



# HOME CAPITAL GROUP INC.

## Fourth Quarter Report December 31, 2005

### Financial Highlights

	Three Months Ended		Year Ended	
	2005	2004	2005	2004
<i>For the Period Ended December 31 (Unaudited)</i>				
<i>In Thousands of Dollars (Except Per Share and Percentage Amounts)</i>				
<b>OPERATING RESULTS</b>				
Net Income	\$ 16,881	\$ 12,271	\$ 60,861	\$ 44,551
Total Revenue	64,803	50,804	243,106	186,689
Earnings per Share - Basic	\$ 0.50	\$ 0.37	\$ 1.80	\$ 1.33
- Fully Diluted	0.47	0.35	1.72	1.27
Return on Shareholders' Equity	31.94%	31.32%	31.94%	31.44%
Return on Average Assets	2.14%	2.00%	2.08%	2.00%
Efficiency Ratio	34.42%	40.96%	35.52%	37.46%
Efficiency Ratio (TEB)**	33.80%	40.01%	34.86%	36.41%
<i>(Non-interest Expense/Net Interest Income Plus Fee Income)</i>				
<b>BALANCE SHEET HIGHLIGHTS</b>				
Total Assets			\$ 3,284,829	\$ 2,568,513
Loans			2,796,873	2,244,129
Deposits			2,895,461	2,265,184
Common Shareholders' Equity			218,885	162,207
Mortgage-Backed Security Assets Under Administration			800,184	500,740
<b>FINANCIAL STRENGTH</b>				
<b>Capital Measures</b>				
Risk Adjusted Assets*			\$ 1,650,590	\$ 1,311,920
Tier 1 Capital Ratio*			12.68%	12.02%
Total Capital Ratio*			14.46%	14.03%
<b>Credit Quality</b>				
Net Impaired Loans % of Gross Loans			0.49%	0.40%
Allowance % of Gross Impaired Loans			120.59%	147.77%
Annualized Provision % of Gross Loans			0.11%	0.20%
<b>Share Information</b>				
Book Value per Common Share			\$ 6.44	\$ 4.80
Common Share Price - Close			34.75	31.25
Market Capitalization			1,181,904	1,055,536
Common Shares Outstanding - Number			34,012	33,777

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

\*\* See definition of Taxable Equivalent Basis ("TEB") on page 2 of this interim consolidated financial report.

**\*\*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 it reduces the Company’s taxable income. The TEB adjustment of \$0.7 million for the fourth quarter and \$2.8 million for the twelve months of 2005 (Q4 2004 - \$0.7 million and twelve months of 2004 - \$3.1 million) increases the net interest income. 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.*

**Annual Meeting Notice**

The Annual Meeting of Shareholders of Home Capital Group Inc. will be held at the Design Exchange, Trading Floor, Second Floor, 234 Bay Street, Toronto, Ontario, on Wednesday, May 10, 2006 at 11:00 a.m. local time. Shareholders and guests are invited to join Directors and Management for lunch and refreshments following the Annual Meeting. All shareholders are encouraged to attend.

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

**Home Capital's 2005 Earnings Rise 36.6%  
42<sup>nd</sup> Consecutive Quarter of Earnings Growth Generates 31.9% Return on Equity**

Home Capital Group Inc. (TSX: HCG) provided shareholders with another outstanding financial performance during both the fourth quarter and full year of 2005, significantly exceeding each of its previously stated annual performance targets. During the quarter fully diluted earnings per share rose by 34.3% year-over-year while the company's total assets, including CMHC insured Mortgage-Backed Securities under administration, exceeded the \$4 billion mark. This superior financial performance continues to result from Home Capital's commitment to operational excellence, industry-leading risk management practices, and its unique marketplace positioning and proven reputation. Highlights from the quarter and full year included the following:

- Net income for the fourth quarter reached \$16.9 million, an increase of 37.6% compared with earnings of \$12.3 million for the same period in 2004. Net income for 2005 rose by 36.6% to \$60.9 million from the \$44.6 million recorded last year.
- Basic earnings per share increased 35.1% to \$0.50, compared with \$0.37 for the fourth quarter of 2004. Fully diluted earnings per share grew by 34.3% to \$0.47 from \$0.35 for the period. Net income per share for the twelve-month period rose from \$1.33 to \$1.80, an increase of 35.3%, and on a fully diluted basis from \$1.27 to \$1.72, up 35.4%.
- Return on equity for the quarter was 31.9%, compared to 31.3% for the fourth quarter of 2004. For 2005 as a whole, return on equity increased to 31.9% versus 31.4% in 2004.
- Total assets at December 31, 2005 were \$3.28 billion, an increase of 27.9% over assets of \$2.57 billion at December 31, 2004. Total assets including Mortgage-Backed Securities originated and administered by the Company grew 33.1% to \$4.09 billion at year-end from \$3.07 billion at December 31, 2004.
- Total mortgage originations, the Company's key measure of new business growth, amounted to \$452.8 million during the fourth quarter, an increase of 11.1% over the \$407.7 million advanced in the same period of 2004. For 2005, the Company's mortgage originations of \$1.73 billion were 18.8% above the \$1.46 billion recorded throughout 2004.
- The Company's efficiency ratio, a key measure of expense management and business productivity, improved to 34.4% for the fourth quarter from 41.0% in the same period of 2004, and for the year as a whole was 35.5% versus 37.5% in 2004.
- Balances outstanding on the Equity Plus VISA (EPV) portfolio were \$93.5 million at December 31, up 68.7% from the \$55.5 million at the end of 2004. Authorized credit limits for EPV grew by 55.8% to \$128.7 million for 2005, versus \$82.6 million for 2004.

- Net impaired loans by dollar value represented 0.49% of the total loan portfolio at the close of the fourth quarter, down slightly from 0.50% at the end of the third quarter and up from 0.40% at the end of 2004.

The Company's Board of Directors declared a quarterly dividend of \$0.05 per share, payable on March 1, 2006 to shareholders of record at the close of business on February 15, 2006.

Additionally, due to the Company's solid earnings growth and strong regulatory capital ratios, the Board of Directors today increased the quarterly dividend by 20% from \$0.05 per share to \$0.06 per share, or from \$0.20 to \$0.24 on an annualized basis. This increased dividend will be payable on June 1, 2006 to shareholders of record at the close of business on May 15, 2006.

In November 2005, Standard & Poor's (S&P) assigned its BBB/A-2 long-term and short-term counterparty ratings to Home Trust Company and BBB-/A-3 to Home Capital Group Inc. Home Trust Company is the only trust company in Canada, which is not a subsidiary of a major bank, which has received an investment grade rating from S&P. These S&P investment grade ratings, together with the Company's previously announced investment grade ratings from Fitch Ratings, will enable Home Capital and Home Trust to access the public debt market at favourable rates, if required, to help fund future growth.

In January 2006, the Company re-launched the Equity Plus VISA as the Home Trust Equityline VISA, a unique new credit alternative for Canadian homeowners. Equityline VISA combines the flexibility of a secured line of credit with the convenience of VISA and the added benefits of a Gold card – all with no annual fee. Homeowners save with lower interest rates, smaller minimum payments and higher credit limits than most other credit cards. Management believes Equityline VISA will make a positive contribution to Home Capital's financial results in 2006.

As we begin 2006, Home Capital has a strong balance sheet, a robust pipeline, new and expanded premises in Toronto, and a dedicated and highly efficient workforce, which we believe will enable the Company to deliver another record year of performance.

**GERALD M. SOLOWAY**  
President and Chief Executive Officer  
February 14, 2006

**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 December 31, 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](http://www.sedar.com) and on pages 8 through 48 of the Company's 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 February 13, 2006. As in prior quarters, the Company's Audit and Risk Management Committee reviewed this document, and prior to its release, the Company's Board of Directors approved this document, on the Audit and Risk Management Committee's recommendation.

### 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 involve material amounts and require management to make estimates that, by their very nature, include 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 estimates.

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, found on page 9. The following table compares actual performance against these objectives.

		<b>Year Ended December 31, 2005</b>
	<b>2005 Objectives</b>	<b>Actual Results</b>
Net Income	\$53.5 million	<b>\$60.9 million or 36.6% increase over last year</b>
Fully Diluted Earnings per Share	\$1.52 per share	<b>\$1.72 per share or 35.4% increase over last year</b>
Combined Total Assets and Assets Under Administration	\$3.68 billion	<b>\$4.09 billion or 33.1% increase over last year</b>
Return on Equity	20%	<b>31.9%</b>
Efficiency Ratio (TEB)	36.0% to 43.0%	<b>34.9%</b>
Capital Ratio - Tier 1	Minimum of 9.5%	<b>12.7%</b>
Capital Ratio - Total	Minimum of 12.0%	<b>14.5%</b>
Provision for Loan Losses as a Percentage of Total Loans	0.2% to 0.3%	<b>0.1%</b>

TEB - The taxable equivalent basis does not have a standardized meaning prescribed by Canadian generally accepted accounting principles ("GAAP") and therefore, may not be comparable to similar measures presented by other banks. Refer to page 2 of the this report for the definition of TEB.

## Financial Highlights

### Overview

Net income was \$16.9 million in the fourth quarter of 2005 compared with \$12.3 million during the fourth quarter of 2004, and \$60.9 million for the year ended December 2005 compared to \$44.6 million last year. The latest period marked the Company's 42<sup>nd</sup> consecutive quarter of increased profitability. The growth in earnings are attributable to the following factors:

- Total interest and dividend income was \$53.8 million for the three months ended December 31, 2005 as compared to \$49.3 million for December 31, 2004 and \$199.1 million for the twelve months ended December 2005, a rise over \$162.8 million during the same period ending December 31, 2004. A 24.6% increase in the Company's loan assets year-over-year was a key factor contributing to the growth in interest income.
- Net interest income for the fourth quarter was \$27.5 million, a decrease of 1.0% from the \$27.7 million during the same period of 2004. This slight decline was related to a special item in the fourth quarter of 2004, when a deemed dividend on a preferred share redemption of \$5.4 million for the quarter was realized. There were no deemed dividends received by the Company in 2005. For the year as a whole, net interest income was \$102.7 million, a rise of 20.7% from \$85.1 million in 2004.
- Provisions for credit losses decreased by \$1.4 million for both the fourth quarter and the twelve months to \$0.1 million for the quarter and \$3.1 million for the twelve months. This decrease is related to the Company's decision to maintain the general allowance for credit losses at 100 basis points of risk-weighted assets and the reduction of specifics on the mortgage portfolio. The Company has \$2.58 billion or 78.7% of its total assets in residential first mortgages and has not experienced any net losses over the past four years in the mortgage portfolio.
- Non-interest income was \$11.0 million for the quarter, and \$44.0 million for the twelve months ended December 31, 2005. This represented an increase over the \$1.5 million reported for the quarter and \$23.8 million over the twelve months ending December 31, 2004. These increases resulted from growth in the loan portfolio of 24.6% over December of last year. Loan portfolio growth generated increased fee income, and securitization income from Mortgage-Backed Securities rose as well. The Company securitized a total of \$430.8 million of insured mortgages during the twelve months of 2005 compared to \$279.4 million in the same period of 2004.
- Non-interest expenses increased by \$1.3 million to \$13.3 million in the fourth quarter of 2005 over \$12.0 million reported for the three months ended December 2004. For the year 2005, non-interest expenses amounted to \$52.1 million, an increase of 27.7% over the \$40.8 million reported for the twelve months ended December 2004. The increase in 2005 over 2004 non-interest expenses was related to an increased employee count, as well as growth in variable expenses including referral fees, commission and insurance expenses related to higher overall business volumes. Increased expenses during both the fourth quarter and twelve months of 2005 were more than offset by revenue growth. This resulted in a continued low efficiency ratio during the fourth quarter of 34.4% versus 41.0% in the fourth quarter of 2004 and 35.5% for the twelve months ended December 2005 compared to 37.5% for the same period in 2004.

### Net Interest Income

Net interest income was \$27.5 million in the fourth quarter, a decrease of \$0.2 million, or 1.0%, over the \$27.7 million reported during the same quarter of 2004. Net interest income for the year was \$102.7 million, up \$17.6 million or 20.7% over the \$85.1 million reported in the same period of 2004. This increase was the result of the growth in interest earning assets of \$699.1 million over December 2004, compared to an increase of \$627.3 million in interest bearing liabilities. The net interest margin decreased slightly to 3.6% from 4.0% for the year ended December 2005 over 2004, while the net interest margins were recorded at 3.7% and 4.6% in the fourth quarters ended December 2005 and December 2004, respectively. The yield for 2004 was higher due to a \$5.4 million deemed dividend, as discussed above. If this was excluded the results would be 3.7% for the year ended December 2004 and 3.8% for the fourth quarter of 2004.

The mortgage lending line of business continues to be the primary driver of increased net interest income. It contributed \$21.1 million for the fourth quarter of 2005 and \$78.2 million for the twelve months ended December 2005, compared to \$17.0 million during the fourth quarter and \$62.2 million for the twelve months of 2004.

The consumer lending line of business contributed to net interest income with fourth quarter interest income of \$2.8 million compared to \$2.7 million for the quarter ended December 31, 2004. For the twelve month period net interest income was \$10.3 million, representing a growth of \$2.4 million over the \$7.9 million reported for the same period in 2004.

Refer to Note 10 of the accompanying unaudited interim financial statements which summarizes the Company's interest rate risk position as at December 31, 2005. The cumulative dollar gap as at December 31, 2005 is a deficiency (liabilities and off-balance sheet items exceed total assets) of \$300.8 million for the three months to the 1 year time frame, compared to \$259.2 million for December 31, 2004 and \$317.6 million for September 30, 2005. As indicated in this note, the cumulative gap reverts to a surplus within the 1 to 3 year time frame for all three periods ended presented in the table.

### **Provision for Credit Losses**

The Company expensed \$0.1 million in the fourth quarter and \$3.1 million for the full year, compared to \$1.5 million and \$4.5 million last year through the provision for credit losses. For the twelve months ended December 2005 this expense translates to 0.1% 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 Company has decided to maintain its general allowance at 100 basis points of risk-weighted assets. This decision was based on the lower loss risk level of the residential first mortgage portfolio which makes up 78.7% of total assets, and the continuing reduction in losses experienced in the total loan portfolio. The total general allowance amounted to \$16.6 million at December 31, 2005, an increase of \$3.0 million over the \$13.6 million at December 31, 2004 and a \$0.6 million rise over the \$16.0 million allowance at September 30, 2005. Growth in the general allowance for these twelve and three month periods amounted to 21.9% and 3.7%, lower than total asset growth of 27.9% and 8.6%, respectively.

At December 31, 2005 net impaired loans increased to \$13.7 million (0.49% of gross loans), compared to \$9.0 million (0.40% of gross loans) at December 31, 2004 and \$13.5 million (0.50% of gross loans) at September 30, 2005. The rise in net impaired loans has not resulted in increased loan write-offs, as indicated in Note 2 to the unaudited interim financial statements. Total net loans written-off during the year ended December 31, 2005 decreased to \$0.6 million compared to \$1.1 million for the year ended December 31, 2004.

### **Non-Interest Income**

Total non-interest income was \$11.0 million for the quarter and \$44.0 million for the twelve months ended in 2005, an increase of \$9.5 million and \$20.2 million from the quarter and twelve month periods of 2004.

The fees and other income component of non-interest income increased to \$5.4 million for the quarter and \$21.4 million for the twelve months, compared to \$4.9 million and \$16.7 million for the three and twelve month periods ending December 2004. The mortgage line of business contributed \$3.5 million of this income in the quarter and \$14.6 million for the twelve months, compared to \$3.4 million and \$11.7 million for the fourth quarter and twelve months of 2004. The consumer lending line of business contributed \$1.8 million of fee income in this quarter and \$6.7 million for the twelve months, compared to \$1.5 million and \$5.1 million for the three and twelve months ended December 2004.

The Company issued three MBS pools in the fourth quarter, consisting of \$139.9 million of Canada Mortgage and Housing Corporation ("CMHC") insured residential mortgages, for a total issuance of MBS pools in 2005 of \$430.8 million. This represents an increase of \$72.0 million over the \$67.9 million in MBS pools that were issued in the fourth quarter of 2004 and \$151.4 million over the \$279.4 million issued during the twelve months of 2004. Gains of \$4.9 million from securitizations were realized in the quarter, and \$19.2 million for the twelve months ended December 2005, up from \$2.6 million and \$11.8 million realized in the fourth quarter and twelve month periods of 2004 respectively (Refer to Note 3 of these unaudited interim consolidated financial statements). The increase in the full year revenue is the result of improved spreads on the cash flows arising from these securitizations. The spread for the twelve months ended December 2005 on new MBS pools amounted to 2.7%, an increase over the 2.6% for the pools issued in the twelve months of 2004. The pools realized a smaller growth in securitization gains in the fourth quarter as a result of the Company taking a higher estimate for unscheduled prepayments on the underlying mortgages. The estimated annual prepayment rate rose to 10.2%, versus 8.5% in the fourth quarter of 2004. MBS funds under administration at December 31, 2005 reached \$800.2 million. These securities were sold without recourse, and the Company continues to service the mortgages.

During the third quarter of this year the Company wrote down an investment held in the securities portfolio, resulting in a \$0.2 million reduction in the income statement line item Net Gain (Loss) Realized and Unrealized on Investment Securities. In the fourth quarter of 2004 the Company recorded a loss of \$5.8 million from the redemption of a tax-advantage preferred share, with an off-set of \$5.4 million being recorded as dividend income.

### **Non-Interest Expenses**

Total non-interest expenses for the three months ended December 31, 2005 were \$13.3 million, an increase of 10.5% or \$1.3 million, over the fourth quarter of 2004 and up by 27.7% or \$11.3 million, over the twelve months ended December 2004.

Salaries and staff benefits for the fourth quarter declined by \$0.3 million, or 7.3%, over the fourth quarter of 2004 and increased by \$3.5 million, or 21.4%, over the twelve month period ended December 31, 2004. The decline in the fourth quarter was the result of an adjustment for the average bonus pay-out per employee under the Company's bonus program being lower than the amount anticipated over the year. The increase for the year as a whole was the result of increased staffing levels and additional summer help to support the continued growth of the Company. The Company ended this quarter with 274 employees as compared to 254 on September 30, 2005 and 228 employees at the end of 2004.

Premises expense for the fourth quarter and the twelve months remained relatively consistent year over year.

General and administrative expenses increased by \$1.6 million over the fourth quarter of 2004, and \$7.9 million over the same twelve 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. Also, during this quarter the remaining development cost asset for the credit card operation of \$ 0.5 million was written-off and depreciation costs for equipment and furniture has increased as a result of the renovations for the Company's new premises in Toronto.

The efficiency ratio, defined as non-interest expenses as a percentage of net interest income plus fee income, for the fourth quarter was 34.4%, and 35.5% for the year ended December 2005. This was an improvement over both the 41.0% for the three months ended December 2004, and 37.5% for the twelve months of 2004 as the increase in non-interest expenses during the fourth quarter and full year were significantly lower than the increase in net interest income.

The Company continues to control all expense areas, with the objective of remaining below or within a range of 36.0% to 43.0% efficiency ratio adjusted for TEB. For the quarter and twelve months ended December 31, 2005 the efficiency ratio on a TEB was 33.8% and 34.9%, respectively.

### **Income Taxes**

The income tax expense amounted to \$8.3 million (effective tax rate of 32.9%) for the fourth quarter and \$30.6 million (effective tax rate of 33.5%) for the twelve months ended December 2005, compared to \$3.5 million (effective tax rate of 22.2%) for the fourth quarter and \$19.1 million (effective tax rate of 30.0%) in the twelve months of 2004. Canadian dividend income is non-taxable to financial institutions which results in a reduced rate of income tax to the Company. In the fourth quarter of 2004, a deemed dividend received of \$5.4 million reduced the amount of tax payable by the Company; by excluding this dividend the effective tax rates would have been 34.6% and 33.1%, respectively. Also, the growth of revenues from the Company's operations in Western Canada enables the Company to incur lower provincial tax rates on a portion of its income. In the absence of tax free dividends, the effective tax rates would have been 34.7% for the fourth quarter and 35.4% for the twelve months of 2005.

### **Balance Sheet Assets**

Total assets as at December 31, 2005 reached \$3.28 billion, an increase of \$716.3 million, or 27.9%, over the \$2.57 billion reported one year ago and up by \$259.3 million, or 8.6%, over the September 2005 asset balance of \$3.03 billion.

Growth in the loan portfolio of \$552.7 million, or 24.6%, contributed to most of this year-over-year asset increase. Residential mortgages contributed \$489.9 million to the total loan portfolio growth, consumer lending added \$37.2 million, secured loans added \$23.8 million, other mortgages (non-residential) added \$4.8 million and the general allowance increased by \$3.0 million. MBS receivables added \$13.6 million to total assets. Deferred development costs resulting from the establishment of the credit card operation in May, 2000 decreased by \$1.4 million over December 31, 2004, completing the amortization of this asset in accordance with the Company's accounting policy. The Company's investment securities portfolio increased by \$25.7 million over December 31, 2004, even though \$68.3 million of securities guaranteed by the Government of Canada were sold in the second quarter of 2005. Cash resources rose by \$120.6 million year-over-year. Fixed assets increased by \$1.7 million due to the increase in staff which requires additional equipment and furniture, along with requirements in the Company's new premises in Toronto. Other assets increased by \$3.4 million, consisting of accrued interest receivable, deferred agent commissions, deferred finders fees and other prepaid and deferred assets (Note 4). Deferred agent commissions increased alongside the growth in deposits and borrowings. Commissions are amortized over the term of deposits and lengthening of deposit terms created an increase this deferred asset.

During the fourth quarter of 2005, growth in the loan portfolio of \$113.1 million, or 4.2%, contributed to approximately half of the total asset growth over the September 30, 2005 balance. Residential mortgages represented \$88.8 million of the total loan portfolio growth, consumer lending added \$12.6 million, secured loans added \$5.9 million, other mortgages (non-residential) increased by \$6.4 million and the general allowance increased by \$0.6 million. Cash resources increased by \$105.1 million and securities increased by \$36.1 million, largely from the funds raised through deposits and funds used from the securitization of mortgages in the fourth quarter of \$139.9 million. Total other assets increased by \$5.0 million, consisting of Mortgage-Backed Securities receivable, capital assets, deferred and other assets after completing the write-off of deferred development costs.

### **Liabilities**

Liabilities for the year ended December 31, 2005 rose to \$3.07 billion, an increase of \$659.6 million, or 27.4% over the \$2.41 billion reported at December 31, 2004 and up by \$244.3 million or 8.7%, over the \$2.82 billion reported at September 30, 2005.

Most of the year-over-year increase resulted from the growth in deposits of \$630.3 million. Increased deposit liabilities funded all of the loan portfolio growth. Increased retained earnings and other liabilities, along with the deposit growth funded the Company's increase in cash resources, securities and other assets. Other liabilities (Note 5) increased by \$31.9 million, or 26.2% over the \$121.6 million reported at December 31, 2004. This growth was principally the result of increases in accrued interest payable of \$17.4 million, which related to the rise in deposits and borrowings. Accounts payable and accrued liabilities added \$9.1 million and the increase in deferred commitment fees that resulted from the growth of the mortgage loan portfolio, increased other liabilities by \$1.8 million. Future income taxes grew by \$2.6 million.

The rise in liabilities over September 30, 2005 resulted from increased deposits of \$240.6 million. Increased deposit liabilities funded all of the loan portfolio growth for the fourth quarter of 2005. Also, in the fourth quarter the Company repaid the subordinated term loan in the amount of \$2.0 million. The additional cash resources in the fourth quarter allowed for this early redemption.

### **Shareholders' Equity**

The increase in shareholders' equity of \$56.7 million, or 34.9% over the \$162.2 million reported at December 31, 2004 was internally generated from net income for the year as a whole of \$60.9 million, less \$6.1 million for dividends paid and payable to shareholders. The remaining \$1.9 million was from proceeds of \$1.8 million received on the exercise of Company share options, and the amortization of the fair value of share options of \$0.2 million, less \$0.1 million from the exercise of these share options.

Shareholders' equity rose to \$218.9 million, an increase of \$15.0 million, or 7.3%, over \$203.9 million reported at September 30, 2005. This growth was internally generated from net income for the three months of \$16.9 million, less \$2.0 million for dividends payable to shareholders. The remaining \$0.1 million was from proceeds received on the exercise of Company share options.

At December 31, 2005 the book value per common share was \$6.44 compared to \$6.00 at September 30, 2005 and \$4.80 one year ago.

### **Off-Balance Sheet Arrangements**

The Company did not enter into any financial instruments for hedging purposes during 2005. The Company had, however, entered into a financial instrument during the fourth quarter of 2004. This off-balance sheet financial transaction consisted of short sales of Government of Canada bonds. 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 was closed, resulting 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. In the fourth quarter of 2005, the remaining \$30.0 million of this position was closed, resulting in \$739,000 realized loss with \$142,000 recorded in the fourth quarter of 2004 and the remaining \$597,000 was recorded during the twelve months ended 2005 which was netted against other interest income.

The Company securitizes insured residential mortgage loans into special purpose entities 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 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 December 31, 2005 outstanding securitized mortgage loans under administration amounted to \$800.2 million (\$699.0 million - Q3 05 and \$500.7 million - Q4 2004) and retained interest of \$41.3 million (\$38.8 million - Q3 2005 and \$27.7 million - Q4 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 \$176.3 million at December 31, 2005 compared to \$199.6 million at September 30, 2005 and \$160.9 million at December 31, 2004. These commitments remain open for various dates through January, 2007. As of December 31, 2005 unutilized credit card balances amounted to \$49.5 million compared to \$48.6 million at September 30, 2005 and \$39.4 million at December 31, 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 Company's 2004 Annual Report.

### **Liquidity Risk**

The Company maintains 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 liquidity requirements. On December 31, 2005 liquid assets amounted to \$286.9 million, up 81.0% from \$158.5 million at September 30, 2005 and 88.5% from \$152.2 million at December 31, 2004.

The Company maintains a minimum of 20% 100 day obligations in liquid assets. For the twelve months ended 2005 the Company maintained an average of \$216.1 million, or 46.4% of 100 day obligations compared to \$130.4 million, or 35.3% for the twelve months of 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 December 31, 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 utilizes an interest rate risk sensitivity model that measures the relationship between changes in interest rates, and the resulting impact on the economic value of shareholders' equity. As at December 31, 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 decline would result in a similar decrease in shareholders' equity of \$1.1 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 is 97.4% residential, 2.2% store and apartments, and 0.4% non-residential loans. Within the residential mortgage portfolio, 5.7% are insured by Canada Mortgage and Housing Corporation. First mortgages represent 99.7% of the total mortgage portfolio.

As of December 31, 2005 the gross credit card receivable balance totalled \$109.2 million, comprised of \$106.9 million, or 97.8% in accounts secured either by cash deposits or residential mortgage collateral, and \$2.3 million, or 2.2% which is unsecured. The total credit approved includes \$153.7 million in secured and \$5.0 million in unsecured credit, compared to \$140.0 million in secured and \$5.2 million unsecured at September 30, 2005 and \$103.9 million in secured and \$6.0 million unsecured at December 31, 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 \$93.5 million of the credit card receivable balance as at December 31, 2005 compared to \$80.9 million at September 30, 2005 and \$55.5 million at December 31, 2004. Cash security deposits on credit card accounts amounted to \$21.5 million, and are included in the Company's deposits and borrowings.

Secured loans of \$43.6 million increased by \$6.0 million over the September 30, 2005 balance of \$37.6 million and \$23.9 million over the December 31, 2004 balance of \$19.7 million. These loans are secured by second mortgages on residential property with up to 85% loan to value of the property. The Company has not experienced any losses on these loans. At December 31, 2005 \$0.3 million are over 30 days in arrears, or 0.7% of the secured loans portfolio. These loans are subject to the same credit and lending criteria as the Company's mortgage portfolio.

Although the Company has experienced increased net impaired loans to \$13.7 million at December 31, 2005 compared with \$13.5 million at September 30, 2005 and \$9.0 million at December 31, 2004, the Company has not experienced an increase in net loan write-offs. On the contrary, write-offs net of recoveries applied against the accumulated allowance for credit losses realized on loans during the twelve months of 2005 were \$595,000 as compared to the twelve months ended December 2004 at \$1.1 million. All losses were related to unsecured loans in the consumer lending operation; the mortgage operation ended the year 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 demonstrated by reduced write-offs.

The Company has ensured that it is well positioned for any unforeseen future losses by establishing general allowances of \$16.6 million at December 31, 2005 as compared to the general allowances of \$16.0 million at September 30, 2005 and \$13.6 million at December 31, 2004.

Following a review of prior years' loss experience, the current year's performance and the lending criteria in place, the Company has reduced the general allowance to 100 basis points of risk-weighted assets. The Company's loss experience on mortgages amounted to 0.04% per annum over the past 15 years, 0.02% for the past 10 years, and 0.001% for the past 5 years. Along with the loss experience the Company has security in the form of property or cash deposits on 85.4% of total assets, with 78.7% of security in residential first mortgages. The Company has developed a methodology to test the adequacy of the general allowance which considers asset quality, borrowers' credit worthiness, property location and past loss experience. The Company reviews this general allowance methodology going forward with consideration given to changes in the economy, interest rates and conditions in housing markets.

Total general allowance was 100.5 basis points of the Company's risk-weighted assets at December 31, 2005, compared to 103.1 basis points at September 30, 2005 and 103.8 basis points at December 31, 2004.

## 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 ending the year at 12.7% at December 31, 2005 versus the 12.0% reported at December 31, 2004. The total capital ratio was 14.5% as at December 31, 2005 up from 14.0% reported at December 31, 2004. The total capital ratio strengthened despite solid growth in Home Trust's total assets of 27.8% over December 2004. Risk-weighted assets increased by 25.8%, with growth in capital of 29.7% over the twelve month period. The capital ratios were also sustained despite the reduction in capital for dividend payments of \$7.4 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 December 31, 2005 Home Trust was utilizing 78.5% of its approved Assets to Regulatory Capital Multiple of 17.5 times (79.6% - December 31, 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 its present location at 145 King Street West in Toronto, requiring annual payments of approximately \$0.5 million. The Company took possession on September 1, 2005 and will be moving and consolidating its operations to two floors in the same building, nearly doubling its square footage and enabling 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 conversion, which was completed on July 24, 2005.

## **Updated Share Information**

As at February 13, 2006, the Company had 34,011,640 Common Shares outstanding. In addition, director and employee stock options outstanding amounted to 1,272,000 (1,130,000 - Q3 2005 and 1,372,750 - Q4 2004) of which 1,003,250 are exercisable as of the quarter-end (747,500 - Q3 2005 and 944,000 - Q4 2004) for proceeds to the Company on exercise of \$7.3 million (\$5.4 million - Q3 2005 and \$6.3 million - Q4 2004).

On December 6, 2005 the Company declared a quarterly cash dividend of \$0.05 per Common Share, payable March 1 to shareholders of record at the close of business on February 15, 2006.

## **Results by Business Segment**

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

### **Mortgage Lending**

The Company's principal line of business contributed \$13.1 million to net income during the fourth quarter and \$48.3 million for the twelve months of 2005, as compared to \$8.4 million and \$35.9 million for the same periods ended December 2004. Total value of new mortgages advanced in the fourth quarter and twelve months of 2005 amounted to \$452.8 million and \$1.73 billion, as compared to \$407.7 million and \$1.46 billion for the same periods ended December 2004, respectively.

The Company securitized \$139.9 million of residential mortgages in the fourth quarter and a total of \$430.8 million for the twelve months of this year, realizing total income on securitization of \$5.2 million for the quarter and \$20.9 million in 2005. This was up from the \$279.4 million securitized last year, when income was \$10.6 million. Securitization will continue to contribute to the Company's income, however core mortgage lending is expected to remain the major driver of the Company's financial results.

The second mortgage program (recorded as secured loans) is conducted by way of an agreement with QSPE-HCC Trust, operating as Regency Finance Corp. ("Regency"), whereby the Company acts as Regency's agent in offering second mortgage loans. These mortgage loans are securitized and the investment is purchased by the Company. This program is now two years old, having been launched in the fourth quarter of 2003. As of December 31, 2005 the Company held \$43.6 million in Secured Loans as Notes Receivable issued by Regency, compared to \$37.6 million at September 30, 2005 and \$19.7 million at December 31, 2004. These Notes yield 7.8% with an average duration of 3.7 years. The Company also receives fee income for servicing and administering these mortgages for Regency. This income amounted to 1.1% of the portfolio value on an annualized basis. The underlying credit quality of the mortgages securing the Notes Receivable remains high with 2.0% in arrears up to 60 days, and 0.2% of the portfolio in arrears over 60 days. This program has experienced no losses since inception. It 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 \$1.7 million to net income in the fourth quarter and \$6.1 million for the twelve months ended December 31, 2005 as compared to \$1.3 million and \$3.4 million for the same periods in 2004. The Equity Plus VISA loans portfolio amounted to \$93.5 million at December 31, 2005 (\$80.9 million - Q3 2005 and \$55.5 million - Q4 2004) and comprises 85.6% (83.8% - Q3 2005 and 78.6% - Q4 2004) of the total gross credit card receivable balance of \$109.2 million, bearing an average interest rate of 11.3% (11.5% - Q3 2005 and 11.8% - Q4 2004) on outstanding balances.

## Quarterly Financial Highlights

In thousands of dollars, except per share amounts and percentages

	2005				2004			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net interest income (TEB)*	\$ 28,163	\$ 27,262	\$ 26,203	\$ 23,829	\$ 28,426	\$ 21,363	\$ 19,786	\$ 18,635
Less TEB adjustment	708	682	675	714	694	726	754	964
Net interest income per financial statements	27,455	26,580	25,528	23,115	27,732	20,637	19,032	17,671
Non-interest income	11,040	11,596	10,741	10,631	1,535	7,913	7,157	7,244
Total revenues	64,803	62,763	59,630	55,910	50,804	48,555	44,558	42,772
Net income	16,881	15,766	14,638	13,576	12,271	11,550	10,700	10,030
Return on common shareholders' equity	31.9%	32.1%	32.2%	32.2%	31.3%	31.7%	31.6%	31.9%
Return on average total assets	2.1%	2.1%	2.1%	2.1%	2.0%	2.0%	2.1%	2.1%
Earnings per common share								
Basic	\$ 0.50	\$ 0.47	\$ 0.43	\$ 0.40	\$ 0.37	\$ 0.34	\$ 0.32	\$ 0.30
Fully diluted	\$ 0.47	\$ 0.45	\$ 0.41	\$ 0.39	\$ 0.35	\$ 0.33	\$ 0.30	\$ 0.29
Book value per common share	\$ 6.44	\$ 6.00	\$ 5.57	\$ 5.17	\$ 4.80	\$ 4.48	\$ 4.17	\$ 3.88
Efficiency ratio (TEB)*	33.8%	35.2%	35.2%	35.3%	40.0%	33.8%	35.7%	36.0%
Efficiency ratio	34.4%	35.9%	35.9%	36.0%	41.0%	34.6%	36.7%	37.4%
Tier 1 capital ratio**	12.7%	12.6%	12.3%	12.2%	12.0%	11.8%	11.9%	12.0%
Total capital ratio**	14.5%	14.5%	14.2%	14.2%	14.0%	13.9%	14.1%	14.3%
Net impaired loans as % of gross loans	0.49%	0.50%	0.52%	0.44%	0.40%	0.31%	0.32%	0.31%
Annualized provision as % of gross loans	0.0%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%

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

\*\* These figures are related to Home Trust Company.

The Company's 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, returns on equity and assets, as well as positive efficiency trends and strong capital ratios, quarter over quarter. The increase in the net impaired loans over the quarters has not translated into increased losses. The Company reduced its provision in the fourth quarter due to an overall reduction in the general allowance. Refer to page 10 of the unaudited interim consolidated financial statements for discussion of credit risk.

## 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. As Home Capital enters 2006 we foresee continued economic growth across Canada, with stable low interest rates supporting both new housing starts and resale markets. Home Capital remains strongly positioned to benefit from these conditions, particularly in the residential lending business.

Having achieved strong results across all areas of business performance during this year, the Company is on track to meet its 2006 performance targets. The performance objectives for 2006 include 20% net income growth, 20% growth in fully diluted earnings per share, 20% growth in combined total assets and securitized mortgages originated and managed by the Company and 20% return on equity. The key to achieving these targets, as it has been in the past will be a continued focus on growth together with prudent lending, efficiency in operations, committed management and employees, 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 December 31, 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 December 31, 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  
February 14, 2006

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

## Consolidated Statements of Income

	For the Three Months Ended		For the Year Ended	
	December 31 2005	December 31 2004	December 31 2005	December 31 2004
<i>In Thousands of Dollars, Except Per Share Amounts (Unaudited)</i>				
<b>Income</b>				
Interest from Loans	\$ 49,396	\$ 40,876	\$ 184,297	\$ 146,982
Dividends from Securities	1,252	6,615	4,916	10,937
Other Interest	3,115	1,778	9,885	4,921
	<b>53,763</b>	49,269	<b>199,098</b>	162,840
<b>Interest Expense</b>				
Interest on Deposits and Borrowings	26,308	21,537	96,420	77,768
Net Interest Income	27,455	27,732	102,678	85,072
Provision for Credit Losses (Note 2)	89	1,501	3,128	4,465
	<b>27,366</b>	26,231	<b>99,550</b>	80,607
<b>Non-interest Income</b>				
Fees and Other Income	5,383	4,870	21,367	16,714
Securitization Income on Mortgage-Backed Securities (Note 3)	5,258	1,634	20,935	10,625
Net Gain (Loss) Realized and Unrealized on Investment Securities	399	(4,969)	1,706	(3,490)
	<b>11,040</b>	1,535	<b>44,008</b>	23,849
	<b>38,406</b>	27,766	<b>143,558</b>	104,456
<b>Non-interest Expenses</b>				
Salaries and Staff Benefits	4,335	4,677	19,974	16,459
Premises	626	633	2,370	2,455
General and Administration	8,289	6,677	29,757	21,891
	<b>13,250</b>	11,987	<b>52,101</b>	40,805
<b>INCOME BEFORE PROVISION FOR INCOME TAXES</b>	<b>25,156</b>	15,779	<b>91,457</b>	63,651
Provision for Income Taxes (Note 8)	8,275	3,508	30,596	19,100
<b>NET INCOME</b>	<b>\$ 16,881</b>	\$ 12,271	<b>\$ 60,861</b>	\$ 44,551
<b>NET INCOME PER COMMON SHARE</b>				
Basic	\$ 0.50	\$ 0.37	\$ 1.80	\$ 1.33
Fully Diluted	\$ 0.47	\$ 0.35	\$ 1.72	\$ 1.27
<b>AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (Thousands)</b>				
Basic	33,828	33,571	33,860	33,625
Fully Diluted	35,590	35,199	35,450	35,034
Total Number of Outstanding Common Shares (Note 6)	34,012	33,777	34,012	33,777
Book Value Per Share	\$ 6.44	\$ 4.80	\$ 6.44	\$ 4.80

## Consolidated Balance Sheets

	December 31	September 30	December 31
<i>In Thousands of Dollars (Unaudited)</i>	2005	2005	2004
<b>ASSETS</b>			
<b>Cash Resources</b>			
Deposits with Regulated Financial Institutions	\$ 60,337	\$ 26,409	\$ 21,925
Treasury Bills Guaranteed by Canada	110,806	39,683	28,574
	<b>171,143</b>	<b>66,092</b>	<b>50,499</b>
<b>Securities</b>			
Issued or Guaranteed by Canada	126,832	98,187	108,971
Issued or Guaranteed by Provinces	299	299	799
Other Securities	101,611	94,156	93,296
	<b>228,742</b>	<b>192,642</b>	<b>203,066</b>
<b>Loans</b>			
Personal and Credit Card Loans	116,628	103,971	79,405
Secured Loans (Note 1)	43,565	37,642	19,718
Residential Mortgages	2,583,694	2,494,918	2,093,802
Other Mortgages	69,572	63,209	64,815
General Allowance for Credit Losses (Note 2)	(16,586)	(15,998)	(13,611)
	<b>2,796,873</b>	<b>2,683,742</b>	<b>2,244,129</b>
<b>Other</b>			
Mortgage-Backed Securities Receivable (Note 3)	41,309	38,790	27,724
Capital Assets	4,362	2,429	2,666
Deferred Development Costs	-	514	1,447
Other Assets (Note 4)	42,400	41,368	38,982
	<b>88,071</b>	<b>83,101</b>	<b>70,819</b>
	<b>\$ 3,284,829</b>	<b>\$ 3,025,577</b>	<b>\$ 2,568,513</b>
<b>LIABILITIES</b>			
Term Loan	\$ 10,000	\$ 10,000	\$ 10,000
Subordinated Term Loan	-	2,000	3,000
<b>Deposits</b>			
Payable on Demand	20,191	9,518	17,127
Payable on a Fixed Date	2,875,270	2,645,380	2,248,057
	<b>2,905,461</b>	<b>2,666,898</b>	<b>2,278,184</b>
<b>Other</b>			
Cheques and Other Items in Transit	6,989	7,693	6,535
Other Liabilities (Note 5)	153,494	147,083	121,587
	<b>160,483</b>	<b>154,776</b>	<b>128,122</b>
	<b>3,065,944</b>	<b>2,821,674</b>	<b>2,406,306</b>
<b>SHAREHOLDERS' EQUITY</b>			
Capital Stock (Note 6)	34,272	34,190	32,468
Contributed Surplus	306	246	178
Retained Earnings	184,307	169,467	129,561
	<b>218,885</b>	<b>203,903</b>	<b>162,207</b>
	<b>\$ 3,284,829</b>	<b>\$ 3,025,577</b>	<b>\$ 2,568,513</b>

## Consolidated Statements of Changes in Shareholders' Equity

	For the Three Months Ended		For the Year Ended	
	December 31 2005	December 31 2004	December 31 2005	December 31 2004
<i>In Thousands of Dollars (Unaudited)</i>				
<b>CAPITAL STOCK</b>				
Common Shares				
Balance at Beginning of the Period	\$ 34,190	\$ 32,420	\$ 32,468	\$ 31,734
Proceeds of Options Exercised	82	48	1,804	734
<b>BALANCE AT END OF THE PERIOD</b>	<b>\$ 34,272</b>	<b>\$ 32,468</b>	<b>\$ 34,272</b>	<b>\$ 32,468</b>
<b>CONTRIBUTED SURPLUS</b>				
Balance at Beginning of the Period	\$ 246	\$ 137	\$ 178	\$ 33
Amortization of Fair Value of Employee Stock Options (Note 7)	69	41	237	145
Employee Stock Options Exercised	(9)	-	(109)	-
<b>BALANCE AT END OF THE PERIOD</b>	<b>\$ 306</b>	<b>\$ 178</b>	<b>\$ 306</b>	<b>\$ 178</b>
<b>RETAINED EARNINGS</b>				
Balance at Beginning of the Period	\$ 169,467	\$ 118,641	\$ 129,561	\$ 89,399
Net Income for the Period	16,881	12,271	60,861	44,551
Dividends Paid During the Period	(340)	-	(4,414)	(3,038)
Dividends Declared, Unpaid During the Period	(1,701)	(1,351)	(1,701)	(1,351)
<b>BALANCE AT END OF THE PERIOD</b>	<b>\$ 184,307</b>	<b>\$ 129,561</b>	<b>\$ 184,307</b>	<b>\$ 129,561</b>

## Consolidated Statements of Cash Flows

	For the Three Months Ended		For the Year Ended	
	December 31 2005	December 31 2004	December 31 2005	December 31 2004
<i>In Thousands of Dollars (Unaudited)</i>				
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net Income for the Period	\$ 16,881	\$ 12,271	\$ 60,861	\$ 44,551
Adjustments to Determine Net Cash Flows Relating to Operating Activities:				
Future Income Taxes	340	(2,986)	2,616	392
Amortization of Capital Assets	696	273	1,350	814
Amortization of Securities	(87)	(101)	(1,965)	(297)
Amortization of Deferred Financing Costs	31	15	75	58
Amortization of Deferred Development Costs	513	180	1,447	720
Provision for Credit Losses	89	1,501	3,128	4,465
Change in Accrued Interest Receivable	(855)	(1,362)	(2,430)	(3,217)
Change in Accrued Interest Payable	3,644	7,213	17,436	17,025
Net (Gain) Loss Realized and Unrealized on Investment Securities	(399)	4,969	(1,706)	3,490
Gain on Sale of Mortgage-Backed Securities	(5,258)	(1,634)	(20,935)	(10,625)
Change in Mortgage-Backed Securities Receivable	6,640	6,520	17,463	12,639
Change in Other Assets	(210)	(4,812)	(1,065)	(8,710)
Change in Cheques and Other Items in Transit	(704)	(3,870)	454	340
Change in Other Liabilities	2,088	7,590	11,505	12,113
Change of Fair Value of Employee Stock Options (Note 7)	60	41	128	145
Cash Provided by Operating Activities	23,469	25,808	88,362	73,903
<b>FINANCING ACTIVITIES</b>				
Repayment of Subordinated Term Loan	(2,000)	-	(3,000)	(1,000)
Net Increase in Deposits	240,563	197,707	630,277	601,081
Issuance of Capital Stock	82	48	1,804	734
Dividends Paid	(1,700)	(1,013)	(5,765)	(4,044)
Cash Provided by Financing Activities	236,945	196,742	623,316	596,771
<b>INVESTING ACTIVITIES</b>				
Activity in Securities				
Purchases	(47,076)	(23,196)	(148,742)	(88,184)
Proceeds on Sales	5,080	4,033	97,823	16,123
Proceeds on Maturities	6,382	8,308	28,914	31,459
Activity in Mortgages				
Net Increase	(234,390)	(245,837)	(924,987)	(866,145)
Proceeds from Securitization of Mortgage-Backed Securities	135,956	65,884	420,643	271,232
Net Increase in Personal and Credit Card Loans	(12,761)	(10,801)	(37,792)	(33,816)
Net Increase in Secured Loans	(5,924)	(3,931)	(23,847)	(16,108)
Purchases of Capital Assets	(2,630)	(332)	(3,046)	(1,587)
Cash Used in Investing Activities	(155,363)	(205,872)	(591,034)	(687,026)
Net Increase in Cash and Cash Equivalents	105,051	16,678	120,644	(16,352)
Cash and Cash Equivalents at the Beginning of the Period	66,092	33,821	50,499	66,851
<b>Cash and Cash Equivalents at the End of the Period</b>	<b>\$ 171,143</b>	<b>\$ 50,499</b>	<b>\$ 171,143</b>	<b>\$ 50,499</b>
Supplementary Disclosure of Cash Flow Information				
Amount of Interest Paid During the Period	\$ 22,790	\$ 14,325	\$ 78,985	\$ 60,743
Amount of Income Taxes Paid During the Period	7,793	4,236	30,955	17,948

## 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, except as described below. 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. Certain comparative figures have been reclassified to conform to the current period presentation.

#### Consolidation of Variable Interest Entities

Under AcG-15, "Consolidation of Variable Interest Entities", guidance is provided for applying consolidation principles to certain entities that are subject to control on a basis other than ownership of voting interests. Under this standard, the Company must consolidate these entities if it is the primary beneficiary, that is, as a result of this investment the Company is exposed to a majority of expected losses or is in a position to benefit from a majority of the returns. Under this guideline the QSPE-HCC Trust (Operating as Regency Finance Corp.) is required to be consolidated which has resulted in a reclassification of the Notes Receivable - QSPE - HCC Trust from securities to Secured Loans of \$43.6 million at December 31, 2005, \$37.6 million at September 31, 2005 and \$19.7 million at December 31, 2004. There is no impact on the net income or retained earnings of the Company from this consolidation.

### 2. LOANS

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

<i>In Thousands of Dollars</i>	<b>As At December 31, 2005</b>			
	Gross Amount of Impaired Loans		Specific Allowances	Carrying Value
Personal, Credit Card and Secured Loans	\$	403	\$ 162	\$ 241
Residential Mortgages		13,486	-	13,486
Other Mortgages		-	-	-
	\$	13,889	\$ 162	\$ 13,727
	<b>As At September 30, 2005</b>			
Personal, Credit Card and Secured Loans	\$	534	\$ 212	\$ 322
Residential Mortgages		13,810	610	13,200
Other Mortgages		-	-	-
	\$	14,344	\$ 822	\$ 13,522
	<b>As At December 31, 2004</b>			
Personal, Credit Card and Secured Loans*	\$	280	\$ 204	\$ 76
Residential Mortgages		9,340	400	8,940
Other Mortgages		-	-	-
	\$	9,620	\$ 604	\$ 9,016

\* Reclassification for Secured Loans - Refer to Note 1 Consolidation of Variable Interest Entities

#### (B) Allowance for Credit Losses

<i>In Thousands of Dollars</i>	<b>For the Year Ended December 31, 2005</b>			
	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	153	2,975		3,128
Write-offs	(991)	-		(991)
Recoveries	396	-		396
Balance at the End of the Period	\$ 162	\$ 16,586	\$	16,748
	<b>For the Year Ended December 31, 2004</b>			
Balance at the Beginning of the Period	\$ 574	\$ 10,300	\$	10,874
Provisions for Credit Losses for the Current Period	1,154	3,311		4,465
Write-offs	(1,323)	-		(1,323)
Recoveries	199	-		199
Balance at the End of the Period	\$ 604	\$ 13,611	\$	14,215

## Notes to the Unaudited Interim Consolidated Financial Statements - Continued

### 3. LOAN SECURITIZATION

During the fourth quarter and twelve months of 2005, the Company securitized government guaranteed (CMHC) residential mortgage loans through the creation of Mortgage-Backed Securities for \$139.9 million and \$430.8 million (\$67.9 million - Q4 2004 and \$279.4 million - twelve months 2004). The Company retained the rights to future excess interest on these residential mortgages valued at \$9.4 million and \$31.6 million (\$5.0 million - Q4 2004 and \$21.6 million - twelve months 2004) for the fourth quarter and twelve months. Cash flows of \$135.9 million and \$420.6 million (\$65.9 million - Q4 2004 and \$271.2 million - twelve months 2004) were received on the securitization of these residential mortgages in the fourth quarter and twelve month period. The fourth quarter and twelve month gains on sales net of transaction fees and expenses, were \$4.9 million and \$19.2 million (\$2.6 million - Q4 2004 and \$11.8 million - twelve months 2004). The key assumptions used to value the sold and retained interests included a prepayment rate of 10.2% and 9.2% for the fourth quarter and twelve months of 2005 (8.5% - for Q4 2004 and 6.6% for the twelve months of 2004). An excess spread of 2.7% (2.6% - for both Q4 and the twelve months 2004) was estimated for both the fourth quarter and twelve months period. The discount rates were 3.3% and 3.5% (3.8% - Q4 2004 and 3.7% - twelve months 2004) for the fourth quarter and twelve months of 2005. There are no expected credit losses as all the mortgages are government guaranteed.

### 4. OTHER ASSETS

<i>In Thousand of Dollars</i>	December 31 2005	September 30 2005	December 31 2004
Accrued Interest Receivable	\$ 15,234	\$ 14,379	\$ 12,804
Deferred Agent Commission	9,320	9,226	8,979
Deferred Finders Fees	8,644	8,883	9,185
Goodwill	2,324	2,324	2,324
Other Prepaid Assets and Deferred Items	6,878	6,556	5,690
	<b>\$ 42,400</b>	<b>\$ 41,368</b>	<b>\$ 38,982</b>

### 5. OTHER LIABILITIES

<i>In Thousand of Dollars</i>	December 31 2005	September 30 2005	December 31 2004
Accrued Interest Payable	\$ 97,391	\$ 93,747	\$ 79,955
Income Taxes Payable	5,157	4,553	4,545
Dividends Payable	1,701	1,360	1,351
Deferred Commitment Fees	9,847	9,576	8,062
Future Income Taxes (Note 8)	12,015	11,675	9,399
Other, Including Accounts Payable and Accrued Liabilities	27,383	26,172	18,275
	<b>\$ 153,494</b>	<b>\$ 147,083</b>	<b>\$ 121,587</b>

### 6. CAPITAL STOCK

During the fourth quarter and year ended 2005, 8,000 and 234,500 Common Shares respectively (23,500 Common Shares - Q4 2004 and 242,750 Common Shares - year ended 2004) were issued under the director, management and employee share purchase option plan for a total cash consideration of \$73,000 and \$1.7 million (\$48,000 - Q4 2004 and \$734,000 - year ended 2004). In the fourth quarter capital stock increased by \$9,000 and \$109,000 year to date, based on the fair market value adjustment for employee stock options exercised.

During the fourth quarter of 2005, 263,750 share purchase options vested, and 293,750 vested in the twelve months (268,750 Common Shares - Q4 2004 and 541,250 Common Shares - twelve months 2004). These options have performance criteria that were met, and the options are now vested.

During the fourth quarter of 2005, 150,000 Common Share purchase options were granted to employees of the Company for a total of 217,500 Common Share purchase options granted for the year ended December 31, 2005 (Common Share purchase options were issued for the twelve month period, with associated performance criteria that must be met before the options can vest). During the fourth quarter of 2005, no Common Share purchase options previously issued were forfeited and 83,750 options were forfeited for the year ending December 31, 2005 (5,000 for the twelve months of 2004).

#### Issued and Outstanding

<i>In Thousands of Dollars, except per share amounts</i>	December 31 2005		September 30 2005		December 31 2004	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Common Shares	34,012	\$ 34,272	34,004	\$ 34,190	33,777	\$ 32,468
Share Purchase Options		Weighted-average Exercise Price		Weighted-average Exercise Price		Weighted-average Exercise Price
Outstanding, End of Period	1,272	\$ 12.32	1,130	\$ 9.25	1,373	\$ 8.62
Exercisable, End of Period	1,003	7.31	748	7.27	944	6.64

## Notes to the Unaudited Interim Consolidated Financial Statements - Continued

### 7. STOCK BASED COMPENSATION

For all options issued after January 1, 2003 the Company has recognized a compensation expense. During the fourth quarter of 2005, \$69,000 was recorded as an expense for a total of \$237,000 for the year ended December 31, 2005 (\$40,000 - Q4 2004 and \$144,000 - year ended December 31, 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 granting using the Black-Scholes valuation model with the following assumptions: risk-free interest rate of 3.7%, anticipated option life of 4.1 years, anticipated volatility of 27.7% and anticipated dividend yield of 3.8%. Stock options granted amounted to 217,500 for this year and these granted options will vest subject to performance targets over a four-year period at a rate of 25% per year, expiring 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 fourth quarter of 2005 by \$89,000 and \$357,000 for the twelve months (\$91,000 - Q4 2004 and \$361,000 - twelve months 2004). The restatement of net income and earnings per share if the compensation expense had been recorded in the current and prior periods based on the fair value of 2002 outstanding options is as follows:

	For the Three Months Ended		For the Year Ended	
	Dec. 31 2005	Dec. 31 2004	Dec. 31 2005	Dec. 31 2004
Pro-forma Net Income (in Thousands of Dollars)	\$ 16,792	\$ 12,180	\$ 60,504	\$ 44,190
Pro-forma Earnings per Share - Basic	\$ 0.50	\$ 0.36	\$ 1.79	\$ 1.32
Pro-forma Earnings per Share - Diluted	\$ 0.47	\$ 0.35	\$ 1.71	\$ 1.26

### 8. INCOME TAXES

Reconciliation of Income Taxes: <i>In Thousands of Dollars</i>	For the Three Months Ended		For the Year Ended	
	Dec. 2005	Dec. 2004	Dec. 2005	Dec. 2004
Income Before Income Taxes	\$ 25,156	\$ 15,779	\$ 91,457	\$ 63,651
Income Taxes at Statutory Combined Federal and Provincial Income Tax Rates	9,069	5,700	33,012	22,991
Increase (Decrease) in Income Taxes at Statutory Income Tax Rates Resulting From:				
Tax-exempt Income	(452)	(2,738)	(1,775)	(4,299)
Non-deductible Expenses	61	26	156	92
Other	(403)	520	(797)	316
Income Tax	\$ 8,275	\$ 3,508	\$ 30,596	\$ 19,100

#### Sources of Future Income Tax Balances:

<i>In Thousands of Dollars</i>	Dec. 2005	Sept. 2005	Dec. 2004
Future Income Tax Liabilities			
Deferred Agent Commissions and Other Charges	\$ 6,621	\$ 6,545	\$ 6,566
Mortgage-Backed Securities Receivable	15,508	14,442	10,208
Deferred Development Costs	-	185	523
	22,129	21,172	17,297
Future Income Tax Assets			
Allowance for Credit Losses	5,081	3,459	3,463
Mark-to-market Adjustments to Securities	1,462	1,467	1,523
Deferred Commitment Fees	3,571	4,571	2,912
	10,114	9,497	7,898
Net Future Income Tax Liability	\$ 12,015	\$ 11,675	\$ 9,399

## 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 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. During the fourth quarter of 2005, the Company closed the remaining \$30.0 million of this short sale position. A loss of \$597,000 was realized in the fourth quarter, and the total loss for the year ending December 31, 2005 of \$625,000 were both recorded under the line item Other Interest Income.

The Company has not entered into any off-balance sheet financial instruments as at December 31, 2005.

### 10. INTEREST RATE SENSITIVITY

The Company’s exposure to interest rate risk results from the difference, or gap, between the maturity or repricing dates of interest sensitive assets and liabilities, including off-balance sheet items. The following table shows the gap positions at December 31, 2005, September 30, 2005 and December 31, 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
<b>December 31, 2005</b>							
Total Assets	\$ 51,337	\$ 360,894	\$ 930,530	\$ 1,450,647	\$ 393,268	\$ 98,153	\$ 3,284,829
Total Liabilities and Equity	10,000	248,666	1,217,337	1,063,773	365,685	379,368	3,284,829
Off-balance Sheet Items	-	150,935	16,634	(73,205)	(94,364)	-	-
Interest Rate Sensitive Gap	\$ 41,337	\$ (38,707)	\$ (303,441)	\$ 460,079	\$ 121,947	\$ (281,215)	\$ -
Cumulative Gap	\$ 41,337	\$ 2,630	\$ (300,811)	\$ 159,268	\$ 281,215	\$ -	\$ -
Cumulative Gap as a % of Total Assets	1.3%	0.1%	(9.2%)	4.8%	8.6%	-	-
<b>September 30, 2005</b>							
Total Assets	\$ 7,026	\$ 272,277	\$ 770,104	\$ 1,451,106	\$ 405,304	\$ 119,760	\$ 3,025,577
Total Liabilities and Equity	12,000	239,787	922,385	1,080,055	403,153	368,197	3,025,577
Off-balance Sheet Items	-	179,790	13,048	(85,001)	(107,837)	-	-
Interest Rate Sensitive Gap	\$ (4,974)	\$ (147,300)	\$ (165,329)	\$ 456,052	\$ 109,988	\$ (248,437)	\$ -
Cumulative Gap	\$ (4,974)	\$ (152,274)	\$ (317,603)	\$ 138,449	\$ 248,437	\$ -	\$ -
Cumulative Gap as a % of Total Assets	(0.2%)	(5.0%)	(10.5%)	4.6%	8.2%	-	-
<b>December 31, 2004</b>							
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%	-	-

## 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 card services and installment lending to customers of retail businesses. The Other category includes the Company's treasury and security investment activities.

The following tables detail 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	
	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31
	2005	2004	2005	2004	2005	2004	2005	2004
Net Interest Income	\$ 21,103	\$ 17,023	\$ 2,849	\$ 2,668	\$ 3,503	\$ 8,041	\$ 27,455	\$ 27,732
(Provisions for) Reversal of Credit Losses	139	(1,175)	(228)	(326)	-	-	(89)	(1,501)
Fees and Other Income	3,528	3,427	1,810	1,464	45	(21)	5,383	4,870
Net Gain (Loss) on Securities & Mortgage-Backed Securities	5,258	1,634	-	-	399	(4,969)	5,657	(3,335)
Non-interest Expense	(10,056)	(8,163)	(1,691)	(1,774)	(1,503)	(2,050)	(13,250)	(11,987)
Income Before Income Taxes	19,972	12,746	2,740	2,032	2,444	1,001	25,156	15,779
Income Taxes	(6,830)	(4,361)	(990)	(734)	(455)	1,587	(8,275)	(3,508)
Net Income	\$ 13,142	\$ 8,385	\$ 1,750	\$ 1,298	\$ 1,989	\$ 2,588	\$ 16,881	\$ 12,271
Total Assets*	\$ 2,821,874	\$ 2,200,540	\$ 121,074	\$ 81,918	\$ 341,881	\$ 286,055	\$ 3,284,829	\$ 2,568,513

*Thousands of Dollars (Unaudited) For the Year Ended*

	Mortgage Business		Consumer Lending Retail Services & Credit Cards		Other		Total	
	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31
	2005	2004	2005	2004	2005	2004	2005	2004
Net Interest Income	\$ 78,248	\$ 62,183	\$ 10,319	\$ 7,881	\$ 14,111	\$ 15,008	\$ 102,678	\$ 85,072
Provisions for Credit Losses	(2,191)	(3,225)	(937)	(1,240)	-	-	(3,128)	(4,465)
Fees and Other Income	14,586	11,652	6,669	5,061	112	1	21,367	16,714
Net Gain (Loss) on Securities & Mortgage-Backed Securities	20,935	10,625	-	-	1,706	(3,490)	22,641	7,135
Non-interest Expense	(38,321)	(27,355)	(6,461)	(6,315)	(7,319)	(7,135)	(52,101)	(40,805)
Income Before Income Taxes	73,257	53,880	9,590	5,387	8,610	4,384	91,457	63,651
Income Taxes	(24,980)	(17,999)	(3,464)	(1,946)	(2,152)	845	(30,596)	(19,100)
Net Income	\$ 48,277	\$ 35,881	\$ 6,126	\$ 3,441	\$ 6,458	\$ 5,229	\$ 60,861	\$ 44,551
Total Assets*	\$ 2,821,874	\$ 2,200,540	\$ 121,074	\$ 81,918	\$ 341,881	\$ 286,055	\$ 3,284,829	\$ 2,568,513

\* Reclassification for Secured Loans - Refer to Note 1 Consolidation of Variable Interest Entities

### 12. FUTURE ACCOUNTING CHANGES

The CICA has issued three new accounting standards: "Financial Instruments - Recognition and Measurement", "Hedges" and "Comprehensive Income" which will be in effect for the Company on October 1, 2006. The impact of these new standards on the Company's financial statements are not yet determinable as they will be dependant on the Company's outstanding positions, their fair values at the time of the implementation and management's intentions.

### 13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.

## Corporate Directory and Shareholder Information

### HOME CAPITAL GROUP INC.

145 King Street West, Suite 2300  
Toronto, Ontario M5H 1J8

#### 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*

Chris Ahlvik  
*Vice President, Corporate Counsel*

#### 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

#### Transfer Agent

Computershare Investor Services Inc.  
100 University Avenue  
Toronto, Ontario M5J 2Y1  
Tel: 1-800-564-6253

#### Capital Stock

As at December 31, 2005 there were  
34,011,640 Common Shares outstanding.

#### Stock Listing

Toronto Stock Exchange  
Ticker Symbol: HCG

### HOME TRUST COMPANY

145 King Street West, Suite 2300  
Toronto, Ontario M5H 1J8

#### Directors

Hon. William G. Davis P.C., C.C., Q.C.  
*Chairman of the Board*

Norman F. Angus  
William A. Dimma  
Janet L. Ecker  
Harvey F. Kolodny

Nick Kyprianou  
John M. E. Marsh  
Robert A. Mitchell, C.A.  
Gerald M. Soloway  
W. Roy Vincent

### BRANCHES

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*Asst. Vice Presidents, Toronto Office*  
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James Hill

*Senior Managers, Mortgages*  
Laurie Chalabardo  
Bobby Ramgoolam

*Managers, Mortgages*  
Lisa Abbatangelo  
Antionette Doria  
Michael Forshee  
Brian Smith  
Agostino Tuzi

#### Direct Client Services

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Sales and Marketing*  
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*Regional Manager,  
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Albert Collu  
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#### Retail Credit Services

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#### VISA

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VISA Credit Card Services /  
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Pino Decina  
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*Senior Director, VISA Operations*  
Richard Mohamed  
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#### Equityline VISA

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#### Managers, Equityline VISA

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Craig O'Brien

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Marguerite Ryan

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Craig Perigo

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Emilio Fuoco

*Managers, Mortgages*  
Katie McDowell  
Mike Wolfe

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#### Branch Manager

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*Manager, Mortgages*  
Greg Domville

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Fax: (902) 422-8891  
1-888-306-2435

#### Regional Managers, Mortgages

Scott Congdon  
Jeff Ayer

#### For Shareholder Information,

##### Please Contact:

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*Corporate Secretary*  
Home Capital Group Inc.  
145 King Street West, Suite 2300  
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Fax: (416) 363-7611

#### Websites

Home Capital Group Inc.  
[www.homecapital.com](http://www.homecapital.com)  
Home Trust Company  
[www.hometruster.ca](http://www.hometruster.ca)

**Home Capital Group Inc. has established an e-mail investor information service. Sign up at our web site [www.homecapital.com](http://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.**

#### Quarterly Conference Call & Webcast

Our quarterly conference call and live audio webcast with management took place on Tuesday, February 14, 2006 at 10:30 AM ET. The webcast will be archived at [www.homecapital.com](http://www.homecapital.com) for 90 days.



HOME CAPITAL GROUP INC.