



HOME CAPITAL GROUP INC.

Second Quarter Report June 30, 2005

Financial Highlights

	Three Months Ended		Six Months Ended	
<i>For the Period Ended June 30 (Unaudited) In Thousands of Dollars (Except Per Share and Percentage Amounts)</i>	2005	2004	2005	2004
OPERATING RESULTS				
Net Income	\$ 14,638	\$ 10,700	\$ 28,214	\$ 20,730
Total Revenue	59,630	44,558	115,540	87,330
Earnings per Share - Basic	\$ 0.43	\$ 0.32	\$ 0.83	\$ 0.62
- Fully Diluted	0.41	0.30	0.80	0.59
Return on Shareholders' Equity	32.18%	31.58%	32.13%	31.69%
Return on Average Assets	2.09%	2.05%	2.07%	2.03%
Efficiency Ratio	35.88%	36.74%	35.96%	37.05%
Efficiency Ratio (TEB)**	35.23%	35.72%	35.26%	35.84%
(Non-interest Expense/Net Interest Income Plus Fee Income)				
BALANCE SHEET HIGHLIGHTS				
Total Assets			\$ 2,888,856	\$ 2,187,506
Loans			2,473,525	1,863,239
Deposits			2,541,400	1,918,579
Common Shareholders' Equity			189,006	140,478
Mortgage-Backed Security Assets Under Administration			626,064	403,362
FINANCIAL STRENGTH				
Capital Measures				
Risk Adjusted Assets*			\$ 1,481,756	\$ 1,131,319
Tier 1 Capital Ratio*			12.30%	11.94%
Total Capital Ratio*			14.18%	14.14%
Credit Quality				
Net Impaired Loans % of Gross Loans			0.53%	0.32%
Allowance % of Gross Impaired Loans			115.46%	188.90%
Annualized Provision % of Gross Loans			0.16%	0.20%
Share Information				
Book Value per Common Share			\$ 5.57	\$ 4.17
Common Share Price – Close			36.51	22.25
Market Capitalization			1,238,123	750,128
Common Shares Outstanding - Number			33,912	33,714

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

** See definition of TEB on page 2 of this interim consolidated financial report.

Home Trust Company www.hometrusted.ca

Home Capital Group Inc. www.homecapital.com

****Taxable Equivalent Basis**

Most banks and trust companies analyze revenue on a taxable equivalent basis (“TEB”) to provide uniform measurement and comparison of net interest income. Net interest income (as presented in the consolidated statements of income) includes tax-exempt income on certain securities. Since dividends received on these securities are not taxable, the rate of tax applicable to this income is significantly lower, which reduces the provision for income taxes. The TEB of \$0.7 million for the second quarter and \$1.4 million for the first six months of 2005 (Q2 2004 - \$0.8 million and Q4 2004 - \$0.7 million and six months of 2004 - \$1.7 million) increases the interest income and reduces the provision for income taxes. The TEB does not have a standard definition under generally accepted accounting principles and, therefore, may not be comparable to similar measures in other companies.

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 Earnings Increase by 36.8%
Return on Equity Reaches 32.2%
40th Consecutive Quarter (Ten Years) of Increased Earnings Growth**

Home Capital Group Inc. (Home Capital or the Company) (TSX: HCG) during the second quarter of 2005 continued the strong uninterrupted growth which it has delivered to shareholders over the past 10 years. During the second quarter, the Company had a return on equity of 32.2% and, when compared to the same period last year, a 36.8% increase in net income, a 32.1% increase in assets and an increase in fully diluted earnings per share of 36.7%. All business segments, including mortgage originations, Mortgage-Backed Securities (MBS) and VISA operations, continued to perform superbly.

- Net income for the second quarter reached \$14.6 million, a 36.8% increase over \$10.7 million for the same period last year. Net income for the first six months of 2005 rose by 36.1% to \$28.2 million from the \$20.7 million reported in the first half of 2004.
- Basic earnings per share increased by 34.4% to \$0.43, compared to \$0.32 for the comparable quarter of 2004. Fully diluted earnings per share rose by 36.7% to \$0.41 from \$0.30 reported in the second quarter of the prior year. Net income per share for the six month period went from \$0.62 to \$0.83, and on a fully diluted basis from \$0.59 to \$0.80.
- Return on equity during the second quarter was sustained at 32.2%, the same level as in the first quarter of this year and an increase from 31.6% in the second quarter of last year. For the first six months of 2005, return on equity was 32.1%.
- Total assets rose to \$2.89 billion, a 32.1% increase over \$2.19 billion recorded in the comparable quarter last year, and a 12.5% rise from the \$2.57 billion reached at the end of 2004. Total assets, including Mortgage-Backed Securities originated and administered by the Company, grew to \$3.51 billion from \$2.59 billion at June 30, 2004, up by 35.7%.
- Balances outstanding on the Equity Plus VISA portfolio were \$71.2 million at June 30, 2005, a rise of 95.1% over the \$36.5 million reported at June 30, 2004, and 28.3% higher than the \$55.5 million balance at the end of 2004.
- Net impaired loans by dollar value represented 0.53% of the total loan portfolio at close of the second quarter this year, compared to 0.40% at December 31, 2004 and 0.32% at June 30, 2004. This figure is higher partly because the average loan in arrears on June 30, 2004 was \$118,000 compared to \$157,000 at the end of June 2005. The average loan in arrears now is almost the same as the average loan outstanding in our mortgage portfolio. There has been no change in our underwriting and lending policies and the Company anticipates that the level of impaired loans will fluctuate somewhat over time, however the overall quality of the portfolio remains strong. The Company has had no net write-offs in the mortgage portfolio over the past 3½ years.

During the second quarter the Company issued \$93.1 million in MBS poolings of residential mortgages, generating \$4.2 million in revenues. The comparable figures for the second quarter of 2004 were \$82.0 million and \$3.2 million, respectively. The total MBS portfolio under administration stood at \$626.1 million on June 30, 2005, a 55.2% increase over \$403.4 million on the same date in 2004.

Subsequent to the end of the quarter, the Company's Board of Directors declared a quarterly dividend of \$0.04 per share. The dividend will be payable on September 1, 2005 to all shareholders of record at the close of business on August 15, 2005.

Home Trust (Société de Fiducie Home), on May 9, 2005, obtained a license to conduct business in the province of Quebec. To date, we have only used this license to expand our business relationship in the VISA merchant acquiring business partnership with First Data International.

As we enter the second half of 2005, Home Capital continues to see extraordinary growth opportunities in all our target markets. We continue to add talented individuals in all areas of our business and plans are underway to substantially expand our Toronto premises. This will provide the capacity for anticipated future growth and maintain the high level of service that our customers have come to expect.

We remain confident that we can continue to deliver future uninterrupted growth in earnings and assets as we have over the past 10 years.

GERALD M. SOLOWAY
President & Chief Executive Officer
July 28, 2005

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

This management's discussion and analysis ("MD & A") should be read in conjunction with the unaudited interim consolidated financial statements for the period ended June 30, 2005 included herein and the audited consolidated financial statements and MD & A for the year ended December 31, 2004. These are available on SEDAR at www.sedar.com or on pages 8 through 48 of the 2004 Annual Report. Except as discussed in the unaudited interim consolidated financial statements and MD & A, all other factors discussed and referred to in the MD & A for fiscal 2004 remain substantially unchanged. These interim consolidated financial statements and MD & A have been prepared based on information available as at July 28, 2005.

Critical Accounting Estimates

Critical accounting estimates which require management to make significant judgements, some of which are inherently uncertain, are included on page 10 of the 2004 Annual Report. These estimates are critical, since they refer to material amounts and require management to make estimates that, by their very nature, involve uncertainties. The preparation of the unaudited interim consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions, mainly concerning the valuation of items, which affect the amount reported. Actual results could differ from those estimated.

Accounting policies requiring critical accounting estimates include the allowance for credit losses, securitization of Mortgage-Backed Securities ("MBS"), future income tax liabilities and contingencies for litigation. Further information can be found under Notes 2, 3, and 8 of the unaudited interim consolidated financial statements.

2005 Performance and 2005 Objectives

Home Capital published its financial objectives for 2005 in the Company's 2004 Annual Report. The following table compares actual performance to date against these objectives.

2005 Performance and Objectives

		Six Months Ended June 30, 2005
	2005 Objectives	Actual Results *
Net Income	\$24.9 million for the six months	\$28.2 million or 36.1% over June 30, 2004
Fully Diluted Earnings per Share	\$0.71 per share for the six months	\$0.80 per share or 35.6% over June 30, 2004
Combined Total Assets and Assets Under Administration	\$3.11 billion for the 12 months	\$3.51 billion or 35.7% increase over June 30, 2004
Return on Equity	20%	32.1%
Efficiency Ratio (TEB)	36.0% to 43.0%	35.3%
Capital Ratio - Tier 1	9.5% minimum	12.3%
Capital Ratio - Total	12.0% minimum	14.2%
Provision for Loan Losses as a Percentage of Total Loans	0.2% to 0.3%	0.2%

* 2005 Actual Results is the current year income and revenue results over the same period in the prior year. Total asset growth is the increase over the past twelve months and performance ratio targets are for the current year-to-date, annualized.

Financial Highlights

Overview

Net income was \$14.6 million in the second quarter of 2005 compared with \$10.7 million for the second quarter of 2004, and \$28.2 million for the six months ending June 2005 compared to \$20.7 million for the same period last year. These increases are attributable to the following factors:

- Total interest and dividend income was \$48.9 million for the three months ended June 30, 2005 as compared to \$37.4 million for June 30, 2004 and \$94.2 million for the six months ended June 30, 2005 compared to \$72.9 million at June 30, 2004. The 32.1% growth in the Company's total assets year over year was a key factor contributing to the increase in interest and dividend income. During the second quarter the Company sold \$68.3 million of securities guaranteed by the Government of Canada which resulted in a gain of \$1.6 million recorded under Other Interest however, the Company also recorded a loss of \$0.9 million on the short position held of \$30.0 million Government of Canada Bonds (refer to Note 9 of the unaudited interim financial statements), resulting in a net gain of \$0.7 million.
- Net interest income increased by 34.1% and 32.5%, respectively, to \$25.5 million for the quarter and \$48.6 million for the six months ended June 30, 2005. This compares to \$19.0 million for the second quarter and \$36.7 million for the six months ended June 2004.
- Non-interest income was \$10.7 million for the quarter and \$21.4 million for the six months ended June 30, 2005. This represented an increase over the \$7.2 million reported for the quarter and \$14.4 million over the six months up to June 2004. These increases resulted from growth in the loan portfolio of 32.8% over June of last year. This growth generated increased fee income together with higher securitization income from Mortgage-Backed Securities. The Company securitized a total of \$179.0 million of insured mortgages in the first six months of 2005 compared to \$128.6 million in the same period of 2004.
- Non-interest expenses increased by \$3.4 million to \$13.0 million in the second quarter of 2005 over the \$9.6 million reported for the three months ending June 2004. Six month non-interest expenses amounted to \$25.2 million for June 2005, an increase of 33.0% over the \$18.9 million reported for the six months ended June 2004. The increase in 2005 over 2004 was related to the increase in employee headcount as well as the growth in variable expenses including referral fees, commission and insurance expenses related to higher overall business volumes. Increased expenses during the second quarter and six months of 2005 were more than offset by increases in revenues resulting in an improved efficiency ratio during the second quarter to 35.9% from 36.7% in the second quarter of June, 2004 and 36.0% for the six months ending June 30, 2005 compared to 37.1% for the same period in 2004.

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 \$25.5 million in the second quarter, an increase of \$6.5 million, or 34.1%, over the \$19.0 million reported in the same quarter of 2004. Six months net interest income was \$48.6 million, an increase of \$11.9 million or 32.5% over the \$36.7 reported in the same period of 2004. This increase was largely the result of the growth in interest earning assets of \$683.3 million over June 2004, compared to an increase of \$621.8 million in interest bearing liabilities. The net interest margin decreased slightly to 3.7% from 3.8% for the six months of June 2005 over June 2004, however for the second quarters ended June 2005 and June 2004 the net interest margin remained constant at 3.8%.

The mortgage lending line of business continues to be the primary contributor to the increase in net interest income at \$18.8 million for the second quarter of 2005 and \$36.7 for the six months ended June 2005, compared to \$15.4 million during the second quarter and \$29.3 million for the first six months of 2004.

The other income segment, which consists of security investments, increased by \$2.3 million for a total of \$4.2 million in the second quarter of 2005 over the \$1.9 million reported in the second quarter of 2004. The six months gain amounted to \$7.1 million in 2005, an increase of \$2.9 million over the \$4.2 million reported in the same period of 2004. As noted previously the Company sold \$68.3 million of government guaranteed securities which resulted in additional revenues of \$1.6 million in net interest income, however this was off-set by the \$0.9 million loss recorded on the short sale of the \$30.0 million of Government of Canada Bonds, netting \$0.7 million to the net interest income. The Company's holdings of short-term investments and securities increased by \$73.0 million, or 28.0%, to \$333.8 million at June 30, 2005 from the \$260.8 million reported at June 30, 2004 with improved yields in these portfolios.

Refer to Note 10 of the accompanying unaudited interim financial statements which summarizes the Company's interest rate risk position as at June 30, 2005. The cumulative dollar gap is in a deficiency (liabilities and off-balance sheet items exceed total assets) at the end of the twelve months at \$227.2 million, compared to \$259.2 million at December 31, 2004 and \$305.1 million at June 30, 2004. As shown in this note, the cumulative gap reverts to a surplus within a 1 to 3 year period for both June 30, 2005 and December 31, 2004 and over three years for June 30, 2004.

Provision for Credit Losses

The Company expensed \$1.0 million in the second quarter and \$2.0 million year-to-date, compared to \$0.9 million and \$1.7 million last year. This expense translates to 0.2% of total loans on an annualized basis. The Company continues to add to the general allowance for credit losses, primarily in response to the growth of the loan portfolio, and total assets. The total general allowance amounted to \$15.3 million at June 30, 2005, an increase of \$1.7 million over the \$13.6 million at December 31, 2004 and a \$3.6 million rise over the \$11.7 million allowance at June 30, 2004. Growth in the general allowance for the six and twelve month periods amounted to 12.4% and 31.0%, closely aligned with total asset growth of 12.5% and 32.1%.

At June 30, 2005 net impaired loans increased to \$13.2 million (0.53% of gross loans), compared to \$9.0 million (0.40% of gross loans) at December 31, 2004 and \$6.1 million (0.32% of gross loans) at June 30, 2004. The increase in net impaired loans has not resulted in increased loan write-offs as shown in Note 2 to the unaudited interim financial statements. Total loans written-off during the six months ended June 30, 2005 decreased to \$304,000 compared to \$510,000 and \$613,000 for the six months ended December 31 and June 30, 2004 respectively.

Non-Interest Income

Total non-interest income was \$10.7 million for the quarter and \$21.4 million for the six months of 2005, an increase of \$3.6 million and \$7.0 million from the quarter and six month periods of 2004.

The fees and other income component of non-interest income increased to \$5.6 million for the quarter and \$10.7 million for the first six months compared to \$4.1 million and \$7.5 million for the three and six months ending June 2004. The mortgage line of business contributed \$4.1 million in this quarter and \$7.9 million for the six months, compared to \$2.7 million and \$5.2 million for the second quarter and six months of 2004. The consumer lending line of business contributed \$1.5 million of fee income in this quarter and \$2.8 million for the six months, compared to \$1.4 million and \$2.3 million for the three and six months ending June 2004.

The Company issued three MBS pools in the second quarter, consisting of \$93.1 million of Canada Mortgage and Housing Corporation ("CMHC") insured residential mortgages for a total issuance of MBS pools in 2005 of \$179.0 million. This represents an increase of \$11.1 million over the \$82.0 million in MBS pools that were issued in the second quarter of 2004 and \$50.4 million over the \$128.6 issued during the first six months of 2004. Income of \$4.9 million from securitizations was realized in the quarter, and \$10.1 million for the six months ended June 30, 2005 up from \$2.9 million and \$5.5 million realized in the second quarter and first six months of 2004 respectively. This increase is the result of improved spreads on the cash flows from these securitizations. The spread for the six months ending June 30, 2005 on the new pools amounted to 2.7% compared to 2.5% for the pools issued in the first six months of 2004. Total MBS funds under administration at June 2005 reached \$626.1 million. These securities were sold without recourse, and the Company continues to service the mortgages.

Non-Interest Expenses

Total non-interest expenses for the three months ended June 30, 2005 were \$13.0 million, an increase of 35.3%, or \$3.4 million, over the second quarter of 2004 and up by 33.0%, or \$6.2 million, over the six months ending June 30, 2004. Non-interest expenses for the consumer lending line of business remained consistent with the 2004 periods, at \$1.6 million for this quarter and \$3.1 million for the six months, as compared to \$1.7 million in the second quarter and \$3.0 million in the first six months of last year.

Salaries and staff benefits for the latest quarter rose by \$1.4 million, or 37.2%, over the second quarter 2004 and \$2.4 million, or 31.2%, over the six month period ended June 30, 2004. This increase was the result of hiring additional personnel required to support the continued growth of the Company. The Company ended this quarter with 254 employees as compared to 228 employees at the end of 2004, and 211 on June 30, 2004.

General and administrative expenses increased by \$2.0 million over the second quarter of 2004, and \$3.9 million over the same six month period last year. This increase is related primarily to variable expenses that are volume driven. Lending growth has expanded the Company's requirement for deposits, which in turn increased deposit commissions and referral expenses.

The efficiency ratio, which is defined as non-interest expenses as a percentage of net interest income plus fee income, ended the second quarter at 35.9%, and 36.0% for the six months ended June 2005. This is an improvement when compared to 36.7% for the three months ended June 30, 2004 and 37.1% for the first six months of 2004. The increase in non-interest expenses during the second quarter and six months of 2005 was less than the increase in total revenues over both the same periods of 2004.

The Company continues to control all areas of expenses with the objective of remaining within the range of 36.0% to 43.0% efficiency ratio on a TEB. For the quarter ended June 30, 2005 the efficiency ratio on a TEB was 35.3%.

Income Taxes

The income tax expense amounted to \$7.6 million (effective rate of 34.2%) for the second quarter and \$14.6 million (effective rate of 34.1%) for the six months ending June 2004, compared to \$5.0 million (effective rate of 31.6%) for the second quarter and \$9.8 million (effective rate of 32.1%) in the first six months of 2004. Dividend income is non-taxable to financial institutions which results in a reduced rate of income tax to the Company. Also, the growth of revenues from the Company's operations in Western Canada allows the Company to realize lower provincial tax rates on a portion of its income. In the absence of tax free dividends, the effective tax rate would have been 36.2% for both the second quarter and the first six months of 2005.

Balance Sheet Assets

Total assets as at June 30, 2005 were \$2.89 billion, an increase of \$701.3 million, or 32.1%, over the \$2.19 billion reported one year ago and up by \$320.3 million, or 12.5%, over the December 2004 asset balance of \$2.57 billion.

Growth in the loan portfolio of \$610.3 million, or 32.8%, contributed to most of the year-over-year asset increase. Residential mortgages contributed \$576.0 million to the total loan portfolio growth, consumer lending added \$3.0 million, and other mortgages (non-residential) added \$4.9 million. MBS receivables added \$8.0 million to total assets. Deferred development costs resulting from the establishment of the credit card operation decreased by \$0.8 million over June 30, 2004 as a result of the ongoing amortization of this asset. The Company's investment securities portfolio increased by \$5.4 million net of the sale of \$68.3 million of securities guaranteed by the Government of Canada, and cash resources rose by \$67.6 million from security sale proceeds. Other assets increased by \$10.9 million, consisting of accrued interest receivable, deferred agent commissions, deferred finders fees and other prepaid and deferred assets (Note 4). Deferred finders fees increased with the growth of the mortgage loan portfolio. Finders fees are amortized over the term of mortgage loans and the volume and dollar increases in mortgage loans has correspondingly increased the deferred asset. Deferred agent commissions increased alongside the growth in deposits and borrowings. Commissions are amortized over the terms of deposits and lengthening deposit terms increased this deferred asset.

During the first six months of 2005, growth in the loan portfolio of \$249.1 million, or 11.2%, contributed to most of the increase over the December 31, 2004 asset balance. Residential mortgages contributed \$238.6 million to the total loan portfolio growth, consumer lending added \$14.4 million, and other mortgages (non-residential) decreased by \$2.2 million. Total other assets increased by \$10.7 million, consisting of Mortgage-Backed Securities receivable, capital assets, deferred development costs and other assets.

Liabilities

Liabilities during the six months rose to \$2.70 billion, an increase of \$652.8 million, or 32.0%, over the \$2.05 billion reported at June 30, 2004 and up by \$293.5 million, or 12.2%, over the \$2.41 billion reported at December 31, 2004.

Most of this year-over-year increase resulted from the growth in deposits of \$622.8 million. Increased deposit liabilities funded all of the loan portfolio growth. The excess of the deposit growth, increased retained earnings and other liabilities funded the increase in cash resources, securities and other assets. Other liabilities (Note 5) increased by \$34.2 million, or 33.3%, over the \$102.7 million reported at June 30, 2004. This growth was principally the result of increases in accrued interest payable of \$20.5 million, which related to the rise in deposits and borrowings. Higher accounts payable and accrued liabilities added \$8.9 million, and the increase in deferred commitment fees increased other liabilities by \$2.8 million, driven by the growth of the mortgage loan portfolio.

The rise in liabilities over December 31, 2004 resulted from the increase in deposits of \$276.2 million. Increased deposit liabilities funded all of the loan portfolio growth. Excess deposits, the increase in retained earnings, and other liabilities funded the growth in cash resources, securities and other assets during the first six months of 2005.

Shareholders' Equity

Shareholders' equity rose to \$189.0 million, an increase of \$26.8 million, or 16.5%, over \$162.2 million reported at December 31, 2004. This growth was internally generated from net income for the six months of \$28.2 million, less \$2.7 million for dividends payable to shareholders. The remaining \$1.3 million was from proceeds received on the exercise of Company share options.

The increase in shareholders' equity of \$48.5 million, or 34.5%, over the \$140.5 million reported at June 30, 2004 was internally generated from net income for the twelve month period of \$52.0 million, less \$5.1 million for dividends paid and payable to shareholders. The remaining \$1.6 million was from proceeds received on the exercise of Company share options of \$1.5 million, and \$0.2 million from the amortization of the fair value of share options, less \$0.1 million from the exercise of these share options.

Off-Balance Sheet Arrangements

The Company did not enter into any financial derivatives for hedging purposes during the first half of this year. The Company had, however, entered into a financial instrument during the fourth quarter of 2004. This off-balance sheet financial transaction consisted of the short sale of Government of Canada bonds. These short sales were to provide an economic hedge against the future origination and funding of insured residential mortgages that were to be securitized after the fourth quarter of 2004. Such securitizations have coupon rates that are set on the basis of five-year Government of Canada bond rates. At December 31, 2004 the Company had sold short \$40.0 million in Government of Canada 4.25% bonds maturing September 1, 2009. In the first quarter of 2005, \$10.0 million of this position had been closed which resulted in a \$76,000 realized loss, with \$48,000 recorded in the fourth quarter of 2004, and the remaining \$28,000 of the loss was netted against other interest income in the first quarter of 2005. The remaining \$30.0 million of the short sale of Government of Canada bonds has an unrealized loss at June 30, 2005 of \$1.1 million, of which \$0.2 million was recorded during the fourth quarter of 2004 and \$0.9 million of the unrealized loss was accrued for during the six months ended June 30, 2005, \$0.1 million of the unrealized loss was accrued during the first quarter and \$0.8 million accrued in the second quarter of 2005.

The Company uses special purpose entities to securitize insured residential mortgage loans for liquidity funding and capital management purposes. The transactions consist of the transfer of these loans to a Canadian trust company as security, in exchange for cash. When these assets are sold, the Company retains the rights to certain excess interest spreads and servicing liabilities, which constitute retained interests. The Company periodically reviews the value of the retained interests and any permanent impairment in value is charged to income, if applicable. The Company continues to administer all securitized assets after the sales. As of June 30, 2005 outstanding securitized mortgage loans under administration amounted to \$626.1 million (\$500.7 million - Q4 2004 and \$403.4 million - Q2 2004) and retained interest of \$35.2 million (\$27.7 million - Q4 2004 and \$27.2 million - Q2 2004). For additional information refer to Note 4 in the consolidated financial statements of the 2004 Annual Report, and Note 3 of these accompanying unaudited interim consolidated financial statements.

In the normal course of its business, the Company offers credit products to meet the financial needs of its customers. Outstanding commitments for future advances on mortgage loans amounted to \$203.8 million at June 30, 2005 compared to \$160.9 million at December 31, 2004 and \$198.1 million at June 30, 2004. These commitments remain open for various dates through December, 2006. As of June 30, 2005 unutilized credit card balances amounted to \$50.8 million compared to \$39.4 million at December 31, 2004 and \$25.8 million at June 30, 2004.

Business and Financial Practices

The Company's key business and financial policies and practices remain in place and unchanged from those outlined on pages 21 through 25 in the MD & A of the 2004 Annual Report.

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 June 30, 2005 liquid assets amounted to \$196.7 million, up 29.3% from the \$152.2 million held at December 31, 2004 and up 40.1% from \$140.4 million at June 30, 2004.

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. The interest rate sensitivity position as at June 30, 2005 is shown under Note 10 in these unaudited interim consolidated financial statements. The table provided represents these positions at a point in time, and the gap represents the difference between assets and liabilities in each maturity category.

In addition to matching assets and liabilities, the Company employs an interest rate risk sensitivity model that measures the relationship between changes in interest rates and the impact on the economic value of shareholders' equity. As at June 30, 2005 an immediate and sustained 100 basis point (1%) decrease in rates would have decreased the economic value of shareholders' equity over the next twelve months by \$0.6 million, after-tax and a 200 basis point (2%) rate decrease would result in a decrease of \$1.2 million, after tax.

Credit Risk

Credit risk management is the management of all aspects of borrower risk associated with the total loan portfolio, including the risk of loss of principal and/or interest from the failure of debtors to honour their contractual obligations to the Company.

The composition of the Company's mortgage portfolio includes 97.4% residential, 2.2% store and apartments, and 0.4% non-residential loans. Within the residential mortgage portfolio, 5.9% are insured by Canada Mortgage and Housing Corporation. First mortgages represent 99.7% of the total mortgage portfolio.

As of June 30, 2005 the gross credit card receivable balance totalled \$86.0 million, comprised of \$83.2 million, or 96.8% in accounts secured either by cash deposits or residential mortgage collateral, and \$2.8 million, or 3.2% which is unsecured. The total credit approved includes \$131.1 million in secured and \$5.7 million in unsecured credit, as compared with \$69.9 million in secured and \$6.5 million unsecured at June 30, 2004. The Company does not accept new unsecured accounts. Equity Plus VISA credit cards are secured by a collateral residential mortgage, and this product amounted to \$71.2 million of the credit card receivable balance as at June 30, 2005 compared to \$55.5 million at December 31, 2004 and \$36.5 million at June 30, 2004. Cash security deposits on credit card accounts amounted to \$20.5 million, and are included in the Company's deposits and borrowings.

Although the Company has experienced increased net impaired loans to \$13.2 million at June 30, 2005 compared with \$9.0 million at December 31, 2004 and \$6.1 million at June 30, 2004, the Company has not experienced an increase in loan write-offs. On the contrary, write-offs applied against the accumulated allowance for credit losses realized on loans during the first six months of 2005 were \$304,000 as compared to the six months ended December 2004 at \$510,000 and the first six months of 2004 at \$613,000. All losses were related to unsecured loans in the consumer lending operation; the mortgage operation ended the six month period with a small recovery. The Company continues to monitor this area closely and is dealing effectively and prudently with the impaired loans with positive results as shown by the reduced write-offs.

The Company has ensured that it is well positioned for any unforeseen future losses by establishing general allowances of \$15.3 million at June 30, 2005 as compared to the general allowances of \$13.6 million at December 31, 2004 and \$11.7 million at June 30, 2004. Total general allowances remained relatively stable at 103.2 basis points of the Company's risk-weighted assets, compared to 103.8 basis points at December 31, 2004 and the 103.3 basis points at June 30, 2004. The Company has developed a methodology to test the adequacy of the general allowance which considers asset quality, borrowers' credit worthiness and property location. No increase in the general allowance was required from the output of the valuation methodology.

Capital Management

The capital base of the Company's operating subsidiary, Home Trust Company ("Home Trust"), continues to be strongly positioned. The Tier 1 capital ratio increased year-over-year to 12.3% at June 30, 2005 from the 11.9% reported at June 30, 2004. The total capital ratio was 14.2% for the first six months, up from the 14.1% reported at June 30, 2004. The total capital ratio remained steady despite strong growth in Home Trust's total assets of 32.1% over June 2004. Risk-weighted assets increased by 31.0%, with growth in capital increasing to 31.4% over the twelve month period. The capital ratio was sustained despite the reduction in capital for dividend payments of \$2.7 million from Home Trust to Home Capital. These ratios continue to exceed the minimum regulatory requirements of 7.0% for Tier 1 capital and 10.0% for total capital.

As at June 30, 2005 Home Trust utilized 78.4% of its approved Assets to Regulatory Capital Multiple of 17.5 times (78.0% - June 30, 2004), providing sufficient capital for continued lending growth.

Contractual Obligations

On May 9, 2005 the Company entered into a ten year lease agreement with 2748355 Canada Inc. for new premises at 145 King Street West in Toronto. The Company will be moving its operations to two floors in the same building nearly doubling its square footage. This move is scheduled to take place on December 1, 2005 and will allow the Company to continue to expand its staffing to accommodate continued business growth.

Home Trust signed a contract in the first quarter of this year with Certegy Card Services Inc. ("Certegy") for technology services for the processing of all transactions related to its credit card operation. The card processing functions that will be performed by Certegy include account applications, cardholder and related account data authorizations and accounts past due, over-limit and fraud detection. This contract will be in effect for a period of five years from the date of the completed conversion. The conversion to Certegy is expected to be completed early in the third quarter of this year.

Updated Share Information

As at June 30, 2005, the Company had 33,911,890 Common Shares outstanding. In addition, director and employee stock options outstanding amount to 1,228,000 (1,372,750 - Q4 2004 and 1,391,250 - Q2 2004) of which 839,250 are exercisable as of the quarter-end (944,000 - Q4 2004 and 747,500 - Q2 2004) for proceeds on exercise of \$5.9 million (\$6.3 million - Q4 2004 and \$4.5 million - Q2 2004).

On July 27, 2005 the Company declared a quarterly cash dividend of \$0.04 per Common Share, payable September 1 to shareholders of record at the close of business on August 15, 2005.

Results by Business Segment

The following compares the mortgage and consumer lending lines of business for the second quarter and first six months of 2005 to both the second quarter and six months of 2004 (refer to Note 11 of the accompanying interim consolidated financial statements).

Mortgage Lending

The Company's principal line of business contributed \$11.4 million to net income during the second quarter and \$22.3 million for the first six months of 2005, as compared to \$9.1 million and \$17.8 million for the same periods to June 2004. The portfolio remained strong as the total value of new mortgages advanced in the second quarter and first six months of 2005 amounted to \$433.9 million and \$765.7 million, as compared to \$384.4 million and \$635.0 million for the same periods ending June 2004, respectively.

The Company securitized \$93.1 million of residential mortgages in the second quarter and a total of \$179.0 million for the six months of this year, realizing total income on securitization of \$4.2 million for the quarter and \$8.8 million year-to-date. This was up from the \$128.6 million securitized in the first six months of last year with income of \$5.0 million. Securitization will continue to contribute to the Company's income, however the core mortgage lending is expected to remain the major contributor.

The second mortgage program is conducted 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 just over one and a half years old, having been launched in the fourth quarter of 2003.

As of June 30, 2005 the Company held \$29.4 million in Notes Receivable issued by Regency, compared to \$19.7 million at December 31, 2004 and \$11.0 million at June 30, 2004. These Notes yield 6.9% and an average duration of 3.9 years. The Company also receives fee income for servicing and administering these mortgages for Regency. This income amounted to 1.1% of the portfolio on an annualized basis. The underlying credit quality of the mortgages securing the Notes Receivable remains high with 2.4% in arrears up to 60 days and no mortgage in arrears over 60 days. This program has experienced no losses since inception. This program also provides the Company with ancillary marketing opportunities in the residential first mortgage marketplace.

Consumer Lending - Retail Services and Credit Cards

This line of business contributed \$1.4 million to net income in the second quarter and \$2.6 million for the six months ended June 30, 2005 as compared to \$0.7 million and \$1.3 million for the same periods in 2004. The Equity Plus VISA loans portfolio amounted to \$71.2 million at June 30, 2005 (\$55.5 million - Q4 2004 and \$36.5 million - Q2 2004) and comprises 82.8% (78.6% - Q4 2004 and 72.2% - Q2 2004) of the total gross credit card receivable balance of \$86.0 million, bearing an average interest rate of 11.6% (11.8% - Q4 2004 and 12.1% - Q2 2004) on outstanding balances.

Quarterly Financial Highlights

In thousands of dollars, except per share amounts and percentages

	2005				2004			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net interest income (TEB)*	\$ 26,203	\$ 23,829	\$ 28,426	\$ 21,363	\$ 19,786	\$ 18,635	\$ 17,556	\$ 15,763
Less TEB adjustment	675	714	694	726	754	964	822	815
Net interest income per financial statements	25,528	23,115	27,732	20,637	19,032	17,671	16,734	14,948
Non-interest income	10,741	10,631	1,535	7,913	7,157	7,244	7,273	5,607
Total revenues	59,630	55,910	50,804	48,555	44,558	42,772	41,656	37,153
Net income	14,638	13,576	12,271	11,550	10,700	10,030	8,736	7,885
Return on common shareholders' equity	32.2%	32.2%	31.3%	31.7%	31.6%	31.9%	29.8%	28.8%
Return on average total assets	2.1%	2.1%	2.0%	2.0%	2.1%	2.1%	1.9%	1.9%
Earnings per common share								
Basic	\$ 0.43	\$ 0.40	\$ 0.37	\$ 0.34	\$ 0.32	\$ 0.30	\$ 0.26	\$ 0.24
Fully diluted	\$ 0.41	\$ 0.39	\$ 0.35	\$ 0.33	\$ 0.30	\$ 0.29	\$ 0.25	\$ 0.23
Book value per common share	\$ 5.57	\$ 5.17	\$ 4.80	\$ 4.48	\$ 4.17	\$ 3.88	\$ 3.61	\$ 3.38
Efficiency ratio (TEB)*	35.2%	35.3%	40.0%	33.8%	35.7%	36.0%	35.0%	37.4%
Efficiency ratio	35.9%	36.0%	41.0%	34.6%	36.7%	37.4%	36.2%	38.9%
Tier 1 capital ratio**	12.3%	12.2%	12.0%	11.8%	11.9%	12.0%	11.7%	11.7%
Total capital ratio**	14.2%	14.2%	14.0%	13.9%	14.1%	14.3%	14.0%	14.2%
Net impaired loans as % of gross loans	0.53%	0.45%	0.40%	0.32%	0.32%	0.31%	0.31%	0.32%
Annualized provision as % of gross loans	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%

* TEB - taxable equivalent basis: see definition on page 2 of these unaudited interim consolidated financial statements.

** These figures are related to Home Trust.

The financial results for each of the last eight quarters are summarized in the preceding table. These highlights illustrate the Company's consistent growth in earnings, return on equity and assets, as well as positive efficiency trends and strong capital ratios, quarter over quarter.

Outlook

Home Capital remains committed to serving selected segments of the Canadian financial services marketplace that are not being served by the major financial institutions. The Company continues to benefit from an attractive economic environment in the regions where it conducts business. Forecasts for the second half of 2005 foresee moderate economic growth across Canada, with sustained low interest rates supporting both new housing starts and the resale markets. Home Capital remains strongly positioned to benefit from these conditions.

Having achieved strong first half-year results, the Company is on-track to meet its 2005 performance targets, which are shown on page 5 of the Company's report. The key to achieving these targets will be a continued focus on growth through prudent lending, efficiency in operations, and a strong capital position.

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 June 30, 2005. Based on our knowledge, the Interim Consolidated Financial Statements do not contain any untrue statement of a 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 June 30, 2005.

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 the Vice President, Finance 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
July 28, 2005

Cathy A. Sutherland, C.A.
Vice President, Finance

Consolidated Statements of Income

	Three Months Ended		Six Months Ended	
	June 30 2005	June 30 2004	June 30 2005	June 30 2004
<i>In Thousands of Dollars, Except Per Share Amounts (Unaudited)</i>				
Income				
Interest from Loans	\$ 45,029	\$ 35,335	\$ 87,163	\$ 68,305
Dividends from Securities	1,194	1,334	2,457	3,040
Other Interest	2,666	732	4,548	1,584
	48,889	37,401	94,168	72,929
Interest Expense				
Interest on Deposits and Borrowings	23,361	18,369	45,525	36,226
Net Interest Income	25,528	19,032	48,643	36,703
Provision for Credit Losses (Note 2)	1,006	914	2,002	1,673
	24,522	18,118	46,641	35,030
Non-interest Income				
Fees and Other Income	5,647	4,065	10,726	7,472
Securitization Income on Mortgage-Backed Securities (Note 3)	4,877	2,910	10,062	5,477
Gain on Sale and Redemption of Securities	217	182	584	1,452
	10,741	7,157	21,372	14,401
	35,263	25,275	68,013	49,431
Non-interest Expenses				
Salaries and Staff Benefits	5,270	3,840	10,090	7,693
Premises	625	631	1,195	1,218
General and Administration	7,120	5,152	13,893	10,023
	13,015	9,623	25,178	18,934
INCOME BEFORE PROVISION FOR INCOME TAXES	22,248	15,652	42,835	30,497
Provision for Income Taxes (Note 8)	7,610	4,952	14,621	9,767
NET INCOME	\$ 14,638	\$ 10,700	\$ 28,214	\$ 20,730
NET INCOME PER COMMON SHARE				
Basic	\$ 0.43	\$ 0.32	\$ 0.83	\$ 0.62
Fully Diluted	\$ 0.41	\$ 0.30	\$ 0.80	\$ 0.59
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (Thousands)				
Basic	33,847	33,615	33,812	33,593
Fully Diluted	35,435	35,027	35,253	34,935
Total Number of Outstanding Common Shares (Note 6)	33,912	33,714	33,912	33,714
Book Value Per Share	\$ 5.57	\$ 4.17	\$ 5.57	\$ 4.17

Consolidated Balance Sheets

<i>In Thousands of Dollars (Unaudited)</i>	June 30	December 31	June 30
	2005	2004	2004
ASSETS			
Cash Resources			
Deposits with Regulated Financial Institutions	\$ 125,615	\$ 21,925	\$ 30,735
Treasury Bills Guaranteed by Canada	9,680	28,574	36,938
	135,295	50,499	67,673
Securities			
Issued or Guaranteed by Canada	75,199	108,971	82,827
Issued or Guaranteed by Provinces	299	799	798
Other Securities	123,019	113,014	109,469
	198,517	222,784	193,094
Loans			
Personal and Credit Card Loans	93,768	79,405	60,787
Residential Mortgages	2,332,383	2,093,802	1,756,392
Other Mortgages	62,670	64,815	57,741
General Allowance for Credit Losses (Note 2)	(15,296)	(13,611)	(11,681)
	2,473,525	2,224,411	1,863,239
Other			
Mortgage-Backed Securities Receivable (Note 3)	35,247	27,724	27,268
Capital Assets	2,563	2,666	2,655
Deferred Development Costs	1,027	1,447	1,807
Other Assets (Note 4)	42,682	38,982	31,770
	81,519	70,819	63,500
	\$ 2,888,856	\$ 2,568,513	\$ 2,187,506
LIABILITIES			
Term Loan	10,000	10,000	10,000
Subordinated Term Loan	3,000	3,000	4,000
Deposits			
Payable on Demand	12,092	17,127	10,172
Payable on a Fixed Date	2,529,308	2,248,057	1,908,407
	2,554,400	2,278,184	1,932,579
Other			
Cheques and Other Items in Transit	8,490	6,535	11,736
Other Liabilities (Note 5)	136,960	121,587	102,713
	145,450	128,122	114,449
	2,699,850	2,406,306	2,047,028
SHAREHOLDERS' EQUITY			
Capital Stock (Note 6)	33,747	32,468	32,283
Contributed Surplus	198	178	91
Retained Earnings	155,061	129,561	108,104
	189,006	162,207	140,478
	\$ 2,888,856	\$ 2,568,513	\$ 2,187,506

Consolidated Statements of Changes in Shareholders' Equity

<i>In Thousands of Dollars (Unaudited)</i>	For the Three Months Ended		For the Six Months Ended	
	June 30 2005	June 30 2004	June 30 2005	June 30 2004
CAPITAL STOCK				
Common Shares				
Balance at Beginning of the Period	\$ 32,873	\$ 32,077	\$ 32,468	\$ 31,734
Proceeds of Options Exercised	874	206	1,279	549
BALANCE AT END OF THE PERIOD	\$ 33,747	\$ 32,283	\$ 33,747	\$ 32,283
CONTRIBUTED SURPLUS				
Balance at Beginning of the Period	\$ 231	\$ 57	\$ 178	\$ 33
Amortization of Fair Value of Employee Stock Options (Note 7)	62	34	115	58
Employee Stock Options Exercised	(95)	-	(95)	-
BALANCE AT END OF THE PERIOD	\$ 198	\$ 91	\$ 198	\$ 91
RETAINED EARNINGS				
Balance at Beginning of the Period	\$ 141,781	\$ 98,417	\$ 129,561	\$ 89,399
Net Income for the Period	14,638	10,700	28,214	20,730
Dividends Paid During the Period	-	-	(1,356)	(1,012)
Dividends Declared During the Period	(1,358)	(1,013)	(1,358)	(1,013)
BALANCE AT END OF THE PERIOD	\$ 155,061	\$ 108,104	\$ 155,061	\$ 108,104

Consolidated Statements of Cash Flows

	Three Months Ended		Six Month Ended	
	June 30 2005	June 30 2004	June 30 2005	June 30 2004
<i>In Thousands of Dollars (Unaudited)</i>				
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income for the Period	\$ 14,638	\$ 10,700	\$ 28,214	\$ 20,730
Adjustments to Determine Net Cash Flows Relating to Operating Activities:				
Future Income Taxes	80	1,759	1,605	2,424
Amortization of Capital Assets	199	184	384	340
Amortization of Securities	(1,705)	(59)	(1,819)	(115)
Amortization of Deferred Financing Costs	14	14	29	29
Amortization of Deferred Development Costs	210	180	420	360
Provision for Credit Losses	1,006	914	2,002	1,673
Change in Accrued Interest Receivable	52	(497)	(841)	(823)
Change in Accrued Interest Payable	649	712	8,908	5,478
Gain on Sale and Redemption of Securities	(217)	(182)	(584)	(1,452)
Gain on Sale of Mortgage-Backed Securities	(4,877)	(2,910)	(10,062)	(5,477)
Change in Mortgage-Backed Securities Receivable	4,082	2,251	6,530	3,660
Change in Other Assets	(2,679)	(2,941)	(2,888)	(3,863)
Change in Cheques and Other Items in Transit	(3,421)	4,457	1,955	5,541
Change in Other Liabilities	6,419	3,967	4,851	3,092
Change of Fair Value of Employee Stock Options (Note 7)	(33)	34	20	58
Cash Provided by Operating Activities	14,417	18,583	38,724	31,655
FINANCING ACTIVITIES				
Net Increase in Deposits	162,409	172,840	276,216	254,476
Issuance of Capital Stock	874	206	1,279	549
Dividends Paid	(1,356)	(1,012)	(2,707)	(2,018)
Cash Provided by Financing Activities	161,927	172,034	274,788	253,007
INVESTING ACTIVITIES				
Activity in Securities				
Purchases	(36,026)	(28,541)	(67,882)	(51,863)
Proceeds on Sales	72,633	2,479	76,777	11,705
Proceeds on Maturities	10,592	7,862	17,776	17,898
Activity in Mortgages				
Net Increase	(227,088)	(227,103)	(415,455)	(370,477)
Proceeds from Securitization of Mortgage-Backed Securities	91,182	79,488	175,028	124,733
Net Increase in Personal and Credit Card Loans	(7,749)	(8,531)	(14,679)	(14,735)
Purchases of Capital Assets	(222)	(447)	(281)	(1,101)
Cash Used in Investing Activities	(96,678)	(174,793)	(228,716)	(283,840)
Net Increase in Cash and Cash Equivalents	79,666	15,824	84,796	822
Cash and Cash Equivalents at the Beginning of the Period	55,629	51,849	50,499	66,851
Cash and Cash Equivalents at the End of the Period	\$ 135,295	\$ 67,673	\$ 135,295	\$ 67,673
Supplementary Disclosure of Cash Flow Information				
Amount of Interest Paid During the Period	\$ 22,711	\$ 17,656	\$ 36,617	\$ 30,747
Amount of Income Taxes Paid During the Period	6,645	4,088	16,236	9,756

Notes to the Unaudited Interim Consolidated Financial Statements

1. ACCOUNTING POLICIES USED TO PREPARE THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2004, as set out in the 2004 Annual Report on pages 28 through 48. These unaudited 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 unaudited interim consolidated financial statements reflect amounts which must, of necessity, be based on the best estimates and judgement 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 June 30, 2005		
<i>In Thousands of Dollars</i>	Gross Amount of Impaired Loans	Specific Allowances	Carrying Value
Personal and Credit Card Loans	\$ 413	\$ 192	\$ 221
Residential Mortgages	13,370	425	12,945
Other Mortgages	-	-	-
	\$ 13,783	\$ 617	\$ 13,166
	As At December 31, 2004		
Personal and Credit Card Loans	\$ 252	\$ 204	\$ 48
Residential Mortgages	9,340	400	8,940
Other Mortgages	-	-	-
	\$ 9,592	\$ 604	\$ 8,988
	As At June 30, 2004		
Personal and Credit Card Loans	\$ 253	\$ 253	-
Residential Mortgages	6,065	-	6,065
Other Mortgages	-	-	-
	\$ 6,318	\$ 253	\$ 6,065

(B) Allowance for Credit Losses

	For the Six Month Period Ended June 30, 2005		
<i>In Thousands of Dollars</i>	Specific Allowance	General Allowance for Credit Risk	Total
Balance at the Beginning of the Period	\$ 604	\$ 13,611	\$ 14,215
Provisions for Credit Losses for the Current Period	317	1,685	2,002
Write-offs	(537)	-	(537)
Recoveries	233	-	233
Balance at the End of the Period	\$ 617	\$ 15,296	\$ 15,913
	For the Six Month Period Ended December 31, 2004		
Balance at the Beginning of the Period	\$ 253	\$ 11,681	\$ 11,934
Provisions for Credit Losses for the Current Period	861	1,930	2,791
Write-offs	(621)	-	(621)
Recoveries	111	-	111
Balance at the End of the Period	\$ 604	\$ 13,611	\$ 14,215
	For the Six Month Period Ended June 30, 2004		
Balance at the Beginning of the Period	\$ 574	\$ 10,300	\$ 10,874
Provisions for Credit Losses for the Current Period	292	1,381	1,673
Write-offs	(701)	-	(701)
Recoveries	88	-	88
Balance at the End of the Period	\$ 253	\$ 11,681	\$ 11,934

Notes to the Unaudited Interim Consolidated Financial Statements - Continued

3. LOAN SECURITIZATION

During the second quarter and first six months of 2005, the Company securitized government guaranteed (CMHC) residential mortgage loans through the creation of Mortgage-Backed Securities of \$93.1 million and \$179.0 million (\$ 82.0 million - Q2 2004 and \$128.6 million - six months 2004). The Company retained the rights to future excess interest on these residential mortgages valued at \$6.6 million and \$13.8 million (\$6.2 million - Q2 2004 and \$10.1 million - six months 2004) for the second quarter and six month period to date. Cash flows of \$91.2 million and \$175.0 million (\$79.5 million - Q2 2004 and \$124.7 million - six months 2004) were received on the securitization of these residential mortgages in the second quarter and six months. The second quarter and six month gains on sale, net of transaction fees and expenses, were \$4.2 million and \$8.8 million (\$3.2 million - Q2 2004 and \$5.5 million - six months 2004). The key assumptions used to value the sold and retained interests included a prepayment rate of 8.5% (6.0% - Q2 and six months of 2004) for both the second quarter and six months of 2005. An excess spread of 2.5% and 2.7% (2.3% - Q2 2004 and 2.5% - six months 2004) was estimated for the quarter and six month period. The discount rates were 3.8% and 3.7% (3.8% - Q2 2004 and 3.7% - six months 2004) for the second quarter and six months of 2005. There are no expected credit losses as the mortgages are government guaranteed.

4. OTHER ASSETS

In Thousand of Dollars

	June 30 2005	December 31 2004	June 30 2004
Accrued Interest Receivable	\$ 13,645	\$ 12,804	\$ 10,410
Income Taxes Receivable	-	-	118
Deferred Agent Commission	9,300	8,979	7,694
Deferred Finders Fees	8,721	9,185	7,985
Goodwill	2,324	2,324	2,324
Other Prepaid Assets and Deferred Items	8,692	5,690	3,239
	\$ 42,682	\$ 38,982	\$ 31,770

5. OTHER LIABILITIES

In Thousand of Dollars

	June 30 2005	December 31 2004	June 30 2004
Accrued Interest Payable	\$ 88,863	\$ 79,955	\$ 68,409
Income Taxes Payable	2,139	4,545	-
Dividends Payable	1,358	1,351	1,013
Deferred Commitment Fees	8,832	8,062	6,008
Future Income Taxes (Note 8)	11,004	9,399	11,431
Other, Including Accounts Payable and Accrued Liabilities	24,764	18,275	15,852
	\$ 136,960	\$ 121,587	\$ 102,713

6. CAPITAL STOCK

During the second quarter and period to date of 2005, 57,750 and 134,750 Common Shares (45,750 Common Shares - Q2 2004 and 179,250 Common Shares - six months 2004) were issued under the director, management and employee share purchase option plan for a total cash consideration of \$779,000 and \$1.1 million (\$206,000 - Q2 2004 and \$549,000 - six months 2004). In the second quarter the capital stock increased by \$95,000 from the fair market value of employee stock options exercised.

During the second quarter of 2005 no share purchase options vested, and 30,000 vested in the first six months (273,750 Common Shares - six months 2004). These options have performance criteria that were met, and the options are now vested.

During the second quarter of 2005, 10,000 Common Share purchase options were granted to an employee of the Company (67,500 Common Share purchase options issued for the six month period), with performance criteria attached that must be met before the options will vest. During the second quarter of 2005, 77,500 Common Share purchase options previously issued were forfeited.

	June 30 2005		December 31 2004		June 30 2004	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Issued and Outstanding <i>In Thousands of Dollars /Shares</i>						
Common Shares	33,912	\$ 33,747	33,777	\$ 32,468	33,714	\$ 32,283
Share Purchase Options		Weighted-average Exercise Price		Weighted-average Exercise Price		Weighted-Average Exercise Price
Outstanding, End of Period	1,228	\$ 8.96	1,373	\$ 8.62	1,391	\$ 7.73
Exercisable, End of Period	839	6.99	944	6.64	748	6.03

Notes to the Unaudited Interim Consolidated Financial Statements - Continued

7. STOCK BASED COMPENSATION

For all options issued after January 1, 2003, the Company recognized a compensation expense. During the second quarter of 2005, \$62,000 was recorded as an expense for a total of \$115,000 for the first six months ended June 30, 2005 (\$34,000 - Q2 2004 and \$58,000 - six months 2004) for stock option awards in the Consolidated Interim Income Statement, with an off-setting credit to Contributed Surplus. The fair value of options granted is estimated at the date of grant using the Black-Scholes valuation model with the following assumptions: risk-free interest rate of 3.5%, anticipated option life of 4.1 years, anticipated volatility of 28.7% and anticipated dividend yield of 3.2%. During the second quarter of 2005, 10,000 options were granted with a weighted-average fair value of \$6.97 per option. Stock options granted amounted to 67,500 for the six months of this year and these granted options will vest subject to performance targets over a four-year period at a rate of 25% per year and expire in five 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 first quarter of 2005 by \$89,000 and \$179,000 for the six months (\$90,000 - Q2 2004 and \$180,000 - six months 2004).

8. INCOME TAXES

Reconciliation of Income Taxes: <i>In Thousands of Dollars</i>	For the Three Months Ended		For the Six Months Ended	
	June 2005	June 2004	June 2005	June 2004
Income Before Income Taxes	\$ 22,248	\$ 15,652	\$ 42,835	\$ 30,497
Income Taxes at Statutory Combined Federal and Provincial Income Tax Rates	8,021	5,653	15,441	11,015
Increase (Decrease) in Income Taxes at Statutory Income Tax Rates Resulting From:				
Tax-exempt Income	(431)	(482)	(887)	(1,098)
Non-deductible Expenses	21	28	48	35
Other	(1)	(247)	19	(185)
Income Tax	\$ 7,610	\$ 4,952	\$ 14,621	\$ 9,767

Sources of Future Income Tax Balances:

<i>In Thousands of Dollars</i>	June 2005	June 2004
Future Income Tax Liabilities		
Deferred Agent Commissions and Other Charges	\$ 6,514	\$ 5,667
Mortgage-Backed Securities Receivable	13,056	8,561
Deferred Development Costs	371	653
	19,941	14,881
Future Income Tax Assets		
Allowance for Credit Losses	3,190	2,170
Mark-to-market Adjustments to Securities	1,422	849
Deferred Commitment Fees	4,325	431
	8,937	3,450
Net Future Income Tax Liability	\$ 11,004	\$ 11,431

Notes to the Unaudited Interim Consolidated Financial Statements - Continued

9. FINANCIAL INSTRUMENTS

During the fourth quarter of 2004, the Company entered into an off-balance sheet financial transaction for risk management purposes. The Company sold short \$40.0 million of Government of Canada Bonds, with a coupon rate of 4.25% and a maturity of September 1, 2009. The Company intended to close this transaction upon receipt of the funds from the next sale of securitized residential insured mortgages. The rates for securitized residential insured mortgages are set off the Government of Canada Bond rate, and therefore this short sale is intended to effectively lock in the rate prior to the Company's year end.

The Canadian Institute of Chartered Accountants ("CICA") has issued an accounting guideline regarding the application of hedge accounting that has been adopted by the Company. Changes in the fair value of derivatives that do not qualify for hedge accounting are recorded in Other Interest Income.

The short sale of the \$40.0 million of Government Canada Bonds does not qualify for hedge accounting under the CICA guideline, and therefore \$190,000 was recorded in the fourth quarter of 2004 as a decrease in the line item Other Interest Income on the Consolidated Statement of Income.

During the first quarter of 2005, the Company closed \$10.0 million of this short sale and realized a loss of \$28,000 which was recorded as a decrease to the line item Other Interest Income. The remaining short sale of \$30.0 million has an unrealized loss at June 30, 2005 of \$1.1 million, which resulted in \$954,000 as an unrealized loss in the six months, decreasing the line item Other Interest Income.

10. INTEREST RATE SENSITIVITY

The Company's exposure to interest rate risk results from the difference, or gap, between the maturity or repricing date of interest sensitive assets and liabilities, including off-balance sheet items. The following table shows the gap positions at June 30, 2005 and December 31, 2004 and June 30, 2004 for selected period intervals. Figures in brackets represent an excess of liabilities over assets.

<i>In Thousands of Dollars</i>	Floating Rate	0 to 3 Months	3 Months to 1 Year	1 to 3 Years	Over 3 Years	Non-interest Sensitive	Total
June 30, 2005							
Total Assets	\$ 20,669	\$ 314,964	\$ 636,445	\$ 1,399,489	\$ 400,908	\$ 116,381	\$ 2,888,856
Total Liabilities and Equity	13,000	205,636	784,524	1,092,126	447,021	346,549	2,888,856
Off-balance Sheet Items	-	179,472	16,657	(80,439)	(115,690)	-	-
Interest Rate Sensitive Gap	\$ 7,669	\$ (70,144)	\$ (164,736)	\$ 387,802	\$ 69,577	\$ (230,168)	\$ -
Cumulative Gap	\$ 7,669	\$ (62,475)	\$ (227,211)	\$ 160,591	\$ 230,168	\$ -	\$ -
Cumulative Gap as a % of Total Assets	0.3%	(2.2%)	(7.9%)	5.6%	8.0%	-	-
December 31, 2004							
Total Assets	\$ 21,921	\$ 187,712	\$ 516,250	\$ 1,320,730	\$ 455,705	\$ 66,195	\$ 2,568,513
Total Liabilities and Equity	13,000	159,396	655,599	1,028,957	421,232	290,329	2,568,513
Off-balance Sheet Items	-	137,144	19,899	(118,935)	(38,108)	-	-
Interest Rate Sensitive Gap	\$ 8,921	\$ (108,828)	\$ (159,248)	\$ 410,708	\$ 72,581	\$ (224,134)	\$ -
Cumulative Gap	\$ 8,921	\$ (99,907)	\$ (259,155)	\$ 151,553	\$ 224,134	\$ -	\$ -
Cumulative Gap as a % of Total Assets	0.3%	(3.9%)	(10.1%)	5.9%	8.7%	-	-
June 30, 2004							
Total Assets	\$ 16,597	\$ 165,528	\$ 364,779	\$ 1,098,871	\$ 452,037	\$ 89,694	\$ 2,187,506
Total Liabilities and Equity	14,000	161,773	485,722	902,547	358,365	265,099	2,187,506
Off-balance Sheet Items	-	176,687	13,800	(67,993)	(122,494)	-	-
Interest Rate Sensitive Gap	\$ 2,597	\$ (172,932)	\$ (134,743)	\$ 264,317	\$ 216,166	\$ (175,405)	\$ -
Cumulative Gap	\$ 2,597	\$ (170,335)	\$ (305,078)	\$ (40,761)	\$ 175,405	\$ -	\$ -
Cumulative Gap as a % of Total Assets	0.1%	(7.8%)	(13.9%)	(1.9%)	8.0%	-	-

Notes to the Unaudited Interim Consolidated Financial Statements - Continued

11. EARNINGS BY BUSINESS SEGMENT

The Company operates principally through two business segments - mortgage lending and consumer lending. The mortgage lending operation consists of core mortgage lending, securitization of government insured mortgage loans, and the Regency Financial Corp. administration of second mortgage loans. The consumer lending operation consists of credit cards services and installment lending to customers of retail businesses. The Other category includes the Company's treasury and security investment activities.

The following table details the earnings and assets of the Company by business segment:

Thousands of Dollars (Unaudited) For the Three Months Ended

	Mortgage Business		Consumer Lending Retail Services & Credit Cards		Other		Total	
	June 30	June 30	June 30	June 30	June 30	June 30	June 30	June 30
	2005	2004	2005	2004	2005	2004	2005	2004
Net Interest Income	\$ 18,846	\$ 15,441	\$ 2,516	\$ 1,728	\$ 4,166	\$ 1,863	\$ 25,528	\$ 19,032
Provisions for Credit Losses	(804)	(610)	(202)	(304)	-	-	(1,006)	(914)
Fees and Other Income	4,114	2,691	1,495	1,367	38	7	5,647	4,065
Gain (Loss) on Sale of Securities & Mortgage-Backed Securities	4,877	2,910	-	-	217	182	5,094	3,092
Non-interest Expense	(9,618)	(6,635)	(1,565)	(1,692)	(1,832)	(1,296)	(13,015)	(9,623)
Income Before Income Taxes	17,415	13,797	2,244	1,099	2,589	756	22,248	15,652
Income Taxes	(5,993)	(4,657)	(810)	(397)	(807)	102	(7,610)	(4,952)
Net Income	\$ 11,422	\$ 9,140	\$ 1,434	\$ 702	\$ 1,782	\$ 858	\$ 14,638	\$ 10,700
Total Assets	\$ 2,484,137	\$ 1,888,754	\$ 99,458	\$ 63,065	\$ 305,261	\$ 235,687	\$ 2,888,856	\$ 2,187,506

Thousands of Dollars (Unaudited) For the Six Months Ended

	Mortgage Business		Consumer Lending Retail Services & Credit Cards		Other		Total	
	June 30	June 30	June 30	June 30	June 30	June 30	June 30	June 30
	2005	2004	2005	2004	2005	2004	2005	2004
Net Interest Income	\$ 36,700	\$ 29,259	\$ 4,832	\$ 3,272	\$ 7,111	\$ 4,172	\$ 48,643	\$ 36,703
Provisions for Credit Losses	(1,545)	(1,080)	(457)	(593)	-	-	(2,002)	(1,673)
Fees and Other Income	7,852	5,164	2,833	2,298	41	10	10,726	7,472
Gain (Loss) on Sale of Securities & Mortgage-Backed Securities	10,062	5,477	-	-	584	1,452	10,646	6,929
Non-interest Expense	(18,587)	(11,889)	(3,123)	(3,019)	(3,468)	(4,026)	(25,178)	(18,934)
Income Before Income Taxes	34,482	26,931	4,085	1,958	4,268	1,608	42,835	30,497
Income Taxes	(12,160)	(9,163)	(1,475)	(708)	(986)	104	(14,621)	(9,767)
Net Income	\$ 22,322	\$ 17,768	\$ 2,610	\$ 1,250	\$ 3,282	\$ 1,712	\$ 28,214	\$ 20,730
Total Assets	\$ 2,484,137	\$ 1,888,754	\$ 99,458	\$ 63,065	\$ 305,261	\$ 235,687	\$ 2,888,856	\$ 2,187,506

Corporate Directory and Shareholder Information

HOME CAPITAL GROUP INC.

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Directors

William A. Dimma
Chairman of the Board
Norman F. Angus
Hon. William G. Davis P.C., C.C., Q.C.
Janet L. Ecker
Harvey F. Kolodny
John M. E. Marsh
Robert A. Mitchell, C.A.
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
Senior Vice Presidents

Cathy A. Sutherland, C.A.
Vice President, Finance

Sharron I. Hatton
Corporate Secretary

Auditors

Home Capital Group Inc.
Home Trust Company
Ernst & Young LLP
Chartered Accountants
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Bank of Montreal,
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Capital Stock

As at June 30, 2005 there were
33,911,890 Common Shares outstanding

Stock Listing

Toronto Stock Exchange
Ticker Symbol: HCG

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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.



HOME CAPITAL GROUP INC.