was due to the following factors:

- Total interest and dividend income was \$40.6 million for the three months ended September 30, 2004 as compared to \$31.5 million for September 30, 2003 and \$113.6 million for the nine months ended September 30, 2004 compared to \$90.0 million at September 30, 2003.
- Net interest income increased by 38.1% and 34.8%, respectively, to \$20.6 million for the quarter and \$57.3 million for the nine months ended September 30, 2004. This compares to \$14.9 million for the quarter and \$42.5 million for the nine months of September 2003.
- Non-interest income was \$7.9 million for the quarter and \$22.3 million for the nine months ended September 30, 2004. These results are an increase over the \$5.6 million for the quarter and \$12.9 million for the nine months of September 2003.
- Non-interest expenses increased by \$1.9 million to \$9.9 million in the third quarter of 2004 over the \$8.0 million reported for the September 2003 quarter ended. The nine month non-interest expenses amounted to \$28.8 million for September 2004, an increase of 22.8% over the \$23.5 million reported for the nine months of September 2003. As the increase in the total income exceeded the increase in the total expenses, the productivity ratio improved from 38.9% for the three months ended September 2003 to 34.6% for the third quarter of 2004. The nine months productivity ratio for 2004 was 36.2% compared to 42.3% for the same nine month period in 2003.

Net Interest Income

Net interest income is the difference between income earned on loans and investments and the interest paid on deposits and any other borrowings to fund those investments. Net interest income was \$20.6 million this quarter, an increase of \$5.7 million or 38.1% over the third quarter of 2003. The nine months net interest income was \$57.3 million, an increase of \$14.8 million or 34.8% over the nine months of 2003.

This increase is due to the rise in interest and dividend income of \$9.1 million over the quarter and \$23.6 million over the nine months ended September 30, 2003. These increases were the result of the growth of the loan portfolio, which grew to \$2.04 billion at September 30, 2004 as compared to \$1.52 billion at September 30, 2003.

Interest expense grew by \$3.4 million quarter over quarter and \$8.8 million for the nine months ended September 30, 2004 over September 30, 2003. The interest spread on the core business of loan lending over deposit taking improved to 3.8% for the quarter and nine months of 2004, compared to 3.6% for the third quarter and 3.7% for the nine months of 2003.

The mortgage operation continues to be the principal contributor to the increase in the net interest income at \$15.9 million for the third quarter 2004, compared to \$11.4 million for the third quarter last year and \$45.2 million for the nine months ended September 2004 compared to \$31.1 million for the same period last year.

Provision for Credit Losses

The Company expensed \$1.3 million in the latest quarter and \$3.0 million year-to-date through the provisions for credit losses, compared to \$1.1 million and \$2.9 million last year. 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 \$12.7 million at September 30, 2004, an increase of \$3.2 million over the \$9.5 million at September 30, 2003 and a \$2.4 million rise over the \$10.3 million allowance at December 31, 2003. At September 30, 2004 net impaired loans increased to \$6.5 million compared to \$5.1 million at December 31, 2003 and \$4.9 million at September 30, 2003. This quarter the Company experienced a small net loss in its residential mortgage portfolio of \$1,300 which is the first loss in this portfolio in the last two and a half years.

Non-Interest Income

Total non-interest income was \$7.9 million for the quarter and \$22.3 million for the nine months, an increase of \$2.3 million and \$9.4 million from the same periods in 2003. All components of the non-interest income realized increases with the mortgage operation as the largest contributor to non-interest income with fees and securitization income at \$6.6 million for the quarter and \$17.2 million for the nine months of 2004. The consumer lending line of business contributed \$1.3 million of fee income in this quarter and \$3.6 million for the nine months, an increase over the \$1.1 million for the third quarter and \$2.8 million for the nine months of 2003.

The Company issued four MBS pools in the third quarter, consisting of \$82.9 million of Canada Mortgage and Housing Corporation insured residential mortgages for a total of \$211.5 million in securitizations for 2004 year-to-date. This represents an increase of \$89.1 million over the \$122.4 million total in the same period of 2003. Income from securitizations of \$3.5 million were realized in the quarter and \$9.0 million for the nine months of 2004, up from the \$2.6 million and \$6.1 million realized in the quarter and nine months of 2003 respectively. Total MBS funds under administration at the end of September 2004 reached \$455.3 million. These securities were sold without recourse, and the Company continues to service these mortgages.

The investment in the other securities portfolio realized net gains of \$1.5 million for the nine months compared with net losses of \$1.5 million in the same nine months last year.

Non-Interest Expenses

Total non-interest expenses for the three months ended September 30, 2004 were \$9.9 million, an increase of 23.6%, or \$1.9 million, over the third quarter of 2003 and up by 22.8%, or \$5.4 million, over the nine months ended September 30, 2003. Non-interest expenses for the consumer lending line of business remained relatively constant to the 2003 periods, at \$1.5 million for this quarter and \$4.5 million for the nine months, as compared to \$1.6 million and \$4.3 million for last year.

Salaries and staff benefits rose by \$0.7 million, or 21.7%, over the quarter ended September 30, 2003 and \$2.0 million, or 19.8%, over the same nine months of 2003. This growth is the result of additional personnel required to support the continued growth of the core mortgage lending business and part-time help over the summer and into the month of September. The Company ended this quarter with 212 employees as compared to 191 employees at the year end, and 185 on September 30, 2003.

General and administrative expenses increased by \$1.0 million for the third quarter and \$2.9 million for the nine months over the same periods last year. 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 net interest income plus fee income, ended the quarter at 34.6% and 36.2% for the nine months ended September 30, 2004. This is an improvement when compared to the 38.9% for the quarter and 42.3% for the nine months ended September 30, 2003.

Balance Sheet

Total assets as at September 30, 2004 were \$2.35 billion, an increase of \$587.9 million, or 33.3%, over the \$1.76 billion reported a year ago and up by \$454.3 million, or 24.0%, over the December 31, 2003 balance of \$1.90 billion. Growth in the loan portfolio of \$521.2 million, or 34.4%, contributed to most of the year-over-year asset increase. Residential mortgages contributed \$496.4 million to the loan portfolio's growth and consumer lending added \$29.5 million. Other mortgages (non-residential) decreased by \$1.5 million. MBS receivables added \$14.3 million to total assets. Deferred development costs resulting from the establishment of the credit card operation decreased by \$0.7 million over September 30, 2003 from the ongoing amortization of this asset. The Company's investment securities portfolio increased by \$65.1 million, and cash resources decreased by \$19.2 million. Other assets increased by \$6.7 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.

Liabilities in this quarter rose to \$2.20 billion, an increase of \$550.0 million, or 33.3%, over the \$1.65 billion reported at September 30, 2003. Most of this year-over-year increase is related to the growth in deposits of \$519.2 million. The increase in deposit liabilities funded most of the loan portfolio growth. Retained earnings and other liabilities funded the remaining mortgage growth and the increase in the securities and other assets offset by the decrease in cash resources. Other liabilities (Note 5) increased by \$28.6 million, or 35.4%, over the \$80.8 million reported at September 30, 2003. This growth was principally the result of increases in accrued interest payable of \$16.0 million, which related to the rise in deposits and borrowings. Accounts payable and accrued liabilities contributed \$4.2 million and the increase in deferred commitment fees added \$3.0 million, due to the growth of the mortgage loan portfolio. Future income tax liabilities increased by \$5.0 million over September 30, 2003 as a consequence of the increase in the Ontario effective tax rate. The Ontario statutory rate increased to 14.0% on January 1, 2004 from the 12.5% rate effective in 2003.

Shareholders' equity rose to \$151.2 million, an increase of \$37.9 million, or 33.5%, over \$113.3 million at September 30, 2003. This growth was internally generated from the net earnings for the twelve months of \$41.0 million, less \$4.0 million for dividends paid and payable to shareholders. The remaining \$0.8 million was from the proceeds received on the exercise of Company share options and \$0.1 million for the amortization of 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 of 2003 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 the first six months, the Company closed this short position, realizing a \$0.7 million loss which was netted against other interest income. During the third quarter the Company did not enter into any other trading positions.

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 September 30, 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 \$0.8 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 September 30, 2004, liquid assets amounted to \$121.5 million, up 47.9% from the \$82.1 million held at September 30, 2003.

Credit Risk

The provision for credit losses expensed during the third quarter was \$1.3 million, which is up from \$0.9 million that was expensed in the second quarter 2004, and from the \$1.1 million in the third quarter of last year. The credit quality of the loan portfolio remains strong, with total net impaired loans ("NILs") at \$6.5 million at September 30, 2004 compared to \$5.1 million at December 31, 2003 and \$4.9 million at September 30, 2003. These levels represent NILs of 0.32% of the total loan portfolio for this quarter and the third quarter of 2003 compared to the 0.31% reported at December 31, 2003 quarter end.

The composition of the Company's mortgage portfolio consists of 96.9% residential, 2.4% store and apartments, and 0.7% non-residential. Within the residential mortgage portfolio, 5.7% is insured by Canada Mortgage and Housing Corporation. First mortgages represent 99.6% of the total mortgage portfolio.

As of September 30, 2004 the gross credit card receivable balance totalled \$59.3 million, comprised of \$55.5 million, or 93.6% in accounts secured either by cash deposits or residential mortgage collateral, and \$3.8 million, or 6.4% which is unsecured. The total credit approved includes \$87.0 million in secured and \$6.2 million in unsecured credit as compared with \$35.1 million in secured and \$7.0 million unsecured at September 30, 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 \$45.0 million of the credit card receivable balance as at September 30, 2004 as compared to \$15.2 million at September 30, 2003. Cash security deposits on credit card accounts amounted to \$17.2 million, and are included in the Company's deposits and borrowings.

Write-offs applied against the accumulated allowance for credit losses realized on loans for the third quarter of 2004 were \$296,000 as compared to the second quarter of 2003 at \$313,000. Write-offs realized on loans year-to-date are \$0.9 million compared to \$1.0 million for the same period last year. All these losses, with the exception of \$1,300 for the mortgage loans, were related to the unsecured loans in the consumer lending operation. Last year's losses for the nine month period consisted of \$7,000 on mortgage loans (which were subsequently recovered in the fourth quarter last year) and \$1.0 million in the consumer lending operation.

The Company has ensured that it is well positioned for any future unforeseen losses by establishing general allowances of \$12.7 million at September 30, 2004 as compared to the general allowances of \$10.3 million at December 31, 2003 and \$9.5 million at September 30, 2003. Total general allowances remained relatively stable at 104.0 basis points of the Company's risk weighted assets, up from 103.6 basis points on December 31, 2003 and the 103.2 basis points at September 30, 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 remained stable year-over-year at 11.8% for September 30, 2004 and increased from the 11.7% reported at December 31 and September 30, 2003. The total capital ratio was 13.9% for this quarter, down from the 14.2% reported at September 30, 2003 and the 14.0% reported at December 31, 2003. This decrease in the total capital ratio is a result of the strong growth in Home Trust's total assets of 33.5% from September 30, 2003 to September 30, 2004, and risk-weighted assets increased by 33.3%, while capital grew by 29.9% over the same twelve month period. The Company instituted dividend payments from Home Trust Company to Home Capital, the parent, in the amount of \$2.0 million for the 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 third quarter and nine months of 2004, all lines of business improved their results, compared to the same periods of 2003, refer to Note 8.

Mortgage Business

The Company's principal line of business contributed \$9.7 million and \$27.5 million to net income for the quarter and nine months ended September 30, 2004, as compared to \$7.5 million and \$19.2 million for the same periods in September 2003. The total value of new mortgages advanced in the third quarter and nine months of 2004 amounted to \$414.7 million and \$1.05 billion, as compared to \$321.7 million and \$765.2 million for the same periods in September 2003.

The Company securitized \$82.9 million of residential mortgages in the third quarter and a total of \$211.5 million for the nine months of this year, realizing total income on securitization of \$3.5 million for the quarter and \$9.0 million year-to-date. This was up from the \$122.4 million securitized in the nine months of last year with income of \$6.1 million. This will continue to be a contributor to the Company's income, however the mortgage lending business will still be the major contributor.

The second mortgage program is carried on by way of an agreement with Regency Finance Corp. ("Regency"), whereby the Company acts as Regency's agent in offering second mortgage loans. This program is now one year old having been launched in the fourth quarter of 2003. During the third quarter of 2004, second mortgages totalling \$5.6 million were advanced under this agreement, for a total of \$13.6 million in the nine months of 2004.

As of September 30, 2004 the Company held \$15.8 million in notes of these securitized pools. These notes have a yield of 8.0% with an average duration of 3.6 years. The Company also receives additional fee income for servicing and administering these mortgages for Regency and this additional income amounted to 0.93%, on an annualized basis. This business also provides the Company with additional opportunities in the residential first mortgage market.

Consumer Lending - Retail Services and Credit Cards

This line of business contributed \$0.9 million to net income for the three months ended and \$2.1 million for the nine months ended September 30, 2004 largely due to the growth in the Equity Plus VISA portfolio. Equity Plus VISA amounts to \$45.0 million at September 30, 2004 and comprises 75.9% of the credit card receivable balance of \$59.3 million, carrying an average interest rate of 12.1% on unpaid balances. The non-interest expenses have remained under \$1.7 million for each of the 2004 quarters, which illustrates the efficiencies realized as the portfolio continues to grow.

Outlook

Home Capital is committed to serving selected segments of the financial services marketplace that are not being served by major financial institutions. The Company anticipates continued strong housing demand, and that increases in interest rates will be moderate and gradual. As a result of the favourable economic climate, the strengthened Canadian dollar, the Company's strategic positioning, prudent risk management and proven operational effectiveness, Home Capital anticipates strong financial performance and profitable growth throughout the balance of 2004 and into 2005.

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 ended September 30, 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 September 30, 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
October 21, 2004

Cathy A. Sutherland, CA

Treasurer

Consolidated Statements of Income

	Three Months Ended		Nine Months Ended	
	September 30 2004	September 30 2003	September 30 2004	September 30 2003
<i>In Thousands of Dollars, Except Per Share Amounts (Unaudited)</i>				
Income				
Interest from Loans	\$ 37,801	\$ 29,087	\$ 106,106	\$ 81,281
Dividends from Securities	1,282	1,411	4,322	6,002
Other Interest	1,559	1,048	3,143	2,715
	40,642	31,546	113,571	89,998
Interest Expense				
Interest on Deposits & Borrowings	20,005	16,598	56,231	47,455
Net Interest Income	20,637	14,948	57,340	42,543
Provision for Credit Losses (Note 2)	1,291	1,100	2,964	2,881
	19,346	13,848	54,376	39,662
Non-interest Income				
Fees and Other Income	4,372	3,084	11,844	8,326
Securitization Income on Mortgage-Backed Securities	3,514	2,575	8,991	6,078
Gain (Loss) on Sale and Redemption of Securities	27	(52)	1,479	(1,469)
	7,913	5,607	22,314	12,935
	27,259	19,455	76,690	52,597
Non-interest Expenses				
Salaries and Staff Benefits	4,089	3,359	11,782	9,832
Premises	604	439	1,822	1,305
General and Administration	5,191	4,201	15,214	12,326
	9,884	7,999	28,818	23,463
INCOME BEFORE INCOME TAXES	17,375	11,456	47,872	29,134
Income Taxes				
Current	4,871	3,020	12,214	7,867
Deferred	954	551	3,378	496
	5,825	3,571	15,592	8,363
NET INCOME	\$ 11,550	\$ 7,885	\$ 32,280	\$ 20,771
NET INCOME PER COMMON SHARE				
Basic (Note 6)	\$ 0.34	\$ 0.24	\$ 0.96	\$ 0.62
Fully Diluted (Note 6)	\$ 0.33	\$ 0.23	\$ 0.92	\$ 0.61
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (Thousands)				
Basic (Note 6)	33,562	33,511	33,606	33,515
Fully Diluted (Note 6)	34,977	34,564	34,989	34,413
Total Number Of Outstanding Common Shares	33,754	33,509	33,754	33,509
Book Value Per Share	\$ 4.48	\$ 3.38	\$ 4.48	\$ 3.38

Consolidated Balance Sheets

<i>In Thousands of Dollars (Unaudited)</i>	September 30 2004	December 31 2003	September 30 2003
ASSETS			
Cash Resources			
Deposits with Regulated Financial Institutions	\$ 33,821	\$ 30,100	\$ 26,058
Treasury Bills Guaranteed by Canada	-	36,751	26,965
	33,821	66,851	53,023
Securities			
Issued or Guaranteed by Canada	96,312	55,685	35,569
Issued or Guaranteed by Provinces	799	798	500
Other Securities	115,755	112,784	111,743
	212,866	169,267	147,812
Loans			
Personal and Credit Card Loans	68,823	46,619	39,325
Residential Mortgages	1,920,150	1,511,311	1,423,719
Other Mortgages	60,939	60,671	62,399
General Allowance for Credit Losses (Note 2)	(12,727)	(10,300)	(9,473)
	2,037,185	1,608,301	1,515,970
Other			
Mortgage-Backed Securities Receivable	30,584	21,584	16,313
Capital Assets	2,607	1,893	2,095
Deferred Development Costs	1,627	2,167	2,317
Other Assets (Note 4)	32,822	27,113	26,108
	67,640	52,757	46,833
	\$ 2,351,512	\$ 1,897,176	\$ 1,763,638
LIABILITIES			
Term Loan	10,000	10,000	10,000
Subordinated Term Loan	3,000	4,000	4,000
Deposits			
Payable on Demand	7,968	13,980	7,692
Payable on a Fixed Date	2,059,509	1,650,123	1,540,537
	2,080,477	1,678,103	1,562,229
Other			
Cheques and Other Items in Transit	10,405	6,195	7,299
Other Liabilities (Note 5)	109,432	91,712	80,818
	119,837	97,907	88,117
	2,200,314	1,776,010	1,650,346
SHAREHOLDERS' EQUITY			
Capital Stock	32,420	31,734	31,623
Contributed Surplus (Note 7)	137	33	-
Retained Earnings	118,641	89,399	81,669
	151,198	121,166	113,292
	\$ 2,351,512	\$ 1,897,176	\$ 1,763,638

Consolidated Statements of Changes in Shareholders' Equity

<i>In Thousands of Dollars (Unaudited)</i>	For the Three Months Ended		For the Nine Months Ended	
	September 30 2004	September 30 2003	September 30 2004	September 30 2003
CAPITAL STOCK				
Class A Convertible Shares				
Balance at Beginning of the Period	\$ -	\$ -	\$ -	\$ 576
Conversion to Class B Subordinated Voting Shares	-	-	-	(576)
Balance at End of the Period	-	-	-	-
Common Shares				
Balance at Beginning of the Period	32,283	31,572	31,734	31,354
Conversion from Class A Convertible Shares	-	-	-	576
Proceeds of Options Exercised	137	51	686	173
Redemption of Shares	-	-	-	(480)
Balance at End of the Period	32,420	31,623	32,420	31,623
Total Capital Stock	\$ 32,420	\$ 31,623	\$ 32,420	\$ 31,623
CONTRIBUTED SURPLUS				
Balance at Beginning of the Period	\$ 91	\$ -	\$ 33	\$ -
Amortization of Fair Value of Employee Stock Options (Note 7)	46	-	104	-
BALANCE AT END OF THE YEAR	\$ 137	\$ -	\$ 137	\$ -
RETAINED EARNINGS				
Balance at Beginning of the Period	\$ 108,104	\$ 74,413	\$ 89,399	\$ 62,656
Net Income for the Period	11,550	7,885	32,280	20,771
Dividends Paid During the Period	-	-	(2,025)	(1,129)
Dividends Declared During the Period	(1,013)	(629)	(1,013)	(629)
BALANCE AT END OF THE PERIOD	\$ 118,641	\$ 81,669	\$ 118,641	\$ 81,669

Consolidated Statements of Cash Flows

	Three Months Ended		Nine Months Ended	
	September 30 2004	September 30 2003	September 30 2004	September 30 2003
<i>In Thousands of Dollars (Unaudited)</i>				
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income for the Period	\$ 11,550	\$ 7,885	\$ 32,280	\$ 20,771
Adjustments to Determine Net Cash Flows Relating to Operating Activities:				
Future Income Taxes	954	551	3,378	496
Amortization of Capital Assets	201	199	541	535
Amortization of Securities	(81)	(41)	(196)	100
Amortization of Deferred Financing Costs	15	14	44	42
Amortization of Deferred Development Costs	180	150	540	450
Provision for Credit Losses	1,291	1,100	2,964	2,881
Change in Accrued Interest Receivable	(1,032)	(861)	(1,855)	(1,618)
Change in Accrued Interest Payable	4,334	2,691	9,812	9,591
(Gain) Loss on Sale of Securities	(27)	52	(1,479)	1,469
Gain on Sale of Mortgage-Backed Securities	(3,514)	(2,575)	(8,991)	(6,078)
Change in Mortgage-Backed Securities Receivable	2,458	1,378	6,118	3,269
Change in Other Assets	(35)	(1,333)	(3,898)	(1,910)
Change in Cheques and Other Items in Transit	(1,331)	(3,175)	4,210	1,473
Change in Other Liabilities	1,431	3,266	4,523	6,908
Amortization of Fair Value of Employee Stock Options (Note 7)	46	-	104	-
Cash Provided by Operating Activities	16,440	9,301	48,095	38,379
FINANCING ACTIVITIES				
Issuance of Subordinated Term Loan	-	-	-	5,000
Repayments for Subordinated Secured Loan	-	-	-	(5,000)
Deferred Financing Costs	-	-	-	(67)
Repayment of Subordinated Term Loan	(1,000)	(1,000)	(1,000)	(1,000)
Net Increase in Deposits	148,898	134,073	403,374	333,049
Issuance of Capital Stock	137	51	686	173
Normal Course Issuer Bid	-	-	-	(480)
Dividends Paid	(1,013)	(628)	(3,031)	(1,632)
Cash Provided by Financing Activities	147,022	132,496	400,029	330,043
INVESTING ACTIVITIES				
Activity in Securities				
Purchases	(26,722)	(32,693)	(78,585)	(80,380)
Proceeds on Sales	385	16,758	12,090	41,221
Proceeds on Maturities	6,673	3,557	24,571	19,539
Activity in Mortgages				
Net Increase	(249,830)	(170,477)	(620,308)	(430,073)
Proceeds from Securitization of Mortgage-Backed Securities	80,614	42,853	205,348	119,283
Purchased Mortgages	-	(25,388)	-	(25,388)
Net Increase in Personal and Credit Card Loans	(8,280)	(5,202)	(23,015)	(14,701)
Purchases of Capital Assets	(154)	(95)	(1,255)	(435)
Cash Used in Investing Activities	(197,314)	(170,687)	(481,154)	(370,934)
Net Increase in Cash and Cash Equivalents	(33,852)	(28,890)	(33,030)	(2,512)
Cash and Cash Equivalents at the Beginning of the Period	67,673	81,913	66,851	55,535
Cash and Cash Equivalents at the End of the Period	\$ 33,821	\$ 53,023	\$ 33,821	\$ 53,023
Supplementary Disclosure of Cash Flow Information				
Amount of Interest Paid During the Period	\$ 15,671	\$ 13,907	\$ 46,418	\$ 37,864
Amount of Income Taxes Paid During the Period	3,956	3,181	13,712	7,304

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

<i>In Thousands of Dollars</i>	As At September 30, 2004			
	Gross Amount of Impaired Loans		Specific Allowances	Carrying Value
Personal and Credit Card Loans	\$ 202	\$ 202	\$ -	-
Residential Mortgages	6,463	-	-	6,463
Other Mortgages	-	-	-	-
	\$ 6,665	\$ 202	\$ -	\$ 6,463
	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 September 30, 2003			
Personal and Credit Card Loans	\$ 324	\$ 315	\$ -	9
Residential Mortgages	4,636	-	-	4,636
Other Mortgages	294	-	-	294
	\$ 5,254	\$ 315	\$ -	\$ 4,939

(B) Allowance for Credit Losses

<i>In Thousands of Dollars</i>	For the Nine Month Period Ended September 30, 2004			
	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	537	2,427	-	2,964
Write-offs	(1,049)	-	-	(1,049)
Recoveries	140	-	-	140
Balance at the End of the Period	\$ 202	\$ 12,727	\$ -	\$ 12,929
	For the Nine Month Period Ended December 31, 2003			
Balance at the Beginning of the Period	\$ 312	\$ 8,299	\$ -	8,611
Provisions for Credit Losses for the Current Period	1,185	2,001	-	3,186
Write-offs	(1,075)	-	-	(1,075)
Recoveries	152	-	-	152
Balance at the End of the Period	\$ 574	\$ 10,300	\$ -	\$ 10,874
	For the Nine Month Period Ended September 30, 2003			
Balance at the Beginning of the Period	\$ 383	\$ 7,556	\$ -	7,939
Provisions for Credit Losses for the Current Period	964	1,917	-	2,881
Write-offs	(1,178)	-	-	(1,178)
Recoveries	146	-	-	146
Balance at the End of the Period	\$ 315	\$ 9,473	\$ -	\$ 9,788

Notes to the Interim Unaudited Consolidated Financial Statements - Continued

3. LOAN SECURITIZATION

During the third quarter 2004, the Company securitized government guaranteed residential mortgage loans through the creation of Mortgage-Backed Securities of \$82.9 million (\$43.9 million - Q3 2003). The Company retained the rights to future excess interest on the residential mortgages valued at \$6.5 million (\$3.9 million - Q3 2003) and received cash flows on the securitization of these residential mortgages of \$80.6 million (\$42.9 million - Q3 2003). The gain on sale, net of transaction fees and expenses, was \$3.7 million (\$2.4 million - Q3 2003). The key assumptions used to value the sold and retained interests included a prepayment rate of 6.5% (7.0% - Q3 2003), an excess spread of 2.7% (3.2% - Q3 2003) and a discount rate of 3.6% (3.8% - Q3 2003). There are no expected credit losses as the mortgages are government guaranteed.

4. OTHER ASSETS

<i>In Thousand of Dollars</i>	September 30		December 31		September 30	
	2004		2003		2003	
Accrued Interest Receivable	\$	11,442	\$	9,587	\$	9,299
Deferred Agent Commission		8,325		6,290		5,991
Goodwill		2,324		2,324		2,324
Other Prepaid Assets and Deferred Items		10,731		8,912		8,494
	\$	32,822	\$	27,113	\$	26,108

5. OTHER LIABILITIES

<i>In Thousand of Dollars</i>	September 30		December 31		September 30	
	2004		2003		2003	
Accrued Interest Payable	\$	72,742	\$	62,930	\$	56,797
Income Taxes Payable		1,813		1,908		1,736
Dividends Payable		1,013		1,006		629
Deferred Commitment Fees		7,044		4,571		4,013
Future Income Taxes		12,385		9,007		7,380
Other, Including Accounts Payable and Accrued Liabilities		14,435		12,290		10,263
	\$	109,432	\$	91,712	\$	80,818

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 /Shares</i>	September 30		December 31		September 30	
	2004		2003		2003	
	Number Of Shares	Amount	Number Of Shares	Amount	Number Of Shares	Amount
Common Shares	33,754	\$ 32,420	33,534	\$ 31,734	33,509	\$ 31,623
Share Purchase Options						
Outstanding, End of Period	1,346		1,501		1,358	
Exercisable, End of Period	699		651		668	

Notes to the Interim Unaudited Consolidated Financial Statements - Continued

7. STOCK BASED COMPENSATION

During the third quarter and nine months of 2004, for all options issued after January 1, 2003, the Company recognized a compensation expense of \$46,000 and \$104,000 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 for the nine months ended September 30, 2004 by \$173,000.

8. EARNINGS BY BUSINESS SEGMENT

Thousands of Dollars (Unaudited) For the Three Months Ended

	Consumer Lending							
	Mortgage Business		Retail Services & Credit Cards		Other		Total	
	Sept. 30 2004	Sept. 30 2003	Sept. 30 2004	Sept. 30 2003	Sept. 30 2004	Sept. 30 2003	Sept. 30 2004	Sept. 30 2003
Net Interest Income	\$ 15,901	\$ 11,432	\$ 1,941	\$ 1,370	\$ 2,795	\$ 2,146	\$ 20,637	\$ 14,948
Provisions for Credit Losses	(971)	(798)	(320)	(302)	-	-	(1,291)	(1,100)
Fees and Other Income	3,062	1,986	1,298	1,098	12	-	4,372	3,084
Gain (Loss) on Sale of Securities & Mortgage-Backed Securities	3,514	2,575	-	-	27	(52)	3,541	2,523
Non-interest Expense	(7,303)	(4,394)	(1,522)	(1,553)	(1,059)	(2,052)	(9,884)	(7,999)
Income Before Income Taxes	14,203	10,801	1,397	613	1,775	42	17,375	11,456
Income Taxes	(4,475)	(3,331)	(504)	(225)	(846)	(15)	(5,825)	(3,571)
Net Income	\$ 9,728	\$ 7,470	\$ 893	\$ 388	\$ 929	\$ 27	\$ 11,550	\$ 7,885

Thousands of Dollars (Unaudited) For the Nine Months Ended

	Consumer Lending							
	Mortgage Business		Retail Services & Credit Cards		Other		Total	
	Sept. 30 2004	Sept. 30 2003	Sept. 30 2004	Sept. 30 2003	Sept. 30 2004	Sept. 30 2003	Sept. 30 2004	Sept. 30 2003
Net Interest Income	\$ 45,160	\$ 31,130	\$ 5,213	\$ 3,612	\$ 6,967	\$ 7,801	\$ 57,340	\$ 42,543
Provisions for Credit Losses	(2,050)	(1,926)	(914)	(955)	-	-	(2,964)	(2,881)
Fees and Other Income	8,225	5,559	3,597	2,767	22	-	11,844	8,326
Gain (Loss) on Sale of Securities & Mortgage-Backed Securities	8,991	6,078	-	-	1,479	(1,469)	10,470	4,609
Non-interest Expense	(19,192)	(14,119)	(4,541)	(4,255)	(5,085)	(5,089)	(28,818)	(23,463)
Income Before Income Taxes	41,134	26,722	3,355	1,169	3,383	1,243	47,872	29,134
Income Taxes	(13,638)	(7,480)	(1,212)	(428)	(742)	(455)	(15,592)	(8,363)
Net Income	\$ 27,496	\$ 19,242	\$ 2,143	\$ 741	\$ 2,641	\$ 788	\$ 32,280	\$ 20,771

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

Corporate Directory and Shareholder Information

HOME CAPITAL GROUP INC.

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

Directors

William A. Dimma
Chairman of the Board
John M. Christodoulou
Hon. William G. Davis P.C., C.C., Q.C.
Harvey F. Kolodny
John M. E. Marsh
Robert A. Mitchell, C.A.
Sheila L. Ross
Gerald M. Soloway

Officers

Gerald M. Soloway
*President and
Chief Executive Officer*

W. Roy Vincent
*Senior Vice President
and Chief Operating Officer*

Nick Kyprianou
Brian R. Mosko
Brian E. Wilson, C.A.
Senior Vice Presidents

Cathy A. Sutherland, C.A.
Treasurer

Sharron I. Hatton
Corporate Secretary

Auditors

*Home Capital Group Inc.
Home Trust Company*
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
Toronto, Ontario M5J 2Y1
Tel: 1-800-564-6253

Capital Stock

As at September 30, 2004 there were
33,753,640 Common Shares outstanding

Stock Listing

Toronto Stock Exchange
Ticker Symbol: HCG

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
Nick Kyprianou *
John M. E. Marsh

Robert A. Mitchell, C.A.
Sheila L. Ross
Gerald M. Soloway
W. Roy Vincent

* Appointed at Board of Directors
meeting of October 20, 2004.

BRANCHES

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Pierre Lafleur
Bobby Ramgoolam
Agostino Tuzi

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Manager, Equity Plus VISA
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Marguerite Ryan

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Brad Hamilton
Craig Perigo

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Ed Arnone

Manager, Mortgage Lending
Lorie Martin

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Regional Managers, Mortgage Lending
Scott Congdon
Jeff Ayer

For Shareholder Information, Please Contact:

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Websites

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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.