



HOME CAPITAL GROUP INC.

Second Quarter Report June 30, 2006

Financial Highlights	Three Months Ended		Six Months Ended	
	2006	2005	2006	2005
<i>For the Period Ended June 30 (Unaudited)</i>				
<i>In Thousands of Dollars (Except Per Share and Percentage Amounts)</i>				
OPERATING RESULTS				
Net Income	\$ 16,496	\$ 14,638	\$ 30,679	\$ 28,214
Total Revenue	70,707	59,630	135,114	115,540
Earnings per Share - Basic	\$ 0.48	\$ 0.43	\$ 0.90	\$ 0.83
- Diluted	0.47	0.41	0.88	0.80
Return on Shareholders' Equity	27.59%	32.18%	26.36%	32.13%
Return on Average Assets	1.92%	2.09%	1.80%	2.07%
Efficiency Ratio	36.66%	35.88%	38.04%	35.96%
Efficiency Ratio (TEB)**	35.99%	35.23%	37.34%	35.26%
<i>(Non-interest Expense/Net Interest Income Plus Fee Income)</i>				
BALANCE SHEET HIGHLIGHTS				
Total Assets			\$ 3,545,852	\$ 2,888,856
Loans			3,066,008	2,502,903
Deposits			3,127,079	2,541,400
Common Shareholders' Equity			246,589	189,006
Mortgage-Backed Security Assets Under Administration			959,704	626,064
FINANCIAL STRENGTH				
Capital Measures				
Risk Adjusted Assets*			\$ 1,847,822	\$ 1,481,756
Tier 1 Capital Ratio*			12.67%	12.30%
Total Capital Ratio*			14.35%	14.18%
Credit Quality				
Net Impaired Loans % of Gross Loans			0.54%	0.52%
Allowance % of Gross Impaired Loans			109.72%	115.46%
Annualized Provision % of Gross Loans			0.14%	0.16%
Share Information				
Book Value per Common Share			\$ 7.22	\$ 5.57
Common Share Price - Close			32.60	36.51
Market Capitalization			1,113,518	1,238,123
Common Shares Outstanding - Number			34,157	33,912

* 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

Home Capital Group Inc. 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.

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

**Home Capital's Diluted Earnings per Share Rise 14.6%
Mortgage Originations during First Half of 2006 Up 21.6% Over 2005**

Home Capital Group Inc. (TSX: HCG) announced today that its financial performance for both the second quarter and the first six months of 2006 improved over the same periods of 2005. The Company experienced strong residential mortgage origination and Equityline VISA portfolio growth, and ended the quarter with a return on equity of 27.6%.

Key results from the second quarter and first six months included:

- Net income during the second quarter was \$16.5 million, an increase of 12.7% over the \$14.6 million recorded last year. Earnings for the first six months of 2006 rose by 8.7% to \$30.7 million from the \$28.2 million reported for the first half of 2005.
- Basic earnings per share were \$0.48, a rise of 11.6% compared to \$0.43 in the second quarter of 2005. Diluted earnings per share were \$0.47, 14.6% higher than the \$0.41 recorded for the second quarter last year. Basic income per share for the first six months rose from \$0.83 to \$0.90, and on a fully-diluted basis from \$0.80 to \$0.88.
- Return on equity was 27.6% for the second quarter, and 26.4% for the first six months of 2006, compared to 32.2% for the second quarter of 2005 and 32.1% during the first six months.
- Total assets at June 30, 2006 reached \$3.55 billion, 22.7% higher than the \$2.89 billion reached at June 2005, and 7.9% higher than the \$3.28 billion at December 2005. Total assets, including Mortgage-Backed Securities (MBS) originated and administered by the Company, grew 28.2% to \$4.51 billion, compared to \$3.51 billion one year earlier.
- Total mortgage originations amounted to \$504.6 million during the quarter, an increase of 16.3% from the \$433.9 million advanced in the same period last year. Originations for the first six months amounted to \$931.3 million, an increase of 21.6% from the \$765.7 million advanced over the first half of 2005.
- The efficiency ratio (TEB) was 36.0% during the second quarter, similar to the 35.2% recorded for the second quarter last year, and an improvement from 38.9% in the first quarter of 2006. The ratio was 37.3% for the first six months of the year, up from the 35.3% recorded in the same period of 2005.
- Outstanding balances on the Equityline VISA portfolio were \$146.6 million, a substantial rise of 105.9% and 56.8% respectively, from the \$71.2 million recorded at June 2005 and \$93.5 million at December 2005. During the first six months, 2,102 credit card accounts with \$89.0 million in authorized credit limits were issued, compared to 1,155 cards and \$37.9 million in credit for the six months ending June 2005, representing increases of 82.0% and 135.1%, respectively.
- Net impaired loans by dollar value represented 0.54% of the total loans portfolio, up slightly from 0.52% at the end of the second quarter of 2005, and from 0.49% at December 2005.

Early in the quarter the Company recommenced the hedging program, entering into a swap transaction, in order to hedge against the effect of interest rate changes between mortgage commitment dates and when those mortgages are securitized under our MBS program. These swaps may result in unrealized gains or losses to income on a mark-to-market basis, depending on actual interest rate changes. In the second quarter, \$0.9 million in unrealized gains were reported as a result of interest rate swaps.

The Board of Directors has approved a Normal Course Issuer Bid, commencing on August 1, 2006. The Company believes that, from time to time, the market price of Home Capital's Common Shares does not fully reflect the value of its business and future prospects. As a result, the Board believes that the purchase of outstanding shares may represent an appropriate use of the Company's available funds.

Subsequent to the end of the quarter, the Company's Board of Directors declared a quarterly dividend increase, to \$0.07 per share, payable on September 1 to shareholders of record at the close of business on August 15, 2006. This dividend increase represents the second one this year, reflecting the Company's solid financial performance and the confidence of the Board in its continued prospects going forward.

The Company has commenced preparedness planning in connection with the possibility of Pandemic Influenza. An external emergency preparedness firm has been retained to support management's efforts in preparing a plan for the continuation of business operations in the event of a public health crisis.

Home Capital's ongoing efforts to achieve a high level of corporate governance were recently recognized in two publications. The Company ranked in a tie for seventh place in Canadian Business Magazine's Sixth Annual Corporate Governance rankings of nearly 300 companies surveyed, and sixth in the Corporate Knights Fifth Annual Best 50 Corporate Citizens rankings of 291 companies surveyed.

The Company announces that W. Roy Vincent, Senior Vice President and Chief Operating Officer of Home Capital Group, and a Director of Home Trust Company, will be retiring effective December 31, 2006. Roy has served the Company with distinction for the past 20 years, and has been a constant and important contributor in the Company's considerable successes over this period. His leadership will certainly be missed. Nick Kyprianou, Senior Vice President and head of the Company's mortgage lending business will be assuming the role of COO at that time. Nick has ably served Home Capital for more than 14 years in increasingly senior management capacities. It is fully anticipated that there will be a seamless transition of responsibilities towards year's end.

Home Capital continues to believe that the growth initiatives being undertaken will lead to continued superior financial performance. Looking ahead to the second half of 2006, the Company's strong mortgage origination pipeline, the expansion of the Equityline VISA program, a talented group of employees and an outstanding risk management track-record are among the key elements that will sustain and build further on our past successes.

GERALD M. SOLOWAY
President and Chief Executive Officer
July 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, periodic 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 comparisons 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 \$0.8 million for the second quarter and \$1.5 million for the first six months of 2006 (\$0.7 million - Q2 2005 and \$1.4 million - six months 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 presented 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, and on the Canadian Securities Administrators' web site at 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 June 30, 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 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 July 26, 2006. As in prior quarters, the Company's Audit and Risk Management Committee has reviewed this document, and before 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.

	2006 Objectives	Six Month Period Ended June 30, 2006 Actual Results*
Net Income	20% or \$33.8 million for the six months	\$30.7 million, or 8.7% increase over same period last year
Diluted Earnings per Share	20% or \$0.96 per share for the six months	\$0.88 per share, or 10.0% increase over same period last year
Combined Total Assets and Assets Under Administration	20% or \$4.22 billion for the 12 months	\$4.51 billion or 28.2% increase over last year
Return on Equity	20%	26.4%
Efficiency Ratio (TEB)	Maximum of 38.0% to 43.0%	37.3%
Capital Ratio - Tier 1	Minimum of 9.5%	12.7%
Capital Ratio - Total	Minimum of 12.5%	14.4%
Provision for Loan Losses as a Percentage of Total Loans	0.1% to 0.2%	0.1%

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

Financial Highlights

Overview

This section presents the highlights of the second quarter and six months ended June 30, 2006 and details the factors affecting results when compared to the same periods in 2005. Net income was \$16.5 million in the second quarter of 2006, compared with \$14.6 million for the second quarter of 2005, and \$30.7 million for the six months ended June 2006 compared to \$28.2 million during the same period last year.

- Net interest income for the second quarter was \$28.7 million, an increase of 8.7% from the \$26.4 million reported for the same period in 2005 and \$56.0 million for the six months ended June 30, 2006, an increase of 12.9% over the \$49.6 million recorded in the first half of 2005. The net interest margin was 3.4% for both the quarter and six months ended June, 2006, compared to 3.9% and 3.7% for the same periods ending June 30, 2005.
- Non-interest income was \$13.0 million for the quarter and \$22.8 million for the six months ended June 30, 2006. This represented an increase over \$9.9 million for the quarter, and \$20.4 million for the six months ended June 2005. Fees and other income increased due to the rise in the Company's loan assets. However, contractions in the interest rate spread on mortgages securitized during the first half of the year resulted in securitization income decreasing by \$1.4 million, to \$8.7 million for the six months ended June 2006. This compares to \$10.1 million for the same period of 2005. The reduced securitization gains relative to the volume of mortgages pooled were off-set by derivative gains of \$1.1 million. These gains arose from the interest rate swaps entered into during the second quarter of 2006. Of the total derivative gains, \$0.9 million was recorded on a mark-to-market adjustment for the June 30, 2006 reporting date while \$0.2 million was realized on swaps that were closed during the quarter.
- Non-interest expenses increased by \$2.3 million to \$15.3 million during the second quarter of 2006, over \$13.0 million reported for the three months ended June 2005. Six month non-interest expenses amounted to \$30.0 million for June 2006, an increase of 19.1% over the \$25.2 million reported for the six months ended June 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, commissions and insurance expenses related to higher overall business volumes. These increased expenses during the second quarter and first six months of 2006 resulted in a higher efficiency ratio (TEB) of 36.0% and 37.3% which is superior to the Company's performance objectives for this year, but is above the 35.2% and 35.3% for the second quarter and six months ended June 30, 2005.

Net Interest Income

Net interest income was \$28.7 million in the second quarter of 2006, an increase of \$2.3 million, or 8.7%, over the \$26.4 million reported in the same quarter of 2005. Six month net interest income was \$56.0 million, an increase of \$6.4 million, or 12.9% over the \$49.6 million reported in the same period of 2005. This increase was largely the result of the growth in interest earning assets which increased \$639.8 million over the June 2005 level, compared to an increase of \$577.8 million in interest bearing liabilities. The net interest margin (on a TEB basis) declined to 3.4% from 3.7% for the first six months of 2006 from 2005. The spread during the second quarter of 2006 also decreased to 3.4% from 3.9% reported for the same period of 2005. The interest spread between loans and borrowings ended the quarter and six month periods of 2006 at 3.5%, down from the 3.7% reported for both the three and six months ended June 30, 2005. The timing difference between a loan commitment date and the funding date can range from 30 to 90 days, and therefore the contraction in the spread was a result of the rise in prime rates from 4.75% on December 1, 2005 to 6.0% on May 31, 2006.

The mortgage lending line of business continues to be the primary driver of the Company's net interest income. It contributed \$21.4 million during the second quarter of 2006 and \$42.4 million for the six months ended June 2006, compared to \$18.8 million during the second quarter and \$36.7 million for the first six months of 2005.

The consumer lending line of business contributed second quarter net interest income of \$3.4 million and \$6.4 million for the six months ended June 2006, compared to \$2.5 million and \$4.8 million for the quarter and six months ended June 2005, respectively. Growth in the Equityline VISA product accelerated late in the first quarter of this year and therefore increased interest income is now being realized from this source.

Refer to Note 10 of the accompanying unaudited interim financial statements, which summarizes the Company's interest rate risk position as at June 30, 2006. The cumulative dollar gap at that date is a deficiency of \$605.4 million (liabilities and off-balance sheet items exceed total assets) for the three months to 1 year time frame, compared to deficiencies of \$300.8 million at December 31, 2005 and \$227.2 million at June 30, 2005. As indicated in this note, the cumulative gap reverts to a surplus within a 3 year time frame for the current period, and the 1 to 3 year time frame for the other two periods presented in the table. Currently, customers of the Company are tending to seek longer maturities on loans while depositors are preferring shorter term investments, due to market anticipation of further rate increases.

Provision for Credit Losses

The Company expensed \$1.3 million in the second quarter and \$2.1 million year-to-date, compared to \$1.0 million and \$2.0 million last year, through provisions for credit losses. This expense represents 0.17% 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. The total general allowance amounted to \$18.3 million at June 2006, an increase of \$1.7 million over the \$16.6 million at December 2005, and a \$3.0 million rise over the \$15.3 million allowance at June 2005. Growth in the general allowance over this six month and twelve month periods amounted to 10.4% and 19.8%, aligned with total asset growth of 8.0% and 22.7%. The Company will continue to maintain the general allowance at levels appropriate to the risk levels of the Company's assets. The Company has continued to experience low write-offs. Residential first mortgages continue to make up a substantial part of the Company's total assets (78.0% at June 2006).

At June 30, 2006 net impaired loans had increased to \$16.7 million (0.54% of gross loans), compared to \$13.7 million (0.49% of gross loans) at December 2005 and \$13.2 million (0.52% of gross loans) at June 2005. The slight rise in net impaired loan levels 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 six months ended June 2006 was \$0.3 million, compared to the same periods ending December and June 2005.

Non-Interest Income

Total non-interest income was \$13.0 million for the quarter and \$22.8 million for the first six months of 2006, an increase of \$3.1 million and \$2.4 million from the second quarter and six month periods of 2005.

The fees and other income components of non-interest income increased to \$6.1 million for the quarter and \$11.5 million for the first six months, compared to \$5.6 million and \$10.7 million for the three and six months ended June 2005. The mortgage line of business contributed \$4.1 million in the quarter and \$7.8 million for the six months, compared to \$4.1 million and \$7.9 million for the second quarter and first six months of 2005. Growth in the loan portfolio of 22.5% over June 30, 2005 did not result in increased fee income during these periods. This was due to fee modifications on certain mortgage products offered by the Company, necessitated by market conditions beginning in mid-2005. The consumer lending line of business contributed \$1.9 million of fee income in this quarter and \$3.6 million for the six months, compared to \$1.5 million and \$2.8 million for the three and six months ended June 2005. Fee income from credit card operations is generally driven by number of accounts, and although the Equityline VISA portfolio is experiencing strong growth with new credit authorizations amounting to \$89.0 million in the first six months, closed accounts in other product segments of the credit card portfolio affect this income. The total number of accounts at June 30, 2006 amounted to 24,062 which is down from 26,033 at June 2005. The Equityline VISA growth is expected to generate most of its revenues from interest income.

During the second quarter the Company issued five MBS pools, consisting of \$140.7 million of Canada Mortgage and Housing Corporation (CMHC) insured residential mortgages for a total issuance of MBS pools in 2006 to date of \$262.4 million. This represents an increase of \$47.6 million over the \$93.1 million in MBS pools that were issued in the second quarter of 2005 and \$83.4 million over the \$179.0 million issued during the first six months of 2005. Securitization gains were \$4.0 million in the quarter and \$6.9 million for the six months ending 2006, down from \$4.2 million and \$8.8 million realized in the three and six month periods of 2005 (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 and six months ended June 2006 on new MBS pools amounted to 2.4% and 2.2%, a decrease from 2.5% and 2.7% for the pools issued in the second quarter and six months of 2005. Two factors contributed to this reduction in the MBS gains. The largest impact was the compression in spreads due to rising Government of Canada bond rates from October 2005 through June 2006 of an average 95 basis points. Since mortgage commitment dates are typically 30 to 90 days prior to funding dates, mortgage commitments made 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. In April 2006, the Company recommenced the hedging program in order to reduce the risk to earnings of interest rate increases for the time period between commitment and pooling (refer to Note 9 of these unaudited interim consolidated financial statements). The secondary factor in the reduction of spreads resulted from the Company taking a higher estimate for unscheduled prepayments on the underlying mortgages. The estimated annual prepayment rate rose to 12.6% for both the three and six month periods of 2006, versus 8.5% in the second quarter and first six months of 2005. MBS funds under administration at June 30, 2006 reached \$959.7 million. These securities were sold without recourse, and the Company continues to service the mortgages.

Non-Interest Expenses

Total non-interest expenses for the three months ended June 30, 2006 were \$15.3 million, an increase of 17.4% or \$2.3 million over the \$13.0 million reported in the second quarter of 2005, and up by 19.1%, or \$4.8 million over the \$25.2 million reported for the first six months of 2005.

Salaries and staff benefits for the latest quarter rose by \$1.3 million, or 24.8% over the second quarter of 2005, and \$2.5 million or 24.5% over the six month period ended June 2005. The increase over the three and six month periods was the result of increased staffing levels to support the continued growth of the Company. The Company ended this quarter with 352 employees, as compared to 274 on December 31, 2005 and 254 employees at June 30, 2005. The June 2006 total includes 21 temporary summer staff to assist the Company during employee vacation absences.

Premises expenses increased in this quarter and six months due to the recent move to larger offices in Toronto, and additional space in St. Catharines to provide for enhanced back-up systems.

General and administration expenses increased by \$0.8 million over the second quarter of 2005, and \$1.9 million over the same six month period last year. These increases are 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 during the first quarter for the Toronto office move, and added equipment purchases increased the depreciation expense for both the three and six month periods.

The efficiency ratio (TEB), defined as non-interest expenses as a percentage of net interest income plus fee income (see definition of TEB on page 5), ended the second quarter at 36.0%, and 37.3% for the six month period. Due to additional expenses described above these ratios were higher than the 35.2% and 35.3% results for the three and six months ended June 2005. However, the efficiency ratio is still better than the performance objective of 38.0% to 43.0% set by the Company. The Company continues to carefully control all expense areas.

Income Taxes

The income tax expense amounted to \$8.6 million (effective tax rate of 34.3%) for the second quarter and \$16.0 million (effective tax rate of 34.3%) for the six months ended June 2006, compared to \$7.6 million (effective tax rate of 34.2%) for the second quarter and \$14.6 million (effective tax rate of 34.1%) in the first six months of 2005. Canadian dividend income is non-taxable to financial institutions, which results in a reduced effective income tax rate. In the absence of tax free dividends, the effective tax rates would have been 36.3% for both the second quarter and six months of 2006, compared to 36.2% for the second quarter and six months of 2005.

Balance Sheet

Assets

Total assets as at June 30, 2006 were \$3.55 billion, an increase of \$657.0 million, or 22.7%, over the \$2.89 billion reported one year ago and up by \$261.0 million, or 8.0%, over the December 2005 asset balance of \$3.28 billion.

Growth in the loan portfolio of \$563.1 million, or 22.5%, generated most of this year-over-year asset increase. Residential mortgages contributed \$434.9 million to total loan portfolio growth, consumer lending added \$74.3 million, secured loans added \$26.8 million, other mortgages (non-residential) represented \$30.1 million, while the general allowance increased by \$3.0 million. MBS receivables added \$12.0 million to total assets. Deferred development costs resulting from the establishment of the credit card operation in May, 2000 decreased by \$1.0 million over June 2005, completing the amortization of this asset in accordance with the Company's accounting policy. The Company's investment securities portfolio increased by \$116.7 million over June 30, 2005 and cash resources decreased by \$40.0 million year-over-year. Fixed assets increased by \$1.7 million due to the increase in staff, requiring additional equipment and furniture. The other asset category increased \$4.5 million which consists 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 loans and deposits increased over the prior year. Commissions and finders fees are amortized over the terms of deposits, and shortening duration of both loan and deposit terms resulted in decreased deferred assets.

During the first six months of 2006, growth in the loan portfolio of \$269.1 million contributed to the increase over the December 31, 2005 asset balance. Residential mortgages represented \$183.6 million of the total loan portfolio growth, consumer lending added \$51.4 million, secured loans added \$12.6 million, other mortgages (non-residential) increased by \$23.2 million and the general allowance increased by \$1.7 million. The decline in cash resources over December 2005 of \$75.9 million was largely offset by the increase in securities of \$57.1 million and total other assets of \$10.7 million. Total other assets consist of Mortgage-Backed Securities receivable, capital assets, and deferred and other assets.

Liabilities

Liabilities for the period ended June 30, 2006 rose to \$3.30 billion, an increase of \$599.4 million, or 22.2% over the \$2.70 billion reported at June 30, 2005 and up by \$233.3 million, or 7.6% over the \$3.07 billion reported at December 31, 2005.

Most of the year-over-year growth resulted from increased deposits of \$585.7 million. Increased deposit liabilities funded all of the loan portfolio growth, along with a portion of the increase in the securities investments of the Company. Other liabilities (Note 5) increased by \$26.2 million, or 19.1%, over the \$137.0 million reported at June 30, 2005. This growth was principally the result of increases in accrued interest payable of \$16.1 million, which is related to the rise in deposits. Other Liabilities, consisting of accounts payable and accrued liabilities, added \$6.2 million, and the increase in deferred commitment fees that resulted from growth in the mortgage loan portfolio increased other liabilities by \$2.0 million. Future income taxes grew by \$3.3 million, dividends payable rose by \$0.7 million and income taxes payable declined by \$2.1 million year-over-year.

The rise in liabilities since December 31, 2005 resulted from increased deposits of \$231.6 million. Increased deposit liabilities funded a significant portion of the loan portfolio growth for the first six months of 2006. Cash resources funded the remaining growth in the loans portfolio and the \$57.1 million increase in the securities portfolio. Also, in the second quarter of 2006 the Company repaid a subordinated term loan in the amount of \$5.0 million.

Shareholders' Equity

The increase in shareholders' equity of \$57.6 million, or 30.5% over the \$189.0 million reported at June 30, 2005 was internally generated from net income for the twelve month period ended June 30, 2006 of \$63.3 million, less \$7.5 million for dividends paid and payable to shareholders. The remaining \$1.8 million was from share option transactions, including proceeds of \$1.5 million received on the exercise of Company share options, and the amortization of the fair value of share options of \$0.3 million.

Shareholders' equity rose to \$246.6 million, an increase of \$27.7 million, or 12.7% over \$218.9 million reported at December 31, 2005. This growth was internally generated from net income for the six months of \$30.7 million, less \$4.1 million for shareholders dividends. The remaining \$1.1 million was from proceeds received on the exercise of Company share options and the recording of the fair market adjustment on stock options.

At June 30, 2006 the book value per common share was \$7.22, compared to \$6.44 at December 31, 2005 and \$5.57 one year ago.

Off-Balance Sheet Arrangements

The Company entered into hedging transactions during the second quarter, with a major financial institution. These transactions consist of \$200.0 million of fixed forward interest rate swaps which, as of the June 30, 2006 reporting date, resulted in a positive income statement adjustment of \$0.9 million. The Company subsequently unwound \$75.0 million of these swaps during the quarter, realizing \$0.2 million of derivative gains. These transactions were entered into to mitigate the interest rate exposure on outstanding loan commitments. For additional information refer to Note 9 of these accompanying unaudited interim consolidated financial statements.

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 the assets are sold, the Company retains certain rights to 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 at June 30, 2006 outstanding securitized mortgage loans under administration amounted to \$959.7 million (\$800.2 million - Q4 2005 and \$626.1 million - Q2 2005) and a retained interest of \$47.3 million (\$41.3 million - Q4 2005 and \$35.2 million - Q2 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 \$242.6 million at June 30, 2006 compared to \$176.3 million at December 2005 and \$203.8 million at June 2005. These commitments remain open for various dates through November, 2007. As of June 30, 2006 unutilized credit card balances amounted to \$48.8 million, compared to \$32.9 million at December 2005, and \$34.2 million at June 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, described above and in Note 9 of these accompanying unaudited interim consolidated financial statements.

Liquidity Risk

The Company maintains sufficient liquidity to fund its obligations as they come due under normal operating conditions, as well as under various stress scenarios, within 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. At June 30, 2006 liquid assets amounted to \$265.2 million, down 7.6% from \$286.9 million at December 2005 and up 34.8% from \$196.7 million at June 2005.

The Company maintains a minimum 20% of its 100-day obligations in liquid assets. For the twelve months ended June 30, 2006 the Company maintained an average of \$242.4 million, or 42.4%, of 100-day obligations compared to \$216.1 million, or 46.4% for the twelve months ended December 31, 2005 and \$177.3 million, or 43.6% for the twelve month period ended June 30, 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 June 30, 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 June 30, 2006 an immediate and sustained 100 basis point (1%) decrease in interest rates would have decreased net income after taxes over the next twelve months by \$0.6 million, and a 200 basis point (2%) rate decline would result in a corresponding decrease in net income after taxes of \$1.2 million.

The Company has entered into an interest rate swap arrangement, for the purpose of hedging commitment risk. Its purpose 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 9 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 June 30, 2006 the composition of the Company's mortgage portfolio was 96.8% residential, 2.7% store and apartments, and 0.5% non-residential loans. Within the residential mortgage portfolio, 4.8% of loans are insured by CMHC. First mortgages represent 99.7% of the total mortgage portfolio.

As at June 30, 2006 the gross credit card receivable balance totaled \$161.0 million, comprised of \$159.1 million, or 98.8%, in accounts secured either by cash deposits or residential mortgage collateral, and \$1.9 million, or 1.2%, which is unsecured. The total credit approved includes \$207.0 million in secured and \$2.8 million in unsecured credit, compared to \$137.6 million in secured and \$4.5 million unsecured credit at December 31, 2005 and \$115.2 million in secured and \$5.0 million unsecured credit at June 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 \$146.6 million of the credit card receivable balance as at June 30, 2006 compared to \$93.5 million at December 2005 and \$71.2 million at June 2005. Cash security deposits on credit card accounts amounted to \$20.6 million, and are included in the Company's deposits.

Secured loans of \$56.2 million increased by \$12.6 million over the December 2005 balance of \$43.6 million, and \$26.8 million over the June 2005 balance of \$29.4 million. These loans are secured by collateral mortgages on residential property. At June 30, 2006 \$0.6 million of secured loans are over 30 days in arrears, or 1.0% of the portfolio. Secured loans are subject to the same credit and lending criteria as the Company's mortgage portfolio.

Although net impaired loans rose to \$16.7 million at June 30, 2006 compared with \$13.7 million at December 31, 2005 and \$13.2 million at June 30, 2005, the Company has experienced almost no change in net loan write-offs. Write-offs net of recoveries applied against the accumulated allowance for credit losses realized on loans during the comparable six month periods were \$298,000 for June 2006 as compared to \$291,000 for December 2005, and \$304,000 for June 2005. The Company continues to monitor this area closely and deals effectively and prudently with impaired loan situations.

The Company has ensured that it is well positioned for any unforeseen future losses by holding general allowances of \$18.3 million at June 30, 2006 as compared to the general allowances of \$16.6 million at December 31, 2005 and \$15.3 million at June 30, 2005.

Following a review of prior years' loss experiences and the lending criteria in place, during the fourth quarter of 2005 the Company decided to reduce the general allowance ratio. 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 86.7% of total assets, with 78.0% of security in the form of 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 economic conditions, interest rates and local housing market conditions.

Total general allowance was 99.1 basis points of the Company's risk-weighted assets at June 30, 2006 compared to 100.5 basis points at December 31, 2005 and 103.2 basis points at June 30, 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 ended the period at 12.7% at June 30, 2006 versus the 12.7% and 12.3% levels reported at December 31 and June 30, 2005. The total capital ratio was 14.4% as at June 2006, down slightly from the 14.5% reported for December 2005 and up from the 14.2% reported in June 2005. The total capital ratio strengthened as risk-weighted assets increased by 12.0% over December 2005 and the growth in capital amounted to 11.1% for the same six month period. Risk-weighted assets increased by 24.7% over June 2005, with the growth in capital over the same twelve months amounting to 26.2%. These capital ratios continue to substantially exceed the minimum regulatory requirements of 7.0% for Tier 1 capital, and 10.0% for total capital.

As at June 30, 2006 Home Trust was utilizing 76.3% of its approved Assets to Regulatory Capital Multiple of 17.5 times (78.5% - December 31, 2005 and 78.4% - June 30, 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 for hedging purposes. 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.

On June 1, 2006 the Company signed a Master Service Agreement with Deloitte & Touche LLP ("Deloitte") to provide additional services, supporting the design and testing of the Company's internal controls over financial reporting. Pursuant to a Staff Notice issued by the Canadian Securities Administrators (CSA), the CSA proposes to amend MI 52-109 to require the CEO and CFO to report on the design and operating effectiveness of internal controls over financial reporting. The Agreement specifies the Company's and Deloitte's respective responsibilities with regard to this engagement.

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 July 25, 2006, the Company had 34,156,640 Common Shares outstanding. In addition, director and employee stock options outstanding amounted to 1,132,000 (1,272,000 - Q4 2005 and 1,228,000 - Q2 2005) of which 878,875 options are exercisable as of the quarter-end (1,003,250 - Q4 2005 and 839,250 - Q2 2005) for proceeds to the Company on exercise of \$7.1 million (\$7.3 million - Q4 2005 and \$5.9 million - Q2 2005).

On July 26, 2006 the Company declared a quarterly cash dividend of \$0.07 per Common Share, payable September 1 to shareholders of record at the close of business on August 15, 2006. This dividend increase represents the second one this year.

Results by Business Segment

The following discusses the mortgage and consumer lending lines of business for the second quarter and first six months of 2006, compared to the same periods in 2005 (refer to Note 11 of the accompanying interim consolidated financial statements).

Mortgage Lending

The Company's principal line of business contributed \$12.3 million to net income during the second quarter and \$22.4 million for the first six months of 2006, as compared to \$11.4 million and \$22.3 million for the same periods ended June 2005. During the second quarter the Company improved spreads relative to performance in the first quarter. The total value of new mortgages advanced in the second quarter and first six months of 2006 amounted to \$504.6 million and \$931.3 million, as compared to \$433.9 million and \$765.7 million for the same periods ended June 2005, respectively.

The Company securitized \$140.7 million of residential mortgages in the second quarter and a total of \$262.4 million for the six months of this year, realizing total income on securitization of \$5.3 million for the quarter and \$8.7 million year-to-date. Securitizations of pools were up from the total of \$179.0 million for the six month period June 2005, but total income was down from the \$10.1 million realized for the six months ended June 2005. The decrease in income was due to the reduction in gains recorded as a result of contraction in interest 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 principal driver of the Company's financial results.

A second mortgage lending 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 at June 30, 2006 the Company held \$56.2 million in Secured Loans as Notes Receivable issued by Regency, compared to \$43.6 million at December 2005 and \$29.4 million at June 2005. These Notes yield 6.8% with an average duration of 3.6 years. The Company also receives fee income for servicing and administering these mortgages for Regency. Interest and servicing income amounted to 7.7% of the portfolio value, on an annualized basis. The underlying credit quality of the mortgages that secure the Notes Receivable remains high, with 2.4% in arrears up to 60 days and 0.4% of the portfolio in arrears over 60 days. 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 \$2.2 million to net income during the second quarter, and \$4.2 million for the six months ended June 2006, compared to \$1.4 million and \$2.6 million for the same periods in 2005. The Equityline VISA loans portfolio amounted to \$146.6 million at June 30, 2006 (\$93.5 million - Q4 2005 and \$71.2 million - Q2 2005) and comprises 91.1% (85.6% - Q4 2005 and 82.8% - Q2 2005) of the total gross credit card receivable balance of \$161.0 million, bearing an average interest rate of 10.0% (11.3% - Q4 2005 and 11.6% - Q2 2005) on outstanding balances. Results following introduction of the Equityline VISA product in January, 2006 are substantially exceeding management's expectations, and should provide significant interest income to this segment of the business as authorized credit is increasingly utilized.

Quarterly Financial Highlights

In thousands of dollars, except per share amounts and percentages

	2006				2005			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net interest income (TEB)*	\$ 29,451	\$ 28,061	28,049	\$ 27,019	\$ 27,038	\$ 23,976	\$ 28,426	\$ 21,363
Less TEB adjustment	781	687	708	682	675	714	694	726
Net interest income per financial statements	28,670	27,374	27,341	26,337	26,363	23,262	27,732	20,637
Non-interest income	13,011	9,746	11,040	11,596	9,906	10,484	1,535	7,913
Total revenues	70,707	64,407	64,803	62,763	59,630	55,910	50,804	48,555
Net income	16,496	14,183	16,881	15,766	14,638	13,576	12,271	11,550
Return on common shareholders' equity	27.6%	25.2%	31.9%	32.1%	32.2%	32.2%	31.3%	31.7%
Return on average total assets	1.9%	1.7%	2.1%	2.1%	2.1%	2.1%	2.0%	2.0%
Earnings per common share								
Basic	\$ 0.48	\$ 0.42	0.50	\$ 0.47	\$ 0.43	\$ 0.40	\$ 0.37	\$ 0.34
Diluted	\$ 0.47	\$ 0.41	0.47	\$ 0.45	\$ 0.41	\$ 0.39	\$ 0.35	\$ 0.33
Book value per common share	\$ 7.22	\$ 6.79	6.44	\$ 6.00	\$ 5.57	\$ 5.17	\$ 4.80	\$ 4.48
Efficiency ratio (TEB)*	36.0%	38.9%	33.8%	35.2%	35.2%	35.3%	40.0%	33.8%
Efficiency ratio	36.7%	39.6%	34.4%	35.9%	35.9%	36.0%	41.0%	34.6%
Tier 1 capital ratio**	12.7%	12.9%	12.7%	12.6%	12.3%	12.2%	12.0%	11.8%
Total capital ratio**	14.4%	14.6%	14.5%	14.5%	14.2%	14.2%	14.0%	13.9%
Net impaired loans as % of gross loans	0.54%	0.51%	0.49%	0.50%	0.52%	0.44%	0.40%	0.31%
Annualized provision as % of gross loans	0.1%	0.1%	0.0%	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, return on equity, as well as efficiency trends and capital ratios, quarter over quarter. The reduction in earnings, return on equity and productivity in the first quarter of 2006 was the result of interest spread contractions in the fourth quarter of 2005 and early 2006, which resulted in reduced revenue growth. Results in the second quarter of 2006 illustrate the effect of improved rate spreads on net interest income. The Company's second quarter also reflects an improved efficiency ratio. The Company continues to maintain positive earnings, continued low credit losses and strong capital ratios, which will support sustained performance 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, a reduction in the Goods & Services tax rate, and only moderate rises in interest rates, which will continue to support both new housing starts and resale markets. Our proven corporate strategy and proprietary risk management procedures, reinforced by expanded operation capacity and newly adopted 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 June 30, 2006 and the Interim Consolidated Statements of Income, Changes in Shareholders' Equity and Cash Flows of Home Capital Group Inc. for the six month period ended June 30, 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 June 30, 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

July 27, 2006

Cathy A. Sutherland, C.A.

Vice President, Finance

Consolidated Statements of Income

	Three Months Ended		Six Months Ended	
	June 30 2006	June 30 2005	June 30 2006	June 30 2005
<i>In Thousands of Dollars, Except Per Share Amounts (Unaudited)</i>				
Income				
Interest from Loans	\$ 54,593	\$ 45,029	\$ 105,387	\$ 87,163
Dividends from Securities	1,381	1,194	2,596	2,457
Other Interest	1,722	3,501	4,374	5,530
	57,696	49,724	112,357	95,150
Interest Expense				
Interest on Deposits and Borrowings	29,026	23,361	56,313	45,525
Net Interest Income	28,670	26,363	56,044	49,625
Provision for Credit Losses (Note 2)	1,288	1,006	2,143	2,002
	27,382	25,357	53,901	47,623
Non-interest Income				
Fees and Other Income	6,066	5,647	11,514	10,726
Securitization Income on Mortgage-Backed Securities	5,334	4,877	8,689	10,062
Net Realized and Unrealized Gain on Investment Securities	482	217	1,425	584
Net Realized and Unrealized Gain (Loss) on Derivatives and Short Sales (Note 9)	1,129	(835)	1,129	(982)
	13,011	9,906	22,757	20,390
	40,393	35,263	76,658	68,013
Non-interest Expenses				
Salaries and Staff Benefits	6,577	5,270	12,559	10,090
Premises	817	625	1,639	1,195
General and Administration	7,886	7,120	15,777	13,893
	15,280	13,015	29,975	25,178
INCOME BEFORE PROVISION FOR INCOME TAXES	25,113	22,248	46,683	42,835
Provision for Income Taxes (Note 8)	8,617	7,610	16,004	14,621
NET INCOME	\$ 16,496	\$ 14,638	\$ 30,679	\$ 28,214
NET INCOME PER COMMON SHARE				
Basic	\$ 0.48	\$ 0.43	\$ 0.90	\$ 0.83
Diluted	\$ 0.47	\$ 0.41	\$ 0.88	\$ 0.80
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (Thousands)				
Basic	34,071	33,847	34,106	33,812
Diluted	34,848	35,435	34,818	35,253
Total Number of Outstanding Common Shares (Note 6)	34,157	33,912	34,157	33,912
Book Value Per Share	\$ 7.22	\$ 5.57	\$ 7.22	\$ 5.57

Consolidated Balance Sheets

	June 30	December 31	June 30
<i>In Thousands of Dollars (Unaudited) as at</i>	2006	2005	2005
ASSETS			
Cash Resources			
Deposits with Regulated Financial Institutions	\$ 45,409	\$ 60,337	\$ 125,615
Treasury Bills Guaranteed by Canada	49,881	110,806	9,680
	95,290	171,143	135,295
Securities			
Issued or Guaranteed by Canada	179,779	126,832	75,199
Issued or Guaranteed by Provinces	299	299	299
Other Securities	105,727	101,611	93,641
	285,805	228,742	169,139
Loans			
Personal and Credit Card Loans	168,039	116,628	93,768
Secured Loans	56,177	43,565	29,378
Residential Mortgages	2,767,309	2,583,694	2,332,383
Other Mortgages	92,800	69,572	62,670
General Allowance for Credit Losses (Note 2)	(18,317)	(16,586)	(15,296)
	3,066,008	2,796,873	2,502,903
Other			
Mortgage-Backed Securities Receivable	47,284	41,309	35,247
Capital Assets	4,284	4,362	2,563
Deferred Development Costs	-	-	1,027
Other Assets (Note 4)	47,181	42,400	42,682
	98,749	88,071	81,519
	\$ 3,545,852	\$ 3,284,829	\$ 2,888,856
LIABILITIES			
Term Loan	\$ 5,000	\$ 10,000	\$ 10,000
Subordinated Term Loan	-	-	3,000
Deposits			
Payable on Demand	17,526	20,191	12,092
Payable on a Fixed Date	3,109,553	2,875,270	2,529,308
	3,132,079	2,905,461	2,554,400
Other			
Cheques and Other Items in Transit	4,012	6,989	8,490
Other Liabilities (Note 5)	163,172	153,494	136,960
	167,184	160,483	145,450
	3,299,263	3,065,944	2,699,850
SHAREHOLDERS' EQUITY			
Capital Stock (Note 6)	35,192	34,272	33,747
Contributed Surplus	510	306	198
Retained Earnings	210,887	184,307	155,061
	246,589	218,885	189,006
	\$ 3,545,852	\$ 3,284,829	\$ 2,888,856

Consolidated Statements of Changes in Shareholders' Equity

<i>In Thousands of Dollars (Unaudited)</i>	For the Three Months Ended		For the Six Months Ended	
	June 30 2006	June 30 2005	June 30 2006	June 30 2005
CAPITAL STOCK				
Common Shares				
Balance at Beginning of the Period	\$ 34,864	\$ 32,873	\$ 34,272	\$ 32,468
Proceeds of Options Exercised (Note 6)	328	874	920	1,279
BALANCE AT END OF THE PERIOD	\$ 35,192	\$ 33,747	\$ 35,192	\$ 33,747
CONTRIBUTED SURPLUS				
Balance at Beginning of the Period	\$ 415	\$ 231	\$ 306	\$ 178
Amortization of Fair Value of Employee Stock Options (Note 7)	113	62	222	115
Employee Stock Options Exercised	(18)	(95)	(18)	(95)
BALANCE AT END OF THE PERIOD	\$ 510	\$ 198	\$ 510	\$ 198
RETAINED EARNINGS				
Balance at Beginning of the Period	\$ 196,443	\$ 141,781	\$ 184,307	\$ 129,561
Net Income for the Period	16,496	14,638	30,679	28,214
Dividends Paid During the Period	-	-	(2,047)	(1,356)
Dividends Declared, Unpaid During the Period	(2,052)	(1,358)	(2,052)	(1,358)
BALANCE AT END OF THE PERIOD	\$ 210,887	\$ 155,061	\$ 210,887	\$ 155,061

Consolidated Statements of Cash Flows

	Three Months Ended		Six Months Ended	
	June 30 2006	June 30 2005	June 30 2006	June 30 2005
<i>In Thousands of Dollars (Unaudited)</i>				
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income for the Period	\$ 16,496	\$ 14,638	\$ 30,679	\$ 28,214
Adjustments to Determine Net Cash Flows Relating to Operating Activities:				
Future Income Taxes	1,596	80	2,259	1,605
Amortization of Capital Assets	322	199	618	384
Amortization of Securities	(127)	(1,705)	(228)	(1,819)
Amortization of Deferred Financing Costs	10	14	21	29
Amortization of Deferred Development Costs	-	210	-	420
Provision for Credit Losses	1,288	1,006	2,143	2,002
Change in Accrued Interest Receivable	(795)	52	(1,386)	(841)
Change in Accrued Interest Payable	(431)	649	7,647	8,908
Net (Gain) Realized and Unrealized on Investment Securities	(482)	(217)	(1,425)	(584)
Gain on Sale of Mortgage-Backed Securities	(5,334)	(4,877)	(8,689)	(10,062)
Gain Realized and Unrealized on Derivatives and Short Sales	(1,129)	835	(1,129)	982
Change in Mortgage-Backed Securities Receivable	5,977	4,082	9,272	6,530
Change in Other Assets	(4,929)	(2,679)	(2,286)	(2,888)
Change in Cheques and Other Items in Transit	(982)	(3,421)	(2,977)	1,955
Change in Other Liabilities	2,847	5,584	(580)	3,869
Change of Fair Value of Employee Stock Options (Note 7)	95	(33)	204	20
Cash Provided by Operating Activities	14,422	14,417	34,143	38,724
FINANCING ACTIVITIES				
Repayment of Term Loan	(5,000)	-	(5,000)	-
Net Increase in Deposits	207,748	162,409	231,618	276,216
Issuance of Capital Stock (Note 6)	328	874	920	1,279
Dividends Paid	(2,047)	(1,356)	(3,748)	(2,707)
Cash Provided by Financing Activities	201,029	161,927	223,790	274,788
INVESTING ACTIVITIES				
Activity in Securities				
Purchases	(57,456)	(28,273)	(98,420)	(55,653)
Proceeds on Sales	16,801	72,633	24,315	76,777
Proceeds on Maturities	11,873	8,606	18,695	15,207
Activity in Mortgages				
Net Increase	(249,469)	(227,088)	(469,321)	(415,455)
Proceeds from Securitization of Mortgage-Backed Securities (Note 3)	137,112	91,182	255,846	175,028
Net Increase in Personal and Credit Card Loans	(33,130)	(7,749)	(51,749)	(14,679)
Net Increase in Secured Loans	(6,643)	(5,767)	(12,612)	(9,660)
Proceeds from Leasehold Inducements	1,009	-	1,009	-
Purchases of Capital Assets	(740)	(222)	(1,549)	(281)
Cash Used in Investing Activities	(180,643)	(96,678)	(333,786)	(228,716)
Net (Decrease) Increase in Cash and Cash Equivalents	34,808	79,666	(75,853)	84,796
Cash and Cash Equivalents at the Beginning of the Period	60,482	55,629	171,143	50,499
Cash and Cash Equivalents at the End of the Period	\$ 95,290	\$ 135,295	\$ 95,290	\$ 135,295
Supplementary Disclosure of Cash Flow Information				
Amount of Interest Paid During the Period	\$ 29,457	\$ 22,711	\$ 48,665	\$ 36,617
Amount of Income Taxes Paid During the Period	8,839	6,645	20,981	16,236

Notes to the Unaudited Interim Consolidated Financial Statements

1. ACCOUNTING POLICIES USED TO PREPARE THE UNAUDITED INTERIM 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.

Changes in Accounting Policies

There were no changes to the Company's accounting policies during the six months ended June 30, 2006.

Variable Interest Entities

There were no changes to the Company's position in non-consolidated Variable Interest Entities during the six months ended June 30, 2006.

2. LOANS

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

	As at June 30, 2006			
<i>In Thousands of Dollars</i>	Gross Amount of Impaired Loans		Specific Allowances	Carrying Value
Personal, Credit Card and Secured Loans	\$	604	\$ 236	\$ 368
Residential Mortgages		16,342	40	16,302
	\$	16,946	\$ 276	\$ 16,670
	As at December 31, 2005			
Personal, Credit Card and Secured Loans	\$	403	\$ 162	\$ 241
Residential Mortgages		13,486	-	13,486
	\$	13,889	\$ 162	\$ 13,727
	As at June 30, 2005			
Personal, Credit Card and Secured Loans	\$	413	\$ 192	\$ 221
Residential Mortgages		13,370	425	12,945
	\$	13,783	\$ 617	\$ 13,166

(B) Allowance for Credit Losses

	For the Six Month Period Ended June 30, 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		412	1,731	2,143
Write-offs		(458)	-	(458)
Recoveries		160	-	160
Balance at the End of the Period	\$	276	\$ 18,317	\$ 18,593
	For the Six Month Period Ended December 31, 2005			
Balance at the Beginning of the Period	\$	617	\$ 15,296	\$ 15,913
Provisions (Recoveries) for Credit Losses for the Current Period		(164)	1,290	1,126
Write-offs		(455)	-	(455)
Recoveries		164	-	164
Balance at the End of the Period	\$	162	\$ 16,586	\$ 16,748
	For the Six Month Period Ended June 30, 2005			
Balance at the Beginning of the Period	\$	604	\$ 13,611	\$ 14,215
Provisions for Credit Losses for the Current Period		317	1,685	2,002
Write-offs		(537)	-	(537)
Recoveries		233	-	233
Balance at the End of the Period	\$	617	\$ 15,296	\$ 15,913

Notes to the Unaudited Interim Consolidated Financial Statements - Continued

3. LOAN SECURITIZATIONS

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

<i>In Thousands of Dollars, except percentages</i>	For the Three Months Ended		For the Six Months Ended	
	June 2006	June 2005	June 2006	June 2005
Book Value of Mortgages Securitized	\$ 140,675	\$ 93,119	\$ 262,403	\$ 179,018
Retained Interests	\$ 8,078	\$ 6,634	\$ 14,272	\$ 13,813
Servicing Liability	\$ 226	\$ 181	\$ 432	\$ 345
Net Proceeds Received on Securitized Mortgages	\$ 137,112	\$ 91,182	\$ 255,846	\$ 175,028
Gain on Sales	\$ 4,038	\$ 4,195	\$ 6,875	\$ 8,755
Prepayment Rate	12.6%	8.5%	12.6%	8.5%
Excess Spread	2.4%	2.5%	2.2%	2.7%
Discount Rate	4.2%	3.8%	4.2%	3.7%

4. OTHER ASSETS

<i>In Thousands of Dollars</i>	June 30 2006	December 31 2005	June 30 2005
Accrued Interest Receivable	\$ 16,620	\$ 15,234	\$ 13,645
Income Taxes Receivable	1,035	-	-
Deferred Agent Commission	8,441	9,320	9,300
Deferred Finders Fees	8,329	8,644	8,721
Goodwill	2,324	2,324	2,324
Other Prepaid Assets and Deferred Items	10,432	6,878	8,692
	\$ 47,181	\$ 42,400	\$ 42,682

5. OTHER LIABILITIES

<i>In Thousands of Dollars</i>	June 30 2006	December 31 2005	June 30 2005
Accrued Interest Payable	\$ 105,038	\$ 97,391	\$ 88,863
Income Taxes Payable	-	5,157	2,139
Dividends Payable	2,052	1,701	1,358
Deferred Commitment Fees	10,825	9,847	8,832
Future Income Taxes (Note 8)	14,274	12,015	11,004
Other, Including Accounts Payable and Accrued Liabilities	30,983	27,383	24,764
	\$ 163,172	\$ 153,494	\$ 136,960

Notes to the Unaudited Interim Consolidated Financial Statements - Continued

6. CAPITAL STOCK

Issued and Outstanding
In Thousands of Dollars,
except per share amounts

	For the Three Months Ended				For the Six Months Ended			
	June 2006		June 2005		June 2006		June 2005	
Common Shares	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Outstanding at Beginning of Period	34,109	\$ 34,864	33,854	\$ 32,873	34,012	\$ 34,272	33,777	\$ 32,468
Options Exercised	48	328	58	874	145	920	135	1,279
Outstanding at End of Period	34,157	\$ 35,192	33,912	\$ 33,747	34,157	\$ 35,192	33,912	\$ 33,747
Share Purchase Options		Weighted-average Exercise Price		Weighted-average Exercise Price		Weighted-average Exercise Price		Weighted-average Exercise Price
Outstanding at Beginning of Period	1,180	\$ 12.99	1,353	\$ 9.92	1,272	\$ 12.32	1,373	\$ 8.62
Granted	-	-	10	34.53	10	42.02	67	34.55
Exercised	(48)	6.52	(58)	13.49	(145)	6.22	(135)	8.79
Forfeited	-	-	(77)	25.53	(5)	35.25	(77)	25.53
Outstanding at End of Period	1,132	\$ 13.26	1,228	\$ 8.96	1,132	\$ 13.26	1,228	\$ 8.96
Exercisable, End of Period	879	\$ 8.09	839	\$ 6.99	879	\$ 8.09	839	\$ 6.99

7. STOCK BASED COMPENSATION

For all options issued on or after January 1, 2003 the Company has recognized a compensation expense. During the second quarter of 2006, \$113,000 was recorded as an expense, for a total of \$222,000 for the first six months ended June 30, 2006 (\$62,000 - Q2 2005 and \$115,000 - six months 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 six months 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 the six month period 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 been subject to the same accounting policy they would have reduced net income for the second quarter of 2006 by \$46,000 and \$127,000 for the six months (\$89,000 - Q2 2005 and \$179,000 - six months 2005) and net income and earnings per share would have been reported as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 2006	June 2005	June 2006	June 2005
Pro-forma Net Income (in Thousands of Dollars)	\$ 16,450	\$ 14,549	\$ 30,552	\$ 28,035
Pro-forma Earnings per Share - Basic	\$ 0.48	\$ 0.43	\$ 0.90	\$ 0.83
Pro-forma Earnings per Share - Diluted	\$ 0.47	\$ 0.41	\$ 0.88	\$ 0.80

Notes to the Unaudited Interim Consolidated Financial Statements - Continued

8. INCOME TAXES

Reconciliation of Income Taxes:	For the Three Months Ended		For the Six Months Ended	
<i>In Thousands of Dollars</i>	June 2006	June 2005	June 2006	June 2005
Income Before Income Taxes	\$ 25,113	\$ 22,248	\$ 46,683	\$ 42,835
Income Taxes at Statutory Combined Federal and Provincial Income Tax Rates	9,005	8,021	16,779	15,441
Increase (Decrease) in Income Taxes at Statutory Income Tax Rates Resulting From:				
Tax-exempt Income	(449)	(431)	(888)	(887)
Non-deductible Expenses	94	21	147	48
Future Tax Rate Changes and Other	(33)	(1)	(34)	19
Income Tax	\$ 8,617	\$ 7,610	\$ 16,004	\$ 14,621

Sources of Future Income Tax Balances:

<i>In Thousands of Dollars</i>	June 2006	December 2005	June 2005
Future Income Tax Liabilities			
Deferred Agent Commissions and Other Charges	\$ 6,175	\$ 6,621	\$ 6,514
Mortgage-Backed Securities Receivable	17,906	15,508	13,056
Deferred Development Costs	-	-	371
	24,081	22,129	19,941
Future Income Tax Assets			
Allowance for Credit Losses	3,910	5,081	3,190
Mark-to-market Adjustments to Securities	255	1,462	1,422
Deferred Commitment Fees	5,642	3,571	4,325
	9,807	10,114	8,937
Net Future Income Tax Liability	\$ 14,274	\$ 12,015	\$ 11,004

9. FINANCIAL INSTRUMENTS

The Company has entered into off-balance sheet financial instruments during the second quarter of 2006. During the quarter the Company entered into economic hedge swap transactions with a major financial institution. The Company is using interest rate swaps in order to hedge the economic fair value exposure of movements in interest rates between the time that the mortgages are committed to be sold under asset securitization, and the time the mortgages are actually sold. (These mortgages qualify for government insurance). The intent of the swap is to have fair value movements in the swap be effective in offsetting the fair value movements in the pool of mortgages over the period in which the fixed rate pool may be exposed to movements in the variable interest rate, generally 60 to 150 days. The interest rate swaps referred to as "pay-fixed interest rate swaps", are structured such that the Company agrees to pay a fixed rate (designated in the swap) and receives the floating rate (designated in the swap). The Company currently does not qualify for hedge accounting under the Accounting Guideline *AcG-13 - Hedging Relationships* and therefore must mark-to-market the swap, with changes in the fair value of the swap being recognized at the applicable financial reporting dates.

The notional amount of the interest rate swaps amounted to \$200.0 million with \$125.0 million remaining, consisting of \$50.0 million of three-year and \$75.0 million of five-year swaps maturing in August, 2006. The Company unwound \$50.0 million in April and \$25.0 million in June 2006 to better match the mortgage pools and realized gains of \$211,000. The remaining \$125.0 million is to unwind in the next quarter for the matching of the third quarter issuance of securitized government insured mortgages. These \$125.0 million of swaps were mark-to-market for unrealized gains of \$918,000. The total of the realized and unrealized gains of \$1.1 million were reported on the income statement under Derivatives and Short Sales.

Notes to the Unaudited Interim Consolidated Financial Statements - Continued

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

During the first quarter of 2005, the Company closed \$10.0 million of this short sale and realized a loss of \$28,000. The remaining short sale of \$30.0 million has an unrealized loss liability at June 30, 2005 of \$1.1 million, resulting in \$982,000 of unrealized loss for the six month period June 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 June 30, 2006, December 31, 2005 and June 30, 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
June 30, 2006							
Total Assets	\$ 36,409	\$ 446,875	\$ 998,120	\$ 1,524,291	\$ 426,054	\$ 114,103	\$ 3,545,852
Total Liabilities and Equity	5,000	398,228	1,454,640	1,032,261	241,950	413,773	3,545,852
Off-balance Sheet Items	-	211,599	17,385	(84,181)	(144,803)	-	-
Interest Rate Sensitive Gap	\$ 31,409	\$ (162,952)	\$ (473,905)	\$ 576,211	\$ 328,907	\$ (299,670)	\$ -
Cumulative Gap	\$ 31,409	\$ (131,543)	\$ (605,448)	\$ (29,237)	\$ 299,670	\$ -	\$ -
Cumulative Gap as a % of Total Assets	0.9%	(3.7%)	(17.1%)	(0.8%)	8.5%	-	-
December 31, 2005							
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%	-	-
June 30, 2005							
Total Assets	\$ 20,669	314,964	636,445	1,399,489	400,908	116,381	2,888,856
Total Liabilities and Equity	13,000	205,636	784,524	1,092,126	447,021	346,549	2,888,856
Off-balance Sheet Items	-	179,472	16,657	(80,439)	(115,690)	-	-
Interest Rate Sensitive Gap	\$ 7,669	\$ (70,144)	\$ (164,736)	\$ 387,802	\$ 69,577	\$ (230,168)	\$ -
Cumulative Gap	\$ 7,669	\$ (62,475)	\$ (227,211)	\$ 160,591	\$ 230,168	\$ -	\$ -
Cumulative Gap as a % of Total Assets	0.3%	(2.2%)	(7.9%)	5.6%	8.0%	-	-

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 & Credit Cards		Other		Total	
	June 30	June 30	June 30	June 30	June 30	June 30	June 30	
	2006	2005	2006	2005	2006	2005	2005	
Net Interest Income	\$ 21,445	\$ 18,846	\$ 3,422	\$ 2,516	\$ 3,803	\$ 5,001	\$ 28,670	\$ 26,363
Provisions for Credit Losses	(790)	(804)	(498)	(202)	-	-	(1,288)	(1,006)
Fees and Other Income	4,130	4,114	1,886	1,495	50	38	6,066	5,647
Net Gain on Securities, Derivatives & Mortgage-Backed Securities	5,334	4,877	-	-	1,611	(618)	6,945	4,259
Non-interest Expense	(11,330)	(9,618)	(1,351)	(1,565)	(2,599)	(1,832)	(15,280)	(13,015)
Income Before Income Taxes	18,789	17,415	3,459	2,244	2,865	2,589	25,113	22,248
Income Taxes	(6,460)	(5,993)	(1,250)	(810)	(907)	(807)	(8,617)	(7,610)
Net Income	\$ 12,329	\$ 11,422	\$ 2,209	\$ 1,434	\$ 1,958	\$ 1,782	\$ 16,496	\$ 14,638
Total Assets	\$ 3,023,610	\$ 2,484,137	\$ 179,435	\$ 99,458	\$ 342,807	\$ 305,261	\$ 3,545,852	\$ 2,888,856

Thousands of Dollars (Unaudited) For the Six Months Ended

	Mortgage Business		Consumer Lending Retail & Credit Cards		Other		Total	
	June 30	June 30	June 30	June 30	June 30	June 30	June 30	
	2006	2005	2006	2005	2006	2005	2005	
Net Interest Income	\$ 42,365	\$ 36,700	\$ 6,407	\$ 4,832	\$ 7,272	\$ 8,093	\$ 56,044	\$ 49,625
Provisions for Credit Losses	(1,290)	(1,545)	(853)	(457)	-	-	(2,143)	(2,002)
Fees and Other Income	7,792	7,852	3,646	2,833	76	41	11,514	10,726
Net Gain on Securities & Mortgage-Backed Securities	8,689	10,062	-	-	2,554	(398)	11,243	9,664
Non-interest Expense	(22,893)	(18,587)	(2,565)	(3,123)	(4,517)	(3,468)	(29,975)	(25,178)
Income Before Income Taxes	34,663	34,482	6,635	4,085	5,385	4,268	46,683	42,835
Income Taxes	(12,191)	(12,160)	(2,397)	(1,475)	(1,416)	(986)	(16,004)	(14,621)
Net Income	\$ 22,472	\$ 22,322	\$ 4,238	\$ 2,610	\$ 3,969	\$ 3,282	\$ 30,679	\$ 28,214
Total Assets	\$ 3,023,610	\$ 2,484,137	\$ 179,435	\$ 99,458	\$ 342,807	\$ 305,261	\$ 3,545,852	\$ 2,888,856

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 effective January 1, 2007. The impact of these new standards on the Company's financial statements is 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. 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
Warren K. Walker

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

Chris Ahlvik
Vice President, Corporate Counsel

Auditors

Home Capital Group Inc.
Home Trust Company
Ernst & Young LLP
Chartered Accountants
Toronto, Ontario

Bankers

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Home Trust Company
Bank of Montreal,
St. Catharines, Ontario

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Capital Stock

As at June 30, 2006 there were 34,156,640
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
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Laurie Chalabardo
Bobby Ramgoolam
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Branch Manager

James Pell

Manager, Mortgages

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Websites

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www.homecapital.com
Home Trust Company
www.hometrusted.ca

Home Capital Group Inc. has established an e-mail investor information service. Sign up at our web site www.homecapital.com and you will receive quarterly reports, press releases, the annual report, the management information circular, and other information pertaining to the Company.

Quarterly Conference Call & Webcast

Our quarterly conference call and live audio webcast with management took place on Thursday, July 27, 2006 at 10:30 AM Toronto time. The webcast will be archived at www.homecapital.com for 90 days.



HOME CAPITAL GROUP INC.