



HOME CAPITAL GROUP INC.

Fourth Quarter Report December 31, 2007

Financial Highlights

For the Period Ended December 31 (Unaudited)	Three Months Ended		Year Ended	
<i>In Thousands of Dollars (Except Per Share and Percentage Amounts)</i>	2007	2006	2007	2006
OPERATING RESULTS				
Net Income	\$ 24,228	\$ 20,518	\$ 90,241	\$ 67,815
Total Revenue ³	105,081	81,053	368,881	282,549
Earnings per Share - Basic	\$ 0.70	\$ 0.60	\$ 2.62	\$ 1.99
Earnings per Share - Diluted	0.70	0.59	2.59	1.95
Return on Average Shareholders' Equity	28.87%	30.54%	28.88%	27.36%
Return on Average Assets	2.01%	2.15%	2.03%	1.89%
Efficiency Ratio ³	29.80%	27.31%	27.89%	30.47%
Efficiency Ratio (TEB) ^{2,3}	28.54%	26.81%	27.13%	29.89%
(Non-interest Expense/Net Interest Income Plus Fee Income)				
BALANCE SHEET HIGHLIGHTS				
Total Assets			\$ 4,973,307	\$ 3,902,316
Loans			4,022,171	3,309,214
Deposits			4,413,984	3,443,640
Shareholders' Equity			348,040	276,866
Mortgage-Backed Security Assets Under Administration			1,459,455	1,107,562
FINANCIAL STRENGTH				
Capital Measures				
Risk Adjusted Assets ¹			\$ 2,748,570	\$ 2,066,447
Tier 1 Capital Ratio ¹			11.34%	12.65%
Total Capital Ratio			12.74%	14.24%
Credit Quality				
Net Impaired Loans as a % of Gross Loans			0.72%	0.68%
Allowance as a % of Gross Impaired Loans			77.97%	83.79%
Annualized Provision as a % of Gross Loans			0.15%	0.13%
Share Information				
Book Value per Common Share			\$ 10.08	\$ 8.10
Common Share Price - Close			41.90	34.05
Market Capitalization			1,446,911	1,163,340
Number of Common Shares Outstanding			34,532	34,166

¹ These figures relate to the Company's operating subsidiary, Home Trust Company.

² See definition of Taxable Equivalent Basis (TEB) on page 5 of this unaudited interim consolidated financial report.

³ Reclassification - refer to Note 2 of these unaudited interim consolidated financial statements.

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 payment card services. Licensed to conduct business across Canada, Home Trust has branch offices in Ontario, Alberta, British Columbia, Nova Scotia and Quebec.

HOME CAPITAL GROUP INC. TO OUR SHAREHOLDERS

Fourth Quarter Results Propel Home Capital to Record Performance in 2007: Earnings per Share rise by 31.7% for the Year; Return on Equity Stands at 28.9%

Home Capital Group Inc. (TSX: HCG) today announced outstanding financial results for the fourth quarter, and the twelve months of 2007. Notwithstanding challenging conditions throughout the North American financial services sector, especially in the United States, the Company's core business activities, including residential and commercial mortgage lending, CMHC-insured Mortgage-Backed Securities, and VISA all generated exceptional results. Strong growth and performance during the fourth quarter built upon the Company's track-record throughout 2007, so that all performance objectives for the year were achieved and exceeded.

Key results from the fourth quarter and year as a whole included:

- Net income for the quarter was \$24.2 million, an increase of 18.1% over \$20.5 million for the same period last year. Earnings for the year were \$90.2 million, a rise of 33.1% over the \$67.8 million recorded at December 31, 2006.
- Basic earnings per share were \$0.70, 16.7% above \$0.60 for the fourth quarter of 2006, and \$2.62 for the twelve months, or a 31.7% rise over the \$1.99 recorded last year. Diluted earnings per share were \$0.70, an increase of 18.6% from the \$0.59 recorded for the fourth quarter of 2006; the result for the year as a whole was \$2.59, 32.8% higher than last year.
- Return on equity was 28.9% for both the fourth quarter and twelve month period, compared to 30.5% for the same quarter ending December 2006, and 27.4% during the prior year.
- Total assets at December 31, 2007 reached \$4.97 billion, 27.4% higher than the \$3.90 billion reported one year earlier. Total assets, together with Mortgage-Backed Securities (MBS) originated and administered by the Company, grew to \$6.43 billion, a rise of 28.4% from \$5.01 billion at December 2006.
- Total mortgage originations were \$899.8 million during the fourth quarter, an increase of 73.1% over the \$519.8 million advanced during the same period in 2006. The Company advanced \$722.4 million in residential mortgages, and \$177.4 million in commercial mortgages. This accelerated mortgage activity was due both to the continued successful rollout of our commercial mortgage lending operation, which had only just commenced in the fourth quarter of last year, and the withdrawal of some of our competitors from the residential mortgage marketplace.
- Mortgage securitization activity remained robust as the Company securitized and sold \$198.8 million in CMHC-insured securities during the fourth quarter, compared to \$130.7 million for the same period last year, and \$692.3 million throughout 2007, compared to \$546.3 million for the same twelve months of 2006. Government-backed instruments, such as CMHC-insured MBS and the Canada Mortgage Bond program, have been only modestly affected by current credit market conditions.
- Outstanding balances on the Equityline VISA portfolio reached \$302.7 million, a rise of 40.2% from the \$215.9 million recorded at December 2006. Net income from consumer lending reached \$4.1 million for the fourth quarter, 28.6% over the \$3.2 million recorded last year, and \$15.1 million for the twelve months, or 48.8% over 2006.
- The efficiency ratio (TEB; the lower the better) was 28.5% in the fourth quarter, compared to 26.8% during the same period one year earlier. The ratio was 27.1% for 2007, versus 29.9% over the full prior year.
- Net impaired loans represented 0.72% of the total loans portfolio, up slightly from 0.68% at the end of 2006. Non-performing mortgages continue to be professionally managed on a loan-by-loan basis by the Company, and actual loan losses remained negligible.

- The Company's regulated operating subsidiary, Home Trust Company had a liquidity position as at December 31, 2007 of \$627.1 million, substantially higher than the liquidity held one year earlier at \$339.0 million. The Company has taken the decision to increase its liquidity levels, in view of broader market conditions.

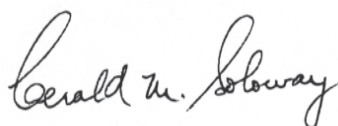
During the quarter it was announced that Nick Kyprianou was appointed President, and Brian Mosko promoted to Chief Operating Officer, of Home Capital Group and Home Trust Company effective immediately subsequent to the quarter-end. Both Mr. Kyprianou and Mr. Mosko are long-serving executives of the Company, and their new roles are expected to further strengthen the management infrastructure that will continue to drive business growth and financial performance, going forward. Gerald Soloway will continue to serve as Chief Executive Officer, and as a Director of both Home Capital and Home Trust. It is anticipated that by delegating certain operational responsibilities, Mr. Soloway will remain well positioned to focus on strategic initiatives and on potential acquisitions and growth opportunities.

During the quarter, Home Capital completed the acquisition of Payment Services Interactive Gateway Corp. (PSiGate) and commenced the process of integrating PSiGate's operations into the Company's VISA card services line of business. As a result of this acquisition, Home Trust now offers payment processing services to internet-based merchants. Over time, this offering is expected to further enhance earnings from credit card services.

Subsequent to the end of the fourth quarter, and in light of the Company's consistent, strong growth and financial performance, the Board of Directors declared a quarterly cash dividend of \$0.12 per Common Share, up 9% from the previous quarter and an increase of 33% over the same quarter last year, payable on March 1 to shareholders of record at the close of business on February 21, 2008. This dividend increase represents the eighth dividend increase in the past five years.

The Company's practice for many years has been to set targets for the coming year. These statements regarding expected future performance reflect the Company's internal goals or targets. The Board of Directors and Management believe the Company can meet each or exceed each of the following targets for 2008: 20% growth in each of total earnings, earnings per share, and total assets (including MBS); and provide at least 25% return on shareholders' equity.

We are confident that Home Capital will continue to deliver strong, profitable growth in 2008.



GERALD M. SOLOWAY
Chief Executive Officer
February 11, 2008



WILLIAM A. DIMMA
Chairman of the Board

Additional information concerning the Company's targets and related expectations for 2008, including the risks and assumptions underlying these expectations, may be found in Management's Discussion and Analysis for the Fourth Quarter 2007.

Management's Discussion and Analysis

Caution Regarding Forward-Looking Statements

From time to time Home Capital Group Inc. (the "Company" or "Home Capital") makes written and verbal forward-looking statements. These are included in the Annual Report, periodic reports to shareholders, regulatory filings, press releases, Company presentations and other Company communications. Forward-looking 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 statements regarding expected future performance are "financial outlooks" within the meaning of National Instrument 52-102. Please see the risk factors, which are set forth in detail on pages 7 and 8, respectively, of our 2006 Annual Information Form, for the material factors that could cause our actual results to differ materially from these statements. Forward-looking statements are typically identified by words such as "believe," "expect," "anticipate," "estimate," "plan," "may," and "could" or other similar expressions. By their very nature, these statements require us to make assumptions and are subject to inherent risks and uncertainties, general and specific, which may cause actual results to differ materially from the expectations expressed in the forward-looking statements. 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, except as required by securities laws.

Taxable Equivalent Basis (TEB)

Most banks and trust companies analyze and report their financial results 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 from certain securities. The adjustment to TEB increases income and the provision for income taxes to what they would have been had the income from tax-exempt securities been taxed at the statutory tax rate. The TEB adjustments of \$2.3 million for the quarter and \$5.5 million for the twelve months of 2007 (\$0.8 million - Q4 2006 and \$3.0 million - twelve months 2006) increased reported 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 (MD & A).

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' website at www.sedar.com.

Management's Discussion and Analysis of Operating Performance

This MD & A should be read in conjunction with the unaudited interim consolidated financial statements for the period ended December 31, 2007 included herein, and the audited consolidated financial statements and MD & A for the year ended December 31, 2006. These are available on the Canadian Securities Administrators' website at www.sedar.com and on pages 8 through 52 of the Company's 2006 Annual Report. Except as described in these unaudited interim consolidated financial statements and MD & A, all other factors discussed and referred to in the MD & A for fiscal 2006 remain substantially unchanged. These unaudited interim consolidated financial statements and MD & A have been prepared based on information available as at February 11, 2008. As in prior quarters, the Company's Audit Committee reviewed this document, and prior to its release the Company's Board of Directors approved it on the Audit Committee's recommendation.

2007 Performance and 2007 Objectives

Home Capital published its financial objectives for 2007 on page 10 of the Company's 2006 Annual Report. The following table compares actual performance against each of these objectives.

		Year Ended December 31, 2007
	2007 Objectives	Actual Results
Net Income	\$81.4 million	\$90.2 million, or 33.1% increase over same period last year
Diluted Earnings per Share	\$2.34 per share	\$2.59 per share, or 32.8% increase over same period last year
Combined Total Assets and Assets Under Administration	\$6.01 billion	\$6.43 billion, or 28.4% increase over last year
Return on Equity	25%	28.9%
Efficiency Ratio (TEB) ¹	35.0% to 39.0%	27.1%
Capital Ratio - Tier 1	Minimum of 9.5%	11.3%
Capital Ratio - Total	Minimum of 12.5%	12.7%
Provision for Loan Losses as a Percentage of Total Loans	0.1% to 0.2%	0.2%

¹ This ratio has been reclassified; refer to Note 2 of these unaudited interim consolidated financial statements.

FINANCIAL HIGHLIGHTS

Income Statement Highlights

The Company achieved strong results during the quarter, further building on the momentum throughout 2007. The Company experienced positive growth across all of its operating segments.

- Net income rose 18.1% over the comparable quarter of 2006.
- Net interest income was up 18.3% over the same period in 2006, as the Company's income-producing assets grew by 27.7% and was partly offset by a contraction in spreads in the latter half of 2007.
- Non-interest income was up 14.3% over the fourth quarter of 2006, driven by growth in securitization gains, fees for the administration and servicing of the mortgage and VISA portfolios offset by realized losses on the securities portfolio.
- The efficiency ratio (TEB) (the lower the better) remained low at 28.5% compared to 26.8% in the same quarter of 2006. Increased regulatory and financial reporting required additional services in 2007.
- Diluted earnings per share for the quarter increased 18.6% to \$0.70 compared to \$0.59 for the fourth quarter of 2006.
- Return on average shareholders' equity for the quarter was 28.9% compared to 30.5% for the same period of 2006.

Balance Sheet Highlights

- Against a backdrop of capital market uncertainty, the Company further increased its liquidity and continues to experience benefits from a "flight to quality" by investors, ending the quarter with \$627.1 million in liquid assets, up 85.0% from the liquidity position as at December 31, 2006.
- Total assets rose 27.4% year-over-year to reach \$4.97 billion, compared to the \$3.90 billion reported at December 31, 2006. This asset growth was driven by the growth in the Company's residential mortgage portfolio which increased by \$345.8 million, other mortgages (primarily commercial mortgages) which grew by \$270.6 million, cash resources which rose by \$210.8 million, and securities which increased by \$126.7 million.
- The Company accelerated originations in commercial mortgage lending throughout 2007 advancing \$543.2 million, while the residential program advanced \$2.32 billion.
- The Equityline VISA portfolio sustained its strong momentum, reaching \$302.7 million in receivables, a growth of 40.2%, or \$86.8 million over the fourth quarter of 2006.
- Deposit liabilities as at December 31, 2007 grew 28.2% to reach \$4.41 billion, as compared to \$3.44 billion at December 31, 2006. These proceeds were deployed to fund the growth of the Company's loan portfolios with excess funds invested in the Company's cash resources and securities portfolio.

Earnings Review

Net Interest Income

Net interest income was \$38.1 million in the quarter and \$146.3 million for the twelve months, representing increases of \$5.9 million, or 18.3% over the \$32.2 million reported in the same quarter of 2006, and \$29.0 million, or 24.8% over the \$117.2 million recorded during the twelve-month period of 2006. These increases were driven by the overall growth of interest-bearing assets, exceeding the growth in interest-bearing liabilities. The growth in interest-earning assets was \$1.05 billion over December 2006, compared to an increase in interest-bearing liabilities of \$970.3 million for the same period. The net interest margin (TEB) for both the three- and twelve-month periods ended December 31, 2007 was 3.4%, representing an improvement over the comparable quarter in 2006 of 3.3% and consistent with the twelve-month period of 2006. The interest spread between loans and deposits was 3.3% for the quarter and 3.4% for the twelve-month period ended December 31, 2007, compared to 3.3% and 3.5% for the comparable periods of 2006.

The mortgage lending line of business continues to be the primary driver of the Company's net interest income. It contributed \$21.1 million in the quarter and \$93.5 million for the twelve-month period ended December 31, 2007 compared to \$22.5 million during the fourth quarter of 2006, and \$85.3 million for the twelve months of 2006.

The consumer lending line of business contributed fourth quarter net interest income of \$5.7 million and \$21.0 million for the twelve-month period, compared to \$4.6 million and \$15.1 million for the quarter and twelve months ended December 31, 2006, respectively. The Equityline VISA product continues to drive income growth in the consumer lending line of business.

Non-Interest Income

Total non-interest income was \$14.6 million for the quarter and \$48.1 million for the twelve months of 2007, an increase of \$1.9 million and \$12.4 million from the \$12.7 million and \$35.7 million reported for the three- and twelve-month periods ended December 31, 2006, respectively. The increases over the prior periods were driven by growth in securitization gains and fee income generated from the administration and servicing of the

mortgage and VISA portfolios, partly offset by realized losses in the securities portfolio.

The fees and other income components of non-interest income were \$6.4 million at the end of the quarter and \$21.5 million for the twelve months of 2007, compared to \$6.0 million and \$13.5 million for the comparable periods of 2006. The mortgage lending line of business contributed \$3.4 million of this income in the fourth quarter and \$12.1 million for the twelve months, compared to \$3.9 million and \$5.6 million for the quarter and twelve months of 2006, respectively. The consumer lending line of business contributed \$3.0 million of fee income during the quarter and \$9.2 million for the twelve months of 2007, compared to \$2.0 million and \$7.7 million for the comparable quarter and twelve-month period of 2006. With the implementation of new financial instrument standards, the Company reclassified the amortization of deferred commitment fees in 2006 from fees and other income to interest from loans. Please refer to Note 2 of these unaudited interim consolidated financial statements.

The Company issued five MBS pools in the fourth quarter of 2007, consisting of \$198.9 million of Canada Mortgage and Housing Corporation (CMHC) insured residential mortgages, for total issuance of MBS pools in 2007 of \$692.3 million. This represents an increase of \$68.2 million over the \$130.7 million in MBS pools that were issued in the fourth quarter of 2006, and a \$146.0 million increase over the \$546.3 million issued in 2006. Securitization gains were \$8.1 million during the quarter and \$22.8 million for the twelve-month period ended December 31, 2007, up from \$5.7 million realized in the fourth quarter and \$17.9 million over the twelve-month period of 2006 (refer to Note 5 of these unaudited interim consolidated financial statements). The increase in securitization gains during the quarter and year-to-date relative to the comparable periods of 2006 was primarily due to increases in the volume of securitized mortgages, as an increase in unscheduled prepayment rates had a diminishing effect on gains. During the quarter, the Company participated in CMHC's Canada Mortgage Bond program, administered through Canada Housing Trust. This program provides the Company with an alternative distribution channel to diversify its funding stream for the five-year MBS pools. Of the five MBS pools issued during the quarter, one MBS pool with a book value of \$91.5 million was securitized through the Canada Mortgage Bond program resulting in a gain of \$4.2 million.

Non-Interest Expenses

Total non-interest expenses for the quarter and twelve-month period were \$15.7 million and \$54.2 million respectively, up 27.8%, or \$3.4 million from the \$12.3 million recorded for the fourth quarter of 2006 and 16.3%, or \$7.6 million higher than the \$46.6 million reported for the twelve months of 2006. The primary driver of the increase in non-interest expenses over the previous year's period was increased staffing levels and professional fees incurred as the result of the Company's initiatives to continuously improve business and risk management processes for the Company. Salaries and staff benefits expenses for the quarter increased by \$1.6 million, or 25.3%, over the same quarter of 2006 and by \$4.3 million, or 16.7%, over the twelve months of 2006. The Company ended the quarter with 377 employees, up from the previous quarters of 2007, and above the 350 employed at the end of December 2006. Increased staffing levels are required to effectively manage growth in all of the Company's business segments, and to integrate the employees of PSiGate. Premises expenses increased from the prior year periods as the Company entered into a new lease in May 2007 for the opening of a branch office in Montreal.

General and administration expenses increased by \$1.7 million over the comparable quarter of 2006, and \$3.0 million over the twelve-month period of 2006. The increase in general and administration expenses from the comparable periods is primarily due to higher professional fees specific to various initiatives for improving business and risk management processes for the Company.

The efficiency ratio (TEB) was 28.5% at the end of the quarter and 27.1% for the twelve months of 2007, compared to 26.8% and 29.9% for the comparable periods in 2006. Management's focus on cost containment continues to be reflected in favourable efficiency ratios (TEB) which ended the year ahead of the Company's objectives. On January 1, 2007 the Company implemented new accounting standards on financial instruments. Following the implementation, the Company reclassified the amortization of deferred finders fees and deferred agent commission from general and administration to interest from loans and interest on deposits. This change had the effect of improving the efficiency ratio from prior levels, and from the Company's target range of between 35% and 39%. Please refer to Note 2 of these unaudited interim consolidated financial statements.

Provision for Credit Losses

The Company expensed \$2.4 million during the quarter and \$6.0 million for the twelve-month period ended December 31, 2007 through the provision for credit losses, compared to \$1.3 million and \$4.4 million respectively for the comparable periods in 2006. This expense represented 0.2% of total loans on an annualized basis. The Company continues to add to the general allowance for credit losses, primarily in response to the growth of the loans portfolio and relative shifts in the proportion of risk-weighted assets. The total general allowance amounted to \$23.4 million at the end of the quarter, an increase of \$1.3 million over the \$22.1 million recorded at September 30, 2007 and a \$3.8 million increase over the \$19.6 million allowance recorded at December 31, 2006.

At December 31, 2007, net impaired loans amounted to \$29.0 million (0.72% of gross loans), compared to \$23.6 million (0.63% of gross loans) at September 30, 2007 and \$22.8 million (0.68% of gross loans) at December 31, 2006. The Company has experienced an increase in loan write-offs (refer to Note 4 of these unaudited interim consolidated financial statements). Total net loans written-off during the year were \$1.9 million, up from \$0.9 million in 2006. Despite the increase in dollar value of loan write-offs, this represents just 0.05% of the gross loans portfolio, up slightly over 2006 (0.03% for the year ended December 31, 2006). The Company continues to closely monitor non-performing loans and takes proactive measures to minimize losses, as described under the Credit Risk section of this MD & A.

Income Taxes

The income tax expense amounted to \$10.3 million (effective tax rate of 29.8%) for the quarter, and \$43.8 million (effective tax rate of 32.7%) for the twelve months of 2007, compared to \$10.9 million (effective tax rate of 34.6%) for the fourth quarter of 2006 and \$34.1 million (effective tax rate of 33.5%) for the twelve months of 2006. Canadian dividend income is non-taxable to financial institutions, which results in a lower income tax rate. In the absence of tax-free dividends, the tax rates would have been 34.1% for the quarter and 35.3% for the twelve months of 2007, compared to 36.3% for the fourth quarter of 2006 and 35.3% for the twelve months of 2006.

In the fourth quarter of 2007, the federal government enacted legislation to reduce corporate tax rates for taxation years commencing in 2008. Future tax assets and liabilities have been revalued and the net effect was to decrease income taxes during the fourth quarter in the amount of \$1.3 million, and to decrease income taxes for the twelve months of 2007 by \$1.5 million.

Balance Sheet Review

Assets

Total assets as at December 31, 2007 were \$4.97 billion, an increase of \$300.5 million, or 6.4%, over the \$4.67 billion reported at September 30, 2007 and up by \$1.07 billion, or 27.4%, over the December 31, 2006 asset balance of \$3.90 billion.

Growth in the loans portfolio of \$281.9 million, or 7.5%, generated most of the asset growth over the quarter. Residential mortgages contributed \$192.1 million to the total loan portfolio growth, other mortgages (primarily commercial mortgages) contributed particularly strong growth of \$77.5 million, consumer lending contributed \$13.1 million, secured loans added \$0.5 million, and the general allowance for credit losses increased by \$1.3 million. The residential mortgage portfolio growth of \$192.1 million excludes \$198.9 million of loans securitized during the quarter. The Company's cash resources decreased from the prior quarter as the Company shifted holdings from cash resources into securities. Other assets increased by \$16.1 million from the comparable quarter, primarily driven by additional goodwill and intangible assets acquired on the acquisition of PSiGate, and an increase in accrued interest earned on the loan portfolio. This increase was offset by a reduction in deferred expenditures due to the implementation of new financial instrument standards that came into effect January 1, 2007 (refer to Note 2 of these unaudited interim consolidated financial statements). Deferred finders fees and deferred agent commissions were reclassified and included in the cost base of the respective loans and deposits (refer to Note 6 of these unaudited interim consolidated financial statements). Securitization receivables increased quarter-over-quarter due to additional sales of MBS pools during the quarter.

Growth in the loans portfolio of \$713.0 million, or 21.5%, was the principal contributor to asset growth over December 31, 2006. The loan portfolio growth was driven by a \$345.7 million increase in residential mortgages, strong growth of \$270.6 million in other mortgages (primarily commercial mortgages), an \$88.4 million growth in consumer lending, a \$12.1 million increase in secured loans, and the general allowance for credit losses increased by \$3.8 million. The Company's cash resources increased by \$210.8 million and the securities portfolio rose by \$126.7 million over December 31, 2006, primarily due to excess deposits raised in the latter half of the year as investors moved funds into low-risk investments. The Company accelerated commercial mortgage lending in early 2007 by entering into lending arrangements secured by commercial mortgages. For the year ended December 31, 2007, the Company advanced loans for \$543.2 million relating to this business. Other assets increased by \$7.3 million primarily due to the addition of goodwill and intangible assets acquired through the acquisition of PSiGate and accrued interest earned on the loan portfolio. This increase was offset by a reclassification of deferred finders fees and deferred agent commissions due to the implementation of new financial instrument accounting standards that came into effect January 1, 2007 (refer to Note 2 of these unaudited interim consolidated financial statements). Securitization receivables increased by \$13.0 million over December 31, 2006 due to higher securitization volumes during the year.

Liabilities

Liabilities for the quarter ended December 31, 2007 rose to \$4.63 billion, an increase of \$275.8 million, or 6.3%, over the \$4.35 billion reported at September 30, 2007 and up by \$999.8 million, or 27.6%, over the \$3.63 billion recorded at December 31, 2006.

Most of the quarterly growth resulted from increased deposits of \$253.5 million. Higher deposit liabilities funded a large portion of the loan portfolio growth. The remaining loan portfolio growth was funded through retained earnings and other liabilities. Other liabilities (refer to Note 7 of these unaudited interim consolidated financial statements) increased by \$21.9 million, or 11.8%, over the \$189.0 million reported at September 30, 2007. This quarter growth was principally the result of increases in accrued interest payable of \$10.7 million related to higher deposits, \$5.8 million in income taxes payable and a \$4.0 million increase in other liabilities resulting from the timing of payments for the administration of the off-balance sheet MBS portfolio. This growth was offset by a decline in deferred commitment fees which are now classified with the associated mortgage loan. This change was required as a result of the new financial instrument standards that came into effect on January 1, 2007 (refer to Note 2 to these unaudited interim consolidated financial statements).

The rise in liabilities over December 31, 2006 resulted primarily from increased deposits of \$970.4 million. Higher deposit liabilities were the primary funding source for the loan portfolio growth in 2007, as well as adding to the Company's investment securities and cash resources. The increase in other liabilities (refer to Note 7 of these unaudited interim consolidated financial statements) compared to the fourth quarter of 2006 was driven by the same factors as discussed above, and was offset by the reclassification of deferred commitment fees as described in Note 2 to these unaudited interim consolidated financial statements.

Shareholders' Equity

The increase in shareholders' equity of \$24.7 million, or 7.7%, over the \$323.3 million reported at September 30, 2007 was internally generated from net income over the three months of \$24.2 million, less \$3.8 million for dividends paid and payable to shareholders. The remaining increase was principally driven from unrealized gains in accumulated other comprehensive income of \$4.1 million from the Company's available for sale financial assets.

Shareholders' equity rose to \$348.0 million, an increase of \$71.1 million, or 25.7%, over the \$276.9 million reported at December 31, 2006. This growth of \$71.1 million was internally generated from net income for the year of \$90.2 million, less adjustments from the adoption of new financial instrument accounting standards of \$4.9 million, and less \$14.8 million for shareholder dividends. The remaining changes resulted from proceeds received on the exercise of Company share options and the recording of the fair market adjustment on stock options, offset by the Company's repurchase of capital stock through the Normal Course Issuer Bid. The adjustment resulting from the adoption of financial instrument accounting standards was comprised of an opening adjustment of \$1.4 million related to unrealized gains on the Company's available for sale securities portfolio and securitization receivable offset by \$6.3 million in unrealized losses for the twelve-month period. The unrealized losses are principally driven from the available for sale securities portfolio as the unrealized loss on the securitization receivable recovered through improved spreads and lower discount rates towards the end of 2007. Within the available for sale securities portfolio, the Company holds 127,100 preferred shares in Quebecor World Inc. Prior to December 31, 2007, the Company exercised its option to convert the preferred shares into common shares under the terms of the prospectus. Subsequent to year-end, Quebecor World Inc. filed for bankruptcy protection and the Company expects to realize a loss of \$2.1 million (net of tax) in the first quarter of 2008 on these holdings. At December 31, 2007 the book value per common share was \$10.08, compared to \$9.38 at September 30, 2007 and \$8.10 at December 31, 2006.

Off-Balance Sheet Arrangements

From time to time, the Company may enter into hedging transactions to mitigate the interest exposure on outstanding loan and deposit commitments. During the quarter, the Company entered into a \$30.0 million notional interest rate swap contract relating to hedging interest exposure on outstanding loan commitments. The contract was unwound during the quarter resulting in a realized loss of \$0.3 million. With respect to the fourth quarter of 2006, the Company unwound a \$30.0 million notional interest rate swap contract realizing a negligible loss. During the fourth quarter of 2007, the Company participated in the Canada Mortgage Bond program sponsored by CMHC. Through this participation the Company entered into both a seller swap arrangement and a hedge swap arrangement to manage the mismatch and reinvestment risk associated with this program. The notional values of the seller swaps and hedge swaps at December 31, 2007 were \$118.5 million and \$2.2 million, respectively. These swaps were marked-to-market at December 31, 2007 for an unrealized gain of \$1.0 million recorded in the consolidated statements of income. For additional information refer to Note 11 of these 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 these assets are sold, the Company retains rights to certain excess interest spreads less servicing liabilities, which constitute retained interests. The Company periodically reviews the value of retained interests, and any permanent impairment in value is charged to income. The Company continues to administer all securitized assets after the sales. As at December 31, 2007, outstanding securitized mortgage loans under administration amounted to \$1.46 billion (\$1.35 billion - Q3 2007 and \$1.11 billion - Q4 2006) with retained interest of \$64.0 million (\$50.1 million - Q3 2007 and \$51.0 million - Q4 2006). For additional information, refer to Note 5 in the consolidated financial statements of the 2006 Annual Report, and Note 5 of these 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 \$179.3 million at December 31, 2007 compared to \$288.0 million at September 30, 2007 and \$201.8 million at December 31, 2006. Included in the outstanding commitments for future advances on mortgage loans at December 31, 2007 are \$14.0 million of commitments relating to commercial mortgage loans. In addition to these commitments, the Company has unutilized mortgage advances of \$238.0 million at December 31, 2007 compared to \$149.9 million at September 30, 2007 and \$21.7 million at December 31, 2006. Commitments for the loans remain open for various dates through April 2008. As at December 31, 2007, unutilized credit card balances amounted to \$77.9 million, compared to \$69.2 million at September 30, 2007 and \$66.8 million at December 31, 2006. Outstanding commitments for the Equityline VISA portfolio were \$5.9 million at December 31, 2007, compared to \$10.0 million at September 30, 2007 and \$7.7 million at December 31, 2006.

Contractual Arrangements

On August 16, 2007, the Company announced that it had entered into a definitive support agreement with Payment Services Interactive Gateway Corp. (PSiGate) pursuant to which the Company offered to acquire all of the issued and outstanding common shares of PSiGate for cash consideration of \$1.60 per common share. On October 16, 2007, 11,013,629 (95.9%) PSiGate common shares had been tendered to the Company's offer. As of October 29, 2007, the balance of the remaining outstanding common shares were acquired by the Company.

In the fourth quarter, the Company's operating subsidiary, Home Trust Company ("Home Trust") and Unity Life of Canada ("Unity Life") entered into an Agreement whereby Unity Life will offer to provide creditor life insurance to customers of Home Trust.

Capital Management

The capital base of Home Trust continues to be strongly positioned. The Tier 1 capital ratio ended the quarter at 11.3%, down marginally from the third quarter of 2007 and the fourth quarter of 2006. The total capital ratio was 12.7% at December 31, 2007 compared to 12.9% and 14.2% reported at September 30, 2007 and December 31, 2006, respectively. The decline in the Tier 1 capital ratio and total capital ratio versus the comparative quarters was due to an intercompany dividend paid during the third quarter of 2007 to fund the acquisition of PSiGate. These ratios continue to substantially exceed the minimum regulatory requirements of 7.0% for Tier 1 capital and 10.0% for total capital.

As at December 31, 2007, Home Trust was utilizing 81.2% of its approved Assets to Regulatory Capital Multiple of 17.5 times (81.9% - Q3 2007 and 76.1% - Q4 2006), providing sufficient capital for continued lending growth going forward.

Risk Management

The Company's key risk management practices remain in place and unchanged from those outlined on pages 22 through 27 in the MD & A section of the Company's 2006 Annual Report.

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 December 31, 2007, the composition of the total mortgage portfolio was 88.8% residential, 3.8% store and apartments, 3.5% commercial and 3.9% other non-residential loans. Within the Company's residential mortgage portfolio, 5.4% of the loans are insured by CMHC. First mortgages represent 99.6% of the total mortgage portfolio.

As at December 31, 2007, the gross credit card receivable balance totaled \$314.3 million, of which \$313.4 million, or 99.7%, of the portfolio was secured either by cash deposits or residential mortgage collateral, and \$0.9 million, or 0.3%, is unsecured. The total credit approved includes \$391.0 million in secured and \$1.2 million in unsecured credit, compared to \$371.3 million in secured and \$1.4 million of unsecured credit at September 30, 2007, and \$294.2 million in secured and \$2.4 million of unsecured credit at December 31, 2006. Within the secured credit card portfolio the Equityline VISA credit cards represent the principal driver of receivable balance growth. Equityline VISA credit cards are secured by collateral residential mortgages, and this portfolio segment amounted to \$302.7 million of the total credit card receivable balance as at December 31, 2007, compared to \$291.8 million at September 30, 2007 and \$215.9 million at December 31, 2006. Cash deposits securing credit card accounts amounted to \$17.7 million, and are included in the Company's deposits. The Company has experienced minimal losses on the credit card portfolio. At December 31, 2007, \$3.8 million, or 1.2%, of the credit card portfolio was over 60 days in arrears compared to \$4.1 million, or 1.4%, at September 30, 2007 and \$2.2 million, or 1.0%, at December 31, 2006.

The secured loan portfolio of \$82.3 million increased by \$0.5 million over the September 30, 2007 balance of \$81.8 million and \$12.0 million higher than the December 31, 2006 balance of \$70.3 million. These loans are secured by second mortgages on residential property. Since commencing this program, the Company has experienced minimal losses on these loans. At December 31, 2007, 97.7% of the secured loan portfolio was current while \$0.6 million, or 0.8%, was over 60 days in arrears. These loans are subject to the same credit and lending criteria as the Company's residential mortgage portfolio.

The Company experienced a slight rise in net impaired loans to \$29.0 million at December 31, 2007 compared with \$23.6 million at September 30, 2007 and \$22.8 million at December 31, 2006, and in net loan write-offs. The loan portfolio continues to perform very well and net impaired loans at December 31, 2007 represent less than 1% of the gross loan portfolio. The Company continuously improves its underwriting practices, taking account of local market conditions in order to minimize the Company's potential loss exposure. Experienced senior employees of the Company undertake thorough reviews of all non-performing loans greater than 60 days to analyze patterns and drivers, and then reflect emerging drivers in the Company's lending criteria. This analytical approach and constant attention to emerging trends has resulted in continued low write-offs in relation to the gross loan portfolio. Write-offs net of recoveries applied against the accumulated allowance for credit losses realized on loans during the twelve-month period ended December 31, 2007 totaled \$1.9 million, which is up from the \$0.9 realized for the same period in 2006. The Company continues to monitor this area closely, and is dealing prudently and effectively with impaired loans.

The Company has ensured that it is well positioned to absorb all probable losses in its loan portfolio by increasing general allowances to \$23.4 million at December 31, 2007, as compared to the general allowances of \$22.1 million at September 30, 2007 and \$19.6 million at December 31, 2006. The Company continues to monitor the adequacy of the general allowance. The Company's actual loss experience on mortgages has amounted to 0.03% per annum over the past 15 years, 0.01% for the past 10 years, and 0.001% for the past 5 years. The Company has security in the form of real property or cash deposits against loans consisting of 99.8% of the total loans portfolio. A methodology has been implemented by the Company to test the adequacy of the general allowance that takes into account asset quality, borrowers' creditworthiness, property location and past loss experience. The Company periodically reviews this general allowance methodology giving due consideration to changes in economic conditions, interest rates and local housing market conditions.

The total general allowance was 85.1 basis points of the Company's risk-weighted assets as at December 31, 2007 compared to 87.5 basis points at September 30, 2007 and 95.1 basis points at December 31, 2006.

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, with a framework for minimum levels of liquid assets to be held at all times. The Company holds liquid assets in the form of cash, bank deposits and senior bank notes, treasury bills, bankers acceptances, and government or government-guaranteed bonds and debentures to meet the Company's liquidity requirements. Despite the liquidity crisis that occurred during the past few months in the Canadian and global credit markets, the Company has maintained more than sufficient liquidity to meet its obligations. On December 31, 2007 liquid assets amounted to \$627.1 million, up slightly from the September 30, 2007 balance of \$626.8 million and up 85.0% from the \$339.0 million as at December 31, 2006.

The Company's policy is to maintain a minimum 20% of 100-day obligations in liquid assets. For the twelve months ended December 31, 2007 the Company maintained an average of \$463.7 million, or 48.9%, of 100-day obligations in liquid assets compared to \$401.9 million, or 45.7%, for the twelve months ended September 30, 2007 and \$288.0 million, or 41.3%, for the twelve months ended December 31, 2006.

Interest Rate Risk

The objective of interest rate risk management is to ensure that the Company is able to realize stable and predictable earnings over specific time periods despite interest rate fluctuations. 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 but will attempt to match liabilities to assets through its actions in the deposit market in priority to accessing off-balance sheet solutions.

The interest rate sensitivity position as at December 31, 2007 is presented under Note 12 in these unaudited interim consolidated financial statements. The table provided there represents these positions at a point in time, and the gap represents the difference between assets and liabilities in each maturity category. Note 12 summarizes both on- and off-balance sheet assets and liabilities in terms of their contractual amounts. Over the course of the lifetime of certain assets, some contractual obligations such as residential mortgages will be terminated prior to their stated maturity at the election of the borrower by way of prepayments. Similarly, some contractual off-balance sheet mortgage commitments will be extended but not materialize. In measuring its interest risk exposure, the Company will make assumptions about these factors, taking into account aspects such as past borrower history.

To assist in matching assets and liabilities, the Company utilizes two interest rate risk sensitivity models which measure the relationship between changes in interest rates and the resulting impact on both future net interest income and the economic value of shareholders' equity. As at December 31, 2007 a 1% decrease in interest rates would decrease net interest income after tax over the next twelve months by approximately \$3.4 million, and a 2% rate decrease would also decrease net interest income after tax by approximately \$6.9 million. A 1% or 2% decrease in interest rates would also result in an economic decrease in the present value of balance sheet net equity by \$9.8 million or \$20.4 million over the full term of the assets less liabilities at December 31, 2007.

The Company has the ability to enter into off-balance sheet arrangements for the purpose of hedging commitment risk. The purpose is to manage interest rate exposures during the time frame between when a mortgage commitment is made and when this mortgage loan is securitized into an MBS pool. The Company had no open interest rate swap arrangements specific to hedging commitment risk as at December 31, 2007. Through the Company's participation in CMHC's Canada Mortgage Bond program, the Company was required to enter into specific swap agreements to hedge the reinvestment risk on the amortizing MBS pool and the Canada Mortgage Bonds. Refer to Note 11 of these unaudited interim consolidated financial statements for additional information.

Results by Business Segment

The following section discusses the mortgage and consumer lending lines of business for the quarter and twelve months of 2007, compared to both periods of 2006 (refer to Note 13 of these unaudited interim consolidated financial statements).

Mortgage Lending

The Company's principal line of business contributed \$16.8 million to net income during the quarter, and \$62.0 million for the twelve months of 2007, as compared to \$15.2 million and \$50.4 million for the same periods ended December 31, 2006. The increase for the quarter from the prior year was primarily driven by increased loan originations and an increase in gains realized on securitization activities. The total value of new mortgages advanced in the quarter and twelve months of 2007 amounted to \$899.8 million and \$2.86 billion, up 73.1% and 44.1% over the \$519.8 million advanced in the fourth quarter and \$1.98 billion advanced during the twelve-month period ended December 31, 2006, respectively.

The Company securitized \$198.9 million of government guaranteed (CMHC) residential mortgage loans through the creation of MBS securities during the quarter, and a total of \$692.3 million for the twelve months of 2007, realizing total gains from securitization of \$8.1 million for the quarter and \$22.8 million for the year ended December 31, 2007. This compares to \$130.7 million for the comparable quarter of 2006 and \$546.3 million for the twelve months of 2006, resulting in gains of \$5.7 million and \$17.9 million, respectively. During the quarter, the Company participated in CMHC's Canada Mortgage Bond program. Of the \$198.9 million securitized during the quarter, \$91.5 million relates to the securitization of government guaranteed residential mortgage loans through the creation of MBS securities sold through Canada Housing Trust. The sale of these residential mortgages realized \$4.2 million in gains. 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 going forward. For additional information refer to Note 5 of these unaudited interim consolidated financial statements.

The Company's 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 residential second mortgage loans. These mortgage loans are securitized and the investments are purchased by the Company. At the end of the quarter the Company held \$82.3 million in Secured Loans as Notes Receivable issued by Regency, compared to \$81.8 million at September 30, 2007 and \$70.3 million at December 31, 2006. These Notes yield 6.9% with an average duration of 2.7 years. The Company also receives fee income for servicing and administering these mortgages for Regency. This income amounted to 0.6% of the portfolio value, on an annualized basis. The underlying credit quality of the mortgage loans securing the Notes Receivable remains high, with 0.8% of the portfolio in arrears over 60 days. This program has experienced only minor losses since inception and continues to provide the Company with ancillary marketing opportunities in the residential first mortgage marketplace.

Consumer Lending – Credit Cards and Retail Services

Consumer lending continued to generate strong results through the fourth quarter of 2007. Net income for the quarter was \$4.1 million, and \$15.1 million for the twelve months of 2007, compared to \$3.2 million and \$10.1 million for the comparable periods in 2006. The Equityline VISA loans portfolio amounted to \$302.7 million at December 31, 2007 (\$291.8 million - Q3 2007 and \$215.9 million - Q4 2006) comprising 96.3% (96.1% - Q3 2007 and 94.0% - Q4 2006) of the total gross credit card receivable balance of \$314.3 million and bearing an average interest rate of 10.9% (10.4% - Q3 2007 and 10.2% - Q4 2006) on outstanding balances. During the twelve months, 4,679 Equityline VISA accounts with \$218.9 million in authorized credit limits were issued, compared to 4,882 Equityline VISA accounts with \$210.2 million in authorized credit limits for the twelve months ended December 31, 2006.

During the quarter, the Company finalized the acquisition of Payment Services Interactive Gateway Corp. (PSiGate) (refer to Note 3 of these unaudited interim consolidated financial statements for further details) and consolidated its operating results in the consumer lending segment. Net income resulting from the acquisition for the stub-period from October 17, 2007 to December 31, 2007 was \$0.2 million.

Accounting Standards and Policies

Critical Accounting Estimates

Critical accounting estimates which require management to make significant judgements, some of which are inherently uncertain, are outlined on page 29 of the 2006 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 unaudited interim consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions, mainly concerning the valuation of items, which affect the amounts 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 4, 5, and 10 of the unaudited interim consolidated financial statements. There have been no subsequent changes to the critical accounting estimates disclosed on page 29 of the 2006 Annual Report.

Change in Accounting Policy

On January 1, 2007 the Company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Sections 3855, *Financial Instruments - Recognition and Measurement*; 3865, *Hedges*; and 1530, *Comprehensive Income*.

The standards require that all financial assets and liabilities be classified as held for trading, available for sale, held to maturity, or loans and receivables. In addition, the standard requires that all financial assets be measured at fair value with the exception of loans and receivables and other liabilities which are recorded at amortized cost using the effective interest method. As required, these standards have been applied as an adjustment to opening retained earnings and accumulated other comprehensive income (AOCI). As a result, retained earnings increased by \$1.4 million and AOCI decreased by \$0.6 million. Prior period balances have not been restated.

For further details, see Note 2 to these unaudited interim consolidated financial statements.

Controls over Financial Reporting

No changes were made in the Company's internal controls over financial reporting during the interim period ended December 31, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Updated Share Information

As at February 11, 2008, the Company had issued 34,532,490 Common Shares. In addition, outstanding director and employee stock options

amounted to 1,293,750 (1,170,000 - Q3 2007 and 1,266,000 - Q4 2006) of which 526,250 are exercisable as of the quarter-end (596,250 - Q3 2007 and 910,375 - Q4 2006) for proceeds to the Company upon exercise of \$7.9 million (\$7.3 million - Q3 2007 and \$8.4 million - Q4 2006).

Subsequent to the end of the fourth quarter, the Board of Directors declared a quarterly cash dividend of \$0.12 per common share payable on March 1, 2008 to shareholders of record at the close of business on February 21, 2008.

Effective January 1, 2006, the federal government implemented a new dividend tax regime for dividends paid by Canadian corporations to their shareholders. The result of these changes is that the top federal personal income tax rate on eligible dividends received by investors decreased by 5% in 2006. For the year ended December 31, 2006, all dividends paid by the Company were eligible dividends and all dividends to be paid subsequently will be considered eligible unless indicated otherwise.

Quarterly Financial Highlights

In Thousands of Dollars, Except per Share Amounts and Percentages

	2007				2006			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net Interest Income (TEB) ¹	\$ 40,394	\$ 39,396	\$ 37,647	\$ 34,276	\$ 33,040	\$ 30,727	\$ 29,073	\$ 27,396
Less TEB Adjustment	2,311	1,084	1,118	942	841	764	740	651
Net Interest Income per Financial Statements ³	38,083	38,312	36,529	33,334	32,199	29,963	28,333	26,745
Non-Interest Income ³	14,561	11,964	11,467	10,075	12,744	6,880	9,412	6,623
Total Revenues ³	105,081	94,345	87,710	81,745	81,053	70,621	68,495	62,380
Net Income	24,228	22,837	22,018	21,158	20,518	16,618	16,496	14,183
Return on Common Shareholders' Equity	28.9%	28.9%	28.9%	29.3%	30.5%	26.2%	27.6%	25.2%
Return on Average Total Assets	2.0%	2.0%	2.1%	2.1%	2.2%	1.8%	1.9%	1.7%
Earnings per Common Share								
Basic	\$ 0.70	\$ 0.66	\$ 0.64	\$ 0.62	\$ 0.60	\$ 0.49	\$ 0.48	\$ 0.42
Diluted	\$ 0.70	\$ 0.65	\$ 0.63	\$ 0.61	\$ 0.59	\$ 0.48	\$ 0.47	\$ 0.41
Book Value per Common Share	\$ 10.08	\$ 9.38	\$ 8.98	\$ 8.70	\$ 8.10	\$ 7.62	\$ 7.22	\$ 6.79
Efficiency Ratio (TEB) ^{1,3}	28.5%	25.9%	27.3%	26.7%	26.8%	32.0%	29.5%	32.2%
Efficiency Ratio ³	29.8%	26.4%	27.9%	27.3%	27.3%	31.2%	30.1%	32.8%
Tier 1 Capital Ratio ²	11.3%	11.5%	12.7%	12.8%	12.7%	12.5%	12.7%	12.9%
Total Capital Ratio ²	12.7%	12.9%	14.2%	14.3%	14.2%	14.1%	14.4%	14.6%
Net Impaired Loans as % of Gross Loans	0.72%	0.63%	0.68%	0.74%	0.68%	0.56%	0.54%	0.51%
Annualized Provision as % of Gross Loans	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%

¹ TEB - taxable equivalent basis: see definition on page 5 of these unaudited interim consolidated financial statements.

² These figures relate to the Company's operating subsidiary, Home Trust Company.

³ Reclassification - refer to Note 2 of these unaudited interim consolidated financial statements.

The Company's key financial measures 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 measures and capital ratios, quarter-over-quarter. The Company continues to achieve strong financial results driven by revenue growth in all business segments and continued low efficiency ratios (where the lower the ratio the better). The slight drop in the Tier 1 Capital Ratio and Total Capital Ratio in the third and fourth quarters of 2007 compared to past quarters was due to an intercompany dividend paid from Home Trust Company to the parent company, Home Capital Group Inc., to facilitate the acquisition of PSiGate.

Outlook

Home Capital remains committed to serving selected segments of the Canadian financial services marketplace that are not being served by the major financial institutions. The Company continues to manage from a strong capital and liquidity position and is well positioned to capitalize on market opportunities in this uncertain economic environment.

Having maintained strong growth and profitability throughout 2007, the Company was able to meet and substantially exceed the targets set for 2007 and is confident of continued success in 2008. As a result, the Company believes that it is well positioned to meet each of the following targets: 20% growth in earnings, 20% growth in diluted earnings per share, minimum 20% growth in total assets including assets under administration and 25% return on shareholders' equity. The key to achieving those targets, as it has been in the past, will be a continued focus on growth together with prudent lending practices, efficiency in operations, committed management and employees, and a strong risk management and liquidity position.

Consolidated Statements of Income

	Three Months Ended		For the Year Ended	
	December 31	December 31	December 31	December 31
<i>In Thousands of Dollars, Except Per Share Amounts (Unaudited)</i>	2007	2006	2007	2006
Income				
Interest from Loans	\$ 79,101	\$ 63,454	\$ 288,924	\$ 230,844
Dividends from Securities	4,608	1,569	10,877	5,589
Other Interest	6,812	3,287	21,013	10,458
	90,521	68,310	320,814	246,891
Interest Expense				
Interest on Deposits	52,438	36,111	174,556	129,651
Net Interest Income	38,083	32,199	146,258	117,240
Provision for Credit Losses (Note 4)	2,449	1,281	6,042	4,398
	35,634	30,918	140,216	112,842
Non-interest Income				
Fees and Other Income	6,444	5,969	21,533	13,483
Securitization Income on Mortgage-Backed Securities	10,004	6,815	27,367	21,038
Net Gain (Loss) Realized and Unrealized on Investment Securities	(2,559)	(34)	(1,614)	2,210
Gain (Loss) on Derivatives	672	(6)	781	(1,073)
	14,561	12,744	48,067	35,658
	50,195	43,662	188,283	148,500
Non-interest Expenses				
Salaries and Staff Benefits	8,164	6,516	30,195	25,883
Premises	995	928	3,837	3,518
General and Administration	6,528	4,832	20,166	17,189
	15,687	12,276	54,198	46,590
INCOME BEFORE INCOME TAXES	34,508	31,386	134,085	101,910
Provision for Income Taxes (Note 10)	10,280	10,868	43,844	34,095
NET INCOME FOR THE PERIOD	\$ 24,228	\$ 20,518	\$ 90,241	\$ 67,815
NET INCOME PER COMMON SHARE				
Basic	\$ 0.70	\$ 0.60	\$ 2.62	\$ 1.99
Diluted	\$ 0.70	\$ 0.59	\$ 2.59	\$ 1.95
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (Thousands)				
Basic	34,482	34,141	34,447	34,131
Diluted	34,851	34,796	34,857	34,801
Total Number of Outstanding Common Shares (Note 8)	34,532	34,166	34,532	34,166
Book Value Per Common Share	\$ 10.08	\$ 8.10	\$ 10.08	\$ 8.10

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

Consolidated Statements of Comprehensive Income

	Three Months Ended		For the Year Ended	
	December 31	December 31	December 31	December 31
<i>In Thousands of Dollars (Unaudited)</i>	2007	2006	2007	2006
NET INCOME FOR THE PERIOD	\$ 24,228	\$ 20,518	\$ 90,241	\$ 67,815
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX				
Unrealized Income (Losses) on Available for Sale Securities				
Net Unrealized Income (Losses) on Securities Available for Sale	4,082	-	(4,899)	-
Reclassification of Earnings in Respect of Available for Sale Securities	309	-	(768)	-
Total Other Comprehensive Income (Loss)	4,391	-	(5,667)	-
COMPREHENSIVE INCOME	\$ 28,619	\$ 20,518	\$ 84,574	\$ 67,815

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

Consolidated Balance Sheets

<i>In Thousands of Dollars (Unaudited)</i>	December 31 2007	September 30 2007	December 31 2006
ASSETS			
Cash Resources			
Deposits with Regulated Financial Institutions	\$ 344,464	\$ 449,396	\$ 43,701
Treasury Bills Guaranteed by Canada	9,872	-	99,830
	354,336	449,396	143,531
Securities			
Issued or Guaranteed by Canada	-	-	208,980
Issued or Guaranteed by Provinces	-	-	299
Other Securities	-	-	134,855
Held for Trading	114,423	19,965	-
Available for Sale	356,458	367,411	-
	470,881	387,376	344,134
Loans			
Residential Mortgages	3,231,555	3,039,459	2,885,806
Personal and Credit Card Loans	325,393	312,261	237,037
Other Mortgages	406,319	328,838	135,765
Secured Loans	82,304	81,797	70,250
General Allowance for Credit Losses (Note 4)	(23,400)	(22,087)	(19,644)
	4,022,171	3,740,268	3,309,214
Other			
Securitization Receivable (Note 5)	63,982	50,124	50,963
Capital Assets	4,837	4,664	4,691
Other Assets (Note 6)	57,100	40,992	49,783
	125,919	95,780	105,437
	\$ 4,973,307	\$ 4,672,820	\$ 3,902,316
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Deposits			
Payable on Demand	\$ 30,793	\$ 13,608	\$ 27,871
Payable on a Fixed Date	4,383,191	4,146,888	3,415,769
	4,413,984	4,160,496	3,443,640
Other			
Cheques and Other Items in Transit	4,393	3,989	2,655
Other Liabilities (Note 7)	206,890	185,030	179,155
	211,283	189,019	181,810
	4,625,267	4,349,515	3,625,450
SHAREHOLDERS' EQUITY			
Capital Stock (Note 8)	34,197	34,567	34,551
Contributed Surplus	1,818	1,523	783
Retained Earnings	318,322	297,903	241,532
Accumulated Other Comprehensive Loss	(6,297)	(10,688)	-
	348,040	323,305	276,866
	\$ 4,973,307	\$ 4,672,820	\$ 3,902,316

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

	Three Months Ended		For the Year Ended	
	December 31	December 31	December 31	December 31
<i>In Thousands of Dollars (Unaudited)</i>	2007	2006	2007	2006
CAPITAL STOCK				
Common Shares				
Balance at Beginning of the Period	\$ 34,567	\$ 35,261	\$ 34,551	\$ 34,272
Proceeds of Options Exercised	890	58	3,585	1,197
Normal Course Issuer Bid	(1,260)	(768)	(3,939)	(918)
BALANCE AT END OF THE PERIOD	\$ 34,197	\$ 34,551	\$ 34,197	\$ 34,551
CONTRIBUTED SURPLUS				
Balance at Beginning of the Period	\$ 1,523	\$ 622	\$ 783	\$ 306
Amortization of Fair Value of Employee Stock Options (Note 9)	321	161	1,129	495
Employee Stock Options Exercised	(26)	-	(94)	(18)
BALANCE AT END OF THE PERIOD	\$ 1,818	\$ 783	\$ 1,818	\$ 783
RETAINED EARNINGS				
Balance at Beginning of the Period	\$ 297,903	\$ 224,770	\$ 241,532	\$ 184,307
Transitional Adjustment on Adoption of Financial Instruments, Net of Tax of \$786 (Note 2)	-	-	1,391	-
Net Income for the Period	24,228	20,518	90,241	67,815
Dividends Paid During the Period	(10)	(680)	(11,043)	(7,514)
Dividends Declared, Unpaid During the Period	(3,799)	(3,076)	(3,799)	(3,076)
BALANCE AT END OF THE PERIOD	\$ 318,322	\$ 241,532	\$ 318,322	\$ 241,532
ACCUMULATED OTHER COMPREHENSIVE LOSS				
Balance at Beginning of the Period	\$ (10,688)	-	\$ -	-
Transitional Adjustment on Adoption of Financial Instruments, Net of Tax of \$664 (Note 2)	-	-	(630)	-
Other Comprehensive Income (Loss)	4,391	-	(5,667)	-
BALANCE AT END OF THE PERIOD	\$ (6,297)	-	\$ (6,297)	-

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

Consolidated Statements of Cash Flows

	Three Months Ended		For the Year Ended	
	December 31	December 31	December 31	December 31
<i>In Thousands of Dollars (Unaudited)</i>	2007	2006	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income for the Period	\$ 24,228	\$ 20,518	\$ 90,241	\$ 67,815
Adjustments to Determine Cash Flows Relating to Operating Activities:				
Future Income Taxes	2,782	(1,049)	3,708	718
Amortization	3,398	304	11,691	896
Provision for Credit Losses	2,449	1,281	6,042	4,398
Change in Accrued Interest Payable	10,671	3,067	23,730	14,529
Change in Accrued Interest Receivable	(2,186)	(925)	(6,262)	(3,812)
Net Loss (Gain) Realized and Unrealized on Investment Securities	2,559	34	1,614	(2,210)
Loss (Gain) on Derivatives	(672)	6	(781)	1,073
Net Unrealized Loss (Gain) on Securities Available for Sale	612	-	(6,063)	-
Securitization Income on Mortgage-Backed Securities	(10,004)	(6,815)	(27,367)	(21,038)
Amortization of Fair Value of Employee Stock Options (Note 9)	321	161	1,129	495
Other	15,505	5,874	16,092	6,034
Cash Flows From Operating Activities	49,663	22,456	113,774	68,898
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of Term Loan	-	-	-	(10,000)
Net Increase in Deposits	253,488	124,746	972,192	542,125
Issuance of Capital Stock	890	58	3,585	1,197
Normal Course Issuer Bid	(1,260)	(768)	(3,939)	(918)
Dividends Paid	(3,800)	(3,076)	(14,119)	(9,215)
Cash Flows From Financing Activities	249,318	120,960	957,719	523,189
CASH FLOWS FROM INVESTING ACTIVITIES				
Activity in Available for Sale and Held for Trading Securities				
Purchases	(125,320)	-	(266,275)	-
Proceeds from Sales	20,447	-	50,239	-
Proceeds from Maturities	16,210	-	79,457	-
Activity in Securities				
Purchases	-	(56,119)	-	(220,089)
Proceeds from Sales	-	929	-	32,862
Proceeds from Maturities	-	37,412	-	74,641
Activity in Mortgages				
Net Increase	(469,229)	(203,721)	(1,309,808)	(915,093)
Proceeds from Securitization of Mortgage-Backed Securities	193,879	127,856	673,920	532,730
Change in Mortgage-Backed Securities Receivable	1,193	9,229	31,671	24,920
Net Increase in Personal and Credit Card Loans	(13,343)	(37,196)	(89,084)	(121,041)
Net Increase in Secured Loans	(705)	(4,492)	(12,372)	(26,871)
Proceeds from Leasehold Inducements	-	-	-	1,009
Business Acquisition, net	(16,563)	-	(16,563)	-
Purchases of Capital Assets	(610)	(649)	(1,873)	(2,767)
Cash Flows Used in Investing Activities	(394,041)	(126,751)	(860,688)	(619,699)
Net Increase (Decrease) in Cash and Cash Equivalents During the Period	(95,060)	16,665	210,805	(27,612)
Cash and Cash Equivalents at the Beginning of the Period	449,396	126,866	143,531	171,143
Cash and Cash Equivalents at the End of the Period	\$ 354,336	\$ 143,531	\$ 354,336	\$ 143,531
Supplementary Disclosure of Cash Flow Information				
Interest Paid	\$ 41,765	\$ 31,117	\$ 150,824	\$ 108,020
Income Taxes Paid	11,261	8,502	46,723	37,324

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

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, 2006 as set out in the 2006 Annual Report, on pages 32 through 52. These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Except as disclosed in Note 2, the accounting policies and methods of application used in the preparation of these unaudited interim consolidated financial statements are consistent with the accounting policies used in Home Capital Group Inc.'s (the "Company") 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's presentation.

2. CHANGE IN ACCOUNTING POLICIES

Financial Instruments

Effective January 1, 2007 the Company adopted new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, *Financial Instruments – Recognition and Measurement*; Section 3865, *Hedges*; and Section 1530, *Comprehensive Income*. As a result of adopting these standards, all financial assets were classified as held for trading, available for sale, or loans and receivables. Financial liabilities were classified as held for trading or other liabilities. Further, the new standards require that all financial assets and liabilities be measured at fair value with the exception of loans and receivables, financial assets and liabilities held to maturity, and other liabilities which are measured at amortized cost using the effective interest method. The comparative unaudited interim consolidated financial statements have not been restated as a result of the adoption of these standards.

Determination of Fair Value

The fair value of a financial instrument on initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received. In certain circumstances, however, the initial fair value may be based on other observable current market transactions of the same instrument, without modification or repackaging, or on a valuation technique whose variables include only data from observable markets. Subsequent to initial recognition, the fair values of financial instruments measured at fair value that are quoted in active markets are based on bid prices for financial assets held and offer prices for financial liabilities. When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparisons with similar instruments where observable market prices exist, and discounted cash flow analysis.

Transaction Costs

Transaction costs related to held for trading securities are expensed as incurred. Transaction costs related to available for sale securities and loans and receivables are generally capitalized and are then amortized over the expected life of the instrument using the effective yield method.

Classification of Financial Instruments

Held for trading financial assets are securities purchased for resale, generally within a short period of time and primarily held for liquidity purposes. These financial assets are measured at fair value as at the consolidated balance sheet date. Gains and losses realized on disposal and unrealized gains and losses from market fluctuations are reported in income. Interest earned is included in interest income. Cash resources and securities issued or guaranteed by provinces previously disclosed as such in the audited consolidated financial statements for the year ended December 31, 2006 were designated as held for trading on January 1, 2007. The Company did not elect under the fair value option to designate any financial asset or liability as held for trading.

Available for sale financial assets are those financial assets that the Company designates as available for sale, or that are not classified as loans and receivables. Securities included in this category comprise both debt and equity securities. Available for sale securities are carried at fair value whereby the unrealized gains and losses, net of related taxes, are included in accumulated other comprehensive income (loss) until sold or an other-than-temporary impairment is recognized, at which time the cumulative gain or loss is transferred to the consolidated statements of income. Write-downs to reflect other-than-temporary impairments in value are included under non-interest income. Dividends and interest income from these securities are included in dividends from securities or other interest. Securities issued or guaranteed by Canada, other securities, and securitization receivable previously disclosed as such in the audited consolidated financial statements for the year ended December 31, 2006 were designated as available for sale on January 1, 2007.

Loans and receivables are accounted for at amortized cost using the effective interest method. Prior to January 1, 2007, loan origination costs were classified as other assets and other liabilities and recognized in income and expense over the life of the respective loan. The new accounting standards require the Company to use the effective interest method to recognize loan origination costs whereby the amount recognized varies over the life of the loan based on the principal outstanding. On January 1, 2007, the Company adjusted deferred loan origination costs to what the balance would have been had the Company always used the effective interest method to recognize loan origination costs. The impact was an increase in loans of \$73,000, an increase to future income tax liability of \$27,000

Notes to the Unaudited Interim Consolidated Financial Statements - Continued

and an increase in retained earnings of \$46,000. In addition, the Company reclassified the deferred origination revenue and costs from other assets and other liabilities to net against the respective loans on the consolidated balance sheet and reclassified the amortization of the deferred origination revenue and costs previously recorded in fees and other income (non-interest income) and general and administrative non-interest expense to interest from loans and interest on deposits on the consolidated statements of income.

Financial liabilities classified as other than held for trading are recorded at amortized cost and include all liabilities. Prior to January 1, 2007, deposit origination costs were classified as other assets and expensed over the life of the resulting deposit. The new accounting standards require the Company to use the effective interest method to recognize deposit origination costs whereby the amount recognized varies over the life of the deposit. The impact of adopting this new standard was a decrease in deposits of \$1.9 million, an increase in future income tax liability of \$0.7 million and an increase in retained earnings of \$1.2 million. On January 1, 2007, the Company reclassified deferred origination costs previously classified in other assets to net against deposits on the consolidated balance sheets and reclassified the amortization of deferred origination costs previously classified as general and administration expense to interest on deposits on the consolidated statements of income.

For those financial assets that have been designated by definition as held for trading, the Company is not required to identify any embedded derivatives that might exist within these instruments. The Company conducted a search for embedded derivatives in all other contractual arrangements and found that certain of the Company's equity securities contained embedded derivatives which are required to be bifurcated from the underlying investment and valued separately. These bifurcated derivatives do not currently have significant value, and therefore are not reported separately.

Transitional Adjustments

As required, these standards have been applied as an adjustment to opening retained earnings and accumulated other comprehensive income (AOCI) as of January 1, 2007. Prior period balances have not been restated following the adoption of these new standards. The impact of adopting these standards at January 1, 2007 on a net of tax basis was as follows:

<i>In Thousands of Dollars</i>	December 31, 2006	Retained Earnings	AOCI
ASSETS			
Cash Resources	\$ 143,531	\$ (1)	\$ -
Securities	344,134	164	70
Loans	3,309,214	47	-
Other	105,437	-	(700)
	<u>\$ 3,902,316</u>	<u>\$ 210</u>	<u>\$ (630)</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Deposits	\$ 3,443,640	\$ (1,181)	\$ -
Other Liabilities	181,810	-	-
	<u>3,625,450</u>	<u>(1,181)</u>	<u>-</u>
SHAREHOLDERS' EQUITY			
Capital Stock	34,551	-	-
Retained Earnings	241,532	1,391	-
Contributed Surplus	783	-	-
Accumulated Other Comprehensive Loss	-	-	(630)
	<u>276,866</u>	<u>1,391</u>	<u>(630)</u>
	<u>\$ 3,902,316</u>	<u>\$ 210</u>	<u>\$ (630)</u>

Notes to the Unaudited Interim Consolidated Financial Statements - Continued

The impact of the reclassification of the deferred expenses and commitment fees on the consolidated statements of income for the three- and twelve-month periods ended December 31, 2007 and 2006 is as follows:

<i>In Thousands of Dollars</i>	Three Months Ended		For the Year Ended	
	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2006
Consolidated Statements of Income				
Interest from Loans	\$ 3,287	\$ 1,729	\$ 9,585	\$ 5,743
Fees and Other Income	(5,456)	(3,921)	(18,288)	(14,482)
Decrease to Income	\$ (2,169)	\$ (2,192)	\$ (8,703)	\$ (8,739)
Interest on Deposits	\$ 4,530	\$ 1,927	\$ 9,046	\$ 7,102
General and Administration	(6,699)	(4,119)	(17,749)	(15,841)
Decrease to Expenses	\$ (2,169)	\$ (2,192)	\$ (8,703)	\$ (8,739)

3. ACQUISITION

On October 16, 2007, the Company acquired 100% of the outstanding common shares of Payment Services Interactive Gateway Corp. ("PSiGate") for cash consideration of \$18.4 million. The estimated fair value of total assets and liabilities assumed at the date of acquisition was \$20.4 million and \$2.0 million respectively, including goodwill of \$12.9 million and intangible assets of \$1.2 million. Income and expenses from PSiGate are included in the consumer lending segment in Note 13 and consolidated in the accounts of the Company from October 16, 2007.

4. LOANS

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

<i>In Thousands of Dollars</i>	As at December 31, 2007		
	Gross Amount of Impaired Loans	Specific Allowances	Carrying Value
Personal, Credit Card and Secured Loans	\$ 1,921	\$ 359	\$ 1,562
Residential Mortgages	27,849	634	27,215
Other Mortgages	242	-	242
	\$ 30,012	\$ 993	\$ 29,019
	As at September 30, 2007		
Personal, Credit Card and Secured Loans	\$ 2,378	\$ 450	\$ 1,928
Residential Mortgages	21,260	229	21,031
Other Mortgages	610	-	610
	\$ 24,248	\$ 679	\$ 23,569
	As at December 31, 2006		
Personal, Credit Card and Secured Loans	\$ 1,376	\$ 256	\$ 1,120
Residential Mortgages	21,521	386	21,135
Other Mortgages	548	-	548
	\$ 23,445	\$ 642	\$ 22,803

Notes to the Unaudited Interim Consolidated Financial Statements - Continued

4. LOANS

(B) Allowance for Credit Losses

<i>In Thousands of Dollars</i>	For the Year Ended December 31, 2007		
	Specific Allowances	General Allowance for Credit Risk	Total
Balance at the Beginning of the Period	\$ 642	\$ 19,644	\$ 20,286
Provisions for Credit Losses for the Current Period	2,286	3,756	6,042
Write-offs	(2,181)	-	(2,181)
Recoveries	246	-	246
Balance at the End of the Period	\$ 993	\$ 23,400	\$ 24,393

	For the Year Ended December 31, 2006		
Balance at the Beginning of the Period	\$ 162	\$ 16,586	\$ 16,748
Provisions for Credit Losses for the Current Period	1,340	3,058	4,398
Write-offs	(1,154)	-	(1,154)
Recoveries	294	-	294
Balance at the End of the Period	\$ 642	\$ 19,644	\$ 20,286

5. LOAN SECURITIZATIONS

The following tables summarize the Company's new securitization activities for the three- and twelve-month periods ended December 31, 2007 and 2006.

<i>In Thousands of Dollars, Except Percentages</i>	For the Three Months Ended		For the Year Ended	
	December 31 2007	December 31 2006	December 31 2007	December 31 2006
Book Value of Mortgages Securitized	\$ 198,925	\$ 130,733	\$ 692,338	\$ 546,266
Securitization Receivable	\$ 14,104	\$ 9,231	\$ 43,907	\$ 33,534
Servicing Liability	\$ 350	\$ 202	\$ 1,144	\$ 870
Net Proceeds Received on Securitized Mortgages	\$ 193,879	\$ 127,856	\$ 673,920	\$ 532,730
Gain on Sale of Mortgages	\$ 8,107	\$ 5,726	\$ 22,763	\$ 17,914
Prepayment Rate	13.5%	12.9%	13.2%	12.7%
Excess Spread	2.9%	3.1%	2.7%	2.6%
Weighted Average Life in Years	4.2	3.6	4.0	3.9
Discount Rate	4.3%	4.0%	4.3%	4.1%

During the fourth quarter of 2007, the Company securitized insured residential mortgages with a book value of \$91.5 million through CHMC's Canada Mortgage Bond Program. The gain on sale for this pool was \$4.2 million and is included in the figures above.

Notes to the Unaudited Interim Consolidated Financial Statements - Continued

6. OTHER ASSETS

	December 31	September 30	December 31
<i>In Thousands of Dollars</i>	2007	2007	2006
Accrued Interest Receivable	\$ 25,308	\$ 23,122	\$ 19,046
Income Taxes Receivable	-	1,432	-
Deferred Agent Commission (Note 2)	-	-	9,198
Deferred Finders Fees (Note 2)	-	-	8,356
Goodwill (Note 3)	15,028	2,324	2,324
Intangible Assets (Note 3)	1,158	-	-
Other Prepaid Assets and Deferred Items	15,606	14,114	10,859
	\$ 57,100	\$ 40,992	\$ 49,783

7. OTHER LIABILITIES

	December 31	September 30	December 31
<i>In Thousands of Dollars</i>	2007	2007	2006
Accrued Interest Payable	\$ 135,650	\$ 124,979	\$ 111,920
Income Taxes Payable	5,795	-	3,788
Dividends Payable	3,799	3,790	3,076
Deferred Commitment Fees (Note 2)	-	-	12,213
Future Income Tax Liability (Note 10)	16,586	15,174	12,733
Other, Including Accounts Payable and Accrued Liabilities	45,060	41,087	35,425
	\$ 206,890	\$ 185,030	\$ 179,155

8. CAPITAL STOCK

Issued and Outstanding

In Thousands of Dollars,

<i>Except Per Share Amounts</i>	December 31, 2007		September 30, 2007		December 31, 2006	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Common Shares						
Outstanding at Beginning of Period	34,166	\$ 34,551	34,166	\$ 34,551	34,012	\$ 34,272
Options Exercised	477	3,585	366	2,695	186	1,197
Normal Course Issuer Bid	(111)	(3,939)	(77)	(2,679)	(32)	(918)
Outstanding at End of Period	34,532	\$ 34,197	34,455	\$ 34,567	34,166	\$ 34,551
Share Purchase Options						
Outstanding at Beginning of Period	1,266	\$ 15.43	1,266	\$ 15.43	1,272	\$ 12.32
Granted	505	37.78	270	34.73	210	28.99
Exercised	(477)	7.31	(366)	7.18	(186)	6.34
Forfeited	-	-	-	-	(30)	34.78
Outstanding at End of Period	1,294	\$ 27.15	1,170	\$ 22.47	1,266	\$ 15.43
Exercisable, End of Period	526	\$ 15.04	596	\$ 12.31	910	\$ 9.25

Notes to the Unaudited Interim Consolidated Financial Statements - Continued

9. STOCK BASED COMPENSATION

For all options issued after January 1, 2003 the Company has recognized a compensation expense. During the quarter, \$321,000 was recorded as an expense for a total of \$1.1 million for the year (\$161,000 - Q4 2006 and \$495,000 - twelve months 2006) for stock option awards in the consolidated statements of income, with an off-setting credit to contributed surplus. The fair value of options granted in 2007 is estimated at the date of granting using the Black-Scholes valuation model with the following assumptions: risk-free interest rate of 4.0%, anticipated option life of 6.2 years, anticipated volatility of 28.0%, and anticipated dividend yield of 1.1%. During the quarter ended December 31, 2007, 235,000 options were granted. For the twelve-month period ended December 31, 2007, stock options granted totalled 505,000 and these granted options will vest subject to performance targets over a four-year period at a rate of 25% per year, expiring over a period of seven 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 no effect on the fourth quarter of 2007 as they would have been fully expensed. However, the impact on prior comparable quarters would have reduced net income (\$33,000 - Q4 2006 and \$205,000 - twelve months 2006) and net income and earnings per share would have been reported as follows:

	For the Three Months Ended		For the Year Ended	
	December 31 2007	December 31 2006	December 31 2007	December 31 2006
Pro-forma Net Income (in Thousands of Dollars)	\$ 24,228	\$ 20,485	\$ 90,241	\$ 67,610
Pro-forma Earnings per Share - Basic	\$ 0.70	\$ 0.60	\$ 2.62	\$ 1.98
Pro-forma Earnings per Share - Diluted	\$ 0.70	\$ 0.59	\$ 2.59	\$ 1.94

10. INCOME TAXES

Reconciliation of income taxes for the three- and twelve-month periods ended:

<i>In Thousands of Dollars</i>	For the Three Months Ended		For the Year Ended	
	December 31 2007	December 31 2006	December 31 2007	December 31 2006
Income Before Income Taxes	\$ 34,508	\$ 31,386	\$ 134,085	\$ 101,910
Income Taxes at Statutory Combined Federal and Provincial Income Tax Rates	12,408	11,330	48,377	36,790
Increase (Decrease) in Income Taxes at Statutory Income Tax Rates Resulting From:				
Tax-exempt Income	(1,476)	(537)	(3,484)	(1,913)
Non-deductible Expenses	245	66	723	292
Future Tax Rate Changes	(1,286)	-	(1,503)	-
Other	389	9	(269)	(1,074)
Income Tax	\$ 10,280	\$ 10,868	\$ 43,844	\$ 34,095

Sources of Future Income Tax Balances:

<i>In Thousands of Dollars</i>	December 31 2007	September 30 2007	December 31 2006
Future Income Tax Liabilities			
Deferred Agent Commissions and Other Charges	\$ 7,907	\$ 8,657	\$ 6,251
Mortgage-Backed Securities Receivable	21,282	17,638	17,995
	29,189	26,295	24,246
Future Income Tax Assets			
Allowance for Credit Losses	6,767	6,757	6,028
Mark-to-market Adjustments to Securities (Note 2)	-	-	1,216
Future Tax Recoverable Acquired (Note 3)	1,370	-	-
Deferred Commitment Fees and Other Charges	4,466	4,364	4,269
	12,603	11,121	11,513
Net Future Income Tax Liability	\$ 16,586	\$ 15,174	\$ 12,733

Notes to the Unaudited Interim Consolidated Financial Statements - Continued

11. DERIVATIVE FINANCIAL INSTRUMENTS

The Company utilized off-balance sheet financial instruments during 2007. In this period the Company entered into economic hedge swap transactions with a major financial institution. The Company can utilize interest rate swaps to hedge the economic value exposure of movements in interest rates between the time that the mortgages are committed to be funded 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 offset 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 (as designated in the swap) and receives the floating rate (as designated in the swap). Further, the Company participates in the Canada Mortgage Bond program sponsored by CMHC. In this program, the Company sells five-year MBS pools to Canada Housing Trust that finances the purchase by issuing a five-year bullet Canada mortgage bond. Under this program, the Company must manage the mismatch and reinvestment risk between the amortizing five-year MBS pool and the five-year bullet Canada Mortgage Bond. As part of this arrangement, the Company entered into a seller swap which has the effect of paying the fixed interest payments on the Canada Mortgage Bond and receiving the total return on the MBS pool and the reinvestment assets. As well, the Company entered into a hedge swap to manage the reinvestment risk between the amortizing MBS pool and the five-year Canada Mortgage Bond. These transactions do not qualify for hedge accounting under CICA Handbook Section 3865, *Hedges* and therefore the Company must mark-to-market the swaps, with changes in the fair value of the swaps being recognized in the consolidated statements of income.

There were no outstanding interest rate swaps to hedge commitment risk at December 31, 2007 or December 31, 2006. With respect to the Canada Mortgage Bond program, at December 31, 2007 the Company notionally held \$118.5 million of seller swaps, and \$2.2 million of accruing hedge swaps. These outstanding swap arrangements at December 31, 2007 were marked-to-market for unrealized gains of \$1.0 million.

12. INTEREST RATE SENSITIVITY

The Company's exposure to interest rate risk results from the difference, or gap, between the maturity or repricing dates of interest sensitive assets and liabilities, including off-balance sheet items. The following table shows the gap positions at December 31, 2007, September 30, 2007 and December 31, 2006 for selected period intervals. Figures in brackets represent an excess of liabilities over assets or a negative gap position.

<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
December 31, 2007							
Total Assets	\$ 59,161	\$ 901,191	\$ 1,653,853	\$ 1,607,192	\$ 596,124	\$ 155,786	\$ 4,973,307
Total Liabilities and Equity	-	446,107	2,136,991	1,330,558	452,096	607,555	4,973,307
Off-balance Sheet Items	-	(434,863)	193,693	110,534	130,636	-	-
Interest Rate Sensitive Gap	\$ 59,161	\$ 20,221	\$ (289,445)	\$ 387,168	\$ 274,664	\$ (451,769)	\$ -
Cumulative Gap	\$ 59,161	\$ 79,382	\$ (210,063)	\$ 177,105	\$ 451,769	\$ -	\$ -
Cumulative Gap as a % of Total Assets	1.2%	1.6%	(4.2%)	3.6%	9.1%	-	-

Notes to the Unaudited Interim Consolidated Financial Statements - Continued

12. INTEREST RATE SENSITIVITY CONTINUED

<i>In Thousands of Dollars</i>			3 Months to			Non-interest Sensitive	Total
	Floating Rate	0 to 3 Months	1 Year	1 to 3 Years	Over 3 Years		
September 30, 2007							
Total Assets	\$ 38,578	\$ 1,034,994	\$ 1,412,867	\$ 1,485,449	\$ 581,302	\$ 119,630	\$ 4,672,820
Total Liabilities and Equity	227	596,127	1,746,833	1,355,491	430,309	543,833	4,672,820
Off-balance Sheet Items	-	276,216	(144,477)	(45,461)	(86,278)	-	-
Interest Rate Sensitive Gap	\$ 38,351	\$ 162,651	\$ (189,489)	\$ 175,419	\$ 237,271	\$ (424,203)	\$ -
Cumulative Gap	\$ 38,351	\$ 201,002	\$ 11,513	\$ 186,932	\$ 424,203	\$ -	\$ -
Cumulative Gap as a % of Total Assets	0.8%	4.3%	0.2%	4.0%	9.1%	-	-
December 31, 2006							
Total Assets	\$ 30,401	\$ 561,180	\$ 1,204,365	\$ 1,553,657	\$ 425,531	\$ 127,182	\$ 3,902,316
Total Liabilities and Equity	-	311,280	1,748,542	1,153,619	202,328	486,547	3,902,316
Off-balance Sheet Items	-	190,356	(12,808)	(62,081)	(115,467)	-	-
Interest Rate Sensitive Gap	\$ 30,401	\$ 59,544	\$ (531,369)	\$ 462,119	\$ 338,670	\$ (359,365)	\$ -
Cumulative Gap	\$ 30,401	\$ 89,945	\$ (441,424)	\$ 20,695	\$ 359,365	\$ -	\$ -
Cumulative Gap as a % of Total Assets	0.8%	2.3%	(11.3%)	0.5%	9.2%	-	-

13. EARNINGS BY BUSINESS SEGMENT

The Company operates principally through two business segments - mortgage lending and consumer lending. The mortgage lending operation consists of core residential mortgage lending, securitization of government insured mortgage loans, commercial real estate lending, and the administration of Regency Finance Corp. second mortgage loans (secured loans). The consumer lending operation consists of credit card services, installment lending to customers of retail business and PSiGate operations as of October 17, 2007. 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:

	<i>Thousands of Dollars</i>							
	Mortgage Lending		Consumer Lending		Other		Total	
	Dec. 31 2007	Dec. 31 2006	Dec. 31 2007	Dec. 31 2006	Dec. 31 2007	Dec. 31 2006	Dec. 31 2007	Dec. 31 2006
Net Interest Income	\$ 21,083	\$ 22,452	\$ 5,657	\$ 4,622	\$ 11,343	\$ 5,125	\$ 38,083	\$ 32,199
Provisions for Credit Losses	(2,164)	(735)	(285)	(546)	-	-	(2,449)	(1,281)
Fees and Other Income	3,351	3,913	3,017	1,977	76	79	6,444	5,969
Net Gain on Securities, Derivatives & Mortgage-Backed Securities	10,676	6,809	-	-	(2,559)	(34)	8,117	6,775
Non-interest Expense	(8,744)	(8,782)	(2,078)	(1,082)	(4,865)	(2,412)	(15,687)	(12,276)
Income Before Income Taxes	24,202	23,657	6,311	4,971	3,995	2,758	34,508	31,386
Income Taxes	(7,422)	(8,434)	(2,228)	(1,796)	(630)	(638)	(10,280)	(10,868)
Net Income	\$ 16,780	\$ 15,223	\$ 4,083	\$ 3,175	\$ 3,365	\$ 2,120	\$ 24,228	\$ 20,518

Notes to the Unaudited Interim Consolidated Financial Statements - Continued

13. EARNINGS BY BUSINESS SEGMENT - CONTINUED

Thousands of Dollars

	Twelve Months Ended							
	Mortgage Lending		Consumer Lending		Other		Total	
	Dec. 31 2007	Dec. 31 2006	Dec. 31 2007	Dec. 31 2006	Dec. 31 2007	Dec. 31 2006	Dec. 31 2007	Dec. 31 2006
Net Interest Income	\$ 93,466	\$ 85,307	\$ 21,005	\$ 15,066	\$ 31,787	\$ 16,867	\$ 146,258	\$ 117,240
Provisions for Credit Losses	(4,491)	(2,561)	(1,551)	(1,837)	-	-	(6,042)	(4,398)
Fees and Other Income	12,050	5,618	9,155	7,661	328	204	21,533	13,483
Net Gain on Securities, Derivatives & Mortgage-Backed Securities	28,148	19,965	-	-	(1,614)	2,210	26,534	22,175
Non-interest Expense	(35,050)	(31,940)	(5,068)	(5,011)	(14,080)	(9,639)	(54,198)	(46,590)
Income Before Income Taxes	94,123	76,389	23,541	15,879	16,421	9,642	134,085	101,910
Income Taxes	(32,093)	(25,940)	(8,451)	(5,736)	(3,300)	(2,419)	(43,844)	(34,095)
Net Income	\$ 62,030	\$ 50,449	\$ 15,090	\$ 10,143	\$ 13,121	\$ 7,223	\$ 90,241	\$ 67,815
Total Assets	\$ 3,866,163	\$ 3,191,427	\$ 337,783	\$ 247,459	\$ 769,361	\$ 463,430	\$ 4,973,307	\$ 3,902,316

14. SUBSEQUENT EVENT

On January 1, 2008, Home Trust sold all outstanding shares of its subsidiary Home Trust Asset Management Inc. ("HTAM") for proceeds of \$0.2 million resulting in a gain on disposition of \$0.1 million.

15. FUTURE ACCOUNTING CHANGES

The CICA has issued a new accounting standard, Section 1535, *Capital Disclosures*, which requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. This new standard will become effective for the Company beginning January 1, 2008.

The CICA issued two new accounting standards, Section 3862, *Financial Instruments - Disclosure*, and Section 3863, *Financial Instrument Presentation*, which apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. This new standard will become effective for the Company beginning January 1, 2008.

Corporate Directory and Shareholder Information

HOME CAPITAL GROUP INC.

145 King Street West, Suite 2300
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Directors

William A. Dimma
Chairman of the Board

Norman F. Angus
Micheline Bouchard
Hon. William G. Davis P.C., C.C., Q.C.
Janet L. Ecker
John M. E. Marsh
Robert A. Mitchell, C.A.
Kevin P. D. Smith
Gerald M. Soloway

Officers

Gerald M. Soloway
Chief Executive Officer

Nick Kyprianou
President

Brian R. Mosko
Chief Operating Officer

Phil Braginetz, CFA
Chief Financial Officer

John R. K. Harry
Senior Vice President, Commercial Lending

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

Home Capital Group Inc.
Home Trust Company
Bank of Montreal,
St. Catharines, Ontario

Transfer Agent

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Capital Stock

As at December 31, 2007 there were
34,532,490 Common Shares outstanding.

Stock Listing

Toronto Stock Exchange
Ticker Symbol: HCG

HOME TRUST COMPANY

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Directors

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Chairman of the Board

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Micheline Bouchard
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Janet L. Ecker
Nick Kyprianou

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Treasurer
Martin Reid

Senior Director, Operations Analysis
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Senior Manager
Shaun Gonsolves

Senior Credit Manager
Donald Correia

Residential Mortgage Lending

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Pino Decina

Vice President
Rolf Eikeland

Asst. Vice President, Credit
Agostino Tuzi

Asst. Vice Presidents

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Armando Diseri
James Hill
Marguerite Ryan

Senior Managers
Laurie Chalabardo
Bobby Ramgoolam

Managers

Oriana Bartelli
Massimo DeNigris
Michael Forshee
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Ivano Metallo
Scott Smith
Frank Tuzi

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Manager
Jean Pierre Vico

Marketing

Asst. Vice President
Diana Soloway

National Sales Manager
Ron Cuadra

Retail Credit Services

Asst. Vice President, Sales
Cathy Boon

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Vice President
Tanya Hatton

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Websites

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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 and you will receive quarterly reports, press releases, the annual report, the management information circular, and other information pertaining to the Company.

Quarterly Conference Call & Webcast

Our quarterly conference call and live audio webcast with management took place on Tuesday, February 12, 2008 at 10:30 AM ET. The webcast will be archived at www.homecapital.com for 90 days.