

2008

SECOND QUARTER REPORT



FINANCIAL HIGHLIGHTS

For the Period Ended June 30 (Unaudited)	Three Months Ended		Six Months Ended	
<i>In Thousands of Dollars (Except Per Share and Percentage Amounts)</i>	2008	2007	2008	2007
OPERATING RESULTS				
Net Income	\$ 26,550	\$ 22,018	\$ 51,709	\$ 43,176
Total Revenue	112,953	87,708	219,749	169,453
Earnings per Share - Basic	\$ 0.77	\$ 0.64	\$ 1.50	\$ 1.26
Earnings per Share - Diluted	0.76	0.63	1.48	1.24
Return on Shareholders' Equity	27.68%	28.88%	27.84%	29.44%
Return on Average Assets	1.97%	2.08%	2.00%	2.10%
Efficiency Ratio	30.78%	27.88%	29.64%	27.59%
Efficiency Ratio (TEB ²)	30.21%	27.25%	29.10%	26.99%
(Non-interest Expense/Net Interest Income Plus Fee Income)				
BALANCE SHEET HIGHLIGHTS				
Total Assets			\$ 5,361,771	\$ 4,305,799
Loans			4,526,761	3,570,416
Deposits			4,716,571	3,808,159
Shareholders' Equity			394,999	309,841
Mortgage-Backed Security Assets Under Administration			1,679,822	1,237,239
FINANCIAL STRENGTH				
Capital Measures^{1,3}				
Risk Weighted Assets ^{1,3}			\$ 2,847,655	\$ 2,306,464
Tier 1 Capital Ratio ^{1,3}			12.45%	12.88%
Total Capital Ratio ^{1,3}			13.82%	14.39%
Credit Quality				
Net Impaired Loans as a Percentage of Gross Loans			0.71%	0.68%
Allowance as a Percentage of Gross Impaired Loans			74.21%	85.62%
Annualized Provision as a Percentage of Gross Loans			0.05%	0.08%
Share Information				
Book Value per Common Share			\$ 11.44	\$ 8.98
Common Share Price - Close			\$ 39.50	\$ 36.90
Market Capitalization			1,364,409	1,273,111
Number of Common Shares Outstanding			34,542	34,502

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 June 30, 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 Reports Record Growth in Originations in Second Quarter Income Increases 20.6%, Return on Equity Reaches 27.7%

Home Capital Group Inc. (TSX: HCG) today announced solid financial results for the second quarter and first six months of 2008. Despite challenging market conditions affecting many financial services firms, the Company's core business activities including residential and commercial mortgage lending, CMHC-insured Mortgage-Backed Securities, and *Visa* lending all generated strong earnings growth and returns.

Key results from the second quarter included:

- Net income for the quarter was \$26.6 million, an increase of 20.6% over \$22.0 million recorded in the same period last year. Earnings for the first six months of 2008 reached \$51.7 million, a rise of 19.8% over the comparable period in 2007.
- Basic earnings per share were \$0.77, 20.3% above \$0.64 for the second quarter of 2007, and \$1.50 for the six-month period, 19.1% higher than the \$1.26 recorded last year. Diluted earnings per share were \$0.76, an increase of 20.6% from the \$0.63 recorded in the second quarter of 2007; results for the six months were \$1.48, 19.4% above the same period last year.
- Return on equity was 27.7% for the second quarter, compared to 28.9% for the quarter ended June 30, 2007 and 27.8% for the first six months of 2008, versus 29.4% for the first half of last year.
- Total assets at June 30, 2008 reached \$5.36 billion, 24.5% higher than the \$4.31 billion reported one year earlier. Total assets, together with Mortgage-Backed Securities (MBS) originated and administered by the Company, grew to \$7.04 billion, a rise of 27.0% from \$5.54 billion at June 2007.
- Total mortgage originations were \$886.9 million during the second quarter, an increase of 42.5% over the \$622.6 million advanced during the same period in 2007. The Company advanced \$768.6 million in residential mortgages, \$85.1 million in commercial mortgages, \$19.6 million in mortgages on store and apartment properties and \$13.5 warehouse commercial mortgages. Year-to-date, total mortgage originations were \$1.75 billion, an increase of 50.0% over the \$1.17 billion advanced during the same six-month period in 2007.
- Mortgage securitization activity continued to produce good results as the Company securitized and sold \$250.6 million in CMHC-insured securities during the second quarter, compared to \$150.7 million for the same period last year. The increased level of securitization activity was due to favourable market conditions that allowed Home to raise funds by selling MBS pools at more cost effective rates than if Home raised the funds through term deposits.
- Outstanding balances on the Equityline *Visa* portfolio reached \$339.1 million, a rise of 24.7% from the \$272.0 million recorded in the same period last year. Net income from consumer lending reached \$4.8 million for the second quarter, 29.6% over the \$3.7 million recorded last year.
- The Company's efficiency ratio (TEB) was 30.2% in the second quarter, compared to 27.3% 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 diligently managed on a loan-by-loan basis by the Company.

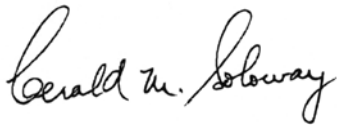
Following extensive analysis and evaluation, the Company launched a new mortgage initiative during the second quarter. Home Trust's Accelerator Program offers a full range of insured mortgage products to a broad customer base, including individuals who have traditionally been served by niche "A" lending companies. Management believes that a lender with Home Trust's skills and expertise can effectively compete in this marketplace, and that this suite of products will position Home Trust as a "one stop shop" for mortgage brokers, expanding the Company's penetration into the broker network. As with all new opportunities, the Company is taking a prudent approach to developing this business. Although the spread for this product is less than our regular mortgage business, we anticipate being able to issue and sell through securitization all of the mortgages originated under this program.

During the quarter, the Company expanded its premises in Toronto to include an additional floor of office space, increasing its square footage by 50%. The Company is well positioned to accommodate continued growth and further product development.

The Board of Directors has approved a Normal Course Issuer Bid, commencing on August 1, 2008. The Company believes that, from time to time, the market price of Home Capital's Common Shares does not fully reflect the value of its business. In these situations, the purchase of outstanding shares may represent an appropriate use of the Company's available funds.

Subsequent to the end of the second quarter, and in light of the Company's increasing profitability, consistent, strong growth and financial performance, the Board of Directors declared an increased quarterly cash dividend of \$0.13 per Common Share payable on September 1, 2008 to shareholders of record at the close of business on August 15, 2008. This increase reflects the Company's commitment to providing increasing long-term value to all our shareholders.

Home Capital reported solid second quarter results in a period that continued to be affected by turbulent financial markets. Notwithstanding these circumstances, the Company continues to manage its core lending business with an appropriate balance of prudence and opportunity and is well positioned for the future. Home Capital's Board of Directors and management remain confident that the Company will continue to deliver strong growth and profitability through the remainder of 2008.



GERALD M. SOLOWAY
Chief Executive Officer
July 31, 2008



NORMAN F. ANGUS
Chairman of the Board

Additional information concerning the Company's targets and related expectations for 2008, including the risks and assumptions underlying these expectations, may be found in Management's Discussion and Analysis for the Second 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 second quarter and \$2.0 million for the first six months of 2008 (\$1.1 million – Q2 2007 and \$2.1 million – six months 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 June 30, 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 July 31, 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 to date against each of these objectives.

	2008 Objectives ¹	Six-Month Period Ended June 30, 2008 Actual Results ¹
Net Income	\$51.8 million	\$51.7 million, or 19.8% increase over the same period last year
Diluted Earnings per Share	\$1.49	\$1.48 per share, or 19.4% increase over the same period last year
Total Assets and Assets Under Administration	\$6.65 billion	\$7.04 billion, or 27.0% increase over the same period last year
Return on Shareholders' Equity	25.0%	27.8%
Efficiency Ratio (TEB)	27.0% to 33.0%	29.1%
Capital Ratios ²		
Tier 1	Minimum of 10%	12.5%
Total	Minimum of 12%	13.8%
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 continued to achieve positive results in light of continued uncertainty in Canadian capital markets and the broader economy. The Company experienced growth across all of its operating segments, with key financial results summarized below.

- Net income rose 20.6% over the comparable quarter of 2007.
- Diluted earnings per share for the quarter increased 20.6% to \$0.76, compared to \$0.63 in the second quarter of 2007.
- Return on average shareholders' equity for the quarter was 27.7%, compared to 28.9% for the same period last year.
- Non-interest income was up 51.0% over the second quarter of 2007, driven by growth in securitization gains and fees for the administration and servicing of the mortgage and *Visa* portfolios, offset by small losses on the securities portfolio and unrealized losses on derivative mark-to-market values.
- The efficiency ratio (TEB) (the lower the better) remained low and in-line with the Company's objective at 30.2%, compared to 27.3% in the same quarter of 2007. The increase year-over-year was due to increased salary and benefit expenses and higher general and administration costs associated with the growth of the Company's operations.
- Net interest income was up 7.8% over the same period in 2007 as the Company's income-producing assets grew by 23.7%, partly offset by a contraction in overall spreads resulting from the continuing credit market issues and growth of the commercial mortgage portfolio, which achieves lower spreads.

Balance Sheet Highlights

- Total assets rose 24.5% year-over-year to reach \$5.36 billion, compared to the \$4.31 billion reported at June 30, 2007. This asset growth was primarily driven by expansion in the Company's residential mortgage portfolio which increased by \$376.6 million, other mortgages (primarily commercial mortgages) which grew by \$503.8 million, securities which were \$98.5 million higher, offset by a drop in cash resources of \$58.4 million. Although global markets have experienced significant difficulties recently, 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 \$339.1 million in receivables, representing growth of 24.7%, or \$67.1 million, over the second quarter of 2007.
- The Company continues to be able to access funding when required, and has brought its liquidity levels back in line with historical levels, accordingly. Liquid assets at June 30, 2008 were \$480.5 million, down from the liquidity position at December 31, 2007 of \$627.1 million and up from June 30, 2007 of \$438.6 million.
- Deposit liabilities as at June 30, 2008 grew 23.9% to reach \$4.72 billion, as compared to \$3.81 billion at June 30, 2007. These proceeds were deployed to fund most of the growth in the Company's loans portfolio.

EARNINGS REVIEW

Net Interest Income

Net interest income was \$39.4 million in the second quarter, and \$77.0 million year-to-date representing increases of \$2.8 million and \$7.1 million over the comparable periods in 2007. 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 \$996.5 million over June 2007, compared to an increase in interest-bearing liabilities of \$908.6 million for the same period. The net interest margin (TEB) for the second quarter was 3.0% and 3.1% for the first six months of 2008, down from 3.6% achieved in the comparable quarter of 2007 and down from 3.5% obtained for the first six months 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 putting a premium on the cost of funding.

The interest spread between the loans portfolio and deposits ended the quarter at 3.2%, compared to 3.7% for the comparable quarter in 2007, and 3.1% for the first six months of 2008, compared to 3.7% for the same six month period in 2007. The decrease in interest spread over the prior periods was primarily the result of an increase in funding costs resulting from the global liquidity crisis. The Company's average cost of funds increased 60 basis points year-over-year while the yield on the Company's loans portfolio remained consistent as the growth in the commercial lending portfolio, which attracts lower spreads, had a moderating impact on yields. During the second quarter of 2008 the Company drew down its liquidity reserves in line with historic levels and expects to maintain these levels for the remainder of 2008. Further, as funding costs begin to stabilize the Company expects this will have a positive impact on maintaining or slightly improving the Company's interest spread on the loans portfolio in the second half of 2008.

While the net interest spread on both the commercial mortgage lending and Accelerator Program are lower than the core residential mortgage portfolio due to reduced credit risk, both product offerings provide further diversification to the core residential lending business and provide incremental net interest income and loan origination growth that would otherwise not exist.

Non-Interest Income

Total non-interest income was \$17.3 million for the second quarter, a 51.0% increase over the comparable quarter in 2007 and \$31.7 million for the first six months of 2008, or a 47.0% increase over the same six month period in 2007. Both the quarter-over-quarter and six-month period increases were driven by strong growth in securitization gains through the Company's participation in the Canada Mortgage Bond (CMB) program and additional short-term MBS securitizations, increases in fees generated from the administration of the loans portfolio, which were offset by losses incurred on the securities portfolio and mark-to-market losses on the seller swaps and hedge swaps entered into through the Canada Mortgage Bond program.

The fees and other income components of non-interest income ended the quarter at \$7.1 million and \$14.3 million for the first six months of 2008, an increase of 38.0% over the comparable quarter of 2007 and 48.0% over the first six months of 2007. The increases over the comparable periods were due to growth in the Company's loans portfolio and the associated fee income generated from the administration and servicing of these portfolios as well as fee income generated through Payment Services Interactive Gateway Inc. (PSiGate) which was acquired in October 2007.

The Company issued seven MBS pools during the second quarter of 2008, consisting of \$250.6 million of Canada Mortgage and Housing Corporation (CMHC) insured residential mortgages for a year-to-date total issuance of \$396.4 million. This represents an increase of \$99.9 million from the \$150.7 million in MBS pools issued in the comparable quarter of 2007 and an increase of \$111.4 million over the \$285.0 million in MBS pools that were issued during the first six months of 2007. Securitization gains were \$8.5 million during the quarter and \$17.4 million for the first six months of 2008, compared to \$3.9 million for the second quarter of 2007 and \$8.7 million for the comparable six-month period of 2007 (refer to Note 5 of these unaudited interim consolidated financial statements). The increase in securitization gains during the quarter and six months compared to the prior periods was primarily due to a significant increase in the spread earned on the pools, which averaged 2.9% in the second quarter of 2008 and 3.2% for the pools issued in the first six months of 2008 compared to 2.4% for the comparable quarter in 2007 and 2.6% for the first six months of 2007. The higher yield is indicative of 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 seven MBS pools issued during the quarter, one MBS pool with a book value of \$122.6 million was securitized through the Canada Mortgage Bond program resulting in a gain of \$4.6 million. Year-to-date, the Company has securitized \$206.9 million through the Canada Mortgage Bond program and realized gains of \$10.1 million.

Non-Interest Expenses

Total non-interest expenses for the quarter were \$17.4 million and \$32.2 million for the first six months of 2008. This compares to \$13.4 million for the second quarter of 2007 and \$25.2 million for the six-month period ended June 30, 2007. The increases over the comparable periods of 2007 were due to increased salary and benefit expenses, and the inclusion of the operating expenditures of PSiGate which was acquired in October 2007. Salaries and staff benefits expenses for the quarter increased by \$2.5 million, or 36.2% over the second quarter of 2007 and up \$4.0 million, or 27.9% over the comparable six-month period of 2007. The Company ended the quarter with 429 employees, up from 377 employees at December 31, 2007 and 359 employees one year ago. The increased staffing levels reflect the hiring of 27 summer students to assist the Company during higher employee vacation periods and additional personnel to manage the Company's growth initiatives. Premises expenses increased from the prior year period as the Company entered into a new lease arrangement effective June 2008, expanding the head office space with 50% more square footage to enable continued future growth.

General and administration expenses increased by \$1.4 million, or 25.9% compared to the second quarter of 2007 and up \$2.8 million, or 30.9% from the same six-month period in 2007. The increase from the comparable periods of 2007 was primarily the result of the inclusion of operating expenditures of PSiGate and rising general operating costs as the Company continues to grow across all business lines.

The efficiency ratio (TEB) ended the quarter at 30.2% and 29.1% for the first six months of 2008, compared to 27.3% in the previous comparable quarter and 26.9% for the first six months of 2007. 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 and \$1.2 million for the first six months of 2008, compared to \$1.0 million in the second quarter of 2007 and \$1.5 million in the first six months of 2007, through the provision for credit losses. This expense represented 0.1% (0.1% - Q2 2007) of total gross 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 \$23.9 million at the end of the quarter, an increase of \$0.5 million over the \$23.4 million recorded at December 31, 2007 and a \$3.2 million increase over the \$20.7 million allowance recorded at June 30, 2007.

At June 30, 2008 net impaired loans amounted to \$32.4 million (0.71% of gross loans), compared to \$29.0 million (0.72% of gross loans) at December 31, 2007 and \$24.3 million (0.68% of gross loans) at June 30, 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 second 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 starting on page 12 of this MD & A and starting on page 24 in the 2007 Annual Report under the heading Risk Management.

Income Taxes

The income tax expense amounted to \$12.1 million (effective tax rate of 31.2%) for the second quarter and \$23.5 million (effective tax rate of 31.3%) year-to-date, compared to \$11.6 million (effective tax rate of 34.5%) for the comparable quarter of 2007 and \$21.5 million (effective tax rate of 33.3%) for the first six months 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 both the second quarter and first six months of 2008, compared to 36.6% for the second quarter of 2007 and 35.3% for the comparable six-month period in 2007.

Comprehensive Income

Comprehensive income is comprised of net income and other comprehensive income (OCI) and totaled \$26.1 million for the second quarter and \$54.6 million year-to-date, an increase of \$12.8 million, or 95.3% over the \$13.3 million recorded in the same quarter last year and a \$17.8 million, or 48.3% increase over the same six-month period in 2007. As previously noted net income increased 20.6%, or \$4.5 million over the same quarter last year and increased 19.8%, or \$8.5 million over the same six-month period in 2007. 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 June 30, 2008 was a loss of \$0.5 million, compared to a loss of \$8.7 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 a writedown of \$0.2 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 June 30, 2008 were \$5.36 billion, an increase of \$386.7 million, or 7.8% over the \$4.98 billion reported at December 31, 2007 and up by \$1.06 billion, or 24.5% over the June 30, 2007 asset balance of \$4.31 billion.

Growth in the loans portfolio of \$504.6 million, or 12.5% generated most of the asset growth over December 31, 2007. Residential mortgages contributed \$184.1 million to the total loans portfolio growth, other mortgages (primarily commercial mortgages) contributed growth of \$279.6 million, consumer lending contributed \$37.5 million, secured loans added \$3.9 million, while the general allowance for credit losses increased by \$0.5 million. The residential mortgage portfolio growth excludes \$250.6 million of loans securitized during the quarter. The Company's cash resources decreased by \$169.6 million from December 31, 2007 while the securities portfolio increased by \$17.7 million. The Company utilized its excess liquidity accumulated over the past few quarters to provide funding in support of the growth in the Company's loans portfolio. Other assets increased by \$11.1 million from the fourth quarter, primarily driven by corporate income tax changes within the Company's tax balances and increased accrued interest earned on the Company's loans portfolio. Securitization receivables increased significantly from the fourth quarter of 2007, growing by \$22.1 million due to robust securitization activity in the first six months of 2008.

Growth in the loans portfolio of \$956.3 million, or 26.8% was the principal contributor to asset growth over June 30, 2007. The loans portfolio growth was driven by a \$376.6 million increase in residential mortgages, growth of \$503.8 million in other mortgages (primarily commercial mortgages), a \$71.3 million rise in consumer loans, a \$7.9 million increase in secured loans, while the general allowance for credit losses rose by \$3.2 million. The Company's cash resources decreased by \$58.4 million while the securities portfolio rose by \$98.5 million over June 30, 2007. The decrease in cash resources was due to a shift in funds from cash resources to the securities portfolio and to support the loans portfolio growth. Other assets increased by \$21.7 million, primarily resulting from 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 \$37.1 million over June 2007 resulting from higher securitization volumes year-over-year.

Liabilities

Liabilities at June 30, 2008 rose to \$4.97 billion, an increase of \$339.7 million, or 7.3% over the \$4.63 billion reported at December 31, 2007 and up by \$970.8 million, or 24.3% over the \$4.00 billion recorded at June 30, 2007.

Most of the growth from December 2007 resulted from increased deposits of \$302.6 million. The growth in the deposit liabilities funded a significant portion of the loans portfolio growth, with additional funds drawn from excess liquidity reserves for the remaining loans portfolio growth. Other liabilities (refer to Note 7 of these unaudited interim consolidated financial statements) increased by \$35.2 million, or 16.9% over the \$208.7 million reported at December 31, 2007. This growth was principally the result of increases in accrued interest of \$26.6 million related to higher deposits, a net increase of \$1.6 million in the Company's current and deferred corporate tax liabilities, and an increase of \$6.4 million in other liabilities resulting from the timing of payments for administration of the off-balance sheet MBS portfolio.

The rise in liabilities from June 30, 2007 resulted primarily from increased deposits of \$908.4 million. Higher deposit liabilities were the primary funding source for the loans portfolio growth, year-over-year. Other liabilities increased by \$62.1 million, or 34.1% over June 30, 2007 primarily due to increases in accrued interest of \$43.3 million, increases of \$9.7 million in the Company's corporate future tax liabilities, and \$7.8 million in other liabilities resulting from the timing of payments for administration of the off-balance sheet MBS portfolio.

Shareholders' Equity

The increase in shareholders' equity of \$47.0 million, or 13.5% over the \$348.0 million reported at December 31, 2007 was internally generated from net income \$51.7 million over the six month period, less \$8.6 million for dividends paid and payable to shareholders. The remaining increase was principally driven from movements in other comprehensive income of \$2.9 million, arising from the Company's available for sale financial assets and securitization receivables and on the fair value amortization of employee stock options.

Shareholders' equity rose to \$395.0 million, an increase of \$85.2 million, or 27.5% over the \$309.8 million reported at June 30, 2007. This growth was internally generated from earnings for the twelve-month period ended June 30, 2008 of \$98.8 million, less \$16.6 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 June 30, 2008 the book value per common share was \$11.44, compared to \$10.08 at December 31, 2007 and \$8.98 at June 30, 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 mortgages are committed to being funded under asset securitization, and the time those 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. The counterparties with which the Company enters into such arrangements are Canadian chartered banks. During the second quarter of 2008, the Company entered into a \$50 million short sale of Government of Canada bonds which was unwound during the quarter, resulting in a gain of \$0.3 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 Canadian

Institute of Chartered Accountants (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 June 30, 2008 were \$325.8 million and \$12.8 million, respectively. These swaps were marked-to-market at June 30, 2008 for an unrealized loss of \$0.2 million, recorded in the consolidated statements of income. For additional information refer to Note 12 of these unaudited interim consolidated financial statements.

The Company originates and 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 and, upon maturity of the mortgage, will renew or refinance these mortgage loans whenever possible. As at June 30, 2008 outstanding securitized mortgage loans under administration amounted to \$1.68 billion (\$1.46 billion – Q4 2007 and \$1.24 billion – Q2 2007) with retained interest of \$87.9 million (\$65.8 million – Q4 2007 and \$50.8 million – Q2 2007). The off-balance sheet portfolio continues to perform well with 97.3% of the portfolio current and only 0.8% greater than 60 days in arrears. 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 \$516.2 million at June 30, 2008 compared to \$447.3 million at December 31, 2007 and \$234.2 million at June 30, 2007. Included within the outstanding commitments are unutilized commercial mortgage advances of \$202.6 million at June 30, 2008 compared to \$238.0 million at December 31, 2007 and \$42.5 million at June 30, 2007. Commitments for the loans remain open for various dates through July 2009. As at June 30, 2008 unutilized credit card balances amounted to \$72.4 million, compared to \$78.0 million at December 31, 2007 and \$72.4 million at June 30, 2007. Outstanding commitments for the Equityline Visa portfolio were \$5.4 million at June 30, 2008 compared to \$5.9 million at December 31, 2007 and \$8.0 million at June 30, 2007.

Contractual Arrangements

On March 25, 2008 Home Trust announced that it had entered into an agreement with Fidelity National Information Services, Inc. (FIS) relating to its merchant credit card services activities. 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 12.5%, up from the first quarter of 2008 of 12.0% and the fourth quarter of 2007 at 11.1%, and down from the second quarter of 2007 at 12.9%. The total capital ratio was 13.8% at June 30, 2008 compared to 13.4% at March 31, 2008, 12.5% at December 31, 2007 and 14.4% reported for June 30, 2007. The modest increase in total capital compared to the first quarter of 2008 and 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 Basel 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 both continue to exceed the minimum regulatory requirements of 7.0% for Tier 1 and 10.0% for total capital as well as Home Trust's internal capital targets.

As at June 30, 2008, Home Trust was utilizing 77.7% of its approved Assets to Regulatory Capital Multiple of 17.5 times (80.6% – Q4 2007 and 74.3% – Q2 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 June 30, 2008 the composition of the total mortgage portfolio was 83.0% residential and 17.0% non-residential, compared to a composition of 88.5% residential and 11.5% non-residential at December 31, 2007 and a composition of 93.5% residential and 6.5% non-residential one year ago. Within the Company's residential mortgage portfolio, 6.8% of the loans were insured by CMHC at the end of the quarter, compared to 5.4% at December 31, 2007 and 5.1% one year ago. First mortgages represented 99.6% of the total mortgage portfolio at June 30, 2008, consistent with the comparable periods. At June 30, 2008 the average loan to value of the Company's mortgage loans portfolio was 68.9%, compared to 65.7% at December 31, 2007. Refer to Note 4 to these unaudited interim consolidated financial statements for a further breakdown by geographic region. The mortgage loans portfolio continues to perform well despite uncertain economic conditions with 95.6% of the portfolio current and only 1.4% of the portfolio over 60 days in arrears at the end of June 2008. This is an improvement from both December 31, 2007 and June 30, 2007 which had 1.6% and 1.7% over 60 days in arrears, respectively. When the off-balance sheet mortgage portfolio of \$1.68 billion is also factored in, the combined mortgage loans portfolio has shown no signs of performance deterioration with 96.1% of the combined portfolio being current and only 1.2% over 60 days in arrears.

As at June 30, 2008 the gross credit card receivable balance totaled \$349.1 million, of which \$348.4 million, or 99.8% of the portfolio was secured either by cash deposits or residential mortgage collateral, and \$0.7 million, or 0.2% was unsecured. The total credit approved included \$420.5 million in secured and \$1.0 million in unsecured credit, compared to \$391.0 million in secured, and \$1.2 million of unsecured credit at December 31, 2007 and \$354.9 million in secured, and \$1.6 million of unsecured credit at June 30, 2007. Within the secured credit card portfolio 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 \$339.1 million of the total credit card receivable balance as at June 30, 2008 compared to \$302.7 million at December 31, 2007 and \$272.0 million at June 30, 2007. Cash deposits securing credit card accounts amounted to \$16.1 million, and are included in the Company's deposits. Further, the Equityline Visa portfolio has a loan to value of 69.6% at June 30, 2008 down slightly from December 31, 2007 when the loan to value was 69.7%. The Company has experienced minimal losses on the credit card portfolio. At June 30, 2008 \$6.6 million, or 1.9% of the credit card portfolio was over 60 days in arrears compared to \$3.8 million, or 1.2% at December 31, 2007 and \$2.3 million, or 0.8% at June 30, 2007.

The secured loan portfolio of \$86.2 million increased by \$3.9 million over the December 31, 2007 balance of \$82.3 million, and increased \$7.9 million over the June 30, 2007 balance of \$78.3 million. These loans are secured by

second mortgages on residential property. Since commencing this program, the Company has experienced minimal losses on these loans. At June 30, 2008, 97.8% of the secured loan portfolio was current while \$1.0 million, or 1.1% 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. As at June 30, 2007, 97.9% of the secured loan portfolio was current while \$0.6 million, or 0.7% was over 60 days in arrears.

The Company experienced a slight rise in net impaired loans, to \$32.4 million at June 30, 2008 compared to \$29.0 million at December 31, 2007 and \$24.3 million at June 30, 2007. The loans portfolio continues to perform well, as net impaired loans at June 30, 2008 represented less than 1% of the gross loans portfolio. The Company 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 reviews of all non-performing loans greater than 60 days to analyze patterns and drivers, and then reflect emerging drivers in the Company's lending criteria going forward. This analytical approach and 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 June 30, 2008 totaled \$0.6 million, up from the \$0.3 million realized in the second quarter of 2007, however down from the \$0.8 million realized in the fourth quarter of 2007. The Company continues to monitor this area, and is dealing prudently and effectively with impaired loans.

The Company continues to be well positioned to absorb all potential losses in its loans portfolio by increasing general allowances to \$23.9 million at June 30, 2008 as compared to general allowances of \$23.4 million at December 31, 2007 and \$20.7 million at June 30, 2007. The Company routinely monitors 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 totaling 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 84.0 basis points of the Company's risk-weighted assets as at June 30, 2008 compared to 83.5 basis points at December 31, 2007 and 90.1 basis points at June 30, 2007. It should be noted that the risk-weighted assets for June 30, 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 Risk and Capital 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 one month-period. 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. At June 30, 2008 liquid assets amounted to 152% (165% as at December 31, 2007 and 174% as at June 30, 2007) under the immediate scenario, and 140% (146% at December 31, 2007 and 145% as at June 30, 2007) under the ongoing 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 Canadian and global credit markets, the Company has maintained more than sufficient liquidity to meet its obligations. At June 30, 2008 liquid assets amounted to \$480.5 million, down from the \$627.1 million recorded at December 31, 2007 and up from the \$438.6 million recorded at June 30, 2007. The drop in liquidity levels from December 2007 was due

to the Company leveraging excess liquidity to support the loans portfolio growth. Liquidity levels at the end of the second quarter of 2008 are back in line with historical levels. The Company's policy is to maintain a minimum 20% of 100-day obligations in liquid assets. For the twelve months ended June 30, 2008 the Company maintained an average of \$567.1 million, or 50.5% of 100-day obligations in liquid assets compared to \$463.7 million, or 48.9% for the twelve months ended December 31, 2007 and \$340.0 million, or 40.9% for the twelve months ended June 30, 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 an 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 June 30, 2008 is presented under Note 13 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 13 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 may 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 immediate and sustained 100 basis point, and 200 basis point increases and decreases in interest rates on net interest income and on the economic value of shareholders' equity.

<i>In Thousands of Dollars</i>	June 30	June 30	June 30	June 30
	2008	2007	2008	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)	\$ 1,857	\$ (2,338)	\$ (1,857)	\$ 2,338
Impact on net present value of shareholders' equity	(7,601)	(3,228)	7,912	3,286
200 basis point shift				
Impact on net interest income, after tax (for the next 12 months)	\$ 3,713	\$ (4,676)	\$ (3,713)	\$ 4,676
Impact on net present value of shareholders' equity	(14,907)	(6,401)	16,153	6,633

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 June 30, 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 12 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 second quarter and first six months of 2008 (refer to Note 14 of these unaudited interim consolidated financial statements). The mortgage lending line of business continues to be the primary driver of the Company's overall growth while the consumer lending segment continues to provide a diversified income source, with net income up 25.5% for the first six months of 2008.

Mortgage Lending

The Company's principal line of business contributed \$18.2 million to net income during the second quarter and \$36.1 million year-to-date, compared to \$15.3 million and \$30.2 million for the comparable periods in 2007. The increase over the prior periods was primarily driven through loan originations which increased fee income and increases in gains realized on securitization activities. These increases were offset by a slight decline in net interest income as the market uncertainty over the last several quarters has tightened spreads across core residential lending, combined with growth in commercial mortgage lending which attracts lower spreads. Net interest income ended the quarter at \$24.1 million and \$46.6 million for the first six months of 2008, down from \$25.0 million and \$47.9 million for the comparable periods in 2007. The total value of new mortgages advanced in the quarter and for the first six months of 2008 was \$886.9 million and \$1.75 billion, respectively, increases of 42.5% and 50.0% over the \$622.6 million and \$1.17 billion advanced for the comparative periods in 2007.

The Company securitized \$250.6 million of government-guaranteed (CMHC) residential mortgage loans through the creation of MBS securities during the quarter and \$396.4 million for the first six months of 2008, realizing total gains from securitization of \$8.5 million for the quarter and \$17.4 million year-to-date. This compares to \$150.7 million for the second quarter of 2007 and \$285.0 million for the first six months of 2007, resulting in gains of \$3.9 million and \$8.7 million, respectively. During the quarter, the Company participated in CMHC's Canada Mortgage Bond program. Of the \$250.6 million securitized during the quarter and \$396.4 million securitized year to date, \$122.6 million and \$206.9 million, respectively, relates to the securitization of government-guaranteed residential mortgage loans through the creation of MBS securities sold through Canada Housing Trust. The sale of these residential mortgages realized \$4.6 million in gains during the quarter and \$10.1 million for the first six months of 2008. 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 \$86.2 million in Secured Loans as Notes Receivable issued by Regency, compared to \$82.3 million at December 31, 2007 and \$78.3 million at June 30, 2007. These Notes yield 6.9% with an average duration of 2.3 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 1.1% 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 second quarter and first six months of 2008. Net income for the quarter and first six months of 2008 was \$4.8 million and \$9.1 million, up 29.6% over the second quarter of 2007 and up 25.5% over the comparable six-month period in 2007. The increases over the prior periods were driven by increases in net interest income from continued growth in Equityline Visa receivable balances, and fees from the administration and servicing of the Visa portfolio. Included in the operating results of the consumer lending segment are the operations of PSiGate. PSiGate contributed \$0.2 million in net income during the quarter and \$0.6 million year-to-date.

The Equityline Visa loans portfolio amounted to \$339.1 million at June 30, 2008 (\$302.7 million – Q4 2007, and \$272.0 million – Q2 2007) comprising 97.1% (96.3% – Q4 2007, and 95.7% – Q2 2007) of the total gross credit card receivable balance of \$349.1 million, and bearing an average interest rate of 10.6% (10.9% – Q4 2007, and

10.8% – Q2 2007) on outstanding balances. During the second quarter of 2008, 1,148 Equityline Visa accounts with \$51.8 million in authorized credit limits were issued, compared to 1,077 Equityline Visa accounts with \$54.0 million in authorized credit limits issued for the three months ended December 31, 2007 and 1,202 Visa accounts with \$55.5 million in authorized credit limits issued for the three-month period ended June 30, 2007.

Other

The other segment, comprised of the Company's securities portfolio and corporate activities, generated positive results in the second quarter and first six months of 2008. Net income for the quarter and six-month period were \$3.5 million and \$6.5 million, compared to \$3.0 million and \$5.7 million for the comparative periods in 2007. The increases over the prior periods were driven by growth in net interest income derived from the Company's cash resources and securities portfolio, offset by losses incurred on the sale of securities and writedowns on securities that management determined were permanently impaired.

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 11 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 June 30, 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 July 31, 2008 the Company had issued 34,541,990 Common Shares. In addition, outstanding director and employee stock options amounted to 1,226,750 (1,293,750 – Q4 2007, and 1,130,000 – Q2 2007) of which 540,500 are exercisable as of the quarter-end (526,250 – Q4 2007, and 570,000 – Q2 2007) for proceeds to the Company upon exercise of \$8.4 million (\$7.9 million – Q4 2007, and \$6.4 million – Q2 2007).

Subsequent to the end of the second quarter, the Board of Directors declared a quarterly cash dividend of \$0.13 per common share payable on September 1, 2008 to shareholders of record at the close of business on August 15, 2008.

QUARTERLY FINANCIAL HIGHLIGHTS

<i>In Thousands of Dollars</i>	2008		2007				2006	
<i>(Except Per Share and Percentage Amounts)</i>	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net interest income (TEB) ¹	\$ 40,418	\$ 38,590	\$ 40,394	\$ 39,396	\$ 37,647	\$ 34,276	\$ 33,040	\$ 30,727
Less TEB adjustment	1,056	962	2,311	1,084	1,118	942	841	764
Net interest income per financial statements	39,362	37,628	38,083	38,312	36,529	33,334	32,199	29,963
Non-interest income	17,318	14,338	14,561	11,964	11,467	10,075	12,744	6,880
Non-interest expense	17,443	14,763	15,687	13,289	13,382	11,840	12,276	12,027
Total revenues	112,953	106,796	105,081	94,345	87,710	81,745	81,053	70,621
Net income	26,550	25,159	24,228	22,837	22,018	21,158	20,518	16,618
Return on common shareholders' equity	27.7%	27.9%	28.9%	28.9%	28.9%	29.3%	30.5%	26.2%
Return on average total assets	2.0%	1.9%	2.0%	2.0%	2.1%	2.1%	2.2%	1.8%
Earnings per common share								
Basic	\$ 0.77	\$ 0.73	\$ 0.70	\$ 0.66	\$ 0.64	\$ 0.62	\$ 0.60	\$ 0.49
Diluted	\$ 0.76	\$ 0.72	\$ 0.70	\$ 0.65	\$ 0.63	\$ 0.61	\$ 0.59	\$ 0.48
Book value per common share	\$ 11.44	\$ 10.79	\$ 10.08	\$ 9.38	\$ 8.98	\$ 8.70	\$ 8.10	\$ 7.62
Efficiency ratio (TEB) ¹	30.2%	27.9%	28.5%	25.9%	27.3%	26.7%	26.8%	32.0%
Efficiency ratio	30.8%	28.4%	29.8%	26.4%	27.9%	27.3%	27.3%	31.2%
Tier 1 capital ratio ^{2,3}	12.5%	12.0%	11.1%	11.7%	12.9%	12.7%	12.7%	12.5%
Total capital ratio ^{2,3}	13.8%	13.4%	12.5%	13.1%	14.4%	14.3%	14.2%	14.1%
Net impaired loans as a % of gross loans	0.71%	0.71%	0.72%	0.63%	0.68%	0.74%	0.68%	0.56%
Annualized provision as a % of gross loans	0.1%	0.1%	0.2%	0.2%	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 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 first quarter mortgage advances typically impacted by winter weather conditions, and the fourth quarter normally experiencing increased credit card activity 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 half of 2008 reflect the Company's continuing efforts to preserve its capital base during uncertain capital markets as well as changes required to calculate capital requirements under Basel II which came into effect January 1, 2008, resulting in modest positive results due to a shift into lower risk-weighted categories for residential mortgages offset by new capital requirements related to operational risk.

Outlook

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).

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 the current economic environment.

Having maintained positive growth and profitability through the first half of the year, despite challenging market and credit conditions, the Company remains confident that profitability and growth will continue for the remainder of 2008 enabling the Company to meet its business objectives. The Company anticipates that the Canadian economy will grow more slowly in the second half of 2008, and will continue to experience an uncertain interest rate environment as inflationary pressures arising from rising oil and food prices hamper the likelihood that the Bank of Canada will lower benchmark interest rates to stimulate the Canadian economy. Despite these uncertainties, the Company continues to see a fundamentally sound Canadian housing market underpinned by high employment levels and other positive economic fundamentals. The Company's view is further supported by the recent proactive moves by the Federal government to eliminate the option of 40-year amortization periods and zero downpayment mortgages to protect the housing industry from experiencing similar challenges as in the United States. The Company has a proven corporate strategy and proprietary risk management framework to manage through uncertain economic conditions while positioning the Company for future growth.

Consolidated Statements of Income

	Three Months Ended		Six Months Ended	
	June 30	June 30	June 30	June 30
<i>In Thousands of Dollars, Except per Share Amounts (Unaudited)</i>	2008	2007	2008	2007
Income				
Interest from loans	\$ 87,075	\$ 70,183	\$ 170,046	\$ 136,451
Dividends from equity securities	2,262	2,229	4,415	4,107
Other interest	6,298	3,829	13,632	7,353
	95,635	76,241	188,093	147,911
Interest Expense				
Interest on deposits	56,273	39,712	111,103	78,048
Net interest income	39,362	36,529	76,990	69,863
Provision for credit losses (note 4(d))	630	1,002	1,230	1,490
	38,732	35,527	75,760	68,373
Non-interest Income				
Fees and other income	7,092	5,139	14,315	9,674
Securitization income on mortgage-backed securities	11,038	5,568	21,135	10,791
Net gain (loss) realized and unrealized on securities	(421)	760	(2,046)	1,104
Net gain on disposition of subsidiary (note 16)	-	-	69	-
Loss on derivatives	(391)	-	(1,817)	(27)
	17,318	11,467	31,656	21,542
	56,050	46,994	107,416	89,915
Non-interest Expenses				
Salaries and staff benefits	9,574	7,029	18,192	14,219
Premises	1,072	956	2,063	1,873
General and administration	6,797	5,397	11,951	9,130
	17,443	13,382	32,206	25,222
Income Before Income Taxes				
	38,607	33,612	75,210	64,693
Provision for income taxes (note 11(a))	12,057	11,594	23,501	21,517
NET INCOME	\$ 26,550	\$ 22,018	\$ 51,709	\$ 43,176
NET INCOME PER COMMON SHARE				
Basic	\$ 0.77	\$ 0.64	\$ 1.50	\$ 1.26
Diluted	\$ 0.76	\$ 0.63	\$ 1.48	\$ 1.24
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (thousands)				
Basic	34,535	34,408	34,534	34,403
Diluted	34,855	34,904	34,859	34,902
Total number of outstanding common shares (thousands)	34,542	34,502	34,542	34,502
Book value per common share	\$ 11.44	\$ 8.98	\$ 11.44	\$ 8.98

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

Consolidated Statements of Comprehensive Income

	For the three months ended		For the six months ended	
	June 30 2008	June 30 2007	June 30 2008	June 30 2007
<i>In Thousands of Dollars (Unaudited)</i>				
NET INCOME	\$ 26,550	\$ 22,018	\$ 51,709	\$ 43,176
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX				
Unrealized income on available for sale securities				
Net unrealized income on securities available for sale, net of (\$443) tax ((\$5,123) - three months ended June 30, 2007; \$1,230 - six months ended June 30, 2008; (\$4,375) - six months ended June 30, 2007)	(727)	(7,764)	1,040	(5,025)
Reclassification of earnings (losses) in respect of available for sale securities, net of \$120 tax; ((\$514) - three months ended June 30, 2007; \$849 - six months ended June 30, 2008; (\$771) - six months ended June 30, 2007)	242	(910)	1,815	(1,364)
Total other comprehensive income (loss)	(485)	(8,674)	2,855	(6,389)
COMPREHENSIVE INCOME	\$ 26,065	\$ 13,344	\$ 54,564	\$ 36,787

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

Consolidated Balance Sheets

<i>In Thousands of Dollars (Unaudited)</i>	June 30 2008	December 31 2007	June 30 2007
ASSETS			
Cash Resources			
Deposits with regulated financial institutions	\$ 184,688	\$ 344,464	\$ 68,854
Treasury bills guaranteed by Canada	-	9,872	174,191
	184,688	354,336	243,045
Securities (note 3)			
Held for trading	301	114,423	19,668
Available for sale	488,323	356,458	370,460
	488,624	470,881	390,128
Loans (note 4)			
Residential mortgages	3,402,556	3,218,474	3,025,969
Personal and credit card loans	362,861	325,393	291,569
Other mortgages	699,043	419,400	195,286
Secured loans	86,227	82,304	78,282
General allowance for credit losses	(23,926)	(23,400)	(20,690)
	4,526,761	4,022,171	3,570,416
Other			
Securitization receivable (note 5)	87,888	65,768	50,827
Capital assets	5,583	4,837	4,882
Other assets (note 6)	68,227	57,100	46,501
	161,698	127,705	102,210
	\$ 5,361,771	\$ 4,975,093	\$ 4,305,799
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Deposits			
Payable on demand	\$ 20,217	\$ 30,793	\$ 18,467
Payable on a fixed date	4,696,354	4,383,191	3,789,692
	4,716,571	4,413,984	3,808,159
Other			
Cheques and other items in transit	6,338	4,393	6,007
Other liabilities (note 7)	243,863	208,676	181,792
	250,201	213,069	187,799
	4,966,772	4,627,053	3,995,958
Shareholders' Equity			
Capital stock (note 8)	39,217	38,899	37,985
Contributed surplus	2,531	1,818	1,256
Retained earnings	356,693	313,620	277,619
Accumulated other comprehensive loss (note 10)	(3,442)	(6,297)	(7,019)
	394,999	348,040	309,841
	\$ 5,361,771	\$ 4,975,093	\$ 4,305,799

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

Consolidated Statements of Changes in Shareholders' Equity

	For the three months ended		For the six months ended	
	June 30 2008	June 30 2007	June 30 2008	June 30 2007
<i>In Thousands of Dollars (Unaudited)</i>				
CAPITAL STOCK (note 8)				
Balance at beginning of the period	\$ 38,899	\$ 37,654	\$ 38,899	\$ 35,436
Proceeds of options exercised	318	341	318	2,571
Normal course issuer bid	-	(10)	-	(22)
BALANCE AT END OF THE PERIOD	\$ 39,217	\$ 37,985	\$ 39,217	\$ 37,985
CONTRIBUTED SURPLUS				
Balance at beginning of the period	\$ 2,225	\$ 1,021	\$ 1,818	\$ 783
Amortization of fair value of employee stock options (note 9)	357	285	764	523
Employee stock options exercised	(51)	(50)	(51)	(50)
BALANCE AT END OF THE PERIOD	\$ 2,531	\$ 1,256	\$ 2,531	\$ 1,256
RETAINED EARNINGS				
Balance at beginning of the period (note 8)	\$ 334,289	\$ 259,687	\$ 313,619	\$ 240,647
Transitional adjustment on adoption of new accounting policies	-	-	-	1,391
Normal course issuer bid	-	(291)	-	(697)
Net income for the period	26,550	22,018	51,709	43,176
Dividends paid during the period	-	(345)	(4,489)	(3,448)
Dividends declared, unpaid during the period	(4,146)	(3,450)	(4,146)	(3,450)
BALANCE AT END OF THE PERIOD	\$ 356,693	\$ 277,619	\$ 356,693	\$ 277,619
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)				
Balance at beginning of the period	\$ (2,957)	\$ 1,655	\$ (6,297)	\$ -
Transitional adjustment on adoption of new accounting policies	-	-	-	(630)
Other comprehensive income (loss), net of (\$323) tax; (((\$5,637) - three months ended June 30, 2007; \$2,079 - six months ended June 30, 2008; (\$5,146) - six months ended June 30, 2007)	(485)	(8,674)	2,855	(6,389)
BALANCE AT END OF THE PERIOD	\$ (3,442)	\$ (7,019)	\$ (3,442)	\$ (7,019)

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

Consolidated Statements of Cash Flows

<i>In Thousands of Dollars (Unaudited)</i>	For the three months ended		For the six months ended	
	June 30 2008	June 30 2007	June 30 2008	June 30 2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period	\$ 26,550	\$ 22,018	\$ 51,709	\$ 43,176
Adjustments to determine cash flows relating to operating activities:				
Future income taxes	2,187	1,703	4,214	2,217
Amortization	4,534	6,428	5,772	6,204
Provision for credit losses (note 4(d))	630	1,002	1,230	1,490
Change in accrued interest payable	5,495	(8,627)	26,569	6,990
Change in accrued interest receivable	(1,001)	(722)	(1,999)	(2,101)
Net loss (gain) realized and unrealized on investment securities	421	(760)	2,046	(1,104)
Loss on derivatives	391	-	1,817	27
Securitization income on mortgage-backed securities	(11,038)	(5,568)	(21,135)	(10,791)
Amortization of fair value of employee stock options (note 9)	357	285	764	523
Other	12,277	(1,660)	(5,421)	(982)
Cash flows from operating activities	40,803	14,099	65,566	45,649
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase in deposits	(110,633)	124,057	302,587	366,367
Issuance of capital stock	318	341	318	2,571
Normal course issuer bid	-	(301)	-	(719)
Exercise of stock options	(51)	(50)	(51)	(50)
Dividends paid	(4,143)	(3,448)	(8,288)	(6,524)
Cash flows from (used in) financing activities	(114,509)	120,599	294,566	361,645
CASH FLOWS FROM INVESTING ACTIVITIES				
Activity in available for sale and held for trading securities				
Purchases	(46,088)	(66,429)	(263,555)	(116,071)
Proceeds from sales	35,133	6,695	203,587	24,540
Proceeds from maturities	18,913	21,581	32,952	40,120
Activity in mortgages				
Net increase	(417,929)	(218,832)	(860,388)	(484,876)
Proceeds from securitization of mortgage-backed securities	246,285	146,639	388,984	277,505
Change in mortgage-backed securities receivable	8,302	10,608	12,318	14,764
Net increase in personal and credit card loans	(15,737)	(22,817)	(37,661)	(54,866)
Net increase in secured loans	(1,426)	(3,816)	(4,172)	(7,919)
Purchases of capital assets	(1,236)	(761)	(1,845)	(977)
Cash flows used in investing activities	(173,783)	(127,052)	(529,780)	(307,780)
Net increase (decrease) in cash and cash equivalents during the period	(247,489)	7,646	(169,648)	99,514
Cash and cash equivalents at beginning of the period	432,177	235,399	354,336	143,531
Cash and cash equivalents at end of the period	\$ 184,688	\$ 243,045	\$ 184,688	\$ 243,045
Supplementary Disclosure of Cash Flow Information				
Interest paid	\$ 50,778	\$ 46,596	\$ 84,535	\$ 66,825
Income taxes paid	13,595	9,928	27,417	24,717

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 the 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 15. The new standards did not affect the financial position of the Company.

3. SECURITIES

Available for Sale Securities - Net Unrealized Gains and Losses

Net unrealized gains and losses are included in accumulated other comprehensive income except unrealized losses which are other than temporary in nature which are transferred to net income. Accumulated other comprehensive income is disclosed in Note 10.

<i>In Thousands of Dollars</i>	June 30 2008	December 31 2007	June 30 2007
Securities issued or guaranteed by:			
Canada Corporations	\$ 282 (1,746)	\$ (111) -	\$ (2,424) -
Equity securities			
Common	(1,322)	(494)	(175)
Fixed rate preferred	(5,372)	(4,753)	(2,149)
Floating rate preferred	(668)	(270)	112
Income trusts	(3,590)	(2,891)	304
Mutual funds	19	(5)	32
	\$ (12,397)	\$ (8,524)	\$ (4,300)

The above 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.

As at June 30, 2008, the Company had \$0.2 million of unrealized losses on available for sale securities which are other than temporary in nature and have been transferred into net income. These unrealized losses are not included in the above table.

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

4. LOANS

(A) Loans by Geographic Region and Type

As at June 30, 2008

<i>In Thousands of Dollars</i>	Personal				Secured Loans	Total
	Residential Mortgages	and Credit Card Loans	Other Mortgages			
British Columbia	\$ 338,534	\$ 28,792	\$ 8,149	\$ 150	\$	375,625
Alberta	431,362	81,979	112,538	9,607		635,486
Ontario	2,387,750	242,307	503,417	73,466		3,206,940
Quebec	81,658	746	48,768	-		131,172
Maritimes	109,241	7,360	18,863	3,004		138,468
Manitoba and Saskatchewan	54,011	1,677	7,308	-		62,996
	\$ 3,402,556	\$ 362,861	\$ 699,043	\$ 86,227	\$	4,550,687

As at December 31, 2007

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

As at June 30, 2007

<i>In Thousands of Dollars</i>	Personal				Secured Loans	Total
	Residential Mortgages	and Credit Card Loans	Other Mortgages			
British Columbia	\$ 306,864	\$ 20,454	\$ -	\$ -	\$	327,318
Alberta	301,352	52,670	-	7,943		361,965
Ontario	2,220,920	208,506	191,732	66,733		2,687,891
Quebec	51,263	-	-	-		51,263
Maritimes	139,525	7,988	3,554	3,606		154,673
Manitoba and Saskatchewan	6,045	1,951	-	-		7,996
	\$ 3,025,969	\$ 291,569	\$ 195,286	\$ 78,282	\$	3,591,106

(B) Past Due Loans that are not Impaired

As at June 30, 2008					
<i>In Thousands of Dollars</i>	Residential Mortgages	Personal and Credit Card Loans	Other Mortgages	Secured Loans	Total
1 - 30 days	\$ 117,293	\$ 2,209	\$ 1,866	\$ 910	\$ 122,278
31 - 60 days	3,847	1,357	971	142	6,317
61 - 90 days	27,545	723	461	-	28,729
	\$ 148,685	\$ 4,289	\$ 3,298	\$ 1,052	\$ 157,324

As at December 31, 2007					
<i>In Thousands of Dollars</i>	Residential Mortgages	Personal and Credit Card Loans	Other Mortgages	Secured Loans	Total
1 - 30 days	\$ 114,316	\$ 3,181	\$ 2,918	\$ 1,314	\$ 121,729
31 - 60 days	7,691	1,497	343	63	9,594
61 - 90 days	28,143	1,508	657	241	30,549
	\$ 150,150	\$ 6,186	\$ 3,918	\$ 1,618	\$ 161,872

As at June 30, 2007					
<i>In Thousands of Dollars</i>	Residential Mortgages	Personal and Credit Card Loans	Other Mortgages	Secured Loans	Total
1 - 30 days	\$ 106,922	\$ 2,456	\$ -	\$ 927	\$ 110,305
31 - 60 days	9,820	1,627	-	219	11,666
61 - 90 days	32,517	362	-	-	32,879
	\$ 149,259	\$ 4,445	\$ -	\$ 1,146	\$ 154,850

(C) Impaired Loans and Specific Allowances for Credit Losses

As at June 30, 2008					
<i>In Thousands of Dollars</i>	Residential Mortgages	Personal and Credit Card Loans	Other Mortgages	Secured Loans	Total
Gross amount of impaired loans	\$ 26,913	\$ 4,186	\$ 873	\$ 979	\$ 32,951
Specific allowances	(242)	(108)	(5)	(172)	(527)
	\$ 26,671	\$ 4,078	\$ 868	\$ 807	\$ 32,424

As at December 31, 2007					
<i>In Thousands of Dollars</i>	Residential Mortgages	Personal and Credit Card Loans	Other Mortgages	Secured Loans	Total
Gross amount of impaired loans	\$ 27,849	\$ 1,521	\$ 242	\$ 400	\$ 30,012
Specific allowances	(634)	(128)	-	(231)	(993)
	\$ 27,215	\$ 1,393	\$ 242	\$ 169	\$ 29,019

As at June 30, 2007					
<i>In Thousands of Dollars</i>	Residential Mortgages	Personal and Credit Card Loans	Other Mortgages	Secured Loans	Total
Gross amount of impaired loans	\$ 22,021	\$ 1,407	\$ 755	\$ 581	\$ 24,764
Specific allowances	(316)	(158)	-	(39)	(513)
	\$ 21,705	\$ 1,249	\$ 755	\$ 542	\$ 24,251

(D) Allowance for Credit Losses**For the three months ended June 30, 2008**

<i>In Thousands of Dollars</i>	Residential Mortgages	Personal and Credit Card Loans	Other Mortgages	Secured Loans	Total
Specific allowances					
Balance at the beginning of the period	\$ 457	\$ 72	\$ -	\$ 187	\$ 716
Provisions for credit losses	130	122	5	123	380
Write-offs	(420)	(102)	-	(141)	(663)
Recoveries	75	16	-	3	94
	242	108	5	172	527
General allowance					
Balance at the beginning of the period	16,181	3,477	3,142	876	23,676
Provisions for credit losses	(209)	151	291	17	250
	15,972	3,628	3,433	893	23,926
Total allowance	\$ 16,214	\$ 3,736	\$ 3,438	\$ 1,065	\$ 24,453

For the three months ended December 31, 2007

<i>In Thousands of Dollars</i>	Residential Mortgages	Personal and Credit Card Loans	Other Mortgages	Secured Loans	Total
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	1,718	839	22,087
Provisions for credit losses	724	74	498	17	1,313
	17,127	3,201	2,216	856	23,400
Total allowance	\$ 17,761	\$ 3,329	\$ 2,216	\$ 1,087	\$ 24,393

For the three months ended June 30, 2007

<i>In Thousands of Dollars</i>	Residential Mortgages	Personal and Credit Card Loans	Other Mortgages	Secured Loans	Total
Specific allowances					
Balance at the beginning of the period	\$ 121	\$ 193	\$ -	\$ -	\$ 314
Provisions for credit losses	293	149	-	39	481
Write-offs	(112)	(250)	-	-	(362)
Recoveries	14	66	-	-	80
	316	158	-	39	513
General allowance					
Balance at the beginning of the period	15,742	2,695	965	767	20,169
Provisions for credit losses	216	227	41	37	521
	15,958	2,922	1,006	804	20,690
Total allowance	\$ 16,274	\$ 3,080	\$ 1,006	\$ 843	\$ 21,203

(D) Allowance for Credit Losses (Continued)

For the six months ended June 30, 2008					
<i>In Thousands of Dollars</i>	Residential Mortgages	Personal and Credit Card Loans	Other Mortgages	Secured Loans	Total
Specific allowances					
Balance at the beginning of the period	\$ 634	\$ 128	\$ -	\$ 231	\$ 993
Provisions for credit losses	256	193	5	250	704
Write-offs	(823)	(261)	-	(341)	(1,425)
Recoveries	175	48	-	32	255
	242	108	5	172	527
General allowance					
Balance at the beginning of the period	17,127	3,201	2,216	856	23,400
Provisions for credit losses	(1,155)	427	1,217	37	526
	15,972	3,628	3,433	893	23,926
Total allowance	\$ 16,214	\$ 3,736	\$ 3,438	\$ 1,065	\$ 24,453

For the six months ended June 30, 2007					
<i>In Thousands of Dollars</i>	Residential Mortgages	Personal and Credit Card Loans	Other Mortgages	Secured Loans	Total
Specific allowances					
Balance at the beginning of the period	\$ 386	\$ 148	\$ -	\$ 108	\$ 642
Provisions for credit losses	166	334	-	(56)	444
Write-offs	(261)	(424)	-	13	(698)
Recoveries	25	100	-	-	125
	316	158	-	39	513
General allowance					
Balance at the beginning of the period	15,886	2,378	659	721	19,644
Provisions for credit losses	72	544	347	83	1,046
	15,958	2,922	1,006	804	20,690
Total allowance	\$ 16,274	\$ 3,080	\$ 1,006	\$ 843	\$ 21,203

(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 June 30, 2008, the total appraised value of the collateral for mortgages past due that are not impaired, as determined when the mortgages were originated, is \$245.1 million. For impaired mortgages, the total appraised value of collateral at June 30, 2008 is \$38.2 million.

5. LOAN SECURITIZATION

The following table summarizes the Company's new securitization activities.

<i>In Thousands of Dollars, Except Percentages and Number of Years</i>	For the three months ended		For the six months ended	
	June 30 2008	June 30 2007	June 30 2008	June 30 2007
Book value of mortgages securitized	\$ 250,630	\$ 150,688	\$ 396,401	\$ 285,043
Securitization receivable	\$ 13,755	\$ 8,437	\$ 26,809	\$ 17,210
Servicing liability	\$ 377	\$ 239	\$ 642	\$ 451
Net proceeds received on securitized mortgages	\$ 246,285	\$ 146,639	\$ 388,984	\$ 277,505
Gain on sale of mortgages	\$ 8,506	\$ 3,910	\$ 17,389	\$ 8,651
Prepayment rate	10.7%	13.3%	11.7%	13.1%
Excess spread	2.9%	2.4%	3.2%	2.6%
Weighted average life in years	3.4	3.9	3.7	3.8
Discount rate	3.9%	4.3%	3.8%	4.1%

During the second quarter of 2008, the Company securitized insured residential mortgages through CMHC's Canada Mortgage Bond Program with a book value of \$122.6 million for a total of \$206.9 million in 2008 (nil in Q2 2007 and for the six months ended June 30, 2007). The gain on sale was \$4.6 million during the second quarter and \$10.1 million for the six months ended June 30, 2008 (nil in Q2 2007 and for the six months ended June 30, 2007). These figures are included in the above table.

6. OTHER ASSETS

<i>In Thousands of Dollars</i>	June 30 2008	December 31 2007	June 30 2007
Accrued interest receivable	\$ 27,307	\$ 25,308	\$ 21,147
Income taxes receivable	8,474	-	3,434
Goodwill	15,028	15,028	2,324
Intangible assets	585	1,158	-
Other prepaid assets and deferred items	16,560	15,606	19,596
	\$ 68,227	\$ 57,100	\$ 46,501

7. OTHER LIABILITIES

<i>In Thousands of Dollars</i>	June 30 2008	December 31 2007	June 30 2007
Accrued interest payable	\$ 162,219	\$ 135,650	\$ 118,910
Income taxes payable	-	5,795	-
Dividends payable	4,146	3,799	3,450
Future income tax liability (Note 11)	23,956	16,586	14,260
Securitization servicing liability	2,127	1,786	1,528
Other, including accounts payable and accrued liabilities	51,415	45,060	43,644
	\$ 243,863	\$ 208,676	\$ 181,792

8. CAPITAL

(A) Common Shares Issued and Outstanding

<i>In Thousands</i>	For the three months ended				For the six months ended			
	June 30, 2008		June 30, 2007		June 30, 2008		June 30, 2007	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Outstanding at beginning of period	34,532	\$ 38,899	34,482	\$ 37,654	34,532	\$ 38,899	34,166	\$ 35,436
Options exercised	10	318	28	341	10	318	356	2,571
Normal course issuer bid	-	-	(8)	(10)	-	-	(20)	(22)
Outstanding at end of period	34,542	\$ 39,217	34,502	\$ 37,985	34,542	\$ 39,217	34,502	\$ 37,985

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 Except Per Share Amounts</i>	For the three months ended				For the six months ended			
	June 30, 2008		June 30, 2007		June 30, 2008		June 30, 2007	
	Number of Shares	Weighted-average Exercise Price	Number of Shares	Weighted-average Exercise Price	Number of Shares	Weighted-average Exercise Price	Number of Shares	Weighted-average Exercise Price
Outstanding at beginning of period	1,289	\$ 27.12	1,157	\$ 21.49	1,294	\$ 27.15	1,266	\$ 15.43
Granted	-	-	-	-	-	-	220	34.44
Exercised	(10)	28.12	(27)	10.56	(10)	28.12	(356)	7.08
Forfeited	(52)	35.98	-	-	(57)	35.92	-	-
Outstanding at end of period	1,227	\$ 26.73	1,130	\$ 21.76	1,227	\$ 26.73	1,130	\$ 21.76
Exercisable, end of period	541	\$ 15.60	570	\$ 11.24	541	\$ 15.60	570	\$ 11.24

(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>	June 30 2008	December 31 ¹ 2007	June 30 ¹ 2007
Regulatory capital			
Tier 1	\$ 354,653	\$ 311,760	\$ 296,996
Total	393,579	350,160	332,003
Regulatory ratios			
Tier 1	12.5%	11.1%	12.9%
Total	13.8%	12.5%	14.4%
Assets to capital multiple	13.6	14.2	13.0

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 second quarter of 2008, \$357,000 was recorded as an expense for a total of \$764,000 for the first six months of 2008 (\$285,000 – Q2 2007 and \$523,000 – six months of 2007) for stock option awards in the consolidated statements of income, with an off-setting credit to contributed surplus. No new options were granted during 2008 (nil – Q2 2007 and 220,000 – six months of 2007).

10. ACCUMULATED OTHER COMPREHENSIVE LOSS

<i>In Thousands of Dollars</i>	June 30 2008	December 31 2007	June 30 2007
Unrealized gains and (losses) on			
Available for sale securities	\$ (12,397)	\$ (8,524)	\$ (4,300)
Income taxes recovery (expenses)	3,070	2,226	1,881
	(9,327)	(6,298)	(2,419)
Unrealized gains and (losses) on			
Securitization receivables	8,806	2	(7,202)
Income taxes recovery (expenses)	(2,921)	(1)	2,602
	5,885	1	(4,600)
Accumulated other comprehensive loss	\$ (3,442)	\$ (6,297)	\$ (7,019)

11. INCOME TAXES

(A) Reconciliation of income taxes

<i>In Thousands of Dollars</i>	For the three months ended		For the six months ended	
	June 30 2008	June 30 2007	June 30 2008	June 30 2007
Income before income taxes	\$ 38,607	\$ 33,612	\$ 75,210	\$ 64,693
Income taxes at statutory combined federal and provincial income tax rates	12,628	12,141	24,944	23,367
Increase (decrease) in income taxes at statutory income tax rates resulting from				
Tax-exempt income	(716)	(673)	(1,356)	(1,316)
Non-deductible expenses	124	113	632	207
Future tax rate changes	(177)	(46)	(397)	(78)
Other	198	59	(322)	(663)
Income tax	\$ 12,057	\$ 11,594	\$ 23,501	\$ 21,517

(B) Sources of future income tax balances

<i>In Thousands of Dollars</i>	June 30 2008	December 31 2007	June 30 2007
Future income tax liabilities			
Deferred agent commissions and other charges	\$ 7,661	\$ 7,907	\$ 7,608
Mortgage-backed securities receivable	28,667	21,282	17,349
	36,328	29,189	24,957
Future income tax assets			
Allowance for credit losses	6,771	6,767	6,302
Future tax recoverable acquired	860	1,370	-
Deferred commitment fees and other charges	4,741	4,466	4,395
	12,372	12,603	10,697
	\$ 23,956	\$ 16,586	\$ 14,260

12. DERIVATIVE FINANCIAL INSTRUMENTS

The Company utilized off-balance sheet financial instruments during the first six months 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 June 30, 2008 or June 30, 2007. With respect to the Canada Mortgage Bond program, at June 30, 2008 the Company notionally held \$325.8 million of seller swaps, and \$12.8 million of accreting hedge swaps. These outstanding swap arrangements were marked-to-market at June 30, 2008 for unrealized loss of \$0.2 million.

13. INTEREST RATE SENSITIVITY

The Company's exposure to interest rate risk results from the difference, or gap between the maturity or repricing dates of interest sensitive assets and liabilities, including off-balance sheet items. The following table shows the gap positions at June 30, 2008, December 31, 2007 and June 30, 2007 for selected period intervals. Figures in brackets represent an excess of liabilities over assets or a negative gap position.

As at June 30, 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	\$ 35,129	\$ 1,198,334	\$ 1,549,664	\$ 1,645,896	\$ 738,087	\$ 194,661	\$ 5,361,771
Total liabilities and equity	-	778,744	2,210,891	1,246,131	444,549	681,454	5,361,771
Off-balance sheet items	-	(372,279)	43,618	101,918	226,743	-	-
Interest rate sensitive gap	\$ 35,129	\$ 47,311	\$ (617,609)	\$ 501,683	\$ 520,281	\$ (486,795)	\$ -
Cumulative gap	\$ 35,129	\$ 82,440	\$ (535,169)	\$ (33,486)	\$ 486,795	\$ -	\$ -
Cumulative gap as a percentage of total assets	0.7%	1.5%	(10.0%)	(0.6%)	9.1%	-	-

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	\$ 157,572	\$ 4,975,093
Total liabilities and equity	-	446,107	2,136,991	1,330,558	452,096	609,341	4,975,093
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 June 30, 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	\$ 55,554	\$ 776,334	\$ 1,228,411	\$ 1,545,268	\$ 570,832	\$ 129,400	\$ 4,305,799
Total liabilities and equity	-	566,403	1,578,801	1,297,455	328,281	534,859	4,305,799
Off-balance sheet items	-	(226,071)	6,266	75,530	144,275	-	-
Interest rate sensitive gap	\$ 55,554	\$ (16,140)	\$ (344,124)	\$ 323,343	\$ 386,826	\$ (405,459)	\$ -
Cumulative gap	\$ 55,554	\$ 39,414	\$ (304,710)	\$ 18,633	\$ 405,459	\$ -	\$ -
Cumulative gap as a percentage of total assets	1.3%	0.9%	(7.1%)	0.4%	9.4%	-	-

Based on the current interest rate gap position at June 30, 2008, the Company estimates that a 100 basis point decrease in interest rates would decrease net interest income after tax over the next twelve months by \$1.9 million. A 100 basis point increase in interest rates would increase net income after tax over the next twelve months by a similar amount.

14. 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.

	For the three months ended							
	Mortgage Lending		Consumer Lending		Other		Total	
	June 30 2008	June 30 2007	June 30 2008	June 30 2007	June 30 2008	June 30 2007	June 30 2008	June 30 2007
<i>In Thousands of Dollars</i>								
Net interest income	\$ 24,127	\$ 24,951	\$ 6,505	\$ 5,253	\$ 8,730	\$ 6,325	\$ 39,362	\$ 36,529
Provision for credit losses	(357)	(626)	(273)	(376)	-	-	(630)	(1,002)
Fees and other income	3,707	2,989	3,288	2,076	97	74	7,092	5,139
Net gain on securities, mortgage-backed securities and disposition of subsidiary	10,647	5,568	-	-	(421)	760	10,226	6,328
Non-interest expenses	(11,168)	(9,033)	(2,198)	(1,153)	(4,077)	(3,196)	(17,443)	(13,382)
Income before income taxes	26,956	23,849	7,322	5,800	4,329	3,963	38,607	33,612
Income taxes	(8,752)	(8,579)	(2,522)	(2,095)	(783)	(920)	(12,057)	(11,594)
Net income	\$ 18,204	\$ 15,270	\$ 4,800	\$ 3,705	\$ 3,546	\$ 3,043	\$ 26,550	\$ 22,018
Goodwill	\$ 2,324	\$ 2,324	\$ 12,704	\$ -	\$ -	\$ -	\$ 15,028	\$ 2,324
Total assets	\$4,400,471	\$ 3,416,438	\$ 392,083	\$ 304,148	\$ 569,217	\$ 585,213	\$5,361,771	\$ 4,305,799

	For the six months ended							
	Mortgage Lending		Consumer Lending		Other		Total	
	June 30 2008	June 30 2007	June 30 2008	June 30 2007	June 30 2008	June 30 2007	June 30 2008	June 30 2007
<i>In Thousands of Dollars</i>								
Net interest income	\$ 46,584	\$ 47,876	\$ 12,228	\$ 9,999	\$ 18,178	\$ 11,988	\$ 76,990	\$ 69,863
Provision for credit losses	(610)	(612)	(620)	(878)	-	-	(1,230)	(1,490)
Fees and other income	7,414	5,370	6,680	4,128	221	176	14,315	9,674
Net gain on securities, mortgage-backed securities and disposition of subsidiary	19,318	10,764	-	-	(1,977)	1,104	17,341	11,868
Non-interest expenses	(19,317)	(17,348)	(4,443)	(1,863)	(8,446)	(6,011)	(32,206)	(25,222)
Income before income taxes	53,389	46,050	13,845	11,386	7,976	7,257	75,210	64,693
Income taxes	(17,304)	(15,870)	(4,721)	(4,113)	(1,476)	(1,534)	(23,501)	(21,517)
Net income	\$ 36,085	\$ 30,180	\$ 9,124	\$ 7,273	\$ 6,500	\$ 5,723	\$ 51,709	\$ 43,176
Goodwill	\$ 2,324	\$ 2,324	\$ 12,704	\$ -	\$ -	\$ -	\$ 15,028	\$ 2,324
Total assets	\$4,400,471	\$ 3,416,438	\$ 392,083	\$ 304,148	\$ 569,217	\$ 585,213	\$5,361,771	\$ 4,305,799

15. 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 13.

16. DISPOSITION OF SUBSIDIARY

On January 1, 2008, Home Trust 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.

17. 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.

18. 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.

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Toronto, Ontario M5H 1J8

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Norman F. Angus
Chairman of the Board

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.
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Toronto, Ontario M5J 2Y1
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Capital Stock

As at June 30, 2008 there were
34,541,990 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
Janet L. Ecker
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Robert A. Mitchell, C.A.
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Asst. Vice Presidents, Finance

Dinah Henderson, CGA
Director, Corporate Accounting

Martin Reid
Treasurer

James Jung, CFA
Senior Director, Operations Analysis

Commercial Mortgage Lending

Shaun Gonsalves
Senior Manager

Donald Correia
Senior Credit Manager

Residential Mortgage Lending

Pino Decina
Senior Vice President

Ron Cuadra
Director, National Sales

Laurie Chalabardo
Bobby Ramgoolam
Senior Managers

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

Direct Client Services

Jean Pierre Vico
Manager

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Diana Soloway
Asst. Vice President

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Vice President

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Websites

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www.hometrusted.ca

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.

Quarterly Conference Call & Webcast

Our quarterly conference call and live audio webcast with management took place on Tuesday August 5, 2008 at 10:30 AM ET. The webcast will be archived at www.homecapital.com for 90 days.