HOME CAPITAL GROUP INC.

Third Quarter Report
September 30, 2007

Financial Highlights

For the Period Ended September 30 (Unaudited)	Three Months Ended		Nine Months Ended	
In Thousands of Dollars (Except Per Share and Percentage Amounts)	**2007**	2006	**2007**	2006
OPERATING RESULTS				
Net Income	**$ 22,837**	$ 16,618	**$ 66,013**	$ 47,297
Total Revenue[3]	**94,345**	70,621	**263,799**	201,495
Earnings per Share - Basic	**$ 0.66**	$ 0.49	**$ 1.92**	$ 1.39
Earnings per Share - Diluted	**0.65**	0.48	**1.89**	1.36
Return on Shareholders' Equity	**28.85%**	26.21%	**29.33%**	26.30%
Return on Average Assets	**2.04%**	1.82%	**2.05%**	1.79%
Efficiency Ratio[3]	**26.43%**	32.65%	**27.18%**	31.79%
Efficiency Ratio (TEB)[2,3]	**25.87%**	31.98%	**26.59%**	31.16%
(Non-interest Expense/Net Interest Income Plus Fee Income)				
BALANCE SHEET HIGHLIGHTS				
Total Assets			**$ 4,672,820**	$ 3,749,189
Loans			**3,740,268**	3,195,820
Deposits			**4,160,496**	3,312,840
Shareholders' Equity			**323,305**	260,653
Mortgage-Backed Security Assets Under Administration			**1,347,029**	1,044,046
FINANCIAL STRENGTH				
Capital Measures				
Risk Adjusted Assets[1]			**$ 2,525,351**	$ 1,955,551
Tier 1 Capital Ratio[1]			**11.45%**	12.46%
Total Capital Ratio			**12.91%**	14.10%
Credit Quality				
Net Impaired Loans % of Gross Loans			**0.63%**	0.56%
Allowance % of Gross Impaired Loans			**93.89%**	105.60%
Annualized Provision % of Gross Loans			**0.13%**	0.13%
Share Information				
Book Value per Common Share			**$ 9.38**	$ 7.62
Common Share Price - Close			**34.50**	30.70
Market Capitalization			**1,188,685**	1,049,453
Number of Common Shares Outstanding			**34,455**	34,184

[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.

HOME CAPITAL GROUP INC.
TO OUR SHAREHOLDERS

Home Capital Reports Record Third Quarter Performance:
Net earnings rise 37.4% year-over-year, as new mortgage originations grow by 48.3%
Return on equity at 28.9% for the quarter

Home Capital Group Inc. (TSX: HCG) reported outstanding financial results for the third quarter ended September 30, 2007 and for the first nine months of this year. The Company generated strong residential and commercial mortgage lending growth, increased sales of Mortgage-Backed Securities (MBS), and accelerated returns from our VISA products.

Home Capital delivered a strong performance during the third quarter despite the recent turmoil in the financial marketplace. Favourable economic conditions across Canada continued to create attractive lending and growth opportunities for the Company during the quarter. Key results for the period included:

- Net income for the quarter was $22.8 million, an increase of 37.4% over the $16.6 million recorded for the same period last year. Earnings for the first nine months of 2007 reached $66.0 million, a rise of 39.6% over the comparable period of 2006.

- Basic earnings per share were $0.66, 34.7% above $0.49 for the third quarter of 2006, and $1.92 for the nine-month period, or 38.1% higher than the $1.39 recorded last year. Diluted earnings per share were $0.65, a rise of 35.4% from the $0.48 recorded for the third quarter of 2006; results for the nine months were $1.89, 39.0% above the same period last year.

- Return on equity was 28.9% for the third quarter, compared to 26.2% for the quarter ended September 2006, and 29.3% for the first nine months of 2007 versus 26.3% for the same period last year.

- Total assets at September 30, 2007 reached $4.67 billion, 24.6% higher than the $3.75 billion reported one year earlier. Total assets, together with MBS originated and administered by the Company, grew to $6.02 billion, a rise of 25.6% from $4.79 billion at September 2006.

- Total mortgage originations were $791.0 million during the third quarter, an increase of 48.3% from the $533.2 million advanced during the comparable period of 2006. The Company advanced $614.1 million in residential mortgages, including a $28.0 million portfolio purchased during the quarter, and $176.9 million in commercial mortgages.

- Mortgage securitization activity remained robust as the Company securitized and sold $208.4 million of CMHC-backed MBS securities during the third quarter compared to $153.1 million for the same period last year, and $493.4 million in the first nine months of the year compared to $415.5 million for the first nine months of 2006.

- Receivable balances on the Equityline VISA portfolio reached $291.8 million, 63.2% higher than the $178.8 million recorded at the same point in 2006. Net income from consumer lending reached $3.7 million for the third quarter, 36.8% over the $2.7 million recorded last year, and $11.0 million for the first nine months, or 58.0% over the comparable period of 2006.

- The efficiency ratio (TEB) (the lower the better) continued to improve as the Company achieved additional productivity gains. The ratio was 25.9% for the third quarter, compared to 32.0% during the same quarter in 2006; it was 26.6% for the first nine months of 2007, versus 31.2% for the comparable period last year.

- Net impaired loans represented 0.63% of the total loans portfolio, down from 0.74% at March 31, 2007, 0.68% at June 30, 2007 and up from 0.56% at September 30, 2006. Loan losses resulting from mortgage write-offs during the period remained negligible. Non-performing mortgages continue to be diligently managed by the Company with the objective of timely resolution, on a loan-by-loan basis.

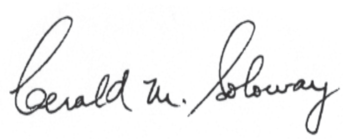
- The Company’s operating subsidiary, Home Trust Company, held a liquidity position at September 30, 2007 of $626.8 million, nearly double the liquidity held one year prior of $320.2 million. Management believes that recent market instability resulted in a “flight to quality”, and Home Trust’s offering of term deposits proved very attractive to consumers.

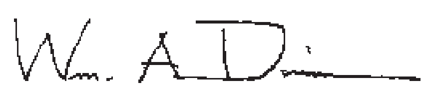
Subsequent to quarter-end, Home Capital completed the successful acquisition of Payment Services Interactive Gateway Corp. (PSiGate). This acquisition represents an important step in the continuing evolution of the Home Trust VISA card services line of business. PSiGate’s services enhance the Company’s current credit card activities by enabling Home Trust to offer payment-processing services to internet-based merchants. The acquisition also adds a strong contingent of managerial and technical talent to our existing credit card services team.

During the third quarter, Home Trust Asset Management Inc. (HTAM) was established by Home Trust Company. Subsequent to quarter-end, HTAM was granted regulatory approval by the Ontario Securities Commission as an Investment Counsellor/Portfolio Manager and as a Limited Market Dealer. Consistent with previous new initiatives, the Company is taking a careful, step-by-step approach to start-up, and is utilizing the expertise of seasoned management, led by Jason Donville, the Company’s Chief Investment Officer and Harold Kent, who was formerly with All Canadian Asset Management. We anticipate launching the initial fund, a Limited Partnership fund focusing on small-cap financial services opportunities, during the fourth quarter.

Subsequent to the end of the third quarter, the Company’s Board of Directors declared a quarterly cash dividend of $0.11 per Common Share, payable on December 1, 2007 to shareholders of record at the close of business on November 15, 2007.

Home Capital has been able to utilize its core strengths to deliver sustained growth and increased profitability, quarter-over-quarter, to the benefit of all shareholders. The Board of Directors and Management remains highly confident about the Company’s ability to meet, or exceed, each of the business objectives established at the beginning of the year, during the fourth quarter, and to continue its strong momentum through 2008.





GERALD M. SOLOWAY
President and Chief Executive Officer
October 29, 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 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 $1.1 million for the third quarter and $3.1 million for the nine months of 2007 ($0.7 million - Q3 2006 and $2.2 million - nine 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.

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 Management’s Discussion and Analysis (MD & A) should be read in conjunction with the unaudited interim consolidated financial statements for the period ended September 30, 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 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 unaudited interim consolidated financial statements and MD & A have been prepared based on information available as at October 25, 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 on page 10 of the Company’s 2006 Annual Report. The following table compares actual performance to date against each of these objectives.

		Nine-Month Period Ended September 30, 2007
	2007 Objectives	**Actual Results[1]**
Net Income	20% over 2006 or $56.8 million	**$66.0 million, or 39.6% increase over same period last year**
Diluted Earnings per Share	20% over 2006 or $1.63 per share	**$1.89 per share, or 39.0% increase over same period last year**
Combined Total Assets and Assets Under Administration	20% over 2006 or $5.75 billion	**$6.02 billion, or 25.6% increase over last year**
Return on Equity	25%	**29.3%**
Efficiency Ratio (TEB)[2]	35.0% to 39.0%	**26.6%**
Capital Ratio - Tier 1	Minimum of 9.5%	**11.5%**
Capital Ratio - Total	Minimum of 12.0%	**12.9%**
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] 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 result during the third quarter, further building on the momentum of the first half of 2007. The Company experienced positive growth across all of its operating segments.

- Net income rose 37.4% over the comparable quarter of 2006.
- Net interest income was up 27.9% over the same period in 2006, as the Company's income-producing assets grew by 25.4% combined with the positive effect of improved interest spreads.
- Non-interest income was up 73.9% over the third quarter of 2006, driven by growth in fee income from increased fees for the administration of the mortgage portfolio, servicing fees and the absence of any derivative losses in 2007.
- The efficiency ratio (TEB) improved to 25.9% from 32.0% in the third quarter of 2006 as a result of management's continuing efforts to control costs.
- Diluted earnings per share for the quarter increased 35.4% to $0.65 compared to $0.48 for the third quarter of 2006.
- Return on average shareholders' equity for the quarter was 28.9%, an improvement over the 26.2% reported in the third quarter of 2006.

Balance Sheet Highlights

- Throughout the third quarter, the Company has remained soundly liquid and unaffected by the securitization market disruption, ending the quarter with $626.8 million in liquid assets, up 84.9% and 95.8% from both December 31, 2006 and September 30, 2006, respectively.
- Total assets at September 30, 2007 grew by 19.7% over the nine-month period to reach $4.67 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 grew by $153.7 million; other mortgages grew by $193.1 million and cash resources rose by $305.9 million. Recent market events have had an insignificant impact as the Company has no direct exposure to any non-bank sponsored asset backed commercial paper or American subprime lending.
- The Equityline VISA portfolio sustained its strong momentum, reaching $291.8 million, a growth of 35.2%, or $75.9 million over the fourth quarter of 2006 and 63.2%, or $113.0 million over the third quarter of 2006.
- Deposit liabilities as at September 30, 2007 grew 20.8% to reach $4.16 billion, as compared to $3.44 billion as at December 31, 2006. These proceeds were deployed to fund the growth of the Company's loan portfolio with excess funds invested in the Company's cash resources and securities portfolio.

Earnings Review

Net Interest Income

Net interest income was $38.3 million in the third quarter and $108.2 million for the nine months of 2007, representing increases of $8.3 million, or 27.9%, over the $30.0 million reported in the third quarter of 2006, and $23.2 million, or 27.2%, over the $85.0 million recorded during the same nine-month period of 2006. These increases were the result of improved net interest margins and the growth in interest-bearing assets exceeded the growth in interest-bearing liabilities. The growth in interest earning assets was $928.1 million over September 2006, compared to an increase in interest bearing liabilities of $847.7 million. The net interest margin (TEB) for both the third quarter and nine-month period ended September 30, 2007 was 3.5%, representing improvements over the comparable periods of 2006 of 3.4% and 3.3%, respectively. The interest spread between loans and deposits was 3.6% for the quarter and 3.7% for the nine-month period ended September 30, 2007, compared to 3.4% 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 $24.5 million in the third quarter of 2007 and $72.4 million for the nine-month period ended September 30, 2007, compared to $21.5 million during the third quarter of 2006, and $62.9 million for the nine months of 2006.

The consumer lending line of business contributed third quarter net interest income of $5.4 million and $15.3 million for the nine-month period, compared to $4.0 million and $10.4 million for the quarter and nine months ended September 30, 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 $12.0 million for the third quarter and $33.5 million for the nine months of 2007, an increase of $5.1 million and $10.6 million from the $6.9 million and $22.9 million reported for the three- and nine-month periods ended September 30, 2006, respectively. The increases over the prior periods were driven by fee income generated from the administration of the mortgage portfolio, servicing fees and the absence of losses on derivatives in 2007.

The fees and other income components of non-interest income were $5.4 million at the end of the quarter and $15.1 million for the nine months of 2007, compared to $2.7 million and $7.5 million for the comparable periods in 2006. The mortgage lending line of business contributed $3.3 million of this income in the quarter and $8.7 million for the nine months, compared to $0.6 million and $1.7 million for the third quarter and nine months of 2006, respectively. The consumer lending line of business contributed $2.0 million of fee income during the quarter and $6.1 million for the nine months of 2007, compared to $2.0 million and $5.7 million for the comparable quarter and nine-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 six MBS pools, consisting of $208.4 million of Canada Mortgage and Housing Corporation (CMHC) insured residential mortgages for total issuance of MBS pools in 2007 to date of $493.4 million. This represents an increase of $55.3 million over the $153.1 million in MBS pools that were issued in the third quarter of 2006 and a $77.9 million increase over the $415.5 million issued during the nine months of 2006. Securitization gains were $6.0 million during the quarter and $14.7 million for the nine-month period ended September 30, 2007, up from $5.3 million realized in the third quarter and $12.2 million over the nine-month period of 2006 (refer to Note 4 of these unaudited interim consolidated financial statements). The marginal increase in securitization gains during the quarter in relation to the comparable quarter of 2006 was primarily due to increases in the volume securitized as both increases in unscheduled prepayment rates and a reduction in excess spread had a diminishing effect on gains. For the nine-month period, the gains were higher in 2007 in comparison to 2006, as the excess spread achieved in the nine-month period ended September 30, 2007 over September 30, 2006 offset the increased unscheduled prepayment rate utilized during the nine-month period ended September 30, 2007. During the third quarter of 2007, the Company participated in CMHC's Canada Mortgage Bond program administered through Canada Housing Trust. This program will allow the Company to diversify its funding stream by accessing an additional distribution channel for these five-year MBS pools. In September, the Company issued one MBS pool through this program with a book value of $28.0 million resulting in a gain of $1.3 million.

Non-Interest Expenses

Total non-interest expenses for the quarter and nine-month period were $13.3 million and $38.5 million, up 10.5%, or $1.3 million from the $12.0 million recorded for the third quarter of 2006 and up by 12.2%, or $4.2 million over the $34.3 million reported for the nine 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 improve business processes for the Company, and to meet changing regulatory requirements. Salaries and staff benefit expenses for the third quarter increased by $1.0 million, or 14.8%, over the third quarter of 2006 and by $2.7 million, or 13.8%, over the nine months of 2006. The Company ended the quarter with 360 employees, up from the first and second quarters of 2007 and up from 347 employed at the end of September 2006. Increase in staffing levels are required to effectively manage growth in all of the Company's business segments. Premises expenses increased from the prior year's period as the Company entered into a new lease in May 2007 for the opening of the branch office in Montreal.

General and administration expenses increased by $0.2 million over the third quarter of 2006 and $1.3 million over the nine-month period of 2006. The increase in general and administration expenses from the third quarter and nine-month period ended September 30, 2006 is primarily due to increased professional fees related to a number of initiatives to improve business processes for the Company, and to meet changing regulatory requirements.

The efficiency ratio (TEB) was 25.9% at the end of the third quarter and 26.6% for the nine months of 2007, compared to 32.0% and 31.2% for the comparable periods in 2006. Management's focus on cost containment has been reflected in the favourable efficiency ratios (TEB) achieved in the current and nine-month periods of 2007 and represents a significant improvement over the third quarter and nine months of 2006. On January 1, 2007, the Company implemented new accounting standards on financial instruments. With the implementation of the new standards, 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 had the effect of improving the efficiency ratio from past historic levels, and from 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 $2.1 million in the third quarter and $3.6 million for the nine months ended September 30, 2007 through the provision for credit losses, compared to $1.0 million and $3.1 million last year. 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 in risk-weighted assets and in particular the growth in the loans portfolio. The total general allowance amounted to $22.1 million at the end of the quarter, an increase of $2.5 million over the $19.6 million recorded at December 31, 2006, and a $3.0 million rise over the $19.1 million allowance recorded at September 30, 2006.

At September 30, 2007 net impaired loans amounted to $23.6 million (0.63% of gross loans), compared to $22.8 million (0.68% of gross loans) at December 31, 2006 and $18.1 million (0.56% of gross loans) at September 30, 2006. The rise in net impaired loans relative to the same period last year has not resulted in material increases in loan write-offs (refer to Note 3 of these unaudited interim consolidated financial statements). Total net loans written-off during the nine months ended September 30, 2007 were $1.1 million, up from $0.7 million and $0.6 million for the nine month periods ended December 31, 2006 and September 30, 2006, respectively. Despite the increase in dollar value of loan write-offs, this represents just 0.03% of the gross loans portfolio up only slightly over prior periods (0.02% for nine-month periods ended September 30, 2006 and December 31, 2006). The Company continues to closely monitor non-performing loans and has taken proactive steps to minimize losses, as described under the Credit Risk section of this MD & A.

Income Taxes

The income tax expense amounted to $12.1 million (effective tax rate of 34.5%) for the third quarter of 2007, and $33.6 million (effective tax rate of 33.7%) for the nine months of 2007, compared to $7.2 million (effective tax rate of 30.3%) for the third quarter of 2006 and $23.2 million (effective tax rate of 32.9%) for the nine 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 36.5% for the third quarter and 35.7% for the nine months of 2007, compared to 32.4% for the third quarter of 2006 and 34.9% for the nine months of 2006.

Balance Sheet Review

Assets

Total assets as at September 30, 2007 were $4.67 billion, an increase of $923.6 million, or 24.6%, over the $3.75 billion reported one year ago, and up by $770.5 million, or 19.7%, over the December 31, 2006 asset balance of $3.90 billion.

Growth in the loans portfolio of $544.5 million, or 17.0%, generated most of this year-over-year asset increase. Residential mortgages contributed $187.7 million to the total loan portfolio growth, other mortgages (primarily commercial mortgages) contributed particularly strong growth of $231.6 million, consumer lending contributed $112.3 million, secured loans added $15.9 million, and the general allowance for credit losses increased by $3.0 million. The residential portfolio growth of $187.7 million recorded above does not factor in $208.4 million of loans securitized during the quarter. The Company's cash resources increased significantly year-over-year by $322.5 million as did the securities portfolio which increased by $61.2 million, which resulted from funds raised through deposits and internally-generated earnings. Other assets declined by $4.3 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 loans and deposits. The effects of the reclassification were offset by an increase in accrued interest receivable generated from the growth in the Company's loan portfolio. Remaining balances in other assets, consisting of goodwill, other prepaid and deferred assets (refer to Note 5 of these unaudited interim consolidated financial statements) were relatively consistent, year-over-year.

Growth in the loans portfolio of $431.1 million, or 13.0%, was the principal contributor to asset growth over December 31, 2006. The loan portfolio growth was driven by a $153.7 million increase in residential mortgages, a $193.1 million rise in other mortgages (primarily commercial mortgages), a $75.2 million growth in consumer lending, an $11.5 million increase in secured loans, and the general allowance for credit losses increased by $2.4 million. The Company's cash resources increased by $305.9 million and the securities portfolio rose by $43.2 million over December 31, 2006, primarily due to deposits raised in the latter half of the quarter as investors moved funds into low-risk investments. The Company recommenced commercial real estate lending in early 2007 by entering into lending arrangements secured by commercial mortgages. During the nine months of 2007, the Company's commercial mortgage group advanced loans for $406.7 million. Total other assets decreased by $9.7 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 new financial instrument accounting standards (refer to Note 2 of these unaudited interim consolidated financial statements). The declines in other assets due to the reclassification was offset by an increase in accrued interest receivable generated from the growth in the Company's loan portfolio.

Liabilities

Liabilities for the third quarter ended September 30, 2007 rose to $4.35 billion, an increase of $861.0 million, or 24.7%, over the $3.49 billion reported at September 30, 2006 and up by $724.1 million, or 20.0%, over the $3.63 billion recorded at December 31, 2006.

Most of the year-over-year growth resulted from increased deposits of $847.7 million. Higher deposit liabilities funded all of the loan portfolio growth along with adding to the Company's investment securities and cash resources. Growth in retained earnings and other liabilities contributed to the Company's securities portfolio and other assets. Other liabilities (refer to Note 6 of these unaudited interim consolidated financial statements) increased by $18.2 million, or 10.9%, over the $166.8 million reported at September 30, 2006. This year-over-year growth was principally the result of increases in accrued interest payable of $16.1 million related to higher deposits and a $11.0 million increase in other liabilities resulting from the timing of payments for the administration of the off-balance sheet MBS portfolio. The growth was offset by a decline in deferred commitment fees which are now classified with the associated 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 $716.9 million. Higher deposit liabilities were the primary funding source for the loan portfolio growth for the nine months of 2007 as well as adding to the Company's investment securities and cash resources. The increase in other liabilities (refer to Note 6 of these unaudited interim consolidated financial statements) compared to the fourth quarter of 2006 was driven by the same factors as discussed above, and offset by the reclassification of the deferred commitment fees as discussed in Note 2 of these unaudited interim consolidated financial statements.

Shareholders' Equity

The increase in shareholders' equity of $62.7 million, or 24.0%, over the $260.7 million reported at September 30, 2006 was internally generated from net income of $86.5 million for the twelve-month period ended September 30, 2007, less adjustments from the adoption of new financial instrument accounting standards of $9.3 million, and less $14.8 million for dividends paid and payable to shareholders. The remaining increases were principally 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 $0.9 million, offset by $3.4 million paid by the Company to repurchase capital stock through the Normal Course Issuer Bid. The adjustments from the adoption of the new financial instrument standards of $9.3 million is comprised of an opening retained earning adjustment upon adoption of the standards of $1.4 million offset by unrealized losses of $6.0 million and 3.4 million from mortgage-backed securities receivable and available for sale securities, respectively. The unrealized losses on the mortgage-backed securities receivable are based on models that estimate the fair value of the expected cash flows discounted at current market rates which have been in-directly affected by unfavourable market conditions in the asset backed commercial paper market that have caused a widening of credit spreads and an expectation that a higher discount rate would be required to purchase these mortgage-backed securities receivable. The Company believes that existing abnormal market conditions are temporary and that no sustained permanent impairment exists.

Shareholders' equity rose to $323.3 million, an increase of $46.4 million, or 16.8%, over $276.9 million reported at December 31, 2006. This growth of $46.4 million was internally generated from net income for the nine months of $66.0 million, less adjustments from the adoption of new financial instrument accounting standards of $9.3 million, less $11.0 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.

At September 30, 2007 the book value per common share was $9.38, compared to $8.10 at December 31, 2006, and $7.62 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 and deposit commitments. During the quarter ended September 30, 2007, the Company did not enter into new interest rate swap contracts relating to hedging interest exposure on outstanding loan commitments. During the quarter ended September 30, 2006 the Company unwound $95.0 million of fixed forward interest rate swaps for a realized gain of $2.1 million, leaving $30.0 million of fixed forward contracts in place. The $30.0 million outstanding positions were marked-to-market, recording an unrealized loss of $0.1 million in the consolidated Statements of Income. During the third quarter of 2007, the Company participated in the Canada Mortgage Bond program sponsored by CMHC. With 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 value of the seller swap and hedge swap at September 30, 2007 was $28.0 million and $0.3 million, respectively. These swaps were marked-to-market at September 30, 2007 for an unrealized gain of $0.1 million recorded in the consolidated Statements 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. The Company continues to administer all securitized assets after the sales. As of September 30, 2007 outstanding securitized mortgage loans under administration amounted to $1.35 billion ($1.11 billion - Q4 2006 and $1.04 billion - Q3 2006) and retained interest of $50.1 million ($51.0 million - Q4 2006 and $50.5 million - Q3 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 $288.0 million at September 30, 2007 compared to $201.8 million at December 31, 2006 and $176.5 million at September 30, 2006. These commitments remain open for various dates through October 2008. As of September 30, 2007 unutilized credit card balances amounted to $69.2 million, compared to $66.8 million at December 31, 2006 and $66.2 million at September 30, 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.

Subsequent to the quarter, the Company's operating subsidiary, Home Trust Company ("Home Trust") and Unity Life of Canada ("Unity Life") have 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 11.5%, down from the third and fourth quarters of 2006. The total capital ratio was 12.9% at September 30, 2007 compared to 14.2% and 14.1% reported at December 31 and September 30, 2006. The decline in the Tier 1 capital ratios and total capital ratio when compared to the comparative quarters was due to an intercompany dividend paid during the third quarter of 2007 to fund the proposed 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 September 30, 2007, Home Trust was utilizing 81.9% of its approved Assets to Regulatory Capital Multiple of 17.5 times (76.1% Q4 - 2006 and 77.6% Q3 - 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 September 30, 2007, the composition of the total mortgage portfolio was 90.3% residential, 3.9% store and apartments, 3.3% commercial and 2.5% other non-residential loans. Within the Company's residential mortgage portfolio, 5.9% of the loans are insured by CMHC. First mortgages represent 99.5% of the total mortgage portfolio.

As at September 30, 2007, the gross credit card receivable balance totaled $303.5 million, comprised of $302.5 million, or 99.7% of the portfolio secured either by cash deposits or residential mortgage collateral, and $1.0 million, or 0.3% which is unsecured. The total credit approved includes $371.3 million in secured and $1.4 million in unsecured credit, compared to $294.2 million in secured and $2.4 million of unsecured credit at December 31, 2006 and $255.3 million in secured and $3.8 million of unsecured credit at September 30, 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 a collateral residential mortgage, and this portfolio segment amounted to $291.8 million of the total credit card receivable balance as at September 30, 2007, compared to $215.9 million at December 31, 2006 and $178.8 million at September 30, 2006. Cash deposits securing credit card accounts amounted to $18.8 million, and are included in the Company's deposits. The Company has experienced minimal losses on the credit card portfolio. At September 30, 2007, $4.1 million, or 1.4%, of the credit card portfolio was over 60 days in arrears.

The secured loan portfolio of $81.8 million increased by $11.5 million over the December 31, 2006 balance of $70.3 million, and $15.9 million over the September 30, 2006 balance of $65.9 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 September 30, 2007, $0.7 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.

Although the Company has experienced a rise in net impaired loans to $23.6 million at September 30, 2007 compared with $22.8 million at December 31, 2006 and $18.1 million at September 30, 2006, the Company has not experienced any material rise in net loan write-offs. Additionally, net impaired loans as a percentage of gross loans has improved from the second quarter of 2007 ending the third quarter at 0.63%, down from 0.68% for the second quarter. The Company continuously improves its underwriting efforts, 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 potential drivers and then reflect those drivers in the Company's lending criteria. This analytical approach and constant 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 nine-month period ended September 30, 2007 totaled $1.1 million, which is up from both the comparable nine-month periods ended December 31, 2006 and September 30, 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 for future losses by increasing general allowances to $22.1 million at September 30, 2007, as compared with the general allowances of $19.6 million at December 31, 2006, and $19.1 million at September 30, 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 99.7% 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 87.5 basis points of the Company's risk-weighted assets as at September 30, 2007 compared to 95.1 basis points at December 31, 2006 and 97.7 basis points at September 30, 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, a small holding of bank-sponsored asset backed commercial paper with term to maturity of 60 days or less, 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 September 30, 2007 liquid assets amounted to $626.8 million, up 84.9% from $339.0 million at December 31, 2006 and 95.8% higher than the $320.2 million at September 30, 2006.

The Company's policy is to maintain a minimum 20% of 100-day obligations in liquid assets. For the twelve months ended September 30, 2007 the Company maintained an average of $401.9 million, or 45.7%, of 100-day obligations in liquid assets compared to $288.0 million, or 41.3%, for the twelve months ended December 31, 2006 and $266.8 million, or 41.3%, for the twelve-month period ended September 30, 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 September 30, 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. Note 11 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.

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 both future net interest income and the economic value of shareholders' equity. As at September 30, 2007 a 1% decrease in interest rates would decrease net interest income over the next twelve months after tax by approximately $3.7 million, and a 2% rate decrease would also decrease net interest income after tax by approximately $7.4 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 $6.8 million or $14.0 million, respectively.

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 specific to hedging commitment risk as at September 30, 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 Bond. 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 third quarter and nine months of 2007, compared to both periods of 2006 (refer to Note 12 of the accompanying unaudited interim consolidated financial statements).

Mortgage Lending

The Company's principal line of business contributed $15.1 million to net income during the third quarter of 2007, and $45.3 million for the nine months of 2007, as compared to $12.0 million and $35.2 million for the same periods ended September 30, 2006. The increase from the quarter one year prior was primarily driven by increased loan originations and fee increases instituted in late 2006 that were not reflected in the 2006 amounts. The total value of new mortgages advanced in the third quarter and nine months of 2007 amounted to $791.0 million and $1.96 billion, up 48.3% and 33.8% over the $533.2 million advanced in the third quarter and $1.46 billion advanced during the nine-month period ended September 30, 2006, respectively.

The Company securitized $208.4 million of government guaranteed (CMHC) residential mortgage loans through the creation of MBS securities during the third quarter, and a total of $493.4 million for the nine months of 2007, realizing total gains on securitization of $6.0 million during the quarter and $14.7 million year-to-date. This compares to $153.1 million for the third quarter of 2006 and $415.5 million for the nine months of 2006, resulting in gains of $5.3 million and $12.2 million, respectively. During the quarter, the Company participated in CMHC's Canada Mortgage Bond program. The Company securitized $28.0 million of government guaranteed residential mortgage loans through the creation of MBS securities which were sold through Canada Housing Trust, realizing $1.3 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 4 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 $81.8 million in Secured Loans as Notes Receivable issued by Regency, compared to $70.3 million at December 31, 2006 and $65.9 million at September 30, 2006. These Notes yield 6.8% with an average duration of 2.8 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 third quarter of 2007. Net income for the quarter was $3.7 million, and $11.0 million for the nine months of 2007, compared to $2.7 million and $7.0 million for the comparable periods in 2006. The Equityline VISA loans portfolio amounted to $291.8 million at September 30, 2007 ($215.9 million - Q4 2006 and $178.8 million - Q3 2006) comprising 96.1% (94.0% - Q4 2006 and 92.7% - Q3 2006) of the total gross credit card receivable balance of $303.5 million and bearing an average interest rate of 10.4% (10.2% - Q4 2006 and 9.9% - Q3 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 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 3, 4, and 9 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 September 30, 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 October 25, 2007, the Company had issued 34,454,640 Common Shares. In addition, outstanding director and employee stock options amounted to 1,170,000 (1,266,000 - Q4 2006 and 1,104,500 - Q3 2006) of which 596,250 are exercisable as of the quarter-end (910,375 - Q4 2006 and 841,375 - Q3 2006) for proceeds to the Company upon exercise of $7.3 million ($8.4 million - Q4 2006 and $6.7 million - Q3 2006).

Subsequent to the end of the quarter, the Board of Directors declared a quarterly cash dividend of $0.11 per Common Share payable on December 1, 2007 to shareholders of record at the close of business on November 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 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	2005
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Net Interest Income (TEB)[1]	$ 39,396	$ 37,647	$ 34,276	$ 33,040	$ 30,727	$ 29,072	$ 27,396	$ 27,745
Less TEB Adjustment	1,084	1,118	942	841	764	740	651	708
Net Interest Income per Financial Statements[3]	38,312	36,529	33,334	32,199	29,963	28,332	26,745	27,037
Non-Interest Income[3]	11,964	11,467	10,075	12,743	6,880	9,412	6,623	8,028
Total Revenues[3]	94,345	87,708	81,745	81,053	70,621	68,495	62,380	62,787
Net Income	22,837	22,018	21,158	20,518	16,618	16,496	14,183	16,881
Return on Common Shareholders' Equity	28.9%	28.9%	29.3%	30.5%	26.2%	27.6%	25.2%	31.9%
Return on Average Total Assets	2.0%	2.1%	2.1%	2.2%	1.8%	1.9%	1.7%	2.1%
Earnings per Common Share								
Basic	$ 0.66	$ 0.64	$ 0.62	$ 0.60	$ 0.49	$ 0.48	$ 0.42	$ 0.50
Diluted	$ 0.65	$ 0.63	$ 0.61	$ 0.59	$ 0.48	$ 0.47	$ 0.41	$ 0.47
Book Value per Common Share	$ 9.38	$ 8.98	$ 8.70	$ 8.10	$ 7.62	$ 7.22	$ 6.79	$ 6.44
Efficiency Ratio (TEB)[1,3]	25.9%	27.3%	26.7%	26.8%	32.0%	29.5%	32.2%	27.5%
Efficiency Ratio[3]	26.4%	27.9%	27.3%	27.3%	31.2%	30.1%	32.8%	28.0%
Tier 1 Capital Ratio[2]	11.5%	12.7%	12.8%	12.7%	12.5%	12.7%	12.9%	12.7%
Total Capital Ratio[2]	12.9%	14.2%	14.3%	14.2%	14.1%	14.4%	14.6%	14.5%
Net Impaired Loans as % of Gross Loans	0.63%	0.68%	0.74%	0.68%	0.56%	0.54%	0.51%	0.49%
Annualized Provision as % of Gross Loans	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%

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 improved net interest margins, strong revenue growth in all business segments and continued low efficiency ratios (where the lower the ratio the better). The Company has not experienced any material mortgage loan write-offs and the quarter saw an improvement in the net impaired loans as a percentage of gross loans which declined to 0.63% from 0.68% in the second quarter of 2007. The slight drop in the Tier 1 Capital Ratio and Total Capital Ratio in the third quarter 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 provide financing for 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 is very well positioned to benefit from favourable market and economic conditions across its business activities. Despite the broad liquidity crisis that occurred during the quarter the Company remains well capitalized with ample liquidity to meet the Company's growth projections. As we move into the fourth quarter of 2007, the Canadian economy continues to grow with historically low unemployment despite the liquidity crisis and uncertainty in the U.S. marketplace. Interest rates are expected to remain relatively stable into the first quarter of 2008 and the Company continues to have strong growth in the mortgage pipeline. The Company has a proven corporate strategy and proprietary risk management procedures to manage the Company's further growth prospects.

Certificate of Interim Consolidated Financial Statements

The Interim 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 September 30, 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 September 30, 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 Chief Financial Officer 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
October 26, 2007

Phil Braginetz, CFA
Chief Financial Officer

Consolidated Statements of Income

In Thousands of Dollars, Except Per Share Amounts (Unaudited)	Three Months Ended September 30 2007	Three Months Ended September 30 2006	Nine months Ended September 30 2007	Nine months Ended September 30 2006
Income				
Interest from Loans	$ 73,372	$ 59,519	$ 209,823	$ 167,390
Dividends from Securities	2,162	1,424	6,269	4,020
Other Interest	6,848	2,797	14,201	7,171
	82,382	63,740	230,293	178,581
Interest Expense				
Interest on Deposits	44,070	33,777	122,118	93,540
Net Interest Income	38,312	29,963	108,175	85,041
Provision for Credit Losses (Note 3)	2,103	974	3,593	3,117
	36,209	28,989	104,582	81,924
Non-interest Income				
Fees and Other Income	5,415	2,722	15,089	7,514
Securitization Income on Mortgage-Backed Securities	6,572	5,534	17,363	14,223
Net Gain (Loss) Realized and Unrealized on Investment Securities	(159)	819	945	2,244
Gain (Loss) on Derivatives	136	(2,196)	109	(1,067)
	11,964	6,879	33,506	22,914
	48,173	35,868	138,088	104,838
Non-interest Expenses				
Salaries and Staff Benefits	7,813	6,808	22,032	19,367
Premises	968	951	2,841	2,590
General and Administration	4,508	4,268	13,638	12,357
	13,289	12,027	38,511	34,314
INCOME BEFORE INCOME TAXES	34,884	23,841	99,577	70,524
Provision for Income Taxes (Note 9)	12,047	7,223	33,564	23,227
NET INCOME	$ 22,837	$ 16,618	$ 66,013	$ 47,297
NET INCOME PER COMMON SHARE				
Basic	$ 0.66	$ 0.49	$ 1.92	$ 1.39
Diluted	$ 0.65	$ 0.48	$ 1.89	$ 1.36
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (Thousands)				
Basic	34,413	34,041	34,429	34,135
Diluted	34,873	34,814	34,845	34,810
Total Number of Outstanding Common Shares (Note 7)	34,455	34,184	34,455	34,184
Book Value Per Common Share	$ 9.38	$ 7.62	$ 9.38	$ 7.62

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

Consolidated Statements of Comprehensive Income

	Three Months Ended		Nine Months Ended	
	September 30	September 30	**September 30**	September 30
In Thousands of Dollars (Unaudited)	**2007**	2006	**2007**	2006
NET INCOME FOR THE PERIOD	**$ 22,837**	$ 16,618	**$ 66,013**	$ 47,297
OTHER COMPREHENSIVE LOSS, NET OF TAX				
Unrealized Losses on Available for Sale Securities				
Net Unrealized Losses on Securities Available for Sale	**(3,957)**	-	**(8,982)**	-
Transfers to Net Income	**288**	-	**(1,076)**	-
Total Other Comprehensive Loss	**(3,669)**	-	**(10,058)**	-
COMPREHENSIVE INCOME	**$ 19,168**	$ 16,618	**$ 55,955**	$ 47,297

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

Consolidated Balance Sheets

In Thousands of Dollars (Unaudited)	**September 30 2007**	December 31 2006	September 30 2006
ASSETS			
Cash Resources			
Deposits with Regulated Financial Institutions	**$ 449,396**	$ 43,701	$ 52,119
Treasury Bills Guaranteed by Canada	**-**	99,830	74,747
	449,396	143,531	126,866
Securities			
Issued or Guaranteed by Canada	**-**	208,980	203,245
Issued or Guaranteed by Provinces	**-**	299	299
Other Securities	**-**	134,855	122,670
Held for Trading	**19,965**	-	-
Available for Sale	**367,411**	-	-
	387,376	344,134	326,214
Loans			
Personal and Credit Card Loans	**312,261**	237,037	200,016
Secured Loans	**81,797**	70,250	65,888
Residential Mortgages	**3,039,459**	2,885,806	2,851,760
Other Mortgages	**328,838**	135,765	97,264
General Allowance for Credit Losses (Note 3)	**(22,087)**	(19,644)	(19,108)
	3,740,268	3,309,214	3,195,820
Other			
Mortgage-Backed Securities Receivable (Note 4)	**50,124**	50,963	50,499
Capital Assets	**4,664**	4,691	4,522
Other Assets (Note 5)	**40,992**	49,783	45,268
	95,780	105,437	100,289
	$ 4,672,820	$ 3,902,316	$ 3,749,189
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Deposits			
Payable on Demand	**$ 13,608**	$ 27,871	$ 14,412
Payable on a Fixed Date	**4,146,888**	3,415,769	3,298,428
	4,160,496	3,443,640	3,312,840
Other			
Cheques and Other Items in Transit	**3,989**	2,655	8,864
Other Liabilities (Note 6)	**185,030**	179,155	166,832
	189,019	181,810	175,696
	4,349,515	3,625,450	3,488,536
Commitment (Note 13)	**-**	-	-
SHAREHOLDERS' EQUITY			
Capital Stock (Note 7)	**34,567**	34,551	35,261
Contributed Surplus	**1,523**	783	622
Retained Earnings	**297,903**	241,532	224,770
Accumulated Other Comprehensive Loss	**(10,688)**	-	-
	323,305	276,866	260,653
	$ 4,672,820	$ 3,902,316	$ 3,749,189

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

Consolidated Statements of Changes in Shareholders' Equity

In Thousands of Dollars (Unaudited)	Three Months Ended September 30 2007	Three Months Ended September 30 2006	Nine Months Ended September 30 2007	Nine Months Ended September 30 2006
CAPITAL STOCK				
Common Shares				
Balance at Beginning of the Period	**$ 36,403**	$ 35,192	**$ 34,551**	$ 34,272
Proceeds of Options Exercised	**124**	219	**2,695**	1,139
Normal Course Issuer Bid	**(1,960)**	(150)	**(2,679)**	(150)
BALANCE AT END OF THE PERIOD	**$ 34,567**	$ 35,261	**$ 34,567**	$ 35,261
CONTRIBUTED SURPLUS				
Balance at Beginning of the Period	**$ 1,256**	$ 510	**$ 783**	$ 306
Amortization of Fair Value of Employee Stock Options (Note 8)	**285**	112	**808**	334
Employee Stock Options Exercised	**(18)**	-	**(68)**	(18)
BALANCE AT END OF THE PERIOD	**$ 1,523**	$ 622	**$ 1,523**	$ 622
RETAINED EARNINGS				
Balance at Beginning of the Period	**$ 279,201**	$ 210,887	**$ 241,532**	$ 184,307
Transitional Adjustment on Adoption of Financial Instruments, Net of Tax of $786 (Note 2)	**-**	-	**1,391**	-
Net Income for the Period	**22,837**	16,618	**66,013**	47,297
Dividends Paid During the Period	**(345)**	(339)	**(7,243)**	(4,438)
Dividends Declared, Unpaid During the Period	**(3,790)**	(2,396)	**(3,790)**	(2,396)
BALANCE AT END OF THE PERIOD	**$ 297,903**	$ 224,770	**$ 297,903**	$ 224,770
ACCUMULATED OTHER COMPREHENSIVE LOSS				
Balance at Beginning of the Period	**$ (7,019)**		**$ -**	
Transitional Adjustment on Adoption of Financial Instruments, Net of Tax of $664 (Note 2)	**-**		**(630)**	
Other Comprehensive Loss	**(3,669)**		**(10,058)**	
BALANCE AT END OF THE PERIOD	**$ (10,688)**		**$ (10,688)**	

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

Consolidated Statements of Cash Flows

In Thousands of Dollars (Unaudited)	Three Months Ended September 30 2007	Three Months Ended September 30 2006	Nine Months Ended September 30 2007	Nine Months Ended September 30 2006
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income for the Period	**$ 22,837**	$ 16,618	**$ 66,013**	$ 47,297
Adjustments to Determine Cash Flows Relating to Operating Activities:				
Future Income Taxes	**914**	(492)	**926**	1,767
Amortization	**2,089**	181	**8,293**	592
Provision for Credit Losses	**2,103**	974	**3,593**	3,117
Change in Accrued Interest Payable	**6,069**	3,815	**13,059**	11,462
Change in Accrued Interest Receivable	**(1,975)**	(1,501)	**(4,076)**	(2,887)
Net Loss (Gain) Realized and Unrealized on Investment Securities	**159**	(819)	**(945)**	(2,244)
Loss (Gain) on Derivatives	**(136)**	2,196	**(109)**	1,067
Net Unrealized Gain on Securities Available for Sale	**(2,491)**	-	**(6,675)**	-
Securitization Income on Mortgage-Backed Securities	**(6,572)**	(5,534)	**(17,363)**	(14,223)
Amortization of Fair Value of Employee Stock Options (Note 8)	**285**	112	**808**	334
Other	**1,851**	6,021	**587**	160
Cash Provided by Operating Activities	**25,133**	21,571	**64,111**	46,442
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of Term Loan	**-**	(5,000)	**-**	(10,000)
Net Increase in Deposits	**352,337**	185,761	**718,704**	417,379
Issuance of Capital Stock	**124**	219	**2,695**	1,139
Normal Course Issuer Bid	**(1,960)**	(150)	**(2,679)**	(150)
Dividends Paid	**(3,795)**	(2,391)	**(10,319)**	(6,139)
Cash Provided by Financing Activities	**346,706**	178,439	**708,401**	402,229
CASH FLOWS FROM INVESTING ACTIVITIES				
Activity in Available for Sale and Held for Trading Securities				
Purchases	**(26,008)**	-	**(140,955)**	-
Proceeds from Sales	**3,888**	-	**29,792**	-
Proceeds from Maturities	**23,127**	-	**63,247**	-
Activity in Securities				
Purchases	**-**	(65,550)	**-**	(163,970)
Proceeds from Sales	**-**	7,618	**-**	31,933
Proceeds from Maturities	**-**	18,534	**-**	37,229
Activity in Mortgages				
Net Increase	**(355,703)**	(242,051)	**(840,579)**	(711,372)
Proceeds from Securitization of Mortgage-Backed Securities	**202,536**	149,028	**480,041**	404,874
Change in Mortgage-Backed Securities Receivable	**11,581**	6,419	**30,478**	15,691
Net Increase in Personal and Credit Card Loans	**(20,875)**	(32,096)	**(75,741)**	(83,845)
Net Increase in Secured Loans	**(3,748)**	(9,767)	**(11,667)**	(22,379)
Proceeds from Leasehold Inducements	**-**	-	**-**	1,009
Purchases of Capital Assets	**(286)**	(569)	**(1,263)**	(2,118)
Cash Used in Investing Activities	**(165,488)**	(168,434)	**(466,647)**	(492,948)
Net Increase (Decrease) in Cash and Cash Equivalents	**206,351**	31,576	**305,865**	(44,277)
Cash and Cash Equivalents at the Beginning of the Period	**243,045**	95,290	**143,531**	171,143
Cash and Cash Equivalents at the End of the Period	**$ 449,396**	$ 126,866	**$ 449,396**	$ 126,866
Supplementary Disclosure of Cash Flow Information				
Amount of Interest Paid During the Period	**$ 42,234**	$ 28,238	**$ 109,059**	$ 76,903
Amount of Income Taxes Paid During the Period	**10,774**	7,841	**35,461**	28,822

The accompanying notes are an integral part of these 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 and Note 14, 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 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 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 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 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.

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 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 increased 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 administrative 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:

In Thousands of Dollars	**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)
	$ 3,902,316	$ 210	$ (630)
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Deposits	$ 3,443,640	$ 1,181	$ -
Other Liabilities	181,810	-	-
	3,625,450	1,181	-
SHAREHOLDERS' EQUITY			
Capital Stock	34,551	-	-
Retained Earnings	241,532	1,391	-
Contributed Surplus	783	-	-
Accumulated Other Comprehensive Loss	-	-	(630)
	276,866	-	-
	$ 3,902,316	$ 1,391	$ (630)

The impact of the reclassification of the deferred expenses and commitment fees on the consolidated statements of income for the three- and nine-month periods ended September 30, 2007 is as follows:

	Three Months Ended	Nine Months Ended
In Thousands of Dollars	**September 30, 2007**	**September 30, 2007**
Consolidated Statement of Income		
Interest from Loans	**$ 2,292**	**$ 6,298**
Fees and Other Income	**(4,528)**	**(12,832)**
Decrease to Income	**$ (2,236)**	**$ (6,534)**
Interest on Deposits	**$ 283**	**$ 4,516**
General and Administration	**(2,519)**	**(11,050)**
Decrease to Expenses	**$ (2,236)**	**$ (6,534)**

3. LOANS

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

			As at September 30, 2007
In Thousands of Dollars	Gross Amount of Impaired Loans	Specific Allowances	Carrying Value
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

			As at September 30, 2006
Personal, Credit Card and Secured Loans	$ 868	$ 142	$ 726
Residential Mortgages	17,314	50	17,264
Other Mortgages	95	-	95
	$ 18,277	$ 192	$ 18,085

3. LOANS

(B) Allowance for Credit Losses

In Thousands of Dollars	Specific Allowances	General Allowance for Credit Risk	Total
	For the Nine Months Ended September 30, 2007		
Balance at the Beginning of the Period	**$ 642**	**$ 19,644**	**$ 20,286**
Provisions for Credit Losses for the Current Period	**1,150**	**2,443**	**3,593**
Write-offs	**(1,337)**	**-**	**(1,337)**
Recoveries	**224**	**-**	**224**
Balance at the End of the Period	**$ 679**	**$ 22,087**	**$ 22,766**
	For the Nine Months Ended December 31, 2006		
Balance at the Beginning of the Period	$ 198	$ 17,267	$ 17,465
Provisions for Credit Losses for the Current Period	1,166	2,377	3,543
Write-offs	(934)	-	(934)
Recoveries	212	-	212
Balance at the End of the Period	$ 642	$ 19,644	$ 20,286
	For the Nine Months Ended September 30, 2006		
Balance at the Beginning of the Period	$ 162	$ 16,586	$ 16,748
Provisions for Credit Losses for the Current Period	595	2,522	3,117
Write-offs	(781)	-	(781)
Recoveries	216	-	216
Balance at the End of the Period	$ 192	$ 19,108	$ 19,300

4. LOAN SECURITIZATIONS

The following tables summarize the Company's new securitization activities for the three- and nine-month periods.

In Thousands of Dollars, Except Percentages	For the Three Months Ended		For the Nine Months Ended	
	September 30 2007	September 30 2006	**September 30 2007**	September 30 2006
Book Value of Mortgages Securitized	**$ 208,370**	$ 153,130	**$ 493,413**	$ 415,533
Retained Interests	**$ 12,593**	$ 10,031	**$ 29,803**	$ 24,303
Servicing Liability	**$ 343**	$ 236	**$ 794**	$ 668
Net Proceeds Received on Securitized Mortgages	**$ 202,536**	$ 149,028	**$ 480,041**	$ 404,874
Gain on Sales	**$ 6,005**	$ 5,313	**$ 14,656**	$ 12,188
Prepayment Rate	**13.0%**	12.7%	**13.1%**	12.7%
Excess Spread	**2.6%**	2.8%	**2.6%**	2.5%
Discount Rate	**4.5%**	4.2%	**4.3%**	4.2%

During the third quarter of 2007, the Company securitized residential mortgages with a book value of $28.0 million through CHMC's Canada Mortgage Bond Program. The gain on sale through this program was $1.3 million for the quarter.

5. OTHER ASSETS

In Thousands of Dollars	**September 30 2007**	December 31 2006	September 30 2006
Accrued Interest Receivable	**$ 23,122**	$ 19,046	$ 18,121
Income Taxes Receivable	**1,432**	-	287
Deferred Agent Commission (Note 2)	**-**	9,198	8,804
Deferred Finders Fees (Note 2)	**-**	8,356	8,360
Goodwill	**2,324**	2,324	2,324
Other Prepaid Assets and Deferred Items	**14,114**	10,859	7,372
	$ 40,992	$ 49,783	$ 45,268

6. OTHER LIABILITIES

In Thousands of Dollars	**September 30 2007**	December 31 2006	September 30 2006
Accrued Interest Payable	**$ 124,979**	$ 111,920	$ 108,853
Income Taxes Payable	**-**	3,788	-
Dividends Payable	**3,790**	3,076	2,396
Deferred Commitment Fees (Note 2)	**-**	12,213	11,676
Future Income Taxes (Note 9)	**15,174**	12,733	13,782
Other, Including Accounts Payable and Accrued Liabilities	**41,087**	35,425	30,125
	$ 185,030	$ 179,155	$ 166,832

7. CAPITAL STOCK

Issued and Outstanding

In Thousands of Dollars,	For the Three Months Ended				For the Nine Months Ended			
Except Per Share Amounts	**September 30, 2007**		September 30, 2006		**September 30, 2007**		September 30, 2006	
Common Shares	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Outstanding at Beginning of Period	**34,502**	**$ 36,403**	34,157	$ 35,192	**34,166**	**$ 34,551**	34,012	$ 34,272
Options Exercised	**10**	**124**	32	219	**366**	**2,695**	177	1,139
Normal Course Issuer Bid	**(57)**	**(1,960)**	(5)	(150)	**(77)**	**(2,679)**	(5)	(150)
Outstanding at End of Period	**34,455**	**$ 34,567**	34,184	$ 35,261	**34,455**	**$ 34,567**	34,184	$ 35,261

Share Purchase Options	Number of Shares	Weighted-average Exercise Price	Number of Shares	Weighted-average Exercise Price	Number of Shares	Weighted-average Exercise Price	Number of Shares	Weighted-average Exercise Price
Outstanding at Beginning of Period	**1,130**	**$ 21.76**	1,132	$ 13.26	**1,266**	**$ 15.43**	1,272	$ 12.32
Granted	**50**	**36.02**	30	31.20	**270**	**34.73**	40	33.91
Exercised	**(10)**	**10.56**	(32)	6.76	**(366)**	**7.18**	(177)	6.32
Forfeited	**-**	**-**	(25)	34.69	**-**	**-**	(30)	34.78
Outstanding at End of Period	**1,170**	**$ 22.47**	1,105	$ 13.45	**1,170**	**$ 22.47**	1,105	$ 13.45
Exercisable, End of Period	**596**	**$ 12.31**	841	$ 7.98	**596**	**$ 12.31**	841	$ 7.98

8. STOCK BASED COMPENSATION

For all options issued after January 1, 2003 the Company has recognized a compensation expense. During the third quarter of 2007, $285,000 was recorded as an expense for a total of $808,000 for the first nine months of 2007 ($112,000 - Q3 2006 and $334,000 - nine 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 the first nine months 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 5.5 years, anticipated volatility of 27.3%, and anticipated dividend yield of 1.0%. During the quarter ended September 30, 2007, 50,000 options were granted. For the nine-month period ended September 30, 2007, stock options granted totalled 270,000 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 third quarter of 2007 as they would have been fully expensed. However, the impact on previous comparable quarters would have reduced net income ($46,000 - Q3 2006 and $172,000 - nine months 2006) and net income and earnings per share would have been reported as follows:

	For the Three Months Ended		For the Nine Months Ended	
	September 30 2007	September 30 2006	**September 30 2007**	September 30 2006
Pro-forma Net Income (in Thousands of Dollars)	**$ 22,837**	$ 16,572	**$ 66,013**	$ 47,125
Pro-forma Earnings per Share - Basic	**$ 0.66**	$ 0.49	**$ 1.92**	$ 1.38
Pro-forma Earnings per Share - Diluted	**$ 0.65**	$ 0.48	**$ 1.89**	$ 1.35

9. INCOME TAXES

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

	For the Three Months Ended		For the Nine Months Ended	
In Thousands of Dollars	**September 30 2007**	September 30 2006	**September 30 2007**	September 30 2006
Income Before Income Taxes	**$ 34,884**	$ 23,841	**$ 99,577**	$ 70,524
Income Taxes at Statutory Combined Federal and				
Provincial Income Tax Rates	**12,602**	8,681	**35,969**	25,460
Increase (Decrease) in Income Taxes at Statutory				
Income Tax Rates Resulting From:				
Tax-exempt Income	**(693)**	(488)	**(2,008)**	(1,376)
Non-deductible Expenses	**270**	79	**478**	226
Other	**(132)**	(1,049)	**(875)**	(1,083)
Income Tax	**$ 12,047**	$ 7,223	**$ 33,564**	$ 23,227

Sources of Future Income Tax Balances:

In Thousands of Dollars	**September 30 2007**	December 31 2006	September 30 2006
Future Income Tax Liabilities			
Deferred Agent Commissions and Other Charges	**$ 8,657**	$ 6,251	$ 6,233
Mortgage-Backed Securities Receivable	**17,638**	17,995	17,913
	26,295	24,246	24,146
Future Income Tax Assets			
Allowance for Credit Losses	**6,757**	6,028	5,728
Mark-to-market Adjustments to Securities (Note 2)	**-**	1,216	480
Deferred Commitment Fees and Other Charges	**4,364**	4,269	4,156
	11,121	11,513	10,364
Net Future Income Tax Liability	**$ 15,174**	$ 12,733	$ 13,782

10. DERIVATIVE FINANCIAL INSTRUMENTS

The Company utilized off-balance sheet financial instruments during the first nine months 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 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 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 (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 swap, with changes in the fair value of the swap being recognized in the consolidated statements of income.

There were no outstanding interest rate swaps to hedge commitment risk at September 30, 2007. During the first quarter of 2007, the Company entered into $20.0 million of interest rate swap contracts. These contracts were unwound in the first quarter of 2007 for a negligible loss. The notional amount of interest rate swaps purchased duing the nine months of 2006 amounted to $230.0 million, with $30.0 million remaining at September 30, 2006, consisting of $20.0 million of three-year and $10.0 million of five-year swaps maturing in January 2007. The outstanding interest rate swaps at September 30, 2006 were marked-to-market for unrealized losses of $0.1 million. The total of the realized and unrealized losses of $1.1 million was reported in the consolidated statements of income under derivatives. With respect to the Canada Mortgage Bond program, at September 30, 2007 the Company notionally held $28.0 million of seller swaps, and $0.3 million of accreting hedge swaps. These outstanding swap arrangements at September 30, 2007 were marked-to-market for unrealized gains of $0.1 million.

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 September 30, 2007, December 31, 2006 and September 30, 2006 for selected period intervals. Figures in brackets represent an excess of liabilities over assets or a negative gap position.

In Thousands of Dollars	Floating Rate	0 to 3 Months	3 Months to 1 Year	1 to 3 Years	Over 3 Years	Non-interest Sensitive	Total
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%**	**-**	**-**

11. INTEREST RATE SENSITIVITY CONTINUED

In Thousands of Dollars	Floating Rate	0 to 3 Months	3 Months to 1 Year	1 to 3 Years	Over 3 Years	Non-interest Sensitive	Total
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%	-	-
September 30, 2006							
Total Assets	$ 43,120	$ 556,575	$ 1,069,382	$ 1,542 ,561	$ 422,184	$ 115,367	$ 3,749,189
Total Liabilities and Equity	-	531,829	1,489,931	1,067,162	223,918	436,349	3,749,189
Off-balance Sheet Items	-	133,211	9,176	(45,622)	(96,765)	-	-
Interest Rate Sensitive Gap	$ 43,120	$ (108,465)	$ (429,725)	$ 521,021	$ 295,031	$ (320,982)	$ -
Cumulative Gap	$ 43,120	$ (65,345)	$ (495,070)	$ 25,951	$ 320,982	$ -	$ -
Cumulative Gap as a % of Total Assets	1.2%	(1.7%)	(13.2%)	0.7%	8.6%	-	-

12. 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 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 — Three Months Ended

	Mortgage Lending		Consumer Lending		Other		Total	
	Sept. 30 2007	Sept. 30 2006	**Sept. 30 2007**	Sept. 30 2006	**Sept. 30 2007**	Sept. 30 2006	**Sept. 30 2007**	Sept. 30 2006
Net Interest Income	**$ 24,507**	$ 21,456	**$ 5,349**	$ 4,037	**$ 8,456**	$ 4,470	**$ 38,312**	$ 29,963
Provisions for Credit Losses	**(1,715)**	(536)	**(388)**	(438)	**-**	-	**(2,103)**	(974)
Fees and Other Income	**3,329**	635	**2,010**	2,038	**76**	49	**5,415**	2,722
Net Gain on Securities, Derivatives & Mortgage-Backed Securities	**6,708**	3,338	**-**	-	**(159)**	819	**6,549**	4,157
Non-interest Expense	**(8,958)**	(7,953)	**(1,127)**	(1,364)	**(3,204)**	(2,710)	**(13,289)**	(12,027)
Income Before Income Taxes	**23,871**	16,940	**5,844**	4,273	**5,169**	2,628	**34,884**	23,841
Income Taxes	**(8,801)**	(4,907)	**(2,110)**	(1,543)	**(1,136)**	(773)	**(12,047)**	(7,223)
Net Income	**$ 15,070**	$ 12,033	**$ 3,734**	$ 2,730	**$ 4,033**	$ 1,855	**$ 22,837**	$ 16,618
Total Assets	**$ 3,538,193**	$ 3,133,553	**$ 320,867**	$ 209,389	**$ 813,760**	$ 406,247	**$ 4,672,820**	$ 3,749,189

12. EARNINGS BY BUSINESS SEGMENT CONT'D

Thousands of Dollars — Nine Months Ended

	Mortgage Lending		Consumer Lending		Other		Total	
	Sept. 30 2007	Sept. 30 2006	**Sept. 30 2007**	Sept. 30 2006	**Sept. 30 2007**	Sept. 30 2006	**Sept. 30 2007**	Sept. 30 2006
Net Interest Income	**$ 72,383**	$ 62,855	**$ 15,348**	$ 10,444	**$ 20,444**	$ 11,742	**$ 108,175**	$ 85,041
Provisions for Credit Losses	**(2,327)**	(1,826)	**(1,266)**	(1,291)	**-**	-	**(3,593)**	(3,117)
Fees and Other Income	**8,699**	1,705	**6,138**	5,684	**252**	125	**15,089**	7,514
Net Gain on Securities, Derivatives & Mortgage-Backed Securities	**17,472**	13,156	**-**	-	**945**	2,244	**18,417**	15,400
Non-interest Expense	**(26,306)**	(23,158)	**(2,990)**	(3,929)	**(9,215)**	(7,227)	**(38,511)**	(34,314)
Income Before Income Taxes	**69,921**	52,732	**17,230**	10,908	**12,426**	6,884	**99,577**	70,524
Income Taxes	**(24,671)**	(17,506)	**(6,223)**	(3,940)	**(2,670)**	(1,781)	**(33,564)**	(23,227)
Net Income	**$ 45,250**	$ 35,226	**$ 11,007**	$ 6,968	**$ 9,756**	$ 5,103	**$ 66,013**	$ 47,297
Total Assets	**$ 3,538,193**	$ 3,133,553	**$ 320,867**	$ 209,389	**$ 813,760**	$ 406,247	**$ 4,672,820**	$ 3,749,189

13. COMMITMENT

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 had offered to purchase 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 were tendered to the Company's offer.

14. SUBSEQUENT EVENT

Subsequent to the quarter, Home Trust Asset Management Inc. ("HTAM") obtained regulatory approval to operate as an Investment Counsellor / Portfolio Manager and as a Limited Market Dealer. HTAM is 100% owned by Home Trust and included in these consolidated financial statements.

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.

Corporate Directory and Shareholder Information

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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
President and
Chief Executive Officer

Nick Kyprianou
Senior Vice President
and Chief Operating Officer

Phil Braginetz, CFA
Chief Financial Officer

Brian R. Mosko
Senior Vice President

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

Chris Ahlvik
Vice President, Corporate Counsel

Auditors
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Home Trust Company
Ernst & Young LLP
Chartered Accountants
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Capital Stock
As at September 30, 2007 there were
34,454,640 Common Shares outstanding.

Stock Listing
Toronto Stock Exchange
Ticker Symbol: HCG

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James Jung, CFA

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Asst. Vice Presidents, Mortgages
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www.homecapital.com
Home Trust Company
www.hometrust.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, October 29, 2007 at 10:30 AM ET. The webcast will be archived at www.homecapital.com for 90 days.