

2008

FIRST QUARTER REPORT



FINANCIAL HIGHLIGHTS

For the Three Months Ended (Unaudited)	March 31	December 31	March 31
<i>In Thousands of Dollars (Except Per Share and Percentage Amounts)</i>	2008	2007	2007
OPERATING RESULTS			
Net Income	\$ 25,159	\$ 24,228	\$ 21,158
Total Revenue	106,796	105,082	81,745
Earnings per Share - Basic	\$ 0.73	\$ 0.70	\$ 0.62
Earnings per Share - Diluted	0.72	0.70	0.61
Return on Shareholders' Equity	27.94%	28.87%	29.34%
Return on Average Assets	1.94%	2.01%	2.10%
Efficiency Ratio	28.41%	29.80%	27.28%
Efficiency Ratio (TEB ²)	27.89%	28.54%	26.70%
(Non-interest Expense/Net Interest Income Plus Fee Income)			
BALANCE SHEET HIGHLIGHTS			
Total Assets	\$ 5,421,207	\$ 4,973,307	\$ 4,166,935
Loans	4,342,929	4,022,171	3,476,641
Deposits	4,827,204	4,413,984	3,684,103
Shareholders' Equity	372,456	348,040	300,017
Mortgage-Backed Security Assets Under Administration	1,540,063	1,459,455	1,176,672
FINANCIAL STRENGTH			
Capital Measures^{1,3}			
Risk Weighted Assets ^{1,3}	\$ 2,777,255	\$ 2,802,393	\$ 2,209,280
Tier 1 Capital Ratio ^{1,3}	11.96%	11.12%	12.71%
Total Capital Ratio ^{1,3}	13.35%	12.50%	14.26%
Credit Quality			
Net Impaired Loans as a Percentage of Gross Loans	0.71%	0.72%	0.74%
Allowance as a Percentage of Gross Impaired Loans	76.93%	81.28%	78.30%
Annualized Provision as a Percentage of Gross Loans	0.05%	0.24%	0.06%
Share Information			
Book Value per Common Share	\$ 10.79	\$ 10.08	\$ 8.70
Common Share Price - Close	35.65	41.90	35.13
Market Capitalization	1,231,083	1,446,911	1,211,358
Number of Common Shares Outstanding	34,532	34,532	34,482

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 Risk Weighted Assets, Tier 1 and Total Capital at March 31, 2008 are calculated under Basel II while the comparative periods are calculated under Basel I. See Capital Management section for further details.



Home Capital Group Inc. is a public company, traded on the Toronto Stock Exchange (HCG), operating through its principal subsidiary, Home Trust Company. Home Trust is a federally regulated trust company offering deposit, mortgage lending, retail credit and payment card services. Licensed to conduct business across Canada, Home Trust has branch offices in Ontario, Alberta, British Columbia, Nova Scotia and Quebec.

Home Trust Company www.hometrusted.ca

Home Capital Group Inc. www.homecapital.com

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TO OUR SHAREHOLDERS

Home Capital's First Quarter Sustains Earnings Momentum Net Income Increases 18.9% Year-Over-Year; Residential and Commercial Mortgage Lending up 58.7%

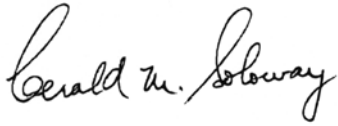
Home Capital Group Inc. (TSX: HCG) today announced positive financial results for the first quarter of 2008. The Company's core business activities, which includes residential and commercial mortgage lending, CMHC-insured Mortgage-Backed Securities, and *Visa* lending, all generated strong earnings growth and returns.

Key results from the first quarter included:

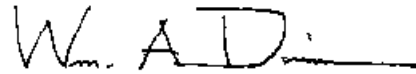
- Net income for the quarter was \$25.2 million, an increase of 18.9% over \$21.2 million recorded in the same period last year. These results include the loss of \$2.1 million after tax, or \$0.06 basic earnings per share, on the sale of Quebecor World Inc. Series 3 and 5 preferred shares. Without the Quebecor World Inc. loss, net income would have been \$27.3 million, a 28.7% increase over the first quarter 2007.
- Basic earnings per share were \$0.73, 17.7% above \$0.62 for the first quarter of 2007. Diluted earnings per share were \$0.72, an increase of 18.0% from the \$0.61 recorded for the first three months of 2007.
- Return on equity was 27.9% for the first quarter compared to 29.3% for the comparable quarter of 2007, and 28.9% for the fourth quarter last year.
- Total assets at March 31, 2008 reached \$5.42 billion, 30.1% higher than the \$4.17 billion reported one year earlier. Total assets, together with Mortgage-Backed Securities (MBS) originated and administered by the Company, grew to \$6.96 billion, a rise of 30.3% from \$5.34 billion at March 2007, and 8.2% from the \$6.43 billion at December 31, 2007.
- Total mortgage originations were \$867.2 million during the first quarter, an increase of 58.7% over the \$546.4 million advanced during the same period in 2007. The Company advanced \$601.9 million in residential mortgages, \$245.8 million in commercial mortgages, and \$19.5 million in store and apartment mortgages. This accelerated mortgage activity was due to the continued successful rollout of our commercial mortgage lending operation, which had only just begun to produce in the first quarter last year, and the withdrawal of some of our non-regulated competitors from the residential mortgage marketplace.
- Mortgage securitization activity continued to produce good results as the Company securitized and sold \$145.8 million in CMHC-insured securities during the first quarter, compared to \$134.4 million for the same period last year. Government-backed instruments, such as CMHC-insured MBS and the Canada Mortgage Bond program, have been only modestly affected by current credit market conditions.
- Outstanding balances on the Equityline *Visa* portfolio reached \$324.3 million, a rise of 30.1% from the \$249.3 million recorded in the same period last year. Net income from consumer lending reached \$4.3 million for the first quarter, 21.2% over the \$3.6 million recorded last year.
- The efficiency ratio (TEB) was 27.9% in the first quarter, compared to 26.7% during the same period one year earlier.
- Net impaired loans represented 0.71% of the total loans portfolio, down slightly from 0.72% at the end of 2007. Non-performing mortgages continue to be prudently managed by the Company on a loan-by-loan basis.
- The Company's regulated operating subsidiary, Home Trust Company, held liquid assets of \$734.9 million as at March 31, 2008, substantially higher than the position held one year earlier at \$425.8 million. The Company has taken steps to increase its liquidity levels, in view of broader market conditions.

Subsequent to the end of the first quarter, and in light of the Company's consistent, strong growth and financial performance, the Board of Directors declared a quarterly cash dividend of \$0.12 per Common Share payable on June 1, 2008 to shareholders of record at the close of business on May 21, 2008.

Home Capital's first quarter results marked a strong start to 2008, particularly in light of significant challenges for capital markets, especially in the United States but in Canada as well. Home Capital's Board of Directors and management expect the levels of business growth and profitability, particularly in residential mortgages, to continue through the rest of 2008.



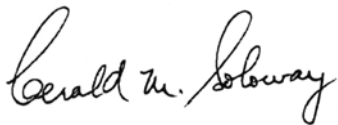
GERALD M. SOLOWAY
Chief Executive Officer
May 9, 2008



WILLIAM A. DIMMA
Chairman of the Board

William Dimma has announced that, following 14 years as Chairman of Home Capital, as well as a director of both Home Capital and Home Trust, he will retire on May 14, 2008 from both Boards. Gerald Soloway stated, "Bill Dimma has made numerous contributions to good governance, and to the culture underpinning our strong performance at Home over many years. The Board of Directors and management congratulate and thank him for his outstanding service, and for offering his skills and experiences to the benefit of all shareholders." The Board of Directors resolved that, upon his retirement, Mr. Dimma will be appointed Chairman Emeritus.

Norman Angus has been nominated to succeed William Dimma as Chairman of Home Capital. Mr. Angus has a long and distinguished track-record in investment banking in Canada and the United States, advising major issuers and governments on privatization, restructuring and demutualization. He is a Managing Director with Stuart Lammert and Co., and previously held positions with UBS and Lehman Brothers. He has served on Home's board since 2005. In addition, Dr. Kevin Smith has been nominated to be Vice Chairman of Home Capital. Dr. Smith is President and CEO of St. Joseph's Health Network in Hamilton, and has been a significant contributor, demonstrating a keen interest in best practices in corporate governance, since joining the board in 2006.



GERALD M. SOLOWAY
Chief Executive Officer

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

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 are made in connection with business objectives and targets, Company strategies, operations, anticipated financial results and the outlook for the Company, its industry, and the Canadian economy. These statements regarding expected future performance are "financial outlooks" within the meaning of National Instrument 51-102. Please see the risk factors, which are set forth in detail on pages 24 through 30 of the Company's 2007 Annual Report, as well as its other publicly filed information, which may be located at www.sedar.com, for the material factors that could cause the Company's actual results to differ materially from these statements. Forward-looking statements can be found in the Message to the Shareholders and the Outlook Section in this quarterly report. Forward-looking statements are typically identified by words such as "will," "believe," "expect," "anticipate," "estimate," "plan," "may," and "could" or other similar expressions. By their very nature, these statements require us to make assumptions and are subject to inherent risks and uncertainties, general and specific, which may cause actual results to differ materially from the expectations expressed in the forward-looking statements. These risks and uncertainties include, but are not limited to, global capital market activity, changes in government monetary and economic policies, changes in interest rates, inflation levels and general economic conditions, legislative and regulatory developments, competition and technological change. The preceding list is not exhaustive of possible factors. These and other factors should be considered carefully and readers are cautioned not to place undue reliance on these forward-looking statements. The Company does not undertake to update any forward-looking statements, whether written or verbal, that may be made from time to time by it or on its behalf, except as required by securities laws.

Taxable Equivalent Basis (TEB)

Most banks and trust companies analyze and report their financial results on a TEB to provide uniform measurement and comparison of net interest income. Net interest income (as presented in the consolidated statements of income) includes tax-exempt income from certain securities. The adjustment to TEB increases income and the provision for income taxes to what they would have been had the income from tax-exempt securities been taxed at the statutory tax rate. The TEB adjustments of \$1.0 million for the first quarter (\$2.3 million - Q4 2007 and \$0.9 million - Q1 2007) increased reported interest income. TEB does not have a standard meaning prescribed by Canadian generally accepted accounting principles (GAAP) and therefore may not be comparable to similar measures used by other companies. Net interest income and income taxes are discussed on a TEB basis throughout this Management's Discussion and Analysis (MD & A).

Regulatory Filings

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

Management's Discussion and Analysis of Operating Performance

This MD & A should be read in conjunction with the unaudited interim consolidated financial statements for the period ended March 31, 2008 included herein, and the audited consolidated financial statements and MD & A for the year ended December 31, 2007. These are available on the Canadian Securities Administrators' website at www.sedar.com and on pages 8 through 58 of the Company's 2007 Annual Report. Except as described in these unaudited interim consolidated financial statements and MD & A, all other factors discussed and referred to in the MD & A for fiscal 2007 remain substantially unchanged. These unaudited interim consolidated financial statements and MD & A have been prepared based on information available as at May 9, 2008. As in prior quarters, the Company's Audit Committee reviewed this document, and prior to its release the Company's Board of Directors approved it on the Audit Committee's recommendation.

2008 Objectives and Performance

Home Capital published its financial objectives for 2008 on page 10 of the Company's 2007 Annual Report. The following table compares actual performance against each of these objectives.

	2008 Objectives ¹	Three Month Period Ended March 31, 2008 Actual Results ¹
Net Income	\$25.4 million	\$25.2 million, or 18.9% increase over the same period last year
Diluted Earnings per Share	\$0.73	\$0.72 per share, or 18.0% increase over the same period last year
Total Assets and Assets Under Administration	\$6.41 billion	\$6.96 billion, or 30.3% increase over the same period last year
Return on Shareholders' Equity	25.0%	27.9%
Efficiency Ratio (TEB)	27.0% to 33.0%	27.9%
Capital Ratios ²		
Tier 1	Minimum of 10%	12.0%
Total	Minimum of 12%	13.4%
Provision for Loan Losses as a Percentage of Total Loans	0.15% to 0.25%	0.05%

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 Based on the Company's wholly owned subsidiary, Home Trust Company. Capital Ratios have been calculated under Basel II requirements. See Capital Management section for additional details.

FINANCIAL HIGHLIGHTS

Income Statement Highlights

The Company achieved positive results during the quarter, despite continued uncertainty in capital markets in both Canada and the United States. The Company experienced growth across all of its operating segments, with key financial results summarized below.

- Net income rose 18.9% over the comparable quarter of 2007. Without the Quebecor World Inc. loss, net income would have been \$27.3 million, a 28.7% increase over the first quarter 2007.
- Net interest income was up 12.9% over the same period in 2007 as the Company's income-producing assets grew by 29.6%, partly offset by a contraction in overall spreads due to the continued credit market issues and the continued growth of the commercial mortgage portfolio which achieves lower spreads.
- Non-interest income was up 42.3% over the first quarter of 2007, driven by growth in securitization gains and fees for the administration and servicing of the mortgage and Visa portfolios, offset by realized losses on the securities portfolio and unrealized losses on the derivative mark-to-market values.
- The efficiency ratio (TEB) (the lower the better) remained low at 27.9%, compared to 26.7% in the same quarter of 2007. The increase year-over-year was due to increased salary and benefit expenses and increased general and administration costs due to the growth in the Company's operations.
- Diluted earnings per share for the quarter increased 18.0% to \$0.72, compared to \$0.61 for the first quarter of 2007.
- Return on average shareholders' equity for the quarter was 27.9%, compared to 29.3% for the same period last year.

Balance Sheet Highlights

- With continued uncertainty in the capital markets and slower economic growth, the Company further increased its liquidity ending the quarter with \$734.9 million in liquid assets, up 72.6% from the liquidity position at March 31, 2007.
- Total assets rose 30.1% year-over-year to reach \$5.42 billion, compared to the \$4.17 billion reported at March 31, 2007. This asset growth was primarily driven by expansion in the Company's residential mortgage portfolio which increased by \$347.9 million, other mortgages (primarily commercial mortgages) which grew by \$433.2 million, cash resources which were \$196.8 million higher, and securities which increased by \$142.5 million. Although the global markets have experienced uncertainty over the past quarters, the Company continues to have 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 \$324.3 million in receivables, representing growth of 30.1%, or \$75.0 million, over the first quarter of 2007.
- Deposit liabilities as at March 31, 2008 grew 31.0% to reach \$4.83 billion, as compared to \$3.68 billion at March 31, 2007. These proceeds were deployed to fund the growth of the Company's loans portfolio, with excess funds invested in the Company's cash resources and securities portfolio.

EARNINGS REVIEW

Net Interest Income

Net interest income was \$37.6 million in the first quarter, a decrease of \$0.5 million or 1.2% over the \$38.1 million recorded in the fourth quarter of 2007, and an increase of \$4.3 million, or 12.9% over the comparable quarter of 2007. The decline from the fourth quarter of 2007 was due to a one time \$2.3 million deemed dividend received in the fourth quarter of 2007 on Great-West Lifeco Inc. Series L preferred shares. The increase over the comparable quarter reflects strong growth of interest-bearing assets, exceeding the growth in interest-bearing liabilities. The growth in interest-earning assets was \$1.21 billion over March 2007, compared to an increase in interest-bearing liabilities of \$1.14 billion for the same period. The net interest margin (TEB) for the first quarter of 2008 was 3.0%, down from 3.4% achieved in both the first and fourth quarters of 2007. The decrease in net interest margin over the comparable periods was due to a tightening of spreads that began in the latter half of 2007 as the global liquidity crisis unfolded, in addition to the growth in the commercial mortgage portfolio which attracts lower spreads. The interest spread between loans and deposits was 3.2% for the first quarter of 2008, compared to 3.3% for the fourth quarter of 2007 and 3.5% for the comparable quarter in 2007.

The mortgage lending line of business continues to be the primary driver of the Company's net interest income contributing \$22.5 million in the first quarter of 2008, compared to \$21.1 million during the fourth quarter of 2007 and \$22.9 million one year earlier.

The consumer lending line of business contributed first quarter net interest income of \$5.7 million, consistent with the fourth quarter of 2007 and up from \$4.7 million recorded during the first quarter of 2007. The Equityline *Visa* product continues to be the primary driver of income growth in the consumer lending line of business.

Non-Interest Income

Total non-interest income was \$14.3 million for the first quarter of 2008, a marginal decrease of \$0.3 million from the \$14.6 million recorded in the fourth quarter of 2007 and up \$4.2 million from the \$10.1 million recorded during the first quarter of 2007. The marginal decrease from the fourth quarter of 2007 was the result of the movement in the mark-to-market on seller swaps and hedge swaps which shifted from an unrealized gain of \$1.0 million at the end of December 2007 to an unrealized gain of \$0.5 million at the end of March 2008, a realized loss on the short sale of the Government of Canada bond of \$1.0 million, and realized losses on certain equity holdings including the sale of the Company's preferred share holdings of Quebecor World Inc. realizing a loss, net of tax, of \$2.1 million. These losses were partially offset by gains realized on the sale of bond holdings within the available for sale securities portfolio. Additionally, during the first quarter of 2008, the Company realized \$0.3 million in gains from the initial public offering of *Visa* Inc. shares. The increase over the comparable quarter of 2007 was the result of growth in securitization gains and fee income generated from the administration and servicing of the mortgage and *Visa* portfolios.

The fees and other income components of non-interest income ended the quarter at \$7.2 million, compared to \$6.4 million recorded in the fourth quarter of 2007, and \$4.5 million reported for the first quarter of 2007. The increase over the comparable quarters was due to growth in the loans portfolio. The mortgage lending line of business contributed \$3.7 million during the first quarter of 2008, compared to \$3.4 million recorded in the fourth quarter of 2007 and \$2.4 million one year earlier. The consumer lending line of business contributed \$3.4 million during the first quarter of 2008, compared to \$3.0 million in the fourth quarter of 2007 and \$2.1 million during the first quarter of 2007. The consumer lending line of business continues its positive earnings trend from prior quarters, reflecting the growth in outstanding receivable balances.

The Company issued four MBS pools during the first quarter of 2008, consisting of \$145.8 million of Canada Mortgage and Housing Corporation (CMHC) insured residential mortgages. This represents a decrease of \$53.1 million from the \$198.9 million in MBS pools issued in the fourth quarter of 2007, and an increase of \$11.4 million over the \$134.4 million in MBS pools that were issued during the first quarter of 2007. Securitization gains were \$8.9 million during the quarter, compared to \$8.1 million for the fourth quarter of 2007 and \$4.7 million for the first quarter of 2007 (refer to Note 5 of these unaudited interim consolidated financial statements). The increase in securitization gains during the quarter compared to the first and fourth quarters of 2007 was primarily due to a significant increase in the spread earned on the pools, which averaged 3.6% in the first quarter of 2008 compared to 2.9% and 2.8% for the fourth and first quarters of 2007, respectively. The increase in the spread is indicative of the current credit market conditions. During the quarter, the Company participated in CMHC's Canada Mortgage Bond program, administered through Canada Housing Trust. This program provides the Company with an alternative distribution channel to diversify its funding stream for five-year MBS pools. Of the four MBS pools issued during the quarter, one MBS pool with a book value of \$84.3 million was securitized through the Canada Mortgage Bond program resulting in a gain of \$5.5 million.

Non-Interest Expenses

Total non-interest expenses for the three months ended March 31, 2008 were \$14.8 million, down 5.9% or \$0.9 million from the fourth quarter of 2007, and up by 24.7% or \$2.9 million from one year ago. The decrease from the fourth quarter of 2007 was due to the reduction of professional fees incurred in the first quarter of 2008 to improve business and risk management processes. The increase over the comparable quarter of 2007 was due to increased salary and benefit expenses, and inclusion of the operating expenditures of Payment Services Interactive Gateway Inc. (PSiGate). Salaries and staff benefits expenses for the quarter increased by \$0.5 million, or 5.6% over the fourth quarter of 2007 and up \$1.4 million, or 19.9% over the first quarter of 2007. The Company ended the quarter with 388 employees, up from the 377 employees at December 31, 2007 and 336 employees one year ago. The increased staffing levels reflect the resourcing needs to meet the Company's growth. Premises expenses increased from the prior year period as the Company entered into a new lease in May 2007 with the opening of a branch office in Montreal.

General and administration expenses decreased by \$1.4 million, or 21.1% compared to the fourth quarter of 2007 and up \$1.4 million, or 38.1% from the same period in 2007. The decrease from the fourth quarter of 2007 resulted from the elimination of professional fees which were specific to various initiatives the Company was undertaking to improve business and risk management processes during 2007, while the increase from the comparative period in 2007 was due to increased salary and benefit expenses and the inclusion of operating expenditures of PSiGate.

The efficiency ratio (TEB) ended the quarter at 27.9% compared to 28.5%, and 26.7% for the three months ended December 31, and March 31, 2007, respectively. As the Company continues to grow, management remains focused on containing discretionary spending as part of its continuing efforts to achieve the efficiency ratio objectives set out for 2008.

Provision for Credit Losses

The Company expensed \$0.6 million during the quarter, compared to \$2.4 million and \$0.5 million for the fourth and first quarters of 2007, respectively, through the provision for credit losses. This expense represented 0.1% of total loans, on an annualized basis. The Company continues to add to the general allowance for credit losses due to relative shifts in the proportion of risk-weighted assets. The total general allowance amounted to \$23.7 million at the end of the quarter, an increase of \$0.3 million over the \$23.4 million recorded at December 31, 2007 and a \$3.5 million increase over the \$20.2 million allowance recorded at March 31, 2007.

At March 31, 2008 net impaired loans amounted to \$31.0 million (0.71% of gross loans), compared to \$29.0 million (0.72% of gross loans) at December 31, 2007 and \$25.8 million (0.74% of gross loans) as at March 31, 2007 (refer to Note 4 of these unaudited interim consolidated financial statements). Total net loans written-off during the quarter were \$0.6 million, compared to \$0.8 million in the fourth quarter of 2007 and \$0.3 million in the first quarter of 2007.

The Company continues to closely monitor non-performing loans and takes proactive measures to minimize losses, as described under the Credit Risk section on page 12 of this MD & A and in the 2007 Annual Report under the heading Risk Management.

Income Taxes

The income tax expense amounted to \$11.4 million (effective tax rate of 31.3%) for the first quarter, compared to \$10.3 million (effective tax rate of 29.8%) for the fourth quarter of 2007, and \$9.9 million (effective tax rate of 31.9%) for the first quarter of 2007. Canadian dividend income is non-taxable to financial institutions, which resulted in a lower income tax rate. In the absence of tax-free dividends, the tax rates would have been 33.0% for the first quarter of 2008, 34.1% for the fourth quarter of last year and 34.1% for the first quarter of 2007.

Comprehensive Income

Comprehensive income is comprised of net income and other comprehensive income (OCI) and totaled \$28.5 million for the first quarter, an increase of \$5.1 million, or 21.6% over the \$23.4 million recorded in the same period last year and a marginal decrease of \$0.1 million, or 0.4% from the \$28.6 million recorded in the previous quarter. As previously noted net income increased 18.9%, or \$4.0 million over the same quarter last year and increased 3.8%, or \$0.9 million over the previous quarter. The Company's OCI includes unrealized losses on available for sale securities, and securitization receivables from market revaluations at the end of the quarter. OCI for the period ended March 31, 2008 was a gain of \$3.3 million, compared to a gain of \$4.4 million in the previous quarter and a gain of \$2.3 million in the comparable quarter in 2007. The change in OCI compared to prior quarters for available for sale securities and securitization receivables primarily reflects market fluctuations related to changes in interest rates, and general market conditions affecting certain market sectors in which the Company holds equity positions. During the quarter, the Company determined that certain equity holdings were permanently impaired and recognized either through a sale of the security or through a writedown, \$2.7 million, net of tax, in losses from accumulated other comprehensive income in the consolidated statement of income. The Company believes the remaining unrealized losses represent temporary declines in value due to current market conditions.

BALANCE SHEET REVIEW

Assets

Total assets as at March 31, 2008 were \$5.42 billion, an increase of \$447.9 million, or 9.0% over the \$4.97 billion reported at December 31, 2007 and up by \$1.25 billion, or 30.1% over the March 31, 2007 asset balance of \$4.17 billion.

Growth in the loans portfolio of \$320.8 million, or 8.0% generated most of the asset growth over the fourth quarter of 2007. Residential mortgages contributed \$86.3 million to the total loan portfolio growth, other mortgages (primarily commercial mortgages) contributed growth of \$210.3 million, consumer lending contributed \$21.9 million, secured loans added \$2.6 million, and the general allowance for credit losses increased by \$0.3 million. The residential mortgage portfolio growth excludes \$145.8 million of loans securitized during the quarter. The Company's cash resources and securities portfolio increased from the prior quarter as the Company continued to build its liquidity reserves and invested excess deposits and earnings into the securities portfolio. Other assets increased by \$3.8 million from the previous quarter, primarily driven by corporate income tax changes within the Company's tax balances. Securitization receivables increased quarter-over-quarter due to additional sales of MBS pools during the quarter.

Growth in the loans portfolio of \$866.3 million, or 24.9% was the principal contributor to asset growth over March 31, 2007. The loan portfolio growth was driven by a \$347.9 million increase in residential mortgages, growth of \$433.2 million in other mortgages (primarily commercial mortgages), \$78.3 million growth in consumer lending, a \$10.4 million increase in secured loans, and the general allowance for credit losses increased by \$3.5 million. The Company's cash resources increased by \$196.8 million and the securities portfolio rose by \$142.5 million over March 31, 2007 primarily due to excess deposits raised in the latter half of 2007 as investors moved funds into low-risk investments. Other assets increased by \$27.1 million primarily due to the addition of goodwill and intangible assets acquired through the acquisition of PSiGate, and accrued interest earned on the loans portfolio. Securitization receivables increased by \$21.2 million over March 31, 2007 resulting from higher securitization volumes year-over-year.

Liabilities

Liabilities for the quarter ended March 31, 2008 rose to \$5.05 billion, an increase of \$423.5 million, or 9.2% over the \$4.63 billion reported at December 31, 2007 and up by \$1.18 billion, or 30.6% over the \$3.87 billion recorded at March 31, 2007.

Most of the quarterly growth resulted from increased deposits of \$413.2 million. Higher deposit liabilities funded the loan portfolio growth, with excess deposits invested into the Company's cash resources and securities portfolio. Other liabilities (refer to Note 7 of these unaudited interim consolidated financial statements) increased by \$11.9 million, or 5.8% over the \$206.9 million reported at December 31, 2007. This quarterly growth was principally the result of increases in accrued interest of \$21.1 million related to higher deposits, offset by a net decline of \$1.7 million in the Company's corporate current and deferred tax liabilities and a drop of \$7.8 million in other liabilities resulting from the timing of payments for administration of the off-balance sheet MBS portfolio.

The rise in liabilities over March 31, 2007 resulted primarily from increased deposits of \$1.14 billion. Higher deposit liabilities were the primary funding source for the loans portfolio growth year-over-year, as well as adding to the Company's cash resources and securities portfolio. Other liabilities increased by \$39.3 million, or 21.9% over March 31, 2007 primarily due to increases in accrued interest of \$29.2 million, increases of \$5.1 million in the Company's corporate future tax liabilities and \$4.0 million in other liabilities resulting from the timing of payments for the administration of the off-balance sheet MBS portfolio.

Shareholders' Equity

The increase in shareholders' equity of \$24.4 million, or 7.0% over the \$348.0 million reported at December 31, 2007 was internally generated from net income over the three months of \$25.2 million, less \$4.5 million for dividends paid and payable to shareholders. The remaining increase was principally driven from movements in other comprehensive income of \$3.3 million from the Company's available for sale financial assets and securitization receivables.

Shareholders' equity rose to \$372.5 million, an increase of \$72.5 million, or 24.1% over the \$300.0 million reported at March 31, 2007. This growth was internally generated from earnings for the twelve-month period ended March 31, 2008 of \$94.2 million, less \$16.2 million for shareholder dividends. The remaining changes resulted from proceeds received on the exercise of Company stock options, amortization of the fair value of stock options, and movements in the accumulated other comprehensive income (loss), offset by the Company's repurchase of capital stock through the Normal Course Issuer Bid. At March 31, 2008 the book value per common share was \$10.79, compared to \$10.08 at December 31, 2007 and \$8.70 at March 31, 2007.

Derivatives and 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. For example, the Company can utilize interest rate swaps or short sales of Government of Canada bonds to hedge the economic exposure to movements in interest rates between the time that the mortgages are committed to being funded under asset securitization, and the time the mortgages are actually sold. The intent of the swap or short sales of Government of Canada bonds is to have the fair value movements of these instruments be effective in offsetting the fair value movements in a 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. During the first quarter of 2008, the Company entered into a \$40 million short sale of Government of Canada bonds which was unwound during the quarter, realizing a loss of \$1.0 million. No such arrangements were entered into during the comparable prior periods.

The Company participates in the CMB program sponsored by CMHC, and administered by Canada Housing Trust. Through this program, the Company must manage the mismatch and reinvestment risk between the amortizing five-year MBS pool and the five-year CMB. As part of this arrangement, the Company enters into a seller swap which has the effect of paying the fixed interest payments on the CMB 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 CMB. These transactions do not qualify for hedge accounting under CICA Handbook Section 3865, *Hedges*, and therefore the Company must mark-to-market the swaps through the consolidated statement of income. The notional values of the seller swaps and hedge swaps at March 31, 2008 were \$203.0 million and \$5.1 million, respectively. These swaps were marked-to-market at March 31, 2008 for an unrealized gain of \$0.5 million, recorded in the consolidated statements of income. For additional information refer to Note 11 of these unaudited interim consolidated financial statements.

The Company securitizes insured residential mortgage loans into special purpose entities for liquidity funding, and capital management purposes. When these assets are sold, the Company retains rights to certain excess interest spreads less servicing liabilities, which constitute retained interests. The Company periodically reviews the value of retained interests, and any permanent impairment in value is charged to income. The Company continues to administer all securitized assets after the sale. As at March 31, 2008 outstanding securitized mortgage loans under administration amounted to \$1.54 billion (\$1.46 billion – Q4 2007 and \$1.18 billion – Q1 2007) with retained interest of \$77.2 million (\$64.0 million – Q4 2007 and \$55.9 million – Q1 2007). For additional information, refer to Note 6 in the consolidated financial statements of the 2007 Annual Report, and Note 5 of these unaudited interim consolidated financial statements.

In the normal course of its business, the Company offers credit products to meet the financial needs of its customers. Outstanding commitments for future advances on mortgage loans amounted to \$512.9 million at March 31, 2008 compared to \$447.3 million at December 31, 2007 and \$188.1 million at March 31, 2007. Included within the outstanding commitments are unutilized commercial mortgage advances of \$268.5 million at March 31, 2008 compared to \$238.0 million at December 31, 2007 and \$37.5 million at March 31, 2007. Commitments for the loans remain open for various dates through July 2009. As at March 31, 2008 unutilized credit card balances amounted to \$76.3 million, compared to \$77.9 million at December 31, 2007 and \$68.5 million at March 31, 2007. Outstanding commitments for the Equityline Visa portfolio were \$4.5 million at March 31, 2008 compared to \$5.9 million at December 31, 2007 and \$6.0 million at March 31, 2007.

Contractual Arrangements

On March 25, 2008 Home Trust announced that it had entered into an agreement with Fidelity National Information Services, Inc. (FIS). FIS, a global leader in the payment processing industry, will provide Home Trust with comprehensive back-office merchant processing services, including settlement, charge-back processing, retrieval services and customer support.

CAPITAL MANAGEMENT

Effective January 1, 2008 a new regulatory capital management framework was implemented in Canada. The International Convergence of Capital Measurement and Capital Standards: a Revised Framework, commonly known as Basel II, replaces Basel I, the framework utilized in the past. Basel II introduced several significant changes to the risk-weighting of assets and the calculation of regulatory capital. Home Trust implemented the standardized approach to calculating risk-weighted assets for credit risk and the basic indicator approach for operational risk. Changes for Home Trust under Basel II include a shift into lower risk-weighted categories for residential mortgages, and a new capital requirement related to operational risk.

Basel II had a modest positive impact on the overall level of regulatory capital for Home Trust. New procedures and system enhancements were developed to conform to the new framework, including formalization of Home Trust's internal capital adequacy assessment process. The Risk and Capital Committee and the Board of Directors annually review the capital management policy, and monitor compliance with the policy on a quarterly basis.

The capital base of Home Trust continues to be strongly positioned. The Tier 1 capital ratio ended the quarter at 12.0%, up from the fourth quarter of 2007 of 11.1% and down from the first quarter of 2007 of 12.7%. The total capital ratio was 13.4% at March 31, 2008 compared to 12.5% at December 31, 2007 and 14.3% reported at March 31, 2007. The modest increase in total capital compared to the fourth quarter of 2007 was the result of the shift into lower risk-weighting categories for residential mortgages, partially offset by new capital required for operational risks as reported under Basell II. The decline in the Tier 1 and total capital ratios versus the comparative quarter in 2007 was due to an intercompany dividend paid during the third quarter of 2007 to fund the acquisition of PSiGate. These ratios continue to exceed the minimum regulatory requirements of 7.0% for Tier 1 and 10.0% for total capital and Home Trust's internal capital targets.

As at March 31, 2008, Home Trust was utilizing 83.5% of its approved Assets to Regulatory Capital Multiple of 17.5 times (81.2% - Q4 2007 and 76.6% - Q1 2007), providing sufficient capital for continued lending growth going forward.

Further information on Basel II can be found in the Company's 2007 Annual Report on page 22, and in Note 8 to these unaudited interim consolidated financial statements.

RISK MANAGEMENT

The Company is exposed to various types of risks owing to the nature of the business activities it conducts. The types of risk to which the Company is subject include credit, liquidity and interest rate risk. The Company has adopted enterprise risk management (ERM) as a discipline for managing risks. The Company's ERM structure is supported by a governance framework which includes policies, management standards, guidelines and procedures appropriate to each business activity. The policies are reviewed and approved annually by the Board of Directors. The Company's key risk management practices remain in place and unchanged from those outlined on pages 24 through 30 in the MD & A section of the Company's 2007 Annual Report.

Credit Risk

Credit risk management is the oversight of credit risk associated with the total loans portfolio. This is the risk of the loss of principal and/or interest from the failure of debtors, for any reason, to honour their financial or contractual obligations to the Company. The Company's exposure to credit risk is mitigated by senior management, the Audit Committee and the Risk and Capital Committee of the Board of Directors who undertake reviews of credit policies and lending practices. The Company's policy is that credit is approved by different levels of senior management, based upon the amount of the loan. The Risk and Capital Committee and the Board of Directors review compliance with credit risk requirements on a quarterly basis.

As at March 31, 2008, the composition of the total mortgage portfolio was 84.0% residential and 16.0% non-residential, compared to 88.5% residential and 11.5% non-residential at December 31, 2007 and 93.8% residential and 6.2% non-residential one year ago. Within the Company's residential mortgage portfolio, 5.3% of the loans were insured by CMHC at March 31, 2008 compared to 5.4% at December 31, 2007 and 4.5% one year ago. First mortgages represented 99.6% of the total mortgage portfolio at March 31, 2008 compared to 99.6% at December 31, 2007 and 99.8% at March 31, 2007. Refer to Note 4 for a further breakdown by geographic concentration. The mortgage portfolio continues to perform well with only 1.5% of the mortgage loans portfolio over 60 days in arrears as at March 31, 2008, an improvement from both December 31, 2007 and March 31, 2007 which had 1.6% and 1.7%, respectively, of the mortgage loans portfolio over 60 days in arrears.

As at March 31, 2008, the gross credit card receivable balance totaled \$334.8 million, of which \$334.0 million, or 99.8% of the portfolio was secured either by cash deposits or residential mortgage collateral, and \$0.8 million, or 0.2% was unsecured. The total credit approved included \$410.0 million in secured and \$1.1 million in unsecured credit, compared to \$391.0 million in secured, and \$1.2 million of unsecured credit at December 31, 2007 and \$328.6 million in secured, and \$1.7 million of unsecured credit at March 31, 2007. Within the secured credit card portfolio the Equityline Visa credit cards represent the principal driver of receivable balance growth. Equityline Visa credit cards are secured by collateral residential mortgages, and this portfolio segment amounted to \$324.3 million of the total credit card receivable balance as at March 31, 2008 compared to \$302.7 million at December 31, 2007 and \$249.3 million at March 31, 2007. Cash deposits securing credit card accounts amounted to \$16.8 million, and are included in the Company's deposits. The Company has experienced minimal losses on the credit card portfolio. At March 31, 2008 \$5.2 million, or 1.6% of the credit card portfolio was over 60 days in arrears compared to \$3.8 million, or 1.2%, at December 31, 2007 and \$2.4 million, or 0.9% at March 31, 2007.

The secured loan portfolio of \$84.9 million increased by \$2.6 million over the December 31, 2007 balance of \$82.3 million, and \$10.4 million over the March 31, 2007 balance of \$74.5 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 March 31, 2008, 97.5% of the secured loan portfolio was current while \$1.3 million, or 1.5% was over 60 days in arrears. This compares to 97.7% of the secured loan portfolio being current while \$0.6 million, or 0.8% was over 60 days in arrears at December 31, 2007 and 98.0% of the secured loan portfolio being current while \$0.5 million, or 0.7% was over 60 days in arrears at March 31, 2007.

The Company experienced a slight rise in net impaired loans, to \$31.0 million at March 31, 2008 compared to \$29.0 million at December 31, 2007 and \$25.8 million at March 31, 2007. The loans portfolio continues to perform well, as net impaired loans at March 31, 2008 represent less than 1% of the gross loans portfolio. The Company continuously improves its underwriting practices, taking into account local market conditions in order to minimize the Company's potential loss exposure. Experienced senior employees of the Company undertake thorough reviews of all non-performing loans greater than 60 days to analyze patterns and drivers, and then reflect emerging drivers in the Compa-

ny's lending criteria going forward. This analytical approach and constant attention to emerging trends has resulted in continued low write-offs relative to the gross loans portfolio. Write-offs net of recoveries applied against the accumulated allowance for credit losses realized on loans during the three-month period ended March 31, 2008 totaled \$0.6 million, up from the \$0.3 million realized in the first quarter of 2007, however down from the \$0.8 million realized in the fourth quarter of 2007. The Company continues to monitor this area closely, and is dealing prudently and effectively with impaired loans.

The Company is well positioned to absorb all probable losses in its loans portfolio by increasing general allowances to \$23.7 million at March 31, 2008 as compared to general allowances of \$23.4 million at December 31, 2007 and \$20.2 million at March 31, 2007. 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 totalling of 99.8% of the total loans portfolio. A methodology has been implemented by the Company to test the adequacy of the general allowance that takes into account asset quality, borrowers' creditworthiness, property location and past loss experience. The Company periodically reviews this general allowance methodology giving due consideration to changes in economic conditions, interest rates and local housing market conditions.

The total general allowance was 85.3 basis points of the Company's risk-weighted assets as at March 31, 2008 compared to 83.5 basis points at December 31, 2007 and 91.3 basis points at March 31, 2007. It should be noted that the risk-weighted assets for March 31, 2008 were based on the new Basel II computations. Refer to the Capital Management section and Note 8 for further details.

Liquidity Risk

The objective of liquidity management is to ensure the Company has the ability to generate or obtain cash or equivalents in a timely manner and at a reasonable cost to meet its commitments (both on- and off-balance sheet) as they become due.

The Company's liquidity management framework includes a policy relating to several key elements, such as the minimum levels of liquid assets to be held at all times, the composition of types of liquid assets to be maintained, the daily monitoring of the liquidity position by senior management, and quarterly reporting to the Audit Committee of the Board of Directors. The Company manages liquidity using a model which considers two stress scenarios. In the "immediate" scenario, the Company experiences a decline in new deposits over a period of one month. In the "ongoing" scenario, the situation is similarly stressed but is spread out over the course of one year. In each scenario, the Company must hold sufficient liquid assets to meet the potential and certain obligations for a period of one year beyond the time frame of the scenario. These scenarios require the Company to make assumptions regarding the probable behaviour and timing of cash flows for each type of asset and liability. The Company's liquidity ratio is the total of liquid assets, adjusted by the estimates in each scenario, divided by the adjusted liabilities. The Company has established a policy limit of 120% under both scenarios, and at quarter-end liquid assets amounted to 153% (165% as at December 31, 2007 and 162% as at March 31, 2007) under the immediate scenario, and 140% (146% at December 31, 2007 and 138% as at March 31, 2007) under the on-going scenario. The Company continues to monitor these scenarios and will take appropriate actions should the need arise.

The Company holds liquid assets in the form of cash and bank deposits, treasury bills, banker's acceptances, government bonds and debentures to comply with its liquidity policy. Despite the continuing liquidity crisis in the Canadian and global credit markets, the Company has maintained more than sufficient liquidity to meet its obligations. At March 31, 2008 liquid assets amounted to \$734.9 million, up significantly from the \$627.1 million recorded at December 31, 2007 and \$425.8 million recorded at March 31, 2007. The Company's policy is to maintain a minimum 20% of 100-day obligations in liquid assets. For the twelve months ended March 31, 2008 the Company maintained an average of \$527.1 million, or 51.3% of 100-day obligations in liquid assets compared to \$463.7 million, or 48.9% for the twelve months ended December 31, 2007 and \$306.9 million, or 39.7% for the twelve months ended March 31, 2007.

Structural Interest Rate Risk

Interest rate risk is the sensitivity of earnings to sudden changes in interest rates. 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 Company's Asset Liability Management Committee manages exposure arising from interest rate and liquidity risk, and reports quarterly to the Board of Directors.

The interest rate sensitivity position as at March 31, 2008 is presented under Note 12 in these unaudited interim consolidated financial statements. The table provided there represents these positions at a point in time, and the gap represents the difference between assets and liabilities in each maturity category. Note 12 summarizes both on- and off-balance sheet assets and liabilities, in terms of their contractual amounts. Over the lifetime of certain assets, some contractual obligations such as residential mortgages will be terminated prior to their stated maturity at the election of the borrower, by way of prepayments. Similarly, some contractual off-balance sheet mortgage commitments will be extended but not materialize. In measuring its interest risk exposure, the Company will make assumptions about these factors, taking into account aspects such as past borrower history.

To assist in matching assets and liabilities, the Company utilizes two interest rate risk sensitivity models which measure the relationship between changes in interest rates and the resulting impact on both future net interest income and the economic value of shareholders' equity. The following table provides the potential after tax impact of an immediate and sustained 100-basis point, and 200-basis point increase and decrease in interest rates on net interest income and on the economic value of shareholders' equity.

<i>In thousands of dollars</i>	March 31	December 31	March 31	March 31	December 31	March 31
	2008	2007	2007	2008	2007	2007
	Increase in interest rate			Decrease in interest rates		
100-basis point shift						
Impact on net interest income, after tax (for the next 12 months)	\$ 2,588	\$ 2,681	\$ (861)	\$ (2,588)	\$ (2,681)	\$ 861
Impact on net present value of shareholders' equity	(3,420)	1,800	(17,320)	3,550	(1,962)	17,984
200-basis point shift						
Impact on net interest income, after tax (for the next 12 months)	\$ 5,175	\$ 5,363	\$ (1,723)	\$ (5,175)	\$ (5,363)	\$ 1,723
Impact on net present value of shareholders' equity	(6,715)	3,448	(34,005)	7,239	(4,095)	36,664

The Company may enter into derivative transactions for the purpose of hedging commitment risk. The purpose is to manage interest rate exposures during the period 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 or short sale Government of Canada bond positions specific to hedging commitment risk at March 31, 2008 or the comparative periods. Through the Company's participation in CMHC's Canada Mortgage Bond program, the Company was required to enter into specific swap agreements to hedge interest rate risk and the reinvestment risk between the amortizing MBS pool and the Canada Mortgage Bonds. Refer to Note 11 of these unaudited interim consolidated financial statements for additional information.

RESULTS BY BUSINESS SEGMENT

The following section discusses the mortgage lending, consumer lending and other lines of business for the first quarter of 2008 (refer to Note 13 of these unaudited interim consolidated financial statements).

Mortgage Lending

The Company's principal line of business contributed \$17.9 million to net income during the first quarter of 2008, as compared to \$16.8 million and \$14.9 million for the same periods ended December 31, 2007 and March 31, 2007, respectively. The increase for the quarter from the prior year's first quarter was primarily driven through loan originations which increased fee income and increases in gains realized on securitization activities. The increase in net income over the fourth quarter of 2007 was due to an increase in loan originations which increased net interest income and a reduction of the provision for credit losses. The total value of new mortgages advanced in the quarter was \$867.2 million, as compared to \$899.8 million advanced in the fourth quarter of 2007, and \$546.4 million advanced during the first quarter of 2007.

The Company securitized \$145.8 million of government-guaranteed (CMHC) residential mortgage loans through the creation of MBS securities during the quarter, realizing total gains from securitization of \$8.9 million for the quar-

ter. This compares to \$198.9 million for the fourth quarter of 2007, and \$134.4 million for the first three months of 2007, resulting in gains of \$8.1 million and \$4.7 million, respectively. During the quarter, the Company participated in CMHC's Canada Mortgage Bond program. Of the \$145.8 million securitized during the quarter, \$84.3 million relates to the securitization of government-guaranteed residential mortgage loans through the creation of MBS securities sold through Canada Housing Trust. The sale of these residential mortgages realized \$5.5 million in gains. Securitization will continue to contribute to the Company's income; however, core mortgage lending utilizing funding from deposits is expected to remain the main driver of the Company's financial results going forward. For additional information refer to Note 5 of these unaudited interim consolidated financial statements.

The Company's second mortgage program (recorded as secured loans) is conducted by way of an agreement with QSPE-HCC Trust operating as Regency Finance Corp. (Regency), whereby the Company acts as Regency's agent in offering residential second mortgage loans. These mortgage loans are securitized and the investments are purchased by the Company. At the end of the quarter the Company held \$84.9 million in Secured Loans as Notes Receivable issued by Regency, compared to \$82.3 million at December 31, 2007 and \$74.5 million at March 31, 2007. These Notes yield 7.1% with an average duration of 2.5 years. The Company also receives fee income for servicing and administering these mortgages for Regency. This income amounted to 0.5% of the portfolio value, on an annualized basis. The underlying credit quality of the mortgage loans securing the Notes Receivable remains high, with 1.5% of the portfolio in arrears over 60 days. This program has experienced minimal losses since inception and continues to provide the Company with ancillary marketing opportunities in the residential mortgage marketplace.

Consumer Lending – Credit Cards and Retail Services

Consumer lending continued to generate positive results in the first quarter of 2008. Net income for the quarter was \$4.3 million, compared to \$4.1 million for the fourth quarter of 2007 and \$3.6 million for the first quarter of 2007. Included in the operating results of the consumer lending segment are the operations of PSiGate. PSiGate contributed \$0.4 million in net income during the quarter, compared to \$0.2 million during the stub-period from October 17, 2007 to December 31, 2007. Additionally, during the quarter the Company realized gains of \$0.3 million from Visa Inc.'s initial public offering which has been recorded in this segment.

The Equityline Visa loans portfolio amounted to \$324.3 million at March 31, 2008 (\$302.7 million – Q4 2007 and \$249.3 million – Q1 2007) comprising 96.9% (96.3% - Q4 2007 and 95.2% - Q1 2007) of the total gross credit card receivable balance of \$334.8 million, and bearing an average interest rate of 10.9% (10.9% - Q4 2007 and 10.5% - Q1 2007) on outstanding balances. During the first quarter of 2008, 1,058 Equityline Visa accounts with \$49.7 million in authorized credit limits were issued, compared to 1,079 Equityline Visa accounts with \$54.1 million in authorized credit limits issued for the three months ended December 31, 2007 and 1,426 Visa accounts with \$59.0 million in authorized credit limits issued for the three month period ended March 31, 2007.

Other

The other segment, comprised of the Company's securities portfolio and corporate activities, generated positive results in the first quarter of 2008. Net income for the quarter was \$2.9 million, compared to \$3.4 million for the three months ended December 31, 2007 and \$2.7 million for the three months ended March 31, 2007. The decrease from the fourth quarter of 2007 was due to a one-time deemed dividend received in the fourth quarter on the Great-West Lifeco Series L preferred shares. The decline from the first quarter of 2007 resulted from realized and unrealized losses on certain holdings in the Company's securities portfolio.

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 pages 32 and 33 of the 2007 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

MBS, financial instruments measured at fair value, other than temporary impairment of available for sale securities, future income tax liabilities and contingencies for litigation. Further information can be found under Notes 3, 4, 5, and 10 of these unaudited interim consolidated financial statements. There have been no subsequent changes to the critical accounting estimates disclosed on pages 32 and 33 of the 2007 Annual Report.

Change in Accounting Policy

The significant accounting policies the Company follows are detailed in Note 1 to the Company's December 31, 2007 consolidated financial statements. Effective January 1, 2008 the Company adopted new accounting standards issued by the Canadian Institute of Chartered Accountants, *Financial Instruments – Disclosure and Presentation* and *Capital Disclosures*. As a result of adopting these standards, new or enhanced disclosure has been provided.

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 March 31, 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

UPDATED SHARE INFORMATION

As at May 9, 2008, the Company had issued 34,532,490 Common Shares. In addition, outstanding director and employee stock options amounted to 1,288,750 (1,293,750 – Q4 2007 and 1,157,500 – Q1 2007) of which 543,125 are exercisable as of the quarter-end (526,250 – Q4 2007 and 597,500 – Q1 2007) for proceeds to the Company upon exercise of \$8.5 million (\$7.9 million – Q4 2007 and \$6.7 million – Q1 2007).

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

QUARTERLY FINANCIAL HIGHLIGHTS

<i>In Thousands of Dollars</i>	2008				2007			
<i>(Except Per Share and Percentage Amounts)</i>	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net interest income (TEB) ¹	\$ 38,590	\$ 40,394	\$ 39,396	\$ 37,647	\$ 34,276	\$ 33,040	\$ 30,727	\$ 29,073
Less TEB adjustment	962	2,311	1,084	1,118	942	841	764	740
Net interest income per financial statements	37,628	38,083	38,312	36,529	33,334	32,199	29,963	28,333
Non-interest income	14,338	14,561	11,964	11,467	10,075	12,744	6,880	9,412
Non-interest expense	14,763	15,687	13,289	13,382	11,840	12,276	12,027	11,344
Total revenues	106,796	105,081	94,345	87,710	81,745	81,053	70,621	68,495
Net income	25,159	24,228	22,837	22,018	21,158	20,518	16,618	16,496
Return on common shareholders' equity	27.9%	28.9%	28.9%	28.9%	29.3%	30.5%	26.2%	27.6%
Return on average total assets	1.9%	2.0%	2.0%	2.1%	2.1%	2.2%	1.8%	1.9%
Earnings per common share								
Basic	\$ 0.73	\$ 0.70	\$ 0.66	\$ 0.64	\$ 0.62	\$ 0.60	\$ 0.49	\$ 0.48
Diluted	\$ 0.72	\$ 0.70	\$ 0.65	\$ 0.63	\$ 0.61	\$ 0.59	\$ 0.48	\$ 0.47
Book value per common share	\$ 10.79	\$ 10.08	\$ 9.38	\$ 8.98	\$ 8.70	\$ 8.10	\$ 7.62	\$ 7.22
Efficiency ratio (TEB) ¹	27.9%	28.5%	25.9%	27.3%	26.7%	26.8%	32.0%	29.5%
Efficiency ratio	28.4%	29.8%	26.4%	27.9%	27.3%	27.3%	31.2%	30.1%
Tier 1 capital ratio ^{2,3}	12.0%	11.1%	11.7%	12.9%	12.7%	12.7%	12.5%	12.7%
Total capital ratio ^{2,3}	13.4%	12.5%	13.1%	14.4%	14.3%	14.2%	14.1%	14.4%
Net impaired loans as a % of gross loans	0.71%	0.72%	0.63%	0.68%	0.74%	0.68%	0.56%	0.54%
Annualized provision as a % of gross loans	0.1%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%

¹TEB - Taxable Equivalent Basis, see definition on page 5

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

³The Tier 1 and Total capital ratios for Q1 2008 are calculated under Basel II requirements. See Capital Management section for additional details.

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 quarterly results are modestly affected by seasonal factors, with the first quarter mortgage advances impacted by winter weather conditions and the fourth quarter experiencing increased credit card purchases over the holiday period. The Company continues to achieve positive financial results driven by revenue growth in all business segments, and continued low efficiency ratios (where the lower the ratio the better). The increase in Tier 1 and total capital ratios in the first quarter of 2008 reflect the changes required to calculate capital requirements under Basel II which came into effect January 1, 2008, resulting in a shift into lower risk-weighted categories for residential mortgages offset by new capital requirements related to operational risk.

Outlook

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

Having maintained positive growth and profitability through the first quarter of 2008, despite challenging market and credit conditions, the Company remains confident that profitability and growth will continue for the remainder of 2008. The Company anticipates that the Canadian economy will grow more slowly than in 2007, and will continue to reflect an uncertain interest rate environment though the benchmark interest rate is expected to decline. Despite these uncertainties, we expect the Canadian housing market to remain on solid footing underpinned by high employment and other strong economic fundamentals. The Company has a proven corporate strategy and proprietary risk management framework to manage the Company's future growth prospects. This Outlook section contains forward-looking statements. (Please see the Caution Regarding Forward-Looking Statements on page 5 of these unaudited interim consolidated financial statements).

Consolidated Statements of Income

In Thousands of Dollars (Unaudited)	For the three months ended		
	March 31 2008	December 31 2007	March 31 2007
Income			
Interest from loans	\$ 82,971	\$ 79,101	\$ 66,268
Dividends from equity securities	2,153	4,608	1,878
Other interest	7,334	6,812	3,524
	92,458	90,521	71,670
Interest Expense			
Interest on deposits	54,830	52,438	38,336
Net interest income	37,628	38,083	33,334
Provision for credit losses (note 4(d))	600	2,449	488
	37,028	35,634	32,846
Non-interest Income			
Fees and other income	7,223	6,444	4,535
Securitization income on mortgage-backed securities	10,097	10,004	5,223
Net gain (loss) realized and unrealized on securities	(1,625)	(2,559)	344
Net gain on disposition of subsidiary (note 15)	69	-	-
Gain (loss) on derivatives	(1,426)	672	(27)
	14,338	14,561	10,075
	51,366	50,195	42,921
Non-interest Expenses			
Salaries and staff benefits	8,618	8,163	7,190
Premises	991	996	917
General and administration	5,154	6,528	3,733
	14,763	15,687	11,840
Income Before Income Taxes			
	36,603	34,508	31,081
Provision for income taxes (note 10)	11,444	10,280	9,923
NET INCOME	\$ 25,159	\$ 24,228	\$ 21,158
NET INCOME PER COMMON SHARE			
Basic	\$ 0.73	\$ 0.70	\$ 0.62
Diluted	\$ 0.72	\$ 0.70	\$ 0.61
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (thousands)			
Basic	34,532	34,482	34,312
Diluted	34,850	34,851	34,886
Total number of outstanding common shares (thousands)	34,532	34,532	34,482
Book value per common share	\$ 10.79	\$ 10.08	\$ 8.70

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

Consolidated Statements of Comprehensive Income

<i>In Thousands of Dollars (Unaudited)</i>	For the three months ended		
	March 31 2008	December 31 2007	March 31 2007
NET INCOME	\$ 25,159	\$ 24,228	\$ 21,158
OTHER COMPREHENSIVE INCOME, NET OF TAX			
Unrealized income on available for sale securities			
Net unrealized income on securities available for sale, net of \$1,673 tax (\$3,303 - December 31, 2007; \$748 - March 31, 2007)	1,767	4,083	2,739
Reclassification of earnings (losses) in respect of available for sale securities, net of \$729 tax (\$174 - December 31, 2007; (\$257) - March 31, 2007)	1,573	308	(454)
Total other comprehensive income	3,340	4,391	2,285
COMPREHENSIVE INCOME	\$ 28,499	\$ 28,619	\$ 23,443

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

Consolidated Balance Sheets

<i>In Thousands of Dollars (Unaudited)</i>	March 31 2008	December 31 2007	March 31 2007
ASSETS			
Cash Resources			
Deposits with regulated financial institutions	\$ 432,177	\$ 344,464	\$ 50,669
Treasury bills guaranteed by Canada	-	9,872	184,730
	432,177	354,336	235,399
Securities (note 3)			
Held for trading	303	114,423	301
Available for sale	502,794	356,458	360,260
	503,097	470,881	360,561
Loans (note 4)			
Residential mortgages	3,304,765	3,218,474	2,956,898
Personal and credit card loans	347,246	325,393	268,900
Other mortgages	629,670	419,400	196,507
Secured loans	84,924	82,304	74,505
General allowance for credit losses	(23,676)	(23,400)	(20,169)
	4,342,929	4,022,171	3,476,641
Other			
Securitization receivable (note 5)	77,165	63,982	55,929
Capital assets	4,922	4,837	4,548
Other assets (note 6)	60,917	57,100	33,857
	143,004	125,919	94,334
	\$ 5,421,207	\$ 4,973,307	\$ 4,166,935
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Deposits			
Payable on demand	\$ 21,194	\$ 30,793	\$ 19,278
Payable on a fixed date	4,806,010	4,383,191	3,664,825
	4,827,204	4,413,984	3,684,103
Other			
Cheques and other items in transit	2,746	4,393	3,316
Other liabilities (note 7)	218,801	206,890	179,499
	221,547	211,283	182,815
	5,048,751	4,625,267	3,866,918
Shareholders' Equity			
Capital stock (note 8)	38,899	38,899	37,654
Contributed surplus	2,225	1,818	1,021
Retained earnings	334,289	313,620	259,687
Accumulated other comprehensive income (loss)	(2,957)	(6,297)	1,655
	372,456	348,040	300,017
	\$ 5,421,207	\$ 4,973,307	\$ 4,166,935

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)	For the three months ended		
	March 31 2008	December 31 2007	March 31 2007
CAPITAL STOCK			
Common Shares			
Balance at beginning of the period (note 8)	\$ 38,899	\$ 38,047	\$ 35,436
Proceeds of options exercised	-	890	2,230
Normal course issuer bid	-	(38)	(12)
BALANCE AT END OF THE PERIOD	\$ 38,899	\$ 38,899	\$ 37,654
CONTRIBUTED SURPLUS			
Balance at beginning of the period	\$ 1,818	\$ 1,523	\$ 783
Amortization of fair value of employee stock options (note 9)	407	321	238
Employee stock options exercised	-	(26)	-
BALANCE AT END OF THE PERIOD	\$ 2,225	\$ 1,818	\$ 1,021
RETAINED EARNINGS			
Balance at beginning of the period (note 8)	\$ 313,620	\$ 294,423	\$ 240,647
Transitional adjustment on adoption of new accounting polcies	-	-	1,391
Normal course issuer bid	-	(1,222)	(406)
Net income for the period	25,159	24,228	21,158
Dividends paid during the period	(346)	(10)	-
Dividends declared, unpaid during the period	(4,144)	(3,799)	(3,103)
BALANCE AT END OF THE PERIOD	\$ 334,289	\$ 313,620	\$ 259,687
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)			
Balance at beginning of the period	\$ (6,297)	\$ (10,688)	\$ -
Transitional adjustment on adoption of new accounting polcies	-	-	(630)
Other comprehensive income, net of \$2,402 tax (\$3,477 - December 31, 2007; \$491 - March 31, 2007)	3,340	4,391	2,285
BALANCE AT END OF THE PERIOD	\$ (2,957)	\$ (6,297)	\$ 1,655

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

Consolidated Statements of Cash Flows

For the Three Months Ended

<i>In Thousands of Dollars (Unaudited)</i>	March 31 2008	December 31 2007	March 31 2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period	\$ 25,159	\$ 24,228	\$ 21,158
Adjustments to determine cash flows relating to operating activities:			
Future income taxes	2,027	(996)	514
Amortization	1,238	3,398	(224)
Provision for credit losses (note 4(d))	600	2,449	488
Change in accrued interest payable	21,074	10,671	15,617
Change in accrued interest receivable	(998)	(2,186)	(1,379)
Net loss (gain) realized and unrealized on investment securities	1,625	2,559	(344)
Loss (gain) on derivatives	1,426	(672)	27
Securitization income on mortgage-backed securities	(10,097)	(10,004)	(5,223)
Amortization of fair value of employee stock options (note 9)	407	321	238
Other	(17,698)	15,530	678
Cash flows from operating activities	24,763	45,298	31,550
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in deposits	413,220	253,488	242,310
Issuance of capital stock	-	890	2,230
Normal course issuer bid	-	(1,260)	(418)
Exercise of stock options	-	(26)	-
Dividends paid	(4,145)	(3,800)	(3,076)
Cash flows from financing activities	409,075	249,292	241,046
CASH FLOWS FROM INVESTING ACTIVITIES			
Activity in available for sale and held for trading securities			
Purchases	(217,467)	(127,302)	(49,642)
Proceeds from sales	168,454	20,138	17,845
Proceeds from maturities	14,039	16,210	18,539
Activity in mortgages			
Net increase	(442,459)	(469,229)	(266,044)
Proceeds from securitization of mortgage-backed securities	142,699	193,879	130,866
Change in mortgage-backed securities receivable	4,016	7,875	4,076
Net increase in personal and credit card loans	(21,924)	(13,343)	(32,049)
Net increase in secured loans	(2,746)	(705)	(4,103)
Business acquisition, net	-	(16,563)	-
Purchases of capital assets	(609)	(610)	(216)
Cash flows used in investing activities	(355,997)	(389,650)	(180,728)
Net increase (decrease) in cash and cash equivalents during the period	77,841	(95,060)	91,868
Cash and cash equivalents at beginning of the period	354,336	449,396	143,531
Cash and cash equivalents at end of the period	\$ 432,177	\$ 354,336	\$ 235,399
Supplementary Disclosure of Cash Flow Information			
Interest paid	\$ 33,756	\$ 41,765	\$ 20,229
Income taxes paid	13,822	11,262	14,789

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

Notes to the Unaudited Interim Consolidated Financial Statements

1. ACCOUNTING POLICIES USED TO PREPARE THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2007 as set out in the 2007 Annual Report, on pages 36 through 58. These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Except as disclosed in Note 2, the accounting policies and methods of application used in the preparation of these unaudited interim consolidated financial statements are consistent with the accounting policies used in Home Capital Group Inc.'s (the "Company") most recent annual audited financial statements. These unaudited interim consolidated financial statements reflect amounts which must, of necessity, be based on the best estimates and judgement of management with appropriate consideration as to materiality. Actual results may differ from these estimates.

2. CHANGES IN ACCOUNTING POLICIES

Capital Disclosures

Effective January 1, 2008 the Company adopted the new accounting standard issued by the Canadian Institute of Chartered Accountants (CICA), Handbook Section 1535, *Capital Disclosures*. The new standard requires disclosure of information about (i) the Company's objectives, policies and processes for managing capital; (ii) quantitative data about what the Company regards as capital; and (iii) whether the Company has complied with any capital requirements and consequences of non-compliance. Note 8 includes information related to this new standard.

Financial Instruments

Effective January 1, 2008 the Company adopted new accounting standards issued by the CICA, Handbook Section 3862, *Financial Instruments - Disclosures* and Section 3863, *Financial Instruments - Presentation*. These new standards place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments and how the Company manages those risks. As a result of adopting these new standards, enhanced disclosure is provided in Notes 3, 4 and 14. The new standards did not affect the financial position of the Company.

3. SECURITIES

Available for Sale Securities - Net Unrealized Gains and Losses

<i>In Thousands of Dollars</i>	March 31 2008	December 31 2007	March 31 2007
Securities issued or guaranteed by:			
Canada	\$ 1,725	\$ (111)	\$ (649)
Corporations	(34)	-	-
Equity securities			
Common	(897)	(494)	34
Fixed rate preferred	(5,276)	(4,753)	2,400
Floating rate preferred	(833)	(270)	278
Income trusts	(3,527)	(2,891)	(421)
Mutual funds	-	(5)	33
	\$ (8,842)	\$ (8,524)	\$ 1,675

During the three months ended March 31, 2008, the Company recognized other than temporary losses on its equity securities of \$0.2 million. The remaining unrealized losses represent differences between the carrying value of the security and the current fair value. The Company does not consider these losses to be other than temporary based on market conditions at the reporting date, and continues to regularly monitor these investments and market conditions.

Effective January 1, 2008, all new bond acquisitions have been designated as available for sale securities consistent with the Company's intention to hold them.

4. LOANS

(A) Loans by Geographic Region and Type

As at March 31, 2008

<i>In Thousands of Dollars</i>	Personal				Total
	Residential Mortgages	and Credit Card Loans	Secured Loans	Other Mortgages	
British Columbia	\$ 316,697	\$ 25,113	\$ 213	\$ 7,157	\$ 349,180
Alberta	411,412	77,599	8,633	111,993	609,637
Ontario	2,357,618	234,554	72,870	436,186	3,101,228
Quebec	63,025	431	-	48,545	112,001
Maritimes	113,094	7,703	3,208	18,529	142,534
Manitoba and Saskatchewan	42,919	1,846	-	7,260	52,025
	\$ 3,304,765	\$ 347,246	\$ 84,924	\$ 629,670	\$ 4,366,605

As at December 31, 2007

<i>In Thousands of Dollars</i>	Personal				Total
	Residential Mortgages	and Credit Card Loans	Secured Loans	Other Mortgages	
British Columbia	\$ 303,150	\$ 22,828	\$ 213	\$ 6,555	\$ 332,746
Alberta	387,168	70,781	7,957	50,210	516,116
Ontario	2,314,008	222,230	70,692	342,140	2,949,070
Quebec	59,952	24	-	12,066	72,042
Maritimes	118,297	7,661	3,442	8,429	137,829
Manitoba and Saskatchewan	35,899	1,869	-	-	37,768
	\$ 3,218,474	\$ 325,393	\$ 82,304	\$ 419,400	\$ 4,045,571

As at March 31, 2007

<i>In Thousands of Dollars</i>	Personal				Total
	Residential Mortgages	and Credit Card Loans	Secured Loans	Other Mortgages	
British Columbia	\$ 284,494	\$ 18,924	\$ -	\$ -	\$ 303,418
Alberta	271,088	44,172	9,020	-	324,280
Ontario	2,235,605	196,015	61,907	193,317	2,686,844
Quebec	31,210	39	-	-	31,249
Maritimes	129,743	7,804	3,578	3,190	144,315
Manitoba and Saskatchewan	4,758	1,946	-	-	6,704
	\$ 2,956,898	\$ 268,900	\$ 74,505	\$ 196,507	\$ 3,496,810

(B) Past Due Loans that are not Impaired**As at March 31, 2008**

<i>In Thousands of Dollars</i>	Residential	Personal	Secured	Other	Total
	Mortgages	and Credit Card Loans	Loans	Mortgages	
1 - 30 days	\$ 102,705	\$ 3,111	\$ 881	\$ 2,350	\$ 109,047
31 - 60 days	8,003	1,311	-	687	10,001
61 - 90 days	28,480	1,389	321	269	30,459
	\$ 139,188	\$ 5,811	\$ 1,202	\$ 3,306	\$ 149,507

As at December 31, 2007

<i>In Thousands of Dollars</i>	Residential	Personal	Secured	Other	Total
	Mortgages	and Credit Card Loans	Loans	Mortgages	
1 - 30 days	\$ 114,316	\$ 3,181	\$ 1,314	\$ 2,918	\$ 121,729
31 - 60 days	7,691	1,497	63	343	9,594
61 - 90 days	28,143	1,508	241	657	30,549
	\$ 150,150	\$ 6,186	\$ 1,618	\$ 3,918	\$ 161,872

As at March 31, 2007

<i>In Thousands of Dollars</i>	Residential	Personal	Secured	Other	Total
	Mortgages	and Credit Card Loans	Loans	Mortgages	
1 - 30 days	\$ 131,353	\$ 2,905	\$ 452	\$ -	\$ 134,710
31 - 60 days	6,485	1,492	24	-	8,001
61 - 90 days	29,016	286	-	-	29,302
	\$ 166,854	\$ 4,683	\$ 476	\$ -	\$ 172,013

(C) Impaired Loans and Specific Allowances for Credit Losses**As at March 31, 2008**

<i>In Thousands of Dollars</i>	Personal				Total
	Residential Mortgages	and Credit Card Loans	Secured Loans	Other Mortgages	
Gross amount of impaired loans	\$ 28,223	\$ 2,285	\$ 1,006	\$ 194	\$ 31,708
Specific allowances	(457)	(72)	(187)	-	(716)
	\$ 27,766	\$ 2,213	\$ 819	\$ 194	\$ 30,992

As at December 31, 2007

<i>In Thousands of Dollars</i>	Personal				Total
	Residential Mortgages	and Credit Card Loans	Secured Loans	Other Mortgages	
Gross amount of impaired loans	\$ 27,849	\$ 1,521	\$ 400	\$ 242	\$ 30,012
Specific allowances	(634)	(128)	(231)	-	(993)
	\$ 27,215	\$ 1,393	\$ 169	\$ 242	\$ 29,019

As at March 31, 2007

<i>In Thousands of Dollars</i>	Personal				Total
	Residential Mortgages	and Credit Card Loans	Secured Loans	Other Mortgages	
Gross amount of impaired loans	\$ 23,979	\$ 1,929	\$ 252	\$ -	\$ 26,160
Specific allowances	(121)	(193)	-	-	(314)
	\$ 23,858	\$ 1,736	\$ 252	\$ -	\$ 25,846

(D) Allowance for Credit Losses**As at March 31, 2008**

<i>In Thousands of Dollars</i>	Personal				Total
	Residential Mortgages	and Credit Card Loans	Secured Loans	Other Mortgages	
Specific allowances					
Balance at the beginning of the period	\$ 634	\$ 128	\$ 231	\$ -	\$ 993
Provisions for credit losses	126	71	127	-	324
Write-offs	(403)	(159)	(200)	-	(762)
Recoveries	100	32	29	-	161
	457	72	187	-	716
General allowance					
Balance at the beginning of the period	17,127	3,201	856	2,216	23,400
Provisions for credit losses	(946)	276	20	926	276
	16,181	3,477	876	3,142	23,676
Total allowance	\$ 16,638	\$ 3,549	\$ 1,063	\$ 3,142	\$ 24,392

(D) Allowance for Credit Losses (Continued)

As at December 31, 2007

<i>In Thousands of Dollars</i>	Personal				Total
	Residential Mortgages	and Credit Card Loans	Secured Loans	Other Mortgages	
Specific allowances					
Balance at the beginning of the period	\$ 230	\$ 208	\$ 241	\$ -	\$ 679
Provisions for credit losses	727	211	198	-	1,136
Write-offs	(327)	(309)	(208)	-	(844)
Recoveries	4	18	-	-	22
	634	128	231	-	993
General allowance					
Balance at the beginning of the period	16,403	3,127	839	1,718	22,087
Provisions for credit losses	724	74	17	498	1,313
	17,127	3,201	856	2,216	23,400
Total allowance	\$ 17,761	\$ 3,329	\$ 1,087	\$ 2,216	\$ 24,393

As at March 31, 2007

<i>In Thousands of Dollars</i>	Personal				Total
	Residential Mortgages	and Credit Card Loans	Secured Loans	Other Mortgages	
Specific allowances					
Balance at the beginning of the period	\$ 386	\$ 148	\$ 108	\$ -	\$ 642
Provisions for credit losses	(127)	185	(95)	-	(37)
Write-offs	(149)	(174)	(13)	-	(336)
Recoveries	11	34	-	-	45
	121	193	-	-	314
General allowance					
Balance at the beginning of the period	15,886	2,378	721	659	19,644
Provisions for credit losses	(144)	317	46	306	525
	15,742	2,695	767	965	20,169
Total allowance	\$ 15,863	\$ 2,888	\$ 767	\$ 965	\$ 20,483

(E) Collateral

The fair value of collateral held against mortgages is based on appraisals at the time a loan is originated. Appraisals are only updated should circumstances warrant it and when a mortgage becomes impaired. At March 31, 2008, the total appraised value of the collateral for mortgages past due that are not impaired, as determined when the mortgages were originated, is \$269 million. For impaired mortgages, the total appraised value of collateral at March 31, 2008 is \$40 million.

5. LOAN SECURITIZATION

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

<i>In Thousands of Dollars, Except Percentages and Number of Years</i>	March 31 2008	December 31 2007	March 31 2007
Book value of mortgages securitized	\$ 145,771	\$ 198,925	\$ 134,355
Securitization receivable	\$ 13,054	\$ 14,104	\$ 8,773
Servicing liability	\$ 265	\$ 350	\$ 212
Net proceeds received on securitized mortgages	\$ 142,699	\$ 193,879	\$ 130,866
Gain on sale of mortgages	\$ 8,883	\$ 8,107	\$ 4,741
Prepayment rate	13.5%	13.5%	12.8%
Excess spread	3.6%	2.9%	2.8%
Weighted average life in years	4.2	4.2	3.8
Discount rate	3.6%	4.3%	4.0%

During the first quarter of 2008, the Company securitized insured residential mortgages with a book value of \$84.3 million (\$91.5 million in Q4 2007 and nil in Q1 2007) through CMHC's Canada Mortgage Bond Program. The gain on sale for this pool was \$5.5 million (\$4.2 million in Q4 2007 and nil in Q1 2007) and is included in the above table.

6. OTHER ASSETS

<i>In Thousands of Dollars</i>	March 31 2008	December 31 2007	March 31 2007
Accrued interest receivable	\$ 26,306	\$ 25,308	\$ 20,425
Income taxes receivable	3,924	-	1,371
Goodwill	15,028	15,028	2,324
Intangible assets	1,008	1,158	-
Other prepaid assets and deferred items	14,651	15,606	9,737
	\$ 60,917	\$ 57,100	\$ 33,857

7. OTHER LIABILITIES

<i>In Thousands of Dollars</i>	March 31 2008	December 31 2007	March 31 2007
Accrued interest payable	\$ 156,724	\$ 135,650	\$ 127,537
Income taxes payable	-	5,795	-
Dividends payable	4,144	3,799	3,103
Future income tax liability (Note 10)	20,643	16,586	15,568
Other, including accounts payable and accrued liabilities	37,290	45,060	33,291
	\$ 218,801	\$ 206,890	\$ 179,499

8. CAPITAL

(A) Common Shares Issued and Outstanding

<i>In Thousands of Dollars</i> <i>Except Per Share Amounts</i>	For the three months ended					
	March 31, 2008		December 31, 2007		March 31, 2007	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Outstanding at beginning of period	34,532	\$ 38,899	34,455	\$ 38,047	34,166	\$ 35,436
Options exercised	-	-	111	890	329	2,230
Normal course issuer bid	-	-	(34)	(38)	(13)	(12)
Outstanding at end of period	34,532	\$ 38,899	34,532	\$ 38,899	34,482	\$ 37,654

The purchase price of shares acquired through the Normal Course Issuer Bid is allocated between capital stock and retained earnings. Comparative figures have been reclassified to conform to this presentation.

(B) Share Purchase Options

<i>In Thousands of Dollars</i> <i>Except Per Share Amounts</i>	For the three months ended					
	March 31, 2008		December 31, 2007		March 31, 2007	
	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	1,294	\$ 27.15	1,170	\$ 22.47	1,266	\$ 15.43
Granted	-	-	235	41.29	220	34.44
Exercised	-	-	(111)	7.77	(329)	6.79
Forfeited	(5)	35.25	-	-	-	-
Outstanding at end of period	1,289	\$ 27.12	1,294	\$ 27.15	1,157	\$ 21.49
Exercisable, end of period	543	\$ 15.59	526	\$ 15.04	597	\$ 11.21

(C) Capital Management

The Company has a Capital Management Policy which governs the quantity and quality of capital held. The objective of the policy is to ensure that regulatory capital requirements are met, while also providing a sufficient return to investors. The Risk and Capital Committee and the Board of Directors annually review the policy and monitor compliance with the policy on a quarterly basis.

The Company's subsidiary, Home Trust Company, is subject to the regulatory capital requirements governed by the Office of the Superintendent of Financial Institutions (OSFI). These requirements are consistent with international standards set by the Bank for International Settlements (BIS). Effective January 1, 2008, Home Trust Company adopted the new capital framework (Basel II) as required by OSFI. Under Basel II, the computation of risk-weighted assets was revised and a new measure for operational risk was introduced. Home Trust Company follows the Standard Approach for calculating credit risk and the Basic Indicator Approach for operational risk.

The regulatory capital position of Home Trust Company was as follows:

<i>In Thousands of Dollars, Except Ratios and Multiple</i>	March 31 2008	December 31 ¹ 2007	March 31 ¹ 2007
Regulatory capital			
Tier 1	\$ 332,095	\$ 311,760	\$ 280,789
Total	370,771	350,160	314,953
Regulatory ratios			
Tier 1	12.0%	11.1%	12.7%
Total	13.4%	12.5%	14.3%
Assets to capital multiple	14.6	14.2	13.2

¹ Comparative figures were calculated in accordance with the Basel I capital rules in effect at the time.

Under Basel II, OSFI considers a financial institution to be well-capitalized if it maintains a Tier 1 capital ratio of 7% and a total capital ratio of 10%. Home Trust Company is in compliance with the OSFI capital guidelines.

9. STOCK BASED COMPENSATION

During the quarter, \$407,000 was recorded as an expense (\$321,000 in Q4 2007 and \$238,000 in Q1 2007) for stock option awards in the consolidated statements of income, with an offsetting credit to contributed surplus. During the quarter ended March 31, 2008, no new options were granted (235,000 in Q4 2007 and 220,000 in Q1 2007).

10. INCOME TAXES

(A) Reconciliation of income taxes for the three months ended

<i>In Thousands of Dollars</i>	March 31 2008	December 31 2007	March 31 2007
Income before income taxes	\$ 36,603	\$ 34,508	\$ 31,081
Income taxes at statutory combined federal and provincial income tax rates	12,316	12,408	11,226
Increase (decrease) in income taxes at statutory income tax rates resulting from			
Tax-exempt income	(640)	(1,476)	(643)
Non-deductible expenses	508	245	104
Future tax rate changes	(220)	(1,286)	(31)
Other	(520)	389	(733)
Income tax	\$ 11,444	\$ 10,280	\$ 9,923

(B) Sources of future income tax balances

<i>In Thousands of Dollars</i>	March 31 2008	December 31 2007	March 31 2007
Future income tax liabilities			
Deferred agent commissions and other charges	\$ 7,837	\$ 7,907	\$ 6,216
Mortgage-backed securities receivable	25,410	21,282	19,758
	33,247	29,189	25,974
Future income tax assets			
Allowance for credit losses	6,771	6,767	6,082
Mark-to-market adjustments to securities	-	-	-
Future tax recoverable acquired	1,094	1,370	-
Deferred commitment fees and other charges	4,739	4,466	4,324
	12,604	12,603	10,406
	\$ 20,643	\$ 16,586	\$ 15,568

11. DERIVATIVE FINANCIAL INSTRUMENTS

The Company utilized off-balance sheet financial instruments during the first quarter of 2008. In this period the Company entered into economic hedge swap transactions with major financial institutions. The Company may utilize interest rate swaps to hedge the economic value exposure of movements in interest rates between the time that the mortgages are committed to be funded under asset securitization, and the time the mortgages are actually sold. (These mortgages qualify for government insurance.) The intent of the swap is to have fair value movements in the swap offset the fair value movements in the pool of mortgages over the period in which the fixed rate pool may be exposed to movements in the variable interest rate, generally 60 to 150 days. The interest rate swaps referred to as "pay-fixed interest rate swaps" are structured such that the Company agrees to pay a fixed rate (as designated in the swap) and receives the floating rate (as designated in the swap).

The Company participates in the Canada Mortgage Bond program sponsored by CMHC. Under this program, the Company sells five-year MBS pools to Canada Housing Trust which finances the purchase by issuing a five-year bullet Canada Mortgage Bond. Under this program, the Company must manage the mismatch and reinvestment risk between the amortizing five-year MBS pool and the five-year bullet Canada Mortgage Bond. As part of this arrangement, the Company entered into a seller swap which has the effect of paying the fixed interest payments on the Canada Mortgage Bond, and receiving the total return on the MBS pool and the reinvestment assets. As well, the Company entered into a hedge swap to manage the reinvestment risk between the amortizing MBS pool and the five-year Canada Mortgage Bond. These transactions do not qualify for hedge accounting under CICA Handbook Section

3865, *Hedges* and therefore the Company must mark-to-market the swaps, with changes in the fair value of the swaps being recognized in the consolidated statements of income.

There were no outstanding interest rate swaps to hedge commitment risk at March 31, 2008 or March 31, 2007. With respect to the Canada Mortgage Bond program, at March 31, 2008 the Company notionally held \$203.0 million of seller swaps, and \$5.1 million of accreting hedge swaps. These outstanding swap arrangements were marked-to-market at March 31, 2008 for unrealized gains of \$0.5 million.

12. INTEREST RATE SENSITIVITY

The Company's exposure to interest rate risk results from the difference, or gap between the maturity or repricing dates of interest sensitive assets and liabilities, including off-balance sheet items. The following table shows the gap positions at March 31, 2008, December 31, 2007 and March 31, 2007 for selected period intervals. Figures in brackets represent an excess of liabilities over assets or a negative gap position.

As at March 31, 2008							
<i>In Thousands of Dollars, Except Percentages</i>	Floating	0 to 3	3 Months	1 to 3	Over	Non-interest	Total
	Rate	Months	to 1 Year	Years	3 Years	Sensitive	
Total assets	\$ 45,682	\$ 1,064,959	\$ 1,782,191	\$ 1,675,994	\$ 680,066	\$ 172,315	\$ 5,421,207
Total liabilities and equity	-	663,301	2,356,386	1,317,022	452,502	631,996	5,421,207
Off-balance sheet items	-	(497,553)	209,644	140,467	147,442	-	-
Interest rate sensitive gap	\$ 45,682	\$ (95,895)	\$ (364,551)	\$ 499,439	\$ 375,006	\$ (459,681)	\$ -
Cumulative gap	\$ 45,682	\$ (50,213)	\$ (414,764)	\$ 84,675	\$ 459,681	\$ -	\$ -
Cumulative gap as a percentage of total assets	0.8%	(0.9%)	(7.7%)	1.6%	8.5%	-	-

As at December 31, 2007							
<i>In Thousands of Dollars, Except Percentages</i>	Floating	0 to 3	3 Months	1 to 3	Over	Non-interest	Total
	Rate	Months	to 1 Year	Years	3 Years	Sensitive	
Total assets	\$ 59,161	\$ 901,191	\$ 1,653,853	\$ 1,607,192	\$ 596,124	\$ 155,786	\$ 4,973,307
Total liabilities and equity	-	446,107	2,136,991	1,330,558	452,096	607,555	4,973,307
Off-balance sheet items	-	(437,032)	193,693	110,534	132,805	-	-
Interest rate sensitive gap	\$ 59,161	\$ 18,052	\$ (289,445)	\$ 387,168	\$ 276,833	\$ (451,769)	\$ -
Cumulative gap	\$ 59,161	\$ 77,213	\$ (212,232)	\$ 174,936	\$ 451,769	\$ -	\$ -
Cumulative gap as a percentage of total assets	1.2%	1.6%	(4.3%)	3.5%	9.1%	-	-

As at March 31, 2007							
<i>In Thousands of Dollars, Except Percentages</i>	Floating	0 to 3	3 Months	1 to 3	Over	Non-interest	Total
	Rate	Months	to 1 Year	Years	3 Years	Sensitive	
Total assets	\$ 37,369	\$ 734,131	\$ 1,258,395	\$ 1,544,450	\$ 471,946	\$ 120,644	\$ 4,166,935
Total liabilities and equity	-	705,972	1,494,179	1,233,715	230,958	502,111	4,166,935
Off-balance sheet items	-	(168,596)	(5,006)	127,516	46,086	-	-
Interest rate sensitive gap	\$ 37,369	\$ (140,437)	\$ (240,790)	\$ 438,251	\$ 287,074	\$ (381,467)	\$ -
Cumulative gap	\$ 37,369	\$ (103,068)	\$ (343,858)	\$ 94,393	\$ 381,467	\$ -	\$ -
Cumulative gap as a percentage of total assets	0.9%	(2.5%)	(8.3%)	2.3%	9.2%	-	-

Based on the current interest rate gap position at March 31, 2008, the Company estimates that a 100-basis point decrease in interest rates would decrease net interest income, after tax, over the next 12 months by \$2.6 million. A 100-basis point increase in interest rates would increase net interest income, after tax, over the next 12 months by a similar amount.

13. EARNINGS BY BUSINESS SEGMENT

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

As at March 31, 2008

<i>In Thousands of Dollars</i>	Mortgage Lending	Consumer Lending	Other	Total
Net interest income	\$ 22,457	\$ 5,723	\$ 9,448	\$ 37,628
Provisions for credit losses	(253)	(347)	-	(600)
Fees and other income	3,707	3,392	124	7,223
Net gain on securities, mortgage-backed securities and disposition of subsidiary	8,671	-	(1,556)	7,115
Non-interest expense	(8,149)	(2,245)	(4,369)	(14,763)
Income before income taxes	26,433	6,523	3,647	36,603
Income taxes	(8,552)	(2,199)	(693)	(11,444)
Net income	\$ 17,881	\$ 4,324	\$ 2,954	\$ 25,159
Goodwill	\$ 2,324	\$ 12,704	\$ -	\$ 15,028
Total assets	\$ 4,162,166	\$ 374,014	\$ 885,027	\$ 5,421,207

As at December 31, 2007

<i>In Thousands of Dollars</i>	Mortgage Lending	Consumer Lending	Other	Total
Net interest income	\$ 21,083	\$ 5,657	\$ 11,343	\$ 38,083
Provisions for credit losses	(2,164)	(285)	-	(2,449)
Fees and other income	3,351	3,017	76	6,444
Net gain on securities and mortgage-backed securities	10,676	-	(2,559)	8,117
Non-interest expense	(8,744)	(2,078)	(4,865)	(15,687)
Income before income taxes	24,202	6,311	3,995	34,508
Income taxes	(7,422)	(2,228)	(630)	(10,280)
Net income	\$ 16,780	\$ 4,083	\$ 3,365	\$ 24,228
Goodwill	\$ 2,324	\$ 12,704	\$ -	\$ 15,028
Total assets	\$ 3,866,163	\$ 337,783	\$ 769,361	\$ 4,973,307

As at March 31, 2007

<i>In Thousands of Dollars</i>	Mortgage Lending	Consumer Lending	Other	Total
Net interest income	\$ 22,925	\$ 4,746	\$ 5,663	\$ 33,334
Provisions for credit losses	14	(502)	-	(488)
Fees and other income	2,381	2,052	102	4,535
Net gain on securities and mortgage-backed securities	5,196	-	344	5,540
Non-interest expense	(8,315)	(710)	(2,815)	(11,840)
Income before income taxes	22,201	5,586	3,294	31,081
Income taxes	(7,291)	(2,018)	(614)	(9,923)
Net income	\$ 14,910	\$ 3,568	\$ 2,680	\$ 21,158
Goodwill	\$ 2,324	\$ -	\$ -	\$ 2,324
Total assets	\$ 3,334,260	\$ 287,577	\$ 545,098	\$ 4,166,935

14. RISK MANAGEMENT

The Company is exposed to various types of risks owing to the nature of the business activities it carries on. Types of risk to which the Company is subject include credit, liquidity and interest rate risks. The Company has adopted enterprise risk management (ERM) as a discipline for managing risk. The Company's ERM structure is supported by a comprehensive governance framework which includes policies, management standards, guidelines and procedures appropriate to each business activity. The policies are reviewed and approved annually by the Board of Directors.

A description of the Company's risk management policies and procedures is included in the MD & A on pages 12 to 14 and in the 2007 Annual Report on pages 24 to 30. Significant exposures to credit, liquidity and interest rate risks are described in Notes 3, 4 and 12.

15. DISPOSITION OF SUBSIDIARY

On January 1, 2008, Home Trust Company sold all outstanding shares of its wholly owned subsidiary, Home Trust Asset Management Inc. for proceeds of \$150,000, resulting in a gain on disposition of \$69,000.

16. FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards

The CICA will transition financial reporting for Canadian public entities to International Financial Reporting Standards (IFRS) effective for fiscal years beginning on or after January 1, 2011. The impact of the transition to IFRS on the Company's consolidated financial statements is not yet determinable.

17. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative interim unaudited consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2008 interim unaudited consolidated financial statements.

CORPORATE DIRECTORY & SHAREHOLDER INFORMATION

HOME CAPITAL GROUP INC.

145 King Street West, Suite 2300
Toronto, Ontario M5H 1J8

Directors

William A. Dimma
Chairman of the Board

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

Officers

Gerald M. Soloway
Chief Executive Officer

Nick Kyprianou
President

Brian R. Mosko
*Chief Operating Officer
and Senior Vice President*

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

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

Chris Ahlvik
Vice President, Corporate Counsel

Auditors

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

Bankers

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

Transfer Agent

Computershare Investor Services Inc.
100 University Avenue
Toronto, Ontario M5J 2Y1
Tel: 1-800-564-6253

Capital Stock

As at March 31, 2008 there were
34,532,490 Common Shares
outstanding.

Stock Listing

Toronto Stock Exchange
Ticker Symbol: HCG

HOME TRUST COMPANY

145 King Street West, Suite 2300
Toronto, Ontario M5H 1J8

Directors

Hon. William G. Davis P.C., C.C., Q.C.
Chairman of the Board

Norman F. Angus
Micheline Bouchard
William A. Dimma
Janet L. Ecker
Nick Kyprianou

John M.E. Marsh
Robert A. Mitchell, C.A.
Brian R. Mosko
Kevin P. D. Smith
Gerald M. Soloway

BRANCHES

Toronto

145 King Street West, Suite 2300
Toronto, Ontario M5H 1J8
Tel: (416) 360-4663
1-800-990-7881
Fax: (416) 363-7611
1-888-470-2092

Agostino Tuzi

Asst. Vice President, Credit

Lisa Abbatangelo
Armando Diseri
James Hill
Marguerite Ryan
Asst. Vice Presidents

St. Catharines

P.O. Box 1554
15 Church Street, Suite 100
St. Catharines, Ontario L2R 7J9
Tel: (905) 688-3131
1-888-771-9913
Fax: (905) 988-1808
1-888-771-9914

Halifax

Duke Tower
5251 Duke Street, Suite 1205
Halifax, Nova Scotia B3J 1P3
Tel: (902) 422-4387
1-888-306-2421
Fax: (902) 422-8891
1-888-306-2435

Corporate

Stephen Copperthwaite
*Vice President, Enterprise Risk
Management and Chief Risk Officer*

Ron Cuadra

Director, National Sales

Laurie Chalabardo
Bobby Ramgoolam
Senior Managers

Calgary

5920 MacLeod Trail S. W.
Suite 720
Calgary, Alberta T2H 0K2
Tel: (403) 244-2432
1-866-235-3081
Fax: (403) 244-6542
1-866-544-3081

Scott Congdon

Regional Manager, Mortgages

Norm Thacker

*Vice President,
Information Technology*

Oriana Bartelli

Massimo DeNigris
Michael Forshee
Frank Lee
Ivano Metallo
Scott Smith
Frank Tuzi
Managers

Kris Chester

Branch Manager

For Shareholder Information, Please Contact:

Chris Ahlvik
Vice President, Corporate Counsel
Home Capital Group Inc.
145 King Street West, Suite 2300
Toronto, Ontario M5H 1J8
Tel: (416) 360-4663
Fax: (416) 363-7611

Geoff Behm, C.A.

Jens Ehlers, C.A., CFA
Asst. Vice Presidents, Finance

Direct Client Services

Jean Pierre Vico
Manager

Vancouver

200 Granville Street,
Suite 1288
Vancouver, B.C. V6C 1S4
Tel: (604) 484-4663
1-866-235-3080
Fax: (604) 484-4664
1-866-564-3524

Websites

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

Dinah Henderson, CGA

Director, Corporate Accounting

Marketing

Diana Soloway
Asst. Vice President

Greg Domville

Branch Manager

Martin Reid

Treasurer

Payment Card Services

Tanya Hatton
Vice President

Montreal

2020 Rue University,
Suite 2160
Montreal, Quebec H3A 2A5
Tel: (514) 843-0129
1-866-542-0129
Fax: (514) 843-7620
1-866-620-7620

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

Commercial Mortgage Lending

Wendy Goldup
Asst. Vice President

Equityline Visa

Alex Godfrey
Asst. Vice President

Philippe Cote

Regional Manager, Mortgages

Quarterly Conference Call & Webcast

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

Shaun Gonsalves

Senior Manager

Donald Correia

Senior Credit Manager

Retail Credit Services

Cathy Boon
Asst. Vice President, Sales

Residential Mortgage Lending

Pino Decina
Senior Vice President

Rolf Eikeland

Vice President

