



HOME CAPITAL GROUP INC.

**First Quarter Report
March 31, 2007**

Financial Highlights

For the Three Months Ended (Unaudited) <i>In Thousands of Dollars (Except Per Share and Percentage Amounts)</i>	March 31 2007	December 31 2006	March 31 2006
OPERATING RESULTS			
Net Income	\$ 21,158	\$ 20,518	\$ 14,183
Total Revenue ³	81,745	81,053	62,380
Earnings per Share - Basic	\$ 0.62	\$ 0.60	\$ 0.42
Earnings per Share - Diluted	0.61	0.59	0.41
Return on Shareholders' Equity	29.34%	30.54%	25.18%
Return on Average Assets	2.10%	2.15%	1.72%
Efficiency Ratio ³	27.28%	27.31%	32.79%
Efficiency Ratio (TEB) ^{2,3}	26.66%	26.81%	32.17%
(Non-interest Expense/Net Interest Income Plus Fee Income)			
BALANCE SHEET HIGHLIGHTS			
Total Assets	\$ 4,166,935	\$ 3,902,316	\$ 3,325,201
Loans	3,476,641	3,309,214	2,918,730
Deposits	3,684,103	3,443,640	2,919,331
Shareholders' Equity	300,017	276,866	231,722
Mortgage-Backed Security Assets Under Administration	1,176,672	1,107,562	882,381
FINANCIAL STRENGTH			
Capital Measures			
Risk Adjusted Assets ¹	\$ 2,209,280	\$ 2,066,447	\$ 1,733,637
Tier 1 Capital Ratio ¹	12.77%	12.65%	12.87%
Total Capital Ratio	14.32%	14.24%	14.60%
Credit Quality			
Net Impaired Loans % of Gross Loans	0.74%	0.68%	0.51%
Allowance % of Gross Impaired Loans	78.30%	86.53%	116.07%
Annualized Provision % of Gross Loans	0.06%	0.13%	0.12%
Share Information			
Book Value per Common Share	\$ 8.70	\$ 8.10	\$ 6.79
Common Share Price - Close	35.13	34.05	34.90
Market Capitalization	1,211,358	1,163,340	1,190,409
Number of Common Shares Outstanding	34,482	34,166	34,109

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

Annual and Special Meeting Notice

The Annual and Special Meeting of Shareholders of Home Capital Group Inc. will be held at the Design Exchange, Trading Floor, Second Floor, 234 Bay Street, Toronto, Ontario, on Wednesday May 16, 2007 at 11:00 am local time. Shareholders and guests are invited to join Directors and Management for lunch and refreshments following the Annual Meeting. All shareholders are encouraged to attend, or to vote by proxy in advance of the Meeting.

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

**First Quarter Results Confirm Home Capital's Continued Strong Momentum;
Net Income Up 49.2% Year-Over-Year, Total Assets Rise 25.3%**

Home Capital Group Inc. (TSX: HCG) today announced positive financial results for the first quarter of 2007. This start to the year, together with strong indicators from the fourth quarter of 2006, confirm that the Company is on-track for sustained performance in 2007. The Company experienced particularly strong asset growth, resulting principally from record residential mortgage origination levels, together with continued forward momentum in Equityline VISA, and the new commercial mortgage lending operation.

As was anticipated at the beginning of the year, the attractive lending climate across Canada, together with the stable interest rate environment, resulted in solid returns and business growth during the first quarter. Key results from the period included:

- Net income for the quarter was \$21.2 million, an increase of 49.2% over the \$14.2 million recorded in the same period last year.
- Basic earnings per share were \$0.62, 47.6% above the \$0.42 for the first quarter of 2006. Diluted earnings per share were \$0.61, a rise of 48.8% from the \$0.41 recorded for the first three months last year, and 3.4% above the \$0.59 achieved in the fourth quarter, 2006.
- Return on equity was 29.3% for the first quarter, compared to 25.2% for the comparable quarter of 2006, and 30.5% in the fourth quarter last year.
- Total assets at March 31, 2007 reached \$4.17 billion, 25.3% higher than the \$3.33 billion reported one year earlier. Total assets, together with Mortgage-Backed Securities (MBS) originated and administered by the Company, grew to \$5.34 billion, a rise of 27.0% from \$4.21 billion at March 2006, and 6.7% from the \$5.01 billion total at December 31, 2006.
- Total mortgage originations were \$546.4 million during the first quarter, an increase of 28.1% from the \$426.7 million advanced in the same period last year. Both residential and commercial mortgage loan growth were strong, with \$58.9 million of this total issued through the newly established commercial mortgage department.
- The efficiency ratio (TEB) (lower the better) was 26.7% for the first quarter, compared to 32.2% during the same period of 2006. The ratio was 26.8% for the fourth quarter of 2006. The drop in the efficiency ratio was due to the requirement under the new financial instrument standards to reclassify certain expense and fee income previously classified in general and administration to net against interest from loans and interest on deposits.
- Outstanding balances on the Equityline VISA portfolio were \$249.3 million, a substantial rise of 15.5% and 119.9% respectively, from the \$215.9 million recorded at December 31, 2006 and \$113.4 million for March 2006. During the three month period, 1,426 credit card accounts with \$59.0 million in authorized credit limits were issued, compared to 987 cards and \$41.8 million in credit for the three months ending March 2006, representing increases of 48.5% and 57.3%, respectively.
- Net impaired loans represented 0.74% of the total loans portfolio, up from 0.51% at the end of the first quarter of 2006, and from 0.68% at December 2006. Although non-performance rose during the period, the Company still considers it to be well within the normal level of 0.5 – 1.0%, over a full economic cycle. Non-performing mortgages continue to be analyzed and prudently managed on a loan-by-loan basis. Mortgage write-offs during the first quarter were once again negligible.

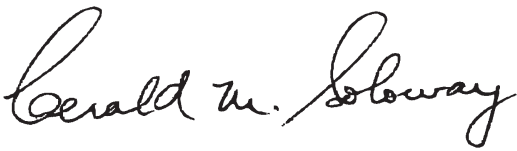
The Company remains optimistic about the potential of its recently launched commercial mortgage lending business to generate profitable, low-risk asset growth. During the quarter, the Company took further measures to strengthen the operation. These included hiring John Harry as Senior Vice President, Commercial Mortgage Lending and Wendy Goldup as Assistant Vice President, both of whom bring extensive commercial mortgage lending experience to Home Trust. It is anticipated that additional staff to be hired over the remainder of the year will support continued loan portfolio growth.

Subsequent to the end of the quarter, the Government of Canada increased the maximum permitted loan-to-value on residential mortgages to 80%, from the previous 75% level. The Company began offering new mortgage products that reflect this change to qualified borrowers, and will monitor the response of the marketplace to these products on an ongoing basis.

Also subsequent to quarter-end, Home Trust opened an office in Montreal, Quebec. Prior to this opening, the Company's residential mortgage lending unit serving Montreal, Gatineau and Quebec City operated out of our head offices in Toronto. The decision to create a more permanent presence in Quebec is the result of the encouraging market receptiveness the Company has experienced, and the considerable ongoing potential of these markets.

Subsequent to the end of the quarter, the Board of Directors declared a dividend increase of 11.1% to \$0.10 per share on a quarterly basis, payable on June 1, 2007 to shareholders of record at the close of business on May 15, 2007. This increase reflects Home Capital's continued strong performance, superior earnings growth and future business prospects.

Home Capital's first quarter results marked a strong start to 2007, and management is confident that it has the appropriate strategies in place to deliver continued shareholder value. Home Capital's Board of Directors and management expect that the present levels of business growth and profitability that the Company experienced during the first quarter of 2007, will continue through the remainder of this year.



GERALD M. SOLOWAY
President and Chief Executive Officer
May 3, 2007



WILLIAM A. DIMMA
Chairman of the Board

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. 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.

Taxable Equivalent Basis ("TEB")

Most banks and trust companies analyze revenue on a TEB to provide uniform measurement and comparison of net interest income. Net interest income (as presented in the consolidated statements of income) includes tax-exempt income from certain securities. The adjustment to TEB increases income and the provision for income taxes to what they would have been had the tax-exempt securities been taxed at the statutory tax rate. The TEB adjustment of \$1.0 million for the first quarter of 2007 (\$0.8 million - Q4 2006 and \$0.7 million - Q1 2006) increases interest income. TEB does not have a standard meaning prescribed by Canadian generally accepted accounting principles ("GAAP") and therefore may not be comparable to similar measures used by other companies. Net interest income and income taxes are discussed on a TEB basis throughout this Management's Discussion and Analysis (refer to Financial Highlights).

Regulatory Filings

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

Management's Discussion and Analysis of Operating Performance

This management's discussion and analysis ("MD & A") should be read in conjunction with the unaudited interim consolidated financial statements for the period ended March 31, 2007 included herein and the audited consolidated financial statements and MD & A for the year ended December 31, 2006. These are available on SEDAR at www.sedar.com and on pages 8 through 52 of the Company's 2006 Annual Report. Except as discussed 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 interim consolidated financial statements and MD & A have been prepared based on information available as at May 3, 2007. As in prior quarters, the Company's Audit and Risk Management Committee reviewed this document, and prior to its release the Company's Board of Directors approved it on the Audit and Risk Management Committee's recommendation.

2007 Performance and 2007 Objectives

Home Capital published its financial objectives for 2007 in the Company's 2006 Annual Report, found on page 10. The following table compares actual performance to date against these objectives.

	Three Month Period Ended March 31, 2007	
	2007 Objectives	Actual Results ¹
Net Income	20% or \$17.0 million	\$21.2 million, or 49.2% increase over same period last year
Diluted Earnings per Share	20% or \$0.49 per share	\$0.61 per share, or 48.8% increase over same period last year
Combined Total Assets and Assets Under Administration	20% or \$5.05 billion	\$5.34 billion, or 27.0% increase over last year
Return on Equity	25%	29.3%
Efficiency Ratio (TEB) ²	35.0% to 39.0%	26.7%
Capital Ratio - Tier 1	Minimum of 9.5%	12.8%
Capital Ratio - Total	Minimum of 12.0%	14.3%
Provision for Loan Losses as a Percentage of Total Loans	0.1% to 0.2%	0.1%

¹ Objectives and results for net income and diluted earnings per share are for the current period relative to the same period in the prior year; asset growth is the change from twelve months prior; and ratios are based on the current period, annualized.

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

FINANCIAL HIGHLIGHTS

Income Statement Highlights for the Quarter

- The Company continued to build on the performance momentum achieved during the fourth quarter of 2006, and recorded another strong quarter of earnings. Net income rose 49.2% over the comparable quarter in 2006. The Company experienced solid operating results across all lines of business.
- Net interest income was up 24.6% over the comparable quarter in 2006 as the Company's income-producing assets grew by 25.9%.
- Non-interest income was up 52.1% over the first quarter of 2006, driven by growth in fee income from increased mortgage and Equityline VISA originations along with improved spreads in mortgage securitizations.
- The efficiency ratio (TEB) (the lower the better) improved to 26.7% from 32.2% in the first quarter of 2006 through management's continuing efforts with respect to controllable costs.
- Diluted earnings per share for the quarter increased 48.8% to \$0.61 compared to \$0.41 for the first quarter of 2006.
- Return on average shareholders' equity ended the quarter at 29.3% above the 25.2% for the first quarter of 2006.

Balance Sheet Highlights for the Quarter

- Total assets at March 31, 2007 grew by 6.8% to reach \$4.17 billion compared to the \$3.90 billion reported at December 31, 2006. This asset growth was principally driven by the Company's residential mortgage portfolio which grew by \$71.1 million, other mortgages (primarily commercial mortgages) grew \$60.1 million and cash resources which rose by \$91.9 million.
- The Equityline VISA portfolio had another strong quarter achieving growth of 15.5% over the fourth quarter of 2006 and 119.9% over the first three months of 2006.
- Deposit liabilities as at March 31, 2007 grew 7.0% to reach \$3.68 billion, as compared to \$3.44 billion reported at December 31, 2006. These funds were utilized to fund the growth of the Company's loan portfolio with excess funds invested in the Company's securities portfolio.

Earnings Review

Net Interest Income

Net interest income was \$33.3 million in the first quarter of 2007, an increase of \$1.1 million, or 3.5%, over the \$32.2 million reported in the fourth quarter of 2006, and up \$6.6 million, or 24.6% over the \$27.0 million recorded during the same period of 2006. This increase was the result of the growth in interest earning assets of \$837.0 million over the comparable quarter of 2006, and \$275.7 million over interest earning assets reported in the fourth quarter of 2006. These increases exceeded growth in interest bearing liabilities during the same periods. The net interest margin (TEB) for the first quarter was 3.2%, consistent with the net interest margin achieved in both the first and fourth quarters of 2006. The interest spread between loans and borrowings ended the quarter at 3.3%, compared to 3.4% and 3.5% recorded in the first and fourth quarters last year, respectively.

The mortgage lending line of business continues to be the primary driver of the Company's net interest income. It contributed \$22.9 million in the first quarter of 2007, compared to \$22.5 million during the fourth quarter of 2006 and \$20.3 million one year earlier.

The consumer lending line of business contributed first quarter net interest income of \$4.7 million, compared to \$4.6 million and \$3.0 million for the quarters ended December 31 and March 31, 2006, respectively. The Equityline VISA product continues to drive the income growth in the consumer lending line of business, with receivable balance increases of 15.5% over the fourth quarter of 2006 and 119.9% over the first quarter of 2006.

Refer to Note 11 of the accompanying unaudited interim financial statements, which summarizes the Company's interest rate risk position as at March 31, 2007. This table illustrates that after one year the Company had a deficient cumulative dollar gap of \$343.9 million (liabilities and off-balance sheet items exceed total assets) compared to deficiencies of \$441.4 million at December 31, 2006 and \$430.6 million at March 31, 2006. The deficiency in the cumulative gap reverts to a surplus in one to three years for the current period comparable to the other periods presented in the table. This reduced gap balance in the one to three year time frame was due to higher shorter-term deposit rates, which resulted in very little difference between the one-year and five-year rates. Depositors are tending to choose shorter-term investments, reducing the duration of the Company's liabilities, while borrowers are looking to longer term funding.

Non-Interest Income

Total non-interest income was \$10.1 million for the first quarter, a decrease of \$2.6 million from the \$12.7 million reported for the fourth quarter of

2006, and up \$3.5 million from the \$6.6 million recorded in the first quarter of 2006. The drop from the fourth quarter of 2006 resulted from the implementation of certain fee changes in the fourth quarter of 2006 that caused a one time pick-up in the fourth quarter of 2006.

The fees and other income components of non-interest income ended the quarter at \$4.5 million, compared to \$6.0 million and \$2.3 million for the three-month periods ended December and March 2006. The mortgage lending line of business contributed \$2.4 million of this income in the quarter, compared to \$3.9 million and \$0.5 million for the fourth and first quarters of 2006. The consumer lending line of business contributed \$2.1 million of fee income during this quarter, compared to \$2.0 million and \$1.8 million for the three months ended December 31 and March 31, 2006, respectively. With the implementation of the new financial instrument standards, the Company reclassified the amortization of deferred commitment fees from fees and other income to interest from loans. Please refer to Note 2 of these unaudited interim consolidated financial statements.

During the first quarter, the Company issued six MBS pools, consisting of \$134.4 million of Canada Mortgage and Housing Corporation ("CMHC") insured residential mortgages. This represents an increase of \$3.7 million over the \$130.7 million in MBS pools that were issued in the fourth quarter of 2006 and a \$12.7 million increase over the \$121.7 million issued in the first quarter last year. Securitization gains were \$4.7 million, down from \$5.7 million realized in the fourth quarter and up from the \$2.8 million gain realized in the first quarter of 2006 (refer to Note 4 of these unaudited interim consolidated financial statements). The decrease in securitization gains during the quarter in comparison to the fourth quarter of 2006 was primarily due to reduced spreads of 3.1% in the fourth quarter of 2006 to 2.8% in the first quarter of 2007 as a result of rising Government of Canada bond rates. The unscheduled prepayment rate remained closely constant at 12.8% compared to 12.9% in the fourth quarter of 2006. Higher securitization gains in the first quarter over the comparable period of 2006 were due to both greater volume as noted above and higher interest spreads, averaging 2.8% in the first quarter of 2007 compared to 2.0% in the first three months of 2006.

Non-Interest Expenses

Total non-interest expenses for the three months ended March 31, 2007 were \$11.8 million, down 3.5% or \$0.5 million from the \$12.3 million recorded for the fourth quarter of 2006 and up by 8.2%, or \$0.9 million over the \$10.9 million reported for the first quarter of 2006. The primary driver of the increase in non-interest expenses over the previous year's period was increased staffing levels. Salaries and staff benefits for the first quarter increased by \$0.7 million, or 10.3%, over the fourth quarter and by \$1.2 million, or 20.2%, over the first quarter of 2006. The Company ended the quarter with 336 employees, down slightly from the fourth quarter of 2006 and up from 294 employed in the first quarter of 2006. The increase in salaries over the fourth quarter was due to increased government deductions taken in the first quarter of 2007. Premises expenses were constant from the fourth quarter of 2006, and up modestly from the first quarter last year.

General and administration expenses declined by \$1.1 million over the fourth quarter of 2006 and \$0.4 million over the comparable quarter in 2006. The drop in general and administration expenses from the first quarter of 2006 is primarily due to a drop in external consulting costs, and the elimination of moving expenses incurred during the quarter. The overall drop in general and administration expenses from the fourth quarter is primarily due to outsourcing and consulting expenses and management's continued efforts to control costs.

The efficiency ratio (TEB) ended the quarter at 26.7%, compared to 26.8% and 32.2% for the three months ended December 31 and March 31, 2006, respectively. Management's focus on cost containment has been reflected in the favourable efficiency ratio (TEB) achieved in the current quarter and fourth quarter of 2006 and represents a significant improvement over the first quarter of 2006. On January 1, 2007, the Company implemented new accounting standards on financial instruments. With the implementation of the new financial instrument standards the Company reclassified the amortization of deferred finders fees and deferred agent commission from general and administration to interest on deposits. This had the effect of reducing the efficiency ratio from past historic levels and the Company's target range of between 35% to 39%. Please refer to Note 2 of these unaudited interim consolidated financial statements.

Provision for Credit Losses

The Company expensed \$0.5 million in the first quarter of 2007, compared to \$1.3 million and \$0.9 million for the fourth and first quarters of 2006, respectively, through the provision for credit losses. This expense represents 0.1% of total loans, on an annualized basis. The Company continues to add to the general allowance for credit losses, primarily in response to the growth of the loan portfolio, and total risk-weighted assets. The total general allowance amounted to \$20.2 million at the end of the quarter, an increase of \$0.6 million over the \$19.6 million recorded at December 31, 2006, and a \$2.9 million rise over the \$17.3 million allowance recorded at March 31, 2006. Growth in the general allowance over this three month period was 2.7%, lower than the 5.1% overall growth in the loan portfolio.

At March 31, 2007 net impaired loans increased to \$25.8 million (0.74% of gross loans), compared to \$22.8 million (0.68% of gross loans) at December 31, 2006 and \$14.8 million (0.51% of gross loans) at March 31, 2006. The rise in net impaired loans has not resulted in increased loan write-offs (refer to Note 3 of these unaudited interim consolidated financial statements). Total net loans written-off during the three month period ended March 31, 2007 were \$0.3 million, consistent with fourth quarter and up slightly over the first quarter of 2006. The Company continues to monitor non-performing loans and has taken proactive steps to manage losses, as described under the Credit Risk Section of this MD & A.

Income Taxes

The income tax expense amounted to \$9.9 million (effective tax rate of 31.9%) for the first quarter of 2007, compared to \$10.9 million (effective tax rate of 34.6%) for the fourth quarter of 2006 and \$7.4 million (effective tax rate of 34.3%) for the first quarter ended March 31, 2006. Canadian dividend income is non-taxable to financial institutions, which results in a reduced income tax rate. In the absence of tax-free dividends, the effective tax rates would have been 34.1% for the first quarter and 36.3% for both the first and fourth quarters of 2006.

Balance Sheet Review

Assets

Total assets as at March 31, 2007 were \$4.17 billion, an increase of \$841.3 million, or 25.3% over the \$3.33 billion reported one year ago, and up by \$264.6 million, or 6.8% over the December 31, 2006 asset balance of \$3.90 billion.

Growth in the loans portfolio of \$557.9 million, or 19.1% generated most of this year-over-year asset increase. Residential mortgages contributed \$286.6 million to the total loan portfolio growth, consumer lending contributed \$133.8 million, other mortgages (primarily commercial mortgages) contributed \$115.4 million, secured loans added \$25.0 million, and the general allowance increased by \$2.9 million. MBS receivables added \$11.6 million to total assets. The Company's investment securities portfolio increased by \$104.1 million over March 31, 2006, and cash resources increased significantly by \$174.9 million year-over-year resulting from funds raised through deposits and internally generated earnings. Other assets declined by \$6.5 million from the comparable quarter in the prior year 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 loan and deposit. The remaining balances in other assets, consisting of accrued interest receivable, goodwill, other prepaid and other deferred assets (refer to Note 5 of these unaudited interim consolidated financial statements) were consistent year-over-year.

Growth in the loans portfolio of \$167.4 million, or 5.1%, was the principal contributor in the asset growth over December 31, 2006. Within the loan portfolio, growth arose from \$71.1 million from residential mortgages, \$60.7 million from other mortgages (primarily commercial), \$31.9 million from personal and credit card loans and \$4.2 million from secured loans. As previously announced in the fourth quarter of 2006 the Company commenced commercial lending by entering into lending programs secured by pools of commercial mortgages. At March 31, 2007 the commercial mortgage loans were \$73.8 million with an effective yield of 6.8%. Total other assets decreased by \$11.1 million primarily due to a reclassification of deferred finders fees and deferred agent commissions into the respective mortgage and deposit cost base. This was implemented effective January 1, 2007 as required under the new financial instrument standards (refer to Note 2 of these unaudited interim consolidated financial statements). Other balances within other assets which include Mortgage-Backed Securities receivable increased modestly consistent with the securitizations during the quarter.

Liabilities

Liabilities for the quarter ended March 31, 2007 rose to \$3.87 billion, an increase of \$773.4 million, or 25.0% over the \$3.09 billion reported at March 31, 2006 and up by \$241.5 million, or 6.7%, over the \$3.63 billion recorded at December 31, 2006.

Most of the year-over-year growth resulted from an increase in deposits of \$76.8 million. Increased deposit liabilities funded most of the loan portfolio growth. Higher retained earnings and other liabilities contributed to the Company's remaining loan growth, as well as the modest increase in cash resources, securities and other assets. Other liabilities (refer to Note 6 of these unaudited interim consolidated financial statements) increased by \$20.3 million, or 12.8% over the \$159.2 million reported at March 31, 2006. This growth was principally the result of increases in accrued interest payable of \$22.0 million, which is related to the rise in deposits. The growth was offset by a decline in deferred commitment fees which are now classified with the respective mortgage loan. This 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 \$240.5 million. Increased deposit liabilities were the primary funded source for the loan portfolio growth for the first quarter of 2007. The decrease in other liabilities (refer to Note 6 of these unaudited interim consolidated financial statements) compared to the fourth quarter of 2006 was due to a change in the first quarter of 2007 on the classification of deferred commitment fees as discussed in Note 2 of these unaudited interim consolidated financial statements.

Shareholders' Equity

The increase in shareholders' equity of \$68.3 million, or 29.5% over the \$231.7 million reported at March 31, 2006 was internally generated from net income for the twelve month period ended March 31, 2007 of \$74.8 million, as well as adjustments from the adoption of financial instruments of \$2.0 million, less \$11.6 million for dividends paid and payable to shareholders. The remaining \$3.4 million was from proceeds of \$2.8 million received on the exercise of Company share options, and the amortization of the fair value of share options of \$0.6 million, which was offset by \$1.3 million paid by the Company to repurchase capital stock through the Normal Course Issuer Bid.

Shareholders' equity rose to \$300.0 million, an increase of \$23.2 million, or 8.4%, over \$276.9 million reported at December 31, 2006. This growth of \$23.2 million was internally generated from net income for the three months of \$21.2 million, adjustments from the adoption of financial instruments of \$3.0 million related to unrealized gains on available for sale securities transitional adjustments, less \$3.1 million for dividends payable to shareholders. The remaining \$2.0 million was from proceeds received on the exercise of Company share options and the recording of the fair market adjustment on stock options offset by \$0.4 million paid by the Company to repurchase capital stock through the Normal Course Issuer Bid.

At March 31, 2007 the book value per common share was \$8.70 compared to \$8.10 at December 31, 2006 and \$6.79 one year ago.

Off-Balance Sheet Arrangements

From time to time, the Company may enter into hedging transactions to mitigate the interest exposure on outstanding loan commitments. During the quarter ended March 31, 2007 the Company entered into new interest rate swap contracts and subsequently unwound those positions prior to March 31, 2007. As a result of these transactions, the Company realized a negligible loss which was recorded in the Consolidated Statement of Income. For additional information refer to Note 10 of these accompanying unaudited interim consolidated financial statements.

The Company securitizes insured residential mortgage loans into special purpose entities for liquidity funding and capital management purposes. Transactions consist of the transfer of these loans to a Canadian trust company as security, in exchange for cash. When these assets are sold, the Company retains rights to certain excess interest spreads and servicing liabilities, which constitute retained interests. The Company periodically

reviews the value of the retained interests, and any permanent impairment in value is charged to income, if applicable. The Company continues to administer all securitized assets after the sales. As of March 31, 2007 outstanding securitized mortgage loans under administration amounted to \$1.18 billion (\$1.11 billion - Q4 2006 and \$882.4 million - Q1 2006) and retained interest of \$55.9 million (\$51.0 million - Q4 2006 and \$44.4 million - Q1 2006). For additional information, refer to Note 4 in the consolidated financial statements of the 2006 Annual Report, and Note 4 of these accompanying unaudited interim consolidated financial statements.

In the normal course of its business, the Company offers credit products to meet the financial needs of its customers. Outstanding commitments for future advances on mortgage loans amounted to \$188.1 million at March 31, 2007 compared to \$201.8 million at December 31, 2006 and \$233.2 million at March 31, 2006. These commitments remain open for various dates through April, 2008. As of March 31, 2007 unutilized credit card balances amounted to \$68.5 million, compared to \$66.8 million at December 31, 2006 and \$61.0 million at March 31, 2006.

Capital Management

The capital base of the Company's operating subsidiary, Home Trust Company ("Home Trust"), continues to be strongly positioned. The Tier 1 capital ratio ended the quarter at 12.8% compared to 12.7% and 12.9% reported at December 31 and March 31, 2006. The total capital ratio was 14.3% at March 31, 2007 compared to 14.2% and 14.6% reported at December 31 and March 31, 2006. The slight increase from the fourth quarter can be attributed to the increase of 27.4% in risk weighted assets over March 31, 2006, while the growth in capital over the same twelve months amounted to 23.8%. These ratios continue to comfortably exceed the minimum regulatory requirements of 7.0% for Tier 1 capital and 10.0% for total capital.

As at March 31, 2007, Home Trust was utilizing 76.6% of its approved Assets to Regulatory Capital Multiple of 17.5 times (76.1% - December 31, 2006 and 74.9% - March 31, 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 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 March 31, 2007 the composition of the Company's mortgage portfolio was 93.4% residential, 3.3% store and apartments, 2.8% commercial and 0.5% other non-residential loans. Within the residential mortgage portfolio, 4.5% of loans are insured by CMHC. First mortgages represent 99.8% of the total mortgage portfolio.

As at March 31, 2007 the gross credit card receivable balance totaled \$261.8 million, comprised of \$260.5 million, or 99.5% in accounts secured either by cash deposits or residential mortgage collateral, and \$1.3 million, or 0.5% which is unsecured. The total credit approved includes \$328.6 million in secured and \$1.7 million in unsecured credit, compared to \$294.2 million in secured and \$2.4 million unsecured credit at December 31, 2006 and \$183.8 million in secured and \$4.9 million unsecured credit at March 31, 2006. Within the secured credit card portfolio the Equityline VISA credit cards represent the principal driver of growth in the receivable balance. Equityline VISA credit cards are secured by a collateral residential mortgage, and this product amounted to \$249.3 million of the credit card receivable balance as at March 31, 2007 compared to \$215.9 million at December 31, 2006 and \$113.4 million at March 31, 2006. Cash security deposits on credit card accounts amounted to \$19.3 million, and are included in the Company's deposits.

Secured loans of \$74.5 million increased by \$4.2 million over the December 31, 2006 balance of \$70.3 million, and \$25.0 million over the March 31, 2006 balance of \$49.5 million. These loans are secured by second mortgages on residential property. Since commencing this program, the Company has not experienced any losses on these loans. At March 31, 2007, \$0.6 million, or 0.7% of the secured loans portfolio are over 30 days in arrears. These loans are subject to the same credit and lending criteria as the Company's mortgage portfolio.

Although the Company has experienced increased net impaired loans to \$25.8 million at March 31, 2007 compared with \$22.8 million at December 31, 2006 and \$14.8 million at March 31, 2006, the Company has not experienced any material increase in net loan write-offs. The Company continues to focus its underwriting efforts taking account of local market conditions, to minimize the Company's potential loss exposure. Seasoned employees of the Company undertake thorough reviews of all non-performing loans greater than 60 days to understand the drivers and incorporate those drivers into the Company's lending criteria. This analytical approach and attention to emerging trends has resulted in continued low write-offs. Write-offs net of recoveries applied against the accumulated allowance for credit losses realized on loans during the quarter were \$0.3 million for March 31, 2007 which is consistent with that experience in the fourth quarter and slightly higher than the first quarter of 2006. The Company continues to monitor this area closely and is dealing effectively and prudently with impaired loans.

The Company has ensured that it is well positioned for any unforeseen future losses by establishing general allowances of \$20.2 million at March 31, 2007, as compared to the general allowances of \$19.6 million at December 31, 2006, and \$17.3 million at March 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 on loans making up 99.8% of the total loan 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 91.3 basis points of the Company's risk-weighted assets at March 31, 2007 compared to 95.1 basis points at December 31, 2006 and 99.6 basis points at March 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, treasury bills, bankers acceptances and government or government guaranteed bonds and debentures to meet the Company's liquidity requirements. On March 31, 2007 liquid assets amounted to \$425.8 million, up 25.6% from \$339.0 million at December 31, 2006 and up 111.3% from \$201.5 million at March 31, 2006.

The Company maintains a minimum 20% of 100-day obligations in liquid assets. For the twelve months ended March 31, 2007 the Company maintained an average of \$306.9 million, or 39.7%, of 100-day obligations compared to \$288.0 million, or 41.3%, for the twelve months ended December 31, 2006 and \$230.3 million, or 44.7% for the twelve-month period ended March 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. The interest rate sensitivity position as at March 31, 2007 is presented under Note 11 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.

In addition to matching assets and liabilities, the Company utilizes an interest rate risk sensitivity model that measures the relationship between changes in interest rates, and the resulting impact on the economic value of shareholders' equity. As at March 31, 2007 an immediate and sustained 100 basis point (1%) increase in rates would have decreased the economic value of shareholders' equity over the next twelve months by \$0.9 million after tax, and a 200 basis point (2%) rate increase would result in a similar decline in shareholders' equity of \$1.7 million after tax.

The Company has the ability to enter into interest rate swap 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 as at March 31, 2007. Refer to Note 10 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 first quarter of 2007 compared to both the fourth and first quarters of 2006 (refer to Note 12 of the accompanying unaudited interim consolidated financial statements).

Mortgage Lending

The Company's principal line of business contributed \$14.9 million to net income during the first quarter of 2007, as compared to \$15.2 million and \$10.1 million for the same periods ended December 31, 2006 and March 31, 2006, respectively. The decline from the fourth quarter of 2006 was due to one-time fee increases that were implemented in the fourth quarter of 2006, resulting in certain one-time gains. The total value of new mortgages advanced in the first quarter of 2007 amounted to \$546.4 million, as compared to \$519.8 million and \$426.7 million for the same periods ended December and March 2006, respectively.

The Company securitized \$134.4 million of government guaranteed (CMHC) residential mortgage loans through the creation of MBS securities during the quarter, realizing total income on securitization of \$4.7 million during the quarter. This compares to \$130.7 million for the fourth quarter of 2006 and \$121.7 million for the first three months of 2006, resulting in gains of \$5.7 million and \$2.8 million, respectively. The decrease in income from the fourth quarter of 2006 was primarily due to contraction in spreads from 3.1% to 2.8%, as the estimate of unscheduled principal prepayments remained consistent. For additional information refer to Note 4 of these unaudited interim consolidated financial statements. Securitization will continue to contribute to the Company's income; however, core mortgage lending is expected to remain the main driver of the Company's financial results going forward.

The second mortgage program (recorded as secured loans) is conducted by way of an agreement with QSPE-HCC Trust operating as Regency Finance Corp. ("Regency"), whereby the Company acts as Regency's agent in offering second mortgage loans. These mortgage loans are securitized and the investment is purchased by the Company. At the end of the quarter the Company held \$74.5 million in Secured Loans as Notes Receivable issued by Regency, compared to \$70.3 million at December 31, 2006 and \$49.5 million at March 31, 2006. These Notes yield 6.8% with an average duration of 3.2 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 second mortgage loans securing the Notes Receivable remains high, with 0.6% in arrears up to 60 days, and 0.7% of the portfolio in arrears over 60 days. This program has experienced only minor losses since inception. It continues to provide the Company with ancillary marketing opportunities in the residential first mortgage marketplace.

Consumer Lending – Credit Cards and Retail Services

The consumer lending business commenced the year with strong results. Net income for the quarter was \$3.6 million, compared to \$3.2 million and \$2.0 million for the three months ended December 31 and March 31, 2006, respectively. The Equityline VISA loans portfolio amounted to \$249.3 million at March 31, 2007 (\$215.9 million - Q4 2006 and \$113.4 million - Q1 2006) and comprises 95.2% (94.0% - Q4 2006 and 88.8% - Q1 2006) of the total gross credit card receivable balance of \$261.8 million, bearing an average interest rate of 10.5% (10.2% - Q4 2006 and 10.0% - Q1 2006) on outstanding balances.

Accounting Standards and Policies

Critical Accounting Estimates

Critical accounting estimates which require management to make significant judgements, some of which are inherently uncertain, are included 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 the 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 amount reported. Actual results could differ from those estimates.

Accounting policies requiring critical accounting estimates include the allowance for credit losses, securitization of Mortgage-Backed Securities, future income tax liabilities and contingencies for litigation. Further information can be found under Notes 3, 4, and 9 of the unaudited interim consolidated financial statements. There are no changes in 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 our internal controls over financial reporting during the interim period ended March 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 May 3, 2007, the Company had 34,482,140 Common Shares. In addition, director and employee stock options outstanding amounted to 1,157,500 (1,266,000 - Q4 2006 and 1,179,500 - Q1 2006) of which 597,500 are exercisable as of the quarter-end (910,375 - Q4 2006 and 926,375 - Q1 2006) for proceeds to the Company on exercise of \$6.7 million (\$8.4 million - Q4 2006 and \$7.4 million - Q1 2006).

On May 3, 2007 the Company’s Board of Directors approved a quarterly cash dividend of \$0.10 per Common Share, payable June 1, 2007 to shareholders of record at the close of business on May 15, 2007.

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 in 2006 by the Company were eligible dividends and all dividends paid subsequently will be considered eligible unless indicated otherwise.

Quarterly Financial Highlights

In thousands of dollars, except per share amounts and percentages

	2007				2006			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net interest income (TEB) ¹	\$ 34,341	\$ 33,040	\$ 30,727	\$ 29,072	\$ 27,396	\$ 27,745	\$ 26,553	\$ 22,901
Less TEB adjustment	1,007	841	764	740	651	708	682	675
Net interest income per financial statements ³	33,334	32,199	29,963	28,332	26,745	27,037	25,871	22,226
Non-interest income ³	10,075	12,743	6,880	9,412	6,623	8,028	8,899	8,267
Total revenues ³	81,745	81,053	70,621	68,495	62,380	62,787	60,737	57,674
Net income	21,158	20,518	16,618	16,496	14,183	16,881	15,766	14,638
Return on common shareholders' equity	29.3%	30.5%	26.2%	27.6%	25.2%	31.9%	32.1%	32.2%
Return on average total assets	2.1%	2.2%	1.8%	1.9%	1.7%	2.1%	2.1%	2.1%
Earnings per common share								
Basic	\$ 0.62	\$ 0.60	\$ 0.49	\$ 0.48	\$ 0.42	\$ 0.50	\$ 0.47	\$ 0.43
Diluted	\$ 0.61	\$ 0.59	\$ 0.48	\$ 0.47	\$ 0.41	\$ 0.47	\$ 0.45	\$ 0.41
Book value per common share	\$ 8.70	\$ 8.10	\$ 7.62	\$ 7.22	\$ 6.79	\$ 6.44	\$ 6.00	\$ 5.57
Efficiency ratio (TEB) ^{1,3}	26.7%	26.8%	32.0%	29.5%	32.2%	27.5%	29.0%	28.5%
Efficiency ratio ³	27.3%	27.3%	32.7%	30.1%	32.8%	28.0%	29.5%	29.1%
Tier 1 capital ratio ²	12.8%	12.7%	12.5%	12.7%	12.9%	12.7%	12.6%	12.3%
Total capital ratio ²	14.3%	14.2%	14.1%	14.4%	14.6%	14.5%	14.5%	14.2%
Net impaired loans as % of gross loans	0.74%	0.68%	0.56%	0.54%	0.51%	0.49%	0.50%	0.52%
Annualized provision as % of gross loans	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%	0.2%	0.2%

¹ TEB – taxable equivalent basis: see definition in these unaudited interim consolidated financial statements.

² These figures related 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 financial results for each of the last eight quarters are summarized in the preceding table. These highlights illustrate the Company's profitability, returns on equity, as well as efficiency measures and capital ratios, quarter-over-quarter. The momentum experienced in the fourth quarter of 2006 continued through the first quarter of 2007, with further earnings and earnings per share growth over the fourth quarter of 2006. Despite the small rise in net impaired loans, the Company has not experienced any material mortgage loan write-offs and continues to evolve its lending criteria to changes in the marketplace. Further, the efficiency ratio (TEB) remained low during the first quarter at 26.7% as management continues to focus on cost containment.

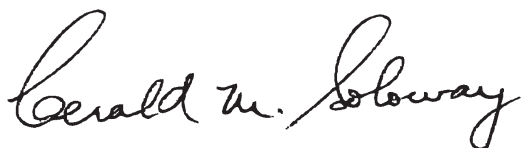
Outlook

Home Capital remains committed to serving selected segments of the Canadian financial services marketplace that are not being served by the major financial institutions. As stated in our report on the fourth quarter of 2006, we continue to foresee modest economic growth across Canada with a stable interest rate environment. Price appreciation in the housing market is expected to level off in 2007 after several years of growth but we do not foresee a significant pullback such as that which has been experienced recently in the sub-prime market in the United States. The existing stable, low interest rate environment and modest economic growth will continue to support both new housing starts and the resale markets. Home Capital remains strongly positioned to benefit from these conditions.

Certificate of Interim Consolidated Financial Statements

The consolidated financial statements of Home Capital Group Inc. were prepared by management, which is responsible for the integrity and fairness of the financial information presented. Management has reviewed the Interim Consolidated Financial Statements of Home Capital Group Inc. for the period ended March 31, 2007. Based on our knowledge, the Interim Consolidated Financial Statements do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the Interim Consolidated Financial Statements. Based on this knowledge, the Interim Consolidated Financial Statements together with the other financial information included in the Interim filings fairly present in all material respects the financial condition, results of operations and cash flows of Home Capital Group Inc. as of March 31, 2007.

The Board of Directors and Audit and Risk Management Committee of Home Capital Group Inc. reviewed this quarterly report. The disclosure controls and procedures of Home Capital Group Inc. support the ability of the President and Chief Executive Officer and the Vice President, Finance of Home Capital Group Inc. to assure that Home Capital's Interim Consolidated Financial Statements are fairly presented.



Gerald M. Soloway
President and Chief Executive Officer
May 3, 2007



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

Consolidated Statements of Income

For the Three Month Period Ended

	March 31		December 31		March 31
<i>In Thousands of Dollars, Except Per Share Amounts (Unaudited)</i>	2007		2006		2006
Income					
Interest from Loans	\$ 66,268	\$	63,454	\$	51,890
Dividends from Securities	1,878		1,569		1,215
Other Interest	3,524		3,287		2,652
	71,670		68,310		55,757
Interest Expense					
Interest on Deposits	38,336		36,111		29,012
Net Interest Income	33,334		32,199		26,745
Provision for Credit Losses (Note 3)	488		1,281		855
	32,846		30,918		25,890
Non-interest Income					
Fees and Other Income	4,535		5,968		2,325
Securitization Income on Mortgage-Backed Securities	5,223		6,815		3,355
Net Gain (Loss) Realized and Unrealized on Investment Securities	344		(34)		943
Gain (Loss) on Derivatives	(27)		(6)		-
	10,075		12,743		6,623
	42,921		43,661		32,513
Non-interest Expenses					
Salaries and Staff Benefits	7,190		6,516		5,982
Premises	917		928		822
General and Administration	3,733		4,831		4,139
	11,840		12,275		10,943
INCOME BEFORE PROVISION FOR INCOME TAXES					
	31,081		31,386		21,570
Provision for Income Taxes (Note 9)	9,923		10,868		7,387
NET INCOME	\$ 21,158	\$	20,518	\$	14,183
NET INCOME PER COMMON SHARE					
Basic	\$ 0.62	\$	0.60	\$	0.42
Diluted	\$ 0.61	\$	0.59	\$	0.41
AVERAGE NUMBER OF COMMON SHARES					
OUTSTANDING (Thousands)					
Basic	34,312		34,141		34,045
Diluted	34,886		34,796		34,839
Total number of Outstanding Common Shares (Note 7)	34,482		34,166		34,109
Book Value Per Share	\$ 8.70	\$	8.10	\$	6.79

Consolidated Statement of Comprehensive Income

For the Three Month Period Ended

	March 31
<i>In Thousands of Dollars, Except Per Share Amounts (Unaudited)</i>	2007
NET INCOME FOR THE PERIOD	\$ 21,158
OTHER COMPREHENSIVE INCOME, NET OF TAX	
Unrealized Gains on Available for Sale Securities	
Net Unrealized Gains on Securities Available for Sale (Net of Tax of \$495)	2,739
Transfer of Net Realized Gains to Net Income (Net of Tax of \$257)	(454)
Total Other Comprehensive Income	2,285
COMPREHENSIVE INCOME	\$ 23,443

Consolidated Balance Sheets

<i>In Thousands of Dollars (Unaudited)</i>	March 31	December 31	March 31
	2007	2006	2006
ASSETS			
Cash Resources			
Deposits with Regulated Financial Institutions	\$ 50,669	\$ 43,701	\$ 20,547
Treasury Bills Guaranteed by Canada	184,730	99,830	39,935
	235,399	143,531	60,482
Securities			
Issued or Guaranteed by Canada	-	208,980	151,744
Issued or Guaranteed by Provinces	-	299	299
Other Securities	-	134,855	104,371
Held for Trading	301	-	-
Available for Sale	360,260	-	-
	360,561	344,134	256,414
Loans			
Personal and Credit Card Loans	268,900	237,037	135,062
Secured Loans	74,505	70,250	49,534
Residential Mortgages	2,956,898	2,885,806	2,670,268
Other Mortgages	196,507	135,765	81,133
General Allowance for Credit Losses (Note 3)	(20,169)	(19,644)	(17,267)
	3,476,641	3,309,214	2,918,730
Other			
Mortgage-Backed Securities Receivable (Note 4)	55,929	50,963	44,362
Capital Assets	4,548	4,691	4,875
Other Assets (Note 5)	33,857	49,783	40,338
	94,334	105,437	89,575
	\$ 4,166,935	\$ 3,902,316	\$ 3,325,201
LIABILITIES			
Term Loan	\$ -	\$ -	\$ 10,000
Deposits			
Payable on Demand	19,278	27,871	13,920
Payable on a Fixed Date	3,664,825	3,415,769	2,905,411
	3,684,103	3,443,640	2,929,331
Other			
Cheques and Other Items in Transit	3,316	2,655	4,994
Other Liabilities (Note 6)	179,499	179,155	159,154
	182,815	181,810	164,148
	3,866,918	3,625,450	3,093,479
SHAREHOLDERS' EQUITY			
Capital Stock (Note 7)	36,363	34,551	34,864
Contributed Surplus	1,021	783	415
Retained Earnings	260,978	241,532	196,443
Accumulated Other Comprehensive Income	1,655	-	-
	300,017	276,866	231,722
	\$ 4,166,935	\$ 3,902,316	\$ 3,325,201

Consolidated Statements of Changes in Shareholders' Equity

<i>In Thousands of Dollars (Unaudited)</i>	March 31 2007	December 31 2006	March 31 2006
CAPITAL STOCK			
Common Shares			
Balance at Beginning of the Period	\$ 34,551	\$ 35,261	\$ 34,272
Proceeds of Options Exercised	2,230	58	592
Normal Course Issuer Bid	(418)	(768)	-
BALANCE AT END OF THE PERIOD	\$ 36,363	\$ 34,551	\$ 34,864
CONTRIBUTED SURPLUS			
Balance at Beginning of the Period	\$ 783	\$ 622	\$ 306
Amortization of Fair Value of Employees Stock Options (Note 8)	238	161	109
Employee Stock Options Exercised	-	-	-
BALANCE AT END OF THE PERIOD	\$ 1,021	\$ 783	\$ 415
RETAINED EARNINGS			
Balance at Beginning of the Period	\$ 241,532	\$ 224,770	\$ 184,307
Transition Adjustment on Adoption of Financial Instruments, net of tax of \$786 (Note 2)	1,391	-	-
Net Income for the Period	21,158	20,518	14,183
Dividends Paid During the Period	-	(680)	-
Dividends Declared, Unpaid During the Period	(3,103)	(3,076)	(2,047)
BALANCE AT END OF THE PERIOD	\$ 260,978	\$ 241,532	\$ 196,443
ACCUMULATED OTHER COMPREHENSIVE INCOME			
Balance at Beginning of the Period	\$ -		
Transitional Adjustment on Adoption of Financial Instruments, net of tax of \$664 (Note 2)	(630)		
Other comprehensive income	2,285		
BALANCE AT END OF THE PERIOD	\$ 1,655		

Consolidated Statements of Cash Flows

<i>In Thousands of Dollars (Unaudited)</i>	For the Three Month Period Ended		
	March 31 2007	December 31 2006	March 31 2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income for the period	\$ 21,158	\$ 20,518	\$ 14,183
Adjustments to Determine Cash Flows Relating to Operating Activities:			
Future Income Taxes	1,320	(1,049)	663
Amortization	(224)	304	206
Provision for Credit Losses	488	1,281	855
Change in Accrued Interest Payable	15,617	3,067	8,078
Change in Accrued Interest Receivable	(1,379)	(925)	(591)
Net (Gain) Loss Realized and Unrealized on Investment Securities	(344)	34	(943)
(Gain) Loss on Derivatives	27	6	-
Net Unrealized Gain on Securities Available for Sale	1,480	-	-
Gain on Sale of Mortgage-Backed Securities	(5,223)	(6,815)	(3,355)
Amortization of Fair Value of Employee Stock Options (Note 8)	238	161	109
Other	677	(180)	(2,779)
Cash Provided by Operating Activities	33,835	16,402	16,426
CASH FLOWS FROM FINANCING ACTIVITIES			
Net Increase in Deposits	242,310	130,800	23,870
Issuance of Capital Stock	2,230	58	592
Normal Course Issuer Bid	(418)	(768)	
Dividends Paid	(3,076)	(3,076)	(1,701)
Cash Provided by Financing Activities	241,046	127,014	22,761
CASH FLOWS FROM INVESTING ACTIVITIES			
Activity in Available for Sale and Held for Trading Securities			
Purchases	(49,534)	-	-
Proceeds from Sales	16,878	-	-
Proceeds from Maturities	18,539	-	-
Activity in Securities			
Purchases	-	(56,119)	(40,964)
Proceeds on Sales	-	929	7,514
Proceeds on Maturities	-	37,412	6,822
Activity in Mortgages			
Net increase	(266,044)	(203,721)	(219,852)
Proceeds from Securitization of Mortgage-Backed Securities	130,866	127,856	118,734
Change in Mortgage-Backed Securities Receivable	2,650	9,229	3,295
Net Increase in Personal and Credit Card Loans	(32,049)	(37,196)	(18,619)
Net Increase in Secured Loans	(4,103)	(4,492)	(5,969)
Purchases of Capital Assets	(216)	(649)	(809)
Cash Used in Investing Activities	(183,013)	(126,751)	(149,848)
Net Increase in Cash and Cash Equivalents	91,868	16,665	(110,661)
Cash and Cash Equivalents at the Beginning of the Period	143,531	126,866	171,143
Cash and Cash Equivalents at the End of the Period	\$ 235,399	\$ 143,531	\$ 60,482
Supplementary Disclosure of Cash Flows Information			
Amount of Interest Paid During the Period	\$ 20,229	\$ 31,117	\$ 19,208
Amount of Income Taxes Paid During the Period	14,789	8,502	12,142

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 34 through 50. 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 interim consolidated financial statements are consistent with the accounting policies used in the Company's most recent annual audited financial statements. These unaudited interim consolidated financial statements reflect amounts which must, of necessity, be based on the best estimates and judgement of management with appropriate consideration as to materiality. Actual results may differ from these estimates. Certain comparative figures have been reclassified to conform to the current period's presentation.

2. CHANGE IN ACCOUNTING POLICY

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 will be classified as held for trading, available for sale, or loans and receivables. Financial liabilities will be classified as held for trading or other liabilities. Further, the new standard requires that all financial assets and liabilities be measured at fair value with the exception of loans and receivables, held to maturity and other liabilities that will be 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 in 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 market observable prices exist and discounted cash flow analysis.

Transaction Costs

Transactions costs related to held for trading securities are expenses 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 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 non-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 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 until sold or an other-than-temporary impairment is recognized at which time the cumulative gain or loss is transferred to the consolidated statement of income. Write-downs to reflect other-than-temporary impairments in value are included in 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 Mortgage-Backed Securities 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.

Notes to the Unaudited Interim Consolidated Financial Statements - Continued

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 resulting 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 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 and a increase in retained earnings of \$46,000. Further, the Company reclassified the deferred origination 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 costs previously recorded in fees and other and general and administrative to interest from loans and interest on deposits on the Consolidated Statement 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 recognized in income 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 to deposits of \$1.9 million, an increase to 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 Sheet and reclassified the amortization of deferred origination costs previously classified as general and administrative to interest on deposits on the Consolidated Statement of Income.

For those financial assets that have been designated 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 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 for 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) \$	-
Investments	344,134	164	70
Loans	3,309,214	47	-
Other	105,437	-	(700)
	<u>3,902,316</u>	<u>210</u>	<u>(630)</u>
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 Income	-	-	(630)
	<u>276,866</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,902,316</u>	<u>-</u>	<u>-</u>

The impact on the these changes on the Consolidated Statement of Income is as follows:

<i>In Thousands of Dollars</i>	<u>March 31, 2007</u>
Consolidated Statement of Income	
Interest from Loans	\$ 1,842
Fees and Other Income	<u>(3,897)</u>
Decrease to Income	(2,055)
Interest on Deposits	2,490
General and Administration	<u>(4,545)</u>
Decrease to Expenses	\$ <u>(2,055)</u>
Net Income	<u>\$ -</u>

3. LOANS

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

As at March 31, 2007

<i>In Thousands of Dollars</i>	Gross Amount of Impaired Loans	Specific Allowances	Carrying Value
Personal, Credit Card and Secured Loans	\$ 1,929	\$ 193	\$ 1,736
Residential Mortgages	23,979	121	23,858
Other Mortgages	252	-	252
	\$ 26,160	\$ 314	\$ 25,846

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

As at March 31, 2006

Personal, Credit Card and Secured Loans	\$ 428	\$ 183	\$ 245
Residential Mortgages	14,618	15	14,603
Other Mortgages	-	-	-
	\$ 15,046	\$ 198	\$ 14,848

(B) Allowance for Credit Losses

For the Three Month Period Ended March 31, 2007

<i>In Thousands of Dollars</i>	Specific Allowance	General Allowance for Credit Risk	Total
Balance at the Beginning of the Period	\$ 642	\$ 19,644	\$ 20,286
Provisions (Recoveries) for Credit Losses for the Current Period	(37)	525	488
Write-offs	(336)	-	(336)
Recoveries	45	-	45
Balance at the End of the Period	\$ 314	\$ 20,169	\$ 20,483

For the Three Month Period Ended December 31, 2006

Balance at the Beginning of the Period	\$ 192	\$ 19,108	\$ 19,300
Provisions (Recoveries) for Credit Losses for the Current Period	745	536	1,281
Write-offs	(373)	-	(373)
Recoveries	78	-	78
Balance at the End of the Period	\$ 642	\$ 19,644	\$ 20,286

For the Three Month Period Ended March 31, 2006

Balance at the Beginning of the Period	\$ 162	\$ 16,586	\$ 16,748
Provisions (Recoveries) for Credit Losses for the Current Period	174	681	855
Write-offs	(220)	-	(220)
Recoveries	82	-	82
Balance at the End of the Period	\$ 198	\$ 17,267	\$ 17,465

Notes to the Unaudited Interim Consolidated Financial Statements - Continued

4. LOAN SECURITIZATIONS

The following tables summarize the Company's new securitization activity for the three month period.

For the Three Months Ended

In Thousands of Dollars, Except Percentages

	March 31 2007	December 31 2006	March 31 2006
Book Value of Mortgages Securitized	\$ 134,355	\$ 130,733	\$ 121,728
Retained Interests	\$ 8,773	\$ 9,231	\$ 6,194
Servicing Liability	\$ 212	\$ 202	\$ 206
Net Proceeds Received on Securitized Mortgages	\$ 130,866	\$ 127,856	\$ 118,734
Gain on Sales	\$ 4,741	\$ 5,726	\$ 2,837
Prepayment Rate	12.8%	12.9%	12.7%
Excess Spread	2.8%	3.1%	2.0%
Discount Rate	4.0%	4.0%	4.1%

5. OTHER ASSETS

In Thousands of Dollars

	March 31 2007	December 31 2006	March 31 2006
Accrued Interest Receivable	\$ 20,425	\$ 19,046	\$ 15,825
Income Taxes Receivable	1,371	-	-
Deferred Agent Commission (Note 2)	-	9,198	8,427
Deferred Finders Fees (Note 2)	-	8,356	8,346
Goodwill	2,324	2,324	2,324
Other Prepaid Assets and Deferred Items	9,737	10,859	5,416
	\$ 33,857	\$ 49,783	\$ 40,338

6. OTHER LIABILITIES

In Thousands of Dollars

	March 31 2007	December 31 2006	March 31 2006
Accrued Interest Payable	\$ 127,537	\$ 111,920	\$ 105,469
Income Taxes Payable	-	3,788	331
Dividends Payable	3,104	3,076	2,047
Deferred Commitment Fees (Note 2)	-	12,213	10,345
Future Income Taxes (Note 9)	15,568	12,733	12,678
Other, Including Accounts Payable and Accrued Liabilities	33,290	35,425	28,284
	\$ 179,499	\$ 179,155	\$ 159,154

Notes to the Unaudited Interim Consolidated Financial Statements - Continued

7. CAPITAL STOCK

Issued and Outstanding

<i>In Thousands of Dollars, Except Per Share Amounts</i>	March 31		December 31		March 31	
	2007		2006		2006	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Common Shares						
Outstanding at Beginning of Period	34,166	\$ 34,551	34,184	\$ 35,261	34,012	\$ 34,272
Options Exercised	328	2,230	9	58	97	592
Normal Course Issuer Bid	(12)	(418)	(27)	(768)	-	-
Outstanding at End of Period	34,482	\$ 36,363	34,166	\$ 34,551	34,109	\$ 34,864
Share Purchase Options		Weighted-average Exercise Price		Weighted-average Exercise Price		Weighted-average Exercise Price
Outstanding at Beginning of Period	1,266	\$ 15.43	105	\$ 12.32	1,272	\$ 12.32
Granted	220	34.44	170	27.83	10	42.02
Exercised	(329)	6.79	(9)	6.76	(97)	6.07
Forfeited	-	-	-	-	(5)	35.25
Outstanding at End of Period	1,157	\$ 21.49	1,266	\$ 15.43	1,180	\$ 12.99
Exercisable, End of Period	597	\$ 11.21	910	\$ 9.25	926	\$ 8.01

8. STOCK BASED COMPENSATION

For all options issued after January 1, 2003 the Company recognized a compensation expense. During the first quarter of 2007, \$238,000 was recorded as an expense (\$161,000 - Q4 2006 and \$109,000 - Q1 2006) for stock option awards in the Consolidated Income Statement, with an off-setting credit to Contributed Surplus. The fair value of options granted in the first quarter of 2007 is estimated at the date of granting using the Black-Scholes valuation model with the following assumptions: risk-free interest rate of 4.1%, anticipated option life of 5.2 years, anticipated volatility of 27.1%, and anticipated dividend yield of 0.9%. Stock options granted amounted to 220,000 for this quarter and these granted options will vest subject to performance targets over a four-year period at a rate of 25% per year, expiring 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 first quarter of 2007 as they would have been fully expensed. However, the impact on previous comparable quarters would have reduced net income (\$33,000 - Q4 2006 and \$81,000 - Q1 2006) and net income and earnings per share would be reported as follows:

For the Three Month Period Ended

	March 31, 2007	December 31, 2006	March 31, 2006
Pro-forma Net Income (in Thousands of Dollars)	\$ 21,158	\$ 20,485	\$ 14,102
Pro-forma Earning per Share - Basic	\$ 0.62	\$ 0.60	\$ 0.41
Pro-forma Earning per Share - Diluted	\$ 0.61	\$ 0.59	\$ 0.40

Notes to the Unaudited Interim Consolidated Financial Statements - Continued

9. INCOME TAXES

Reconciliation of Income Taxes for the three month period ended:

<i>In Thousands of Dollars</i>	March 2007	December 2006	March 2006
Income Before Income Taxes	\$ 31,081	\$ 31,386	\$ 21,570
Income Taxes at Statutory Combined Federal and Provincial Income Tax Rates	11,226	11,330	7,774
Increase (Decrease) in Income Taxes at Statutory Income Tax Rates Resulting From:			
Tax-exempt Income	(643)	(537)	(439)
Non-deductible Expenses	94	66	53
Future Tax Rate Changes and Other	(754)	9	(1)
Income Tax	\$ 9,923	\$ 10,868	\$ 7,387

Sources of Future Income Tax Balances:

<i>In Thousands of Dollars</i>	March 2007	December 2006	March 2006
Future Income Tax Liabilities			
Deferred Agent Commissions and Other Charges	\$ 6,216	\$ 6,251	\$ 6,183
Mortgage-Backed Securities Receivable	19,758	17,995	16,681
	25,974	24,246	22,864
Future Income Tax Assets			
Allowance for Credit Losses	6,082	6,028	5,296
Mark-to-market Adjustments to Securities (Note 2)	-	1,216	1,154
Deferred Commitment Fees and Other Charges	4,324	4,269	3,736
	10,406	11,513	10,186
Net Future Income Tax Liability	\$ 15,568	\$ 12,733	\$ 12,678

10. DERIVATIVE FINANCIAL INSTRUMENTS

The Company utilized off-balance sheet financial instruments during the first quarter of 2007. During 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 fair value exposure of movements in interest rates between the time that the mortgages are committed to be sold under asset securitization, and the time the mortgages are actually sold. (These mortgages qualify for government insurance.) The intent of the swap is to have fair value movements in the swap be effective in offsetting the fair value movements in the pool of mortgages over the period in which the fixed rate pool may be exposed to movements in the variable interest rate, generally 60 to 150 days. The interest rate swaps referred to as "pay-fixed interest rate swaps" are structured such that the Company agrees to pay a fixed rate (designated in the swap) and receives the floating rate (as designated in the swap). These transactions do not qualify for hedge accounting under the CICA Accounting Guideline 13 - Hedging Relationships and therefore the Company must mark-to-market the swap, with changes in the fair value of the swap being recognized at the applicable financial reporting dates.

During the first quarter the Company entered into notional \$20 million of interest rate swaps contracts. These contracts were unwound during the quarter for a negligible loss. There were no outstanding interest rate swaps at March 31, 2007. During the comparable quarter of 2006, the Company did not enter into any interest rate swap contracts.

Notes to the Unaudited Interim Consolidated Financial Statements - Continued

11. INTEREST RATE SENSITIVITY

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

<i>In Thousands of Dollars</i>	Floating rate	0 to 3 Months	3 Months to 1 Year	1 to 3 Years	Over 3 Years	Non-interest Sensitive	Total
March 31, 2007							
Total Assets	\$ 37,369	\$ 734,131	\$ 1,258,395	\$ 1,544,450	\$ 471,946	\$ 120,644	\$ 4,166,935
Total Liabilities and Equity	-	705,972	1,494,179	1,233,715	230,958	502,111	4,166,935
Off-balance Sheet Items	-	168,596	5,006	(127,516)	(46,086)	-	-
Interest Rate Sensitive Gap	\$ 37,369	\$ (140,437)	\$ (240,790)	\$ 438,251	\$ 287,074	\$ (381,467)	\$ -
Cumulative Gap	\$ 37,369	\$ (103,068)	\$ (343,858)	\$ 94,393	\$ 381,467	\$ -	\$ -
Cumulative Gap as a % of Total Assets	0.9%	(2.5%)	(8.3%)	2.3%	9.2%	0.0%	0.0%
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	-	311,281	1,748,542	1,153,619	202,328	486,546	3,902,316
Off-balance Sheet Items	-	190,356	(12,808)	(62,081)	(115,467)	-	-
Interest Rate Sensitive Gap	\$ 30,401	\$ 59,543	\$ (531,369)	\$ 462,119	\$ 338,670	\$ (359,364)	\$ -
Cumulative Gap	\$ 30,401	\$ 89,944	\$ (441,425)	\$ 20,694	\$ 359,364	\$ -	\$ -
Cumulative Gap as a % of Total Assets	0.8%	2.3%	(11.3%)	0.5%	9.2%	0.0%	0.0%
March 31, 2006							
Total Assets	\$ 11,547	\$ 344,012	\$ 979,576	\$ 1,491,945	\$ 395,233	\$ 102,888	\$ 3,325,201
Total Liabilities and Equity	10,000	384,926	1,142,022	1,067,408	311,054	409,791	3,325,201
Off-balance Sheet Items	-	206,770	21,984	(83,539)	(145,215)	-	-
Interest Rate Sensitive Gap	\$ 1,547	\$ (247,684)	\$ (184,430)	\$ 508,076	\$ 229,394	\$ (306,903)	\$ -
Cumulative Gap	\$ 1,547	\$ (246,137)	\$ (430,567)	\$ 77,509	\$ 306,903	\$ -	\$ -
Cumulative Gap as a % of Total Assets	0.0%	(7.4%)	(12.9%)	2.3%	9.2%	0.0%	0.0%

Notes to the Unaudited Interim Consolidated Financial Statements - Continued

12. EARNING 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 mortgage lending, and the administration of Regency Finance Corp. second mortgage loans (secured loans). The consumer lending operation consists of credit card services and installment lending to customers of retail business. The other category includes the Company's treasury and securities investment activities.

The following tables detail the earnings and assets of the Company, by business segment:

Thousands of Dollars (Unaudited) For the Three Months Ended

	Mortgage Lending			Consumer Lending		
	Mar. 31	Dec. 31	Mar. 31	Mar. 31	Dec. 31	Mar. 31
	2007	2006	2006	2007	2006	2006
Net Interest Income	\$ 22,925	\$ 22,452	\$ 20,291	\$ 4,746	\$ 4,622	\$ 2,985
Provisions for Credit Losses	14	(735)	(500)	(502)	(546)	(355)
Fees and Other Income	2,381	3,912	539	2,052	1,977	1,760
Net Gain on Securities, Derivatives & Mortgage-Backed Securities	5,196	6,809	3,355	-	-	-
Non-interest Expense	(8,315)	(8,781)	(7,811)	(710)	(1,082)	(1,214)
Income Before Income Taxes	22,201	23,657	15,874	5,586	4,971	3,176
Income Taxes	(7,291)	(8,434)	(5,731)	(2,018)	(1,796)	(1,147)
Net Income	\$ 14,910	\$ 15,223	\$ 10,143	\$ 3,568	\$ 3,175	\$ 2,029
Total Assets	\$ 3,334,260	\$ 3,191,427	\$ 2,878,803	\$ 287,577	\$ 247,459	\$ 142,939

Thousands of Dollars (Unaudited) For the Three Months Ended

	Other			Total		
	Mar. 31	Dec. 31	Mar. 31	Mar. 31	Dec. 31	Mar. 31
	2007	2006	2006	2007	2006	2006
Net Interest Income	\$ 5,663	\$ 5,125	\$ 3,469	\$ 33,334	\$ 32,199	\$ 26,745
Provisions for Credit Losses	-	-	-	(488)	(1,281)	(855)
Fees and Other Income	102	79	26	4,535	5,968	2,325
Net Gain on Securities, Derivatives & Mortgage-Backed Securities	344	(34)	943	5,540	6,775	4,298
Non-interest Expense	(2,815)	(2,412)	(1,918)	(11,840)	(12,275)	(10,943)
Income Before Income Taxes	3,294	2,758	2,520	31,081	31,386	21,570
Income Taxes	(614)	(638)	(509)	(9,923)	(10,868)	(7,387)
Net Income	\$ 2,680	\$ 2,120	\$ 2,011	\$ 21,158	\$ 20,518	\$ 14,183
Total Assets	\$ 545,098	\$ 463,430	\$ 303,459	\$ 4,166,935	\$ 3,902,316	\$ 3,325,201

13. FUTURE ACCOUNTING CHANGES

The CICA 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 be effective for the Company beginning January 1, 2008.

Corporate Directory and Shareholder Information

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William A. Dimma
Chairman of the Board

Norman F. Angus
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Harvey F. Kolodny
John M. E. Marsh
Robert A. Mitchell, C.A.
Gerald M. Soloway
Warren K. Walker

Officers

Gerald M. Soloway
*President and
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Nick Kyprianou
*Senior Vice President
and Chief Operating Officer*

Brian R. Mosko
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Cathy A. Sutherland, C.A.
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Chris Ahlvik
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Auditors

*Home Capital Group Inc.
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Capital Stock

As at March 31, 2007 there were
34,482,140 Common Shares outstanding.

Stock Listing

Toronto Stock Exchange
Ticker Symbol: HCG

HOME TRUST COMPANY

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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 Monday, May 7, 2007 at 10:30 AM ET. The webcast will be archived at www.homecapital.com for 90 days.