MD&A

Management's Discussion And Analysis

Year Ended
December 31, 2022

CANADA'S PREMIER NON-BANK LENDER™

Management's Discussion and Analysis

December 31, 2022

Our business

Atrium is a mortgage lender filling the lending gap that results from the limited number of financial institutions operating in Canada. We lend in major urban centres and where the stability and liquidity of real estate are high. Our loan portfolio is high quality but we are able to charge higher rates than the banks because we offer flexibility, creativity and excellent service. Our mortgages are secured by all types of residential, multi-residential and commercial real estate located in Canada, and must all be in strict compliance with our investment policies. Atrium has a 21-year track record of success and consistency in achieving our strategic objectives: to grow in a controlled manner by focusing on real estate sectors with the lowest risk profiles.

Our objective is to invest in a diverse portfolio of predominantly first mortgages that are relatively short-term, to provide our shareholders with stable and secure dividends while preserving shareholders' equity, all within the parameters mandated for a Mortgage Investment Corporation (MIC). Working within conservative risk parameters, we endeavour to maximize income and dividends through careful underwriting and efficient management of our mortgage investments.

Information herein is current as of February 14, 2023.

Highlights

Atrium continues to demonstrate strength and stability. For the year ended December 31, 2022, we had revenues of $78.4 million compared to $64.2 million in the prior year, an increase of 22.0%. Net income was $46.3 million compared with $41.8 million in the prior year, an increase of 10.9%. Basic and diluted earnings per share were $1.08 and $1.06, respectively, compared with $0.98 basic and diluted earnings per share in the prior year, an increase of 10.2% basic and 8.2% diluted.

We declared a regular dividend of $0.075 per share for each month in the year, a total of $0.90 for 2022, consistent with dividends of $0.90 for the prior year. In addition, we declared a special dividend of $0.23, for a total dividend of $1.13 for 2022, compared to $0.97 for the previous year. For 2023, our board of directors has set the regular dividend rate at $0.90 per annum.

Our regular and special dividends for the past five years are as follows:

Year	*Regular dividend*	*Special dividend*	*Total dividends paid*	*Earnings per share (basic)*
2018	$0.90	$0.04	$0.94	$0.95
2019	$0.90	$0.06	$0.96	$0.97
2020	$0.90	$0.02	$0.92	$0.93
2021	$0.90	$0.07	$0.97	$0.98
2022	$0.90	$0.23	$1.13[1]	$1.08
2023	$0.90	to be determined		

1) *The difference between dividends paid and earnings per share is largely due to a timing difference created by an impairment and provision for accounting that is excluded from the calculation of taxable income.*

We had $860.4 million of mortgages receivable as at December 31, 2022, an increase of 13.3% from December 31, 2021. During the year, $517.6 million of mortgage principal was advanced and $429.8 million was repaid. The portfolio has a weighted average remaining term of 10.9 months.

Our focus continues to be lending in the major metropolitan areas of Ontario and British Columbia.

Revenues of $78.4 million, increase of 22.0% over prior year

Earnings per share $1.08 basic and $1.06 diluted

Strong, high quality mortgage portfolio

92.5% first mortgages

97.1% less than 75% loan-to-value

Mortgages receivable $860.4 million, up 13.3% from prior year

We focus on first mortgages with high liquidity and low loan-to-value ratios

Investment portfolio

Our mortgage portfolio consisted of 260 mortgage loans and aggregated $866.3 million at December 31, 2022, an increase of 12.9% from December 31, 2021.

	As at December 31, 2022			As at December 31, 2021		
Property Type	**Number**	**Outstanding amount**	**% of Portfolio**	**Number**	**Outstanding amount**	**% of Portfolio**
(outstanding amounts in 000s)						
High-rise residential[1]	20	$ 300,989	34.7%	18	$ 234,847	30.6%
Mid-rise residential[1]	30	225,281	26.0%	34	253,507	33.0%
Low-rise residential[1]	14	128,244	14.8%	15	122,569	16.0%
House and apartment[2]	158	108,124	12.5%	101	70,944	9.3%
Condominium corporation[3]	12	2,189	0.3%	13	1,752	0.2%
Residential portfolio	234	764,827	88.3%	181	683,619	89.1%
Commercial[4]	26	101,435	11.7%	16	83,512	10.9%
Mortgage portfolio	260	866,262	100.0%	197	767,131	100.0%
Accrued interest receivable		5,418			3,098	
Mortgage discount		(94)			(135)	
Unamortized origination fees		(506)			(430)	
Allowance for mortgage losses		(10,706)			(10,439)	
Mortgages receivable		$ 860,374			$ 759,225	

1) *Mortgage loans on properties where the near-term business plan, as vetted by the lender, is to intensify the property into low-rise residential (detached, semi-detached, townhomes and/or multi-unit residential buildings up to 4 storeys), mid-rise residential (multi-unit residential buildings from 5-20 storeys and stacked townhomes) or high-rise residential (multi-unit residential buildings over 20 storeys).*
2) *Mortgage loans on existing single-family or multi-family residential homes and apartment buildings.*
3) *Mortgage loans to residential condominium corporations for guest suites, superintendent suites and green loans.*
4) *Mortgage loans on properties where the existing real estate is currently, or the proposed development project after rezoning will be mixed use, commercial or industrial.*

A summary of our mortgages by loan type is presented below.

	As at December 31, 2022			As at December 31, 2021		
Loan type	**Number**	**Outstanding amount**	**% of Portfolio**	**Number**	**Outstanding amount**	**% of Portfolio**
(outstanding amounts in 000s)						
Term loans	252	$ 809,722	93.5%	189	$ 695,374	90.7%
Construction loans	8	56,540	6.5%	8	71,757	9.3%
	260	$ 866,262	100.0%	197	$ 767,131	100.0%

A summary of our mortgages by size is presented below.

	As at December 31, 2022			As at December 31, 2021		
Mortgage amount	**Number**	**Outstanding amount**	**% of Portfolio**	**Number**	**Outstanding amount**	**% of Portfolio**
(outstanding amounts in 000s)						
$0 - $2,500,000	182	$ 121,213	14.0%	124	$ 80,031	10.5%
$2,500,001 - $5,000,000	26	101,884	11.8%	27	109,831	14.3%
$5,000,001 - $7,500,000	19	118,391	13.6%	19	115,401	15.0%
$7,500,001 - $10,000,000	7	58,103	6.7%	3	26,215	3.4%
$10,000,001 +	26	466,671	53.9%	24	435,653	56.8%
	260	$ 866,262	100.0%	197	$ 767,131	100.0%

As of December 31, 2022, the average outstanding mortgage balance was $3.3 million (December 31, 2021 – $3.9 million), and the median outstanding mortgage balance was $0.8 million (December 31, 2021 – $0.8 million).

The tables below show our mortgage portfolio by location of the underlying property and type of mortgage. The weighted average interest rates shown exclude the lender fees paid by the borrower, which reflect the yield to Atrium. As at December 31, 2022, 75.4% of our portfolio was priced at floating rates, the majority with rate floors, up from 60.0% at December 31, 2021.

Location of underlying property	As at December 31, 2022				
	Number of mortgages	Outstanding amount	Percentage outstanding	Weighted average loan to value	Weighted average interest rate
(outstanding amounts in 000s)					
Greater Toronto Area	169	$ 598,207	69.0%	59.7%	11.04%
Non-GTA Ontario	61	38,950	4.5%	68.7%	8.25%
British Columbia	28	220,727	25.5%	56.4%	10.41%
Alberta	2	8,378	1.0%	71.2%	12.55%
	260	$ 866,262	100.0%	59.4%	10.77%

Location of underlying property	As at December 31, 2021				
	Number of mortgages	Outstanding amount	Percentage outstanding	Weighted average loan to value	Weighted average interest rate
(outstanding amounts in 000s)					
Greater Toronto Area	126	$ 472,851	61.6%	62.3%	8.34%
Non-GTA Ontario	44	33,361	4.4%	67.4%	7.65%
British Columbia	25	253,771	33.1%	56.7%	8.17%
Alberta	2	7,148	0.9%	94.4%	8.90%
	197	$ 767,131	100.0%	60.9%	8.26%

We have an exceptionally high proportion of our portfolio invested in first mortgages (92.5%), which is one of our core strategies.

As at December 31, 2022, the weighted average loan-to-value ratio in our mortgage portfolio was 59.4%, with 97.1% of the portfolio below 75% loan-to-value (At December 31, 2021, the weighted average loan-to-value ratio in our mortgage portfolio was 60.9%, with 99.3% of the portfolio below 75% loan-to-value.).

Type of mortgage	As at December 31, 2022			
	Number of mortgages	Outstanding amount	Percentage outstanding	Weighted average interest rate
(outstanding amounts in 000s)				
First mortgages				
Conventional	229	$ 780,133	90.1%	10.74%
Non-Conventional	8	18,956	2.1%	10.49%
Other	12	2,189	0.3%	7.48%
	249	801,278	92.5%	10.72%
Second and third mortgages				
Conventional	10	57,624	6.7%	11.61%
Non-conventional	1	7,360	0.8%	9.50%
	11	64,984	7.5%	11.37%
	260	$ 866,262	100.0%	10.77%

Type of mortgage	As at December 31, 2021			
	Number of mortgages	Outstanding amount	Percentage outstanding	Weighted average interest rate
(outstanding amounts in 000s)				
First mortgages				
Conventional	169	$ 694,055	90.5%	8.16%
Non-Conventional	1	5,713	0.7%	9.00%
Other	13	1,752	0.2%	7.25%
	183	701,520	91.4%	8.17%
Second and third mortgages				
Conventional	14	65,611	8.6%	9.26%
Non-conventional	–	–	–%	–%
	14	65,611	8.6%	9.26%
	197	$ 767,131	100.0%	8.26%

Conventional mortgages are those with a loan-to-value of less than or equal to 75%, which is the industry standard for determining that a mortgage is conventional. Non-conventional mortgages are those with a loan-to-value in excess of 75%.

The weighted average term remaining for our mortgage portfolio at December 31, 2022 is 10.9 months (December 31, 2021 – 12.0 months).

Our business

In Canada there is a lending gap due to the limited number of financial institutions operating. Our business is to help fill that gap by focusing on loans that cannot be placed with larger financial institutions but represent an acceptable underwriting risk. Our borrowers benefit from our efficient, thorough and fast underwriting process. We lend in major urban centres where the stability and liquidity of real estate are at the highest levels.

Our policy is that the weighted average loan-to-value ratio of our mortgage portfolio, as a whole, at the time of underwriting each loan in our portfolio, will not exceed 75%. At December 31, 2022, the weighted average loan-to-value ratio of the mortgage portfolio was considerably lower than that, at 59.4%, compared to 60.9% at December 31, 2021.

A typical loan in our portfolio has an interest rate of 6.99% to 12.99% per annum, a one or two-year term and monthly interest-only mortgage payments. Pricing on new loans during the fourth quarter typically range between 8.99% to 12.99%.

Our lending parameters are as follows:

- Mortgages on residential and commercial properties up to a maximum of 75% of appraised value.
- Loans on single family residences up to 75% of appraised value.
- Mortgages on income-producing real estate up to a maximum of 85% of appraised value.
- Construction loans up to a maximum of 90% of cost.
- Loans to condominium corporations.

Mortgage loan amounts are generally $300,000 to $30 million. The largest single mortgage in our mortgage portfolio as at December 31, 2022 was $44.8 million (December 31, 2021 – $40.8 million). For loan amounts in excess of $30 million, we generally co-lend with a financial institution or private lender.

Our investment policies, which may be changed by our board of directors ("board"), are as follows:

- We may invest only in residential mortgages, commercial mortgages, commercial mortgage backed securities and certain related investments.
- All investments must be mortgages on the security of real property situated within Canada, loans to condominium corporations, or certain permitted interim investments.
- Commercial mortgages may not constitute more than 50% of our total assets at any time.
- The term of the mortgage may generally be no greater than ten years.
- Mortgages are subject to the following geographic limits at the time of funding: Ontario – maximum 80% of total mortgages; Alberta – maximum 15% of total mortgages; British Columbia – maximum of 45% of total mortgages.
- No single borrower may account for more than 15% of our total assets.
- All mortgages are supported by external appraisals by a qualified appraiser. All mortgages, except mortgages secured by one to six residential units, are also supported by environmental audits.
- The maximum initial loan-to-value ratio of an individual mortgage is 85% including any prior ranking encumbrances, and the weighted average loan-to-value ratio of our mortgage portfolio at the time of underwriting each loan may not exceed 75%.
- Our ratio of debt to equity must be less than 1:1.
- We do not invest directly in real property, although real property may be acquired by foreclosing on a mortgage.
- A mortgage investment of: (i) $4,000,000 or more requires approval of the board; (ii) between $2,000,000 and $4,000,000 requires approval of three members of the board, including at least two independent directors; and (iii) $2,000,000 or less requires approval of any one member of the board. For loans previously approved, the approval of one member of the board is required (i) for changes to the loan that do not exceed the approved amount by more than the greater of (a) $200,000 or (b) 2% of the previously approved loan amount; or (ii) for minor technical amendments that do not change other underwriting considerations, provided in all cases that the loan to value ratio increases by less than 5% and the ratio is 75% or less. We may invest in interim investments that are guaranteed by the Government of Canada or of a province or territory of Canada or deposits or certificates of deposits, acceptances and other similar instruments issued, endorsed or guaranteed by a Schedule I Bank in any amount without prior board approval.

- We may not make unsecured loans to, nor invest in securities issued by, our manager or its affiliates, nor make unsecured loans to the directors or officers of the manager.
- We may not make any investment, or incur any indebtedness, that would result in our not qualifying as a MIC.

Our objective is to invest in a diverse portfolio of predominantly first mortgages that are relatively short-term, to provide our shareholders with stable and secure dividends while preserving shareholders' equity, all within the parameters mandated for a MIC. Working within conservative risk parameters, we endeavour to maximize income and dividends through the sourcing and efficient management of our mortgage investments.

We are a non-bank lender and invest in mortgages secured by all types of residential, multi-residential and commercial real property located in Canada, subject to compliance with our investment policies. The types of properties that we finance include residential houses, small multi-family residential properties comprised of six or fewer units, residential apartment buildings, commercial properties and store-front retail properties, commercial properties and residential and commercial land development sites. We also finance construction projects and provide short-term bridge financing for real estate developers. Our strategy is to grow in a controlled manner by diversifying geographically, and focusing on real estate sectors with the lowest risk profiles.

We qualify as a MIC and are restricted from any activity that would result in us failing to qualify as a MIC. In order to qualify as a MIC, we must satisfy the requirements in subsection 130.1(6) of the *Income Tax Act* (Canada) ("ITA") throughout the taxation year. Among the requirements are:

- We can only invest or manage funds and cannot manage or develop real property.
- We cannot own debts secured on real property situated outside Canada, debts owing by non-residents unless such debts were secured on real property situated in Canada, shares of the capital stock of corporations not resident in Canada, or real property situated outside of Canada or any leasehold interest in such property.
- No shareholder (together with related persons, as defined in the ITA) may at any time own, directly or indirectly, more than 25% of our common shares.
- The cost for tax purposes of cash on hand, debts secured on specified residential properties, and funds on deposit with a Canada Deposit Insurance Fund or Régie de l'assurance-dépôts du Québec-insured institution or credit union must constitute at least 50% of the cost of all of our property.
- The cost for tax purposes of any interests in real property (including leaseholds but excepting real or immovable property acquired by foreclosure after default by the mortgagor) may not exceed 25% of the cost of all of our property.
- There are certain restrictions as to our maximum debt-to-equity ratio.

We are managed by Canadian Mortgage Capital Corporation (the "manager" or "CMCC"), which is our exclusive manager and arranges and services our mortgage loans and otherwise directs our affairs and manages our business. For explanations as to some of the terms used herein, please refer to our Annual Information Form for the year ended December 31, 2022, which is available at www.sedar.com.

Recent Developments

Atrium ended the year with a gross mortgage portfolio of $866.3 million at December, 31, 2022 which was the highest balance in the company's history. This represented an increase of $99.1 million or 12.9% over the prior year despite challenging market conditions that manifested in the latter half of the year. The gross mortgage portfolio grew $9.4 million over the fourth quarter due to $63.1 million of new originations and $56.3 million of repayments. The slowdown in the residential, commercial and multi-family residential real estate markets put downward pressure on origination volumes in the fourth quarter. Current market conditions also reduced turnover in the portfolio due to fewer refinancing options for borrowers as big banks became more restrictive. Real estate markets overall remained plagued with uncertainties around interest rates, inflation and an impending economic slowdown resulting in less capital deployment into new development projects.

The weighted average interest rate on the mortgage portfolio was a record 10.77% at December 31, 2022. The weighted average interest rate increased from 10.04% at the end of the third quarter and 8.26% over the prior year. These increases were largely driven by interest rate increases instituted by the Bank of Canada which totaled 400bps over the course of the year, including 100bps over the fourth quarter. The portfolio was also successfully repositioned towards floating rates given the changing interest rate environment. 75.4% of the portfolio was priced at floating rates at December 31, 2022 versus 60.0% in the prior year with the majority of loans having rate floors in place. The business remains increasingly well positioned to benefit from higher interest rates on a go forward basis, including the most recent Bank of Canada rate increase of 25bps announced on January 25, 2023.

Stage 2 loans remained relatively low at 3.0% of the gross mortgage portfolio at December 31, 2022. This represented a modest increase over the previous quarter but was down significantly from the prior year. $26.0 million of mortgages were classified as stage 2 at year end compared to $7.4 million at September 30, 2022 and $45.0 million at December 31, 2021. One impaired loan was sold and closed in April 2022 and although we incurred a loss, it was considerably less than previously estimated. Overall, credit quality of the portfolio remained strong at year end with a high proportion of first mortgages (92.5%), no impaired or Stage 3 loans, and a low portfolio LTV of 59.4% which is down from 60.9% in the prior year. Our primary focus is centered on protecting our capital through disciplined underwriting and proactive portfolio management. Management continues to focus on high quality properties, developers, and geographies as opposed to moving up the risk curve to chase higher yields.

The weighted average rate on our debt facility was 6.25% in the fourth quarter and 4.57% for the year compared to 2.86% in the prior year. These increases were again driven by interest rate increases enacted by the Bank of Canada but the impact on the business was mitigated by the fact that our prime-based credit facility represented only 26.2% of our sources of capital at year end. During the fourth quarter, we amended our credit facility by adding another major Canadian Financial Institution to our syndicate and exercised the accordion option to increase the maximum available facility to $315 million. The company has the right to increase the credit facility by up to an additional $35 million (such that the total maximum availability would be up to $350 million). Our lending syndicate now includes three of the top six banks in Canada. During the first quarter of 2022, we also issued a new series of 5.10% convertible debentures maturing March 31, 2029 for gross proceeds of $40.25 million, including the exercise in full of the overallotment option. The fixed rate on the debentures has proven to be accretive in a rising interest rate environment.

The provision for mortgages losses was $1.2 million in the fourth quarter which increased the allowance for mortgage losses to $10.7 million or 1.24% of the gross mortgage portfolio versus 1.11% in the previous quarter. This allowance is entirely for Stage 1 and 2 loans as there were no Stage 3 or impaired loans at year end. The increase of the allowance over the previous quarter was largely due to an increase in Stage 2 loans which were identified as experiencing a material increase in credit risk. Overall allowance levels, however, are mainly driven by weak macroeconomic factors as evidenced by declines in real estate values, persistent inflation, elevated interest rates, and a potential recession on the horizon. Steep declines in market activity and real estate prices from the peak in the first quarter combined with higher cap rates in commercial markets signal heightened credit risk for all lenders including Atrium. Management believes that real estate markets will contain an elevated level of risk until economic uncertainties subside.

Overall, 2022 was a strong year for Atrium in terms of portfolio growth and record earnings. It was also a year of stark change as real estate market conditions started strong out of the gate but progressively weakened due to rapid interest rate increases and inflationary pressures. The mid-to-long term demand fundamentals that support growth in residential real estate markets have not changed. Housing shortages and demographic trends will provide strong momentum once economic uncertainties subside. The commercial markets outside of the office sector remain fundamentally solid as well but have come under valuation pressure due to higher interest rate levels. Management remains focused on positioning the business to navigate through current headwinds that will likely persist for the coming quarters. The business remains focused on mitigating risk through disciplined underwriting standards that are aligned to the current market environment and active portfolio management. The focus will remain on low LTVs and lending in major urban centers in Ontario and BC where liquidity is high and our market knowledge and relationships are deepest. The business has capacity to grow but will do so in a very prudent manner should the right risk-reward opportunities arise.

Results of Operations

(In this section, dollars are in thousands of Canadian dollars, except per share amounts)

Financial summary

	Year ended December 31 2022	Year ended December 31 2021	Year ended December 31 2020
Revenue	$ 78,371	$ 64,235	$ 65,019
Mortgage servicing and management fees	(8,526)	(7,241)	(7,036)
Other expenses	(1,098)	(1,382)	(1,410)
Impairment loss on investment property held for sale	(1,832)	–	–
Recovery of prior mortgage losses	1,050	–	–
Provision for mortgage losses	(1,914)	(1,289)	(3,760)
Income before financing costs	66,051	54,323	52,813
Financing costs	(19,719)	(12,530)	(13,625)
Net income and comprehensive income	$ 46,332	$ 41,793	$ 39,188
Basic earnings per share	$ 1.08	$ 0.98	$ 0.93
Diluted earnings per share	$ 1.06	$ 0.98	$ 0.93
Dividends declared	$ 48,736	$ 41,346	$ 38,970
Mortgages receivable, end of year	$ 860,374	$ 759,225	$ 739,025
Total assets, end of year	$ 874,780	$ 775,487	$ 755,315
Shareholders' equity, end of year	$ 475,564	$ 470,167	$ 462,887

Summary of quarterly results *(unaudited)*

	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Revenue	$ 23,159	$ 20,634	$ 18,201	$ 16,377	$ 15,767	$ 15,870	$ 16,147	$ 16,451
Mortgage servicing and management fees	(2,131)	(2,056)	(2,461)	(1,878)	(1,778)	(1,792)	(1,775)	(1,896)
Other expenses	(270)	(292)	(212)	(324)	(249)	(283)	(388)	(462)
Impairment of investment property held for sale	–	–	–	(1,832)	–	–	–	–
Recover of prior mortgage losses	50	–	200	800	–	–	–	–
Recovery of (provision for) mortgage losses	(1,230)	(1,114)	(583)	1,013	(20)	(400)	–	(869)
Income before financing costs	19,578	17,172	15,145	14,156	13,720	13,395	13,984	13,224
Financing costs	(6,345)	(5,346)	(4,470)	(3,558)	(2,981)	(2,840)	(3,359)	(3,350)
Net income and comprehensive income	$ 13,233	$ 11,826	$ 10,675	$ 10,598	$ 10,739	$ 10,555	$ 10,625	$ 9,874
Basic earnings per share	$ 0.31	$ 0.27	$ 0.25	$ 0.25	$ 0.25	$ 0.25	$ 0.25	$ 0.23
Diluted earnings per share	$ 0.30	$ 0.27	$ 0.25	$ 0.25	$ 0.25	$ 0.25	$ 0.25	$ 0.23
Dividends declared	$ 19,707	$ 9,706	$ 9,675	$ 9,648	$ 12,620	$ 9,601	$ 9,575	$ 9,550

Results of operations – Three months ended December 31, 2022

For the three months ended December 31, 2022, mortgage interest and fees revenues aggregated $22,961, compared to $15,650 in the comparative period, an increase of 46.7%. Virtually all our revenues are mortgage interest; therefore, the increase in revenue is due to a higher weighted average interest rate in the current quarter and a higher mortgage portfolio balance this quarter compared to the fourth quarter of 2021. The higher weighted average interest rate was driven by higher benchmark market rates compared to the prior year. A variety of other factors can affect the changes in the weighted average interest rate of our mortgage portfolio from quarter to quarter. No single factor is determinative or material for the mortgage portfolio as a whole, however, such factors include, but are not limited to, the timing of changes in the prime rate of interest, the timing and dollar amount of mortgages advanced and/or repaid in the period, the types of properties on which mortgage loans are advanced and/or repaid in the period, the location of the underlying properties on which mortgage loans are advanced and/or repaid, the types of mortgage loans advanced and/or repaid during the period and whether the mortgage loans advanced and/or repaid during the period are conventional or non-conventional mortgages. The weighted average interest rate on our mortgage portfolio was 10.77% at December 31, 2022, compared with 8.26% at December 31, 2021. We generated a net rental income of $198 for the three months ended December 31, 2022 from our investment properties compared to net rental income of $117 for the three months ended December 31, 2021 as a result of an improvement in the vacancy rate in the current quarter.

Operating expenses, excluding the provision for mortgage losses, impairment of investment properties held for sale and recovery of prior mortgage losses for the three months ended December 31, 2022 were $2,401, compared to $2,027 in the comparative period, an increase of 18.5%. This increase is primarily due to an increase in mortgage servicing and management fees and increase in professional fees and is partially offset by the adjustment to fair value

of unit-based compensation. Mortgage servicing and management fees paid (that is, the management fee plus HST) aggregated $2,131 for the three months ended December 31, 2022, compared with $1,778 in the comparative period. This increase was due to an increase in the mortgage portfolio balance in the current quarter as well as timing variations in mortgage fundings between the quarters, as mortgage servicing fees are calculated and paid monthly based on the mortgage portfolio balance outstanding during the month. Other expenses include a fair value adjustment on deferred share units of ($22) compared to a fair value adjustment of ($19) in the comparative quarter due to fluctuations in the share price between the quarters. The recovery of prior mortgage losses was ($50) in the quarter compared to $nil in the comparative period. The provision for mortgage losses was $1,230 in the quarter, for a total allowance of $10,706 at December 31, 2022 compared to a provision of $20 in the comparative period and a total allowance of $10,439 at December 31, 2021.

Financing costs for the three months ended December 31, 2022 were $6,345, compared to $2,981 in the same period of 2021, an increase of 112.8%. Coupon rate interest on convertible debentures was $2,156 for the three months ended December 31, 2022 compared to $1,363 for the comparative period. This increase was a result of more convertible debentures being outstanding in the current period. The book value of convertible debentures as at December 31, 2022 was $155,964, compared to $117,609 as at December 31, 2021. Accretion and other costs were $413 for the three months ended December 31, 2022 compared to $225 for the comparative period. Interest expense on the credit facility was $3,612 for the three months ended December 31, 2022, up from $1,302 for the comparative period. This increase is due to a higher balance drawn on the credit facility during the current quarter and a higher weighted average cost of borrowing in the fourth quarter of 2022 (6.25%) compared to the fourth quarter of 2021 (2.89%) as a result of increases in the prime rate and banker's acceptance rates between the periods.

Net income and comprehensive income for the three months ended December 31, 2022 was $13,233, an increase of 23.2% from net income and comprehensive income of $10,739 for the same period in the prior year. Basic and diluted earnings per common share were $0.31 and $0.30, respectively, for the three months ended December 31, 2022, compared with $0.25 basic and diluted earnings per share for the comparable period in the comparative period.

During the three months ended December 31, 2022, we funded mortgages receivable aggregating $70,966. Of those advances, $69,827 were first mortgages, representing 98.4% of the total loans funded. British Columbia advances were $20,223, advances of $38 were on properties in Alberta, $7,795 were non-GTA Ontario and the remaining $42,910 were for mortgages on properties located in the Greater Toronto Area. There were $61,559 of repayments during the period.

Results of operations – Year ended December 31, 2022

For the year ended December 31, 2022, mortgage interest and fees revenues aggregated $77,863, compared to $63,536 in the prior year, an increase of 22.5%. Virtually all our revenues are mortgage interest; therefore, the increase in revenue is due to a higher weighted average interest rate in the current period and a higher mortgage portfolio balance this period compared to the prior year. The higher weighted average interest rate was driven by higher benchmark market rates compared to the prior year. A variety of other factors can affect the changes in the weighted average interest rate of our mortgage portfolio from year to year. No single factor is determinative or material for the mortgage portfolio as a whole, however, such factors include, but are not limited to, the timing of changes in the prime rate of interest, the timing and dollar amount of mortgages advanced and/or repaid in the period, the types of properties on which mortgage loans are advanced and/or repaid in the period, the location of the underlying properties on which mortgage loans are advanced and/or repaid, the types of mortgage loans advanced and/or repaid during the period and whether the mortgage loans advanced and/or repaid during the period are conventional or non-conventional mortgages. The weighted average interest rate on our mortgage portfolio was 10.77% at December 31, 2022, compared with 8.26% at December 31, 2021. We generated net rental income of $508 for the year ended December 31, 2022 from our investment properties compared to net rental income of $699 for the year ended December 31, 2021. This decrease in rental revenue was primarily a result of repairs made to one of the properties in the second quarter of 2022.

Operating expenses, excluding the provision for mortgage losses, impairment of investment properties held for sale and recovery from prior mortgage losses for the year ended December 31, 2022 were $9,624, compared to $8,623 in the prior year, an increase of 11.6%. This increase is primarily due to the increase in mortgage servicing and management fees and is partially offset by the adjustment to fair value of unit-based compensation and the decrease in administration and general expenses. Mortgage servicing and management fees paid (that is, the management fee plus HST) aggregated $8,526 for the year ended December 31, 2022, compared with $7,241 in the comparative year. This increase was due to an increase in the mortgage portfolio balance in the current year as well as timing variations in mortgage fundings between the periods, as mortgage servicing fees are calculated and paid monthly based on the mortgage portfolio balance outstanding during the month. Other expenses include a fair value adjustment on deferred share units of ($160) compared to a fair value adjustment of $32 in the prior year due to fluctuations in the share price during the quarters. Administration and general costs for the year were $142 compared to $278 in the prior year as a result of costs incurred in the comparative year to settle a contract dispute. As a result of the economic conditions in Saskatchewan affecting vacancy and rental rates and other market information, the company estimated that the

carrying value of the Regina property exceeded its recoverable amount at March 31, 2022, resulting in an impairment of investment properties held for sale of $1,832. The recovery of prior mortgage losses was ($1,050) in the year compared to $nil in the comparative period. The provision for mortgage losses was $1,914 in the year, for a total allowance of $10,706 at December 31, 2022 compared to a provision of $1,289 in the comparative year for a total allowance of $10,439 at December 31, 2021. The property securing the Stage 3 mortgage that was outstanding at the prior year end was sold in the current year. The agreed upon sales price was higher than the estimate used in the expected credit loss model at December 31, 2021 which contributed to the reversal of a portion of the allowance on this mortgage. Additionally, we negotiated a settlement with guarantors to recover a portion of a losses incurred on two loans that were impaired in prior years. To date, a total of $1,050 has been received under these settlements.

Financing costs for the year ended December 31, 2022 were $19,719, compared to $12,530 in the prior year, an increase of 57.4%. Coupon rate interest on convertible debentures was $8,174 for the year ended December 31, 2022 compared to $6,103 for the prior year. This increase was a result of more convertible debentures being outstanding in the current year. Accretion and other costs were $1,547 for the year ended December 31, 2022 compared to $1,070 for the comparative year. Interest expense on the credit facility was $9,463 for the year ended December 31, 2022, up from $5,012 for the comparative year. This increase is due to a higher balance drawn on the credit facility during the current period and a higher weighted average cost of borrowing in the year ended December 31, 2022 (4.57%) compared to the year ended December 31, 2021 (2.86%) as a result of increases in the prime rate and banker's acceptance rates between the periods.

Net income and comprehensive income for the year ended December 31, 2022 was $46,332, an increase of 10.9% from net income and comprehensive income of $41,793 in the prior year. Basic and diluted earnings per common share were $1.08 and $1.06, respectively, for the year ended December 31, 2022, compared with $0.98 basic and diluted earnings per share for the previous year.

During the year ended December 31, 2022, we funded mortgages receivable aggregating $545,814. Of those advances, $465,888 were first mortgages, representing 85.4% of the total loans funded. British Columbia advances were $94,933, advances of $7,030 were on properties in Alberta, $29,454 were non-GTA Ontario and the remaining $414,397 were for mortgages on properties located in the Greater Toronto Area. There were $445,036 of repayments during the year.

Liquidity and capital resources

At December 31, 2022, we had borrowings under the credit facility (excluding unamortized and prepaid financing costs) of $223,959. The credit facility, currently authorized for up to $315,000 (December 31, 2021 – $240,000), is provided by a syndicate of five major chartered banks, drawn through a combination of bankers' acceptances and bank loans to minimize our borrowing costs. On May 10, 2022, the company entered into an amendment to its existing credit facility in order to, among other things, extend the maturity date, increase the accordion option from $30,000 to $60,000 and reduce the applicable margin rates. On June 22, 2022, the company entered into an amendment to the existing credit facility and exercised the accordion option, increasing the credit facility by $50,000 (such that the total maximum availability is $290,000). At any time during the term of the credit facility, the company had the right to increase the credit facility by up to $60,000 (such that the total maximum availability would be up to $350,000). On November 4, 2022, the company entered into another amendment to its existing credit facility in order to add another Canadian financial institution to its lending syndicate and to exercise the accordion option, increasing the facility by $25,000 such that the total maximum is $315,000. At any time during the term of the credit facility, the company has the right to increase the credit facility by up to an additional $35,000 (such that the total maximum availability would be up to $350,000).

At December 31, 2022, we had five series of convertible debentures outstanding, with a total book value of $155,964, and a face value (and maturity value) of $163,300. For additional information on the operating credit facility and the debentures, please refer to Notes 7 and 9, respectively, of our accompanying consolidated financial statements.

The growth in our mortgage portfolio since inception has been financed by the issuance of common shares, issuance of convertible debt, and through the operating credit facility. We expect to be able to generate sufficient funds for future growth in net mortgage loan investments by utilizing those three sources of funds. As at December 31, 2022, total debt was 45.6% of total assets (December 31, 2021 – 39.4%). Our policy and our banking arrangements both require that total debt not exceed 50.0% of total assets.

Changes in financial position

Cash used in investing activities during the year ended December 31, 2022 consisted of principal repayments received of $429,790, less advances of principal on mortgage loan investments of $517,601 for net cash advances of mortgage loan investments of $87,811.

Borrowings under our operating credit facility (excluding unamortized and prepaid financing costs) increased to $223,959 at December 31, 2022, from $178,404 at December 31, 2021, due to the increase in our mortgage portfolio.

Accounts payable and accrued liabilities, including accrued convertible debenture interest, were $7,041 at December 31, 2022 compared to $3,574 at December 31, 2021. Dividends payable were $13,217 at December 31, 2022, up from $6,206 at December 31, 2021 as the December 31, 2022 balance included the special dividend for 2022 that will paid on February 28, 2023 of $0.23 per share compared to $0.07 per share in 2021.

Share capital increased to $471,882 at December 31, 2022 from $465,491 at December 31, 2021, primarily due to the issuance of common shares under the dividend reinvestment plan.

Contractual obligations

Contractual obligations due at December 31, 2022 were as follows:

As at December 31, 2022	Total obligation	Within 1 year	1 to 3 years	3 to 5 years	More than 5 years
Borrowings under credit facility	$236,644	$ 10,599	$226,045	$ –	$ –
Accounts payable and accrued liabilities	6,125	6,125	–	–	–
Accrued convertible debenture interest	916	916	–	–	–
Dividends payable	13,217	13,217	–	–	–
Convertible debentures	197,808	8,627	102,584	7,556	79,041
Total contractual obligations	$454,710	$ 39,484	$328,629	$ 7,556	$ 79,041

We have commitments to advance additional funds under existing mortgages of $76,625 and for new mortgages of $1,693 at December 31, 2022 (December 31, 2021 – $100,592, $6,598, respectively). Generally, outstanding commitments are expected to be funded within the next 24 months. However, our experience has been that a portion of the unfunded amounts on existing mortgages will never be drawn.

Off-balance sheet arrangements

As at December 31, 2022, we had $12,158 (December 31, 2021 – $8,182) of letters of credit (LCs) outstanding which were issued under our operating credit facility. The maximum available by way of LCs under our operating credit facility at December 31, 2022 was $25,000 (December 31, 2021 – $25,000). LCs represent irrevocable assurances that our banks will make payments in the event that a borrower of the company cannot meet its obligations to third parties. LCs carry the same credit risk, recourse and collateral security requirements as mortgages extended to customers. $3,551 of cash was received, and is recorded in accounts payable and accrued liabilities for letters of credit on mortgages that are discharged (December 31, 2021 – $601).

Transactions with related parties

Transactions with related parties are in the normal course of business and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties, and are measured at fair value.

The manager is responsible for our day-to-day activities. We incurred management and mortgage servicing fees from a subsidiary of the manager of $7,977 (including HST) for the year ended December 31, 2022 (year ended December 31, 2021 – $7,241). Mr. Robert G. Goodall is a director and part of the key management personnel of the manager, received compensation from the manager, and is also a director of Atrium. The management agreement between us and the manager contains provisions for the payment of termination fees to the manager in the event that the management agreement is terminated in certain circumstances. The manager also acts as broker for our mortgages. The manager receives origination fees from the borrowers of up to 1% of the amount being funded; origination fees in excess of 1% are split between the manager and Atrium.

During the year ended December 31, 2022 CMCC reimbursed the company for share-based payments of $42 related to grants under the company's DSIP (year ended December 31, 2021 – $nil).

Under an employee share purchase plan (ESPP) for the company's common shares, participants, including employees of CMCC, may contribute up to an annual maximum to the ESPP and CMCC matches 50% of the

participants' contributions. The total amount matched by CMCC for the year ended December 31, 2022 was $64 (year ended December 31, 2021 – $64).

Certain of the company's mortgages receivable are shared with other investors. As at December 31, 2022, companies owned by a director and or officer of the company were co-invested in one syndicated mortgage receivable of $22,000, of which the company's share was $21,000 and $19,750 had been funded (December 31, 2021 – the company was not co-invested in any syndicated mortgage receivables with companies owned by a director and or officer of the company).

As at December 31, 2022, the company had two mortgages receivable (December 31, 2021 – four) from borrowers over which a director and or officer of the company has joint control, with the company's share of the gross commitments totaling $9,200 (December 31, 2021 – $23,190), of which $8,350 had been funded at December 31, 2022 (December 31, 2021 – $19,342). During the year ended December 31, 2022, the company recognized net mortgage interest and fees of $1,428 (year ended December 31, 2021 –$808) from four (December 31, 2021 – four) mortgage receivables from borrowers over which a director and or officer of the company has joint control.

Critical accounting estimates and policies

Our consolidated financial statements for the year ended December 31, 2022 are prepared in accordance with Canadian generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRS), as set out in Part I of the CPA Canada *Handbook*. The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgements that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period.

The most subjective of these estimates relate to:

(a) determining whether the cash flows from the mortgages receivable represent solely payments of principal and interest (SPPI);

(b) the measurement of impairment losses for mortgages receivable, in particular: measurement of credit risk to determine whether there has been a significant increase in credit risk since initial recognition; the assessment of when mortgages receivable become impaired and the incorporation of forward-looking information to determine expected credit losses;

(c) the measurement of fair value, cost of disposal and the value in use of investment properties;

(d) the measurement of the liability and equity components of the convertible debentures which depend upon the estimated market interest rates for a comparable debenture without the convertibility feature;

(e) the measurement of fair value less costs to sell of the investment property held for sale; and

(f) the measurement of fair value of the purchased or originated credit-impaired financial assets reflecting the lifetime expected credit losses.

Management believes that its estimates are appropriate; however, actual results could differ from the amounts estimated. Estimates and underlying assumptions are reviewed each quarter. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Economic uncertainties that began from the onset of the COVID-19 pandemic continue to persist. This has resulted in a challenge of reliably estimating the impact on financial results and condition of the company in future periods. Accordingly, there is inherently more uncertainty associated with the estimates, judgements and assumptions made by management in the preparation of the consolidated financial statements. It is not possible to forecast with certainty the extent to which the economic impact will affect the company's operations and financial results in the near-term and long-term. Areas of the company's business that could potentially be adversely impacted include, but are not limited to, mortgage interest rates, mortgage interest and fees revenue, rental income, allowance for mortgage losses and valuation of investment properties and investment property held for sale. Management continues to monitor and assess the impacts of these economic uncertainties on its estimates, judgements and assumptions.

Mortgages receivable

Mortgages receivable are a financial asset and are recognized initially at fair value and are subsequently carried at amortized cost using the effective interest method. All our mortgages receivable are held in a single business model. We have concluded that our business model is to hold mortgages receivable to collect contractual cash flows that represent SPPI.

Mortgages receivable and commitments are assessed for impairment at the end of each reporting period using an expected credit loss (ECL) model. The ECL model uses a three-stage impairment approach based on changes in the credit risk of the commitment or mortgage receivable since initial recognition. Credit quality is assessed at each reporting period and results in commitments and mortgages receivable being moved between stages, as necessary. Significant judgement is required when assessing evidence of credit impairment and estimating expected credit losses. For commitments and mortgages receivable, the company considers a number of past events, current conditions and

forward-looking information when assessing if there has been a significant increase or subsequent decrease in credit risk. The company considers a commitment or mortgage receivable to be impaired when there is objective evidence that one or more events have occurred that have an unfavourable impact on estimated future cash flows such that there is no longer reasonable assurance as to the timely collection of the full amount of principal and interest.

An ECL represents the difference between the present value of all contractual cash flows that are due under the original terms of the contract and the present value of all cash flows expected to be received. The company's application of the concept uses three inputs to measure ECLs for commitments and mortgages receivable classified as Stage 1: probability of default (PD), loss given default (LGD) and exposure at default (EAD). These inputs are determined at each reporting period using historical data and current conditions. Adjustments may be made to the probability of default if the effects of, for example, forecasts of housing prices, employment and interest rates, are expected to be significant over the term of the mortgage. The inputs for Stage 1 mortgages receivable are calculated separately for (i) mortgages receivable on single-family residences and (ii) mortgages receivable on all other properties on the basis of differences in the credit risk of each. The ECL is assessed individually for each commitment and mortgage receivable classified as either Stage 2 or Stage 3. For mortgages receivable in these stages, forecast future information specific to the loan (for example, forecasts of real estate prices) is incorporated when assessing the cash flows expected to be received. In response to COVID-19, the ECL methodology was modified to include an overlay adjustment to account for the uncertainty and difficulty in forecasting future economic conditions which continue to persist.

Mortgages receivable are presented on the consolidated statements of financial position net of the allowance for mortgage losses. A loss on a mortgage is written off against the related allowance for mortgage losses when there is no reasonable expectation of further recovery, which is the point at which the underlying real property has been liquidated and claims against guarantors, if any, are unlikely to recover any further losses. For any mortgages receivable that have been written off but where guarantors are still being pursued for collection, no recovery is recognized until it is virtually certain of collection. For further information see Note 3 (a) and (c) of our consolidated financial statements for the year ended December 31, 2022.

Revenue recognition

Mortgage interest and fees revenues are recognized in the statement of income and comprehensive income using the effective interest method, except mortgage interest and fees revenue on purchased or originated credit-impaired financial assets. Mortgage interest and fees revenues include our share of any fees received, as well as the effect of any discount or premium on the mortgage. Interest revenue is calculated on the gross carrying amount for mortgages receivable in Stages 1 and 2 and on the net carrying amount for mortgages receivable in Stage 3.

The effective interest method derives the interest rate that discounts the estimated future cash receipts during the expected life of the mortgage receivable (or, where appropriate, a shorter period) to its carrying amount. When calculating the effective interest rate, future cash flows are estimated considering all contractual terms of the financial instrument, but not future credit losses. The calculation of the effective interest rate includes all fees and transaction costs paid or received. Fees and transaction costs include incremental revenues and costs that are directly attributable to the acquisition or issuance of the mortgage.

Mortgage interest and fees revenue on purchased or originated credit-impaired financial assets is recognized in the consolidated statements of income and comprehensive income using the credit-adjusted effective interest rate, reflecting the expected credit losses, to the financial asset from initial recognition.

Convertible debentures

The convertible debentures can be converted into our common shares at the option of the investor. They are compound financial instruments with two components: a financial liability, and a call option which is an equity instrument. The fair value of the liability component is measured as of the date that the debentures were issued, and the equity instrument is valued on that date based upon the difference between the fair value of the debenture and the fair value of the liability component.

The measurement of the fair value of the liability component is based upon market rates of interest on similar debt instruments without the conversion feature. Expenses of issue are allocated between the two components on a pro-rata basis. The book value of the debt is accreted up to its face value over the life of the financial liability using the effective interest method, which provides for the application of a constant interest rate over the term of the debt. The value of the equity component is not re-measured subsequent to its initial measurement date.

Income taxes

We are, and intend to maintain our status as, a MIC, and as such are not taxed on income provided that it flows through to our shareholders as dividends during the year or within 90 days after December 31 each year. It is our policy to pay such dividends to our shareholders to remain non-taxable. Accordingly, no provision for current or future income taxes is required.

Future changes in accounting policies

Various pronouncements have been issued by the International Accounting Standards Board (IASB) or IFRS Interpretations Committee that will be effective for future accounting periods. The company closely monitors new accounting standards as well as amendments to existing standards and assesses what impact, if any, they will have on the consolidated financial statements. Most of the standards are not expected to have a material impact to the company but one standard that is applicable and currently being evaluated is summarized below.

Amendment to IAS 1 and IFRS Practice Statement 2
In February 2021, the International Accounting Standards Board issued narrow-scope amendments to IAS 1, Presentation of Financial Statements, IFRS Practice Statement 2, Making Materiality Judgements, and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. The amendments require the disclosure of material accounting policy information rather than disclosing significant accounting policies, and clarify how to distinguish changes in accounting policies from changes in accounting estimates. The amendments are effective for annual periods beginning on or after January 1, 2023, although earlier application was permitted. We are currently assessing the impacts of the amended standards but do not expect a significant impact to our financial disclosures.

Controls and procedures

Our Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument (NI) 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*.

We designed the DC&P and ICFR, the latter of which was using the framework in *Internal Control – Integrated Framework* (published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and as revised in 2013) to provide reasonable assurance (i) that material information relating to us is made known to our CEO and CFO during the reporting period; (ii) that information required to be disclosed by us in our filings under securities legislation is recorded, processed, summarized and reported within the required time periods; (iii) regarding the reliability of financial reporting and preparation of consolidated financial statements for external purposes in accordance with Canadian GAAP.

Our CEO and CFO evaluated the design effectiveness of the DC&P and ICFR, as defined by NI 52-109, as of December 31, 2022. Based on this evaluation, they concluded that the designs of the DC&P and ICFR were effective as of that date. NI 52-109 also requires Canadian public companies to disclose in their MD&A any change in ICFR during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, ICFR. No such change to ICFR has occurred during the most recently completed year.

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that its objectives are met. Because of the inherent limitations in any control system, no evaluation of control can provide absolute assurance that all control weaknesses including, for example, any instances of fraud, have been detected. Inherent limitations include: (i) that management's assumptions and judgements could ultimately prove to be incorrect as conditions and circumstances vary; (ii) the impact of any undetected errors; and (iii) controls may be circumvented through the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of control is also based upon assumptions as to the likelihood of future events and there is no assurance that any design will succeed in achieving its goals under future conditions.

Outstanding share data

Our authorized capital consists of an unlimited number of common shares, of which 43,335,995 were issued and outstanding at December 31, 2022, and 43,423,743 were issued and outstanding as at the date hereof. In addition, as at the date hereof, 1,693,440, 2,211,540, 1,949,152, 1,971,430 and 2,402,986 common shares are issuable upon conversion or redemption or in respect of repayment at maturity of the outstanding 5.30%, 5.50%, 5.60%, 5.00% and the 5.10% convertible debentures, using the conversion price of $14.94, $15.60, $14.75, $17.50 and $16.75 respectively, for each common share.

We also have an employee share purchase plan, a deferred share incentive plan and a dividend reinvestment plan pursuant to which common shares are issued from time to time. The dividend reinvestment plan was suspended on April 29, 2020 and reinstated on January 14, 2021.

Risks and uncertainties

We are subject to many risks and uncertainties that may limit our ability to execute our strategies and achieve our objectives. We have processes and procedures in place in an attempt to control or mitigate certain risks, while others cannot be or are not mitigated. Material risks that cannot be mitigated include a significant decline in the general real estate market, interest rates changing markedly, being unable to make mortgage loans at rates consistent with rates historically achieved, not having adequate mortgage loan opportunities presented to us, and not having adequate sources of debt or equity financing available.

Under various federal, provincial and municipal laws, an owner or operator of real property could become liable for the cost of removal or remediation of certain hazardous or toxic substances released on or in its properties or disposed of at other locations. In rare circumstances where a mortgage is in default, we may take possession of real property and may become liable for environmental issues as a mortgagee in possession. As part of the due diligence performed in respect of our mortgage loan investments, we obtain a Phase I environmental audit on the underlying real property provided as security for a mortgage, unless the manager has determined that a Phase I environmental audit is not necessary.

Please also refer to "Forward-looking information," below, and the "Risk Factors" section of our Annual Information Form for the year ended December 31, 2022 which is incorporated herein by reference and is available at www.sedar.com and at www.atriummic.com.

Forward-looking information

From time to time in our public communications we provide forward-looking statements. Such statements are disclosures regarding possible events, conditions, results of operations or changes in financial position that are based upon assumptions and expectations. These are not based upon historical facts but are with respect to management's beliefs, estimates, and intentions. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intent", "estimate", "anticipate", "believe", "should", "plans", "continue" or similar expressions suggesting future outcomes or events. Forward-looking statements regarding earnings, possible mortgage losses, and mortgage portfolio growth are based upon assumptions regarding performance of the economy in general and real estate markets in particular. Forward-looking statements generally assume that our revenues and expenses continue to follow current trends, and that current trends in our mortgage portfolio growth continue.

All forward-looking statements reflect management's current beliefs and are based on information currently available to management. These statements are not guarantees of future performance and are based on our estimates and assumptions that are subject to risks and uncertainties which could cause our actual results to differ materially from the forward-looking statements contained in this MD&A or elsewhere. Those risks and uncertainties include risks associated with mortgage lending, competition for mortgage lending, real estate values, interest rate fluctuations, environmental matters and the general economic environment. For other risks and uncertainties, please refer to "Risks and uncertainties" above, and the "Risk Factors" section of our Annual Information Form for the year ended December 31, 2022 which is available at www.sedar.com and at www.atriummic.com. That list is not exhaustive, as other factors could adversely affect our results, performance or achievements. The reader is cautioned against undue reliance on any forward-looking statements.

Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. We will not publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, unless required to do so by law.

Responsibility of management and the board of directors

Management is responsible for the information disclosed in this MD&A, and has in place the appropriate information systems, procedures and controls to ensure that the information used internally by management and disclosed externally is materially complete and reliable. In addition, our audit committee and board of directors provide an oversight role with respect to our public financial disclosures, and have reviewed and approved this MD&A and the consolidated financial statements as at December 31, 2022.

Dividend Reinvestment Plan

We have a Dividend Reinvestment Plan (DRIP) which is available to holders of our common shares. The DRIP allows participants to have their monthly cash dividends reinvested in additional common shares, at a discount of 2% from the market price.

On April 29, 2020, in response to the market disruption caused by the COVID-19 pandemic, we suspended the DRIP commencing with the dividends scheduled to be paid on May 12, 2020 to shareholders of record on April 30, 2020. On January 14, 2021, we announced the reinstatement of the DRIP commencing with the dividend payable on February 12, 2021 to shareholders of record on January 29, 2021.

Additional information

Additional information about Atrium, including our Annual Information Form for the year ended December 31, 2022, is available on SEDAR at www.sedar.com. You may also obtain further information about us from our website at www.atriummic.com, by telephone at (416) 867-1053, or by email at info@atriummic.com.