



2009

FIRST QUARTER REPORT

FINANCIAL HIGHLIGHTS

For the Three Months Ended (Unaudited)	March 31	December 31	March 31
<i>In Thousands of Dollars (Except Per Share and Percentage Amounts)</i>	2009	2008	2008
OPERATING RESULTS			
Net Income	\$ 31,418	\$ 29,039	\$ 25,159
Total Revenue	120,721	117,996	106,796
Earnings per Share - Basic	\$ 0.91	\$ 0.84	\$ 0.73
Earnings per Share - Diluted	0.91	0.84	0.72
Return on Shareholders' Equity	27.9%	27.4%	27.9%
Return on Average Assets	2.2%	2.0%	1.9%
Efficiency Ratio	27.6%	27.5%	28.4%
Efficiency Ratio (TEB ²)	27.1%	27.0%	27.9%
(Non-interest Expense/Net Interest Income Plus Fee Income)			
BALANCE SHEET HIGHLIGHTS			
Total Assets	\$ 5,630,593	\$ 5,809,713	\$ 5,423,173
Loans	4,506,677	4,506,392	4,342,929
Deposits	4,823,632	5,102,781	4,827,204
Shareholders' Equity	467,939	432,753	372,456
Mortgage-Backed Security Assets Under Administration	2,948,492	2,614,238	1,540,063
FINANCIAL STRENGTH			
Capital Measures¹			
Risk Weighted Assets ¹	\$ 3,021,129	\$ 2,985,750	\$ 2,766,950
Tier 1 Capital Ratio ¹	13.8%	12.9%	12.0%
Total Capital Ratio ¹	15.2%	14.2%	13.4%
Credit Quality			
Net Impaired Loans as a Percentage of Gross Loans	1.2%	0.9%	0.7%
Allowance as a Percentage of Gross Impaired Loans	52.5%	66.7%	76.9%
Annualized Provision as a Percentage of Gross Loans	0.3%	0.2%	0.1%
Share Information			
Book Value per Common Share	\$ 13.61	\$ 12.57	\$ 10.79
Common Share Price - Close	24.99	19.80	35.65
Market Capitalization	858,541	681,793	1,231,083
Number of Common Shares Outstanding	34,355	34,434	34,532

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

² See definition of Taxable Equivalent Basis (TEB) under Non-GAAP Measures of this unaudited interim consolidated financial report.



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

Home Trust Company www.hometrusted.ca

Home Capital Group Inc. www.homecapital.com

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TO OUR SHAREHOLDERS

Home Capital's Strong First Quarter Sustains Momentum; Net Income up 24.9%; Return on Equity was 27.9% Basic and Diluted Earnings per Share Reach \$0.91

Home Capital Group Inc. (TSX: HCG) today announced a record performance for the first three months of 2009. Despite the turmoil in global financial markets, the Company's core business activities, including residential mortgage lending, CMHC-insured mortgage lending and securitization, and Visa operations, all delivered strong earnings.

We were pleased to meet or substantially exceed all goals in the first quarter of 2009. Key results from the first quarter included:

- Net income for the first quarter of 2009 was \$31.4 million, an increase of 24.9% over the \$25.2 million recorded in the same period last year.
- Basic and diluted earnings per share for the first quarter of 2009 were both \$0.91, up 24.7% and 26.4%, respectively, from the basic and diluted earnings per share of \$0.73 and \$0.72 reported in the first quarter of 2008.
- Return on equity was 27.9% for the first quarter of 2009, consistent with the return on equity recorded in the first quarter of 2008 and up from the 27.4% return on equity achieved for the fourth quarter last year.
- Total assets at March 31, 2009 reached \$5.63 billion, 3.8% higher than the \$5.42 billion reported one year earlier. Total assets, together with Mortgage-Backed Securities (MBS) originated and administered by the Company, grew to \$8.58 billion, a rise of 23.2% from \$6.96 billion at March 31, 2008.
- Total mortgage originations were \$725.8 million during the first quarter of 2009, a decline of 16.3% over the \$867.2 million advanced during the same quarter in 2008. However, originations of residential mortgages increased to \$690.2 million from \$601.9 million one year prior, an increase of 14.7%. Non-residential mortgage originations decreased from \$265.3 million to \$35.6 million. The decrease in non-residential mortgage originations is pursuant to the Company's stated strategy to mitigate risk in light of current economic conditions.
- The Company continues to experience positive growth in mortgage securitization as the Company securitized \$460.6 million in CMHC-insured mortgages during the first quarter of 2009 compared to \$145.8 million for the same period last year.
- Outstanding balances on the Equityline Visa portfolio reached \$334.5 million at March 31, 2009, up 3.1% from the \$324.3 million recorded last year. Net income from consumer lending reached \$4.8 million for the first quarter, an increase of 11.4% over the \$4.3 million recorded in the same quarter last year.
- The efficiency ratio (TEB) was 27.1% in the first quarter compared to 27.9% during the same period one year earlier.
- Net impaired loans represented 1.2% of the total loans portfolio at March 31, 2009, an increase from 0.9% in net impaired loans at the end of 2008 and 0.7% at March 31, 2008. Due to the existing weakened economy and rising unemployment, the Company believes that impaired loans may increase over the next one or two quarters. The Company has been proactive in this area and has increased staffing in the mortgage servicing department including a team dedicated to focusing on early arrears and assisting homeowners in managing their payments through these difficult economic times. The Company has thoroughly reviewed the mortgage loans portfolio and believes that future potential loan losses will be in line with our stated objectives for 2009.

Management continues to see 2009 as a year of significant growth for Home Capital, notwithstanding the negative outlook for the economy by the Bank of Canada. We have taken advantage of our ability to attract very strong talent in the finance and Visa operations departments, and continued to add to the senior management team across all areas of the Company. Overall, we have increased the number of employees to 420 at March 31, 2009 from 388 one year prior and 395 at the end of 2008. Despite the growth in staffing levels and the associated cost, the Company has maintained an efficiency ratio of 27.1%.

The Company is positioning itself for future growth with the planned implementation of a previously announced company-wide system conversion to SAP at the end of 2009. We are pleased to report that the conversion is on target and on budget and, despite the extensive and time-consuming amount of work for staff and management necessitated by this project, we have accomplished this while still delivering a record first quarter for our shareholders.

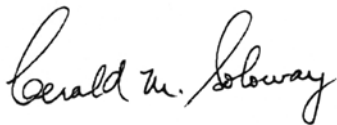
Home Capital continued to enhance the quantity and quality of its capital reserves, resulting in a reduced risk profile to the Company. Home Trust remains well capitalized with Tier 1 and total capital ratios of 13.8% and 15.2%, respectively, compared to 12.0% and 13.4% one year prior. The Company has not incurred any equity dilution, external debt or preferred share issuance in achieving these increased ratios, and remains well positioned to withstand the current economic challenges with a capital base comprised almost entirely of common equity, with no external debt and strong liquidity.

A key component of the reduced risk in the Company's business has been the introduction of the Accelerator program, which was launched in the second quarter of 2008. This program offers a range of insured mortgage products to a broad customer base and has exceeded management's expectations since inception. In light of the current economic downturn and with bond rates at historic lows, the insured program has both reduced the Company's risk profile and provided a profitable new business line. While Home Trust will continue to build on its traditional lending model, the addition of the Accelerator program has elevated Home Trust as a one-stop shop for mortgage brokers and borrowers. This new business has enhanced and expanded existing broker relationships and enabled Home Trust to further penetrate the broker market with an attractive suite of products.

During the quarter, we have noticed a stabilization of the housing market in certain geographic areas at a level of approximately 10 – 15% lower on a year-over-year basis. We have found that the lower prices, together with record low mortgage rates, have attracted a whole new group of homeowners. For people who have saved the down payment, it is often cheaper to buy than to rent. That augurs well for the balance of the year as Canada starts to recover from the recession.

Subsequent to the end of the quarter, and on the strength of the Company's positive financial results, the Board of Directors declared an increased quarterly cash dividend of \$0.14 per common share, up from \$0.13 per common share, payable on June 1, 2009 to shareholders of record on May 15, 2009. The dividend increase underlines the Company's long-term commitment to enhance value for all shareholders and continuing strong financial performance.

Home Capital has delivered positive returns for the first quarter of 2009. Based on these results and the increasing activity in the second quarter to date, we believe Home Capital will meet or exceed all financial targets for 2009 as set out in the Company's 2008 annual report. The Company continues to focus on the key businesses that delivered those results. In addition, we have made substantial investments in staffing at all levels of the Company and new technology to accommodate future growth. The Board of Directors and management are confident that the Company can weather the current economic downturn and deliver another year of record results.



GERALD M. SOLOWAY
Chief Executive Officer
May 6, 2009



NORMAN F. ANGUS
Chairman of the Board

Additional information concerning the Company's targets and related expectations for 2009, including the risks and assumptions underlying these expectations, may be found in Management's Discussion and Analysis for the First Quarter 2009.

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 28 through 38 of the Company's 2008 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.

Assumptions about the performance of the Canadian economy in 2009 and how it will affect Home Capital's business are material factors the Company considers when setting its objectives. In determining our expectations for economic growth, both broadly and in the financial services sector, we primarily consider historical economic data provided by the Canadian government and its agencies. In setting performance target ranges for 2009, management's expectations assume:

- The Canadian economy will contract in 2009, with fragmented growth prospects across the country, and interest rates and inflation will remain low;
- Canadian capital markets will improve somewhat in the second half of 2009;
- A declining interest rate environment supported by stable inflation, driven by lower demand for commodity and energy goods
- Sound credit quality with actual losses within Home Capital's historic range of acceptable levels; and
- A compressed net interest margin, reduced prime lending rates, comparatively lower investment returns, reflecting the Company's shift to high quality assets held in the security and liquidity portfolio, and prudent levels of liquidity in response to uncertainty in the capital markets.

Non GAAP Measures

The Company uses a number of financial measures to assess its performance. Some of these measures are not calculated in accordance with Generally Accepted Accounting Principles (GAAP), are not defined by GAAP and do not have standardized meanings that would ensure consistency and comparability between companies using these measures. The non-GAAP measures used in this Management Discussion & Analysis (MD & A) are defined as follows:

Return on Shareholders' Equity

Return on equity is a profitability measure that presents the net income available to common shareholders equity as a percentage of the capital deployed to earn the income. The Company calculates its return on equity using average common shareholders' equity, including all components of shareholders' equity.

Return on Assets

Return on assets is a profitability measure that presents the net income as a percentage of the average total assets deployed to earn the income.

Efficiency or Productivity Ratio

Management uses the efficiency ratio as a measure of the Company's efficiency. This ratio represents non-interest expenses as a percentage of total revenue. The Company also looks at the same ratio on a taxable equivalent basis and will include this adjustment in arriving at the efficiency ratio, on a taxable equivalent basis.

Net Interest Margin

Net interest margin is calculated by taking net interest income, on a taxable equivalent basis, divided by average total assets.

Tier 1 and Total Capital Ratios

The capital ratios provided in this MD & A are those of the Company's wholly-owned subsidiary Home Trust Company. The calculations are in accordance with guidelines issued by Office of the Superintendent of Financial Institutions Canada (OSFI). Refer to Note 8 of the unaudited interim consolidated financial statements.

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 \$1.3 million for the first quarter (\$1.2 million – Q4 2008 and \$1.0 million – Q1 2008) increased reported interest income. TEB does not have a standard meaning prescribed by Canadian 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 MD & A.

Regulatory Filings

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

Management's Discussion and Analysis of Operating Performance

This MD & A should be read in conjunction with the unaudited interim consolidated financial statements for the period ended March 31, 2009 included herein, and the audited consolidated financial statements and MD & A for the year ended December 31, 2008. These are available on the Canadian Securities Administrators' website at www.sedar.com and on pages 8 through 72 of the Company's 2008 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 2008 remain substantially unchanged. These unaudited interim consolidated financial statements and MD & A have been prepared based on information available as at May 4, 2009. 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.

2009 Objectives and Performance

Home Capital published its financial objectives for 2009 on page 11 of the Company's 2008 Annual Report. The following table compares actual performance to date against each of these objectives.

	2009 Objectives ¹	Three-Month Period Ended March 31, 2009	
			Actual Results ¹
Net Income	10%-15% (\$27.7 million - \$28.9 million)	\$31.4 million, or 24.9% increase over the same period last year	
Diluted Earnings per Share	10%-15% (\$0.79 per share - \$0.83 per share)	\$0.91 per share, or 26.4% increase over the same period last year	
Total Assets and Assets Under Administration	10%-15% (\$7.66 billion - \$8.01 billion)	\$8.58 billion, or 23.2% increase over the same period last year	
Return on Shareholders' Equity	20.0%		27.9%
Efficiency Ratio (TEB)	28.0% to 34.0%		27.1%
Capital Ratios ²			
Tier 1	Minimum of 10%		13.8%
Total	Minimum of 12%		15.2%
Provision for Loan Losses as a Percentage of Total Loans	0.2% to 0.5%		0.3%

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.

FINANCIAL HIGHLIGHTS

Income Statement Highlights

The Company achieved positive results across all lines of business during the first quarter of 2009. The Company continues to operate from a strong capital base and maintains prudent liquidity levels, providing the necessary financial resources and flexibility to navigate the current volatility in the global capital markets. The Company's key financial highlights for the first quarter of 2009 are summarized below.

- Net income rose 24.9% over the comparable quarter of 2008.
- Non-interest income was up 123.4% over the first quarter of 2008, driven by robust growth in securitization income of \$18.6 million.
- The efficiency ratio (TEB) (the lower the better) remained low, and in line with the Company's objective, at 27.1%, compared to 27.9% in the same quarter of 2008.
- Diluted earnings per share for the quarter increased 26.4% to \$0.91, compared to \$0.72 in the first quarter of 2008.
- Return on average shareholders' equity for the quarter was 27.9%, consistent with the same period last year.
- Net interest income ended the quarter at \$36.2 million, compared to \$35.2 million for the fourth quarter of 2008 and \$37.6 million for the comparable quarter in 2008.

Balance Sheet Highlights

- Total assets at March 31, 2009 rose 3.8% year-over-year, to reach \$5.63 billion from \$5.42 billion reported at March 31, 2008. This asset growth was experienced across the Company's core asset base including the Company's loans and securities portfolio. Although global markets continue to experience significant difficulties, the Company believes it is well positioned by remaining well capitalized with access to liquidity through the offering of term deposits and the securitization market. The Company has remained debt free since September 2006.

- The Company continues to have access to funds to accommodate the growth of the Company's loans portfolio. Liquid assets at March 31, 2009 were \$610.7 million, down from \$880.7 million at December 31, 2008 and down from \$734.9 million at March 31, 2008 as the Company brings liquidity level in line with historical levels.
- The Company continues to strengthen its capital position with Tier 1 and total capital climbing to 13.8% and 15.2%, respectively, up from Tier 1 and total capital of 12.9% and 14.2% at December 31, 2008 and 12.0% and 13.4% at March 31, 2008.
- Deposit liabilities as at March 31, 2009 were \$4.82 billion, a decline of \$279.2 million from December 31, 2008 and down marginally from \$4.83 billion recorded at March 31, 2008.

EARNINGS REVIEW

Net Interest Income

Net interest income was \$36.2 million in the first quarter of 2009, compared to \$35.2 million for the fourth quarter of 2008 and \$37.6 million one year ago. The improvement from the fourth quarter of 2008 was the result of lower overall funding costs as the Company began to see an overall improvement in the average cost of funds during the first quarter of 2009 as new deposit pricing reflected the significant prime-rate cuts in the later half of 2008. Further, the Company's non-residential mortgage portfolio which has been substantially comprised of floating rate loans based off of prime began to reset at higher fixed rate terms. During the first quarter of 2009, approximately 11% of the non-residential portfolio reset at higher fixed rate terms or were paid out improving overall spreads. In addition to these two factors, the Company also began bringing liquidity levels back down to more historical levels which reduced excess carrying costs. Net interest income was lower year-over-year as the Company still experienced some negative impacts to net interest margin from the successive reductions in the prime lending rate in late 2008 and early 2009. Further, excess funds invested in the Company's liquidity portfolio earned lower yields dropping, on average, to 1.1% in the first quarter of 2009 from 4.8% in the first quarter of 2008.

The net interest margin (TEB) between all of the Company's assets and liabilities for the first quarter of 2009 was 2.6%, consistent with the fourth quarter of 2008 and down from 3.0% achieved in the first quarter of 2008. The interest spread between the loans portfolio and deposits at the end of the first quarter of 2009 was 3.0%, compared to 2.8% for the fourth quarter in 2008, and 3.2% one year ago. The increase in spread over the fourth quarter of 2008 was primarily the result of reduced funding costs as the successive prime-rate cuts in late 2008 and early 2009 began to be priced into new deposits. The decrease in spread over the comparable quarter of 2008 was primarily the result of the effects of cuts to the prime lending rate on the re-pricing mismatch on prime-based loans. Although overall net interest spreads remain below traditional levels, the Company's core residential mortgage portfolio continued to maintain positive spreads. At March 31, 2009 the spread on the residential mortgage portfolio was 3.2%, an improvement from the 3.0% spread achieved in the fourth quarter of 2008 and 3.1% spread achieved in the first quarter of 2008.

The Company continues to benefit from the lower re-pricing of new deposits, re-pricing of non-residential mortgage loans at higher fixed rates and positive measures taken to bring liquidity back in line with the Company's historical levels.

Non-Interest Income

Total non-interest income was \$32.0 million for the quarter, a \$6.0 million, or 23.1% increase over the fourth quarter in 2008 and an increase of \$17.7 million, or 123.4% from one year ago. The substantial growth to the comparative quarters in 2008 was largely driven by strong net growth in securitization gains through the Company's participation in the Canada Mortgage Bond (CMB) program and additional short-term Mortgage-Backed Securities (MBS) securitizations. Offsetting the strong growth in securitization income were higher unrealized losses on the seller and hedge swaps. Realized losses of \$3.6 million incurred on the Company's security portfolio where management deemed there was an other than temporary loss which were offset by realized gains on certain debt securities resulting in a net loss of \$0.9 million recorded in the consolidated statement of income.

The fees and other income components of non-interest income ended the quarter at \$7.3 million, an increase of 3.1% over the fourth quarter of 2008 and up marginally from one year ago. The fees and other income remained relatively unchanged from the prior periods.

The following table summarizes the securitization activities during the first quarter of 2009 compared to the same period in 2008:

<i>In thousands of dollars except %</i>	For the three month period ended				
	March 31, 2009			March 31, 2008	
	Single Family Residential MBS Under 1 year	Single Family Residential MBS Over 1 year	Multi-Unit Residential MBS	Total	Single Family Residential MBS Over 1 year ¹
Book value of mortgages securitized	\$ 22,108	\$ 291,564	\$ 146,952	\$ 460,624	\$ 145,771
Gain on sale of mortgages	827	18,676	6,119	25,622	8,883
Prepayment rate	4.1%	12.5%	0.0%	8.1%	13.5%
Excess spread	5.2%	3.6%	1.7%	3.1%	3.6%
Discount rate	1.5%	2.2%	2.7%	2.3%	3.6%

¹ In the prior period the Company only sold Residential MBS over 1 year.

The Company issued MBS pools during the first quarter of 2009, consisting of \$460.6 million of Canada Mortgage and Housing Corporation (CMHC) insured residential mortgages. This represents an increase of \$314.8 million from the \$145.8 million in MBS pools issued in the first quarter of 2008. The securitization gains were \$25.6 million during the quarter, compared to \$8.8 million for the first quarter of 2008 (for additional information refer to Note 5 of these unaudited interim consolidated financial statements). The Company continues to enter into bond forward contracts to hedge commitment risk on the loans securitized into the CMB program. The unwinding of the bond forward contracts during the first quarter of 2009 resulted in a \$1.4 million realized loss recorded in the consolidated statement of income through securitization income. In 2008, the Company began diversifying the MBS pools issued to include MBS pools with a maturity under one year and multi-unit residential pools. The one year and multi-unit residential pool assumptions are outlined in the table above.

The increase in securitization gains during the quarter compared to the three-month period ended March 31, 2008 was due to significant volume increases in the underwriting of insured residential mortgages which resulted in increased securitization activity as the Company continues to realize strong returns from funding its residential loan portfolio through the securitization market. The spread earned on the pools averaged 3.1% in the first quarter of 2009 compared to 3.6% for the comparable quarter of 2008. The unscheduled prepayment rate was lower during the quarter as the Company issued short-term MBS pools where the mortgages in the MBS pool were late in their term, and where the Company therefore expects less prepayment. Further, the Company issued multi-unit residential MBS pools during the quarter where unscheduled prepayments are not permitted under the program. Of the \$460.6 million MBS pools issued during the quarter, \$169.1 million, or 36.7% were pools containing lower or prohibited unscheduled prepayments and the remaining pools had unscheduled prepayment rates in line with traditional levels.

During the quarter, the Company participated in CMHC's CMB program, administered through Canada Housing Trust. This program provides the Company with an alternative distribution channel to diversify its funding stream for MBS pools. Of the total MBS pools issued during the quarter, MBS pools with a book value of \$330.6 million were securitized through the CMB program resulting in gains of \$18.3 million.

The table below provides a summary reconciling the gains recorded during the respective quarter and the excess spread earned from the Company's continuing servicing of these portfolios.

<i>In thousands of dollars</i>	For the three month period ended	
	March 31, 2009	March 31, 2008
Securitization gains	\$ 25,622	\$ 8,883
Securitization hedging activity	(1,360)	(996)
Securitization gains, net of hedge costs	24,262	7,887
Recurring securitization income	3,393	1,214
Net securitization income	\$ 27,655	\$ 9,101

Recurring securitization income earned from excess spreads, net of servicing fees was \$3.4 million for the three month period ended March 31, 2009. This was an increase of \$2.2 million, or 179.5% over the \$1.2 million earned for the three months ended March 31, 2008. This increase reflected higher average principal securitization balances outstanding during the first quarter of 2009 from the first quarter of 2008.

Non-Interest Expenses

Total non-interest expenses for the three months ended March 31, 2009 were \$18.8 million, up \$2.0 million, or 11.9% from the fourth quarter of 2008 and up by \$4.1 million, or 27.7% from one year ago. The increases over the comparable periods of 2008 were primarily due to higher salary and benefit expenses as the Company has continued to hire additional staff to manage the continued growth of the Company's core businesses as well as increased computer operating expenditures for upgrading the Company's disaster recovery site.

Salaries and staff benefits for the quarter increased by \$1.5 million, or 17.7% over the fourth quarter of 2008 and up \$1.5 million, or 17.1% from one year ago. The Company ended the quarter with 420 employees, up from 395 employees at the end of 2008 and up from 388 employees one year ago. The Company continues to add depth to the senior management team and provide additional resources as the Company continues to grow the overall business and manage the transition to a new core banking system. 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, including the accommodation of additional staff from the relocation of the St. Catharines branch to the Toronto head office.

General and administration expenses increased by \$0.3 million, or 4.4% compared to the fourth quarter of 2008 and up \$2.3 million, or 43.7% from the three month period ended March 31, 2008. The increase from the comparable periods of 2008 was primarily the result of increased computer related costs incurred in the first quarter of 2009 as the Company has begun the transition to a new core banking system.

The efficiency ratio (TEB) ended the quarter at 27.1%, compared to 27.0% and 27.9% for the three months ended December 31, 2008 and March 31, 2008. The ratio remains in line with the Company's stated objectives for 2009 and management remains focused on containing discretionary spending.

Provision for Credit Losses

The Company expensed \$3.3 million during the quarter compared to \$2.0 million in the fourth quarter of 2008 and \$0.6 million for the first quarter of 2008, through the provision for credit losses. This expense represented 0.3% of total gross loans, on an annualized basis. The general provision for credit losses increased by \$0.6 million over December 31, 2008 and \$2.1 million over March 31, 2008 while specific provisions increased by \$1.2 million over December 31, 2008 and increased \$3.4 million over March 31, 2008. The relative shift between the general provision and the specific provision quarter over quarter reflects managements' assessment that certain loans required specific provisioning which removes the credit risk of these loans from the computation of the general provision.

The total general allowance amounted to \$25.8 million at March 31, 2009, an increase of \$0.6 million over the \$25.2 million recorded at December 31, 2008 and an increase of \$2.1 million over the \$23.7 million recorded at March 31, 2008. The total general allowance was 85.4 basis points of the Company's risk-weighted assets at March 31, 2009 compared to 84.0 basis points at December 31, 2008 and 85.3 basis points at March 31, 2008. The increase over the fourth quarter of 2008 reflects the overall increase in new impaired loans during the first quarter of 2009.

At March 31, 2009 net impaired loans amounted to \$52.9 million (1.2% of gross loans), compared to \$39.2 million (0.9% of gross loans) at December 31, 2008 and \$31.0 million (0.7% of gross loans) at March 31, 2008 (refer to Note 4 of these unaudited interim consolidated financial statements). Total net loans written-off during the quarter were \$1.5 million, compared to \$1.3 million in the fourth quarter of 2008 and \$0.6 million during the first quarter of 2008. Write-offs were experienced across the majority of the Company's loan product offerings and reflect the outcome of the continued recession in Canada. The Company continues to closely monitor non-performing loans and will take proactive measures to minimize losses, as described under the Credit Risk section of this MD & A and in the 2008 Annual Report under the heading Risk Management.

Income Taxes

The income tax expense amounted to \$14.7 million (effective tax rate of 31.9%) for the first quarter of 2009, compared to \$13.4 million (effective tax rate of 31.5%) for the fourth quarter of 2008 and \$11.4 million (effective tax rate of 31.3%) for the first quarter of 2008. 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 33.8% for the first quarter of 2009 compared to 33.4% for the fourth quarter of 2008 and 33.0% for the first quarter of 2008.

Comprehensive Income

Comprehensive income is comprised of net income and other comprehensive income (OCI) and totaled \$41.1 million for the first quarter of 2009 an increase of \$19.7 million over the \$21.4 million recorded in the fourth quarter of 2008 and an increase of \$12.6 million from the \$28.5 million recorded in the same quarter in 2008. As previously noted net income for the first quarter of 2009 increased \$2.4 million, or 8.2% over the fourth quarter of 2008 and increased \$6.3 million, or 24.9% over the comparable quarter of 2008. The Company's OCI includes unrealized gains and losses on available for sale securities, and securitization receivables from market revaluations at the end of the quarter. OCI for the period ended March 31, 2009 was a gain of \$9.6 million compared to a loss position of \$7.7 million at December 31, 2008 and a gain of \$3.3 million in the comparable quarter in 2008. 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 the broader global economic slowdown affecting the sectors in which the Company holds equity positions. During the quarter, the Company determined that certain equity holdings had impairment that was other than temporary and recognized a writedown of \$3.6 million in losses from accumulated other comprehensive income in the consolidated statements of income. The writedowns and realized losses were offset by realized gains on the sale of certain debt holdings. The Company believes the remaining unrealized losses represent temporary declines in value due to the current securities market conditions.

BALANCE SHEET REVIEW

Assets

Total assets as at March 31, 2009 were \$5.63 billion, a decrease of \$179.1 million, or 3.1% from the \$5.81 billion reported at December 31, 2008 and up by \$207.4 million, or 3.8% over the March 31, 2008 asset balance of \$5.42 billion.

The decline in total assets over December 31, 2008 was primarily driven by a reduction in the Company's liquidity portfolio of \$239.9 million as the loans portfolio remained unchanged from December 31, 2008. Over the past several quarters the Company has maintained liquidity levels significantly higher than past levels. As markets begin to stabilize, the Company has cautiously begun reducing overall liquidity levels back to historic levels. These traditional levels are well within the Company's conservative internal guidelines while providing the Company with sufficient liquidity to cover outstanding obligations (refer to the Liquidity Risk section of Risk Management of this MD & A for further details). Although the loans portfolio remained unchanged from December 31, 2008, the residential mortgage portfolio growth excludes \$460.6 million of loans securitized during the quarter as the Company took advantage of positive spreads and lower funding costs. As such, securitization receivables increased significantly from December 2008, growing by \$35.9 million due to continued robust securitization activity over the first quarter of 2009.

The growth in total assets over March 31, 2008 was primarily generated from growth in the loans portfolio and securitization receivables offset by a reduction in the Company's liquidity portfolio. The loans portfolio increased by \$163.7 million with modest growth experienced in residential and non-residential mortgages and personal and credit card loans offset by declines in secured loans as the Company ceased offering this product in late 2008. Other assets increased by \$124.5 million, primarily resulting from robust growth in the Company's securitization activities resulting in an increase of \$96.6 million in securitization receivables.

Liabilities

Liabilities at March 31, 2009 were \$5.16 billion, a decrease of \$214.3 million, or 4.0% from the \$5.38 billion reported at December 31, 2008 and up by \$111.9 million, or 2.2% over the \$5.05 billion recorded at March 31, 2008.

Most of the decline from December 2008 resulted from a decrease in deposit liabilities as the Company utilized existing funds and the securitization market to fund the operations as the Company began reducing liquidity to more traditional levels. Deposit liabilities declined by \$279.1 million from December 31, 2008. Other liabilities (refer to Note 7 of these unaudited interim consolidated financial statements) increased by \$64.8 million, or 23.7% over the \$274.2 million reported at December 31, 2008. This growth was principally the result of an increase of \$46.9 million in other liabilities resulting from the timing of payments due to MBS investors and a net increase of \$10.6 million in the Company's future corporate tax liabilities.

The rise in liabilities from March 31, 2008 resulted primarily from an increase in other liabilities as deposits growth was relatively flat as the Company continued to realize attractive spreads by substantially funding residential mortgages through the securitization market. Other liabilities increased by \$108.3 million, or 49.1% over March 31, 2008 primarily due to increases of \$67.6 million in other liabilities resulting from the timing of payments due to MBS investors, an increase of \$12.6 million in the servicing liability relating to Company's ongoing administration of the off-balance sheet residential mortgage loans and a net increase of \$26.9 million in the Company's future corporate tax liabilities.

Shareholders' Equity

Total shareholders' equity at March 31, 2009 increased by \$35.2 million, or 8.1% over the \$432.8 million reported at December 31, 2008. The increase since December 31, 2008 was internally generated from net income over the three months of \$31.4 million, less \$4.8 million for dividends payable to shareholders. The remaining changes were principally driven from positive movements of \$9.6 million in accumulated other comprehensive income arising from the Company's available for sale financial assets, offset by a \$1.4 million buy-back of the Company's common shares through the Normal Course Issuer Bid.

Total shareholders' equity at March 31, 2009 rose by \$95.5 million, or 25.6% over the \$372.5 million reported at March 31, 2008. This growth was internally generated from earnings for the twelve-month period ended March 31, 2009 of \$114.9 million, less \$18.3 million for shareholder dividends. Additional movements resulted from amortization of the fair value of stock options, reduction of capital stock through the Company's Normal Course Issuer Bid and changes in accumulated other comprehensive income. At March 31, 2009 the book value per common share was \$13.61, compared to \$12.57 at December 31, 2008 and \$10.79 at March 31, 2008.

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 forward contracts 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 forward contracts is to have the fair value movements of these instruments be effective in offsetting the fair value movements within a pool of mortgages over the period in which the fixed rate pool may be exposed to movements in interest rates, generally 60 to 150 days. During the first quarter of 2009, the Company entered into \$145.2 million of forward bond contracts to hedge the commitment risk on the Company securitization activities for the CMB program. The gains on securitizations through the CMB program were \$18.3 million. This amount is net of a \$1.4 million loss realized on the bond forward contracts hedging the commitment risk.

At March 31, 2009 the Company continued to hold notional forward bond contracts of \$19.6 million in anticipation of the CMB issuance in the second quarter of 2009. The bond forward contracts were marked-to-market at March 31, 2009 for an unrealized gain of \$0.3 million. At March 31, 2009, the Company also held \$125.0 million in interest rate swap contracts to hedge commitment risk. The interest rate swap contracts were marked-to-market at March 31, 2009 for an unrealized loss of \$0.8 million. No such arrangements, either forward bond contracts or interest rate swap contracts, were outstanding at March 31, 2008.

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 MBS pool and the 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. As well, the Company entered into a hedge swap to manage the reinvestment risk between the amortizing MBS pool and the CMB. The notional values of the swaps, including both seller and hedge swaps at March 31, 2009 were \$1.53 billion (\$1.21 billion - Q4 2008; \$203.0 million - Q1 2008). These swaps were marked-to-market at March 31, 2009 for an unrealized loss of \$2.1 million (unrealized gain of \$0.4 million - Q4 2008; unrealized gain of \$0.5 million - Q1 2008), 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. 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 other than temporary impairment in value is charged to income. The Company continues to administer all securitized assets that the Company originates after the sale and, upon maturity of the mortgage, will renew or refinance these mortgage loans whenever possible. As at March 31, 2009 outstanding securitized mortgage loans under administration amounted to \$2.95 billion (\$2.61 billion - Q4 2008 and \$1.54 billion - Q1 2008) with retained interest of \$175.7 million (\$139.9 million - Q4 2008 and \$79.1 million - Q1 2008). The off-balance sheet portfolio continues to perform well, with 97.3% of the portfolio current and 1.0% greater than 60 days in arrears. For additional information, refer to Note 6 in the consolidated financial statements of the 2008 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 \$428.7 million at March 31, 2009 compared to \$242.4 million at December 31, 2008 and \$512.9 million at March 31, 2008. Included within the outstanding commitments are unutilized commercial advances of \$90.4 million at March 31, 2009 compared to \$89.6 million at December 31, 2008 and \$268.5 million at March 31, 2008. Commitments for the loans remain open for various dates through April 2010. As at March 31, 2009 unutilized credit card balances amounted to \$54.4 million, compared to \$62.9 million at December 31, 2008 and \$76.3 million at March 31, 2008. Outstanding commitments for future advances for the Equityline Visa portfolio were \$2.7 million at December 31, 2008 compared to \$2.4 million at December 31, 2008 and \$4.5 million at March 31, 2008.

CAPITAL MANAGEMENT

Home Trust's capital ratios are calculated using the guidance of the Office of the Superintendent of Financial Institutions Canada (OSFI). Effective January 1, 2008, Home Trust began calculating its regulatory capital under the new capital adequacy rules issued by OSFI, which are based the "International Convergence on Capital Management and Capital Standard – A Revised Framework" (Basel II).

Under Basel II for Home Trust, risk-weighted assets are calculated for each of credit and operational risk. Home Trust's risk-weighted assets were as follows:

<i>In thousands of dollars</i>	As at March 31, 2009	As at December 31, 2008	As at March 31, 2008
Risk weighted assets for:			
Credit risk	\$ 2,741,077	\$ 2,711,583	\$ 2,502,212
Operational risk	280,052	274,167	264,738
Total Risk-weighted Assets¹	\$ 3,021,129	\$ 2,985,750	\$ 2,766,950

¹Based on the Company's wholly owned subsidiary, Home Trust Company.

The capital base of Home Trust continues to be strong. The Tier 1 capital ratio ended the quarter at 13.8%, up from 12.9% recorded in the fourth quarter of 2008 and up from the 12.0% reported at March 31, 2008. The total capital ratio was 15.2% at March 31, 2009, up from the 14.2% reported in the fourth quarter of 2008 and up from the 13.4% reported at March 31, 2008.

The Company continues to build its capital base during a period of uncertainty in global capital markets. The Company's strong capital position affords it the flexibility to maintain and grow operations, both organically and, if the opportunity arises, through strategic acquisitions. These ratios both continue to exceed OSFI's well capitalized targets of 7.0% for Tier 1 and 10.0% for total capital as well as Home Trust's internal capital targets.

Further information on the Company's regulatory capital, see 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 risks. 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 Board of Director and Senior Management oversight, 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 continue to be reviewed and enhanced from those outlined on pages 28 through 38 in the MD & A section of the Company's 2008 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.

At March 31, 2009 the composition of the total mortgage portfolio was 80.0% residential and 20.0% non-residential, compared to a composition of 79.8% residential and 20.2% non-residential at December 31, 2008 and a composition of 82.6% residential and 17.4% non-residential one year ago. The composition is well within the internal policy limits the Company's Risk and Capital Committee have approved. Within the Company's residential mortgage portfolio, 15.0% of the loans were insured by CMHC at the end of the quarter, compared to 14.6% at December 31, 2008 and 6.4% one year ago. First mortgages represented 99.2% of the total mortgage portfolio at March 31, 2009, down slightly from the comparable periods. Further, with the launch of the Accelerator Program in the second quarter of 2008, the Company continues a trend of originating higher volumes of government-insured mortgages. Of all residential mortgage originations and renewals in the first three months of 2009, 62.4% were insured. This is up from the comparable three month period of 2008 where 29.1% of all residential mortgage originations and renewals were insured. At March 31, 2009 the average loan to value on origination of the Company's residential mortgage loans portfolio was 69.9%, compared to 66.6% at December 31, 2008 and 67.2 % one year ago. Refer to Note 4 of these unaudited interim consolidated financial statements for a further breakdown by geographic region. The mortgage loans portfolio continued to perform well with 94.2% of the portfolio current and 2.4% of the portfolio over 60 days in arrears at the end of March 2009. This is down slightly from December 31, 2008 at which point 94.5% of the portfolio was current and 1.6% of the portfolio was over 60 days in arrears and down from March 31, 2008 at which point 95.7% of the portfolio was current while 1.5% of the portfolio was over 60 days in arrears. When the off-balance sheet mortgage portfolio of \$2.95 billion is also factored in, the combined mortgage loans portfolio continues to perform well with 96.8% of the combined portfolio current, while only 1.8% is over 60 days in arrears.

As at March 31, 2009 the gross credit card receivable balance totaled \$342.9 million, of which \$342.4 million, or 99.9% of the portfolio was secured either by cash deposits or residential property, and \$0.5 million, or 0.1% was unsecured. The total credit approved included \$396.7 million in secured and \$0.6 million in unsecured credit, compared to \$414.3 million in secured, and \$0.7 million in unsecured credit at December 31, 2008 and \$410.0 million in secured, and \$1.1 million of unsecured credit at March 31, 2008. Within the secured credit card portfolio Equityline Visa credit cards represent the principal driver of receivable balances. Equityline Visa credit cards are secured by collateral residential mortgages, and this portfolio segment amounted to \$334.5 million of the total credit card receivable balance as at March 31, 2009 compared to \$342.9 million at December 31, 2008 and \$324.3 million at March 31, 2008. Cash deposits securing credit card accounts amounted to \$13.7 million, and are included in the Company's deposits. Further, the Equityline Visa portfolio has a loan to value of 69.4% at March 31, 2009 down from a loan to value of 69.5% and 69.6% at December 31, 2008 and March 31, 2008, respectively. At March 31, 2009 \$12.6 million, or 3.7% of the credit card portfolio was over 60 days in arrears compared to \$10.6 million, or 3.0% at December 31, 2008 and \$5.2 million, or 1.6% at March 31, 2008.

The secured loan portfolio of \$69.6 million decreased by \$2.9 million from the December 31, 2008 balance of \$72.5 million, and decreased \$15.3 million from the March 31, 2008 balance of \$84.9 million. These loans are secured by

second mortgages on residential properties. At March 31, 2009, 96.8% of the secured loan portfolio was current while \$0.9 million, or 1.2% was over 60 days in arrears. This compares to 97.3% of the secured loan portfolio being current while \$1.0 million, or 1.3% was over 60 days in arrears at December 31, 2008. As at March 31, 2008, 97.5% of the secured loan portfolio was current while \$1.3 million, or 1.5% was over 60 days in arrears.

The Company experienced a rise in net impaired loans, to \$52.9 million at March 31, 2009 compared to \$39.2 million at December 31, 2008 and \$31.0 million at March 31, 2008 driven by the deterioration in the overall economy. Although the Company continues to experience a rise in impaired loans, at 1.2% of the total loans portfolio the rates are within historic Company ranges. The Company tightened its underwriting criteria, taking into account local market conditions in order to minimize potential loss exposure. Experienced 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 March 31, 2009 totaled \$1.5 million, up from \$1.4 million for the three-month period ended December 31, 2008 and \$0.6 million for the three-month period ended March 31, 2008. The Company continues to monitor this area, and is dealing prudently and effectively with impaired loans. Additional experienced resources have been hired to manage the increased workload and the Company is working with clients to manage their payments through the challenging economic conditions.

The Company continues to be well positioned to absorb all probable losses in its loans portfolio holding a general allowance of \$25.8 million at March 31, 2009 as compared to \$25.2 million at December 31, 2008 and \$23.7 million at March 31, 2008. The Company routinely monitors the adequacy of the general allowance. The Company has security in the form of real property or cash deposits against loans totaling 99.9% of the total loans portfolio. A methodology has been implemented by the Company to test the adequacy of the general allowance that takes into account asset quality, borrowers' creditworthiness, property location and past loss experience. The Company periodically reviews this general allowance methodology giving due consideration to changes in economic conditions, interest rates and local housing market conditions.

The total general allowance was 85.4 basis points of the Company's risk-weighted assets at March 31, 2009 compared to 84.0 basis points at December 31, 2008 and 85.3 basis points at March 31, 2008. The increase over the fourth quarter of 2008 reflects the overall increase in new impaired loans during the first quarter of 2009.

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 March 31, 2009 liquid assets amounted to 156% under the immediate scenario and 138% under the ongoing scenario, well in excess of the Company's internal policy limits. 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, bankers' acceptances, government bonds and debentures to comply with its liquidity policy. At March 31, 2009 liquid assets amounted to \$610.7 million, compared to \$880.7 million recorded at December 31, 2008 and \$734.9 million at March 31, 2008. The decline in overall liquidity levels from the prior periods is a conscious decision by the Company to bring liquidity levels back in line with past historical levels. The Company's policy is to maintain a minimum 20% of 100-day obligations in liquid assets. For the twelve months ended March 31, 2009 the Company maintained a monthly average of \$609.3 million, or 45.0% of 100-day obligations in liquid assets compared to \$598.2 million, or 46.2% for the twelve months ended December 31, 2008 and \$527.1 million, or 51.3% for the twelve months ended March 31, 2008.

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, and to the best of its abilities matches liabilities to assets through its actions in the deposit market in priority to accessing off-balance sheet solutions. The Company's Asset Liability Management Committee manages exposure arising from interest rate and liquidity risk, and reports quarterly to the Board of Directors.

The interest rate sensitivity position as at March 31, 2009 is presented under Note 13 in these unaudited interim consolidated financial statements. The table provided there represents the Company's 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 rate risk exposure, the Company will make assumptions about these factors, taking into account aspects such as past borrower history.

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

<i>In thousands of dollars</i>	March 31	March 31	March 31	March 31
	2009	2008	2009	2008
	Increase in interest rates		Decrease in interest rates	
100-basis point shift				
Impact on net interest income, after tax (for the next 12 months)	\$ 2,942	\$ 2,588	\$ (2,942)	\$ (2,588)
Impact on net present value of shareholders' equity	(13,932)	(3,420)	9,913	3,550
200-basis point shift				
Impact on net interest income, after tax (for the next 12 months)	\$ 5,883	\$ 5,175	\$ (5,883)	\$ (5,175)
Impact on net present value of shareholders' equity	(27,156)	(6,715)	20,192	7,239

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 held notional \$19.6 million in bond forward contracts for the sale of Government of Canada bond positions and \$125.0 million in interest rate swap contracts specifically to hedge commitment risk at March 31, 2009 with no such positions in the comparative period. Through the Company's participation in CMHC's CMB 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 CMB. 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 segments for the three-month period ended March 31, 2009 (refer to Note 14 of these unaudited interim consolidated financial statements). The mortgage lending segment continues to be the primary driver of the Company's overall growth while the consumer lending segment continues to provide a diversified income source.

Mortgage Lending

The Company's principal line of business contributed \$24.7 million to net income during the first quarter of 2009, as compared to \$21.6 million and \$17.9 million for the same periods ended December 31, 2008 and March 31, 2008. The increase over the prior periods was primarily driven through loan originations which increased fee income and significant increases in income realized on securitization activities. During the first quarter of 2009, the Company experienced an improvement in net interest income as the Company reduced excess liquidity levels. Net interest income ended the quarter at \$20.5 million an improvement from \$18.9 million for the three-month period ended December 31, 2008 and down from \$22.5 million for the three-month period ended March 31, 2008.

The table below provides a breakdown of specific residential and non-residential advances made during the quarter compared to the previous quarter.

<i>In thousands of dollars</i>	Three Months Ended	
	March 31 2009	March 31 2008
Residential Mortgages	\$ 690,177	\$ 601,863
Non-Residential Mortgages	22,299	225,641
Store and Apartments	10,375	19,458
Warehouse Commercial Mortgages	3,000	20,273
Total mortgage advances	\$ 725,851	\$ 867,235

The total value of new mortgages advanced in the quarter was \$725.9 million a decrease of 16.3% over the \$867.2 million advanced for the same quarter in 2008. However, the residential mortgage advances were \$690.2 million for the quarter, an increase of \$88.3 million, or 14.7% year over year compared to the \$601.9 million advanced for the three month period ended March 31, 2008. The non-residential mortgage advances declined from \$265.4 million to \$35.7 million due to the Company's planned policy of reducing its exposure to non-residential mortgages. Residential Mortgages include the advances from loans originated under the Accelerator Program and Multi-Residential loans. All of the loans advanced under the Accelerator Program and those classified as Multi-Residential Mortgages are insured products and were subsequently securitized through the Company's MBS and CMB program.

The Company securitized \$460.6 million of government-guaranteed CMHC residential mortgage loans through the creation of MBS securities during the quarter, realizing total gains from securitization of \$25.6 million for the quarter. This compares to \$557.7 million securitized for the fourth quarter of 2008 and \$145.8 million for the first quarter of 2008, resulting in gains of \$25.7 million and \$8.9 million, respectively. During the quarter, the Company participated in CMHC's CMB program. Of the \$460.6 million securitized during the quarter, \$330.6 million relates to the securitization of government-guaranteed residential mortgage loans through the creation of MBS securities sold through Canada Housing Trust. The Company realized \$18.3 million in gains from the sale of these residential mortgages during the quarter. The rise in utilizing the securitization stream to funding loan originations in the latter half of 2008 and into the first quarter of 2009 was primarily due to the increase in core funding costs experienced through the Company's regular term deposit channel leaving the spreads on securitization activities attractive. When funding costs begin to ease as more liquidity and capital continue to be injected into the global economies, the Company will re-examine its funding mix to optimize overall returns. 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.

During the fourth quarter of 2008, the Company entered into an amended agreement with a Trustee for the Company's second mortgage program (recorded as Secured Loans) 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 first quarter of 2009 the Company held \$69.6 million in Secured Loans as Notes Receivable issued by Regency, compared to \$72.5 million at December 31, 2008 and \$84.9 million at March 31, 2008. These Notes yield 4.8% with an average duration of 2.0 years. The Company also receives fee income for servicing and administering these mortgages for Regency. This income amounted to 0.1% of the portfolio value, on an annualized basis. The underlying credit quality of the mortgage loans securing the Notes Receivable remains high, with 1.2% of the portfolio in arrears over 60 days. This program has experienced minimal losses since inception. The Company has decided to discontinue advancing funds under this program and will redirect clients into the Company's Accelerator Program, on a go-forward basis.

Consumer Lending – Credit Cards and Retail Services

Consumer lending continued to generate positive results in the first quarter of 2009. Net income for the quarter was \$4.8 million, compared to \$4.8 million for the fourth quarter of 2008 and \$4.3 million for the first quarter of 2008. The Company has tightened lending standards over the past year and as such the growth in the Equityline *Visa* receivable balances has moderated resulting in lower fees earned on this portfolio. Included in the operating results of the consumer lending segment are the operations of PSiGate. PSiGate contributed \$0.4 million in net income during the quarter.

The Equityline *Visa* loans portfolio amounted to \$334.5 million at March 31, 2009 (\$342.9 million – Q4 2008, and \$324.3 million – Q1 2008) comprising 97.6% (97.4% – Q4 2008, and 96.9% – Q1 2008) of the total gross credit card receivable balance of \$342.9 million, and bearing an average interest rate of 10.8% (10.3% – Q4 2008, and 10.9% – Q1 2008) on outstanding balances. During the first quarter of 2009, 380 Equityline *Visa* accounts with \$16.2 million in authorized credit limits were issued, down from 790 Equityline *Visa* accounts with \$32.8 million in authorized credit limits issued in the fourth quarter of 2008 and down from 1,058 Equityline *Visa* accounts with \$49.7 million in authorized credit limits issued for the three months ended March 31, 2008. The decrease in new accounts in the first quarter of 2009 from the comparable periods is due to ongoing efforts by the Company to tighten credit in certain geographical locations in response to the current economic environment.

Other

The Other segment is comprised of the operating results from the Company's securities portfolio and corporate activities. Net income for the quarter was \$1.9 million, down from \$2.6 million for the three months ended December 31, 2008 and \$3.0 million for the three months ended March 31, 2008. The decrease from the prior periods was driven by lower yields earned on the Company's securities portfolio.

ACCOUNTING STANDARDS AND POLICIES

Critical Accounting Estimates

Critical accounting estimates which require management to make significant judgements, some of which are inherently uncertain, are outlined on pages 40 through 42 of the 2008 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 residential mortgages, financial instruments measured at fair value, other than temporary impairment of available for sale securities, goodwill and future income tax liabilities. Further information can be found under Notes 3, 4, 5, 11, and 12 of these unaudited interim consolidated financial statements. There have been no subsequent changes to the critical accounting estimates disclosed on pages 40 through 42 of the 2008 Annual Report.

Change in Accounting Policy

The significant accounting policies the Company follows are detailed in Note 1 to the Company's December 31, 2008 consolidated financial statements. Effective January 1, 2009 the Company adopted the new accounting standard issued by the Canadian Institute of Chartered Accountants (CICA), Section 3064, Goodwill and Intangible Assets. The implementation of this standard did not have a material impact on the Company's consolidated financial position and results of operations. For further details, see Note 2 to these unaudited interim consolidated financial statements. Effective January 1, 2009, the Company adopted CICA Emerging Issues Committee Abstract EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. The abstract clarifies how the Company's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivatives. The Company believes the new guidance will not have a material effect on the financial position or earnings of the Company and as such has not recorded any adjustments.

International Financial Reporting Standards

In 2006, the Canadian Accounting Standards Board (AcSB) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards (IFRS) over an expected five-year transition period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly accountable companies to use IFRS, replacing Canadian GAAP. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures. In the period leading up to the changeover, the AcSB will continue to issue accounting standards that converge with IFRS, thus mitigating the impact of adopting IFRS on the changeover date.

The Company will change over to IFRS starting with interim and annual financial statements relating to fiscal periods beginning on or after January 1, 2011. The transition date will require the restatement for comparative purposes of amounts reported by the Company for the interim periods and the year-ended December 31, 2010. The Company has commenced the process of transition from current Canadian GAAP to IFRS. It has established a project team and includes representatives from various areas of the organization as necessary to plan for and achieve a smooth transition to IFRS. Regular progress reporting to the Audit Committee of the Board of Directors on the status of the IFRS implementation project has been instituted.

The implementation project consists of three primary phases, which will in many instances occur concurrently as the IFRS standards are applied to specific areas from start to finish:

- Research, diagnostic and planning phase – This phase includes performing a high-level assessment to identify key implications of the transition to IFRS. As a result of these procedures the potential issues and implications are ranked as high, medium or low priority and assigned to the relevant teams. The core IFRS team has undergone training to effectively carry out the remaining phases of the project.
- Impact analysis, evaluation and design phase – In this phase, each area identified from the scoping and diagnostic phase will be addressed in order of priority with project team members assigned accordingly. This phase includes specification of changes required to existing accounting policies, information systems, internal controls over financial reporting and other operations business processes. Following an analysis of policy alternatives allowed under IFRS, preliminary IFRS financial statement content will be drafted.
- Implementation and review phase – This phase includes execution of changes to information systems and business process, completing formal authorization processes to approve recommended accounting policy choices and training programs across the Company's finance group and other staff, as necessary. The resulting efforts from the other phases of the project will culminate with the collection of financial information necessary to compile IFRS-compliant financial statements, embedding IFRS standards in business process and related controls for certification of internal controls over financial reporting and Audit Committee approval of IFRS financial statements.

The Company completed the research, diagnostic and planning phase and started working on the impact analysis, evaluation and design phase during the fourth quarter of 2008. The impact analysis, evaluation and design phase is expected to be completed by the end of Q3 2009. The Company's analysis of IFRS and comparison with currently applied accounting principles has identified a number of differences. Many of the differences identified are not expected to have a material impact on the reporting results and financial positions. However, there may be significant changes following from the IFRS accounting principles and provisions for first-time adoption of IFRS standards on certain areas.

Most adjustments required on transition to IFRS will be made retrospectively, against opening retained earnings as of the date of the first comparative balance sheet presentation based on standards applicable at that time. Transitional adjustments relating to those standards where comparative figures are not required to be restated will only be made as of the first day of the year of adoption.

IFRS 1 "First-Time Adoption of International Financial Reporting Standards", provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. The Company is analyzing the various accounting policy choices available and will implement those determined to be most appropriate for the Company's specific circumstances. The Company expects to complete and make preliminary conclusions on these choices by the end of the second quarter of 2009 but will be subject to ongoing assessment should circumstances change.

Set out below are the key areas where changes in accounting policies are expected and may impact the Company's consolidated financial statements. The list and comments should not be regarded as a complete list of changes that will result from the transition to IFRS. The commentary is intended to highlight those areas the Company believes to be the most significant; however analysis of changes is still in progress and not all decisions have been made where choices of accounting policy are available. We note that the standard-setting bodies that shape Canadian GAAP and IFRS have significant ongoing projects that could affect the ultimate differences between Canadian GAAP and IFRS and their impact on the Company's consolidated financial statements in future years. The future impact of IFRS will also depend on the particular circumstances prevailing in those years. The differences described below are those existing based on Canadian GAAP and IFRS standards at March 31, 2009. At this stage, the Company is not able to quantify the impact expected on the consolidated financial statements.

The initial impact assessment identified the following areas as having the greatest potential impact to the Company:

- Financial Instruments – Classification & Recognition, Derecognition, Derivatives and Hedging
- Financial Instruments – Measurement and Impairment
- Financial Instruments – Disclosures

Controls over Financial Reporting

No changes were made in the Company's internal controls over financial reporting during the interim period ended March 31, 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

UPDATED SHARE INFORMATION

As at March 31, 2009 the Company had issued 34,355,590 Common Shares. In addition, outstanding director and employee stock options amounted to 1,446,750 (1,406,750 – Q4 2008, and 1,288,750 – Q1 2008) of which 724,250 were exercisable as of the quarter-end (661,125 – Q4 2008, and 543,125 – Q1 2008) for proceeds to the Company upon exercise of \$14.9 million (\$8.4 million – Q3 2008, and \$7.9 million – Q4 2007).

Subsequent to the end of the first quarter, the Board of Directors declared a quarterly cash dividend of \$0.14 per common share payable on June 1, 2009 to shareholders of record at the close of business on May 15, 2009.

QUARTERLY FINANCIAL HIGHLIGHTS

<i>In Thousands of Dollars</i>	2009				2008			2007
<i>(Except Per Share and Percentage Amounts)</i>	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net interest income (TEB) ¹	\$ 37,528	\$ 36,399	\$ 39,478	\$ 40,418	\$ 38,590	\$ 40,394	\$ 39,396	\$ 37,647
Less TEB adjustment	1,296	1,162	1,130	1,056	962	2,311	1,084	1,118
Net interest income per financial statements	36,232	35,237	38,348	39,362	37,628	38,083	38,312	36,529
Non-interest income	32,034	26,023	23,013	17,318	14,338	14,561	11,964	11,467
Non-interest expense	18,848	16,852	16,953	17,443	14,763	15,687	13,289	13,382
Total revenues	120,721	117,996	116,950	112,953	106,796	105,081	94,346	87,708
Net income	31,418	29,039	27,939	26,550	25,159	24,228	22,837	22,018
Return on common shareholders' equity	27.9%	27.4%	27.6%	27.7%	27.9%	28.9%	28.9%	28.9%
Return on average total assets	2.2%	2.0%	2.0%	2.0%	1.9%	2.0%	2.0%	2.1%
Earnings per common share								
Basic	\$ 0.91	\$ 0.84	\$ 0.81	\$ 0.77	\$ 0.73	\$ 0.70	\$ 0.66	\$ 0.64
Diluted	\$ 0.91	\$ 0.84	\$ 0.81	\$ 0.76	\$ 0.72	\$ 0.70	\$ 0.65	\$ 0.63
Book value per common share	\$ 13.61	\$ 12.57	\$ 12.08	\$ 11.44	\$ 10.79	\$ 10.08	\$ 9.38	\$ 8.98
Efficiency ratio (TEB) ¹	27.1%	27.0%	27.1%	30.2%	27.9%	28.5%	25.9%	27.3%
Efficiency ratio	27.6%	27.5%	27.6%	30.8%	28.4%	29.8%	26.4%	27.9%
Tier 1 capital ratio ^{2,3}	13.8%	12.9%	12.7%	12.5%	12.0%	11.1%	11.7%	12.9%
Total capital ratio ^{2,3}	15.2%	14.2%	14.0%	13.8%	13.4%	12.5%	13.1%	14.4%
Net impaired loans as a % of gross loans	1.2%	0.9%	0.7%	0.7%	0.7%	0.7%	0.6%	0.7%
Annualized provision as a % of gross loans	0.3%	0.2%	0.3%	0.1%	0.1%	0.2%	0.2%	0.1%

¹TEB - Taxable Equivalent Basis, see definition under Non-GAAP Measures

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

³The Tier 1 and total capital ratios for 2007 are calculated under Basel I requirements.

The Company's key financial measures for each of the last eight quarters are summarized in the table above. These highlights illustrate the Company's profitability, return on equity, as well as efficiency measures and capital ratios. 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 throughout 2008 and into 2009 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. The increase in net impaired loans as a percentage of gross loans has trended upwards over the last half of 2008 and into 2009. The increases are due to the effects of the sustained recession in Canada driving higher unemployment levels. The Company has taken proactive steps in managing the increased impaired loans by strengthening our mortgage servicing department to provide support to clients in payment management.

Outlook

Home Capital remains committed to serving selected segments of the Canadian financial services marketplace that are not the focus of the major financial institutions. The Company continues to manage from a strong capital and liquidity position with no external debt, and is well positioned to capitalize on market opportunities in the current economic recession.

The Canadian economy continues to experience recessionary trends through continued retraction during late 2008 into the first quarter of 2009 with increasing unemployment and declining global demand for Canadian exports. Housing market activity and residential mortgage growth are expected to moderate further over the coming quarters though recent housing data is showing positive signs with a moderating decline in sales activity and housing prices reinforcing the Company's cautious return to historic lending standards. Despite these challenges, the Company remains cautiously optimistic for the remainder of 2009 and continues to manage its business with prudence and a strong commitment to measured growth, continued profitability and creating long-term shareholder value. The Company has a proven corporate strategy and proprietary risk management framework to manage the business through uncertain economic conditions while positioning the Company for future opportunities.

This Outlook section contains forward-looking statements. (Please see the Caution Regarding Forward-Looking Statements on page 5 of these unaudited interim consolidated financial statements).

Consolidated Statements of Income

	For the three months ended		
	March 31	December 31	March 31
<i>In Thousands of Dollars, Except per Share Amounts (Unaudited)</i>	2009	2008	2008
Income			
Interest from loans	\$ 81,327	\$ 82,672	\$ 82,971
Dividends from equity securities	2,840	2,491	2,153
Other interest	4,520	6,810	7,334
	88,687	91,973	92,458
Interest Expense			
Interest on deposits	52,455	56,736	54,830
Net interest income	36,232	35,237	37,628
Provision for credit losses (note 4(d))	3,283	1,988	600
	32,949	33,249	37,028
Non-interest Income			
Fees and other income	7,322	7,104	7,223
Securitization income on mortgage-backed securities	27,655	20,950	9,101
Net loss realized and unrealized on securities	(943)	(795)	(1,625)
Net gain on disposition of subsidiary	-	-	69
Loss on derivatives	(2,000)	(1,236)	(430)
	32,034	26,023	14,338
	64,983	59,272	51,366
Non-interest Expenses			
Salaries and staff benefits	10,084	8,564	8,618
Premises	1,356	1,192	991
General and administration	7,409	7,096	5,154
	18,849	16,852	14,763
Income Before Income Taxes			
	46,134	42,420	36,603
Provision for income taxes (note 11(a))	14,716	13,381	11,444
NET INCOME	\$ 31,418	\$ 29,039	\$ 25,159
NET INCOME PER COMMON SHARE			
Basic	\$ 0.91	\$ 0.84	\$ 0.73
Diluted	\$ 0.91	\$ 0.84	\$ 0.72
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (thousands)			
Basic	34,410	34,501	34,532
Diluted	34,625	34,724	34,850
Total number of outstanding common shares (thousands)	34,355	34,434	34,532
Book value per common share	\$ 13.61	\$ 12.57	\$ 10.79

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

Consolidated Statements of Comprehensive Income

<i>In Thousands of Dollars (Unaudited)</i>	For the three months ended		
	March 31 2009	December 31 2008	March 31 2008
NET INCOME	\$ 31,418	\$ 29,039	\$ 25,159
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX			
Unrealized income on available for sale securities			
Net unrealized income (loss) on securities available for sale, net of (\$2,422) tax (\$4,395 - December 31, 2008; \$1,673 - March 31, 2008)	3,630	(10,271)	1,767
Reclassification of losses in respect of available for sale securities, net of \$188 tax (\$312 - December 31, 2008; \$729 - March 31, 2008)	6,009	2,613	1,573
Total other comprehensive income (loss)	9,639	(7,658)	3,340
COMPREHENSIVE INCOME	\$ 41,057	\$ 21,381	\$ 28,499

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

Consolidated Balance Sheets

<i>In Thousands of Dollars (Unaudited)</i>	March 31 2009	December 31 2008	March 31 2008
ASSETS			
Cash Resources			
Deposits with regulated financial institutions	\$ 314,552	\$ 554,422	\$ 432,177
Securities (note 3)			
Held for trading	-	-	303
Available for sale	539,904	519,477	502,794
	539,904	519,477	503,097
Loans (note 4)			
Residential mortgages	3,286,025	3,263,206	3,248,615
Non-residential mortgages	815,483	826,882	685,820
Personal and credit card loans	361,348	368,962	347,246
Secured loans	69,623	72,518	84,924
General allowance for credit losses	(25,802)	(25,177)	(23,676)
	4,506,677	4,506,391	4,342,929
Other			
Securitization receivable (note 5)	175,734	139,870	79,131
Capital assets	5,160	5,325	4,922
Other assets (note 6)	88,566	84,228	60,917
	269,460	229,423	144,970
	\$ 5,630,593	\$ 5,809,713	\$ 5,423,173
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Deposits			
Payable on demand	\$ 22,934	\$ 34,808	\$ 21,194
Payable on a fixed date	4,800,698	5,067,973	4,806,010
	4,823,632	5,102,781	4,827,204
Other			
Cheques and other items in transit	9,944	4,811	2,746
Other liabilities (note 7)	329,078	269,368	220,767
	339,022	274,179	223,513
	5,162,654	5,376,960	5,050,717
Shareholders' Equity			
Capital stock (note 8)	39,006	39,094	38,899
Contributed surplus	3,670	3,283	2,225
Retained earnings	426,677	401,429	334,289
Accumulated other comprehensive loss (note 10)	(1,414)	(11,053)	(2,957)
	467,939	432,753	372,456
	\$ 5,630,593	\$ 5,809,713	\$ 5,423,173

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

<i>In Thousands of Dollars (Unaudited)</i>	March 31 2009	December 31 2008	March 31 2008
CAPITAL STOCK (note 8)			
Balance at beginning of the period	\$ 39,094	\$ 39,142	\$ 38,899
Normal course issuer bid	(88)	(48)	-
BALANCE AT END OF THE PERIOD	\$ 39,006	\$ 39,094	\$ 38,899
CONTRIBUTED SURPLUS			
Balance at beginning of the period	\$ 3,283	\$ 2,910	\$ 1,818
Amortization of fair value of employee stock options (note 9)	387	373	407
BALANCE AT END OF THE PERIOD	\$ 3,670	\$ 3,283	\$ 2,225
RETAINED EARNINGS			
Balance at beginning of the period (note 8)	\$ 401,429	\$ 377,638	\$ 313,620
Normal course issuer bid	(1,361)	(773)	-
Net income for the period	31,418	29,039	25,159
Dividends paid or declared during the period	(4,809)	(4,475)	(4,490)
BALANCE AT END OF THE PERIOD	\$ 426,677	\$ 401,429	\$ 334,289
ACCUMULATED OTHER COMPREHENSIVE LOSS			
Balance at beginning of the period	\$ (11,053)	\$ (3,395)	\$ (6,297)
Other comprehensive income (loss), net of (\$2,610) tax; ((\$4,083) - December 31, 2008; (\$2,402) - March 31, 2008)	9,639	(7,658)	3,340
BALANCE AT END OF THE PERIOD	\$ (1,414)	\$ (11,053)	\$ (2,957)

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

Consolidated Statements of Cash Flows

For the three months ended

<i>In Thousands of Dollars (Unaudited)</i>	March 31	December 31	March 31
	2009	2008	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period	\$ 31,418	\$ 29,039	\$ 25,159
Adjustments to determine cash flows relating to operating activities:			
Future income taxes	9,578	5,170	2,027
Amortization	(7,700)	19,042	1,238
Provision for credit losses (note 4(d))	3,283	1,988	600
Change in accrued interest payable	(2,375)	431	21,074
Change in accrued interest receivable	1,142	(958)	(998)
Net loss realized and unrealized on investment securities	943	795	1,625
Loss on derivatives	2,000	1,236	430
Securitization income on mortgage-backed securities	(27,655)	(20,950)	(9,101)
Amortization of fair value of employee stock options (note 9)	387	373	407
Other	58,562	(10,143)	(17,698)
Cash flows from operating activities	69,583	26,023	24,763
CASH FLOWS FROM FINANCING ACTIVITIES			
Net (decrease) increase in deposits	(279,149)	158,742	413,220
Normal course issuer bid	(1,449)	(821)	-
Dividends paid	(4,476)	(4,481)	(4,145)
Cash flows (used in) from financing activities	(285,074)	153,440	409,075
CASH FLOWS FROM INVESTING ACTIVITIES			
Activity in available for sale and held for trading securities			
Purchases	(246,481)	(227,538)	(217,467)
Proceeds from sales	235,336	151,570	168,454
Proceeds from maturities	5,344	14,146	14,039
Activity in mortgages			
Net increase	(474,077)	(551,833)	(442,459)
Proceeds from securitization of mortgage-backed securities	450,833	548,807	142,699
Change in mortgage-backed securities receivable	4,034	8,382	4,016
Net (increase) decrease in personal and credit card loans	7,071	(5,139)	(21,924)
Net (increase) decrease in secured loans	2,813	5,889	(2,746)
Purchases of capital assets	(328)	(613)	(609)
Purchases of intangible assets	(8,924)	-	-
Cash flows used in investing activities	(24,379)	(56,329)	(355,997)
Net increase (decrease) in cash and cash equivalents during the period	(239,870)	123,134	77,841
Cash and cash equivalents at beginning of the period	554,422	431,288	354,336
Cash and cash equivalents at end of the period	\$ 314,552	\$ 554,422	\$ 432,177
Supplementary Disclosure of Cash Flow Information			
Interest paid	\$ 54,829	\$ 56,281	\$ 33,756
Income taxes paid	11,242	4,345	13,822

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, 2008 as set out in the 2008 Annual Report, on pages 46 through 72. 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

Goodwill and Intangible Assets

Effective January 1, 2009 the Company adopted Canadian Institute of Chartered Accountants (CICA) Handbook Section 3064, Goodwill and Intangibles Assets (Section 3064). Section 3064 replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs, provides clarifying guidance on the criteria that must be satisfied in order for an intangible asset to be recognized, including internally developed intangible assets. The new guidance did not have a material effect on the financial position or earnings of the Company.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

Effective January 1, 2009, the Company adopted CICA Emerging Issues Committee Abstract EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. The abstract clarifies how the Company's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivatives. The Company believes the new guidance will not have a material effect on the financial position or earnings of the Company and as such has not recorded any adjustments.

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>	March 31 2009	December 31 2008	March 31 2008
Securities issued or guaranteed by:			
Canada	\$ 474	\$ 1,546	\$ 1,725
Corporations	2,485	2,345	(34)
Equity securities			
Common	(1,730)	(2,106)	(897)
Fixed rate preferred	(24,383)	(29,918)	(5,276)
Floating rate preferred	(1,169)	(2,370)	(833)
Income trusts	(88)	(2,745)	(3,527)
Mutual funds	(439)	(367)	-
	\$ (24,850)	\$ (33,615)	\$ (8,842)

The above unrealized losses represent differences between the carrying value of a security and its 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 March 31, 2009, the Company had \$3.6 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 table above.

4. LOANS

(A) Loans by Geographic Region and Type

As at March 31, 2009

<i>In Thousands of Dollars</i>	Residential	Non-	Personal	Secured	Total
	Mortgages	Residential	and Credit	Loans	
British Columbia	\$ 338,624	\$ 9,509	\$ 30,543	\$ 10	\$ 378,686
Alberta	388,189	112,241	73,531	8,220	582,181
Ontario	2,297,198	624,132	248,763	59,254	3,229,347
Quebec	112,132	44,414	1,660	-	158,206
Maritimes	82,203	12,218	5,536	2,139	102,096
Manitoba and Saskatchewan	67,679	12,969	1,315	-	81,963
	\$ 3,286,025	\$ 815,483	\$ 361,348	\$ 69,623	\$ 4,532,479

As at December 31, 2008

<i>In Thousands of Dollars</i>	Residential	Non-	Personal	Secured	Total
	Mortgages	Residential	and Credit	Loans	
British Columbia	\$ 333,668	\$ 8,998	\$ 31,118	\$ 9	\$ 373,793
Alberta	398,939	115,336	78,157	8,319	600,751
Ontario	2,267,199	630,953	250,611	61,929	3,210,692
Quebec	105,236	48,701	1,477	-	155,414
Maritimes	90,167	12,408	6,002	2,261	110,838
Manitoba and Saskatchewan	67,997	10,486	1,597	-	80,080
	\$ 3,263,206	\$ 826,882	\$ 368,962	\$ 72,518	\$ 4,531,568

As at March 31, 2008

<i>In Thousands of Dollars</i>	Residential	Non-	Personal	Secured	Total
	Mortgages	Residential	and Credit	Loans	
British Columbia	\$ 316,697	\$ 7,157	\$ 25,113	\$ 213	\$ 349,180
Alberta	411,412	111,993	77,599	8,633	609,637
Ontario	2,302,815	490,989	234,554	72,870	3,101,228
Quebec	63,025	48,545	431	-	112,001
Maritimes	113,094	18,529	7,703	3,208	142,534
Manitoba and Saskatchewan	41,572	8,607	1,846	-	52,025
	\$ 3,248,615	\$ 685,820	\$ 347,246	\$ 84,924	\$ 4,366,605

(B) Past Due Loans that are not Impaired

A loan is recognized as being impaired when the Company is no longer reasonably assured of the timely collection of the full amount of principal and interest. As a matter of practice, a loan is deemed to be impaired at the earlier of the date it has been specifically provided for or when it has been in arrears for 90 days. Residential mortgages guaranteed by the government of Canada where payment is contractually past due 365 days are automatically placed on a non-accrual basis. Secured and unsecured credit card balances that have a payment that is contractually 180 days in arrears are written off. Equityline Visa credit card balances are measured on a basis consistent with mortgage loans.

As at March 31, 2009

<i>In Thousands of Dollars</i>	Residential Mortgages	Non-Residential Mortgages	Personal and Credit Card Loans	Secured Loans	Total
1 - 30 days	\$ 126,068	\$ 5,055	\$ 3,484	\$ 854	\$ 135,461
31 - 60 days	7,672	668	1,838	568	10,746
61 - 90 days	42,151	-	3,158	160	45,469
91 - 120 days	7,758	-	1,795	-	9,553
	\$ 183,649	\$ 5,723	\$ 10,275	\$ 1,582	\$ 201,229

As at December 31, 2008

<i>In Thousands of Dollars</i>	Residential Mortgages	Non-Residential Mortgages	Personal and Credit Card Loans	Secured Loans	Total
1 - 30 days	\$ 142,287	\$ 4,406	\$ 3,365	\$ 973	\$ 151,031
31 - 60 days	9,249	2,407	1,896	98	13,650
61 - 90 days	31,828	647	2,527	-	35,002
91 - 120 days	-	-	1,887	-	1,887
	\$ 183,364	\$ 7,460	\$ 9,675	\$ 1,071	\$ 201,570

As at March 31, 2008

<i>In Thousands of Dollars</i>	Residential Mortgages	Non-Residential Mortgages	Personal and Credit Card Loans	Secured Loans	Total
1 - 30 days	\$ 102,705	\$ 2,350	\$ 3,111	\$ 881	\$ 109,047
31 - 60 days	8,003	687	1,311	-	10,001
61 - 90 days	28,480	269	1,389	321	30,459
91 - 120 days	-	-	1,519	-	1,519
	\$ 139,188	\$ 3,306	\$ 7,330	\$ 1,202	\$ 151,026

(C) Impaired Loans and Specific Allowances for Credit Losses

As at March 31, 2009

<i>In Thousands of Dollars</i>	Residential Mortgages	Non-Residential Mortgages	Personal and Credit Card Loans	Secured Loans	Total
Gross amount of impaired loans	\$ 44,940	\$ 3,610	\$ 7,762	\$ 725	\$ 57,037
Specific allowances	(2,439)	(430)	(776)	(487)	(4,132)
	\$ 42,501	\$ 3,180	\$ 6,986	\$ 238	\$ 52,905

As at December 31, 2008

<i>In Thousands of Dollars</i>	Residential Mortgages	Non-Residential Mortgages	Personal and Credit Card Loans	Secured Loans	Total
Gross amount of impaired loans	\$ 34,643	\$ 164	\$ 6,309	\$ 1,007	\$ 42,123
Specific allowances	(1,680)	-	(547)	(699)	(2,926)
	\$ 32,963	\$ 164	\$ 5,762	\$ 308	\$ 39,197

As at March 31, 2008

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

(D) Allowance for Credit Losses**As at March 31, 2009**

<i>In Thousands of Dollars</i>	Residential Mortgages	Non-Residential Mortgages	Personal and Credit Card Loans	Secured Loans	Total
Specific allowances					
Balance at the beginning of the period	\$ 1,680	\$ -	\$ 547	\$ 699	\$ 2,926
Provisions for credit losses	1,604	430	543	81	2,658
Write-offs	(845)	-	(335)	(293)	(1,473)
Recoveries	-	-	21	-	21
	2,439	430	776	487	4,132
General allowance					
Balance at the beginning of the period	16,136	4,580	3,700	761	25,177
Provisions for credit losses	680	74	(75)	(54)	625
	16,816	4,654	3,625	707	25,802
Total allowance	\$ 19,255	\$ 5,084	\$ 4,401	\$ 1,194	\$ 29,934

As at December 31, 2008

<i>In Thousands of Dollars</i>	Residential Mortgages	Non-Residential Mortgages	Personal and Credit Card Loans	Secured Loans	Total
Specific allowances					
Balance at the beginning of the period	\$ 1,950	\$ 5	\$ 349	\$ 67	\$ 2,371
Provisions for credit losses	838	(5)	438	617	1,888
Write-offs	(1,135)	-	(277)	(3)	(1,415)
Recoveries	27	-	37	18	82
	1,680	-	547	699	2,926
General allowance					
Balance at the beginning of the period	16,694	3,907	3,651	825	25,077
Provisions for credit losses	(558)	673	49	(64)	100
	16,136	4,580	3,700	761	25,177
Total allowance	\$ 17,816	\$ 4,580	\$ 4,247	\$ 1,460	\$ 28,103

As at March 31, 2008

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

(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 or if a mortgage becomes impaired. At March 31, 2009, the total appraised value of the collateral for mortgages past due that are not impaired, as determined when the mortgages were originated, is \$317.2 million. For impaired mortgages, the total appraised value of collateral at March 31, 2009 is \$72.0 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		
	March 31 2009	December 31 2008	March 31 2008
Book value of mortgages securitized	\$ 460,624	\$ 557,720	\$ 145,771
Securitization receivable	42,910	43,573	13,054
Servicing liability	4,567	6,254	265
Net proceeds received on securitized mortgages	450,833	548,807	142,699
Gain on sale of mortgages	25,622	25,699	8,883
Prepayment rate	8.1%	5.0%	13.5%
Excess spread	3.1%	2.7%	3.6%
Weighted average life in years	5.0	4.8	4.2
Discount rate	2.3%	2.8%	3.6%

During the first quarter of 2009, the Company securitized insured residential mortgages through CMHC's Canada Mortgage Bond Program with a book value of \$330.6 million (\$84.3 million in Q1 2008). The gain on sale was \$18.3 million during the first quarter (\$5.5 million in Q1 2008). These figures are included in the table above.

6. OTHER ASSETS

<i>In Thousands of Dollars</i>	For the three months ended		
	March 31 2009	December 31 2008	March 31 2008
Accrued interest receivable	\$ 26,719	\$ 27,861	\$ 26,306
Income taxes receivable	14,959	10,472	3,924
Goodwill	15,752	15,752	15,028
Intangible assets	9,332	1,449	1,008
Other prepaid assets and deferred items	21,804	28,694	14,651
	\$ 88,566	\$ 84,228	\$ 60,917

7. OTHER LIABILITIES

<i>In Thousands of Dollars</i>	For the three months ended		
	March 31 2009	December 31 2008	March 31 2008
Accrued interest payable	\$ 157,240	\$ 159,615	\$ 156,724
Dividends payable	4,810	4,476	4,144
Future income tax liability (note 11)	47,585	36,974	20,643
Securitization servicing liability	14,549	10,288	1,966
Other, including accounts payable and accrued liabilities	104,894	58,015	37,290
	\$ 329,078	\$ 269,368	\$ 220,767

8. CAPITAL

(A) Common Shares Issued and Outstanding

<i>In Thousands</i>	March 31, 2009		December 31, 2008		March 31, 2008	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Outstanding at beginning of period	34,434	\$ 39,094	34,476	\$ 39,142	34,532	\$ 38,899
Normal course issuer bid	(79)	(88)	(42)	(48)	-	-
Outstanding at end of period	34,355	\$ 39,006	34,434	\$ 39,094	34,532	\$ 38,899

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>	March 31, 2009		December 31, 2008		March 31, 2008	
	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	1,407	\$ 25.08	1,227	\$ 26.73	1,294	\$ 27.15
Granted	60	17.78	205	16.27	-	-
Forfeited	(20)	37.91	(25)	33.95	(5)	35.25
Outstanding at end of period	1,447	\$ 24.60	1,407	\$ 25.08	1,289	\$ 27.12
Exercisable, end of period	724	\$ 20.57	661	\$ 18.73	543	\$ 15.59

(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).

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

<i>In Thousands of Dollars, Except Ratios and Multiple</i>	March 31 2009	December 31 2008	March 31 2008
Regulatory capital			
Tier 1	\$ 417,778	\$ 384,025	\$ 332,095
Total	458,580	424,202	370,771
Regulatory ratios			
Tier 1	13.8%	12.9%	12.0%
Total	15.2%	14.2%	13.4%
Assets to capital multiple	12.3	13.7	14.6

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 first quarter of 2009, \$387,000 was recorded as an expense (\$373,000 – Q4 2008 and \$407,000 – Q1 2008) for stock option awards in the consolidated statements of income, with an off-setting credit to contributed surplus. During the first quarter of 2009, 60,000 options were granted (205,000 – Q4 2008 and nil – Q1 2008).

10. ACCUMULATED OTHER COMPREHENSIVE LOSS

<i>In Thousands of Dollars</i>	March 31 2009	December 31 2008	March 31 2008
Unrealized losses on			
Available for sale securities	\$ (24,850)	\$ (33,615)	\$ (8,842)
Income taxes recovery	8,894	10,473	1,856
	(15,956)	(23,142)	(6,986)
Unrealized gains on			
Securitization receivables	21,565	18,080	6,060
Income taxes recovery (expenses)	(7,023)	(5,991)	(2,031)
	14,542	12,089	4,029
Accumulated other comprehensive loss	\$ (1,414)	\$ (11,053)	\$ (2,957)

11. INCOME TAXES

(A) Reconciliation of income taxes

<i>In Thousands of Dollars</i>	March 31 2009	December 31 2008	March 31 2008
Income before income taxes	\$ 46,134	\$ 42,420	\$ 36,603
Income taxes at statutory combined federal and provincial income tax rates	15,033	14,060	12,316
Increase (decrease) in income taxes at statutory income tax rates resulting from			
Tax-exempt income	(856)	(765)	(640)
Non-deductible expenses	1,212	707	508
Future tax rate changes	(1,484)	(502)	(220)
Other	811	(119)	(520)
Income tax	\$ 14,716	\$ 13,381	\$ 11,444

(B) Sources of future income tax balances

<i>In Thousands of Dollars</i>	March 31 2009	December 31 2008	March 31 2008
Future income tax liabilities			
Deferred agent commissions and other charges	\$ 9,774	\$ 7,761	\$ 7,837
Mortgage-backed securities receivable	49,895	40,828	25,410
	59,669	48,589	33,247
Future income tax assets			
Allowance for credit losses	8,086	7,776	6,771
Future tax recoverable acquired	-	-	1,094
Deferred commitment fees and other charges	3,998	3,839	4,739
	12,084	11,615	12,604
	\$ 47,585	\$ 36,974	\$ 20,643

12. DERIVATIVE FINANCIAL INSTRUMENTS

The Company utilized off-balance sheet financial instruments during 2009. In this period the Company entered into economic hedge swap transactions with major financial institutions. The Company may utilize interest rate swaps or forward contracts 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 or forward contract is to have fair value movements 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 interest rates, 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 enters into off-balance sheet financial transactions to hedge commitment risk. During the quarter, the Company unwound \$145.2 million in bond forward contracts realizing a loss of \$1.4 million. As at March 31, 2009, the Company held outstanding bond forward contracts for the sale of \$19.6 million of Government of Canada Bonds. The contracts were marked-to-market at March 31, 2009 for an unrealized gain of \$0.3 million. At March 31, 2009, the Company also held \$125.0 million in interest rate swap contracts to hedge commitment risk. The interest rate swap contracts were marked-to-market at March 31, 2009 for an unrealized loss of \$0.8 million. No such arrangements, either forward bond contracts or interest rate swap contracts, that were outstanding at March 31, 2008.

The Company participates in the Canada Mortgage Bond program sponsored by CMHC. Under this program, the Company sells MBS pools to Canada Housing Trust which finances the purchase by issuing a bullet Canada Mortgage Bond. Under this program, the Company must manage the mismatch and reinvestment risk between the amortizing MBS pool and the bullet Canada Mortgage Bond. As part of this arrangement, the Company entered into seller swaps which have the effect of paying the fixed interest payments on the Canada Mortgage Bond, and receiving the total return on the MBS pool. As well, the Company entered into accreting hedge swaps to manage the reinvestment risk between the amortizing MBS pool and the Canada Mortgage Bond.

With respect to the Canada Mortgage Bond program, at March 31, 2009 the Company notionally held \$1.53 billion (\$203.0 million - March 31, 2008) in swaps, comprised of both seller swaps and hedge swaps. These outstanding swap arrangements were marked-to-market at March 31, 2009 for a net unrealized loss of \$2.1 million (unrealized gain of \$0.5 million - March 31, 2008).

13. INTEREST RATE SENSITIVITY

The Company's exposure to interest rate risk results from the difference, or gap between the maturity or re-pricing dates of interest sensitive assets and liabilities, including off-balance sheet items. The following table shows the gap positions at March 31, 2009, December 31, 2008 and March 31, 2008 for selected period intervals. Figures in brackets represent an excess of liabilities over assets or a negative gap position.

As at March 31, 2009							
<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	\$ 40,648	\$ 1,217,760	\$ 1,451,549	\$ 1,364,780	\$ 1,236,133	\$ 319,723	\$ 5,630,593
Total liabilities and equity	6	606,855	2,320,439	1,419,129	440,580	843,584	5,630,593
Off-balance sheet items	-	(299,126)	22,177	260,316	16,633	-	-
Interest rate sensitive gap	\$ 40,642	\$ 311,779	\$ (846,713)	\$ 205,967	\$ 812,186	\$ (523,861)	-
Cumulative gap	\$ 40,642	\$ 352,421	\$ (494,292)	\$ (288,325)	\$ 523,861	-	-
Cumulative gap as a percentage of total assets	0.7%	6.3%	(8.8%)	(5.1%)	9.3%	-	-

As at December 31, 2008							
<i>In Thousands of Dollars, Except Percentages</i>	Floating	0 to 3	3 Months	1 to 3	Over	Non-interest	Total
	Rate	Months	to 1 Year	Years	3 Years	Sensitive	
Total assets	\$ 29,006	\$ 1,442,867	\$ 1,506,606	\$ 1,601,438	\$ 965,500	\$ 264,296	\$ 5,809,713
Total liabilities and equity	6	923,590	2,359,833	1,318,924	451,102	756,258	5,809,713
Off-balance sheet items	-	(145,838)	64,955	80,837	46	-	-
Interest rate sensitive gap	\$ 29,000	\$ 373,439	\$ (788,272)	\$ 363,351	\$ 514,444	\$ (491,962)	-
Cumulative gap	\$ 29,000	\$ 402,439	\$ (385,833)	\$ (22,482)	\$ 491,692	-	-
Cumulative gap as a percentage of total assets	0.5%	6.9%	(6.6%)	(0.4%)	8.5%	-	-

As at March 31, 2008							
<i>In Thousands of Dollars, Except Percentages</i>	Floating	0 to 3	3 Months	1 to 3	Over	Non-interest	Total
	Rate	Months	to 1 Year	Years	3 Years	Sensitive	
Total assets	\$ 45,682	\$ 1,064,959	\$ 1,782,191	\$ 1,675,994	\$ 680,066	\$ 174,281	\$ 5,423,173
Total liabilities and equity	-	663,301	2,356,386	1,317,022	452,502	633,962	5,423,173
Off-balance sheet items	-	(497,553)	209,644	140,467	147,442	-	-
Interest rate sensitive gap	\$ 45,682	\$ (95,895)	\$ (364,551)	\$ 499,439	\$ 375,006	\$ (459,681)	-
Cumulative gap	\$ 45,682	\$ (50,213)	\$ (414,764)	\$ 84,675	\$ 459,681	-	-
Cumulative gap as a percentage of total assets	0.8%	(0.9%)	(7.7%)	1.6%	8.5%	-	-

Based on the current interest rate gap position at March 31, 2009, the Company estimates that a 100 basis point decrease in interest rates would decrease net interest income and other comprehensive income after tax over the next twelve months by \$2.9 million and \$1.8 million, respectively. A 100 basis point increase in interest rates would increase net income and other comprehensive 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 businesses and PSiGate operations. The Other category includes the Company's treasury and securities investment activities.

For the three months ended March 31, 2009

<i>In Thousands of Dollars</i>	Mortgage Lending	Consumer Lending	Other	Total
Net interest income	\$ 20,457	\$ 8,424	\$ 7,351	\$ 36,232
Provision for credit losses	(2,816)	(467)	-	(3,283)
Fees and other income	4,750	2,462	110	7,322
Net gain on securities, mortgage-backed securities and disposition of subsidiary	25,655	-	(943)	24,712
Non-interest expenses	(11,675)	(3,157)	(4,017)	(18,849)
Income before income taxes	36,371	7,262	2,501	46,134
Income taxes	(11,704)	(2,444)	(568)	(14,716)
Net income	\$ 24,667	\$ 4,818	\$ 1,933	\$ 31,418
Goodwill	\$ 2,324	\$ 13,428	\$ -	\$ 15,752
Total assets	\$ 4,562,997	\$ 379,778	\$ 687,818	\$ 5,630,593

For the three months ended December 31, 2008

<i>In Thousands of Dollars</i>	Mortgage Lending	Consumer Lending	Other	Total
Net interest income	\$ 18,933	\$ 7,011	\$ 9,293	\$ 35,237
Provision for credit losses	(1,501)	(487)	-	(1,988)
Fees and other income	3,899	3,123	82	7,104
Net gain on securities, mortgage-backed securities and disposition of subsidiary	19,714	-	(795)	18,919
Non-interest expenses	(9,145)	(2,406)	(5,301)	(16,852)
Income before income taxes	31,900	7,241	3,279	42,420
Income taxes	(10,297)	(2,448)	(636)	(13,381)
Net income	\$ 21,603	\$ 4,793	\$ 2,643	\$ 29,039
Goodwill	\$ 2,324	\$ 13,428	\$ -	\$ 15,752
Total assets	\$ 4,709,331	\$ 392,458	\$ 707,924	\$ 5,809,713

For the three months ended March 31, 2008

<i>In Thousands of Dollars</i>	Mortgage Lending	Consumer Lending	Other	Total
Net interest income	\$ 22,457	\$ 5,723	\$ 9,448	\$ 37,628
Provision for credit losses	(253)	(347)	-	(600)
Fees and other income	3,707	3,392	124	7,223
Net gain on securities, mortgage-backed securities and disposition of subsidiary	8,671	-	(1,556)	7,115
Non-interest expenses	(8,149)	(2,245)	(4,369)	(14,763)
Income before income taxes	26,433	6,523	3,647	36,603
Income taxes	(8,552)	(2,199)	(693)	(11,444)
Net income	\$ 17,881	\$ 4,324	\$ 2,954	\$ 25,159
Goodwill	\$ 2,324	\$ 12,704	\$ -	\$ 15,028
Total assets	\$ 4,164,132	\$ 374,014	\$ 885,027	\$ 5,423,173

15. 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.

16. 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 2009 interim unaudited consolidated financial statements.

CORPORATE DIRECTORY & SHAREHOLDER INFORMATION

HOME CAPITAL GROUP INC.
145 King Street West, Suite 2300
Toronto, Ontario M5H 1J8

Directors

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
Bonita Then

William A. Dimma
Chairman Emeritus

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, LL.B.
Vice President, Corporate Counsel

Martin Reid
Treasurer

Auditors

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

Bankers

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

Transfer Agent

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

Capital Stock

As at March 31, 2009 there were
34,355,590 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
Nick Kyprianou
John M.E. Marsh

Robert A. Mitchell, C.A.
Brian R. Mosko
Kevin P. D. Smith
Gerald M. Soloway
Bonita Then

BRANCHES

Toronto

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

Corporate

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

Kerry Reinke, C.A.
*Vice President, Strategic Planning
and Performance Measurement*

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

Dinah Henderson, CGA
Director, Corporate Accounting

Norm Thacker
*Vice President,
Information Technology*

Commercial Mortgage Lending

Shaun Gonsalves
Senior Manager

Donald Correia
Senior Credit Manager

Residential Mortgage Lending

Pino Decina
Senior Vice President

Armando Diseri
James Hill
Marguerite Ryan
Asst. Vice Presidents

Ron Cuadra
Director, National Sales

Jeff Barbour

Senior Credit Manager

Laurie Chalabardo
Bobby Ramgoolam
Senior Managers

Massimo DeNigris
Michael Forshee
Michael Hewitt
Frank Lee
Ivano Metallo
Scott Smith
Frank Tuzi
Jean Pierre Vico
Managers

Sales and Service

Domenic Cosentino
Asst. Vice President

Direct Client Services

Alex Godfrey
Asst. Vice President

Equityline Visa

Agostino Tuzi
Asst. Vice President

Visa

Scott Wilson
Vice President

Retail Credit Services

Cathy Boon
Asst. Vice President, Sales

Deposits

Yin Tan
Manager

Nicole Kotsifas
Business Development Manager

Marketing

Meg Hutchison
Director

Calgary

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

Kris Chester
Branch Manager

Vancouver

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

Greg Domville
Branch Manager

Montreal

2020 Rue University,
Suite 2420
Montreal, Quebec H3A 2A5
Tel: (514) 843-0129
1-866-542-0129
Fax: (514) 843-7620
1-866-620-7620

Halifax

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

Scott Congdon
Regional Manager, Mortgages

For Shareholder Information,

Please Contact:

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

Websites

Home Capital Group Inc.
www.homecapital.com
Home Trust Company
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 Wednesday May 6, 2009 at 10:30 AM ET. The webcast will be archived at www.homecapital.com for 90 days.

HOME TRUST COMPANY

**DEPOSIT RATE HOTLINE
FOR CURRENT DEPOSIT RATES
30 DAYS - 5 YEARS**

1-877-903-2133, ext. 1550

**Home Trust Company
is a CDIC Member**