HOME CAPITAL GROUP INC.

2015

SECOND QUARTER REPORT

FINANCIAL HIGHLIGHTS

(Unaudited)	For the three months ended			For the six months ended	
(000s, except Percentage, Multiples and Per Share Amounts)	**June 30 2015**	March 31 2015	June 30 2014	**June 30 2015**	June 30 2014
OPERATING RESULTS					
Net Income	**$ 72,317**	$ 72,286	$ 73,745	**$ 144,603**	$ 143,481
Net Interest Income	**117,210**	115,524	115,143	**232,734**	225,530
Total Revenue	**250,879**	249,232	255,448	**500,111**	503,348
Diluted Earnings per Share	**$ 1.03**	$ 1.03	$ 1.05	**$ 2.05**	$ 2.04
Return on Shareholders' Equity	**19.1%**	19.7%	23.1%	**19.4%**	23.0%
Return on Average Assets	**1.4%**	1.4%	1.4%	**1.4%**	1.4%
Net Interest Margin (TEB)[1]	**2.29%**	2.28%	2.26%	**2.28%**	2.23%
Provision as a Percentage of Gross Uninsured Loans (annualized)	**0.07%**	0.07%	0.10%	**0.07%**	0.10%
Provision as a Percentage of Gross Loans (annualized)	**0.05%**	0.05%	0.07%	**0.05%**	0.07%
Efficiency Ratio (TEB)[1]	**32.2%**	30.4%	28.3%	**31.3%**	28.4%

	As at			
	June 30 2015	March 31 2015	December 31 2014	June 30 2014
BALANCE SHEET HIGHLIGHTS				
Total Assets	**$ 20,516,247**	$ 20,514,613	$ 20,082,744	$ 20,503,526
Total Assets Under Administration[2]	**25,456,212**	25,066,234	24,281,366	23,716,585
Total Loans[3]	**17,982,475**	18,190,841	18,364,910	18,022,175
Total Loans Under Administration[2,3]	**22,922,440**	22,742,462	22,563,532	21,235,234
Liquid Assets	**1,815,817**	1,825,775	1,058,297	1,766,314
Deposits	**14,966,544**	14,741,902	13,939,971	13,747,625
Shareholders' Equity	**1,536,099**	1,487,259	1,448,633	1,313,159
FINANCIAL STRENGTH				
Capital Measures[4]				
Risk-Weighted Assets	**$ 7,634,392**	$ 7,454,175	$ 7,186,132	$ 6,874,353
Common Equity Tier 1 Capital Ratio	**18.03%**	17.95%	18.30%	17.45%
Tier 1 Capital Ratio	**18.03%**	17.94%	18.30%	17.45%
Total Capital Ratio	**20.53%**	20.50%	20.94%	20.20%
Leverage Ratio[5]	**6.94**	6.75	N/A	N/A
Credit Quality				
Net Non-Performing Loans as a Percentage of Gross Loans	**0.33%**	0.25%	0.30%	0.32%
Allowance as a Percentage of Gross Non-Performing Loans	**62.9%**	78.2%	64.4%	60.4%
Share Information				
Book Value per Common Share	**$ 21.87**	$ 21.18	$ 20.67	$ 18.74
Common Share Price – Close	**$ 43.28**	$ 42.56	$ 47.99	$ 47.83
Dividend paid during the quarter ended	**$ 0.22**	$ 0.22	$ 0.20	$ 0.16
Market Capitalization	**$ 3,040,290**	$ 2,988,819	$ 3,363,907	$ 3,350,922
Number of Common Shares Outstanding	**70,247**	70,226	70,096	70,059

[1] See definition of Taxable Equivalent Basis (TEB) under Non-GAAP Measures in this report.
[2] Total assets and loans under administration include both on and off-balance sheet amounts.
[3] Total loans include loans held for sale.
[4] These figures relate to the Company's operating subsidiary, Home Trust Company.
[5] Effective Q1 2015, the Assets to Regulatory Capital Multiple has been replaced with the Basel III leverage ratio. See definition of the leverage ratio under Non-GAAP Measures in this 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 residential and non-residential mortgage lending, securitization of insured residential first mortgage products, consumer lending and credit card services. In addition, Home Trust offers deposits via brokers and financial planners, and through its direct to consumer deposit brand, Oaken Financial. Licensed to conduct business across Canada, Home Trust has branch offices in Ontario, Alberta, British Columbia, Nova Scotia, Quebec and Manitoba.

Home Trust Company www.hometrust.ca **Home Capital Group Inc. www.homecapital.com**

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TO OUR SHAREHOLDERS

Home Capital Reports Q2 Earnings: Diluted Earnings per Share of $1.03

- **Quarterly dividend of $0.22 per common share**

Home Capital today reported financial results for the second quarter ended June 30, 2015. The Company continued to deliver strong results across its business, including a stable net interest margin, a healthy loan portfolio evidenced by low non-performing loans and credit losses, and a strong capital position, despite lower residential mortgage originations in the first half of 2015.

Home Capital continues to expect that it will meet its three to five year mid-term targets, reflecting the continued strength of the overall business, its diverse sources of growth and the Company's expectation of improving origination volumes for the remainder of the year.

Q2 Financial Highlights:

- Q2 2015 reported net income of $72.3 million and $144.6 million for the first six months of 2015, down 1.9% compared to $73.7 million in Q2 2014 and up 0.8% compared to $143.5 million in the first half of 2014. Q2 2015 net income was in line with $72.3 million earned in Q1 2015.
- Q2 2015 reported diluted earnings per share (EPS) of $1.03 and $2.05 for the first six months of 2015, compared to $1.05 and $2.04 earned in the comparable periods of 2014. Q2 2015 diluted EPS was consistent with $1.03 earned in Q1 2015.
- Return on common shareholders' equity was 19.1% for Q2 2015 and 19.4% for the first six months of 2015.
- Provision for credit losses as a percentage of gross uninsured loans of 0.07% on an annualized basis for both Q2 2015 and the first six months of 2015, down from 0.10% in both the comparable periods of 2014 and stable as compared to Q1 2015.
- Q2 2015 Common Equity Tier 1 ratio of 18.03% and Tier 1 and Total capital ratios of 18.03% and 20.53%, respectively.

Growing Our Core Business

Home Capital, through its principal subsidiary Home Trust Company, continued in Q2 2015 to build on its presence as Canada's leading alternative financial institution serving an established, but underserved and growing, market niche.

The Company's results reflect its continued profitability as measured by a stable net interest margin in the quarter of 2.29%, a healthy loan portfolio as evidenced by continued low non-performing loans and credit losses, and a strong capital position.

Home Capital reported Q2 2015 traditional (uninsured single-family) residential mortgage originations of $1.29 billion, as compared to $1.53 billion in Q2 2014, and Accelerator originations of $279.5 million for Q2 2015, as compared to $619.6 million for Q2 2014, decreases of 15.4% and 54.9%, respectively.

Mortgage originations were impacted directly by, among other things, the Company suspending, during the period of September 2014 to March 2015, its relationship with 18 independent mortgage brokers and 2 brokerages, for a total of approximately 45 individual mortgage brokers, and a loss of originations from these sources.

Mortgages originated by this group in 2014 could be expected to contribute approximately $6 million to the Company's net income over a full year, or approximately 2% of the total net income of $313.2 million reported in 2014. This group of brokers originated $960.4 million of single-family residential mortgages in 2014, or 5.3% of the outstanding loan assets on the Company's balance sheet. The majority (approximately 60%) of loans originated by this group were the Company's lower margin Accelerator mortgages. The total value of single-family residential mortgage originations for 2014 was $7.65 billion.

The Company continues to actively monitor the subject mortgages and notes that there have been no unusual credit issues.

Home Capital also continuously revises its underwriting procedures to ensure best practices. Following the suspension of brokers, the Company further enhanced its income verification procedures to ensure new loans continue to reflect Home Capital's risk appetite, which remains unchanged. These enhancements include requests for more detailed documentation and income verification from brokers, which may have increased approval time for some applications and led some customers to turn to other funding sources in the short-term.

In addition to these factors, originations were also affected by the current competitive market for prime insured mortgages and the Company's conservative approach to growing its residential mortgage business in the current Canadian economic environment.

Home Capital has taken several steps to improve origination volumes in the second half of 2015, including sales measures to build on the Company's pipeline for residential mortgage originations and to leverage the solid demand for its traditional mortgages within its established regions. Home Capital also expects origination volumes to improve as brokers adjust to the Company's enhanced approval processes.

The Company has already seen an increase in originations near the end of the reporting period compared to the first half of 2015, and expects this trend to continue.

Building on Operational Excellence

Home Capital continues to experience strong credit performance, with net non-performing loans as a percentage of gross loans (NPL ratio) at 0.33% at the end of Q2 2015, compared to 0.32% at the end of Q2 2014. These results reflect the high credit quality of the Company's loan portfolio and were supported by the Company's continued investments in its risk oversight and control functions.

Home Capital also continued to make disciplined and measured investments in other areas related to the longer-term growth of the business. These investments include, among other things, continuing to update the Company's loans-origination platform, which is designed for more efficient processing of loan applications, as well as ongoing investments to build an IT security platform for its fast growing online banking service, which we view as vital to protecting our customers and maintaining their trust.

Overall, expenses, while higher for these reasons, remain in line with the Company's financial plan.

While most of the increase in expenses incurred by the Company continue to be associated with ongoing efforts to build on Home Capital's operational excellence and dedication to providing service to clients and business partners, the Company has incurred additional expenses of less than $1 million cumulatively from Q4 2014 related to its efforts to realign some of its business partnerships following the suspension of a small number of brokers.

Home Capital's efficiency ratio rose in Q2 to 32.2% (Q2 2014 28.3%), reflecting the increased expenses in the quarter set against the flat revenue numbers. As revenues increase, the Company expects the efficiency ratio to return to levels more in line with historical averages and to remain relatively consistent.

Strong Shareholder Returns, Strong and Conservative Financial Position

Home Capital continued to focus on maintaining its strong and conservative financial position in Q2 2015 and delivered a return on average shareholders' equity of 19.1%.

Subsequent to the end of the quarter, and in light of the Company's performance, profitability and strong financial position, the Board of Directors approved a quarterly dividend of $0.22 per common share, payable on September 1, 2015 to shareholders of record at the close of business on August 14, 2015.

In summary, the Company has maintained its solid fundamentals, despite the short-term impact of decreased originations. Home Capital's focus remains on providing the best service and support to our customers and valued partners, generating future growth that is sustainable and prudent, and making the investments in our business that help us to achieve those goals.

Looking ahead, the Board of Directors and management expect that Home Capital will continue generating solid shareholder returns in 2015 and beyond.

Gerald M Soloway

GERALD M. SOLOWAY
Chief Executive Officer
July 29, 2015

KEVIN P.D. SMITH
Chair of the Board

Additional information concerning the Company's targets and related expectations for 2015, including the risks and assumptions underlying these expectations, may be found in the MD&A of this quarterly report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) is provided to enable readers to assess the financial condition and results of operations of Home Capital Group Inc. (the "Company" or "Home Capital") for the three months ended June 30, 2015. The discussion and analysis relates principally to the Company's subsidiary Home Trust Company (Home Trust), which provides residential mortgage lending, non-residential commercial mortgage lending, consumer and credit card lending and deposit-taking services. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes for the period ended June 30, 2015 included in this report and the MD&A and audited consolidated financial statements and accompanying notes for the year ended December 31, 2014 included in the Company's 2014 Annual Report. ***In addition, this MD&A should be read in conjunction with the Company's press release entitled "Home Capital Group Inc. Provides Additional Disclosures Regarding Broker Suspensions and Revises Material Change Report", issued July 29, 2015.*** *Except as described in this MD&A and these unaudited interim consolidated financial statements, all factors discussed and referred to in the MD&A for fiscal 2014 remain substantially unchanged. This MD&A has been prepared with reference to the unaudited consolidated financial statements which are prepared in accordance with International Financial Reporting Standards (IFRS or GAAP) and all amounts are presented in Canadian dollars. This MD&A is current as of July 29, 2015. 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. The Non-GAAP measures used in this MD&A and a glossary of terms used in this MD&A and financial statements are presented in the last section of this MD&A.*

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 website at www.homecapital.com, and on the Canadian Securities Administrators' website at www.sedar.com.

Caution Regarding Forward-Looking Statements

From time to time Home Capital Group Inc. 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 in the Risk Management section of this report, as well as its other publicly filed information, which are available on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com, for the material factors that could cause the Company's actual results to differ materially from these statements. These risk factors are material risk factors a reader should consider, and include credit risk, funding and liquidity risk, structural interest rate risk, operational risk, investment risk, strategic and business risk, reputational risk and regulatory and legislative risk along with additional risk factors that may affect future results. Forward-looking statements can be found in the Report 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," "forecast," "may," and "could" or other similar expressions.

By their very nature, these statements require the Company 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 2015 and its effect on Home Capital's business are material factors the Company considers when setting its objectives, targets and outlook. In determining expectations for economic growth, both broadly and in the financial services sector, the Company primarily considers historical and forecasted economic data provided by the Canadian government and its agencies. In setting and reviewing its targets, objectives and outlook for the remainder of 2015, management's expectations continue to assume:

- The Canadian economy is expected to produce modest growth on balance in 2015; however, there continues to be some uncertainty about the full impact of the oil price adjustment. While the Company has limited exposure in energy producing regions, it has plans for geographic expansion in Canada. There is some uncertainty as to the timing and extent of expansion given the economic conditions.
- Generally the Company expects stable employment conditions in its established regions. Unemployment rates in energy producing regions are expected to continue to increase through 2015. Also, the Company expects inflation will generally be within the Bank of Canada's target of 1% to 3%, leading to stable credit losses and consistent demand for the Company's lending products in its established regions. Credit losses and delinquencies in the energy producing regions may see an increase, but given the Company's limited exposure and lending practices, this is not expected to be significant.
- The Canadian economy will continue to be influenced by the economic conditions in the United States and global markets and further adjustments in commodity prices; as such, the Company is prepared for the variability to plan that may result.
- The Company is assuming that overnight interest rates will remain at the current very low rate for 2015. This is expected to continue to support relatively low mortgage interest rates for the foreseeable future.

- In the Company's established regions the expectation is the housing market will remain stable with balanced supply supported by continued low interest rates, relatively stable employment, and immigration. There will be stable housing starts and resale activity with relatively stable prices, with regional disparities, throughout most of Canada. This supports continued stable credit losses and stable demand for the Company's lending products in its established regions.
- Consumer debt levels, while elevated, will remain serviceable by Canadian households.
- The Company will have access to the mortgage and deposit markets through broker networks.

BUSINESS PROFILE

Home Capital is a holding company that operates primarily through its principal, federally regulated subsidiary, Home Trust, which offers insured and uninsured deposits, residential and non-residential commercial mortgage lending and consumer lending. The Company's subsidiary Payment Services Interactive Gateway Inc. (PSiGate) provides payment card services. Licensed to conduct business across Canada, Home Trust has offices in Ontario, Alberta, British Columbia, Nova Scotia, Quebec and Manitoba. Business is primarily conducted in Canadian dollars.

The Business Portfolios, Vision, Mission, and Values, along with the Risk-taking Philosophy have not changed from the 2014 Annual Report. Please refer to page 14 and 15 of the 2014 Annual Report.

As the Company's management views its business as a single segment with a variety of product and service activities, the financial statements and the MD&A are prepared on that basis.

PERFORMANCE SUMMARY

Below is a summary of the Company's performance for the second quarter of 2015 against the mid-term targets highlighted in the 2014 Annual Report. The Company does not intend to amend its mid-term guidance at this time, despite the decline in originations for the first half of 2015 reflecting the continued strength of the business, credit quality of the portfolio and its diverse sources of growth. The Company will continue to focus on its medium-term objectives to guide the Company's decision-making and describe its accomplishments.

- Diluted earnings per share were $2.05 for the first half of the year. The Company's goal is to achieve, average annualized growth in diluted earnings per share of 8% to 13% in the three to five year medium term.
- Return on shareholders' equity was 19.4% for the first half of 2015, with the goal to achieve on average annualized return on equity greater than 20% in the three to five year medium term.
- Common Equity Tier 1 and Tier 1 Capital ratios of 18.03% and Total Capital ratio of 20.53% continue to be well in excess of regulatory minimums.
- Dividend payout ratio of 21.5%, with a targeted payout on average of 19% to 26% of earnings to shareholders in the three to five year medium term.

2015 OUTLOOK

Looking ahead, the Board of Directors and management expect that Home Capital will continue generating solid shareholder returns in 2015 and beyond.

Market Conditions

Supply and demand in the Company's key established real estate markets is expected to remain balanced in 2015, with relatively stable prices and sales volumes in some markets, as demand for new homes and resale activity experiences some growth. The Company believes that the current and expected levels of housing activity indicate a healthy real estate market overall.

The Company expects to see the impact of certain positive economic forces on its established markets through the second half of 2015, including a generally positive outlook for the US economy, the comparatively weaker Canadian dollar, the continued low interest rate environment and the beneficial impact of lower oil prices on economic growth both in Central Canada and globally. The Company expects continued uncertainty in energy producing regions to continue through the remainder of 2015. In the wake of such uncertainty the Company will continue to be cautious with its geographic and product expansion plans outside its established regions in Ontario.

Traditional Single-family Mortgage Lending

The Company expects to see a strengthening of its origination volumes through the second half of 2015 when compared to the first half of 2015. The Company has taken several steps to improve origination volumes to leverage the demand for its traditional mortgages within its established regions. The Company has seen an increase in originations near the end of the reporting period and the Company is confident that its pipeline of mortgage originations will support improved volumes through the second half of 2015, relative to the first half of 2015.

As previously mentioned, the Company has plans to cautiously increase business outside the Ontario market, and while this is still the case, the Company will move prudently, in light of the ongoing economic uncertainty. In addition, net interest margins in the traditional mortgage portfolio have narrowed over the last two years reflecting both improved credit quality of borrowers and higher relative cost of funds. The Company expects 2015 net interest margin to remain relatively stable on average to the experience of Q2 2015, but is prepared for modest volatility.

Insured Securitized Mortgage Lending

The Company will continue to originate and securitize prime insured single-family and insured multi-unit residential mortgages and will generally sell these off-balance sheet, generating gains on sale. The market for both of these products remains very competitive. The Company remains committed to offering a range of mortgage products through its distribution channel to support its "one-stop" initiative.

Commercial Mortgage Lending

Commercial mortgage lending will remain an important portfolio for the Company, generating high levels of return and providing asset diversification. The Company has been a prudent and conservative lender in this segment, experiencing very low levels of losses and delinquencies. The Company plans to continue to grow this portfolio at a higher rate in 2015, as compared to 2014, if market conditions remain favourable.

Other Lending

Equityline *Visa* credit cards and consumer lending are an important complementary product offering supporting the "one-stop" lending strategy, with high rates of return.

Deposits

The Company will continue to source deposits from the public through investment dealers and deposit brokers and will continue to emphasize growth of its direct-to-consumer business and Oaken Financial brand. The Company will continue to strengthen its funding capability through agreements with additional deposit brokers, growth of its high interest savings accounts and the enhancement of its direct to consumer sales and service capabilities. The relative cost of deposits is expected to remain consistent with Q2 2015.

The Company will continue to issue institutional deposits and, on average, plans to access this market on a semi-annual basis.

Credit Performance and Losses

The Company's prudent underwriting and collection practices are reflected in continued low levels of credit losses and delinquencies. Credit losses and delinquencies are expected to remain low in 2015; however, the Company is prepared for volatility in this performance that may result from uncertainty in the macroeconomic environment. Credit performance in the energy producing regions may deteriorate, but given the Company's limited exposure in these geographic areas, the impact to credit losses is not expected to be material for the Company.

Non-interest Expenses

The Company will continue to look to expand its business, which will be accompanied by commensurate strengthening of risk management and control processes along with customer service platforms, through increased spending on people, process and technology. Increased spending to support the Company's direct deposit and loan origination initiatives, continued business process improvements and the security of the Company's deliberate and increasing exposure to business online, along with increasing costs associated with regulatory requirements, can also be expected. While there will be continued upward pressure on expenses from these sources, the Company will continue to focus on deriving savings from its cost management and efficiency programs. On an overall basis, the Company expects its efficiency ratio to improve from the levels reported in the second quarter to more in line with levels experienced prior to 2015 and to remain relatively consistent on average, thereafter, as revenue growth resumes.

Liquidity and Capital

The Company continues to hold high levels of capital as measured by regulatory risk-based capital ratios and leverage ratios. Further, the Company has accumulated capital more rapidly through retained earnings than would be required to support its current lending activity. The Company will continue to employ robust capital adequacy stress testing techniques to ensure that its conservative capital position is maintained and to provide for the flexibility to take advantage of appropriate market opportunities, as they arise, and to pay its shareholders an appropriate return.

The Company will continue to diversify its funding sources and maintain a strong liquidity position by holding a sufficient stock of unencumbered high-quality liquid assets. The Company complies with the Office of the Superintendent of Financial Institutions Canada (OSFI)'s new Liquidity Adequacy Requirements Guideline that was effective January 2015.

Strong levels of capital and liquidity provide additional safety and soundness to depositors.

This Outlook section contains forward-looking statements. Please see the Caution Regarding Forward-looking Statements on page 5 of this quarterly report.

INCOME STATEMENT REVIEW

Table 1: Income Statement Highlights

(000s, except % and per share amounts)	Quarter					Year to date		
	Q2 2015	Q1 2015	% Change	Q2 2014	% Change	**2015**	2014	% Change
Net interest income non-securitized assets	**$ 113,354**	$ 110,807	2.3%	$ 104,929	8.0%	**$ 224,161**	$ 207,767	7.9%
Net interest income securitized loans and assets	**3,856**	4,717	(18.3)%	10,214	(62.2)%	**8,573**	17,763	(51.7)%
Total net interest income	**117,210**	115,524	1.5%	115,143	1.8%	**232,734**	225,530	3.2%
Provision for credit losses	**2,266**	2,403	(5.7)%	3,232	(29.9)%	**4,669**	6,437	(27.5)%
	114,944	113,121	1.6%	111,911	2.7%	**228,065**	219,093	4.1%
Non-interest income	**29,061**	27,092	7.3%	26,765	8.6%	**56,153**	51,950	8.1%
Non-interest expenses	**47,374**	43,663	8.5%	40,522	16.9%	**91,037**	79,462	14.6%
Income before income taxes	**96,631**	96,550	0.1%	98,154	(1.6)%	**193,181**	191,581	0.8%
Income taxes	**24,314**	24,264	0.2%	24,409	(0.4)%	**48,578**	48,100	1.0%
Net income	**$ 72,317**	$ 72,286	0.0%	$ 73,745	(1.9)%	**$ 144,603**	$ 143,481	0.8%
Basic earnings per share	**$ 1.03**	$ 1.03	-	$ 1.06	(2.8)%	**$ 2.06**	$ 2.06	-
Diluted earnings per share	**$ 1.03**	$ 1.03	-	$ 1.05	(1.9)%	**$ 2.05**	$ 2.04	0.5%

Net Interest Income

Table 2: Net Interest Margin

	For the three months ended			For the six months ended	
	June 30 2015	March 31 2015	June 30 2014	**June 30 2015**	June 30 2014
Net interest margin non-securitized interest earning assets (non-TEB)	**2.75%**	2.79%	2.81%	**2.77%**	2.84%
Net interest margin non-securitized interest earning assets (TEB)	**2.77%**	2.81%	2.84%	**2.79%**	2.87%
Net interest margin securitized assets	**0.42%**	0.46%	0.76%	**0.44%**	0.64%
Total net interest margin (non-TEB)	**2.27%**	2.26%	2.24%	**2.26%**	2.21%
Total net interest margin (TEB)	**2.29%**	**2.28%**	**2.26%**	**2.28%**	**2.23%**
Spread of non-securitized loans over deposits and other	**2.89%**	2.87%	2.97%	**2.87%**	3.02%

Table 3: Net Interest Income

(000s, except %)	June 30, 2015 Income/ Expense	June 30, 2015 Average Rate[1]	March 31, 2015 Income/ Expense	March 31, 2015 Average Rate[1]	June 30, 2014 Income/ Expense	June 30, 2014 Average Rate[1]
					For the three months ended	
Interest-bearing assets						
Cash resources and securities	$ 4,980	1.39%	$ 4,846	1.66%	$ 7,007	1.82%
Traditional single-family residential mortgages	147,805	5.00%	146,237	4.97%	136,259	5.18%
Accelerator single-family residential mortgages	7,280	2.66%	5,967	2.56%	5,417	2.39%
Residential commercial mortgages[2]	3,972	4.42%	3,924	4.57%	3,511	4.41%
Non-residential commercial mortgages	18,507	5.95%	18,253	6.30%	16,070	6.38%
Credit card loans	7,692	9.05%	7,524	8.99%	6,986	9.16%
Other consumer retail loans	5,303	9.63%	4,995	10.16%	7,939	9.01%
Total non-securitized loans	190,559	5.06%	186,900	5.08%	176,182	5.26%
Taxable equivalent adjustment	965	-	987	-	1,044	-
Total on non-securitized interest earning assets	196,504	4.76%	192,733	4.85%	184,233	4.93%
Securitized single-family residential mortgages	15,610	2.78%	19,208	2.80%	28,046	3.31%
Securitized multi-unit residential mortgages	9,333	4.20%	9,833	4.18%	15,908	4.58%
Assets pledged as collateral for securitization	1,336	0.93%	1,353	1.22%	1,540	1.04%
Total securitized residential mortgages	26,279	2.83%	30,394	2.94%	45,494	3.39%
Total interest-bearing assets	$ 222,783	4.31%	$ 223,127	4.37%	$ 229,727	4.46%
Interest-bearing liabilities						
Deposits and other	$ 80,669	2.17%	$ 79,395	2.21%	$ 76,718	2.29%
Senior debt	1,516	3.96%	1,544	4.02%	1,542	4.19%
Securitization liabilities	22,423	2.35%	25,677	2.45%	35,280	2.58%
Total interest-bearing liabilities	$ 104,608	2.02%	$ 106,616	2.09%	$ 113,540	2.20%
Net Interest Income (TEB)	$ 118,175		$ 116,511		$ 116,187	
Tax Equivalent Adjustment	(965)		(987)		(1,044)	
Net Interest Income per Financial Statements	$ 117,210		$ 115,524		$ 115,143	

(000s, except %)	June 30, 2015 Income/ Expense	June 30, 2015 Average Rate[1]	June 30, 2014 Income/ Expense	June 30, 2014 Average Rate[1]
			For the six months ended	
Interest-bearing assets				
Cash resources and securities	$ 9,826	1.51%	$ 13,204	1.79%
Traditional single-family residential mortgages	294,042	4.99%	266,946	5.18%
Accelerator single-family residential mortgages	13,247	2.61%	12,121	2.86%
Residential commercial mortgages[2]	7,896	4.49%	7,109	4.51%
Non-residential commercial mortgages	36,760	6.12%	32,006	6.34%
Credit card loans	15,216	9.02%	13,704	9.12%
Other consumer retail loans	10,298	9.88%	15,539	8.93%
Total non-securitized loans	377,459	5.06%	347,425	5.29%
Taxable equivalent adjustment	1,952	-	2,028	-
Total on non-securitized interest earning assets	389,237	4.80%	362,657	4.97%
Securitized single-family residential mortgages	34,818	2.79%	56,868	3.19%
Securitized multi-unit residential mortgages	19,166	4.19%	30,611	4.26%
Assets pledged as collateral for securitization	2,689	1.06%	3,290	1.22%
Total securitized residential mortgages	56,673	2.89%	90,769	3.28%
Total interest-bearing assets	$ 445,910	4.34%	$ 453,426	4.44%
Interest-bearing liabilities				
Deposits and other	$ 160,064	2.19%	$ 149,740	2.27%
Senior debt	3,060	3.99%	3,122	4.23%
Securitization liabilities	48,100	2.40%	73,006	2.60%
Total interest-bearing liabilities	$ 211,224	2.06%	$ 225,868	2.21%
Net Interest Income (TEB)	$ 234,686		$ 227,558	
Tax Equivalent Adjustment	(1,952)		(2,028)	
Net Interest Income per Financial Statements	$ 232,734		$ 225,530	

[1] The average is an average calculated with reference to opening and closing monthly asset and liability balances.
[2] Residential commercial mortgages include non-securitized multi-unit residential mortgages and commercial mortgages secured by residential property types.

Q2 2015 v Q1 2015

Net interest income of $117.2 million was up $1.7 million or 1.5% from $115.5 million last quarter, reflecting higher net interest income on non-securitized assets, offset by lower securitized net interest income. Total net interest margin (TEB) increased 1 basis point to 2.29% quarter over quarter despite declines in net interest margin on both non-securitized and securitized assets, reflecting the increasing relative proportion of the higher-margin non-securitized assets and the decreasing proportion of the lower-margin securitized assets. Average non-securitized assets of $16.51 billion for the quarter represent 79.9% of average total assets compared to 77.9% last quarter while average securitized assets of $3.71 billion for the quarter represent 17.9% of average total assets compared to 20.2% last quarter. The continued decline in on-balance sheet securitized assets reflects maturities in the on-balance sheet portfolio and the sales of residual interests in securitized single-family residential mortgages.

Net interest income on the non-securitized portfolio of $113.4 million increased by $2.5 million or 2.3% from $110.8 million last quarter. The increase in net interest income reflects increases in interest income earned on both the traditional and Accelerator single-family residential mortgage portfolios on higher average balances combined with prepayment penalty income of $1.5 million earned in the traditional portfolio. This increase in interest income combined with a decrease in the average rate on interest expense on deposits of 4 basis points over last quarter resulted in the increase in the spread of non-securitized loans over deposits and other of 2 basis points to 2.89%. The decrease in the average rate on deposits reflects both a decrease in the average rate on fixed-term deposits and a higher proportion of lower-rate deposits payable on demand. Deposits payable on demand represented 9.6% of total deposits at the end of the quarter compared to 8.1% at the end of last quarter.

Net interest margin (TEB) on the non-securitized portfolio decreased by 4 basis points to 2.77% from last quarter despite the increase in spread of non-securitized loans over deposits and other as a result of the relatively higher average balance of cash resources and securities combined with the decrease in the average yield on these assets. The average balance of these lower-yielding assets represented 8.7% of total average non-securitized assets compared to 7.3% last quarter. This increase in average liquidity reflects the anticipation of higher originations activity during the summer months that has yet to be fully realized.

The net interest income and net interest margin on securitized assets declined from last quarter, reflecting the continued net run-off and the maturity of higher yielding mortgage-backed securities (MBS) and Canada Mortgage Bond (CMB) pools and the use of lower yielding assets as replacement assets in the CMB program. The average assets in this portfolio declined by $421.6 million from last quarter, reflecting the sale of residual interests and maturities. As such, this portfolio continues to have a lower impact on the Company's net interest margin, which is expected to continue throughout 2015.

Q2 2015 v Q2 2014

Net interest income increased $2.1 million or 1.8% over the same quarter last year while total net interest margin (TEB) improved 3 basis points to 2.29% while net interest margins have declined on both the non-securitized and securitized portfolios, reflecting the declining relative proportion of on-balance sheet securitized assets as discussed above.

Non-securitized net interest income increased $8.4 million or 8.0%, reflecting average loan balance growth of $1.56 billion or 10.5% while there has been a decline in net interest margin (TEB) to 2.77% from 2.84%. The net interest margin decline is primarily attributable to lower spreads earned on newly originated traditional mortgages, reflecting the higher credit quality of this portfolio.

The net interest income and net interest margin on securitized assets declined from the same quarter last year for similar reasons as the decline from last quarter mentioned above. In addition, there was higher prepayment penalty income of approximately $2.5 million in Q2 2014 driven primarily from prepayments on two larger multi-unit residential properties last year. The average balance of the securitized mortgage portfolio declined by $1.66 billion to $3.71 billion from $5.37 billion in the same period last year and net interest income on this portfolio accounts for only 3.3% of total net interest income compared to 8.9% in Q2 2014. This declining impact of the securitized portfolio on total net interest margin is expected to continue.

YTD 2015 v YTD 2014

Net interest income increased $7.2 million or 3.2% over last year as the net interest income of the non-securitized portfolio increased on higher asset balances while total net interest margin (TEB) improved 5 basis points to 2.28%. For similar reasons to the above discussion, despite the improvement to total net interest margin, there were similar declines in net interest margins on both the non-securitized and securitized portfolios reflecting the declining relative proportion of on-balance sheet securitized assets.

Non-Interest Income

Table 4: Non-Interest Income

(000s, except %)	Q2 2015	Q1 2015	% Change	Q2 2014	% Change	2015	2014	% Change
	Quarter					Year to date		
Fees and other income	**$ 21,390**	$ 21,219	0.8%	$ 18,439	16.0%	**$ 42,609**	$ 35,233	20.9%
Securitization income	**9,251**	5,409	71.0%	7,494	23.4%	**14,660**	16,224	(9.6)%
Net realized and unrealized gains on securities	**-**	1,444	(100.0)%	1,187	(100.0)%	**1,444**	1,939	(25.5)%
Net realized and unrealized losses on derivatives	**(1,580)**	(980)	(61.2)%	(355)	(345.1)%	**(2,560)**	(1,446)	(77.0)%
	$ 29,061	$ 27,092	7.3%	$ 26,765	8.6%	**$ 56,153**	$ 51,950	8.1%

The following table presents the derivative gains and losses included in non-interest income. Please see the Derivative Financial Instruments note in the unaudited interim consolidated financial statements included in this report for further information.

Table 5: Derivative Gains and Losses

(000s)	June 30 2015	March 31 2015	June 30 2014	June 30 2015	June 30 2014
	For the three months ended			For the six months ended	
Fair value hedging ineffectiveness[1]	**$ (1,718)**	$ (673)	$ 346	**$ (2,391)**	$ 218
Swaps marked to market	**138**	(307)	(701)	**(169)**	(1,664)
Net realized and unrealized losses on derivatives	**$ (1,580)**	$ (980)	$ (355)	**$ (2,560)**	$ (1,446)

[1] Included in fair value hedging ineffectiveness are amounts related to derivative restructuring upon adoption of IFRS.

Q2 2015 v Q1 2015

Fees and other income, which includes mortgage and *Visa* account administration fees, net of direct servicing expenses, generally increases proportionate to the size of the portfolio. Fee income is also influenced by the overall mix of the portfolio. Fees and other income were relatively consistent with last quarter reflecting the relatively consistent number of mortgages and credit card loans outstanding.

Securitization income in the quarter resulted primarily from gains recognized on the sale of residual interests in single-family residential mortgage securitizations and sale of insured multi-unit residential mortgages. Securitization income primarily includes sales of underlying mortgages either newly originated or renewed during the period along with insured mortgages held in inventory from prior periods. Sales of residual interests during the quarter led to gains of $5.2 million on the derecognition of $306.5 million of insured single-family residential mortgages compared to gains of $3.7 million on the derecognition of $295.4 million of underlying mortgages last quarter. Gains of $2.6 million on sales of $262.6 million of insured multi-unit residential mortgages during the quarter compare to the gains of $0.7 million recognized last quarter on sales of $134.3 million of insured multi-unit residential mortgages. Please see the Securitization Activity note to the unaudited interim consolidated financial statements included in this report for further information.

Securitization income also includes servicing income of $1.2 million in the quarter, consistent with last quarter. In the case of single-family residential mortgage sales, the Company will service the loans and record related servicing fee revenue over the remaining term of the underlying mortgages along with any event driven fees which are included in fee income. In the case of multi-unit residential mortgages, the Company outsources the servicing activity and no further net servicing revenue or fees are recorded.

The Company did not sell any treasury investments during the quarter. In Q1 2015, sales of certain treasury investments led to realized gains of $1.8 million. The Company may take advantage of improvements in securities markets and will rebalance the investment portfolio as market conditions warrant. The Company recognized $nil in impairments in Q2 2015 (Q1 2015 - $0.4 million) through profit and loss on certain available for sale securities already identified as impaired. The Company did not record any additional writedowns during the second quarter.

Q2 2015 v Q2 2014

Fees and other income increased 16.0% over last year, primarily reflecting the increase in the number of loans under administration and changes in the fee structure year over year.

Securitization income increased $1.8 million over Q2 2014 due to higher gains on sale of insured multi-unit residential mortgages of $2.6 million in the quarter compared to $1.4 million recognized last year. Servicing income of $1.2 million also increased over $0.6 million earned in Q2 2014, growing in line with the off-balance sheet single-family residential mortgage loan portfolio growth.

During Q2 2014 the Company realized gains on the sale of available for sale securities of $1.2 million and did not recognize any additional impairment writedowns on available for sale securities.

YTD 2015 v YTD 2014

Fees and other income for the first six months of the year were up 20.9% over the same period last year, reflecting the increase in the number of loans under administration and changes in the fee structure year over year.

The decrease in securitization income over last year resulted from lower gains on sale of residual interests of $9.0 million compared to $12.3 million last year, while spreads improved on volumes of $601.9 million compared to $954.0 million. The decrease was partially offset by an increase of $0.7 million in gains on sale of insured multi-unit residential mortgages compared to last year.

Table 6: Provision for Credit Losses and Net Write-Offs as a Percentage of Gross Loans on an Annualized Basis

	For the three months ended						For the six months ended			
(000s, except %)	**June 30, 2015**		March 31, 2015		June 30, 2014		**June 30, 2015**		June 30, 2014	
	Amount	**% of Gross Loans[1]**	Amount	% of Gross Loans[1]	Amount	% of Gross Loans[1]	**Amount**	**% of Gross Loans[1]**	Amount	% of Gross Loans[1]
Provision[2]										
Single-family residential mortgages	**$ 1,131**	**0.03%**	$ 1,493	0.05%	$ 2,184	0.07%	**$ 2,624**	**0.04%**	$ 4,598	0.08%
Residential commercial mortgages	**(4)**	**(0.01)%**	8	0.01%	-	-	**4**	**0.00%**	(25)	(0.03)%
Non-residential commercial mortgages	**321**	**0.10%**	202	0.07%	20	0.01%	**523**	**0.08%**	97	0.02%
Credit card loans	**198**	**0.23%**	94	0.11%	170	0.22%	**292**	**0.17%**	279	0.18%
Other consumer retail loans	**20**	**0.03%**	6	0.01%	58	0.06%	**26**	**0.02%**	88	0.05%
Securitized single-family residential mortgages	**-**	**-**	-	-	-	-	**-**	**-**	-	-
Securitized multi-unit residential mortgages	**-**	**-**	-	-	-	-	**-**	**-**	-	-
Total individual provision	**1,666**	**0.04%**	1,803	0.04%	2,432	0.05%	**3,469**	**0.04%**	5,037	0.06%
Total collective provision	**600**	**0.01%**	600	0.01%	800	0.02%	**1,200**	**0.01%**	1,400	0.02%
Total provision	**$ 2,266**	**0.05%**	$ 2,403	0.05%	$ 3,232	0.07%	**$ 4,669**	**0.05%**	$ 6,437	0.07%
Net Write-Offs[2]										
Single-family residential mortgages	**$ 882**	**0.03%**	$ 1,867	0.06%	$ 2,031	0.07%	**$ 2,749**	**0.04%**	$ 4,407	0.08%
Residential commercial mortgages	**(4)**	**(0.01)%**	8	0.01%	-	-	**4**	**0.00%**	-	-
Non-residential commercial mortgages	**(4)**	**(0.00)%**	9	0.00%	12	0.00%	**5**	**0.00%**	39	0.01%
Credit card loans	**152**	**0.18%**	152	0.18%	231	0.30%	**304**	**0.18%**	399	0.26%
Other consumer retail loans	**50**	**0.09%**	(5)	(0.01)%	91	0.10%	**45**	**0.04%**	153	0.09%
Securitized single-family residential mortgages	**-**	**-**	-	-	-	-	**-**	**-**	-	-
Securitized multi-unit residential mortgages	**-**	**-**	-	-	-	-	**-**	**-**	-	-
Net Write-Offs	**$ 1,076**	**0.02%**	$ 2,031	0.04%	$ 2,365	0.05%	**$ 3,107**	**0.03%**	$ 4,998	0.06%

[1]Gross loans used in the calculation of total Company ratio includes securitized on-balance sheet loans.
[2]There were no specific provisions, allowances or net write-offs on securitized mortgages.

The Company continues to have strong credit performance with the provision for credit losses low at $2.3 million in the quarter and $4.7 million year to date, representing 0.07% of gross uninsured loans and 0.05% of total gross loans on an annualized basis for both the quarter and year to date. These results improved over $3.2 million in provision in Q2 2014, $2.4 million last quarter and $6.4 million in the first half of 2014.

Upon completion of its internal review of its broker relationships and operations, described in the Mortgage Lending section of this MD&A, the Company concluded that it is unlikely that there will be related credit losses. The Company continues to actively monitor the subject mortgages and there have been no unusual credit issues. As part of its review, the Company did a broader test to ensure that this was not a widespread issue in its portfolio and the Company is comfortable that it is not.

The Company continues to observe strong credit profiles and stable loan to value ratios across its portfolio which continue to support low delinquency and non-performing rates and ultimately low net write-offs. Net write-offs were low at $1.1 million in the quarter and $3.1 million year to date, representing 0.02% of gross loans in the quarter and 0.03% year to date on an annualized basis, an improvement from the results of last year and last quarter.

The Company increased its collective allowance by $0.6 million during the quarter to $35.3 million. The current collective allowance exceeds the cumulative net write-offs experienced over the last 36 months. Please see Credit Risk section of this MD&A for more information.

Net non-performing loans were $58.9 million or 0.33% of gross loans at the end of the quarter compared to 0.25% last quarter and 0.32% one year ago. The Company remains satisfied with the credit performance of the portfolio and continues to expect credit performance to remain favourable and within its targets, but is prepared for moderate volatility in the trend. Please see Credit Risk section of this MD&A for more details.

Non-Interest Expenses

Table 7: Non-Interest Expenses

					Quarter			Year to Date
(000s, except %)	**Q2 2015**	Q1 2015	% Change	Q2 2014	% Change	**2015**	2014	% Change
Salaries and benefits	**$ 21,603**	$ 22,014	(1.9)%	$ 19,872	8.7%	**$ 43,617**	$ 40,080	8.8%
Premises	**3,260**	3,134	4.0%	3,014	8.2%	**6,394**	5,769	10.8%
Other operating expenses	**22,511**	18,515	21.6%	17,636	27.6%	**41,026**	33,613	22.1%
	$ 47,374	$ 43,663	8.5%	$ 40,522	16.9%	**$ 91,037**	$ 79,462	14.6%
Efficiency Ratio (TEB)	**32.2%**	30.4%	1.8%	28.3%	3.9%	**31.3%**	28.4%	2.9%
Active employees at end of period	**789**	787	0.3%	761	3.7%	**789**	761	3.7%

Q2 2015 v Q1 2015

Non-interest expenses increased 8.5% or $3.7 million over last quarter, reflecting the $4.0 million increase in other operating expenses. The increase in operating expenses reflects the Company's continued investment in areas related to the longer-term growth of the business such as investment in information technology and business process enhancements to support the Company's expansion initiatives including loan originations and deposit diversification and its strengthening of risk management and control processes. While the Company has also incurred additional, non-material expenses during the quarter related to its efforts to realign some of its business partnerships following the suspension of 45 individual mortgage brokers, the overall expenses remain in line with the Company's financial plan. The Company continues to manage expenses in a disciplined and measured manner.

The efficiency ratio increased to 32.2% from 30.4% last quarter. The increase in the efficiency ratio reflects the increase in operating expenses discussed above and the flat revenue when compared to last quarter. As revenues increase, the Company expects the efficiency ratio to return to levels more in line with historical averages and to remain relatively consistent.

Q2 2015 v Q2 2014

Non-interest expenses increased 16.9% or $6.9 million over Q2 2014. The increase in expenses comprises increases of $1.7 million in salaries and benefits, reflecting the increase in the number and caliber of active employees, and $4.9 million in other operating expenses, supporting the Company's strategies and plans for growth described above.

YTD 2015 v YTD 2014

Non-interest expenses for the first half of 2015 increased 14.6% or $11.6 million over the same period in 2014. The increase in expenses resulted from the increase of $3.5 million in salaries and benefits, reflecting the increase in active employees and increase in average salaries due to annual merit increases. Other operating expenses increased $7.4 million to support the Company's initiatives described above.

Income Taxes

The provision for income taxes for Q2 2015 was $24.3 million (effective tax rate of 25.16%), compared to $24.3 million (effective tax rate of 25.13%) in Q1 2015 and $24.4 million (effective tax rate of 24.87%) in Q2 2014.

The effective tax rate is lower than the statutory tax rate primarily due to the recognition of Scientific Research and Experimental Development (SR&ED) tax credits of $1.0 million ($0.7 million, after tax) recognized in Q1 2015 ($0.7 million, after tax – Q1 2015, $1.0 million, after tax – Q2 2014).

The Company's effective tax rate in Q1 2015 also differs from the statutory rate due to the receipt of dividends from Canadian corporations in the amount of $2.7 million ($2.7 million – Q1 2015 and $2.9 million – Q2 2014) that are not subject to tax.

Comprehensive Income

Comprehensive income is the aggregate of net income and other comprehensive income (OCI). Comprehensive income for the quarter was $63.4 million compared to $52.1 million in Q1 2015 and $76.8 million in Q2 2014.

OCI in the quarter was a loss of $8.9 million compared to a loss of $20.2 million in Q1 2015 and income of $3.0 million in Q2 2014. When compared to Q1 2015, the Company continues to experience a decline in the fair value of its preferred share holdings included in available for sale securities, due primarily to the current interest rate environment. Similarly, the changes in OCI from Q2 2014 resulted primarily from significant unfavourable changes in the fair value of the Company's preferred shares holdings.

FINANCIAL POSITION REVIEW

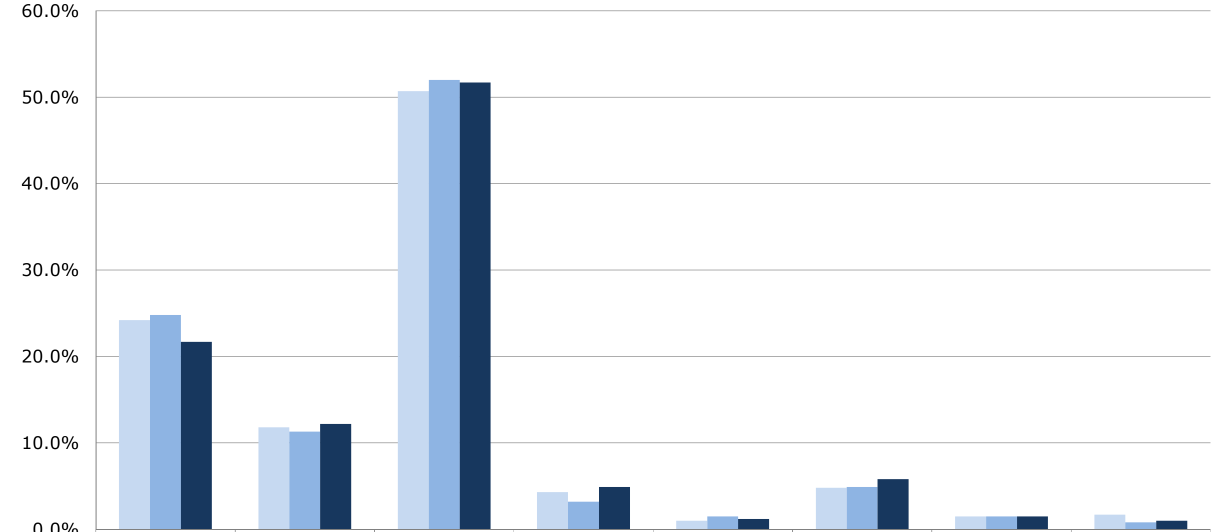
Assets

Table 8: Loans Portfolio

(000s, except % and number of loans)	June 30 2015	March 31 2015	December 31 2014	% Change June 30, 2015 - March 31, 2015	% Change June 30, 2015 - December 31, 2014
			As at		
Securitized single-family residential mortgages	$ 1,984,160	$ 2,398,244	$ 2,990,119	(17.3)%	(33.6)%
Securitized multi-unit residential mortgages	830,141	915,323	955,535	(9.3)%	(13.1)%
Traditional single-family residential mortgages	11,864,287	11,787,055	11,726,970	0.7%	1.2%
Accelerator single-family residential mortgages	1,131,975	1,019,825	723,558	11.0%	56.4%
Residential commercial mortgages	249,779	273,944	243,318	(8.8)%	2.7%
Non-residential commercial mortgages	1,326,939	1,194,640	1,106,878	11.1%	19.9%
Credit card loans	342,947	339,069	330,327	1.1%	3.8%
Other consumer retail loans	230,943	207,673	186,111	11.2%	24.1%
Total loan portfolio	17,961,171	18,135,773	18,262,816	(1.0)%	(1.7)%
Loans held for sale	21,304	55,068	102,094	(61.3)%	(79.1)%
Total on-balance sheet loans	$ 17,982,475	$ 18,190,841	$ 18,364,910	(1.1)%	(2.1)%
Off-balance sheet loans					
Single-family residential mortgages	$ 2,981,730	$ 2,843,443	$ 2,613,481	4.9%	14.1%
Multi-unit residential mortgages	1,958,235	1,708,178	1,585,141	14.6%	23.5%
Total off-balance sheet loans	4,939,965	4,551,621	4,198,622	8.5%	17.7%
Total loans under administration	$ 22,922,440	$ 22,742,462	$ 22,563,532	0.8%	1.6%
Number of loans outstanding					
Mortgages	64,021	64,438	64,456	(0.6)%	(0.7)%
Credit card loans	36,238	35,155	33,853	3.1%	7.0%
Other consumer retail loans	70,840	64,034	57,412	10.6%	23.4%
Total number of loans outstanding	171,099	163,627	155,721	4.6%	9.9%

Loans under Administration

Chart 1: Portfolio Composition by Product Type



	Securitized Single-Family Residential Mortgages	Securitized Multi-Unit Residential Mortgages	Traditional Single-Family Residential Mortgages	Accelerator Single-Family Residential Mortgages	Residential Commercial Mortgages	Non-Residential Commercial Mortgages	Credit Card Loans	Other Consumer Retail Loans
Q2 2014	24.2%	11.8%	50.7%	4.3%	1.0%	4.8%	1.5%	1.7%
Q4 2014	24.8%	11.3%	52.0%	3.2%	1.5%	4.9%	1.5%	0.8%
Q2 2015	21.7%	12.2%	51.7%	4.9%	1.2%	5.8%	1.5%	1.0%

Table 9: Mortgage Advances

	For the three months ended			For the six months ended	
(000s)	**June 30 2015**	March 31 2015	June 30 2014	**June 30 2015**	June 30 2014
Single-family residential mortgages					
Traditional	**$ 1,294,697**	$ 961,329	$ 1,530,299	**$ 2,256,026**	$ 2,604,094
Accelerator	**279,542**	180,034	619,597	**459,576**	909,095
Residential commercial mortgages					
Multi-unit uninsured residential mortgages	**14,780**	35,784	8,464	**50,564**	20,308
Multi-unit insured residential mortgages	**221,392**	67,230	56,010	**288,622**	257,776
Other[1]	**7,680**	9,282	6,500	**16,962**	17,864
Non-residential commercial mortgages					
Store and apartments	**27,950**	21,975	37,676	**49,925**	65,288
Commercial	**177,246**	108,364	71,999	**285,610**	132,667
Total mortgage advances	**$ 2,023,287**	$ 1,383,998	$ 2,330,545	**$ 3,407,285**	$ 4,007,092

[1]Other residential commercial mortgages include mortgages such as builders' inventory.

Loans under administration were $22.92 billion at the end of the quarter, representing an increase of $180.0 million or 0.8% from last quarter and an increase of $358.9 million of 1.6% from the end of 2014. On-balance sheet loans are down 1.1% from last quarter and down 2.1% from the end of 2014, while off-balance sheet loans are up 8.5% from last quarter and up 17.7% from the end of 2014, driving the growth in total loans under administration. Off-balance sheet loan growth arises from the sale of residual interests in single-family residential mortgages (resulting in removal of securitized mortgages from the balance sheet) and securitization of multi-unit residential mortgages qualifying for off-balance sheet accounting. The increase in loans under administration was supported by mortgage production and retail and credit card loan production.

Mortgage Lending

Mortgage Originations and Broker Suspensions

Uninsured and insured single-family residential mortgage originations were impacted directly by, among other things, the Company suspending, during the period of September 2014 to March 2015, its relationship with 18 independent mortgage brokers and two brokerages, for a total of approximately 45 individual mortgage brokers, and a loss of originations from these sources.

Mortgages originated by this group in 2014 could be expected to contribute approximately $6 million to the Company's net income over a full year, or approximately 2% of the total net income of $313.2 million reported in 2014. This group of brokers originated $960.4 million of single-family residential mortgages in 2014, or 5.3% of the outstanding loan assets on the Company's balance sheet. The majority (approximately 60%) of loans originated by this group were the Company's lower margin Accelerator mortgages. The total value of single-family residential mortgage originations for 2014 was $7.65 billion.

The Company also continuously revises its underwriting procedures to ensure best practices. Following the suspension of brokers, the Company further enhanced its income verification procedures to ensure new loans continue to reflect Home Capital's risk appetite, which remains unchanged. These enhancements include requests for more detailed documentation and income verification from brokers, which may have increased approval time for some applications and led some customers to turn to other funding sources in the short-term.

Uninsured Residential Mortgages – "Traditional Mortgages"

Traditional mortgages of $11.86 billion represent the largest portfolio within loans under administration and on-balance sheet loans at 51.8% and 66.0%, respectively. The portfolio increased 0.7% from Q1 2015 and 10.1% from one year ago. Originations of traditional mortgages of $1.29 billion in the quarter were down 15.4% over the same period last year and up 34.7% over Q1 2015. Year-to-date originations were down 13.4% over the first six months of 2014. Traditional originations were impacted directly by the suspension of 45 individual mortgage brokers, as described above. The Company continues to take a prudent approach to growing its traditional residential mortgage business in the current Canadian economic environment. The Company continued to observe strong credit profiles and stable LTVs across the traditional portfolio.

Insured Residential Mortgages

Insured residential loans under administration, which include both insured single-family and multi-unit residential mortgages, were $8.94 billion at the end of the quarter, remaining relatively flat compared with the balance of $8.94 billion at Q1 2015 and $8.97 billion at the end of 2014. Of this total, $4.94 billion were accounted for off-balance sheet, up $741.3 million or 17.7% from the end of 2014 and $388.3 million or over 8.5% from the end of Q1 2015.

The Company originated $279.5 million in insured single-family Accelerator mortgages in the quarter and $459.6 million year to date, down 54.9% and 49.4% from the same the periods last year, and up 55.3% from Q1 2015. Insured residential mortgage originations were impacted by the suspension of 45 individual mortgage brokers, described above. In addition, as the market for insured prime mortgages continues to be highly competitive, the Company continues to view its Accelerator product offering as complementary to its traditional portfolio. The Company continued to sell residual interests in insured fixed-rate single-family National Housing Authority (NHA) MBS, selling $306.5 million in the quarter and $601.9 million year to date in underlying outstanding principal amounts and generating gains of $5.2 million and $9.0 million, respectively. The underlying mortgages included mortgages newly originated or renewed during the period along with insured mortgages held in inventory from prior periods.

The Company originated $221.4 million in the quarter and $288.6 million year to date of insured multi-unit residential mortgages and sold $262.6 million in the quarter and $396.9 million year to date that qualified for off-balance sheet treatment. The sales included mortgages that were renewed from the on-balance sheet portfolio. These sales resulted in $2.6 million and $3.3 million in gains on sale in the quarter and year to date, respectively. The multi-unit residential mortgage market is relatively limited and the Company participates in appropriate transactions as they become available through various origination channels. As a result, origination volumes, sales and resultant securitization gains can vary significantly from quarter to quarter. Most of the Company's new insured multi-unit residential originations qualify for off-balance sheet treatment, and the on-balance sheet securitized multi-unit residential portfolio is declining through amortization and maturities.

From time to time, the Company pools mortgages and may hold the related MBS as liquid assets or inventory for replacement assets for the CMB program. These MBS are carried on the balance sheet at amortized cost as part of residential mortgage loans (see Table 22: Liquidity Resources).

Residential Commercial Mortgages

Residential commercial mortgages include commercial mortgages that are secured by residential property such as non-securitized multi-unit residential mortgages and builders' inventory. The Company will continue to increase these portfolios selectively, when appropriate assets are available.

Non-Residential Commercial Mortgages

Non-residential commercial originations were $205.2 million in the quarter and $335.5 million year to date, an increase of 87.1% and 69.5% over the same periods last year. Non-residential commercial mortgages, which include store and apartments and commercial mortgages, are an important complementary source of loan assets and revenue. Non-residential mortgage production is affected by the availability of appropriate assets and production trends are variable. The portfolio will continue to be managed conservatively by the Company.

Geographic Concentration

Mortgage production continued to favour Ontario and, in particular, the greater Toronto (GTA), through Q2 2015. The Company will continue to cautiously increase business within other markets in Ontario and the rest of Canada to the extent that market conditions remain stable. The concentration of new originations is influenced, in part, by the Company's credit experience. Please see Note 5(A) of the unaudited interim consolidated financial statements for the geographic distribution of the portfolio.

Table 10: Credit Card and Other Consumer Retail Loan Production

						For the three months ended
(000s, except number of accounts)	**June 30, 2015**		March 31, 2015		June 30, 2014	
	Number of New Accounts	**Amount[1]**	Number of New Accounts	Amount[1]	Number of New Accounts	Amount[1]
Credit card loans						
Equityline Visa credit cards	**790**	**$ 34,694**	831	$ 30,832	1,154	$ 43,333
Other credit cards	**2,117**	**3,427**	2,070	3,613	1,799	2,378
Other consumer retail loans						
Water heaters	**7,136**	**28,929**	7,346	27,695	8,365	27,961
Other retail lending	**2,017**	**12,121**	1,378	7,836	1,480	7,398

				For the six months ended
(000s, except number of accounts)	**June 30, 2015**		June 30, 2014	
	Number of New Accounts	**Amount[1]**	Number of New Accounts	Amount[1]
Credit card loans				
Equityline Visa credit cards	**1,621**	**$ 65,526**	2,081	$ 73,302
Other credit cards	**4,187**	**7,040**	3,339	4,278
Other consumer retail loans				
Water heaters	**14,482**	**56,624**	18,381	49,388
Other retail lending	**3,395**	**19,957**	2,629	13,162

[1]For credit cards, the amount represents the authorized credit limits. For water heaters and other retail lending, the amount represents the advanced amount.

Other Lending

Other lending, comprising credit cards and other consumer retail loans, continues to be an important source of loan assets with attractive returns. While representing 3.2% of the total on-balance sheet loan portfolio, these assets generated 6.0% of the interest income for the quarter.

The balance of other consumer retail loans increased 11.2% during the quarter to $230.9 million from $207.7 million in Q1 2015 and increased 24.1% from $186.1 million at the end of 2014.

Credit card balances increased to $342.9 million from $339.1 million last quarter and $330.3 million at the end of 2014. Equityline *Visa* accounts (Home Equity Line of Credit) represent 94.7% of the total credit card balance. Equityline *Visa* originations decreased 19.9% in the quarter and 10.6% year to date, as compared to the same periods last year; however, originations were up 12.5% over last quarter. In general, Equityline *Visa* account originations trend with single-family residential mortgage origination volumes. The year-over-year decrease in Equityline *Visa* originations is in line with the decrease in single-family residential mortgage originations.

Cash and Securities

Cash and securities of $1.36 billion increased $19.0 million from the end of Q1 2015 and $421.3 million from the end of 2014. The increase over last quarter and 2014 reflects higher cash balances held in anticipation of higher originations activity during the summer months that have yet to be fully utilized. Please see the Funding and Liquidity Risk section of this MD&A for further information.

The Company has a term credit facility and a committed insured mortgage purchase facility with a Canadian chartered bank. The details of these facilities are disclosed in Note 4 to the unaudited interim consolidated financial statements included in this report.

Other Assets

Total other assets of $1.20 billion increased $191.6 million from the end of Q1 2015 and $395.8 million from the end of 2014. The increases over both last quarter and 2014 reflect increases in non-Home Trust MBS and treasury bills assigned as replacement assets in the CMB program. As CMB maturities approach, the Company has been replacing maturing securitized mortgages with non-Home Trust MBS and treasury bills. In addition, the change from 2014 includes increases in securitization receivables and retained interest, reflecting the Company's securitization and sale of insured multi-unit residential mortgages and sales of residual interest in insured single-family residential mortgages. Also, the fair value of derivative assets has increased over 2014 reflecting the impact of the decrease in interest rates.

Liabilities and Shareholders' Equity

Table 11: Deposits, Senior Debt and Securitization Liabilities

(000s, except % and number of accounts)	June 30 2015	March 31 2015	December 31 2014	June 30, 2015 - March 31, 2015	June 30, 2015 - December 31, 2014
			As at		% Change
Deposits payable on demand					
High-interest savings accounts	**$ 1,235,681**	$ 1,026,608	$ 854,501	20.4%	44.6%
Oaken Savings Account	**105,082**	66,784	44,409	57.3%	136.6%
Other deposits payable on demand	**95,161**	94,125	165,242	1.1%	(42.4)%
	1,435,924	1,187,517	1,064,152	20.9%	34.9%
Deposits payable on fixed dates					
Brokered GICs	**11,765,961**	11,815,960	11,352,182	(0.4)%	3.6%
Oaken GICs	**782,603**	754,334	720,887	3.7%	8.6%
Institutional deposit notes	**982,056**	984,091	802,750	(0.2)%	22.3%
	13,530,620	13,554,385	12,875,819	(0.2)%	5.1%
Senior debt	**151,930**	154,280	152,026	(1.5)%	(0.1)%
Securitization liabilities					
Mortgage-backed security liabilities	**365,884**	388,078	471,551	(5.7)%	(22.4)%
Canada Mortgage Bond liabilities	**3,144,960**	3,436,112	3,831,912	(8.5)%	(17.9)%
	3,510,844	3,824,190	4,303,463	(8.2)%	(18.4)%
Total	**$ 18,629,318**	$ 18,720,372	$ 18,395,460	(0.5)%	1.3%
Total number of deposit accounts	**421,344**	415,828	395,600	1.3%	6.5%

The Company's deposit portfolio increased primarily to provide funding for the non-securitized loan portfolio. The Company's deposit portfolio principally comprises fixed-term deposits, which represent 90.4% of all deposits, thereby reducing the risk of untimely withdrawal of funds by retail clients. The Company generally matches the terms of its deposits with its assets. Please see the Structural Interest Rate and the Funding and Liquidity Risk sections of this MD&A for more information.

Total deposits reached $14.97 billion, up 1.5% from the end of Q1 2015 and 7.4% from the end of 2014. The Company continues to invest in its longer-term strategy to diversify its sources of funding, including its direct-to-consumer brand, Oaken Financial. The balance of Oaken deposits at the end of the quarter increased by 8.1% over the balance at the end of last quarter and 16.0% over the end of 2014. Oaken Financial opened its first store fronts in Toronto and Calgary this quarter, to better serve its existing customers and attract new customers. Home Trust high-interest savings accounts continue to grow significantly, reaching a balance of $1.24 billion at the end of the quarter, an increase of 20.4% over the $1.03 billion last quarter and an increase of 44.6% over the $854.5 million at the end of 2014. In addition, the Company holds institutional deposit notes of $982.1 million at the end of Q2 2015, compared to $984.1 million last quarter, and $802.8 million at the end of last year.

Securitization liabilities, including MBS and CMB liabilities declined $313.3 million from the end of last quarter and $792.6 million from the end of 2014 due to the amortization of MBS liabilities, the maturity of CMB liabilities and planned changes in the asset mix. New securitization transactions have been primarily off-balance sheet transactions.

Other Liabilities

Other liabilities of $350.8 million increased by $43.8 million from the end of last quarter and $112.2 million from the end of 2014. The change in other liabilities results from an increase in accounts payable and accrued liabilities, which fluctuate between quarters based on timing of the payment of associated liabilities.

Shareholders' Equity

The increase of $87.5 million in total shareholders' equity since December 31, 2014 was primarily internally generated from net income and net of $32.3 million for dividends to shareholders and $0.1 million related to the repurchase of shares.

At the end of the quarter, the book value per common share was $21.87, compared to $21.18 at the end of Q1 2015 and $18.74 one year ago. The Company has consistently increased the net book value per share through earnings.

Off-balance Sheet Arrangements

The Company offers credit products to meet the financial needs of its customers and has outstanding amounts for future advances on mortgage loans which were $1.13 billion at June 30, 2015 ($1.00 billion – Q1 2015; $850.1 million – Q4 2014). These amounts include offers made but not yet accepted by the customer as of the reporting date. Also, included within the outstanding amounts are unutilized non-residential commercial loan advances of $230.9 million at June 30, 2015 ($194.8 million – Q1 2015; $233.8 million – Q4 2014). Offers for the loans remain open for various periods. As at June 30, 2015, unutilized credit card balances amounted to $106.4 million ($105.1 million – Q1 2015; $100.9 million – Q4 2014). Included in the outstanding amounts for future advances of mortgage loans are outstanding future advances for the Equityline *Visa* portfolio of $15.8 million at June 30, 2015 ($13.6 million – Q1 2015; $5.6 million – Q4 2014). The unutilized credit and offers to extend new credit are in the normal course of business and are considered through the Company's liquidity and capital management processes.

The Company has $4.94 billion ($4.55 billion – Q1 2015; $4.20 billion – Q4 2014) of loans under administration that are accounted for off-balance sheet (see Table 8). Please refer to Note 2 and Note 6 of the unaudited interim consolidated financial statements for details of the Company's securitization activities.

Related Party Transactions

The Company had no material related party transactions in the three or six months ended June 30, 2015, other than key management personnel compensation.

CAPITAL MANAGEMENT

The Company's Capital Management Policy and its Capital Adequacy measurement have not changed from the descriptions provided in the 2014 Annual report. The table below provides information on Home Trust's regulatory capital position, risk-weighted assets, capital ratios and Leverage Ratio.

Table 12: Basel III Regulatory Capital (Based on the subsidiary, Home Trust Company)

(000s, except % and multiples)	**June 30 2015**	As at December 31 2014
	All-In Basis	All-In Basis
Common Equity Tier 1 capital (CET 1)		
Capital stock	**$ 38,497**	$ 38,497
Contributed surplus	**951**	951
Retained earnings	**1,504,786**	1,393,117
Accumulated other comprehensive loss	**(47,522)**	(18,571)
Cash flow hedge reserves	**2,165**	2,362
Regulatory deductions from CET 1[1]	**(122,746)**	(101,976)
Total CET 1 capital	**1,376,131**	1,314,380
Additional Tier 1 capital	**-**	-
Total Tier 1 capital	**1,376,131**	1,314,380
Tier 2 capital		
Collective allowance for credit losses[2]	**35,300**	34,100
Subordinated debentures	**156,000**	156,000
Total Tier 2 capital	**191,300**	190,100
Total regulatory capital	**$ 1,567,431**	$ 1,504,480
Risk-weighted assets for		
Credit risk	**$ 6,661,943**	$ 6,267,400
Operational risk	**954,113**	904,438
Total risk-weighted assets, before CVA[3]	**$ 7,616,056**	$ 7,171,838
CVA adjustment for CET 1 capital	**15,240**	10,581
Total CET 1 capital risk-weighted assets	**7,631,296**	7,182,419
CVA adjustment for Tier 1 capital	**16,907**	12,066
Total Tier 1 capital risk-weighted assets	**7,632,963**	7,183,904
CVA adjustment for total capital	**18,336**	14,294
Total risk-weighted assets	**$ 7,634,392**	$ 7,186,132
Regulatory capital to risk-weighted assets		
CET 1 ratio	**18.03%**	18.30%
Tier 1 capital ratio	**18.03%**	18.30%
Total regulatory capital ratio	**20.53%**	20.94%
Leverage Ratio[4]	**6.94**	N/A
National regulatory minimum		
CET 1 ratio	**7.00%**	7.00%
Tier 1 capital ratio	**8.50%**	8.50%
Total regulatory capital ratio	**10.50%**	10.50%
Leverage ratio	**3.00%**	N/A

[1]Regulatory deductions on the all-in basis include intangible assets related to software development and unrealized multi-unit residential mortgage securitization gains, net of deferred taxes.

[2]The Company is allowed to include its collective allowance for credit losses up to a prescribed percentage of 1.25% of total credit risk-weighted assets, inclusive of total CVA before transitional phase-in adjustments, in Tier 2 capital. At June 30, 2015, the Company's collective allowance represented 0.53% of total credit risk-weighted assets, inclusive of total CVA.

[3]CVA – Credit Valuation Adjustment

[4]Effective Q1 2015, the Assets to Capital Multiple (ACM) has been replaced with the Basel III leverage ratio. See definition of the leverage ratio under Non-GAAP Measures in this report.

Home Trust's regulatory "all-in" capital ratios have decreased from the end of 2014 as capital increased at a slower rate than risk-weighted assets. Capital increased principally from an increase in retained earnings of $111.7 million, offset partially by the increase in accumulated other comprehensive loss. Risk-weighted assets increased in line with increases in the Company's uninsured loan portfolio.

The Assets to Capital Multiple (ACM) was replaced with the Basel III leverage ratio measure effective January 1, 2015. The Company has disclosed the leverage ratio and its components under "Regulatory Disclosures" on the Home Trust website. Like the ACM, the leverage ratio is a non-risk adjusted view of a Company's leverage. Compared to the ACM, the leverage ratio has a narrower view of capital, and only includes Tier 1 capital. The leverage ratio also includes some off-balance sheet exposures, including potential future exposure amounts on derivatives, credit equivalent amounts of certain commitments and securities financing transactions. The leverage ratio of 6.94 (March 31, 2015 – 6.75) is in excess of OSFI's established minimum target of 3%, as well as the minimum ratio assigned to the Company by OSFI and the Company's internal targets. The implementation of the leverage ratio has not affected the Company's business plans.

Home Trust's Common Equity Tier 1, Total Tier 1 and Total capital ratios continue to exceed internal capital targets.

Home Trust adopted certain Basel III capital requirements beginning January 1, 2013, as required by OSFI. The transitional basis allows for the transition of certain capital deductions over a period ending January 1, 2018, whereas the all-in basis includes all applicable deductions immediately. For Home Trust, the transitional basis is applied to the deduction from capital of intangible assets related to development costs. Deductions for transitional calculations commenced in 2014. For purposes of meeting minimum regulatory capital ratios prescribed by OSFI, the all-in basis is required.

RISK MANAGEMENT

The shaded areas of this section of the MD&A form an integral part of the unaudited interim consolidated financial statements for the three and six months ended June 30, 2015.

Risk management is an essential component of the Company's strategy, contributing directly to the Company's profitability and consistently high return on equity. The Company continues to invest in risk management practices and resources. The Company's key risk management practices remain in place and are continually reviewed and enhanced from those outlined on pages 54 through 70 in the MD&A section of the Company's 2014 Annual Report.

Credit Risk

Credit risk is the risk of the loss of principal and/or interest from the failure of debtors and/or counterparties to honour their financial or contractual obligations to the Company, for any reason. The Company's overall exposure to credit risk is governed by a defined credit-specific risk appetite, limits, and a Board-approved Credit Risk Policy and regular independent monitoring and reporting. The Company's approach to establishing, implementing and monitoring credit risk policies and guidelines has not changed significantly from the description provided in the 2014 Annual Report.

Mortgage Lending

As part of credit risk management of the mortgage portfolio, senior management and the Enterprise Risk Management (ERM) group monitor various portfolio characteristics, including the characteristics in the following table. Total mortgage loan exposures are presented in Table 8.

Table 13: Mortgage Portfolio On Balance Sheet

(000s, except %)	**June 30 2015**	March 31 2015	December 31 2014	September 30 2014	June 30 2014	March 31 2014
Total mortgage portfolio balance (net of individual allowance)	**$ 17,387,281**	$ 17,589,031	$ 17,746,378	$ 17,725,745	$ 17,305,488	$ 17,119,866
Percentage of residential mortgages	**92.4%**	93.2%	93.8%	94.0%	94.1%	94.2%
Percentage of non-residential mortgages	**7.6%**	6.8%	6.2%	6.0%	5.9%	5.8%
Percentage of mortgage portfolio insured[1]	**24.0%**	25.7%	27.7%	29.6%	32.2%	34.6%
Percentage of mortgages current	**98.0%**	98.1%	97.9%	98.0%	97.9%	97.8%
Percentage of total mortgages over 90 days past due	**0.28%**	0.29%	0.34%	0.34%	0.38%	0.37%

[1]Insured loans are loans insured against default by CMHC or another approved insurer either individually at origination or by portfolio.

Credit risk mitigation is a key component of the Company's approach to credit risk management. The composition of the mortgage portfolio is well within the policy limits. The portfolio continues to perform well, with arrears and net write-offs that are well within expected levels.

The Company mitigates credit risk by ensuring borrowers have the capacity and willingness to pay and through collateral in the form of real property. Loan to value (LTV) is a key credit metric. Please see Tables 18 and 19 for further information.

The Company continues to actively monitor the mortgages associated with the 45 suspended individual mortgage brokers and there have been no unusual credit issues.

Due to the level of activity in the high-rise condominium market in certain cities, the Company continues to closely monitor market conditions and the performance of this portfolio. Condominiums represent 9.0% of the residential mortgage portfolio and, of these, 23.2% are insured. The average current LTV of the condominium portfolio was 67.4% at the end of Q2 2015. The credit performance of the condominium portfolio is strong and within the Company's expectations with 98.6% of the portfolio current and 0.2% over 90 days.

The Company continues to closely monitor its exposure and the credit performance of mortgages in oil-producing regions, including in Alberta, Saskatchewan and Newfoundland and Labrador. At June 30, 2015, 4.0% of the uninsured mortgage portfolio was in these regions, with an average LTV of 62.5%, and 97.4% were current.

The level of non-residential mortgages has grown over the last 12 months and the Company anticipates that the non-residential portfolio will continue to grow. The proportion is well within the policy limits.

Other Lending

Credit card balances were $342.9 million at the end of the quarter, virtually all of which are secured by either cash deposits or residential property. Within the credit card portfolio, Equityline *Visa* accounts, which are secured by residential property, represent the principal driver of receivable balances. The Equityline *Visa* portfolio had a weighted-average LTV of 62.2% at the end of the quarter, compared to 62.1% at the end of Q1 2015 and 64.4% at the end of Q2 2014. The LTV includes both the first mortgage and the secured Equityline *Visa* balance.

Senior management and the ERM group closely monitor the credit performance of the credit card portfolio. The portfolio continues to perform well, with arrears well within expected levels. As of June 30, 2015, $2.0 million or 0.6% of the credit card portfolio was over 90 days in arrears, compared to $2.0 million or 0.6% at March 31, 2015 and $2.3 million or 0.7% at June 30, 2014.

Retail credit is secured by charges on financed assets, primarily improvements to residential property or fixtures, such as water heaters. Water heater loans are also guaranteed by the gas supplier.

Refer to Note 5(A) in the unaudited interim financial statements included in this report for a breakdown of the overall loan portfolio by geographic region. While the Company's strategy is to increase the geographic diversification of the loan portfolio, this has been tempered by credit and economic conditions in local markets.

Non-Performing Loans, Credit Provisions and Allowances

Net non-performing loans remain within expected and acceptable ranges. The table below provides the breakdown on non-performing loans by product type.

Table 14: Net Non-Performing Loans by Product

						As at
(000s, except %)		**June 30 2015**		March 31 2015		December 2014
Single-family residential mortgages	**$**	**53,134**	$	41,191	$	50,743
Residential commercial mortgages		**-**		54		54
Non-residential commercial mortgages		**3,817**		2,532		2,461
Credit card loans		**1,921**		2,021		1,858
Other consumer retail loans		**-**		-		-
Securitized single-family residential mortgages		**-**		-		-
Securitized multi-unit residential mortgages		**-**		-		-
Net non-performing loans	**$**	**58,872**	$	45,798	$	55,116
Percentage of gross loans		**0.33%**		0.25%		0.30%

Write-offs, net of recoveries, during the quarter totaled $1.1 million or 0.02% of gross loans on an annualized basis. The Company continually monitors arrears and the write-offs and deals effectively with non-performing loans.

The Company maintains credit allowances that, in management's judgement, are sufficient to cover incurred losses and identified credit events in the loans portfolio. Expected and unexpected future losses are mitigated with a combination of risk-sensitive pricing, strong earnings and a strong capital position.

Table 15: Allowance for Credit Losses by Product

(000s)						As at
		June 30 2015		March 31 2015		December 31 2014
Individual allowance						
Single-family residential mortgages	**$**	**2,243**	$	1,994	$	2,368
Residential commercial mortgages		**-**		-		-
Non-residential commercial mortgages		**630**		305		112
Credit card loans		**68**		22		80
Other consumer retail loans		**144**		174		163
Total individual allowance		**3,085**		2,495		2,723
Collective allowance						
Single-family residential mortgages		**21,632**		21,232		20,632
Residential commercial mortgages		**327**		327		327
Non-residential commercial mortgages		**9,500**		9,300		9,300
Credit card loans		**3,541**		3,541		3,541
Other consumer retail loans		**300**		300		300
Total collective allowance		**35,300**		34,700		34,100
Total allowances	**$**	**38,385**	$	37,195	$	36,823

At the end of the second quarter, the Company held a collective allowance of $35.3 million, increasing from $34.7 million at the end of Q1 2015 and $32.9 million at the end of Q2 2014. The Company has security in the form of real property or cash deposits for virtually the entire loans portfolio. The principal factors impacting the assessment of the adequacy of the collective allowance are the stable credit performance in the Company's principal markets, the increased weighting of uninsured mortgages and the low loan to value of the uninsured mortgage portfolio. For the most part, these factors tend to offset each other and, accordingly, the collective allowance has been increased marginally and currently exceeds the net write-offs experienced over the past 36 months.

Additional Information: Residential Loans and Equityine Visa (HELOC)

The following tables provide additional information on the composition of the Company's single-family residential mortgage portfolio by province and insured status, as well as effective remaining amortization periods and loan to value by province.

Table 16: Single-family Residential Loans by Province

(000s, except %)							**As at June 30, 2015**
	Insured Residential Mortgages[1]	**Percentage of Total for Province**	**Uninsured Residential Mortgages**	**Percentage of Total for Province**	**Equityline *Visa*[2]**	**Percentage of Total for Province**	**Total**
British Columbia	**$ 257,138**	**31.1% $**	**566,740**	**68.4% $**	**3,790**	**0.5% $**	**827,668**
Alberta	**204,650**	**33.5%**	**392,603**	**64.4%**	**13,005**	**2.1%**	**610,258**
Ontario	**2,571,987**	**19.7%**	**10,184,872**	**78.0%**	**304,315**	**2.3%**	**13,061,174**
Quebec	**148,106**	**29.0%**	**361,401**	**70.7%**	**1,516**	**0.3%**	**511,023**
Other	**123,598**	**41.9%**	**169,327**	**57.3%**	**2,267**	**0.8%**	**295,192**
	$ 3,305,479	**21.6% $**	**11,674,943**	**76.3% $**	**324,893**	**2.1% $**	**15,305,315**

(000s, except %)							As at March 31, 2015
	Insured Residential Mortgages[1]	Percentage of Total for Province	Uninsured Residential Mortgages	Percentage of Total for Province	Equityline *Visa*[2]	Percentage of Total for Province	Total
British Columbia	$ 275,960	33.0% $	555,675	66.5% $	4,018	0.5% $	835,653
Alberta	225,972	35.6%	395,097	62.2%	13,860	2.2%	634,929
Ontario	2,799,874	21.1%	10,146,757	76.6%	300,732	2.3%	13,247,363
Quebec	152,812	29.3%	367,459	70.4%	1,584	0.3%	521,855
Other	118,294	41.1%	167,224	58.1%	2,280	0.8%	287,798
	$ 3,572,912	23.0% $	11,632,212	74.9% $	322,474	2.1% $	15,527,598

(000s, except %)							As at December 31, 2014
	Insured Residential Mortgages[1]	Percentage of Total for Province	Uninsured Residential Mortgages	Percentage of Total for Province	Equityline *Visa*[2]	Percentage of Total for Province	Total
British Columbia	$ 301,557	34.1% $	579,031	65.4% $	4,323	0.5% $	884,911
Alberta	248,418	38.7%	379,769	59.0%	14,512	2.3%	642,699
Ontario	2,993,336	22.3%	10,121,442	75.5%	292,098	2.2%	13,406,876
Quebec	166,704	31.9%	354,293	67.8%	1,477	0.3%	522,474
Other	127,333	42.7%	168,764	56.5%	2,308	0.8%	298,405
	$ 3,837,348	24.4% $	11,603,299	73.6% $	314,718	2.0% $	15,755,365

[1]See definition of insured loans under the Glossary of this report.
[2]Equityline *Visa* is an uninsured product.

Table 17: Insured and Uninsured Single-Family Residential Mortgages by Effective Remaining Amortization Period

(000s, except %)						**As at June 30, 2015**
	≤ 20 Years	>20 and ≤ 25 Years	>25 and ≤ 30 Years	>30 and ≤ 35 Years	> 35 Years	Total
Balance outstanding	**$ 685,364**	**$ 2,130,428**	**$ 11,163,650**	**$ 991,965**	**$ 9,015**	**$ 14,980,422**
Percentage of total	**4.6%**	**14.2%**	**74.5%**	**6.6%**	**0.1%**	**100.0%**

(000s, except %)						As at March 31, 2015
	≤ 20 Years	>20 and ≤ 25 Years	>25 and ≤ 30 Years	>30 and ≤ 35 Years	> 35 Years	Total
Balance outstanding	$ 670,793	$ 2,159,879	$ 11,044,856	$ 1,317,576	$ 12,020	$ 15,205,124
Percentage of total	4.4%	14.2%	72.6%	8.7%	0.1%	100.0%

(000s, except %)						As at December 31, 2014
	≤ 20 Years	>20 and ≤ 25 Years	>25 and ≤ 30 Years	>30 and ≤ 35 Years	> 35 Years	Total
Balance outstanding	$ 677,965	$ 2,220,655	$ 10,905,290	$ 1,621,133	$ 15,604	$ 15,440,647
Percentage of total	4.4%	14.4%	70.6%	10.5%	0.1%	100.0%

Table 18: Weighted-Average Loan to Value Ratios for Uninsured Single-Family Residential Mortgages Originated During the Quarter

						For the three months ended
		June 30 2015		March 31 2015		June 30 2014
	Uninsured Residential Mortgages[1]	Equityline *Visa*[1]	Uninsured Residential Mortgages[1]	Equityline *Visa*[1]	Uninsured Residential Mortgages[1]	Equityline Visa[1]
British Columbia	**67.3%**	**64.3%**	69.3%	59.4%	69.5%	60.9%
Alberta	**69.6%**	**53.5%**	70.6%	51.5%	73.1%	55.9%
Ontario	**74.3%**	**64.3%**	73.7%	59.3%	74.4%	57.3%
Quebec	**70.0%**	**55.4%**	70.0%	55.4%	69.1%	62.6%
Other	**69.5%**	**55.5%**	69.7%	50.2%	66.6%	47.6%
Total	**73.4%**	**64.3%**	73.1%	59.2%	73.9%	57.3%

[1]Weighted-average LTV is calculated by dividing the sum of the products of LTVs and loan balances by the sum of the loan balances.

The Company actively manages the entire mortgage portfolio and performs both standardized and ad-hoc stress testing. Stress testing includes scenarios that are based on a combination of increasing unemployment, rising interest rates, and a downturn in real estate markets, as well as, specific operational, market and single factor stress tests. The probability of delinquency in the residential mortgage portfolio is most closely correlated with changes in employment. Consequently, during an economic downturn either regionally or nationally, the Company would expect an increased rate of delinquency and also an increase in credit losses. The Company's stress tests related to either regional or national economic downturns, which include declining housing prices and increased unemployment, indicate that the Company has sufficient capital to absorb such event, albeit with increases to credit losses. The total single-family residential mortgage portfolio including HELOC was $15.31 billion as of June 30, 2015, of which $3.31 billion was insured against credit losses. The Company would expect to recover any lost principal, interest and direct collection costs associated with this insured portion of the portfolio. Management monitors these risks carefully on an ongoing basis, including stress testing of the portfolio.

The Company's key mitigant against credit losses in the event of default in the uninsured portfolio is the excess of the value of the collateral over the outstanding loan amount (expressed as LTV ratio). As at June 30, 2015, the weighted-average LTV of the uninsured portfolio against the estimated current market value was 67.2% compared to 66.7% at the end of Q1 2015 and 67.8% at the end of Q4 2014. These LTVs were estimated using the Teranet-National Bank National Composite House Price Index and the most recent appraisals. If an economic downturn involved reduced real estate values, the margin of value over loan amounts would be eroded and the extent of loan losses could increase. The distribution of LTV around the mean for each significant market is indicated below.

Table 19: Weighted-Average Loan to Value Ratios for Uninsured Residential Mortgages

	As at June 30, 2015			As at March 31, 2015		
	Weighted-Average Current LTV[1]	Percentage of Total Value of Outstanding Mortgages with Current LTV Less than or Equal to		Weighted-Average Current LTV[1]	Percentage of Total Value of Outstanding Mortgages with Current LTV Less than or Equal to	
		75%	65%		75%	65%
British Columbia	**64.3%**	**88.6%**	**52.1%**	64.4%	86.7%	48.8%
Alberta	**65.3%**	**80.3%**	**45.0%**	63.8%	82.7%	50.4%
Ontario	**67.5%**	**72.9%**	**36.3%**	67.0%	73.6%	36.8%
Quebec	**65.7%**	**89.8%**	**43.1%**	65.6%	89.0%	41.6%
Other	**64.8%**	**85.8%**	**49.0%**	64.4%	84.3%	49.3%
Total	**67.2%**	**74.6%**	**37.8%**	66.7%	75.1%	38.1%

[1]Weighted-average LTV is calculated by dividing the sum of the products of LTVs and loan balances by the sum of the loan balances.

Market Risk

For the Company, Market Risk consists primarily of Investment Risk and Structural Interest Rate Risk. A summary of these risks is as follows:

Investment Risk

Investment risk is the risk of loss due to impairment in the fair value of investments. The Company's investment portfolio consists primarily of preferred shares at 46.5% of the portfolio, and corporate and governments bonds at 51.0% of the portfolio. The total balance was $449.2 million at the end of Q2 2015 compared to $463.7 million at the end of Q1 2015 and $582.8 million at the end 2014.

There have been no changes to the Company's investment risk management framework since the end of 2014. Please see page 63 of the 2014 Annual Report for more details.

Structural Interest Rate Risk

Structural interest rate risk is the risk of lost earnings or capital due to 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. There have been no significant changes to the Company's market risk management framework, interest rate risk policies, guidelines and procedures since the end of 2014. Please see page 63 of the 2014 Annual Report for more details.

From time to time, the Company enters into derivative transactions in order to hedge interest rate exposure resulting from outstanding loan commitments and requirements to replace assets in the CMB program, as well as interest rate risk on fixed-rate mortgages, debt and deposits, such as CMB liabilities and senior debt. Where appropriate, the Company will apply hedge accounting to minimize volatility in reported earnings from interest rate changes. All derivative contracts are over-the-counter contracts with highly rated Canadian financial institutions. Please see the Non-Interest Income section of this MD&A and Note 12 to the unaudited interim consolidated financial statements included in this report for further information.

The Company is exposed to interest rate risk as a result of a difference, or gap, between the maturity or re-pricing date of interest-sensitive assets and liabilities. The following table shows the gap positions at June 30, 2015, March 31, 2015 and December 31, 2014 for selected period intervals. Figures in parentheses represent an excess of liabilities over assets or a negative gap position.

This schedule reflects the contractual maturities of both assets and liabilities, adjusted for assumptions regarding the effective change in the maturity date as a result of a mortgage becoming impaired and for credit commitments and derivatives. 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 made but may not materialize. In measuring its interest rate risk exposure, the Company makes assumptions about these factors and monitors these against actual experience. Variable rate assets and liabilities are allocated to a maturity category based on their interest re-pricing date.

Table 20: Interest Rate Sensitivity

(000s), except % (Unaudited)							**As at June 30, 2015**
	Floating Rate	0 to 3 Months[1]	3 Months to 1 Year	1 to 5 Years	Over 5 Years	Non-interest Sensitive	Total
Total assets	**$ 136,687**	**$ 6,708,123**	**$ 7,971,073**	**$ 5,069,904**	**$ 230,928**	**$ 399,532**	**$ 20,516,247**
Total liabilities and equity	**(1,515,564)**	**(4,472,913)**	**(4,866,542)**	**(7,601,287)**	**(80,997)**	**(1,978,944)**	**(20,516,247)**
Off-balance sheet items	**-**	**(1,106,112)**	**35,396**	**802,438**	**268,278**	**-**	**-**
Interest rate sensitive gap	**$ (1,378,877)**	**$ 1,129,098**	**$ 3,139,927**	**$ (1,728,945)**	**$ 418,209**	**$ (1,579,412)**	**$ -**
Cumulative gap	**$ (1,378,877)**	**$ (249,779)**	**$ 2,890,148**	**$ 1,161,203**	**$ 1,579,412**	**$ -**	**$ -**
Cumulative gap as a percentage of total assets	**(6.7)%**	**(1.2)%**	**14.1%**	**5.7%**	**7.7%**	**-**	**-**

(000s), except % (Unaudited)							As at March 31, 2015
	Floating Rate	0 to 3 Months[1]	3 Months to 1 Year	1 to 5 Years	Over 5 Years	Non-interest Sensitive	Total
Total assets	$ 96,853	$ 6,277,508	$ 8,431,084	$ 5,075,115	$ 254,409	$ 379,644	$ 20,514,613
Total liabilities and equity	(1,093,393)	(4,542,324)	(4,841,287)	(8,068,697)	(83,865)	(1,885,047)	(20,514,613)
Off-balance sheet items	-	(977,251)	34,512	784,941	157,798	-	-
Interest rate sensitive gap	$ (996,540)	$ 757,933	$ 3,624,309	$ (2,208,641)	$ 328,342	$ (1,505,403)	$ -
Cumulative gap	$ (996,540)	$ (238,607)	$ 3,385,702	$ 1,177,061	$ 1,505,403	$ -	$ -
Cumulative gap as a percentage of total assets	(4.9)%	(1.2)%	16.5%	5.7%	7.3%	-	-

(000s), except % (Unaudited)							As at December 31, 2014
	Floating Rate	0 to 3 Months [1]	3 Months to 1 Year	1 to 5 Years	Over 5 Years	Non-interest Sensitive	Total
Total assets	$ 224,638	$ 5,271,275	$ 8,394,675	$ 5,270,474	$ 580,070	$ 341,612	$ 20,082,744
Total liabilities and equity	(898,909)	(3,934,508)	(5,853,264)	(7,051,045)	(494,757)	(1,850,261)	(20,082,744)
Off-balance sheet items	-	(842,992)	43,888	621,638	177,466	-	-
Interest rate sensitive gap	$ (674,271)	$ 493,775	$ 2,585,299	$ (1,158,933)	$ 262,779	$ (1,508,649)	$ -
Cumulative gap	$ (674,271)	$ (180,496)	$ 2,404,803	$ 1,245,870	$ 1,508,649	$ -	$ -
Cumulative gap as a percentage of total assets	(3.4)%	(0.9)%	12.0%	6.2%	7.5%	-	-

[1] Total assets in the 0-3 month category above include $1.9 billion in variable rate mortgages ($2.1 billion in Q1 2015 and $2.2 billion in Q4 2014)

To assist in matching assets and liabilities, the Company utilizes a variety of metrics, including two interest rate risk sensitivity metrics that measure the relationship between changes in interest rates and the resulting estimated impact on both the Company's future net interest income and economic value of shareholders' equity. The Company measures these metrics over a number of different yield curve scenarios.

The following table provides measurements of interest rate sensitivity and the potential after-tax impact of an immediate and sustained 100 basis-point increase and decrease in interest rates on net interest income, the economic value of shareholders' equity and OCI.

Table 21: Impact of Interest Rate Shifts

(000s)	**June 30 2015**	March 31 2015	December 31 2014	**June 30 2015**	March 31 2015	December 31 2014
		Increase in interest rates			Decrease in interest rates	
100 basis point shift						
Impact on net interest income, after tax						
(for the next 12 months)	**$ 11,426**	$ 11,108	$ 8,642	**$ (10,300)**	$ (10,284)	$ (8,642)
Impact on net present value of shareholders' equity	**19,723**	26,308	13,953	**(21,436)**	(27,221)	(14,694)
Impact on other comprehensive income	**2,156**	2,079	2,114	**(1,983)**	(1,937)	(2,114)

Funding and Liquidity Risk

This is the risk that the Company is unable 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. This risk will arise from fluctuations in the Company's cash flows associated with lending, securitization, deposit-taking, investing and other business activities. There have been no significant changes to the Company's funding and liquidity risks, policies, guidelines or the measurement and management of the risks since the end of 2014. Please refer to pages 66 through 67 of the 2014 Annual Report for more information.

The Company's liquid assets are presented in the table below.

Table 22: Liquidity Resources

(000s, except %)	**June 30 2015**	March 31 2015	December 31 2014
Cash and cash equivalents per balance sheet	**$ 915,674**	$ 882,252	$ 360,746
Available for sale securities per balance sheet	**449,216**	463,669	582,819
Add: MBS included in residential mortgages	**659,784**	701,377	362,801
	2,024,674	2,047,298	1,306,366
Less: securities held for investment	**(208,857)**	(221,523)	(248,069)
Liquid assets at carrying value	**$ 1,815,817**	$ 1,825,775	$ 1,058,297
Liquid assets at fair value	**$ 1,825,869**	$ 1,832,034	$ 1,059,821
Liquid assets at carrying value as a % of total assets	**8.9%**	8.9%	5.3%

Certain Company-originated MBS are held as liquid assets, but are classified in residential mortgages on the balance sheet, as required by IFRS. The underlying mortgages are insured and the securities are stamped by the Canada Mortgage and Housing Corporation (CMHC). On an overall basis, liquidity resources fluctuate as the Company's future cash requirements change.

As required by OSFI's "Liquidity Adequacy Requirements" (LAR), effective January 1, 2015, the Company reports its Liquidity Coverage Ratio (LCR) to OSFI, which is a minimum regulatory liquidity standard adopted by OSFI. The LCR requires regulated financial institutions to maintain a sufficient stock of high-quality liquid assets to cover a minimum of 30 days of net cumulative cash flow requirements in a stressed environment. As well, the Company reports the OSFI-designed Net Cumulative Cash Flow (NCCF), which measures detailed cash flows to capture the risk posed by funding mismatches over and up to a 12 month time horizon. The Company complies with these requirements.

Operational Risk

Operational risk, which is inherent in all business activities, is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk, but excludes strategic and reputational risk. The key elements of the Company's operational risk framework including governance, risk identification and assessment, risk measurement, risk monitoring and reporting, business continuity and crisis management and corporate insurance have not changed significantly from the description provided on pages 68 to 69 of the 2014 Annual Report.

The financial services sector, including the Company, remains exposed to cyber-crime risk. Threats are increasing in scale, scope and complexity. The Company continues to enhance and strengthen its information security program. In addition to cyber-crime, the Company is continuously exposed to other various types of fraud stemming from the nature of the Company's business. For example, the Company must often rely on information provided by customers and other third parties in its decisions to enter into transactions such as extending credit. The recent increasing pace of advancement in available technology has increased the sophistication and complexity of potential fraud crimes to which the Company is exposed. The Company continues to introduce and enhance processes to defend against more sophisticated and complex fraud. Despite the Company's commitment to information and cyber security and fraud prevention, the Company and its third-party service providers may not be able to fully mitigate all risks associated with the increased complexity and high rate of change in the threat landscape. Furthermore, to the extent that the Company encounters events that impact its relationships with its third-party service providers, the Company may be exposed to service disruptions, regulatory action, financial loss, litigation or reputational damage. These complex relationships continue to receive increased oversight from regulators and attention from the media. As part of the Company's ongoing reviews of its operating procedures, the Company evaluates the alignment of all of its business partners' processes and controls with the Company's own processes and controls, and change relationships as appropriate. As part of its process, the Company maintains a list of third party service providers, whose use is prohibited.

ACCOUNTING STANDARDS AND POLICIES

The significant accounting policies and critical accounting estimates are outlined in Note 2 to the audited consolidated financial statements included in the Company's 2014 Annual Report. These policies are critical as they refer to material amounts and require management to make estimates.

Future Changes in Accounting Standards

The new IFRS pronouncements that have been issued but are not effective and may have a future impact on the Company are discussed in Note 3 of the unaudited interim consolidated financial statements.

Controls over Financial Reporting

Disclosure Controls and Internal Control over Financial Reporting

Management is responsible for establishing the integrity and fairness of financial information presented in the consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles. As such, management has established disclosure controls and procedures and internal controls over financial reporting to ensure that the Company's consolidated financial statements and the Management's Discussion and Analysis present fairly, in all material respects, the financial position of the Company and the results of its operations.

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

There were no changes in the quarter that have or could reasonably be expected to materially affect internal control over financial reporting.

Comparative Consolidated Financial Statements

The comparative unaudited interim consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2015 unaudited interim consolidated financial statements.

QUARTERLY FINANCIAL HIGHLIGHTS

Table 23: Summary of Quarterly Results

(000s, except per share amounts and %)	**2015**		2014				2013	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net interest income (TEB[1])	**$ 118,175**	$ 116,511	$ 117,440	$ 118,648	$ 116,187	$ 111,371	$ 111,888	$ 107,536
Less: TEB adjustment	**965**	987	1,024	1,065	1,044	984	921	942
Net interest income per financial statements	**117,210**	115,524	116,416	117,583	115,143	110,387	110,967	106,594
Non-interest income	**29,061**	27,092	56,437	24,972	26,765	25,185	21,827	19,624
Non-interest expense	**47,374**	43,663	39,889	42,901	40,522	38,940	37,862	37,635
Total revenues	**250,879**	249,232	284,592	255,046	255,448	247,900	246,365	239,433
Total adjusted revenues[2]	**250,879**	249,232	251,917	255,046	255,448	247,900	246,365	239,433
Net income	**72,317**	72,286	95,936	73,755	73,745	69,736	68,827	66,417
Adjusted net income[2]	**72,317**	72,286	71,917	73,755	73,745	69,736	68,827	66,417
Return on shareholders' equity	**19.1%**	19.7%	27.2%	22.0%	23.1%	23.1%	23.9%	24.3%
Adjusted return on shareholders' equity[2]	**19.1%**	19.7%	20.4%	22.0%	23.1%	23.1%	23.9%	24.3%
Return on average total assets	**1.4%**	1.4%	1.9%	1.4%	1.4%	1.4%	1.4%	1.3%
Total assets under administration	**25,456,212**	25,066,234	24,281,366	24,226,114	23,716,585	22,871,407	21,997,781	21,287,095
Total loans under administration	**22,922,440**	22,742,462	22,563,532	22,153,408	21,235,234	20,475,143	19,941,832	19,530,680
Earnings per common share[3]								
Basic	**$ 1.03**	$ 1.03	$ 1.37	$ 1.05	$ 1.06	$ 1.00	$ 0.99	$ 0.96
Diluted	**$ 1.03**	$ 1.03	$ 1.36	$ 1.05	$ 1.05	$ 1.00	$ 0.98	$ 0.95
Adjusted earnings per common share[2,3]								
Basic	**$ 1.03**	$ 1.03	$ 1.03	$ 1.05	$ 1.06	$ 1.00	$ 0.99	$ 0.96
Diluted	**$ 1.03**	$ 1.03	$ 1.02	$ 1.05	$ 1.05	$ 1.00	$ 0.98	$ 0.95
Book value per common share[3]	**$ 21.87**	$ 21.18	$ 20.67	$ 19.57	$ 18.74	$ 17.82	$ 16.95	$ 16.14
Efficiency ratio (TEB[1])	**32.2%**	30.4%	22.9%	29.9%	28.3%	28.5%	28.3%	29.6%
Adjusted efficiency ratio (TEB[1,2])	**32.2%**	30.4%	28.2%	29.9%	28.3%	28.5%	28.3%	29.6%
Common equity tier 1 ratio[4]	**18.03%**	17.95%	18.30%	17.58%	17.45%	17.22%	16.80%	16.72%
Tier 1 capital ratio[4]	**18.03%**	17.94%	18.30%	17.58%	17.45%	17.22%	16.80%	16.72%
Total capital ratio[4]	**20.53%**	20.50%	20.94%	20.24%	20.20%	20.06%	19.69%	19.72%
Net non-performing loans as a % of gross loans	**0.33%**	0.25%	0.30%	0.27%	0.32%	0.33%	0.35%	0.32%
Annualized provision as a % of gross uninsured loans	**0.07%**	0.07%	0.09%	0.11%	0.10%	0.11%	0.14%	0.10%
Annualized provision as a % of gross loans	**0.05%**	0.05%	0.07%	0.08%	0.07%	0.07%	0.09%	0.09%

1 TEB - Taxable Equivalent Basis: see definition under Non-GAAP Measures in this report.

2 See definition of Total Adjusted Revenue, Adjusted Net Income, Adjusted Return on Shareholders' Equity, Adjusted Earnings per Common Share, and Adjusted Efficiency Ratio under Non-GAAP Measures in this report.

3 During Q1 2014, the Company paid a stock dividend of one common share per each issued and outstanding common share.
Accordingly, both basic and diluted earnings per common share and book value per common share are reduced to half for all periods prior to 2014 presented.

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

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 while the second and third quarters have traditionally experienced higher levels of advances. First quarter credit statistics may experience decline reflecting post-holiday arrears increases. Non-interest expenses and the efficiency ratio tend to increase in the third quarter, reflecting increased lending activity through the summer period.

The Company continues to achieve positive financial results driven by strong net interest margins, continued low operating expenses and favourable non-interest income. Capital ratios over the last eight quarters reflect the Company's prudent capital management strategies and the proactive approach to maintaining a strong capital base.

NON-GAAP MEASURES AND GLOSSARY

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 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 MD&A are defined as follows:

Adjusted Revenue, Adjusted Net Income, and Adjusted Earnings per Share

The Company presents adjusted revenue, adjusted net income and adjusted earnings per share. The adjusted results remove "items of note", net of income taxes, from reported results for items which managements does not believe are indicative of future results. The only item of note is for the after-tax prepayment income associated with the sale of the water heater loans portfolio in Q4 2014. There were no items of note for the three and six months ended June 30, 2015 and June 30, 2014 or for the previous quarter ended March 31, 2015. Return on shareholders' equity and efficiency ratios are also presented on an adjusted basis (please see definition below).

Allowance as a Percentage of Gross Loans

Allowance as a percentage of gross loans is calculated as the total allowance divided by the gross on-balance sheet loans outstanding, which includes all on-balance sheet loans, except for loans held for sale.

Assets to Capital Multiple (ACM)

The ACM discussed in this MD&A is that of the Company's wholly owned subsidiary Home Trust Company. The calculations are in accordance with guidelines issued by OSFI. The multiple reflects total regulatory assets, including specified off-balance sheet items net of other specified deductions, divided by Total regulatory capital. For periods beginning on or after January 1, 2015, the ACM has been replaced by the leverage ratio (see definition below).

Common Equity Tier 1, 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 OSFI. Refer to Note 8(C) to the unaudited interim consolidated financial statements included in this report.

Efficiency or Productivity Ratio and Adjusted Efficiency or Productivity Ratio

Management uses the efficiency ratio as a measure of the Company's efficiency in generating revenue. This ratio represents non-interest expenses as a percentage of total revenue, net of interest expense. 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. In addition, the Company uses the adjusted efficiency ratio, which is calculated using adjusted revenue. A lower ratio indicates better efficiency.

Leverage Ratio

The leverage ratio provided in this MD&A is that of the Company's wholly owned subsidiary Home Trust Company. The calculations are in accordance with guidelines issued by OSFI. The leverage ratio is defined as the Capital Measure divided by the Exposure Measure, with the ratio expressed as a percentage. The Capital Measure is the all-in Tier 1 capital of Home Trust. The Exposure Measure consists of on-balance sheet, derivative, securities financing transaction and off-balance sheet exposures. The leverage ratio has replaced the ACM (defined above) and is effective for Home Trust as of January 1, 2015.

Liquid Assets

Liquid assets are unencumbered high quality assets for which there is a broad and active secondary market available to the Company to sell these assets without incurring a substantial discount. Liquid assets are a dependable source of cash used by the Company when it experiences short-term funding shortfalls.

Market Capitalization

Market capitalization is calculated as the closing price of the Company's common shares multiplied by the number of common shares of the Company outstanding.

Net Interest Margin (Non-TEB)

Net interest margin is a measure of profitability of assets. Net interest margin is calculated by taking net interest income divided by the average total assets generating the interest income.

Net Interest Margin (TEB)

Net interest margin is a measure of profitability of assets. Net interest margin (TEB) is calculated by taking net interest income, on a taxable equivalent basis, divided by the average total assets generating the interest income.

Net Non-Performing Loans as a Percentage of Gross Loans (NPL Ratio)

The NPL ratio is calculated as the total net non-performing loans divided by the gross on-balance sheet loans, which includes all on-balance sheet loans, except for loans held for sale.

Provision as a Percentage of Gross Loans (PCL Ratio)

The PCL ratio is calculated as the total individual and collective provision expense divided by the gross on-balance sheet loans outstanding, which includes all on-balance sheet loans, except for loans held for sale.

Provision as a Percentage of Gross Uninsured Loans

The provision as a percentage of gross uninsured loans ratio is calculated as the total individual and collective provision expense divided by the gross on-balance sheet uninsured loans outstanding.

Return on Assets (ROA)

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

Return on Shareholders' Equity (ROE) and Adjusted Return on Shareholders' Equity

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

Risk-Weighted Assets (RWA)

The risk-weighted assets reported 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 OSFI. Refer to Note 8(C) to the unaudited interim consolidated financial statements included in this report.

Taxable Equivalent Basis (TEB)

Most banks and trust companies analyze and discuss their financial results on a taxable equivalent basis (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 principally from preferred and common equity securities. The adjustment to TEB used in this MD&A 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. TEB adjustments of $1.0 million for Q2 2015 ($1.0 million – Q1 2015; $1.0 million – Q2 2014) increased interest income as used in the calculation of net interest margin. Net interest margin is discussed on a TEB throughout this MD&A. See Table 3 for the calculation of net interest income on a tax equivalent basis.

Total Assets under Administration (AUA)

Total assets under administration refers to all on-balance sheet assets plus all off-balance sheet loans that qualify for derecognition under IFRS.

Total Loans under Administration (LUA)

Total loans under administration refers to all on-balance sheet loans plus all off-balance sheet loans that qualify for derecognition under IFRS.

Glossary of Terms

Assets or Loans under Administration refer to assets or loans administered by a financial institution that are beneficially owned by clients and therefore not reported on the balance sheet of the administering financial institution, plus all assets or loans beneficially owned by the Company and carried on the balance sheets.

Average Earning Assets represents the monthly average balance of deposits with other banks and loans and securities over a relevant period.

Basis Point is one-hundredth of a percentage point.

Canada Deposit Insurance Corporation (CDIC) is a Canadian federal Crown corporation created to protect qualifying deposits made with member financial institutions in case of their failure.

Collective Allowance (previously referred to as the General Allowance) is established for incurred losses inherent in the portfolio that are not presently identifiable on a loan-by-loan basis and reflects the relative risk of the various loan portfolios that the Company manages.

Derivatives used by the Company are contracts whose value is "derived" from movements in interest rates. Derivatives allow for the transfer, modification or reduction of current or expected risks from changes in rates.

Forwards used by the Company are contractual agreements to either buy or sell a specified amount of an interest-rate-sensitive financial instrument or security at a specific price and date in the future. Forwards are customized contracts transacted in the over-the-counter market.

Hedging is a risk management technique used by the Company to neutralize, manage or offset interest rate, equity, of credit exposures arising from normal banking activities.

Impaired or Non-performing Loans are loans for which there is no longer reasonable assurance of the timely collection of principal or interest.

Individual Allowances (previously referred to as Specific Allowances) reduce the carrying value of individual credit assets to the amount expected to be recovered if there is evidence of deterioration in credit quality.

Insured Loans are loans insured against default by CMHC or another approved insurer either individually at origination or by portfolio. The Company's insured lending includes single-family homes and multi-unit residential properties.

Net Interest Income is comprised of earnings on assets, such as loans and securities, including interest and dividend income, less interest expense paid on liabilities, such as deposits.

Notional Amount refers to the principal used to calculate interest and other payments under derivative contracts. The principal does not change hands under the terms of a derivative contract.

Office of the Superintendent of Financial Institutions Canada (OSFI) is the government agency responsible for regulation and supervision of banks, insurance companies, trust companies, loan companies and pension plans in Canada.

Provision for Credit Losses is a charge to income that represents an amount deemed adequate by management to fully provide for impairment in a portfolio of loans and other credit instruments, given the composition of the portfolio, the probability that default has occurred, the economic environment and the allowance for credit losses already established.

Securitization is the practice of selling pools of contractual debts, such as residential or commercial mortgages, to third parties.

Swaps are contractual agreements between two parties to exchange a series of cash flows. The only type of swap agreements used by the Company are interest rate swaps where counterparties generally exchange fixed-rate and floating-rate interest payments based on a notional value in a single currency.

Acronyms

ALCO – Asset/Liability Committee

AOCI – Accumulated Other Comprehensive Income

CDIC – Canada Deposit Insurance Corporation

CMB – Canada Mortgage Bond

CMHC – Canada Mortgage and Housing Corporation

COSO – Committee of Sponsoring Organizations of the Treadway Commission

CVA – Credit Valuation Adjustment

ERM – Enterprise Risk Management

GAAP – Generally Accepted Accounting Principles

GIC – Guaranteed Investment Certificate

HELOC – Home Equity Line of Credit

IASB – International Accounting Standards Board

IFRS – International Financial Reporting Standards

LTV – Loan to Value (ratio expressed as a percentage)

MBS – Mortgage-Backed Security

MD&A – Management's Discussion and Analysis

NCCF – Net Cumulative Cash Flow

NHA – National Housing Authority

OCI – Other Comprehensive Income

OSFI – Office of the Superintendent of Financial Institutions Canada

TEB – Taxable Equivalent Basis

Consolidated Statements of Income

thousands of Canadian dollars, except per share amounts (Unaudited)	For the three months ended **June 30 2015**	March 31 2015	June 30 2014	For the six months ended **June 30 2015**	June 30 2014
Net Interest Income Non-Securitized Assets					
Interest from loans (note 5(F))	**$ 190,559**	$ 186,900	$ 176,182	**$ 377,459**	$ 347,425
Dividends from securities	**2,677**	2,738	2,898	**5,415**	5,629
Other interest	**2,303**	2,108	4,109	**4,411**	7,575
	195,539	191,746	183,189	**387,285**	360,629
Interest on deposits and other	**80,669**	79,395	76,718	**160,064**	149,740
Interest on senior debt	**1,516**	1,544	1,542	**3,060**	3,122
Net interest income non-securitized assets	**113,354**	110,807	104,929	**224,161**	207,767
Net Interest Income Securitized Loans and Assets					
Interest income from securitized loans and assets (note 5(F))	**26,279**	30,394	45,494	**56,673**	90,769
Interest expense on securitization liabilities	**22,423**	25,677	35,280	**48,100**	73,006
Net interest income securitized loans and assets	**3,856**	4,717	10,214	**8,573**	17,763
Total Net Interest Income	**117,210**	115,524	115,143	**232,734**	225,530
Provision for credit losses (note 5(E))	**2,266**	2,403	3,232	**4,669**	6,437
	114,944	113,121	111,911	**228,065**	219,093
Non-Interest Income					
Fees and other income	**21,390**	21,219	18,439	**42,609**	35,233
Securitization income (note 6(C))	**9,251**	5,409	7,494	**14,660**	16,224
Net realized and unrealized gains on securities	**-**	1,444	1,187	**1,444**	1,939
Net realized and unrealized losses on derivatives (note 12)	**(1,580)**	(980)	(355)	**(2,560)**	(1,446)
	29,061	27,092	26,765	**56,153**	51,950
	144,005	140,213	138,676	**284,218**	271,043
Non-Interest Expenses					
Salaries and benefits	**21,603**	22,014	19,872	**43,617**	40,080
Premises	**3,260**	3,134	3,014	**6,394**	5,769
Other operating expenses	**22,511**	18,515	17,636	**41,026**	33,613
	47,374	43,663	40,522	**91,037**	79,462
Income Before Income Taxes	**96,631**	96,550	98,154	**193,181**	191,581
Income taxes (note 10)					
Current	**25,193**	24,551	24,405	**49,744**	49,518
Deferred	**(879)**	(287)	4	**(1,166)**	(1,418)
	24,314	24,264	24,409	**48,578**	48,100
NET INCOME	**$ 72,317**	$ 72,286	$ 73,745	**$ 144,603**	$ 143,481
NET INCOME PER COMMON SHARE					
Basic	**$ 1.03**	$ 1.03	$ 1.06	**$ 2.06**	$ 2.06
Diluted	**$ 1.03**	$ 1.03	$ 1.05	**$ 2.05**	$ 2.04
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING					
Basic	**70,230**	70,137	69,743	**70,184**	69,617
Diluted	**70,488**	70,467	70,496	**70,488**	70,352
Total number of outstanding common shares (note 8(A))	**70,247**	70,226	70,059	**70,247**	70,059
Book value per common share	**$ 21.87**	$ 21.18	$ 18.74	**$ 21.87**	$ 18.74

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

Consolidated Statements of Comprehensive Income

thousands of Canadian dollars (Unaudited)	For the three months ended **June 30 2015**	March 31 2015	June 30 2014	For the six months ended **June 30 2015**	June 30 2014
NET INCOME	**$ 72,317**	$ 72,286	$ 73,745	**$ 144,603**	$ 143,481
OTHER COMPREHENSIVE (LOSS) INCOME					
Available for Sale Securities and Retained Interest					
Net unrealized (losses) gains	**(12,860)**	(25,572)	5,265	**(38,432)**	9,268
Net gains reclassified to net income	**-**	(1,443)	(1,187)	**(1,443)**	(1,939)
	(12,860)	(27,015)	4,078	**(39,875)**	7,329
Income tax (recovery) expense	**(3,422)**	(7,156)	1,080	**(10,578)**	1,940
	(9,438)	(19,859)	2,998	**(29,297)**	5,389
Cash Flow Hedges (note 12)					
Net unrealized gains (losses)	**345**	(814)	(295)	**(469)**	(670)
Net losses reclassified to net income	**370**	366	362	**736**	726
	715	(448)	67	**267**	56
Income tax expense (recovery)	**188**	(119)	18	**69**	15
	527	(329)	49	**198**	41
Total other comprehensive (loss) income	**$ (8,911)**	$ (20,188)	$ 3,047	**$ (29,099)**	$ 5,430
COMPREHENSIVE INCOME	**$ 63,406**	$ 52,098	$ 76,792	**$ 115,504**	$ 148,911

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

Consolidated Balance Sheets

thousands of Canadian dollars (Unaudited)	June 30 2015	March 31 2015	December 31 2014
			As at
ASSETS			
Cash and Cash Equivalents (note 4(A))	$ 915,674	$ 882,252	$ 360,746
Available for Sale Securities (note 4(B))	449,216	463,669	582,819
Loans Held for Sale	21,304	55,068	102,094
Loans (note 5)			
Securitized mortgages (note 6(A))	2,814,301	3,313,567	3,945,654
Non-securitized mortgages and loans	15,146,870	14,822,206	14,317,162
	17,961,171	18,135,773	18,262,816
Collective allowance for credit losses (note 5(E))	(35,300)	(34,700)	(34,100)
	17,925,871	18,101,073	18,228,716
Other			
Restricted assets (note 7)	733,185	539,033	421,083
Derivative assets (note 12)	63,123	82,452	38,534
Other assets	287,598	274,848	235,616
Goodwill and intangible assets	120,276	116,218	113,136
	1,204,182	1,012,551	808,369
	$ 20,516,247	$ 20,514,613	$ 20,082,744
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Deposits			
Deposits payable on demand	$ 1,435,924	$ 1,187,517	$ 1,064,152
Deposits payable on a fixed date	13,530,620	13,554,385	12,875,819
	14,966,544	14,741,902	13,939,971
Senior Debt (note 11)	151,930	154,280	152,026
Securitization Liabilities (note 6(B))			
Mortgage-backed security liabilities	365,884	388,078	471,551
Canada Mortgage Bond liabilities	3,144,960	3,436,112	3,831,912
	3,510,844	3,824,190	4,303,463
Other			
Derivative liabilities (note 12)	3,059	3,578	2,266
Other liabilities	312,383	267,137	199,831
Deferred tax liabilities (note 10)	35,388	36,267	36,554
	350,830	306,982	238,651
	18,980,148	19,027,354	18,634,111
Shareholders' Equity			
Capital stock (note 8)	89,603	88,862	84,687
Contributed surplus	3,474	3,285	3,989
Retained earnings	1,490,726	1,433,905	1,378,562
Accumulated other comprehensive loss (note 9)	(47,704)	(38,793)	(18,605)
	1,536,099	1,487,259	1,448,633
	$ 20,516,247	$ 20,514,613	$ 20,082,744

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

Consolidated Statements of Changes in Shareholders' Equity

thousands of Canadian dollars, except per share amounts (Unaudited)	Capital Stock	Contributed Surplus	Retained Earnings	Net Unrealized Losses on Securities and Retained Interest Available for Sale, after Tax	Net Unrealized Losses on Cash Flow Hedges, after Tax	Total Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at December 31, 2014	**$ 84,687**	**$ 3,989**	**$ 1,378,562**	**$ (16,242)**	**$ (2,363)**	**$ (18,605)**	**$ 1,448,633**
Comprehensive income	**-**	**-**	**144,603**	**(29,297)**	**198**	**(29,099)**	**115,504**
Stock options settled (note 8(A))	**4,920**	**(1,323)**	**-**	**-**	**-**	**-**	**3,597**
Amortization of fair value of employee stock options (note 8(B))	**-**	**808**	**-**	**-**	**-**	**-**	**808**
Repurchase of shares (note 8(A))	**(4)**	**-**	**(124)**	**-**	**-**	**-**	**(128)**
Dividends ($0.44 per share)	**-**	**-**	**(32,315)**	**-**	**-**	**-**	**(32,315)**
Balance at June 30, 2015	**$ 89,603**	**$ 3,474**	**$ 1,490,726**	**$ (45,539)**	**$ (2,165)**	**$ (47,704)**	**$ 1,536,099**
Balance at December 31, 2013	$ 70,233	$ 5,984	$ 1,119,959	$ (15,823)	$ (2,656)	$ (18,479)	$ 1,177,697
Comprehensive income	-	-	143,481	5,389	41	5,430	148,911
Stock options settled (note 8(A))	12,615	(3,388)	-	-	-	-	9,227
Amortization of fair value of employee stock options (note 8(B))	-	1,088	-	-	-	-	1,088
Repurchase of shares (note 8(A))	-	-	-	-	-	-	-
Dividends ($0.32 per share)	-	-	(23,764)	-	-	-	(23,764)
Balance at June 30, 2014	$ 82,848	$ 3,684	$ 1,239,676	$ (10,434)	$ (2,615)	$ (13,049)	$ 1,313,159

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

Consolidated Statements of Cash Flows

thousands of Canadian dollars (Unaudited)	For the three months ended June 30 2015	June 30 2014	For the six months ended June 30 2015	June 30 2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period	**$ 72,317**	$ 73,745	**$ 144,603**	$ 143,481
Adjustments to determine cash flows relating to operating activities:				
Amortization of net premium on securities	**29**	517	**23**	1,194
Provision for credit losses	**2,266**	3,232	**4,669**	6,437
Gain on sale of mortgages or residual interest	**(7,804)**	(6,971)	**(12,231)**	(14,901)
Net realized and unrealized gains on securities	**-**	(1,187)	**(1,444)**	(1,939)
Amortization of capital and intangible assets	**3,423**	3,219	**6,347**	6,196
Amortization of fair value of employee stock options	**389**	449	**808**	1,088
Deferred income taxes	**(879)**	4	**(1,166)**	(1,418)
Changes in operating assets and liabilities				
Loans, net of securitization and sales	**214,733**	(129,338)	**391,509**	7,523
Restricted assets	**(194,152)**	33,634	**(312,102)**	38,473
Derivative assets and liabilities	**19,525**	3,936	**(23,529)**	(2,555)
Accrued interest receivable	**1,274**	2,021	**1,320**	625
Accrued interest payable	**(15,426)**	(14,623)	**20,780**	25,229
Deposits	**224,642**	662,688	**1,026,573**	981,671
Securitization liabilities	**(313,346)**	(567,496)	**(792,619)**	(782,460)
Taxes receivable or payable and other	**46,108**	38,151	**47,167**	32,550
Cash flows provided by operating activities	**53,099**	101,981	**500,708**	441,194
CASH FLOWS FROM FINANCING ACTIVITIES				
Repurchase of shares	**(43)**	-	**(128)**	-
Exercise of employee stock options	**543**	9,159	**3,597**	9,227
Dividends paid to shareholders	**(15,450)**	(11,165)	**(30,880)**	(22,283)
Cash flows used in financing activities	**(14,950)**	(2,006)	**(27,411)**	(13,056)
CASH FLOWS FROM INVESTING ACTIVITIES				
Activity in securities				
Purchases	**-**	(371,493)	**-**	(423,910)
Proceeds from sales	**-**	153,047	**76,924**	154,848
Proceeds from maturities	**2,932**	60,562	**19,593**	85,562
Purchases of capital assets	**(870)**	367	**(2,693)**	(853)
Capitalized intangible development costs	**(6,789)**	(7,510)	**(12,193)**	(12,569)
Cash flows (used in) provided by investing activities	**(4,727)**	(165,027)	**81,631**	(196,922)
Net increase (decrease) in cash and cash equivalents during the period	**33,422**	(65,052)	**554,928**	231,216
Cash and cash equivalents at beginning of the period	**882,252**	1,029,440	**360,746**	733,172
Cash and Cash Equivalents at End of the Period (note 4(A))	**$ 915,674**	$ 964,388	**$ 915,674**	$ 964,388
Supplementary Disclosure of Cash Flow Information				
Dividends received on investments	**$ 2,463**	$ 2,448	**$ 4,948**	$ 4,513
Interest received	**220,829**	231,197	**440,619**	446,249
Interest paid	**121,989**	130,118	**190,476**	200,671
Income taxes paid	**27,351**	20,421	**75,506**	38,729

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

1. CORPORATE INFORMATION

Home Capital Group Inc. (the Company) is a public corporation traded on the Toronto Stock Exchange. The Company is incorporated and domiciled in Canada with its registered and principal business offices located at 145 King Street West, Suite 2300, Toronto, Ontario. The Company operates primarily through its federally regulated subsidiary, Home Trust Company (Home Trust), which offers residential and non-residential mortgage lending, securitization of insured residential first mortgage products, consumer lending and credit card products. In addition, Home Trust offers deposits via brokers and financial planners, and through its direct to consumer deposit brand, Oaken Financial. The Company's subsidiary, Payment Services Interactive Gateway Inc. (PSiGate), provides payment card services. Licensed to conduct business across Canada, Home Trust has branch offices in Ontario, Alberta, British Columbia, Nova Scotia, Quebec and Manitoba. The Company is the ultimate parent of the group.

These unaudited interim consolidated financial statements for the period ended June 30, 2015 were authorized for issuance by the Board of Directors (the Board) of the Company on July 29, 2015. The Board has the power to amend the consolidated financial statements after their issuance only in the case of discovery of an error.

Subsequent to the end of the second quarter and before the date these financial statements were authorized for issuance, the Board declared a quarterly cash dividend of $15.5 million or $0.22 per common share payable on September 1, 2015 to shareholders of record at the close of business on August 14, 2015.

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

These unaudited interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34) as issued by the International Accounting Standards Board (IASB).

These unaudited interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements as at and for the year ended December 31, 2014 as set out in the 2014 Annual Report, on pages 75 through 111. Those audited consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles (GAAP) for publicly accountable enterprises which are International Financial Reporting Standards (IFRS) as issued by the IASB.

The significant accounting policies used in the preparation of these unaudited interim consolidated financial statements are summarized on pages 82 through 88 of the 2014 Annual Report or provided below.

Comparative Consolidated Financial Statements

The comparative unaudited interim consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2015 unaudited interim consolidated financial statements.

Use of Judgement and Estimates

Management has exercised judgement in the process of applying the Company's accounting policies. In particular, the Company's management has applied judgement in the application of its accounting policy with respect to derecognition of the loans and other assets used in current securitization programs. Certain securitized loans are recognized only to the extent of the Company's continuing involvement, based on management's judgement that it cannot be determined whether substantially all the risks and rewards of ownership have been transferred while control has been retained as defined by IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39). In other cases, when residual interests in securitized transactions are sold, the underlying securitized loans are derecognized based on management's judgement that substantially all the risks and rewards of ownership have been transferred through the two transactions. The remaining loans and other assets that have been securitized are not derecognized, based on management's judgement that the Company has not transferred substantially all of the risks and rewards of ownership of the loans and other assets.

The preparation of these unaudited interim consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the consolidated balance sheet dates and the reported amounts of revenue and expenses during the reporting periods. Key areas where management has made estimates include allowance for credit losses, fair values and impairment of financial instruments, goodwill and intangible assets, income taxes, fair value of stock options and useful lives of capital assets and intangible assets. Actual results could differ from those estimates.

3. FUTURE CHANGES IN ACCOUNTING POLICIES

The following accounting pronouncements issued by the IASB were not effective as at June 30, 2015 and therefore have not been applied in preparing these unaudited interim consolidated financial statements.

IFRS 9 *Financial Instruments*

The Company will be required to adopt IFRS 9, *Financial Instruments* (IFRS 9), including classification and measurement, impairment and hedge accounting for annual periods beginning on or after January 1, 2018. Management is currently evaluating the potential impact that the adoption of IFRS 9 will have on the Company's consolidated financial statements.

IFRS 15 *Revenue from Contracts with Customers*

The Company will be required to adopt IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which provides a single-principle based framework that applies to contracts with customers, for annual periods beginning on or after January 1, 2018. Management is currently evaluating the potential impact that the adoption of IFRS 15 will have on the Company's consolidated financial statements.

Amendments to IAS 1 *Presentation of Financial Statements*

The Company will be required to adopt amendments to IAS 1, *Presentation of Financial Statements*, which includes amendments to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements, for annual periods beginning on or after January 1, 2016. Management is currently evaluating the potential impact that the amendments to IAS 1 will have on the Company's consolidated financial statements.

Amendments to IFRS 7 *Financial Instruments: Disclosures*

The Company will be required to adopt amendments to IFRS 7, *Financial Instruments: Disclosures*, requiring increased disclosure regarding derecognition of financial assets and continuing involvement accounting, for annual periods beginning on or after January 1, 2016. Management is currently evaluating the potential impact that the adoption of IFRS 7 will have on the Company's consolidated financial statements.

4. CASH RESOURCES AND SECURITIES

(A) Cash Resources

thousands of Canadian dollars (Unaudited)		June 30 2015		March 31 2015		December 31 2014
Cash and cash equivalents						
Deposits with regulated financial institutions	**$**	**915,674**	$	882,252	$	360,746
Cash resources unrestricted to Company use	**$**	**915,674**	$	882,252	$	360,746

The Company has a term credit facility with a Canadian chartered bank in the amount of $50 million, which is available to the Company subject to meeting certain financial ratio requirements. As at June 30, 2015, all ratio requirements have been met and no amounts have been drawn against the borrowing facility. In addition, the Company has an uncommitted credit facility with a Canadian chartered bank in the amount of $20 million, which is undrawn.

The Company also has a committed and uncommitted insured mortgage purchase facility with a Canadian chartered bank in the amount of $300 million and $200 million, respectively at June 30, 2015 (March 31, 2015 - $300 million and $200 million, December 31, 2014 - $300 million and $nil). Both facilities are used by the Company to fund insured mortgage loans until such time as they can be securitized. Proceeds from securitized loans are used to pay down the facility. As at June 30, 2015, these facilities are undrawn.

(B) Available for Sale Securities - Net Unrealized Gains and Losses

thousands of Canadian dollars (Unaudited)		June 30 2015		March 31 2015		December 31 2014
Debt securities	**$**	**132**	$	446	$	1,265
Equity securities		**(61,403)**		(50,249)		(24,311)
Net unrealized loss	**$**	**(61,271)**	$	(49,803)	$	(23,046)

Net unrealized gains and losses (excluding impairment losses which are transferred to net income) are included in accumulated other comprehensive income and presented in the table above. These unrealized gains and losses are not included in net income. Please see Note 9 for more information.

The unrealized gains or losses included above represent the differences between the cost of a security and its current fair value. The Company regularly monitors its investments and market conditions for indications of impairment.

For the three months ended June 30, 2015, the Company recognized $nil with a year-to-date total of $394 thousand ($394 thousand - Q1 2015; $nil - Q2 2014; $48 thousand - six months of 2014) of impairment losses on available for sale securities.

5. LOANS

(A) Loans by Geographic Region and Type (net of individual allowances for credit losses)

thousands of Canadian dollars, except % (Unaudited)	British Columbia	Alberta	Ontario	Quebec	Other	Total As at June 30, 2015
Securitized single-family residential mortgages	**$ 137,132**	**$ 100,974**	**$ 1,611,556**	**$ 81,688**	**$ 52,810**	**$ 1,984,160**
Securitized multi-unit residential mortgages	**100,281**	**65,380**	**406,834**	**69,206**	**188,440**	**830,141**
Total securitized mortgages	**237,413**	**166,354**	**2,018,390**	**150,894**	**241,250**	**2,814,301**
Single-family residential mortgages	**686,746**	**496,279**	**11,145,303**	**427,819**	**240,115**	**12,996,262**
Residential commercial mortgages[1]	**12,085**	**18,347**	**181,241**	**13,831**	**24,275**	**249,779**
Non-residential commercial mortgages	**9,567**	**54,644**	**1,214,844**	**11,586**	**36,298**	**1,326,939**
Credit card loans	**5,401**	**15,289**	**316,857**	**1,516**	**3,884**	**342,947**
Other consumer retail loans	**809**	**3,118**	**226,497**	**-**	**519**	**230,943**
Total non-securitized mortgages and loans[2]	**714,608**	**587,677**	**13,084,742**	**454,752**	**305,091**	**15,146,870**
	$ 952,021	**$ 754,031**	**$ 15,103,132**	**$ 605,646**	**$ 546,341**	**$ 17,961,171**
As a % of portfolio	**5.3%**	**4.2%**	**84.1%**	**3.4%**	**3.0%**	**100.0%**

thousands of Canadian dollars, except % (Unaudited)	British Columbia	Alberta	Ontario	Quebec	Other	Total As at March 31, 2015
Securitized single-family residential mortgages	$ 167,405	$ 135,389	$ 1,926,504	$ 106,799	$ 62,147	$ 2,398,244
Securitized multi-unit residential mortgages	122,213	70,918	459,594	73,691	188,907	915,323
Total securitized mortgages	289,618	206,307	2,386,098	180,490	251,054	3,313,567
Single-family residential mortgages	664,230	485,680	11,020,127	413,472	223,371	12,806,880
Residential commercial mortgages[1]	6,897	31,742	193,331	17,955	24,019	273,944
Non-residential commercial mortgages	10,130	51,931	1,082,568	8,776	41,235	1,194,640
Credit card loans	5,583	15,965	312,159	1,584	3,778	339,069
Other consumer retail loans	839	2,653	203,673	-	508	207,673
Total non-securitized mortgages and loans[2]	687,679	587,971	12,811,858	441,787	292,911	14,822,206
	$ 977,297	$ 794,278	$ 15,197,956	$ 622,277	$ 543,965	$ 18,135,773
As a % of portfolio	5.4%	4.4%	83.8%	3.4%	3.0%	100.0%

thousands of Canadian dollars, except % (Unaudited)	British Columbia	Alberta	Ontario	Quebec	Other	Total As at December 31, 2014
Securitized single-family residential mortgages	$ 218,927	$ 182,797	$ 2,376,966	$ 127,999	$ 83,430	$ 2,990,119
Securitized multi-unit residential mortgages	133,838	72,615	480,693	79,128	189,261	955,535
Total securitized mortgages	352,765	255,412	2,857,659	207,127	272,691	3,945,654
Single-family residential mortgages	661,661	445,390	10,737,812	392,998	212,667	12,450,528
Residential commercial mortgages[1]	7,972	36,869	147,697	22,645	28,135	243,318
Non-residential commercial mortgages	9,956	45,263	1,001,141	10,422	40,096	1,106,878
Credit card loans	5,829	16,505	302,699	1,477	3,817	330,327
Other consumer retail loans	826	2,204	182,576	-	505	186,111
Total non-securitized mortgages and loans[2]	686,244	546,231	12,371,925	427,542	285,220	14,317,162
	$ 1,039,009	$ 801,643	$ 15,229,584	$ 634,669	$ 557,911	$ 18,262,816
As a % of portfolio	5.7%	4.4%	83.4%	3.5%	3.0%	100.0%

[1]Residential commercial mortgages include non-securitized multi-unit residential mortgages and commercial mortgages secured by residential property types.
[2]Loans exclude mortgages held for sale.

(B) Past Due Loans that are not Impaired

A loan is recognized as being impaired (non-performing) 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, an uninsured residential or commercial mortgage, or retail loan, or Equityline *Visa* loan (included in credit card loans) is deemed to be impaired at the earlier of the date it has been individually provided for or when it has been in arrears for 90 days. Single-family and multi-unit residential mortgages (including securitized mortgages) guaranteed by the Government of Canada are not considered impaired until payment is contractually 365 days past due. Cash secured and unsecured credit card balances that have a payment that is contractually 120 days in arrears are individually provided for, and those that have a payment that is contractually 180 days in arrears are written off.

thousands of Canadian dollars (Unaudited)					**As at June 30, 2015**
	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Securitized single-family residential mortgages	**$ 10,796**	**$ 2,601**	**$ 257**	**$ 256** [1]	**$ 13,910**
Securitized multi-unit residential mortgages	**-**	**-**	**-**	**-**	**-**
Single-family residential mortgages	**220,660**	**47,548**	**4,508**	**5,723** [1]	**278,439**
Residential commercial mortgages	**-**	**-**	**-**	**-**	**-**
Non-residential commercial mortgages	**5,193**	**1,745**	**-**	**-**	**6,938**
Credit card loans	**2,755**	**895**	**982**	**29**	**4,661**
Other consumer retail loans	**25**	**77**	**9**	**-**	**111**
	$ 239,429	**$ 52,866**	**$ 5,756**	**$ 6,008**	**$ 304,059**

thousands of Canadian dollars (Unaudited)					As at March 31, 2015
	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Securitized single-family residential mortgages	$ 13,405	$ 1,465	$ 417	$ 2,618 [1]	$ 17,905
Securitized multi-unit residential mortgages	-	-	-	-	-
Single-family residential mortgages	206,290	43,577	15,621	6,908 [1]	272,396
Residential commercial mortgages	-	-	-	-	-
Non-residential commercial mortgages	5,708	1,529	933	-	8,170
Credit card loans	3,061	1,007	664	21	4,753
Other consumer retail loans	109	140	20	-	269
	$ 228,573	$ 47,718	$ 17,655	$ 9,547	$ 303,493

thousands of Canadian dollars (Unaudited)					As at December 31, 2014
	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Securitized single-family residential mortgages	$ 19,082	$ 1,645	$ 375	$ 2,087 [1]	$ 23,189
Securitized multi-unit residential mortgages	-	-	-	-	-
Single-family residential mortgages	220,062	44,959	3,842	9,222 [1]	278,085
Residential commercial mortgages	910	-	-	-	910
Non-residential commercial mortgages	9,040	3,304	-	-	12,344
Credit card loans	3,487	1,067	502	24	5,080
Other consumer retail loans	119	41	46	-	206
	$ 252,700	$ 51,016	$ 4,765	$ 11,333	$ 319,814

[1]Insured residential mortgages are considered impaired when they are 365 days past due.

(C) Impaired Loans and Individual Allowances for Credit Losses

Residential mortgages guaranteed by the Government of Canada are not considered impaired until payment is contractually 365 days past due. As securitized residential mortgages are all insured, credit losses are generally not anticipated.

thousands of Canadian dollars (Unaudited)						**As at June 30, 2015**
	Single-Family Residential Mortgages	Residential Commercial Mortgages	Non-Residential Commercial Mortgages	Credit Card Loans	Other Consumer Retail Loans	Total
Gross amount of impaired loans	**$ 54,597**	**$ -**	**$ 4,297**	**$ 1,989**	**$ 142**	**$ 61,025**
Individual allowances on principal	**(1,463)**	**-**	**(480)**	**(68)**	**(142)**	**(2,153)**
Net amount of impaired loans	**$ 53,134**	**$ -**	**$ 3,817**	**$ 1,921**	**$ -**	**$ 58,872**

thousands of Canadian dollars (Unaudited)						As at March 31, 2015
	Single-Family Residential Mortgages	Residential Commercial Mortgages	Non-Residential Commercial Mortgages	Credit Card Loans	Other Consumer Retail Loans	Total
Gross amount of impaired loans	$ 42,591	$ 54	$ 2,732	$ 2,043	$ 170	$ 47,590
Individual allowances on principal	(1,400)	-	(200)	(22)	(170)	(1,792)
Net amount of impaired loans	$ 41,191	$ 54	$ 2,532	$ 2,021	$ -	$ 45,798

thousands of Canadian dollars (Unaudited)						As at December 31, 2014
	Single-Family Residential Mortgages	Residential Commercial Mortgages	Non-Residential Commercial Mortgages	Credit Card Loans	Other Consumer Retail Loans	Total
Gross amount of impaired loans	$ 52,551	$ 54	$ 2,516	$ 1,938	$ 160	$ 57,219
Individual allowances on principal	(1,808)	-	(55)	(80)	(160)	(2,103)
Net amount of impaired loans	$ 50,743	$ 54	$ 2,461	$ 1,858	$ -	$ 55,116

(D) 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. At June 30, 2015, the total appraised value of the collateral held for mortgages past due that are not impaired, as determined when the mortgages were originated, was $461.0 million ($461.5 million - March 31, 2015; $490.1 million – December 31, 2014). For impaired mortgages, the total appraised value of collateral at June 30, 2015 was $82.0 million ($71.1 million - March 31, 2015; $81.2 million – December 31, 2014).

(E) Allowance for Credit Losses

thousands of Canadian dollars (Unaudited)						**For the three months ended June 30, 2015**
	Single-Family Residential Mortgages	Residential Commercial Mortgages	Non-Residential Commercial Mortgages	Credit Card Loans	Other Consumer Retail Loans	Total
Individual allowances						
Allowance on loan principal						
Balance at the beginning of the period	**$ 1,400**	**$ -**	**$ 200**	**$ 22**	**$ 170**	**$ 1,792**
Provision for credit losses	**945**	**(4)**	**276**	**198**	**22**	**1,437**
Write-offs	**(1,253)**	**(1)**	**(1)**	**(164)**	**(119)**	**(1,538)**
Recoveries	**371**	**5**	**5**	**12**	**69**	**462**
	1,463	**-**	**480**	**68**	**142**	**2,153**
Allowance on accrued interest receivable						
Balance at the beginning of the period	**594**	**-**	**105**	**-**	**4**	**703**
Provision for credit losses	**186**	**-**	**45**	**-**	**(2)**	**229**
	780	**-**	**150**	**-**	**2**	**932**
Total individual allowance	**2,243**	**-**	**630**	**68**	**144**	**3,085**
Collective allowance						
Balance at the beginning of the period	**21,232**	**327**	**9,300**	**3,541**	**300**	**34,700**
Provision for credit losses	**400**	**-**	**200**	**-**	**-**	**600**
	21,632	**327**	**9,500**	**3,541**	**300**	**35,300**
Total allowance	**$ 23,875**	**$ 327**	**$ 10,130**	**$ 3,609**	**$ 444**	**$ 38,385**
Total provision	**$ 1,531**	**$ (4)**	**$ 521**	**$ 198**	**$ 20**	**$ 2,266**

thousands of Canadian dollars (Unaudited)						For the three months ended March 31, 2015
	Single-Family Residential Mortgages	Residential Commercial Mortgages	Non-Residential Commercial Mortgages	Credit Card Loans	Other Consumer Retail Loans	Total
Individual allowances						
Allowance on loan principal						
Balance at the beginning of the period	$ 1,808	$ -	$ 55	$ 80	$ 160	$ 2,103
Provision for credit losses	1,459	8	154	94	5	1,720
Write-offs	(2,156)	(8)	(9)	(156)	(122)	(2,451)
Recoveries	289	-	-	4	127	420
	1,400	-	200	22	170	1,792
Allowance on accrued interest receivable						
Balance at the beginning of the period	560	-	57	-	3	620
Provision for credit losses	34	-	48	-	1	83
	594	-	105	-	4	703
Total individual allowance	1,994	-	305	22	174	2,495
Collective allowance						
Balance at the beginning of the period	20,632	327	9,300	3,541	300	34,100
Provision for credit losses	600	-	-	-	-	600
	21,232	327	9,300	3,541	300	34,700
Total allowance	$ 23,226	$ 327	$ 9,605	$ 3,563	$ 474	$ 37,195
Total provision	$ 2,093	$ 8	$ 202	$ 94	$ 6	$ 2,403

(E) Allowance for Credit Losses (Continued)

thousands of Canadian dollars (Unaudited)					For the three months ended June 30, 2014	
	Single-Family Residential Mortgages	Residential Commercial Mortgages	Non-Residential Commercial Mortgages	Credit Card Loans	Other Consumer Retail Loans	Total
Individual allowances						
Allowance on loan principal						
Balance at the beginning of the period	$ 1,252	$ -	$ 65	$ 142	$ 210	$ 1,669
Provision for credit losses	2,197	-	15	170	58	2,440
Write-offs	(2,210)	-	(103)	(258)	(122)	(2,693)
Recoveries	179	-	91	27	31	328
	1,418	-	68	81	177	1,744
Allowance on accrued interest receivable						
Balance at the beginning of the period	746	-	29	-	6	781
Provision for credit losses	(13)	-	5	-	-	(8)
	733	-	34	-	6	773
Total individual allowance	2,151	-	102	81	183	2,517
Collective allowance						
Balance at the beginning of the period	18,632	327	9,300	3,541	300	32,100
Provision for credit losses	800	-	-	-	-	800
	19,432	327	9,300	3,541	300	32,900
Total allowance	$ 21,583	$ 327	$ 9,402	$ 3,622	$ 483	$ 35,417
Total provision	$ 2,984	$ -	$ 20	$ 170	$ 58	$ 3,232

(E) Allowance for Credit Losses (Continued)

thousands of Canadian dollars (Unaudited)						For the six months ended June 30, 2015
	Single-Family Residential Mortgages	Residential Commercial Mortgages	Non-Residential Commercial Mortgages	Credit Card Loans	Other Consumer Retail Loans	Total
Individual allowances						
Allowance on loan principal						
Balance at the beginning of the period	$ 1,808	$ -	$ 55	$ 80	$ 160	$ 2,103
Provision for credit losses	2,404	4	430	292	27	3,157
Write-offs	(3,409)	(9)	(10)	(320)	(241)	(3,989)
Recoveries	660	5	5	16	196	882
	1,463	-	480	68	142	2,153
Allowance on accrued interest receivable						
Balance at the beginning of the period	560	-	57	-	3	620
Provision for credit losses	220	-	93	-	(1)	312
	780	-	150	-	2	932
Total individual allowance	2,243	-	630	68	144	3,085
Collective allowance						
Balance at the beginning of the period	20,632	327	9,300	3,541	300	34,100
Provision for credit losses	1,000	-	200	-	-	1,200
	21,632	327	9,500	3,541	300	35,300
Total allowance	$ 23,875	$ 327	$ 10,130	$ 3,609	$ 444	$ 38,385
Total provision	$ 3,624	$ 4	$ 723	$ 292	$ 26	$ 4,669

thousands of Canadian dollars (Unaudited)						For the six months ended June 30, 2014
	Single-Family Residential Mortgages	Residential Commercial Mortgages	Non-Residential Commercial Mortgages	Credit Card Loans	Other Consumer Retail Loans	Total
Individual allowances						
Allowance on loan principal						
Balance at the beginning of the period	$ 1,201	$ -	$ -	$ 201	$ 236	$ 1,638
Provision for credit losses	4,624	-	107	279	94	5,104
Write-offs	(4,677)	-	(130)	(433)	(247)	(5,487)
Recoveries	270	-	91	34	94	489
	1,418	-	68	81	177	1,744
Allowance on accrued interest receivable						
Balance at the beginning of the period	759	25	44	-	12	840
Provision for credit losses	(26)	(25)	(10)	-	(6)	(67)
	733	-	34	-	6	773
Total individual allowance	2,151	-	102	81	183	2,517
Collective allowance						
Balance at the beginning of the period	18,032	327	9,300	3,541	300	31,500
Provision for credit losses	1,400	-	-	-	-	1,400
	19,432	327	9,300	3,541	300	32,900
Total allowance	$ 21,583	$ 327	$ 9,402	$ 3,622	$ 483	$ 35,417
Total provision	$ 5,998	$ (25)	$ 97	$ 279	$ 88	$ 6,437

There were no specific provisions, allowances or net write-offs on securitized residential mortgages.

(F) Interest Income by Product

thousands of Canadian dollars (Unaudited)	For the three months ended June 30 2015	March 31 2015	June 30 2014	For the six months ended June 30 2015	June 30 2014
Traditional single-family residential mortgages	**$ 147,805**	$ 146,237	$ 136,259	**$ 294,042**	$ 266,946
Accelerator single-family residential mortgages	**7,280**	5,967	5,417	**13,247**	12,121
Residential commercial mortgages	**3,972**	3,924	3,511	**7,896**	7,109
Non-residential commercial mortgages	**18,507**	18,253	16,070	**36,760**	32,006
Credit card loans	**7,692**	7,524	6,986	**15,216**	13,704
Other consumer retail loans	**5,303**	4,995	7,939	**10,298**	15,539
Total interest income on non-securitized loans	**190,559**	186,900	176,182	**377,459**	347,425
Securitized single-family residential mortgages	**15,610**	19,208	28,046	**34,818**	56,868
Securitized multi-unit residential mortgages	**9,333**	9,833	15,908	**19,166**	30,611
Assets pledged as collateral for securitization	**1,336**	1,353	1,540	**2,689**	3,290
Total interest income on securitized loans	**26,279**	30,394	45,494	**56,673**	90,769
	$ 216,838	$ 217,294	$ 221,676	**$ 434,132**	$ 438,194

6. SECURITIZATION ACTIVITY

(A) Assets Pledged as Collateral

As a requirement of the National Housing Authority Mortgage-Backed Security (NHA MBS) and Canada Mortgage Bond (CMB) programs, the Company assigns to Canada Mortgage Housing Corporation (CMHC) all of its interest in securitized mortgage pools. If the Company fails to make timely payment under an NHA MBS or CMB security, CMHC may enforce the assignment of the mortgages included in all the mortgage pools as well as other assets backing the MBS issued.

The following table presents the activity associated with the principal value of the Company's on-balance sheet mortgage loans and other assets assigned as collateral. The mortgages are recorded as securitized single-family or multi-unit residential mortgages and assets assigned as CMB replacement assets are recorded as restricted assets.

thousands of Canadian dollars (Unaudited)	For the three months ended June 30 2015	March 31 2015	June 30 2014	For the six months ended June 30 2015	June 30 2014
Beginning balance on-balance sheet assets assigned as collateral for securitization [1]	**$ 3,734,590**	$ 4,247,644	$ 5,495,213	**$ 4,247,644**	$ 5,740,171
Mortgages assigned in new securitizations	**570,380**	432,876	690,080	**1,003,256**	1,393,195
Change in assets assigned as replacements of repaid amounts to Canada Housing Trust	**55,062**	168,604	101,501	**223,666**	187,478
Net addition (reduction) of non-Home Trust MBS and treasury bills	**181,187**	119,033	(41,223)	**300,220**	(53,371)
Less: Mortgages derecognized [2]	**(569,071)**	(429,720)	(687,002)	**(998,791)**	(1,384,735)
Maturity and amortization of securitization assets	**(555,637)**	(803,847)	(662,190)	**(1,359,484)**	(986,359)
Ending balance on-balance sheet assets assigned as collateral for securitization [1]	**$ 3,416,511**	$ 3,734,590	$ 4,896,379	**$ 3,416,511**	$ 4,896,379

[1]Included in the on-balance sheet assets assigned as collateral at June 30, 2015 is $602.2 million ($421.0 million – March 31, 2015, $302.0 million – December 31, 2014) in non-Home Trust MBS and treasury bills and $2.81 billion ($3.31 billion – March 31, 2015, $3.95 billion – December 31, 2014) of securitized mortgages.

[2]Mortgages are derecognized upon the sale of residual interest in insured single-family residential mortgages and the securitization and sale of multi-unit residential mortgages.

Non-Home Trust MBS and treasury bills assigned as collateral are accounted for as available for sale assets and included in restricted assets on the consolidated balance sheets. Additionally, all off-balance sheet mortgage loans ($4.94 billion - June 30, 2015, $4.55 billion – March 31, 2015 and $4.20 billion - December 31, 2014) are assigned as collateral related to CMHC for sponsored securitization programs. Please see Note 7 for more information.

(B) Securitization Liabilities

The following table presents the securitization liabilities, including liabilities added during the period, which are secured by insured mortgages and other restricted assets. This table includes only on-balance sheet originations and discharges.

	For the three months ended		
thousands of Canadian dollars (Unaudited)	**June 30 2015**	March 31 2015	June 30 2014
Balance at the beginning of the period	**$ 3,824,190**	$ 4,303,463	$ 5,558,100
Addition to securitization liabilities as a result of on-balance sheet activity	**-**	2,321	6,549
Net reduction in securitization liabilities due to maturities, amortization and sales	**(313,264)**	(489,249)	(574,666)
Other[1]	**(82)**	7,655	621
Securitization liability	**$ 3,510,844**	$ 3,824,190	$ 4,990,604
Proceeds received for mortgages assigned in new securitizations	**$ 562,398**	$ 434,820	$ 689,560

	For the six months ended	
thousands of Canadian dollars (Unaudited)	**June 30 2015**	June 30 2014
Balance at the beginning of the period	**$ 4,303,463**	$ 5,773,064
Addition to securitization liabilities as a result of on-balance sheet activity	**2,321**	127,507
Net reduction in securitization liabilities due to maturities, amortization and sales	**(802,513)**	(913,215)
Other[1]	**7,573**	3,248
Securitization liability	**$ 3,510,844**	$ 4,990,604
Proceeds received for mortgages assigned in new securitizations	**$ 997,218**	$ 1,395,577

[1]Other includes premiums, discounts, transaction costs and changes in the mark to market of hedged items.

(C) Securitization Income

The following table presents the total securitization income for the period.

	For the three months ended			For the six months ended	
thousands of Canadian dollars (Unaudited)	**June 30 2015**	March 31 2015	June 30 2014	**June 30 2015**	June 30 2014
Net gain on sale of mortgages and residual interest	**$ 7,804**	$ 4,427	$ 6,971	**$ 12,231**	$ 14,901
Net change in unrealized gain or loss on hedging activities	**200**	(242)	(115)	**(42)**	104
Servicing income	**1,247**	1,224	638	**2,471**	1,219
Total securitization income	**$ 9,251**	$ 5,409	$ 7,494	**$ 14,660**	$ 16,224

[1]Gain on sale mortgages and residual interest are net of hedging impact.

The hedging activities included in the previous table hedge interest rate risk on loans held for sale. The derivatives, which are typically bond forwards, are not designated in hedge accounting relationships. The gains or losses on these derivatives are mostly offset by the fair value changes related to the loans held for sale, which are classified as held for trading for accounting purposes.

During the quarter, the Company securitized and sold through the NHA MBS program certain insured multi-unit residential mortgages with no prepayment privileges. These mortgages are recognized on the Company's consolidated balance sheets only to the extent of the Company's continuing involvement in the mortgages (continuing involvement accounting). The Company's continuing involvement is limited to its retained interest and its obligations for mortgage servicing. There is no prepayment or credit risk associated with the retained interest or the cost of servicing. The mortgages are effectively derecognized as a result of this transaction. The retained interest and servicing liability are recorded on the consolidated balance sheets in other assets and other liabilities, respectively.

The Company also sold residual interests in certain pools of insured single-family mortgages securitized through the NHA MBS program. The sales resulted in the Company transferring substantially all of the risks and rewards of ownership associated with the underlying mortgages and the mortgages are derecognized. As a result, the mortgages are derecognized and a gain on sale is recognized.

The gains on both of the above transaction types are included in non-interest income under securitization income in the consolidated statements of income.

The following table provides additional quantitative information about these securitization and sales activities during the quarter.

thousands of Canadian dollars (Unaudited)						For the three months ended
			June 30 2015			March 31 2015
	Single-Family Residential MBS	Multi-Unit Residential MBS	Total MBS	Single-Family Residential MBS	Multi-Unit Residential MBS	Total MBS
Carrying value of underlying mortgages derecognized	$ 306,500	$ 262,571	$ 569,071	$ 295,399	$ 134,321	$ 429,720
Gains on sale of mortgages or residual interest[1]	5,239	2,565	7,804	3,715	712	4,427
Retained interest recorded	-	10,005	10,005	-	8,380	8,380
Servicing liability recorded	-	2,091	2,091	-	1,174	1,174

thousands of Canadian dollars (Unaudited)			For the three months ended
			June 30 2014
	Single-Family Residential MBS	Multi-Unit Residential MBS	Total MBS
Carrying value of underlying mortgages derecognized	$ 467,758	$ 219,244	$ 687,002
Gains on sale of mortgages or residual interest[1]	5,620	1,351	6,971
Retained interest recorded	-	7,355	7,355
Servicing liability recorded	-	1,606	1,606

thousands of Canadian dollars (Unaudited)						For the six months ended
			June 30 2015			June 30 2014
	Single-Family Residential MBS	Multi-Unit Residential MBS	Total MBS	Single-Family Residential MBS	Multi-Unit Residential MBS	Total MBS
Carrying value of underlying mortgages derecognized	$ 601,899	$ 396,892	$ 998,791	$ 953,993	$ 430,742	$ 1,384,735
Gains on sale of mortgages or residual interest[1]	8,954	3,277	12,231	12,337	2,564	14,901
Retained interest recorded	-	18,385	18,385	-	17,758	17,758
Servicing liability recorded	-	3,265	3,265	-	3,490	3,490

[1]Gains on sale of mortgages are net of hedging impact.

(D) Purchased Residual Interests

In 2014 the Company purchased, from certain counterparties, residual interests of underlying insured fixed-rate residential mortgages that have been securitized. The purchase results in the Company acquiring only the residual interests without acquiring either underlying mortgages or the corresponding liabilities. At June 30, 2015, the notional amount of these instruments was $567.5 million, with $11.1 million recorded in available for sale securities. No residual interests were purchased prior or subsequent to 2014. Interest earned on these investments is recorded in other interest income on the consolidated statements of income.

7. RESTRICTED ASSETS

thousands of Canadian dollars (Unaudited)	June 30 2015	March 31 2015	December 31 2014
Restricted cash			
Restricted cash – Canada Mortgage Bond program	$ 112,750	$ 103,471	$ 106,624
Restricted cash – interest rate swaps	12,489	12,703	12,265
Restricted cash – other programs	5,736	1,836	204
Total restricted cash	130,975	118,010	119,093
Non-Home Trust MBS and treasury bills assigned as replacement assets	602,210	421,023	301,990
Total restricted assets	$ 733,185	$ 539,033	$ 421,083

Restricted cash – Canada Mortgage Bond program represents deposits held as collateral by CMHC in connection with the Company's securitization activities.

Restricted cash – interest rate swaps are deposits held by swap counterparties as collateral for the Company's interest rate swap transactions. The terms and conditions for the collateral are governed by International Swaps and Derivatives Association (ISDA) agreements.

Restricted cash – other programs are reserve accounts held in trust for the water heater financing program. These amounts are held as cash collateral against potential credit losses.

8. CAPITAL

(A) Common Shares Issued and Outstanding

The following table summarizes the shares issued and outstanding held at June 30, 2015, March 31, 2015 and June 30, 2014.

thousands (Unaudited)									For the three months ended
		June 30, 2015			March 31, 2015			June 30, 2014	
	Number of Shares		Amount	Number of Shares		Amount	Number of Shares		Amount
Outstanding at beginning of period	**70,226**	**$**	**88,862**	70,096	$	84,687	69,491	$	70,324
Options exercised	**22**		**743**	132		4,177	568		12,524
Repurchase of shares	**(1)**		**(2)**	(2)		(2)	-		-
Outstanding at end of period	**70,247**	**$**	**89,603**	70,226	$	88,862	70,059	$	82,848

thousands (Unaudited)						For the six months ended
		June 30, 2015			June 30, 2014	
	Number of Shares		Amount	Number of Shares		Amount
Outstanding at beginning of period	**70,096**	**$**	**84,687**	69,488	$	70,233
Options exercised	**154**		**4,920**	571		12,615
Repurchase of shares	**(3)**		**(4)**	-		-
Outstanding at end of period	**70,247**	**$**	**89,603**	70,059	$	82,848

The purchase cost of shares acquired through the repurchase of shares is allocated between capital stock and retained earnings. The Company has no preferred shares outstanding.

(B) Share Purchase Options

thousands, except per share amounts (Unaudited)						For the three months ended
	June 30, 2015		March 31, 2015		June 30, 2014	
	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	**1,133**	**$ 32.21**	1,235	$ 31.00	1,640	$ 22.98
Granted	**-**	**-**	30	43.09	20	45.35
Exercised	**(22)**	**24.69**	(132)	23.25	(568)	16.11
Forfeited	**(10)**	**41.49**	-	-	(4)	23.96
Outstanding at end of period	**1,101**	**$ 32.28**	1,133	$ 32.21	1,088	$ 26.98
Exercisable at end of period	**531**	**$ 24.02**	546	$ 23.97	475	$ 21.11

thousands, except per share amounts (Unaudited)				For the six months ended
	June 30, 2015		June 30, 2014	
	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
Outstanding at beginning of period	**1,235**	**$ 31.00**	1,649	$ 23.02
Granted	**30**	**43.09**	20	45.35
Exercised	**(154)**	**23.46**	(571)	16.16
Forfeited	**(10)**	**41.49**	(10)	28.69
Outstanding at end of period	**1,101**	**$ 32.28**	1,088	$ 26.98
Exercisable at end of period	**531**	**$ 24.02**	475	$ 21.11

During the second quarter of 2015, $389 thousand was recorded as an expense for a year-to-date total of $808 thousand ($419 thousand – Q1 2015; $449 thousand – Q2 2014; $1,088 thousand – six months of 2014) for stock option awards in the consolidated statements of income, with an offsetting credit to contributed surplus.

(C) Capital Management

The Company has a Capital Management Policy that governs the quantity and quality of capital held. The objectives of the policy are to ensure that capital levels are adequate and that Home Trust meets all regulatory capital requirements, while also providing a sufficient return to investors. The Risk and Capital Committee and the Board review the policy annually and monitor compliance with the policy on a quarterly basis.

The Company's subsidiary, Home Trust, is subject to the regulatory capital requirements stipulated by the Office of the Superintendent of Financial Institutions Canada (OSFI). These requirements are consistent with international standards (Basel II and Basel III) set by the Bank for International Settlements. Home Trust follows the Basel II Standardized Approach for calculating credit risk and Basic Indicator Approach for operational risk. In addition, dividends paid by Home Trust to Home Capital may be subject to restrictions by OSFI.

The regulatory capital position of Home Trust was as follows:

(Unaudited)	June 30 2015	March 31 2015	December 31 2014	National Regulatory Minimum
	All-In Basis	All-In Basis	All-In Basis	All-In Basis
Regulated capital to risk-weighted assets				
Common equity tier 1 ratio	**18.03%**	17.95%	18.30%	7.00%
Tier 1 capital ratio	**18.03%**	17.94%	18.30%	8.50%
Total regulatory capital ratio	**20.53%**	20.50%	20.94%	10.50%

Home Trust adopted certain Basel III capital requirements, as required by OSFI, beginning January 1, 2013. A transitional basis allows for the transition of certain capital deductions over a period ending January 1, 2018, whereas the all-in basis includes all applicable deductions immediately. For purposes of meeting minimum regulatory capital ratios prescribed by OSFI, the all-in basis is required. Commencing in 2015, Home Trust is required to meet a minimum Leverage Ratio determined by OSFI which has replaced the Assets to Regulatory Capital Ratio required in previous years. As at June 30, 2015 the Leverage Ratio was 6.94 (March 31, 2015 - 6.75), which exceeds OSFI's minimum requirements.

Subordinated debt advanced by Home Capital to Home Trust is included in Total Capital, as Tier 2 Capital. Under Basel III this subordinated debt will be subject to straight-line amortization out of capital in the final five years prior to maturity. The principal amounts of the subordinated debt currently mature in 2021 and 2022 in the amounts of $100 million and $56 million, respectively.

Currently, Home Trust's Common Equity Tier 1, Total Tier 1 and Total capital ratios significantly exceed OSFI's regulatory targets, as well as Home Trust's internal capital targets. No new capital was raised in Q2 2015.

9. ACCUMULATED OTHER COMPREHENSIVE INCOME

thousands of Canadian dollars (Unaudited)	**June 30 2015**	March 31 2015	December 31 2014
Unrealized losses on			
Available for sale securities and retained interest	**$ (61,976)**	$ (49,116)	$ (22,101)
Income tax recovery	**(16,437)**	(13,015)	(5,859)
	(45,539)	(36,101)	(16,242)
Unrealized losses on			
Cash flow hedges	**(2,945)**	(3,660)	(3,212)
Income tax recovery	**(780)**	(968)	(849)
	(2,165)	(2,692)	(2,363)
Accumulated other comprehensive loss	**$ (47,704)**	$ (38,793)	$ (18,605)

10. INCOME TAXES

The table below indicates the difference in the effective rate of income tax in the unaudited interim consolidated statements of income from the combined statutory federal and provincial income tax rate of 26.54% (Q1 2015 – 26.49%; Q2 2014 – 26.49%).

(Unaudited)	For the three months ended			For the six months ended	
	June 30 2015	March 31 2015	June 30 2014	**June 30 2015**	June 30 2014
Statutory income tax rate	**26.54%**	26.49%	26.49%	**26.51%**	26.49%
Increase (reduction) in income tax rate resulting from					
Tax-exempt income	**(0.74)%**	(0.75)%	(0.78)%	**(0.74)%**	(0.78)%
Non-deductible expenses	**0.12%**	0.13%	0.14%	**0.12%**	0.16%
Other	**0.00%**	0.03%	-	**0.02%**	-
Scientific research and experimental development investment tax credits	**(0.76)%**	(0.77)%	(0.98)%	**(0.76)%**	(0.76)%
Effective income tax rate	**25.16%**	25.13%	24.87%	**25.15%**	25.11%

The net deferred tax liability of $35.4 million (March 31, 2015 - $36.3 million, December 31, 2014 – $36.6 million) includes deferred tax liabilities of $45.5 million (March 31, 2015 - $45.9 million, December 31, 2014 - $46.0 million) and deferred tax assets of $10.1 million (March 31, 2015 - $9.6 million, December 31, 2014 - $9.5 million). The deferred tax liability comprises deferred tax on commissions, finders' fees, transaction costs, and development costs and tax credits. The deferred tax asset balance is primarily attributed to allowances for credit losses.

11. SENIOR DEBT

The Company issued $150.0 million principal amount of 5.20% debentures on May 4, 2011. The debentures pay interest semi-annually on May 4 and November 4 of each year. The debentures mature on May 4, 2016 and are redeemable at the option of the Company upon 30 days written notice to the registered holder at a redemption price, equal to the greater of par and the price that would provide a yield to maturity equal to the Government of Canada bond rate plus 0.66%, plus accrued and unpaid interest to the date of redemption. The carrying amount includes unamortized issue costs and fair value adjustments related to interest rate hedging.

12. DERIVATIVE FINANCIAL INSTRUMENTS

The Company utilizes interest rate swaps and bond forwards contracts to hedge exposures to interest rate risk. The Company generally uses its derivative instruments in hedge accounting relationships to minimize volatility in earnings caused by changes in interest rates. When a hedging derivative functions effectively, gains, losses, revenues or expenses of the hedging derivative will offset the gains, losses, revenues or expenses of the hedged item.

Cash Flow Hedging Relationships

The Company uses bond forward contracts to hedge the economic value exposure to movements in interest rates between the time that the Company determines that it will likely incur liabilities pursuant to asset securitization, and the time the securitization transaction is complete and the liabilities are incurred.

The following table presents gains or losses related to cash flow hedges included in the Company's financial results:

thousands of Canadian dollars (Unaudited)			For the three months ended
	June 30 2015	March 31 2015	June 30 2014
Fair value gains (losses) recorded in OCI	**$ 345**	$ (814)	$ (295)
Reclassification from OCI to net interest income and securitization gains	**(370)**	(366)	(362)

thousands of Canadian dollars (Unaudited)		For the six months ended
	June 30 2015	June 30 2014
Fair value losses recorded in OCI	**$ (469)**	$ (670)
Reclassification from OCI to net interest income and securitization gains	**(736)**	(726)

Fair Value Hedging Relationships

The Company uses interest rate swaps to hedge changes in the fair value of fixed-rate assets and liabilities, which are associated with changes in market interest rates. Fair value hedges include hedges of fixed-rate mortgages and fixed-rate liabilities, which include deposits, deposit notes, senior debt and securitization liabilities.

The following table presents gains or losses related to fair value hedges included in the Company's financial results:

thousands of Canadian dollars (Unaudited)			For the three months ended
	June 30 2015	March 31 2015	June 30 2014
Fair value changes recorded on interest rate swaps[1]	**$ (16,513)**	$ 39,985	$ 198
Fair value changes of hedged fixed-rate liabilities for interest rate risk[2]	**14,795**	(40,658)	148
Hedge ineffectiveness (loss) gain recognized in non-interest income	**$ (1,718)**	$ (673)	$ 346

thousands of Canadian dollars (Unaudited)		For the six months ended
	June 30 2015	June 30 2014
Fair value changes recorded on interest rate swaps[1]	**$ 23,472**	$ 4,468
Fair value changes of hedged fixed-rate liabilities for interest rate risk[2]	**(25,863)**	(4,250)
Hedge ineffectiveness (loss) gain recognized in non-interest income	**$ (2,391)**	$ 218

[1] Unrealized gains and losses on hedging instruments (interest rate swaps) are recorded as derivative assets or liabilities, as appropriate, on the consolidated balance sheets.
[2] Unrealized gains and losses on fixed-rate hedged items for the risk being hedged are recorded as part of the associated fixed-rate asset or liability on the consolidated balance sheets.

Other Derivative Gains and Losses

From time to time, the Company enters into derivative positions to hedge interest rate risk, and such derivatives are not designated as hedges for accounting purposes. The changes in fair value of such derivatives flow directly to the consolidated statements of income. Net realized and unrealized gains of $0.1 million for Q2 2015 and net realized and unrealized losses of $0.2 million YTD 2015 ($0.3 million unrealized losses - Q1 2015, $0.7 million net realized and unrealized losses – Q2 2014; $1.7 million net realized and unrealized losses – YTD 2014) were recorded in income through net realized and unrealized gain or losses on derivatives.

The Company may also enter into bond forwards or interest rate swaps to hedge interest rate risk on loans held for securitization. Realized and unrealized gains or losses on these derivatives are included in securitization income on the consolidated statements of income. Please see Note 6 for more information.

As at June 30, 2015, March 31, 2015 and December 31, 2014, the outstanding interest rate swap and bond forward contracts positions were as follows:

thousands of Canadian dollars (Unaudited)				**As at June 30, 2015**
Term (years)	Notional Amount	Derivative Asset	Derivative Liability	Net Fair Value
Swaps designated as accounting hedges				
< 1 year	**$ 1,425,664**	**$ 7,386**	**$ (860)**	**$ 6,526**
1 to 5 years	**2,032,000**	**54,660**	**(274)**	**54,386**
> 5 years	**12,600**	**1,065**	**-**	**1,065**
	3,470,264	**63,111**	**(1,134)**	**61,977**
Swaps not designated as accounting hedges				
< 1 year	**25,000**	**-**	**(368)**	**(368)**
1 to 5 years	**25,000**	**-**	**(290)**	**(290)**
	50,000	**-**	**(658)**	**(658)**
Bond forwards designated as accounting hedges [1]				
1 to 5 years	**75,000**	**-**	**(593)**	**(593)**
> 5 years	**100,000**	**-**	**(563)**	**(563)**
	175,000	**-**	**(1,156)**	**(1,156)**
Bond forwards not designated as accounting hedges [1]				
1 to 5 years	**4,500**	**-**	**(31)**	**(31)**
> 5 years	**17,650**	**12**	**(80)**	**(68)**
	22,150	**12**	**(111)**	**(99)**
Total	**$ 3,717,414**	**$ 63,123**	**$ (3,059)**	**$ 60,064**

thousands of Canadian dollars (Unaudited)				As at March 31, 2015
Term (years)	Notional Amount	Derivative Asset	Derivative Liability	Net Fair Value
Swaps designated as accounting hedges				
< 1 year	$ 1,421,614	$ 10,079	$ (1,046)	$ 9,033
1 to 5 years	2,042,200	70,868	-	70,868
> 5 years	12,600	1,264	-	1,264
	3,476,414	82,211	(1,046)	81,165
Swaps not designated as accounting hedges				
1 to 5 years	50,000	-	(819)	(819)
	50,000	-	(819)	(819)
Bond forwards designated as accounting hedges [1]				
< 1 year	125,000	-	(1,500)	(1,500)
	125,000	-	(1,500)	(1,500)
Bond forwards not designated as accounting hedges [1]				
1 to 5 years	1,900	-	(2)	(2)
> 5 years	83,400	241	(211)	30
	85,300	241	(213)	28
Total	$ 3,736,714	$ 82,452	$ (3,578)	$ 78,874

thousands of Canadian dollars (Unaudited)				As at December 31, 2014
Term (years)	Notional Amount	Derivative Asset	Derivative Liability	Net Fair Value
Swaps designated as accounting hedges				
< 1 year	$ 1,457,414	$ 7,623	$ (34)	$ 7,589
1 to 5 years	1,945,800	25,754	(36)	25,718
> 5 years	59,000	5,151	-	5,151
	3,462,214	38,528	(70)	38,458
Swaps not designated as accounting hedges				
1 to 5 years	50,000	-	(509)	(509)
	50,000	-	(509)	(509)
Bond forwards designated as accounting hedges [1]				
1 to 5 years	100,000	6	(391)	(385)
> 5 years	75,000	-	(301)	(301)
	175,000	6	(692)	(686)
Bond forwards not designated as accounting hedges [1]				
1 to 5 years	6,600	-	(20)	(20)
> 5 years	83,500	-	(975)	(975)
	90,100	-	(995)	(995)
Total	$ 3,777,314	$ 38,534	$ (2,266)	$ 36,268

[1]The term of the bond forward contracts is based on the term of the underlying bonds.

The notional amount is not recorded as an asset or liability as it represents the face amount of the contract to which the rate or price is applied in order to calculate the amount of cash exchanged. Notional amounts do not represent the potential gain or loss associated with market risk and is not indicative of the credit risk associated with the derivatives.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The amounts set out in the following table represent the fair values of the Company's financial instruments. The valuation methods and assumptions are described below.

The estimated fair value amounts approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants that are under no compulsion to act at the balance sheet date in the principal or most advantageous market which is accessible to the Company. For financial instruments carried at fair value that lack an active market, the Company applies present value and valuation techniques that use, to the greatest extent possible, observable market inputs. Because of the estimation process and the need to use judgement, the aggregate fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instruments.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Significant inputs are quoted (unadjusted) prices in active markets for identical assets or liabilities. This level includes cash and cash equivalents, equity securities traded on the Toronto Stock Exchange and quoted corporate and government-backed debt instruments.

Level 2: Significant inputs are observable for the asset or liability, either directly or indirectly and are not quoted prices included within Level 1. This level includes loans held for sale, interest rate swaps, bond forwards, mutual funds, certain corporate debt instruments and senior debt.

Level 3: Significant inputs are unobservable for the asset or liability. This level includes retained interest, certain corporate debt instruments, securitized and non-securitized mortgages and loans, securitization receivables and liabilities, other assets and liabilities, and deposits.

The following table presents the fair value of financial instruments across the levels of the fair value hierarchy.

thousands of Canadian dollars (Unaudited)					As at June 30, 2015
	Level 1	Level 2	Level 3	Fair Value	Carrying Value
Financial assets held for trading					
Cash and cash equivalents	$ 915,674	$ -	$ -	$ 915,674	$ 915,674
Loans held for sale	-	21,304	-	21,304	21,304
Derivative assets	-	63,123	-	63,123	63,123
Restricted assets	130,975	-	-	130,975	130,975
Total financial assets held for trading	1,046,649	84,427	-	1,131,076	1,131,076
Financial instruments available for sale					
Debt securities	229,217	-	11,064	240,281	240,281
Equity securities	208,935	-	-	208,935	208,935
Restricted assets	602,210	-	-	602,210	602,210
Retained interest owned	-	-	70,691	70,691	70,691
Total financial instruments available for sale	1,040,362	-	81,755	1,122,117	1,122,117
Loans and receivables					
Securitized mortgages	-	-	2,885,773	2,885,773	2,814,301
Non-securitized mortgages and loans	-	-	15,178,278	15,178,278	15,111,570
Securitization receivables	-	-	90,812	90,812	90,812
Other	-	-	91,862	91,862	91,862
Total loans and receivables	-	-	18,246,725	18,246,725	18,108,545
Total	$ 2,087,011	$ 84,427	$ 18,328,480	$ 20,499,918	$ 20,361,738
Financial liabilities at amortized cost					
Deposits	$ -	$ -	$ 15,124,109	$ 15,124,109	$ 14,966,544
Senior debt	-	153,155	-	153,155	151,930
Securitization liabilities	-	-	3,619,417	3,619,417	3,510,844
Other	-	-	312,383	312,383	312,383
Total financial liabilities carried at amortized cost	-	153,155	19,055,909	19,209,064	18,941,701
Financial liabilities at fair value					
Derivative liabilities	-	3,059	-	3,059	3,059
Total	$ -	$ 156,214	$ 19,055,909	$ 19,212,123	$ 18,944,760

thousands of Canadian dollars (Unaudited)					As at March 31, 2015
	Level 1	Level 2	Level 3	Fair Value	Carrying Value
Financial assets held for trading					
Cash and cash equivalents	$ 882,252	$ -	$ -	$ 882,252	$ 882,252
Loans held for sale	-	55,068	-	55,068	55,068
Derivative assets	-	82,452	-	82,452	82,452
Restricted assets	118,010	-	-	118,010	118,010
Total financial assets held for trading	1,000,262	137,520	-	1,137,782	1,137,782
Financial instruments available for sale					
Debt securities	229,630	-	12,516	242,146	242,146
Equity securities	221,523	-	-	221,523	221,523
Restricted assets	418,584	2,439	-	421,023	421,023
Retained interest owned	-	-	64,707	64,707	64,707
Total financial instruments available for sale	869,737	2,439	77,223	949,399	949,399
Loans and receivables					
Securitized mortgages	-	-	3,386,253	3,386,253	3,313,567
Non-securitized mortgages and loans	-	-	14,870,355	14,870,355	14,787,506
Securitization receivables	-	-	79,008	79,008	79,008
Other	-	-	93,915	93,915	93,915
Total loans and receivables	-	-	18,429,531	18,429,531	18,273,996
Total	$ 1,869,999	$ 139,959	$ 18,506,754	$ 20,516,712	$ 20,361,177
Financial liabilities at amortized cost					
Deposits	$ -	$ -	$ 14,920,371	$ 14,920,371	$ 14,741,902
Senior debt	-	154,325	-	154,325	154,280
Securitization liabilities	-	-	3,950,495	3,950,495	3,824,190
Other	-	-	267,137	267,137	267,137
Total financial liabilities carried at amortized cost	-	154,325	19,138,003	19,292,328	18,987,509
Financial liabilities at fair value					
Derivative liabilities	-	3,578	-	3,578	3,578
Total	$ -	$ 157,903	$ 19,138,003	$ 19,295,906	$ 18,991,087

thousands of Canadian dollars (Unaudited)					As at December 31, 2014
	Level 1	Level 2	Level 3	Fair Value	Carrying Value
Financial assets held for trading					
Cash and cash equivalents	$ 360,746	$ -	$ -	$ 360,746	$ 360,746
Loans held for sale	-	102,094	-	102,094	102,094
Derivative assets	-	38,534	-	38,534	38,534
Restricted assets	119,093	-	-	119,093	119,093
Total financial assets held for trading	479,839	140,628	-	620,467	620,467
Financial assets available for sale					
Debt securities	320,671	-	14,079	334,750	334,750
Equity securities	248,069	-	-	248,069	248,069
Restricted assets	297,443	4,547	-	301,990	301,990
Retained interest owned	-	-	58,685	58,685	58,685
Total financial instruments available for sale	866,183	4,547	72,764	943,494	943,494
Loans and Receivables					
Securitized mortgages	-	-	4,012,822	4,012,822	3,945,654
Non-securitized mortgages and loans	-	-	14,344,740	14,344,740	14,283,062
Securitization receivables	-	-	69,837	69,837	69,837
Other	-	-	69,638	69,638	69,638
Total loans and receivables	-	-	18,497,037	18,497,037	18,368,191
Total	$ 1,346,022	$ 145,175	$ 18,569,801	$ 20,060,998	$ 19,932,152
Financial liabilities at amortized cost					
Deposits	$ -	$ -	$ 14,062,381	$ 14,062,381	$ 13,939,971
Senior debt	-	154,347	-	154,347	152,026
Securitization liabilities	-	-	4,410,496	4,410,496	4,303,463
Other	-	-	199,831	199,831	199,831
Total financial liabilities at amortized cost	-	154,347	18,672,708	18,827,055	18,595,291
Financial liabilities at fair value					
Derivative liabilities	-	2,266	-	2,266	2,266
Total	$ -	$ 156,613	$ 18,672,708	$ 18,829,321	$ 18,597,557

The Company did not transfer any financial instrument from Level 1 or Level 2 to Level 3 of the fair value hierarchy during the six months ended June 30, 2015 or the six months ended June 30, 2014.

The following methods and assumptions were used to estimate the fair values of financial instruments:

- Cash and cash equivalents, restricted cash (included in restricted assets), other assets and other liabilities approximate their carrying values due to their short-term nature.
- Available for sale securities are valued based on the quoted bid price. Third-party MBS are fair valued using average dealer quoted prices.
- Fair value of loans held for sale, all of which are insured, is determined by discounting the expected future cash flows of the loans at current market rates imputed by the realized sale of loans with similar terms.
- The fair value of the retained interest is determined by discounting the expected future cash flows using the current MBS spread over Government of Canada Bonds imputed from recent sale transactions.
- The fair value of securitization receivables is determined by discounting the expected future cash flows using current interest rate swap rates.
- Restricted assets include both securities valued based on quoted bid price and securities where fair value is determined using average dealer quoted prices.
- Securitized and non-securitized mortgages and loans are carried at amortized cost in the financial statements. For fair value disclosures, the fair value is estimated by discounting the expected future cash flows of the loans, adjusting for credit risk and prepayment assumptions at current market rates for offered loans with similar terms.
- Fair value of derivative financial instruments is calculated as described in Note 12.
- Retail deposits are not transferable by deposit holders. In the absence of such transfer transactions, fair value of deposits is determined by discounting the expected future cash flows of the deposits at offered rates for deposits with similar terms. The fair value of the institutional deposit notes is determined using current rates of Government of Canada Bonds, plus a spread. The rates reflect the credit risks of similar instruments.
- Fair value of securitization liabilities is determined using current market rates for MBS and CMB.
- Fair value of senior debt is determined using current market rates of Government of Canada Bonds, plus a spread. The rates reflect the credit risks of similar instruments.

14. RISK MANAGEMENT

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

A description of the Company's risk management policies and procedures is included in the shaded text of the Risk Management section of the Management's Discussion and Analysis included in this report. Significant exposures to credit and liquidity risks are described in Notes 4, 5, and 12 of this report.

CORPORATE DIRECTORY & SHAREHOLDER INFORMATION

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

Directors

Kevin P.D. Smith
Chairman of the Board

Jacqueline E. Beaurivage
Robert J. Blowes
William Falk
Diana L. Graham
John M. E. Marsh
Robert A. Mitchell, CPA, CA
Gerald M. Soloway
Bonita Then

William A. Dimma
Chairman Emeritus

Officers
Gerald M. Soloway
Chief Executive Officer

Martin Reid
President

Brian R. Mosko
Chief Operating Officer and Executive Vice President

Robert Morton, CPA, CMA
Chief Financial Officer and Executive Vice President

Pino Decina
Executive Vice President, Residential Mortgage Lending

John R. K. Harry
Executive Vice President, Commercial Mortgage Lending

Chris Ahlvik, LL.B.
Executive Vice President, Corporate Counsel

Greg Parker
Chief Risk Officer and Executive Vice President

Fariba Rawhani
Executive Vice President, Chief Information Officer

Dinah Henderson
Executive Vice President, Operations

Marie Holland, CPA, CA
Senior Vice President, Internal Audit

John Hong
Senior Vice President, Chief Compliance Officer and Chief Anti-Money Laundering Officer

Stephen Copperthwaite, CMA, ORMP
Senior Vice President, Business Risk Management & Analytics

Carol Ferguson
Senior Vice President, Human Resources

Benjy Katchen
Senior Vice President, Deposits & Loyalty

Auditors
Ernst & Young LLP
Chartered Accountants
Toronto, Ontario

Principal Bankers
Bank of Montreal
Bank of Nova Scotia

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

Capital Stock
As at June 30, 2015 there were 70,246,680 Common Shares outstanding.

Stock Listing
Toronto Stock Exchange,
Ticker Symbol: HCG

Options Listing
Montreal Stock Exchange,
Ticker Symbol: HCG

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

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Gerald M. Soloway
Bonita Then

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Websites
Home Capital Group Inc.
www.homecapital.com
Home Trust Company
www.hometrust.ca

Quarterly Conference Call and Webcast
Our quarterly conference call and live audio webcast with management took place on Thursday, July 30, 2015 at 10:30 AM ET. The webcast will be archived at www.homecapital.com for 90 days.

Investor Information Service
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.