



# HOME CAPITAL GROUP INC.

## First Quarter Report March 31, 2006

### Financial Highlights

For the Three Months Ended (Unaudited)

In Thousands of Dollars (Except Per Share and Percentage Amounts)

	March 31 2006	December 31 2005	March 31 2005
<b>OPERATING RESULTS</b>			
Net Income	\$ 14,183	\$ 16,881	\$ 13,576
Total Revenue	64,407	64,803	55,910
Earnings per Share - Basic	\$ 0.42	\$ 0.50	\$ 0.40
- Diluted	0.41	0.47	0.39
Return on Shareholders' Equity	25.18%	31.94%	32.22%
Return on Average Assets	1.72%	2.14%	2.06%
Efficiency Ratio	39.59%	34.42%	36.04%
Efficiency Ratio (TEB)**	38.87%	33.80%	35.30%
(Non-interest Expense/Net Interest Income Plus Fee Income)			
<b>BALANCE SHEET HIGHLIGHTS</b>			
Total Assets	\$ 3,325,201	\$ 3,284,829	\$ 2,708,595
Loans	2,918,730	2,796,873	2,356,425
Deposits	2,919,331	2,895,461	2,378,991
Common Shareholders' Equity	231,722	218,885	174,885
Mortgage-Backed Security Assets Under Administration	882,381	800,184	567,066
<b>FINANCIAL STRENGTH</b>			
<b>Capital Measures</b>			
Risk Adjusted Assets*	\$ 1,733,637	\$ 1,650,590	\$ 1,389,087
Tier 1 Capital Ratio*	12.87%	12.68%	12.20%
Total Capital Ratio*	14.60%	14.46%	14.15%
<b>Credit Quality</b>			
Net Impaired Loans % of Gross Loans	0.51%	0.49%	0.44%
Allowance % of Gross Impaired Loans	116.07%	120.59%	134.11%
Annualized Provision % of Gross Loans	0.12%	0.11%	0.17%
<b>Share Information</b>			
Book Value per Common Share	\$ 6.79	\$ 6.44	\$ 5.17
Common Share Price - Close	34.90	34.75	33.68
Market Capitalization	1,190,409	1,181,904	1,140,207
Common Shares Outstanding - Number	34,109	34,012	33,854

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

\*\* See definition of Taxable Equivalent Basis ("TEB") on page 5 of this interim consolidated financial report.

Home Trust Company [www.hometrusted.ca](http://www.hometrusted.ca)

Home Capital Group Inc. [www.homecapital.com](http://www.homecapital.com)

*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, or to vote by proxy in advance of the Meeting.

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

**Home Capital's Diluted Earnings per Share Increase by 5.1% Year Over Year  
Equityline VISA Program Growth Accelerates**

Home Capital Group Inc. (TSX: HCG) reported today that its financial results for the first three months of 2006 were ahead of the first quarter of 2005. While the Company's record of 42 consecutive quarters of growth in earnings was interrupted this quarter, Home Capital's business remains strong and continues to grow. As stated in the Company's performance update released March 14, 2006, the earnings for the first quarter of this year were impacted compared to the fourth quarter of 2005 by the following factors:

- As a result of the upward movement in five-year Canada Bond interest rates, the gain recorded on securitization of mortgages having a principal balance of \$121.7 million was 2.3% compared to an average gain of 3.9% to 5.2% on securitizations over the past five years. Subsequent to the end of the first quarter, a hedging program was instituted with a major chartered bank.
- A modest compression in the interest rate spread on the core mortgage portfolio, which the Company has taken appropriate measures to address.
- An increase in the efficiency ratio due to hiring new staff and moving to new premises. We anticipate productivity will improve over the balance of the year.

Key results from the quarter included the following:

- Net income during the first quarter was \$14.2 million, an increase of 4.5% from the same period one year earlier, and a decrease of 16.0% from the fourth quarter of 2005.
- Basic earnings per share were \$0.42, a rise of 5.0% compared to \$0.40 in the first quarter of 2005 and a decline of 16.0% from \$0.50 in the fourth quarter. Diluted earnings per share were \$0.41, or 5.1% higher than the \$0.39 during the first quarter last year, and 12.8% below the \$0.47 recorded in the previous quarter.
- Return on equity for the first quarter was 25.2%, compared to 32.2% in the same quarter last year, and 31.9% in the fourth quarter.
- Total assets at March 31, 2006 were \$3.33 billion, 22.8% higher than the \$2.71 billion recorded for the first quarter, 2005 and 1.2% higher than the \$3.28 billion recorded at December 31, 2005. Total assets, including Mortgage-Backed Securities originated and administered by the Company, grew 28.4% to \$4.21 billion, compared to the \$3.28 billion one year earlier.
- Total mortgage originations amounted to \$426.7 million in the quarter, an increase of 28.6% from the \$331.8 million advanced in the same period last year.
- The Company's efficiency ratio was 39.6% during the quarter, a rise from the 36.0% recorded in the same quarter last year and 34.4% during the fourth quarter of 2005.

- Balances outstanding on the Equityline VISA portfolio were \$113.4 million, a substantial rise of 77.4% and 21.2%, respectively above the \$63.9 million recorded at March 31, 2005 and \$93.5 million at December 31, 2005. During the first quarter, 987 cards with \$41.8 million in authorized limits were issued, compared to 508 and \$16.5 million for the three months ended March 31, 2005, respectively, an increase of 94.3% and 153.8% quarter over quarter.
- Net impaired loans by dollar value represented 0.51% of the total loans portfolio, up slightly from 0.44% at the end of the first quarter, 2005 and 0.49% at December 31. No write-offs were experienced in the residential mortgage loans portfolio in the first quarter.

As previously announced, the Company's Board of Directors approved a quarterly dividend of \$0.06 per share, payable on June 1, 2006 to shareholders of record at the close of business on May 15, 2006.

The Company is holding its Annual Meeting of Shareholders on Wednesday, May 10, 2006 at the Design Exchange in Toronto (details available on the inside cover of this quarterly report). All shareholders are invited to attend.

The Board of Directors and Management would like to acknowledge the contribution of Sharron Hatton, the Company's Corporate Secretary, who is retiring following this year's Annual Meeting. Sherry has been an invaluable part of Home Capital for 20 years and has exemplified excellence, diligence and grace in this role. The Company is also pleased to welcome Chris Ahlvik, Vice President, Corporate Counsel, who will assume Sherry's responsibilities going forward. Chris brings extensive experience with Manulife Financial to this vital position.

Although the Company did not attain a 43rd consecutive quarter of increased profit, we believe this will not be very material to our long-term success. The Company intends to vigorously continue its growth program and we plan to add new employees as needed.

As we look out over the balance of the year, Home Capital has a strong balance sheet, a robust pipeline of new business and a dedicated and highly efficient workforce. These factors, together with continued low credit losses, will enable Home Capital to realize strong increased earnings for the rest of 2006.

**GERALD M. SOLOWAY**  
President and Chief Executive Officer  
April 27, 2006

**WILLIAM A. DIMMA**  
Chairman of the Board

## Management's Discussion and Analysis

### Caution Regarding Forward-Looking Statements

From time to time Home Capital Group (the "Company" or "Home Capital") makes written and verbal forward-looking statements. These statements include, but are not limited to, business objectives and targets, Company strategies, operations, anticipated financial results and the outlook for the Company, its industry, and the Canadian economy. These are included in the Annual Report, reports to shareholders, regulatory filings, press releases, Company presentations and other Company communications. Actual results may differ materially from results contemplated by the forward-looking statements. These forward-looking statements are subject to a number of risks and uncertainties. These risks and uncertainties include, but are not limited 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. The preceding list is not exhaustive of possible factors. These and other factors should be considered carefully and readers are cautioned not to place undue reliance on these forward-looking statements. The Company does not undertake to update any forward-looking statements, whether written or verbal, that may be made from time to time by it or on its behalf.

### Taxable Equivalent Basis ("TEB")

Most banks and trust companies analyze revenue on a 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. The adjustment to TEB increases income and the provision for income taxes to what they would have been had the tax-exempt securities been taxed at the statutory tax rate. The TEB adjustment of \$0.7 million for the first quarter of 2006 (\$0.7 million - Q4 2005 and \$0.7 million - Q1 2005) increases interest income. TEB does not have a standard meaning prescribed by Canadian generally accepted accounting principles ("GAAP") and therefore may not be comparable to similar measures used by other companies. Net interest income and income taxes are discussed on a TEB basis throughout this Management's Discussion and Analysis (refer to financial highlights).

### Regulatory Filings

The Company's continuous disclosure materials, including interim filings, annual management's discussion and analysis and audited consolidated financial statements, Annual Information Form, Notice of Annual Meeting of Shareholders and Proxy Circular are available on the Company's web site at [www.homecapital.com](http://www.homecapital.com), and on the Canadian Securities Administrators' web site at [www.sedar.com](http://www.sedar.com).

### 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 March 31, 2006 included herein and the audited consolidated financial statements and MD & A for the year ended December 31, 2005. These are available on SEDAR at [www.sedar.com](http://www.sedar.com) and on pages 8 through 50 of the Company's 2005 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 2005 remain substantially unchanged. These interim consolidated financial statements and MD & A have been prepared based on information available as at April 26, 2006. As in prior quarters, the Company's Audit and Risk Management Committee have 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.

### 2006 Performance and 2006 Objectives

Home Capital published its financial objectives for 2006 in the Company's 2005 Annual Report, found on page 10. The following table compares actual performance against these objectives.

		Three Month Period Ended March 31, 2006
	2006 Objectives	Actual Results*
Net Income	20% or \$16.3 million for the quarter	<b>\$14.2 million or 4.5% increase over same period last year</b>
Diluted Earnings per Share	20% or \$0.47 per share for the quarter	<b>\$0.41 per share or 5.1% increase over same period last year</b>
Combined Total Assets and Assets Under Administration	20% or \$3.93 billion for the 12 months	<b>\$4.21 billion or 28.4% increase over last year</b>
Return on Equity	20%	<b>25.2%</b>
Efficiency Ratio (TEB)	38.0% to 43.0%	<b>38.9%</b>
Capital Ratio - Tier 1	Minimum of 9.5%	<b>12.9%</b>
Capital Ratio - Total	Minimum of 12.5%	<b>14.6%</b>
Provision for Loan Losses as a Percentage of Total Loans	0.1% to 0.2%	<b>0.1%</b>

\* Performance for net income and diluted earnings per share is for the current period result relative to the same period in the prior year; asset growth is the change from twelve months prior, and ratio targets are based on the current period results, annualized.

## Financial Highlights

### Overview

Net income for the first quarter, 2006 was \$14.2 million, down from the \$16.9 million reported in the fourth quarter of 2005 and higher than the \$13.6 million result for the first quarter of 2005. As announced in a Performance Update on March 14, 2006 these quarterly results were not consistent with performance trends in preceding periods. This was attributable to the following factors:

- Net interest income for the first quarter was \$27.4 million, a decrease of 0.3% from the \$27.5 million during the fourth quarter of 2005 and an increase of 18.4% from the \$23.1 million reported for the first quarter of 2005. The net interest margin for the three months ended March 31, 2006 was 3.4%, compared to 3.7% and 3.6% for the three month periods ending December 31 and March 31, 2005.
- Non-interest income was \$9.7 million for the quarter representing a decrease from \$11.0 million for the fourth quarter, and \$10.6 million for the first quarter of 2005. This decrease was largely due to a decline in the gains on securitization of Mortgage-Backed Securities ("MBS"). The Company realized \$2.8 million, a 2.3% gain, on the \$121.7 million of insured mortgages securitized during the first quarter of 2006. The gains for the three months ended December 31, 2005 amounted to \$4.9 million or 3.5% of the \$139.9 million in insured mortgages securitized, and \$4.6 million or 5.3% of the \$85.9 million securitized during the three months ended March 31, 2005. The coupon price on the securitization is established based on Government of Canada bonds, which increased by an average of 56 basis points from October 2005 through to March 2006, the securitization date. This translated into a reduction in the spread of the net cash flows to 2.0% for the March 2006 securitization, compared to 2.7% and 3.0%, realized on securitizations for the quarters ended December and March 2005.
- Non-interest expenses increased by \$1.4 million to \$14.7 million in the first quarter of 2006 over \$13.3 million reported for the three months ended December 2005 and \$2.5 million over the \$12.2 million reported in the first quarter of March 2005. The increase in 2006 over 2005 non-interest expenses was related to an increased employee count, moving costs associated with the new premises in Toronto, as well as growth in variable expenses including referral fees, commission and insurance expenses related to higher overall business volumes. These increased expenses during the first quarter of 2006 resulted in an increased efficiency ratio (TEB) of 38.9% which remains within the Company's performance objectives for this year, but is less favourable than the 33.8% and 35.3% for the quarters ended December 31 and March 31, 2005.

### Net Interest Income

Net interest income was \$27.4 million in the first quarter of 2006, a decrease of \$0.1 million, or 0.3%, over the \$27.5 million reported in the fourth quarter 2005 and up \$4.3 million, or 18.4% over the \$23.1 million recorded during the same quarter of 2005. The decrease over the fourth quarter 2005 was the result of a compression in interest spreads; as well, interest earning assets increased by \$38.9 million, or 1.2% and interest bearing liabilities increased by 0.8%, or \$23.9 million. The increase over the first quarter 2005 was the result of the significant growth in interest earning assets of \$603.4 million, compared to a smaller increase of \$537.3 million in interest bearing liabilities, volumes generated the increase in the net interest margin. The net interest margin (on a TEB basis) declined to 3.4% from 3.7% at the quarter ended December 2005, and 3.6% for the quarter ended March 2005. The interest spread between loans and borrowings ended the quarter at 3.4%, unchanged from the three months ended December 31, 2005 and a decrease from the 3.6% at the quarter ended March 31, 2005. The timing difference between the loan commitment date and the funding date can range from 30 to 90 days, and therefore the contraction in the spread was the result of the increase in prime rates from 4.75% on December 1, 2005 to 5.5% on March 8, 2006.

The mortgage lending line of business continues to be the primary driver of the Company's net interest income. It contributed \$20.9 million for the first quarter of 2006, compared to \$21.1 million during the fourth quarter and \$17.9 million during the first quarter of 2005.

The consumer lending line of business contributed first quarter net interest income of \$3.0 million, compared to \$2.8 million and \$2.3 million for the quarters ended December 31 and March 31, 2005, respectively. Accelerated growth in the new product, Equityline VISA was late in the first quarter of this year and therefore, the full effect of additional interest income has not been realized in the first quarter.

Refer to Note 10 of the accompanying unaudited interim financial statements, which summarizes the Company's interest rate risk position as at March 31, 2006. The cumulative dollar gap as at March 31, 2006 is a deficiency of \$444.5 million (liabilities and off-balance sheet items exceed total assets) for the three months to the 1 year time frame, compared to deficiencies of \$300.8 million at December 31, 2005 and \$255.2 million at March 31, 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 \$0.9 million in the first quarter of 2006, compared to \$0.1 million and \$1.0 million for the fourth and first quarters of last year, respectively, through the provision for credit losses. This expense represents 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 risk-weighted assets. During the fourth quarter of last year, the Company decided to sustain its general allowance at approximately 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 80.3% of total assets, and the sustained low level of losses experienced across the total loans portfolio. The total general allowance amounted to \$17.3 million at quarter end, an increase of \$0.7 million over the \$16.6 million at December 2005, and a \$3.0 million rise over the \$14.3 million allowance at March 31, 2005. Growth in the general allowance over this three month period was 4.1% higher than the actual rise in assets of 1.2% over December 2005. The increase in the general allowance for the twelve month period since March 31, 2005 was 20.6% lower than the total asset growth of 22.8%, the resulting from the decision to reduce the level of this general allowance.

At March 31, 2006 net impaired loans increased to \$14.8 million (0.51% of gross loans), compared to \$13.7 million (0.49% of gross loans) at December 31, 2005 and \$10.5 million (0.44% of gross loans) at March 31, 2005. The slight 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 three months ended March 2006 decreased to \$0.1 million, compared to \$0.2 million for both three month periods ended December 31 and March 31, 2005.

### **Non-Interest Income**

Total non-interest income was \$9.7 million for the first quarter, a decrease of \$1.3 million from \$11.0 million for the quarter ended December 31, and \$0.9 million from the \$10.6 million for the first quarter, 2005.

The fees and other income components of non-interest income increased to \$5.5 million for the quarter, compared to \$5.4 million and \$5.1 million for the three month periods ended in December and March 2005, respectively. The mortgage line of business contributed \$3.7 million of this income in the quarter, compared to \$3.5 million and \$3.7 million for the fourth and first quarters of 2005. Growth in the loan portfolio of 4.4% over December 31, 2005 and 23.9% over March 31, 2005 did not result in increased fee income during these periods. This was due to fee modifications on some mortgage products necessitated by market conditions, beginning in mid-2005. The consumer lending line of business contributed \$1.8 million of fee income during this quarter, compared to \$1.8 million and \$1.3 million for the three months ended December and March 2005, respectively. Fee income from credit card operations is generally driven by number of accounts, and although the Equityline VISA portfolio is experiencing strong growth with credit authorizations amounting to \$157.9 million in the first quarter, closed accounts in other segments of the credit card portfolio affect income. The total number of accounts at March 31, 2006 amounted to 23,766 which is down from 24,815 at December 31 and 24,252 at March 31, 2005. The Equityline VISA growth is expected to generate most of its revenues from interest income.

During the first quarter the Company issued two MBS pools, consisting of \$121.7 million of Canada Mortgage and Housing Corporation ("CMHC") insured residential mortgages. This represents a decrease of \$18.2 million over the \$139.9 million in MBS pools that were issued in the fourth quarter of 2005 and a \$35.8 million increase over the \$85.9 million issued in the first quarter last year. Securitization gains were \$2.8 million, down from \$4.9 million and \$4.6 million realized in the fourth and first quarters of 2005, respectively (refer to Note 3 of these unaudited interim consolidated financial statements). The decrease in gains is the result of reduced interest spreads on the cash flows arising from these securitizations. The spread for the three months ended March 2006 on new MBS pools amounted to 2.0%, a decrease from 2.7% and 3.0% for the pools issued in the fourth and first quarters of 2005. Two factors contributed to this reduction in the MBS gains. The largest impact was the compression in the spreads due to rising Government of Canada bond rates from October, 2005 through March, 2006 of an average 56 basis points. Since mortgage commitment dates are typically 30 to 90 days prior to funding dates, mortgage commitments during the last quarter of 2005 were at lower rates, and therefore the spread on these mortgages, compared to the discount rate at the time of securitization was reduced. Early in April 2006, the Company instituted a hedging program in order to reduce the risk of interest rate increases for the time period between commitment and pooling (refer to Note 13 of these unaudited interim consolidated financial statements). A secondary factor in the reduction of spreads was the result of the Company taking a higher estimate for unscheduled prepayments on the underlying mortgages. The estimated annual prepayment rate rose to 12.7%, versus a 10.2% and 8.5% in the fourth and first quarters of 2005. MBS funds under administration at March 31, 2006 reached \$882.4 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 March 31, 2006 were \$14.7 million, an increase of 10.9%, or \$1.4 million over the \$13.3 million reported in the fourth quarter of 2005 and up by 20.8%, or \$2.5 million over the \$12.2 million reported for the first quarter of 2005.

Salaries and staff benefits for the first quarter increased by \$1.6 million, or 38.0%, over the fourth quarter of 2005 and increased by \$1.2 million, or 24.1%, over the three month period ended March 31, 2005. The fourth quarter of 2005 included 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 over the quarter was also the result of increased staffing levels to support the continued growth of the Company. The Company ended this quarter with 294 employees, as compared to 274 on December 31, 2005 and 238 employees at March 31, 2005.

Premises expense increased in this quarter due to the move to larger offices in Toronto and additional space in St. Catharines to provided for enhanced back-up systems.

General and administration expenses declined by \$0.4 million over the three months ended December 31, 2005 principally due to completion of the amortization of the development cost asset of \$0.5 million related to the start-up of the credit card operation. These expenses increased \$1.1 million over the three months ended March 31, 2005 which was 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. In addition, moving expenses were incurred this quarter for the Toronto office move.

The efficiency ratio, defined as non-interest expenses as a percentage of net interest income plus fee income, for the first quarter of 2006 was 39.6%, compared to 34.4% and 36.0% for the three months ended December and March 2005. This decline in the efficiency ratio was a combination of additional expenses which were not offset by increased net interest and fee income.

The Company continues to monitor all expense areas, with the objective of remaining below or within the range of 38.0% to 43.0% efficiency ratio, adjusted for TEB. For the first quarter the efficiency ratio on a TEB was 38.9%, compared to 33.8% and 35.3% for the fourth and first quarters of 2005, however, remaining within the performance range as stated by the Company.

## **Income Taxes**

The income tax expense amounted to \$7.4 million (effective tax rate of 34.3%) for the first quarter of 2006, compared to \$8.3 million (effective tax rate of 32.9%) for the fourth quarter December 2005 and \$7.0 million (effective tax rate of 34.1%) for the first quarter ended March 2005. Canadian dividend income is non-taxable to financial institutions, which results in a reduced income tax rate. In the absence of tax free dividends, the effective tax rates would have been 36.3% for the first quarter and 34.7% and 36.3% for the fourth and first quarters of 2005. Also, the growth of revenues from the Company's operations in the western provinces enables the Company to incur lower provincial tax rates on a portion of its income.

## **Balance Sheet**

### **Assets**

Total assets as at March 31, 2006 were \$3.33 billion, an increase of \$616.6 million, or 22.8%, over the \$2.71 billion reported one year ago and up by \$40.4 million, or 1.2%, over the December 2005 asset balance of \$3.28 billion.

Growth in the loan portfolio of \$562.3 million, or 23.9%, generated most of this year-over-year asset increase. Residential mortgages contributed \$473.5 million to the total loan portfolio growth, consumer lending added \$48.9 million, secured loans added \$25.9 million, other mortgages (non-residential) added \$17.0 million, and the general allowance increased by \$3.0 million. MBS receivables added \$11.9 million to total assets. Deferred development costs resulting from the establishment of the credit card operation in May, 2000 decreased by \$1.2 million over March 31, 2005 completing the amortization of this asset in accordance with the Company's accounting policy. The Company's investment securities portfolio increased by \$36.2 million over March 31, 2005 and cash resources remained relatively stable with an increase of \$4.9 million year-over-year. Fixed assets increased by \$2.3 million due to the increase in staff which requires additional equipment and furniture. Other asset category remained the same year-over-year, consisting of accrued interest receivable, deferred agent commissions, deferred finders fees and other prepaid and deferred assets (Note 4). Deferred agent commissions and finders fees decreased even though the loans and deposits increased over the prior year. Commissions and finders fees are amortized over the term of deposits and the shortening duration of both loan and deposit terms resulted in decreased deferred assets.

During the first quarter of 2006, total assets increased by \$40.4 million, or 1.2%, over the \$3.28 billion reported at December 31, 2005. The growth in the loan portfolio of \$121.9 million, or 4.4% was largely offset by the reduction in cash resources of \$110.7 million. The Company utilized surplus short term funds to finance the increase in the loan balance, and to manage the spread compression from loans committed in earlier periods. Residential mortgages represented \$86.6 million of the total loan portfolio growth, consumer lending added \$18.4 million, secured loans added \$6.0 million, other mortgages (non-residential) increased by \$11.6 million and the general allowance increased by \$0.7 million. Total other assets increased by \$1.5 million, consisting of Mortgage-Backed Securities receivable, capital assets and deferred and other assets after completing the write-off of deferred development costs.

### **Liabilities**

Liabilities for the period ended March 31, 2006 rose to \$3.09 billion, an increase of \$559.8 million, or 22.1%, over the \$2.53 billion reported at March 31, 2005 and up by \$27.5 million, or 0.9%, over the \$3.07 billion reported at December 31, 2005.

Most of the year-over-year growth resulted from the increase in deposits of \$540.3 million. Increased deposit liabilities funded most of the loan portfolio growth. Increased retained earnings and other liabilities funded the Company's remaining loan growth, the small increase in cash resources, securities and other assets. Other liabilities (Note 5) increased by \$29.4 million, or 22.6%, over the \$129.8 million reported at March 31, 2005. This growth was principally the result of increases in accrued interest payable of \$17.3 million, which is related to the rise in deposits and borrowings. Other, consisting of accounts payable and accrued liabilities, added \$8.1 million, and the increase in deferred commitment fees that resulted from the growth of the mortgage loan portfolio increased other liabilities by \$2.0 million. Future income taxes grew by \$1.8 million.

The rise in liabilities over December 31, 2005 resulted from increased deposits of \$23.9 million. Increased deposit liabilities funded a portion of the loan portfolio growth for the first quarter of 2006, with cash resources funding the remaining growth. Also, in the fourth quarter of 2005 the Company repaid a subordinated term loan in the amount of \$2.0 million. Additional cash resources in the fourth quarter enabled this early redemption.

### **Shareholders' Equity**

The increase in shareholders' equity of \$56.8 million, or 32.5%, over the \$174.9 million reported at March 31, 2005 was internally generated from net income for the twelve month period ended March 31, 2006 of \$61.5 million, less \$6.8 million for dividends paid and payable to shareholders. The remaining \$2.1 million was from proceeds of \$1.9 million received on the exercise of Company share options, and the amortization of the fair value of share options of \$0.3 million, less \$0.1 million for the fair market adjustment from the exercise of share options issued after January 1, 2003.

Shareholders' equity rose to \$231.7 million, an increase of \$12.8 million, or 5.9%, over \$218.9 million reported at December 31, 2005. This growth was internally generated from net income for the three months of \$14.2 million, less \$2.0 million for dividends payable to shareholders. The remaining \$0.6 million was from proceeds received on the exercise of Company share options and the recording of the fair market adjustment on stock options.

At March 31, 2006 the book value per common share was \$6.79 compared to \$6.44 at December 31, 2005 and \$5.17 one year ago.

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

The Company did not enter into any financial instruments for hedging purposes during the first quarter of 2006. However, the Company entered into hedging arrangements subsequent to the end of the first quarter, on April 06 and April 10, 2006, with a major financial institution. These transactions consist of fixed forward interest rate swaps which, as of April 11, 2006, had a positive income statement adjustment of \$25,000. These transactions were entered into to mitigate the interest rate exposure on outstanding commitments. For additional information refer to Note 13 of these accompanying unaudited interim consolidated financial statements.

The Company previously 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 total of \$0.1 million realized loss for the time held. In the fourth quarter of 2005, the remaining \$30.0 million of this position was closed, resulting in a total \$0.7 million realized loss over the time held, 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. 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 March 31, 2006 outstanding securitized mortgage loans under administration amounted to \$882.4 million (\$800.2 million - Q4 2005 and \$567.1 million - Q1 2005) and retained interest of \$44.4 million (\$41.3 million - Q4 2005 and \$32.5 million - Q1 2005). For additional information, refer to Note 5 in the consolidated financial statements of the 2005 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 \$233.2 million at March 31, 2006 compared to \$176.3 million at December 31, 2005 and \$175.7 million at March 31, 2005. These commitments remain open for various dates through April, 2007. As of March 31, 2006 unutilized credit card balances amounted to \$61.0 million, compared to \$49.5 million at December 31, 2005 and \$43.9 million at March 31, 2005.

### **Business and Financial Practices**

The Company's key business and financial policies and practices remain in place and unchanged from those outlined on pages 22 through 26 in the MD & A of the Company's 2005 Annual Report, with the exception of the new hedging program to manage interest rate risk on mortgage commitments.

### **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 March 31, 2006 liquid assets amounted to \$201.5 million, down 29.8% from \$286.9 million at December 31, 2005 and up 21.4% from \$166.1 million at March 31, 2005.

The Company maintains a minimum of 20% of 100-day obligations in liquid assets. For the twelve months ended March 31, 2006 the Company maintained an average of \$230.3 million, or 44.7%, of 100-day obligations compared to \$216.1 million, or 46.4%, for the twelve months ended December 31, 2005 and \$148.3 million, or 38.3%, for the twelve month period ended March 31, 2005.

## 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 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 March 31, 2006 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 March 31, 2006 an immediate and sustained 100 basis point (1%) increase in rates would have decreased net income after taxes over the next twelve months by \$0.8 million, and a 200 basis point (2%) rate decline would result in a corresponding decrease in net income after taxes of \$1.7 million.

The Company has entered into an interest rate swap arrangement, for the purpose of hedging commitment risk. This is to manage interest rate exposures during the timeframe between when a mortgage is committed and when this mortgage becomes securitized into an MBS pool. Refer to Note 13 for additional information.

## 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.

As at March 31, 2006 the composition of the Company's mortgage portfolio is 97.1% residential, 2.5% store and apartments, and 0.4% non-residential loans. Within the residential mortgage portfolio, 4.9% are insured by CMHC. First mortgages represent 99.7% of the total mortgage portfolio.

As at March 31, 2006 the gross credit card receivable balance totaled \$127.7 million, comprised of \$125.6 million, or 98.4%, in accounts secured either by cash deposits or residential mortgage collateral, and \$2.1 million, or 1.6%, which is unsecured. The total credit approved includes \$183.8 million in secured and \$4.9 million in unsecured credit, compared to \$153.7 million in secured and \$5.0 million unsecured credit at December 31, 2005 and \$116.6 million in secured and \$5.8 million unsecured at March 31, 2005. The Company does not accept new unsecured accounts. Equityline VISA credit cards are secured by a collateral residential mortgage, and this product amounted to \$113.4 million of the credit card receivable balance as at March 31, 2006 compared to \$93.5 million at December 31, 2005 and \$63.9 million at March 31, 2005. Cash security deposits on credit card accounts amounted to \$20.7 million, and are included in the Company's deposits.

Secured loans of \$49.5 million increased by \$5.9 million over the December 2005 balance of \$43.6 million, and \$25.9 million over the March 2005 balance of \$23.6 million. These loans are secured by second mortgages on residential property. Since commencing this program, the Company has not experienced any losses on these loans. At March 31, 2006 \$0.4 million are over 30 days in arrears, or 0.9% 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 \$14.8 million at March 31, 2006 compared with \$13.7 million at December 31, 2005 and \$10.5 million at March 31, 2005, 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 comparable three month periods were \$138,000 for March 2006 as compared to \$161,000 for December 2005 and \$153,000 for March 2005. The Company continues to monitor this area closely and is dealing effectively and prudently with 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 \$17.3 million at March 31, 2006 as compared to the general allowances of \$16.6 million at December 31, 2005 and \$14.3 million at March 31, 2005.

Following a review of prior years' loss experience and the lending criteria in place, in the fourth quarter of 2005 the Company decided to reduce the general allowance to approximately 100 basis points of risk-weighted assets. The Company's loss experience on mortgages has 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. In addition to this loss experience, the Company has security in the form of property or cash deposits on loans making up 87.5% of total assets, with 80.3% of security in residential first mortgages. The Company has developed a methodology to test the adequacy of the general allowance that considers asset quality, borrowers' creditworthiness, property location and past loss experience. The Company periodically reviews this general allowance methodology with consideration given to changes in the economic conditions, interest rates and conditions in housing markets.

Total general allowance was 99.6 basis points of the Company's risk-weighted assets at March 31, 2006 compared to 100.5 basis points at December 31, 2005 and 103.1 basis points at March 31, 2005.

## 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 period at 12.9% at March 31, 2006 versus the 12.7% and 12.2% levels reported at December 31 and March 31, 2005. The total capital ratio was 14.6% as at March 2006, up from the 14.5% and 14.2% reported at December 31 and March 31, 2005. The total capital ratio strengthened as risk-weighted assets increased by 5.0% over December 31, 2005 and the growth in capital amounted to 6.1% for the same three month period. Risk-weighted assets increased by 24.8% over March 2005, with the growth in capital over the same twelve months amounting to 28.8%. These ratios continue to exceed the minimum regulatory requirements of 7.0% for Tier 1 capital and 10.0% for total capital.

As at March 31, 2006 Home Trust was utilizing 74.9% of its approved Assets to Regulatory Capital Multiple of 17.5 times (78.5% - December 31, 2005 and 79.0% - March 31, 2005) providing sufficient capital for continued lending growth.

## **Contractual Obligations**

On March 31, 2006 the Company signed an International Swap Dealers Association Master Agreement with a regulated financial institution ("Dealer"). This agreement was entered into for the purpose of allowing the Company to conduct interest rate swap transactions. This agreement stipulates criteria that the Company must meet in order to enter into or close a swap transaction, along with available credit and reporting requirements. This agreement also identifies the Dealer's responsibilities for the documentation and processing of transactions.

## **Critical Accounting Estimates**

Critical accounting estimates which require management to make significant judgements, some of which are inherently uncertain, are included on page 27 and 28 of the 2005 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, 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.

## **Updated Share Information**

As at April 25, 2006, the Company had 34,109,140 Common Shares outstanding. In addition, director and employee stock options outstanding amounted to 1,179,500 (1,272,000 - Q4 2005 and 1,353,250 - Q1 2005) of which 926,375 are exercisable as of the quarter-end (1,003,250 - Q4 2005 and 897,000 - Q1 2005) for proceeds to the Company on exercise of \$7.4 million (\$7.3 million - Q4 2005 and \$6.6 million - Q1 2005).

On February 13, 2006 the Company declared a quarterly cash dividend of \$0.06 per Common Share, payable June 1 to shareholders of record at the close of business on May 15, 2006.

## **Results by Business Segment**

The following discusses the mortgage and consumer lending lines of business for the first quarter of 2006 compared to both the fourth and first quarters of 2005 (refer to Note 11 of the accompanying interim consolidated financial statements).

### **Mortgage Lending**

The Company's principal line of business contributed \$10.1 million to net income during the first quarter of 2006, as compared to \$13.1 million and \$10.9 million for the same quarters ended December and March 2005. This decline during the first quarter of 2006 was related to the decline in net interest income due to compression in interest rate spreads, the decrease in the gain realized on MBS gains and increased non-interest expenses largely due to additional staffing and moving expenses. The total value of new mortgages advanced in the first quarter of 2006 amounted to \$426.7 million, as compared to \$452.8 million and \$331.8 million for the same periods ended December and March 2005, respectively.

The Company securitized \$121.7 million of residential mortgages in the first quarter, realizing total income on securitization of \$3.4 million in 2006. This was down from the \$139.9 million and up from the \$85.9 million securitized in December and March quarters of last year, for total income of \$5.3 million and \$5.2 million. The decrease in income was due to the reduction in gains recorded due to contraction in the spreads and an increase in the estimate of unscheduled principal pre-payments. For additional information refer to Note 3 of these unaudited interim consolidated financial statements. Securitization will continue to contribute to the Company's income, however core mortgage lending is expected to remain the main 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. As of March 31, 2006 the Company held \$49.5 million in Secured Loans as Notes Receivable issued by Regency, compared to \$43.6 million at December 31, 2005 and \$23.6 million at March 31, 2005. These Notes yield 6.1% 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 7.1% of the portfolio value, on an annualized basis. The underlying credit quality of the mortgages securing the Notes Receivable remains high with 2.1% in arrears up to 60 days, and 0.6% 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 \$2.0 million to net income for the three months ending March 2006, compared to \$1.7 million and \$1.2 million for the three months ended December and March 2005. The Equityline VISA loans portfolio amounted to \$113.4 million at March 31, 2006 (\$93.5 million - Q4 2005 and \$63.9 million - Q1 2005) and comprises 88.8% (85.6% - Q4 2005 and 81.8% - Q1 2005) of the total gross credit card receivable balance of \$127.7 million, bearing an average interest rate of 10.0% (11.3% - Q4 2005 and 11.9% - Q1 2005) on outstanding balances. The introduction of the Equityline VISA in early January, 2006 is substantially exceeding management's expectations and should provide significant interest income to this segment of the business as this credit is utilized.

## Quarterly Financial Highlights

*In thousands of dollars, except per share amounts and percentages*

	2006				2005				2004
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
Net interest income (TEB)*	\$ 28,061	28,163	\$ 27,262	\$ 26,203	\$ 23,829	\$ 28,426	\$ 21,363	\$ 19,786	
Less TEB adjustment	687	708	682	675	714	694	726	754	
Net interest income per financial statements	27,374	27,455	26,580	25,528	23,115	27,732	20,637	19,032	
Non-interest income	9,746	11,040	11,596	10,741	10,631	1,535	7,913	7,157	
Total revenues	64,407	64,803	62,763	59,630	55,910	50,804	48,555	44,558	
Net income	14,183	16,881	15,766	14,638	13,576	12,271	11,550	10,700	
Return on common shareholders' equity	25.2%	31.9%	32.1%	32.2%	32.2%	31.3%	31.7%	31.6%	
Return on average total assets	1.7%	2.1%	2.1%	2.1%	2.1%	2.0%	2.0%	2.1%	
Earnings per common share									
Basic	\$ 0.42	0.50	\$ 0.47	\$ 0.43	\$ 0.40	\$ 0.37	\$ 0.34	\$ 0.32	
Diluted	\$ 0.41	0.47	\$ 0.45	\$ 0.41	\$ 0.39	\$ 0.35	\$ 0.33	\$ 0.30	
Book value per common share	\$ 6.79	6.44	\$ 6.00	\$ 5.57	\$ 5.17	\$ 4.80	\$ 4.48	\$ 4.17	
Efficiency ratio (TEB)*	38.9%	33.8%	35.2%	35.2%	35.3%	40.0%	33.8%	35.7%	
Efficiency ratio	39.6%	34.4%	35.9%	35.9%	36.0%	41.0%	34.6%	36.7%	
Tier 1 capital ratio**	12.9%	12.7%	12.6%	12.3%	12.2%	12.0%	11.8%	11.9%	
Total capital ratio**	14.6%	14.5%	14.5%	14.2%	14.2%	14.0%	13.9%	14.1%	
Net impaired loans as % of gross loans	0.51%	0.49%	0.50%	0.52%	0.44%	0.40%	0.31%	0.32%	
Annualized provision as % of gross loans	0.1%	0.0%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	

\* TEB - taxable equivalent basis: see definition on page 5 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 profitability, returns on equity, as well as efficiency trends and capital ratios, quarter over quarter. The reduction in earnings, return on equity and assets in the first quarter of 2006 was the result of interest spread contractions in the fourth quarter of 2005 and early into 2006, which resulted in reduced revenue growth. When combined with the increase in staffing and premises, the efficiency ratio was also negatively impacted. However, the Company continues to maintain positive earnings, continued low credit losses and strong capital ratios, which will support increased asset growth going forward.

### Outlook

Home Capital remains committed to its strategy of serving selected segments of the Canadian financial services marketplace that are not within the business focus of the major financial institutions. The Company remains optimistic that it is very well positioned to benefit from favourable market and economic conditions across its business activities. As 2006 continues, we foresee continued economic growth in Canada, with only a moderate rise in interest rates which will support both new housing starts and resale markets. Our proven corporate strategy and proprietary risk management procedures, reinforced by expanded operation capacity and new interest rate hedging arrangements, will enable Home Capital to realize strong operating momentum during the balance of 2006.

### **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 Consolidated Balance Sheet as at March 31, 2006 and the Interim Consolidated Statements of Income, Changes in Shareholders' Equity and Cash Flows of Home Capital Group Inc. for the three month period ended March 31, 2006. 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 March 31, 2006.

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

April 27, 2006

**Cathy A. Sutherland, C.A.**

Vice President, Finance

## Consolidated Statements of Income

For the Three Month Periods Ended

<i>In Thousands of Dollars, Except Per Share Amounts (Unaudited)</i>	<b>March 31 2006</b>	December 31 2005	March 31 2005
<b>Income</b>			
Interest from Loans	\$ 50,794	\$ 49,396	\$ 42,134
Dividends from Securities	1,215	1,252	1,263
Other Interest	2,652	3,115	1,882
	<b>54,661</b>	53,763	45,279
<b>Interest Expense</b>			
Interest on Deposits and Borrowings	27,287	26,308	22,164
Net Interest Income	27,374	27,455	23,115
Provision for Credit Losses (Note 2)	855	89	996
	<b>26,519</b>	27,366	22,119
<b>Non-interest Income</b>			
Fees and Other Income	5,448	5,383	5,079
Securitization Income on Mortgage-Backed Securities	3,355	5,258	5,185
Net Realized and Unrealized Gain on Investment Securities	943	399	367
	<b>9,746</b>	11,040	10,631
	<b>36,265</b>	38,406	32,750
<b>Non-interest Expenses</b>			
Salaries and Staff Benefits	5,982	4,335	4,820
Premises	822	626	570
General and Administration	7,891	8,289	6,773
	<b>14,695</b>	13,250	12,163
<b>INCOME BEFORE PROVISION FOR INCOME TAXES</b>	<b>21,570</b>	25,156	20,587
Provision for Income Taxes (Note 8)	7,387	8,275	7,011
<b>NET INCOME</b>	<b>\$ 14,183</b>	\$ 16,881	\$ 13,576
<b>NET INCOME PER COMMON SHARE</b>			
Basic	\$ 0.42	\$ 0.50	\$ 0.40
Diluted	\$ 0.41	\$ 0.47	\$ 0.39
<b>AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (Thousands)</b>			
Basic	34,045	33,828	33,792
Diluted	34,839	35,590	35,086
Total Number of Outstanding Common Shares (Note 6)	34,109	34,012	33,854
Book Value Per Share	\$ 6.79	\$ 6.44	\$ 5.17

## Consolidated Balance Sheets

	March 31	December 31	March 31
<i>In Thousands of Dollars (Unaudited) as at</i>	2006	2005	2005
<b>ASSETS</b>			
<b>Cash Resources</b>			
Deposits with Regulated Financial Institutions	\$ 20,547	\$ 60,337	\$ 45,973
Treasury Bills Guaranteed by Canada	39,935	110,806	9,656
	<b>60,482</b>	171,143	55,629
<b>Securities</b>			
Issued or Guaranteed by Canada	151,744	126,832	125,829
Issued or Guaranteed by Provinces	299	299	799
Other Securities	104,371	101,611	93,554
	<b>256,414</b>	228,742	220,182
<b>Loans</b>			
Personal and Credit Card Loans	135,062	116,628	86,150
Secured Loans	49,534	43,565	23,611
Residential Mortgages	2,670,268	2,583,694	2,196,848
Other Mortgages	81,133	69,572	64,137
General Allowance for Credit Losses (Note 2)	(17,267)	(16,586)	(14,321)
	<b>2,918,730</b>	2,796,873	2,356,425
<b>Other</b>			
Mortgage-Backed Securities Receivable	44,362	41,309	32,513
Capital Assets	4,875	4,362	2,540
Deferred Development Costs	-	-	1,237
Other Assets (Note 4)	40,338	42,400	40,069
	<b>89,575</b>	88,071	76,359
	<b>\$ 3,325,201</b>	\$ 3,284,829	\$ 2,708,595
<b>LIABILITIES</b>			
Term Loan	\$ 10,000	\$ 10,000	\$ 10,000
Subordinated Term Loan	-	-	3,000
<b>Deposits</b>			
Payable on Demand	13,920	20,191	11,511
Payable on a Fixed Date	2,905,411	2,875,270	2,367,480
	<b>2,929,331</b>	2,905,461	2,391,991
<b>Other</b>			
Cheques and Other Items in Transit	4,994	6,989	11,911
Other Liabilities (Note 5)	159,154	153,494	129,808
	<b>164,148</b>	160,483	141,719
	<b>3,093,479</b>	3,065,944	2,533,710
<b>SHAREHOLDERS' EQUITY</b>			
Capital Stock (Note 6)	34,864	34,272	32,873
Contributed Surplus	415	306	231
Retained Earnings	196,443	184,307	141,781
	<b>231,722</b>	218,885	174,885
	<b>\$ 3,325,201</b>	\$ 3,284,829	\$ 2,708,595

## Consolidated Statements of Changes in Shareholders' Equity

For the Three Month Periods Ended

<i>In Thousands of Dollars (Unaudited)</i>	<b>March 31 2006</b>	December 31 2005	March 31 2005
<b>CAPITAL STOCK</b>			
Common Shares			
Balance at Beginning of the Period	\$ 34,272	\$ 34,190	\$ 32,468
Proceeds of Options Exercised (Note 6)	592	82	405
<b>BALANCE AT END OF THE PERIOD</b>	<b>\$ 34,864</b>	<b>\$ 34,272</b>	<b>\$ 32,873</b>
<b>CONTRIBUTED SURPLUS</b>			
Balance at Beginning of the Period	\$ 306	\$ 246	\$ 178
Amortization of Fair Value of Employee Stock Options (Note 7)	109	69	53
Employee Stock Options Exercised	-	(9)	-
<b>BALANCE AT END OF THE PERIOD</b>	<b>\$ 415</b>	<b>\$ 306</b>	<b>\$ 231</b>
<b>RETAINED EARNINGS</b>			
Balance at Beginning of the Period	\$ 184,307	\$ 169,467	\$ 129,561
Net Income for the Period	14,183	16,881	13,576
Dividends Paid During the Period	-	(340)	-
Dividends Declared, Unpaid During the Period	(2,047)	(1,701)	(1,356)
<b>BALANCE AT END OF THE PERIOD</b>	<b>\$ 196,443</b>	<b>\$ 184,307</b>	<b>\$ 141,781</b>

## Consolidated Statements of Cash Flows

For the Three Month Periods Ended

<i>In Thousands of Dollars (Unaudited)</i>	<b>March 31</b>	December 31	March 31
	<b>2006</b>	2005	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Income for the Period	\$ 14,183	\$ 16,881	\$ 13,576
Adjustments to Determine Net Cash Flows Relating to Operating Activities:			
Future Income Taxes	663	340	1,525
Amortization of Capital Assets	296	696	185
Amortization of Securities	(101)	(87)	(114)
Amortization of Deferred Financing Costs	11	31	15
Amortization of Deferred Development Costs	-	513	210
Provision for Credit Losses	855	89	996
Change in Accrued Interest Receivable	(591)	(855)	(893)
Change in Accrued Interest Payable	8,078	3,644	8,259
Net (Gain) Realized and Unrealized on Investment Securities	(943)	(399)	(367)
Gain on Sale of Mortgage-Backed Securities	(3,355)	(5,258)	(5,185)
Change in Mortgage-Backed Securities Receivable	3,295	6,640	2,448
Change in Other Assets	2,643	(210)	(209)
Change in Cheques and Other Items in Transit	(1,995)	(704)	5,376
Change in Other Liabilities	(3,427)	2,088	(1,568)
Change of Fair Value of Employee Stock Options (Note 7)	109	60	53
Cash Provided by Operating Activities	19,721	23,469	24,307
<b>FINANCING ACTIVITIES</b>			
Repayment of Subordinated Term Loan	-	(2,000)	-
Net Increase in Deposits	23,870	240,563	113,807
Issuance of Capital Stock (Note 6)	592	82	405
Dividends Paid	(1,701)	(1,700)	(1,351)
Cash Provided by Financing Activities	22,761	236,945	112,861
<b>INVESTING ACTIVITIES</b>			
Activity in Securities			
Purchases	(40,964)	(47,076)	(27,380)
Proceeds on Sales	7,514	5,080	4,144
Proceeds on Maturities	6,822	6,382	6,601
Activity in Mortgages			
Net Increase	(219,852)	(234,390)	(188,367)
Proceeds from Securitization of Mortgage-Backed Securities (Note 3)	118,734	135,956	83,846
Net Increase in Personal and Credit Card Loans	(18,619)	(12,761)	(6,930)
Net Increase in Secured Loans	(5,969)	(5,924)	(3,893)
Purchases of Capital Assets	(809)	(2,630)	(59)
Cash Used in Investing Activities	(153,143)	(155,363)	(132,038)
Net (Decrease) Increase in Cash and Cash Equivalents	(110,661)	105,051	5,130
Cash and Cash Equivalents at the Beginning of the Period	171,143	66,092	50,499
<b>Cash and Cash Equivalents at the End of the Period</b>	<b>\$ 60,482</b>	<b>\$ 171,143</b>	<b>\$ 55,629</b>
Supplementary Disclosure of Cash Flow Information			
Amount of Interest Paid During the Period	\$ 19,208	\$ 22,790	\$ 13,906
Amount of Income Taxes Paid During the Period	12,142	7,793	9,591

## 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, 2005 as set out in the 2005 Annual Report, on pages 34 through 50. 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. Certain comparative figures have been reclassified to conform to the current period presentation.

#### Changes in Accounting Policies

There were no changes to the Company's accounting policies during the quarter.

#### Variable Interest Entities

There were no changes to the Company's position in non-consolidated Variable Interest Entities during the quarter.

## 2. LOANS

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

	As at March 31, 2006			
<i>In Thousands of Dollars</i>	Gross Amount of Impaired Loans		Specific Allowances	Carrying Value
Personal, Credit Card and Secured Loans	\$	428	\$ 183	\$ 245
Residential Mortgages		14,618	15	14,603
Other Mortgages		-	-	-
	\$	15,046	\$ 198	\$ 14,848

	As at December 31, 2005			
Personal, Credit Card and Secured Loans	\$	403	\$ 162	\$ 241
Residential Mortgages		13,486	-	13,486
Other Mortgages		-	-	-
	\$	13,889	\$ 162	\$ 13,727

	As at March 31, 2005			
Personal, Credit Card and Secured Loans	\$	454	\$ 212	\$ 242
Residential Mortgages		10,559	525	10,034
Other Mortgages		215	-	215
	\$	11,228	\$ 737	\$ 10,491

### (B) Allowance for Credit Losses

	For the Three Month Period Ended March 31, 2006			
<i>In Thousands of Dollars</i>	Specific Allowance		General Allowance for Credit Risk	Total
Balance at the Beginning of the Period	\$	162	\$ 16,586	\$ 16,748
Provisions for Credit Losses for the Current Period		174	681	855
Write-offs		(220)	-	(220)
Recoveries		82	-	82
Balance at the End of the Period	\$	198	\$ 17,267	\$ 17,465

	For the Three Month Period Ended December 31, 2005			
Balance at the Beginning of the Period	\$	822	\$ 15,998	\$ 16,820
Provisions (Recoveries) for Credit Losses for the Current Period		(499)	588	89
Write-offs		(237)	-	(237)
Recoveries		76	-	76
Balance at the End of the Period	\$	162	\$ 16,586	\$ 16,748

	For the Three Month Period Ended March 31, 2005			
Balance at the Beginning of the Period	\$	604	\$ 13,611	\$ 14,215
Provisions for Credit Losses for the Current Period		286	710	996
Write-offs		(268)	-	(268)
Recoveries		115	-	115
Balance at the End of the Period	\$	737	\$ 14,321	\$ 15,058

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

### 3. LOAN SECURITIZATIONS

The following tables summarize the Company's new securitization activity for the three months ended.

For the Three Months Ended <i>In Thousands of Dollars, Except Percentages</i>	March 31 2006	December 31 2005	March 31 2005
Book Value of Mortgages Securitized	\$ 121,728	\$ 139,856	\$ 85,899
Retained Interests	\$ 6,194	\$ 9,394	\$ 7,179
Servicing Liability	\$ 206	\$ 232	\$ 164
Net Proceeds Received on Securitized Mortgages	\$ 118,734	\$ 135,956	\$ 83,846
Gain on Sales	\$ 2,837	\$ 4,910	\$ 4,560
Prepayment Rate	12.7%	10.2%	8.5%
Excess Spread	2.0%	2.7%	3.0%
Discount Rate	4.1%	3.3%	3.6%

### 4. OTHER ASSETS

*In Thousands of Dollars*

	March 31 2006	December 31 2005	March 31 2005
Accrued Interest Receivable	\$ 15,825	\$ 15,234	\$ 13,697
Deferred Agent Commission	8,427	9,320	8,806
Deferred Finders Fees	8,346	8,644	8,843
Goodwill	2,324	2,324	2,324
Other Prepaid Assets and Deferred Items	5,416	6,878	6,399
	\$ 40,338	\$ 42,400	\$ 40,069

### 5. OTHER LIABILITIES

*In Thousands of Dollars*

	March 31 2006	December 31 2005	March 31 2005
Accrued Interest Payable	\$ 105,469	\$ 97,391	\$ 88,214
Income Taxes Payable	331	5,157	788
Dividends Payable	2,047	1,701	1,356
Deferred Commitment Fees	10,345	9,847	8,341
Future Income Taxes (Note 8)	12,678	12,015	10,924
Other, Including Accounts Payable and Accrued Liabilities	28,284	27,383	20,185
	\$ 159,154	\$ 153,494	\$ 129,808

### 6. CAPITAL STOCK

Issued and Outstanding

For the three months period ended

*In Thousands of Dollars, Except per Share Amounts*

	March 31 2006	December 31 2005	March 31 2005
Common Shares			
	Number of Shares	Number of Shares	Number of Shares
	Amount	Amount	Amount
Outstanding at Beginning of Period	34,012 \$ 34,272	34,004 \$ 34,190	33,777 \$ 32,468
Options Exercised	97 592	8 82	77 405
Outstanding at end of period	34,109 \$ 34,864	34,012 \$ 34,272	33,854 \$ 32,873
Share Purchase Options			
	Weighted-average Exercise Price	Weighted-Average Exercise Price	Weighted-Average Exercise Price
Outstanding at Beginning of Period	1,272 \$ 12.32	1,130 \$ 9.25	1,373 \$ 8.62
Granted	10 42.02	150 35.25	57 34.55
Exercised	(97) 6.07	(8) 9.14	(77) 5.26
Forfeited	(5) 35.25	- -	- -
Outstanding at End of Period	1,180 \$ 12.99	1,272 \$ 12.32	1,353 \$ 9.92
Exercisable, End of Period	926 \$ 8.01	1,003 \$ 7.31	897 \$ 7.41

## 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 first quarter of 2006, \$109,000 was recorded as an expense (\$69,000 - Q4 2005 and \$62,000 - Q1 2005) for stock option awards in the Consolidated Interim Income Statement, with an off-setting credit to Contributed Surplus. The fair value of options granted in the first quarter of 2006 is estimated at the date of granting using the Black-Scholes valuation model with the following assumptions: risk-free interest rate of 4.1%, anticipated option life of 4.0 years, anticipated volatility of 24.9% and anticipated dividend yield of 0.7%. Stock options granted amounted to 10,000 for this quarter 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 reduced net income for the first quarter of 2006 by \$81,000 (\$89,000 - Q4 2005 and \$90,000 - Q1 2005) and net income and earnings per share would be reported as follows:

	For the Three Months Ended		
	March 2006	December 2005	March 2005
Pro-forma Net Income (in Thousands of Dollars)	\$ 14,102	\$ 16,792	\$ 13,486
Pro-forma Earnings per Share - Basic	\$ 0.41	\$ 0.50	\$ 0.40
Pro-forma Earnings per Share - Diluted	\$ 0.40	\$ 0.47	\$ 0.38

### 8. INCOME TAXES

Reconciliation of Income Taxes for the three month period ended:

<i>In Thousands of Dollars</i>	March 2006	December 2005	March 2005
Income Before Income Taxes	\$ 21,570	\$ 25,156	\$ 20,587
Income Taxes at Statutory Combined Federal and Provincial Income Tax Rates	7,774	9,069	7,420
Increase (Decrease) in Income Taxes at Statutory Income Tax Rates Resulting From:			
Tax-exempt Income	(439)	(452)	(456)
Non-deductible Expenses	53	61	27
Other	(1)	(403)	20
Income Tax	\$ 7,387	\$ 8,275	\$ 7,011

Sources of Future Income Tax Balances:

<i>In Thousands of Dollars</i>	March 2006	December 2005	March 2005
Future Income Tax Liabilities			
Deferred Agent Commissions and Other Charges	\$ 6,183	\$ 6,621	\$ 6,379
Mortgage-Backed Securities Receivable	16,681	15,508	12,141
Deferred Development Costs	-	-	447
	22,864	22,129	18,967
Future Income Tax Assets			
Allowance for Credit Losses	5,296	5,081	3,683
Mark-to-market Adjustments to Securities	1,154	1,462	1,347
Deferred Commitment Fees	3,736	3,571	3,013
	10,186	10,114	8,043
Net Future Income Tax Liability	\$ 12,678	\$ 12,015	\$ 10,924

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

### 9. FINANCIAL INSTRUMENTS

The Company has not entered into any off-balance sheet financial instruments during the three months ended March 31, 2006. Refer to Note 13 on Subsequent Events regarding the hedging program entered into commencing April 06, 2006.

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. During the first quarter of 2005, the Company closed \$10.0 million of this short sale and realized a total loss of \$0.1 million over the time held 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 total loss of \$0.7 million was realized over the time these bonds were held and were recorded under the line item Other Interest Income.

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.

### 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 March 31, 2006, December 31, 2005 and March 31, 2005 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>March 31, 2006</b>							
Total Assets	\$ 11,547	\$ 344,012	\$ 979,576	\$ 1,491,945	\$ 395,233	\$ 102,888	\$ 3,325,201
Total Liabilities and Equity	10,000	398,846	1,142,022	1,067,408	311,054	395,871	3,325,201
Off-balance Sheet Items	-	206,770	21,984	(83,539)	(145,215)	-	-
Interest Rate Sensitive Gap	\$ 1,547	\$ (261,604)	\$ (184,430)	\$ 508,076	\$ 229,394	\$ (292,983)	\$ -
Cumulative Gap	\$ 1,547	\$ (260,057)	\$ (444,487)	\$ 63,589	\$ 292,983	\$ -	\$ -
Cumulative Gap as a % of Total Assets	0.0%	(7.8.%)	(13.4%)	1.9%	8.8%	-	-
<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>March 31, 2005</b>							
Total Assets	\$ 17,370	192,814	585,497	1,357,148	442,660	113,106	2,708,595
Total Liabilities and Equity	13,000	263,917	605,154	1,064,264	434,145	328,115	2,708,595
Off-balance Sheet Items	-	149,234	19,565	(68,108)	(100,691)	-	-
Interest Rate Sensitive Gap	\$ 4,370	\$ (220,337)	\$ (39,222)	\$ 360,992	\$ 109,206	\$ (215,009)	\$ -
Cumulative Gap	\$ 4,370	\$ (215,967)	\$ (255,189)	\$ 105,803	\$ 215,009	\$ -	\$ -
Cumulative Gap as a % of Total Assets	0.2%	(8.0%)	(9.4%)	3.9%	7.9%	-	-

## 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 administration of Regency Financial Corp. 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 securities 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		
	Mar. 31	Dec. 31	Mar. 31	Mar. 31	Dec. 31	Mar. 31
	2006	2005	2005	2006	2005	2005
Net Interest Income	\$ 20,920	\$ 21,103	\$ 17,854	\$ 2,985	\$ 2,849	\$ 2,316
(Provisions for) Reversal of Credit Losses	(500)	139	(740)	(355)	(228)	(256)
Fees and Other Income	3,662	3,528	3,738	1,760	1,810	1,338
Net Gain on Securities & Mortgage-Backed Securities	3,355	5,258	5,185	-	-	-
Non-interest Expense	(11,563)	(10,056)	(8,970)	(1,214)	(1,691)	(1,557)
Income Before Income Taxes	15,874	19,972	17,067	3,176	2,740	1,841
Income Taxes	(5,731)	(6,830)	(6,167)	(1,147)	(990)	(665)
Net Income	\$ 10,143	\$ 13,142	\$ 10,900	\$ 2,029	\$ 1,750	\$ 1,176
Total Assets	\$ 2,878,803	\$ 2,821,874	\$ 2,348,190	\$ 142,939	\$ 121,074	\$ 91,176

*Thousands of Dollars (Unaudited) For the Three Months Ended*

	Other			Total		
	Mar. 31	Dec. 31	Mar. 31	Mar. 31	Dec. 31	Mar. 31
	2006	2005	2005	2006	2005	2005
Net Interest Income	\$ 3,469	\$ 3,503	\$ 2,945	\$ 27,374	\$ 27,455	\$ 23,115
(Provisions for) Reversal of Credit Losses	-	-	-	(855)	(89)	(996)
Fees and Other Income	26	45	3	5,448	5,383	5,079
Net Gain on Securities & Mortgage-Backed Securities	943	399	367	4,298	5,657	5,552
Non-interest Expense	(1,918)	(1,503)	(1,636)	(14,695)	(13,250)	(12,163)
Income Before Income Taxes	2,520	2,444	1,679	21,570	25,156	20,587
Income Taxes	(509)	(455)	(179)	(7,387)	(8,275)	(7,011)
Net Income	\$ 2,011	\$ 1,989	\$ 1,500	\$ 14,183	\$ 16,881	\$ 13,576
Total Assets	\$ 303,459	\$ 341,881	\$ 269,229	\$ 3,325,201	\$ 3,284,829	\$ 2,708,595

### 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 implementation and management's intentions.

### 13. SUBSEQUENT EVENT

On April 06 and 10, 2006 the Company entered into hedge transactions with a major financial institution. These hedges consist of an interest rate swap referred to as a "pay-fixed interest rate swap". These hedges amounted to \$150.0 million consisting of \$80.0 million of three-year and \$70.0 million of five-year swaps maturing July 9 and 11, 2006. These hedges are to unwind in early July 2006 for the matching of the third quarter issuance of securitized government insured mortgages. The Company's hedging program has been established to hedge the anticipated interest rate changes for the time frame between mortgages committed and then funded. This is referred to as the commitment risk which is the time that these mortgages for future securitization are exposed to potential interest rate fluctuations.

### 14. 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 March 31, 2006 there were  
34,109,140 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  
Warren K. Walker

### BRANCHES

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Rolf Eikeland  
Tom Elsdon

#### Asst. Vice President, Toronto Office

James Hill

#### Senior Managers, Mortgages

Laurie Chalabardo  
Bobby Ramgoolam  
Agostino Tuzi

#### Managers, Mortgages

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Antionette Doria  
Michael Forshee  
Kim McCormick

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Cathy Boon  
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#### VISA

*Vice President,  
VISA Credit Card Services /  
Equityline VISA*  
Pino Decina  
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#### Director, VISA Operations

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#### Equityline VISA

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Karen Minns  
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#### Managers, Equityline VISA

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Craig O'Brien

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#### Asst. Vice President, Hamilton Office

Marguerite Ryan

#### Manager, Mortgages

Craig Perigo

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#### Asst. Vice President, Western Canada

Emilio Fuoco

#### Managers, Mortgages

Marilyn Bodnar  
Katie McDowell

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#### Branch Manager

James Pell

#### 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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*Vice President, Corporate Counsel*  
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Fax: (416) 363-7611

#### Websites

Home Capital Group Inc.  
www.homecapital.com  
Home Trust Company  
www.hometruster.ca

**Home Capital Group Inc. has established an e-mail investor information service. Sign up at our web site [www.homecapital.com](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 Thursday, April 27, 2006 at 10:30 AM Toronto time. The webcast will be archived at [www.homecapital.com](http://www.homecapital.com) for 90 days.



HOME CAPITAL GROUP INC.