ATRIUM MORTGAGE INVESTMENT CORPORATION

CANADA'S PREMIER NON-BANK LENDER ™

ANNUAL REPORT 2014

ATRIUM

MORTGAGE INVESTMENT CORPORATION

FOR IMMEDIATE RELEASE

ATRIUM MORTGAGE INVESTMENT CORPORATION
GENERATES RECORD EARNINGS IN 2014

TORONTO: February 10, 2015 – Atrium Mortgage Investment Corporation (TSX: AI, AI.DB, AI.DB.A, AI.DB.B) today released its financial results for the year ended December 31, 2014.

Highlights

- **$0.91 basic and fully diluted earnings per share for the year ended December 31, 2014, up over 7% from the previous year**
- **$0.07 per share special dividend to shareholders of record December 31, 2014**
- **$0.89 total dividends per share in 2014, representing a yield of 8.8% on book value**
- **Regular monthly dividend increased in 2015 to $0.84 annual rate, $0.07 per month**
- **Mortgage portfolio increased 53.8% year-over-year to $434 million at December 31, 2014**
- **High quality mortgage portfolio**
    - **80.2% of portfolio in conventional first mortgages**
    - **97.2% of loan portfolio is less than 75% loan to value**
    - **Continued focus on low risk real estate sectors**

"We are very pleased with our results for 2014," said Robert Goodall, CEO of Atrium. He continued, "Our lending team across the country did an extraordinary job of originating high quality loan opportunities throughout the year, which allowed us to grow the portfolio and generate substantially higher earnings per share in 2014. Our five offices across Canada have allowed us to become one of the largest MICs on the TSX.

"We would like to thank our real estate clients for their loyalty, and our new and existing shareholders who allowed us to successfully complete three financings in 2014 totaling over $100 million − common shares, and two issues of convertible debentures. I believe that Atrium is now regarded as 'Canada's premier non-bank lender™'."

Interested parties are invited to participate in a conference call with management on Wednesday, February 11, 2015 at 4:00 p.m. EST. Please refer to the call-in information at the end of this news release.

Results of operations

For the year ended December 31, 2014, mortgage interest and fees revenue aggregated $35.0 million, compared to $23.8 million in the prior year, an increase of 47%. The weighted average interest rate on the mortgage portfolio increased to 8.81% at December 31, 2014, slightly higher than the 8.72% at December 31, 2013. Earnings and total comprehensive income were up 16.9% from the previous year.

Condensed Statements of Earnings and Comprehensive Income
($000s, except per share amounts)

	Year ended December 31 2014	Year ended December 31 2013	Year ended December 31 2012
Revenue	$ 34,956	$ 23,760	$ 17,235
Mortgage servicing and management fees	3,553	2,468	1,568
Other expenses	1,014	845	935
Provision for mortgage losses	1,817	63	193
Income before financing costs	28,572	20,384	14,539
Financing costs	7,535	2,384	1,181
Earnings and total comprehensive income	$ 21,037	$ 18,000	$ 13,358
Basic earnings per share	$ 0.91	$ 0.85	$ 0.86
Diluted earnings per share	$ 0.91	$ 0.85	$ 0.86

For further information on the financial results, please refer to Atrium's financial statements for the year ended December 31, 2014, and its management's discussion and analysis for the same period, available on SEDAR at www.sedar.com, and on the company's website at www.atriummic.com.

Mortgage portfolio
($000s)

	December 31, 2014			December 31, 2013		
Mortgage category	**Number**	**Outstanding amount**	**% of Portfolio**	**Number**	**Outstanding amount**	**% of Portfolio**
Commercial/mixed use	31	$ 134,990	31.1%	27	$ 89,475	31.7%
House and apartment	90	93,070	21.4%	59	69,485	24.6%
Low-rise residential	23	85,678	19.7%	17	58,466	20.7%
Construction	17	61,095	14.1%	9	22,093	7.8%
High-rise residential	8	44,048	10.1%	5	32,967	11.7%
Mid-rise residential	8	12,127	2.8%	3	7,440	2.6%
Condominium corporation	13	3,260	0.8%	11	2,434	0.9%
Mortgage portfolio	190	434,268	100.0%	131	282,360	100.0%
Accrued interest receivable		2,177			1,562	
Mortgage discount		(465)			(339)	
Mortgage origination fees		(835)			(724)	
Provision for mortgage losses		(2,388)			(1,151)	
Mortgages receivable		$ 432,757			$ 281,708	

A summary of mortgages by size is presented below.
($000s)

	December 31, 2014			December 31, 2013		
Mortgage amount	**Number**	**Outstanding amount**	**% of Portfolio**	**Number**	**Outstanding amount**	**% of Portfolio**
$0 - $2,500,000	139	$ 119,655	27.6%	95	$ 98,812	35.0%
$2,500,001 - $5,000,000	26	90,602	20.9%	24	81,090	28.7%
$5,000,001 - $7,500,000	9	54,931	12.6%	7	46,820	16.6%
$7,500,001 +	16	169,080	38.9%	5	55,638	19.7%
	190	$ 434,268	100.0%	131	$ 282,360	100.0%

As of December 31, 2014, the average outstanding mortgage balance was $2.3 million (December 31, 2013 – $2.2 million), and the median outstanding mortgage balance was $1.1 million (December 31, 2013 – $1.4 million).

Conference call

Interested parties are invited to participate in a conference call with management on Wednesday, February 11, 2015 at 4:00 p.m. EST.

To participate or listen to the conference call live, please call 1 (888) 241-0551 or (647) 427-3415.

For a replay of the conference call (available until February 25, 2015) please call 1 (855) 859-2056, Conference ID 63676629.

About Atrium

Canada's Premier Non-Bank Lender™

Atrium is a non-bank provider of residential and commercial mortgages that lends in major urban centres in Canada where the stability and liquidity of real estate are high. Atrium's objectives are to provide its shareholders with stable and secure dividends and preserve shareholders' equity by lending within conservative risk parameters.

Atrium is a Mortgage Investment Corporation (MIC) as defined in the *Income Tax Act*. Accordingly, Atrium is not taxed on income provided that its taxable income is paid to its shareholders in the form of dividends within 90 days after December 31 each year. Such dividends are generally treated by shareholders as interest income, so that each shareholder is in the same position as if the mortgage investments made by the company had been made directly by the shareholder. For further information, please refer to regulatory filings available at www.sedar.com or Atrium's website at www.atriummic.com.

For additional information, please contact

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President and Chief Executive Officer

Jeffrey D. Sherman
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ATRIUM MORTGAGE INVESTMENT CORPORATION

CANADA'S PREMIER NON-BANK LENDER™

MD&A

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED
DECEMBER 31, 2014

ATRIUM
MORTGAGE INVESTMENT CORPORATION

Management's Discussion and Analysis

December 31, 2014

Our business

We are a mortgage lender that fills the lending gap caused by the limited number of financial institutions operating in Canada. We lend in major urban centres where the stability and liquidity of real estate are at the highest levels. We focus on loans that cannot be placed with financial institutions but which represent an acceptable underwriting risk. We 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. Our strategy is to grow in a controlled manner by diversifying geographically, and focusing on those real estate sectors with the lowest risk profiles.

Our investment objectives are to preserve our shareholders' equity and to provide our shareholders with stable and secure dividends from our investments in mortgage loans within the criteria mandated for a Mortgage Investment Corporation (MIC). Working within conservative risk parameters, we endeavour to maximize income and dividends through the sourcing and efficient management of our mortgage investments.

Highlights

Atrium had an excellent year, despite a challenging economy. For the year ended December 31, 2014, our total revenue was $35 million, up 47% from the previous year, and we earned $21 million ($0.91 per share basic and fully diluted), compared to $18 million ($0.85 per share, basic and diluted) for the previous year, an increase of 17% in earnings, and 7% in earnings per share. We thank our staff, underwriters and our clients for our success.

During this year we have actively managed the risk profile of our mortgage portfolio, and currently target commercial real estate, low-rise infill developments and single family mortgages. We also carefully increased balance sheet leverage from 24% debt-to-assets at the end of 2013 to a still-conservative 41% at the end of 2014, to improve our return to shareholders.

We declared a regular dividend of $0.068333 per share for each month in 2014, a rate of $0.82 per year. In addition, we declared a special dividend of $0.07, for a total dividend of $0.89 for 2014, compared to $0.85 for the previous year.

We had $433 million of mortgages receivable as at December 31, 2014, an increase of 54% from December 31, 2013. During the year, $278 million of new mortgages were advanced, and $131 million of mortgages were repaid.

Earned
91 cents per share basic;
8.8% return on book value

EPS ↑ 7.1%
from previous year

Strong mortgage portfolio

80%
first mortgages

97.2%
less than 75%
loan-to-value

Mortgages receivable
$433 million

↑ 54% from 2013

Nine mortgage originators in
five offices across
central and western
Canada

Here are some further operating highlights of a successful 2014:

In February and March 2014, we completed a public offering of $31.8 million aggregate principal amount of 6.25% convertible debentures, the net proceeds of which were used to repay indebtedness under our operating credit facility.

Effective May 15, 2014, we appointed Marianne Dobslaw as managing director for British Columbia. Ms. Dobslaw has over 25 years' experience underwriting residential and commercial financings throughout Western Canada.

We completed a public share offering in May 2014 for gross proceeds of $34.6 million, including an overallotment option that was fully exercised, the net proceeds of which were used to repay indebtedness under our operating credit facility.

In September and October 2014, we completed a public offering of $40.25 million aggregate principal amount of 5.50% convertible debentures, including an overallotment option that was fully exercised, the net proceeds of which were used to repay indebtedness under our operating credit facility.

On October 6, 2014, we renewed our operating credit facility with a syndicate of lenders increasing the facility to $100 million, from $80 million. The revised operating credit facility is for a two year term. At the time we noted that the increase in the operating credit facility reflected our lenders' confidence in us, and would allow us to create additional value for shareholders by investing in mortgages yielding far higher rates than the cost of the bank line.

On October 23, 2014, Mr. Michael Cooper stepped down from our board of directors, and Mr. Andrew Grant was appointed to the board. Mr. Grant is president of PCI Group, a major developer in British Columbia. PCI Group has completed many high profile developments in greater Vancouver, and through its partner, Warrington PCI Management, provides property management services on over 5 million square feet of commercial real estate throughout British Columbia.

Investment portfolio

Our mortgage portfolio consists of 190 mortgage loans and aggregated $434 million at December 31, 2014, an increase of 54% from December 31, 2013.

	December 31, 2014			December 31, 2013		
Mortgage category	**Number**	**Outstanding amount**	**% of Portfolio**	**Number**	**Outstanding amount**	**% of Portfolio**
(outstanding amounts in $000s)						
Commercial/mixed use	31	$ 134,990	31.1%	27	$ 89,475	31.7%
House and apartment	90	93,070	21.4%	59	69,485	24.6%
Low-rise residential	23	85,678	19.7%	17	58,466	20.7%
Construction	17	61,095	14.1%	9	22,093	7.8%
High-rise residential	8	44,048	10.1%	5	32,967	11.7%
Mid-rise residential	8	12,127	2.8%	3	7,440	2.6%
Condominium corporation	13	3,260	0.8%	11	2,434	0.9%
Mortgage portfolio	190	434,268	100.0%	131	282,360	100.0%
Accrued interest receivable		2,177			1,562	
Mortgage discount		(465)			(339)	
Mortgage origination fees		(835)			(724)	
Provision for mortgage losses		(2,388)			(1,151)	
Mortgages receivable		$ 432,757			$ 281,708	

A summary of our mortgages by size is presented below.

	December 31, 2014			December 31, 2013		
Mortgage amount	**Number**	**Outstanding amount**	**% of Portfolio**	**Number**	**Outstanding amount**	**% of Portfolio**
(outstanding amounts in $000s)						
$0 - $2,500,000	139	$ 119,655	27.6%	95	$ 98,812	35.0%
$2,500,001 - $5,000,000	26	90,602	20.9%	24	81,090	28.7%
$5,000,001 - $7,500,000	9	54,931	12.6%	7	46,820	16.6%
$7,500,001 +	16	169,080	38.9%	5	55,638	19.7%
	190	$ 434,268	100.0%	131	$ 282,360	100.0%

As of December 31, 2014, the average outstanding mortgage balance was $2.3 million (December 31, 2013 – $2.2 million), and the median outstanding mortgage balance was $1.1 million (December 31, 2013 – $1.4 million).

Analyses of our mortgages as at December 31, 2014 by type of mortgage, nature of the underlying property, and location of the underlying property is set out below and on the next page. The tables show the weighted average interest rate excluding lender fees paid by the borrower, which reflects the yield to Atrium including any mortgage discount or premium.

Description	**Number of mortgages**	**Amount**	**Percentage**	**Weighted average interest rate**
($000s)				
Type of Mortgage				
First mortgages	156	$ 351,310	80.9%	8.50%
Second and third mortgages	34	82,958	19.1%	10.13%
	190	**$ 434,268**	**100.0%**	**8.81%**
Nature of underlying property				
Residential	159	$ 299,278	68.9%	8.87%
Commercial	31	134,990	31.1%	8.68%
	190	**434,268**	**100.0%**	**8.81%**

Description	Number of mortgages	Amount	Percentage	Weighted average interest rate
($000s)				
Location of underlying property				
Greater Toronto Area	136	$ 296,405	68.2%	8.81%
Non-GTA Ontario	11	38,716	8.9%	9.66%
Saskatchewan	1	2,880	0.7%	8.50%
Alberta	31	66,325	15.3%	8.47%
British Columbia	11	29,942	6.9%	8.64%
	190	434,268	100.0%	8.81%

We have an exceptionally high percentage of our portfolio invested in first mortgages (80.2%), which is a core strategy and is unmatched by our peer group.

The weighted average loan-to-value ratio in our mortgage portfolio is 64.3%, with 97.2% of the portfolio below 75% loan-to-value.

Mortgage category	December 31 2014	%	December 31 2013	%	% change
($000s)					
Conventional first mortgages	$ 348,050	80.2%	$ 249,328	88.3%	39.6%
Conventional second and third mortgages	70,728	16.3%	25,711	9.1%	175.1%
Non-conventional mortgages	12,230	2.8%	4,887	1.7%	150.3%
Other	3,260	0.7%	2,434	0.9%	34.0%
	$ 434,268	100.0%	$ 282,360	100.0%	53.8%

Conventional mortgages are those mortgages with a loan-to-value of less than or equal to 75%. Seventy-five percent (75%) loan-to-value is the industry norm for determining a conventional versus non-conventional mortgage. Non-conventional mortgages are those mortgages with a loan-to-value in excess of 75%.

The weighted average term remaining for our mortgages receivable at December 31, 2014 is 13.7 months (December 31, 2013 – 13.5 months).

Our business

We are a mortgage lender that fills the lending gap caused by the limited number of financial institutions operating in Canada. We lend in major urban centres where the stability and liquidity of real estate are at the highest levels. We focus on loans that cannot be placed with financial institutions but which represent an acceptable underwriting risk. 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%. A typical loan in our portfolio has an interest rate of 8% to 10% per annum, a one or two-year term and monthly interest-only mortgage payments.

Our lending parameters are as follows:

- First or second mortgages on income-producing real estate up to a maximum of 85% of appraised value.
- 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.
- Construction loans up to a maximum of 90% of cost.
- Loans to condominium corporations.

Mortgage loan amounts are generally $300,000 to a maximum of $20 million. The largest single mortgage in our mortgage portfolio as at December 31, 2014 was $13.7 million. For loan amounts in excess of $20 million, we generally co-lend with a financial institution or private lender. The parameters listed above are our maximum mortgage lending parameters. At December 31, 2014, the weighted average loan-to-value ratio of the mortgage portfolio remained conservative at 64.3%, compared to 64.1% at December 31, 2013.

Our investment policies, which may be changed by our board of directors, 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 be no greater than ten years.
- No single borrower may account for more than 15% of our total assets. In addition, any loan or amendment that would result in an exposure to one borrower exceeding the lesser of $50 million or 10% of the portfolio requires approval of the board.
- All mortgages are supported by external appraisals by a qualified appraiser. All mortgages, except mortgages secured by one to six residential units, are supported by environmental audits.
- The maximum initial loan-to-value ratio of an individual mortgage is 85%, including any prior ranking encumbrances, and the maximum weighted average loan-to-value ratio of our mortgage portfolio, as a whole, at the time of underwriting each loan in our portfolio, is 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 through foreclosing on a mortgage.
- A mortgage investment: (i) of $2,000,000 or more requires approval of the board; (ii) of between $1,000,000 and $2,000,000 requires approval of three members of the board, including at least two independent directors; and (iii) of $1,000,000 or less requires approval of any one member of the board. For loans previously approved, if the mortgage amount exceeds the amount approved by up to $200,000 and if the loan-to-value ratio increases by less than 5% where the ratio is 75% or less, requires the approval of one member of the board, otherwise the general limits apply. 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 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 investment objectives are to preserve our shareholders' equity and to provide our shareholders with stable and secure dividends from our investments in mortgage loans within the criteria 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, mixed-use residential apartments and store-front properties, commercial properties, residential and commercial land development sites and construction projects. We also invest in 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 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, 2014, which is available at www.sedar.com.

Results of Operations

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

Financial summary

	Year ended December 31 2014	**Year ended December 31 2013**	**Year ended December 31 2012**
Revenue	$ 34,956	$ 23,760	$ 17,235
Mortgage servicing and management fees	3,553	2,468	1,568
Other expenses	1,014	845	935
Provision for mortgage losses	1,817	63	193
Income before financing costs	28,572	20,384	14,539
Financing costs	7,535	2,384	1,181
Earnings and total comprehensive income	$ 21,037	$ 18,000	$ 13,358
Basic earnings per share	$ 0.91	$ 0.85	$ 0.86
Diluted earnings per share	$ 0.91	$ 0.85	$ 0.86
Dividends declared	$ 20,837	$ 17,970	$ 13,385
Mortgages receivable, end of period	$ 432,757	$ 281,708	$ 201,955
Total assets, end of period	$ 433,127	$ 281,981	$ 212,603
Shareholder' equity, end of period	$ 248,204	$ 212,019	$ 210,110

	Three months ended December 31 2014	**Three months ended December 31 2013**
	(unaudited)	*(unaudited)*
Revenue	$ 9,919	$ 6,545
Mortgage servicing and management fees	1,094	678
Other expenses	334	234
Provision for mortgage losses	737	–
Income before financing costs	7,754	5,633
Financing costs	2,364	989
Earnings and total comprehensive income	$ 5,390	$ 4,644
Basic earnings per share	$ 0.22	$ 0.22
Diluted earnings per share	$ 0.22	$ 0.22
Dividends declared	$ 6,714	$ 5,298
Mortgages receivable, end of period	$ 432,757	$ 281,708
Total assets, end of period	$ 433,127	$ 281,981
Shareholders' equity, end of period	$ 248,204	$ 212,019

Summary of quarterly results *(unaudited)*

	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Revenue	$ 9,919	$ 9,096	$ 8,296	$ 7,645	$ 6,545	$ 6,281	$ 5,845	$ 5,089
Mortgage servicing and management fees	1,094	916	826	717	678	662	610	518
Other expenses	334	213	207	260	234	188	171	252
Provision for mortgage losses	737	504	112	464	–	–	63	–
Income before financing costs	7,754	7,463	7,151	6,204	5,633	5,431	5,001	4,319
Financing costs	2,364	1,920	1,883	1,368	989	837	429	129
Earnings and comprehensive income	$ 5,390	$ 5,543	$ 5,268	$ 4,836	$ 4,644	$ 4,594	$ 4,572	$ 4,190
Basic earnings per share	$ 0.22	$ 0.23	$ 0.23	$ 0.23	$ 0.22	$ 0.22	$ 0.22	$ 0.20
Diluted earnings per share	$ 0.22	$ 0.23	$ 0.23	$ 0.23	$ 0.22	$ 0.22	$ 0.22	$ 0.20
Dividends declared	$ 6,714	$ 4,994	$ 4,777	$ 4,352	$ 5,298	$ 4,230	$ 4,224	$ 4,219

Results of operations – three months ended December 31, 2014

For the three months ended December 31, 2014, mortgage interest and fees revenue aggregated $9,919, compared to $6,545 in the comparative period, an increase of 52%. The weighted average interest rate on our mortgage portfolio increased to 8.81% at December 31, 2014, slightly higher than the 8.77% at September 30, 2014, and 8.72% at the previous year end, December 31, 2013.

Operating expenses, excluding the provision for mortgage losses, for the three months ended December 31, 2014 were $1,428, compared to $912 in the comparative period, an increase of 57%, due to the increase in the size of the mortgage portfolio. The general provision for mortgage losses was $737 in the quarter to bring the total general provision to $2,388, or 55 basis points (0.55%) of the mortgage portfolio. Mortgage servicing and other fees paid to the manager (that is, the management fee plus HST) aggregated $1,094 for the three months ended December 31, 2014, compared with $678 in the prior year period, reflecting the growth of our mortgage portfolio. There was no specific provision for mortgage losses during the quarter or at December 31, 2014.

Financing costs for the three months ended December 31, 2014 were $2,364, compared to $989 in the same period of 2013, an increase of 139%. This increase is due to the increased use of our bank line of credit compared to the comparable period, and two convertible debentures issued during 2014, as we optimized our balance sheet leverage, which increased from 24% debt-to-assets at the end of 2013 to a still-conservative 41% at the end of 2014 This increased debt improved the return to shareholders, while keeping leverage at prudent levels. (We define debt as the aggregate of the total borrowings under the bank credit facility and the unsecured convertible debentures.)

Net earnings for the three months ended December 31, 2014 were $5,390, an increase of 16% from net earnings of $4,644 for the same period in the prior year. Basic and fully diluted earnings per common share were $0.22, for the three months ended December 31, 2014, compared with $0.22 per common share for the comparable period in the previous year.

During the three months ended December 31, 2014, we funded gross mortgages aggregating $63,694. Of these advances, $44,483 were first mortgages, representing 70% of the total loans funded. Eight of these advances were on properties in British Columbia, 25 were on properties in Alberta, two were non-GTA Ontario, one was on a property in Saskatchewan and the remaining 26 were made in the Greater Toronto Area. There were $42,696 of gross repayments during the period. The total portfolio increased from $412,820 to $434,268 during the period.

Results of operations – year ended December 31, 2014

For the year ended December 31, 2014, mortgage interest and fees revenue aggregated $34,956, compared to $23,760 in the prior year, an increase of 47%. The weighted average interest rate on our mortgage portfolio increased to 8.81% at December 31, 2014, slightly higher than the 8.72% at December 31, 2013.

Operating expenses, excluding the provision for mortgage losses, for the year ended December 31, 2014 were $4,567, compared to $3,313 in the prior year, an increase of 38%, due to the increase in the size of the mortgage portfolio. The general provision for mortgage losses was $1,817 during the year to bring the total general provision to $2,388, or 55 basis points (0.55%) of the mortgage portfolio. There was no specific provision for mortgage losses during the year or at December 31, 2014.

Operating expenses include mortgage servicing and other fees paid to the manager (that is, the management fee plus HST) that aggregated $3,553 for the year ended December 31, 2014, compared with $2,468 in the prior year, as a result of the growth of our mortgage portfolio.

Financing costs for the year ended December 31, 2014 were $7,535, compared to $2,384 in the prior year. This increase is due to the increased use of our bank line of credit compared to the prior year, and two convertible debentures issued during 2014, as we optimized our balance sheet leverage, which increased from 24% debt-to-

assets at the end of 2013 to a still-conservative 41% at the end of 2014. The increased debt improved the return to shareholders while keeping leverage at prudent levels. (We define debt as the aggregate of the total borrowings under the bank credit facility and the unsecured convertible debentures.)

Net earnings for the year ended December 31, 2014 were $21,037, an increase of 17% from net earnings of $18,000 for the same period in the prior year. Basic and fully diluted earnings per common share were $0.91, for the year ended December 31, 2014, compared with $0.85 in the previous year.

During the year ended December 31, 2014, we funded gross mortgages aggregating $278,319. Of these advances, $220,684 were first mortgages, representing 79% of the total loans funded. Twelve of these advances were on properties in British Columbia, 36 were on properties in Alberta, 10 were non-GTA Ontario, one was on a property in Saskatchewan and the remaining 83 were made in the Greater Toronto Area. There were $130,983 of gross repayments during the period. The total mortgage portfolio increased from $282,360 to $434,268 during the year.

Liquidity and capital resources

At December 31, 2014, we had bank indebtedness and operating line outstanding of $80,298. The operating line is provided by a syndicate of two major chartered banks, drawn through bankers' acceptances and bank loans in order to minimize our borrowing costs. We are in compliance with the covenants required in our operating credit facility as at December 31, 2014, and we expect to remain in compliance with such covenants going forward. We have three convertible debentures outstanding, with a total book value of $99,235 at December 31, 2014.

Growth in our mortgage portfolio has historically been financed by the issuance of common shares and by the issuance of convertible debt. We expect to be able to generate sufficient funds for future net mortgage loan investments through a combination of common share issuances, convertible or other debt, and the operating credit facility.

Investing activities during 2014 consisted of advances on new mortgage loan investments of $278,319, less repayments received of $130,983, for net cash used for net new mortgage loan investments of $147,336.

Sources of cash from financing activities during 2014 consisted primarily of drawings under our bank operating line and the issuance of convertible debentures and common shares. Draws less repayments under our operating facility represented a $44,062 source of cash.

During 2014, we issued two convertible debentures which resulted in $68,644 of cash, net of issue costs. Net cash provided by financing activities was $128,087 after paying dividends of $19,931 for 2014. During the second quarter we issued 3,036,000 common shares in a public offering for gross proceeds of $34,610. Net proceeds after expenses of all common shares issued during 2014, including those issued under the dividend reinvestment plan and employee share purchase plan, were $35,099.

Changes in financial position

Bank indebtedness, bankers' acceptances and bank loans payable (under our operating credit facility) increased to $80,298 at December 31, 2014, from $36,236 at December 31, 2013, reflecting our objective of using a prudent amount of leverage to improve shareholder returns. As at December 31, 2014, total debt (including bank debt, operating line and convertible debentures) remained modest at 41% of total assets.

In February and March 2014, we completed a public offering of $31,801 aggregate principal amount of 6.25% convertible debentures, the net proceeds of which were used to repay indebtedness under our operating credit facility. In September and October 2014, we completed a public offering of $40,250 aggregate principal amount of 5.50% convertible debentures, including an overallotment option that was fully exercised, the net proceeds of which were used to repay indebtedness under our operating credit facility.

On October 6, 2014, we renewed our operating credit facility with a syndicate of lenders increasing the facility to $100 million, from $80 million. The revised operating credit facility is for a two year term. At the time we noted that the increase in the operating credit facility reflected our lenders' confidence in us, and would allow us to create additional value for shareholders by investing in mortgages yielding far higher rates than the cost of the bank line.

Accounts payable and accrued charges were $523 at December 31, 2014 compared to $460 at December 31, 2013. Dividends payable were $3,379 at December 31 2014 up from $2,473 at December 31, 2013, primarily due to the increase in the special dividend from $0.05 per share in 2013 to $0.07 in 2014.

Share capital increased to $245,794 at December 31, 2014 from $210,659 at December 31, 2013 primarily due to the public common share issuance in the second quarter, our dividend reinvestment plan, and the employee share purchase plan.

Contractual obligations

Contractual obligations due at December 31, 2014 were as follows:

Obligations at December 31, 2014	Total	Less than 1 year	1-2 years	3-7 years
Bank indebtedness	$ 313	$ 313	$ –	$ –
Operating line	79,985	79,985		
Accounts payable and accrued liabilities	523	523	–	–
Accrued convertible debentures interest	1,093	1,093		
Dividends payable	3,379	3,379	–	–
Due to related party	395	395	–	–
Convertible debentures	99,235	–	–	99,235
Total	$ 184,923	$ 85,688	$ –	$ 99,235

We have commitments to advance additional funds under existing mortgages of $99,757 and for new mortgages of $10,063 at December 31, 2014 (December 31, 2013 – $51,437 and $46,728 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, 2014, we had $4,483 of letters of credit (LCs) outstanding which were issued under our operating credit facility. The LCs reduce the maximum available under our operating credit facility by the amount of the LCs. The maximum available by way of LCs under our operating credit facility is $10,000. LCs represent irrevocable assurances that our banks will make payments in the event that a customer cannot meet its obligations to third parties. LCs carry the same credit risk, recourse and collateral security requirements as mortgages extended to customers.

Share-based payments

	September 1 2014 grant	August 30 2013 grant	August 29 2012 grant	Total
Deferred shares granted				
Year ended December 31, 2012	–	–	21,500	21,500
2013	–	23,000	–	23,000
2014	21,500	–	–	21,500
	21,500	23,000	21,500	66,000
Income deferred shares earned				
Year ended December 31, 2012	–	–	680	680
2013	–	592	1,741	2,333
2014	375	1,738	1,714	3,827
	375	2,330	4,135	6,840

Share compensation expense	December 31 2014	December 31 2013
September 1, 2014 grant	$ 55	$ –
August 30, 2013 grant	125	54
August 29, 2012 grant	68	150
	$ 248	$ 204

Grants are provided to certain directors and employees under our deferred share incentive plan. The deferred share units vest annually over three years. Common shares are issued to participants on the vesting date of each tranche of deferred share units, unless a participant elects to defer the issuance. In addition, income deferred share units are credited to holders of deferred share units based upon dividends paid on our common shares.

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 $3,548 for the year ended December 31, 2014 (2013 – $2,455). 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 equally between the manager and Atrium.

Critical accounting estimates and policies

Our annual financial statements for the years ended December 31, 2014 and 2013 are prepared in accordance with Canadian generally accepted accounting principles and IFRS, as set out in Part I of the CPA Canada *Handbook*. Management makes certain estimates and relies upon certain assumptions related to reporting our assets and liabilities as well as results of operations in conformity with Canadian generally accepted accounting principles. Actual results will differ from these estimates and assumptions.

The most subjective of these estimates are the valuation of mortgages receivable, and the provision for mortgage losses, as well as the measurement of the liability and equity components of each of our convertible debentures. Management believes that its estimates are appropriate; however, actual results could differ from the amounts estimated. Estimates and underlying assumptions are reviewed each quarter. The more significant accounting policies are set out below:

Revenue recognition
Mortgage interest and fees revenues are recognized in the statements of earnings and comprehensive income using the effective interest method. 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.

The effective interest method derives the interest rate that discounts the estimated future cash payments and 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.

Mortgages receivable
A mortgage receivable, carried at amortized cost, is considered impaired when there is objective evidence that there has been a deterioration of credit quality subsequent to its initial recognition to the extent that we no longer have reasonable assurance as to the timely collection of the full amount of principal and interest.

We assess mortgages receivable for objective evidence of impairment both individually and collectively each reporting period. The specific and general provisions for mortgage losses are determined by taking into account the following factors:

- Delays in the collection of interest and principal
- The point at which we consider a loan to be in default (which we define as 90 days for single family residential mortgages and 30 days for all other mortgages)
- Other known factors specific to the property, the borrower or the guarantor
- Economic and other real estate market conditions in the geographic area in which a borrower's project is located
- Our judgement as to whether current economic and credit conditions are such that the actual inchoate or potential losses at the reporting date are likely to be higher or lower than the amounts suggested by historic experience
- Any other factors that apply to a particular mortgage or group of mortgages

Several of these factors involve estimates and judgements on the part of management in determining the provisions for mortgage losses. The other key estimates used for quantifying the specific and general provisions for mortgage losses are:

- The period of time expected to elapse between the contractual maturity or interest and principal repayment dates and the date at which recovery is estimated
- The amount expected to be ultimately recovered on impaired loans, taking into account the probability of different outcomes, where necessary
- The value of underlying security, and whether Atrium expects to take possession of the property
- The amount of any legal and other third party costs estimated to be incurred

An impairment loss is calculated as the difference between the carrying amount of the mortgage receivable and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are charged to the statements of earnings and comprehensive income and are reflected in the provision for mortgage losses.

If there is no objective evidence of impairment for an individual mortgage receivable, it is included in a group of mortgages with similar credit risk characteristics and collectively assessed for impairment for losses incurred but not identified, and reported as a general provision. For the purpose of determining the group of mortgages with similar credit risk characteristic, mortgages are grouped by category: commercial/mixed use, house and apartment, low-rise residential, construction, high-rise residential, mid-rise residential, and condominium corporations.

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 debentures using the effective interest method, which provides for the application of a constant interest rate over the life of the debenture. 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 out to the shareholders to remain non-taxable. Accordingly, no provision for current or future income taxes is required.

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* (as revised in 2013) to provide reasonable assurance that material information relating to us is made known to our CEO and CFO during the reporting period; and information required to be disclosed by us in our filings under securities legislation is recorded, processed, summarized and reported within the required time periods; and provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles (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, 2014. Based on this evaluation, they concluded that the designs of the DC&P and ICFR were effective as of December 31, 2014. 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 quarter.

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. The inherent limitations include, among other items: (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 in part upon certain assumptions as to the likelihood of future events, and there is no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Outstanding share data

Our authorized capital consists of an unlimited number of common shares, of which 24,428,965 were issued and outstanding at December 31, 2014, and 24,444,867 were issued and outstanding as at the date hereof. In addition, as at the date hereof, 2,407,408, 2,391,054 and 2,747,440 common shares are issuable upon conversion or redemption or in respect of repayment at maturity of the outstanding 5.25%, 6.25%, and the 5.50% convertible debentures, using the conversion price of $13.50, $13.30 and $14.65, 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 may be issued from time to time. These plans are each described elsewhere in this MD&A.

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 bank finance available.

Please also refer to "Forward-looking information," below, and the "Risk Factors" section of our Annual Information Form for the year ended December 31, 2014 which is incorporated herein by reference and is available at www.sedar.com and at www.atriummic.com.

Forward-looking information

Certain information included in this MD&A contains forward-looking statements within the meaning of applicable securities legislation, including statements with respect to management's beliefs, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. 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" or "continue" or similar expressions suggesting future outcomes or events. Forward-looking statements regarding earnings and mortgage portfolio growth are based upon the following assumptions: that other factors such as 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. 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, 2014 which is available at www.sedar.com and at www.atriummic.com. We caution that the foregoing 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. Except as required by applicable law, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Dividend Reinvestment Plan

A Dividend Reinvestment Plan (DRIP) 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. Shareholders who wish to enroll or who would like further information about the DRIP should contact their broker or our agent for the DRIP, Computershare Trust Company of Canada, at 1 (800) 564-6253 or www.computershare.com.

Employee share purchase plan

We have an employee share purchase plan (ESPP) under which participants may purchase our shares within certain limits, and the manager then matches 50% of their contribution. Thus, Atrium does not bear any of the cost of the ESPP, but issues shares from treasury upon receipt of the funds.

Environmental matters

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. We do not own any real property and thus would not attract environmental liability to which an owner would be exposed. 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.

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 annual financial statements.

Additional information

Additional information about Atrium, including our Annual Information Form for the year ended December 31, 2014, 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) 607-4200, or by email at ir@atriummic.com.

ATRIUM MORTGAGE INVESTMENT CORPORATION

CANADA'S PREMIER NON-BANK LENDER™

FINANCIAL STATEMENTS

YEAR ENDED
DECEMBER 31, 2014

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the shareholders of
Atrium Mortgage Investment Corporation:

The management of Atrium Mortgage Investment Corporation is responsible for the preparation, presentation and integrity of these financial statements, and the accompanying Management's Discussion and Analysis. This responsibility includes the selection and consistent application of appropriate accounting principles and methods in addition to making the judgements and estimates necessary to prepare the financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Management of Atrium is responsible to provide reasonable assurance that assets are safeguarded and that relevant and reliable financial information is produced. We are required to design a system of internal controls and certify as to the design and operating effectiveness of internal controls over financial reporting. We have implemented a system of internal controls that we believe provides reasonable assurance in all material respects that transactions are authorized, assets are safeguarded and financial records are reliable for producing financial statements. Crowe Soberman LLP was appointed as the independent auditor by a vote of Atrium's shareholders to audit the financial statements; their report appears on the next page.

The Board of Directors, through the Audit Committee comprised solely of independent directors, is responsible for determining that management fulfills its responsibilities in the preparation of these financial statements and the financial control of operations. The Audit Committee recommends the independent auditors for appointment by the shareholders, and it meets regularly with senior and financial management to discuss internal controls and financial reporting matters. The independent auditors have unrestricted access to the Audit Committee.

These financial statements and accompanying Management's Discussion and Analysis have been approved by the Board of Directors based upon the review and recommendation of the Audit Committee.

Toronto, Canada
February 10, 2015

"Robert G. Goodall"
Robert G. Goodall
President and Chief Executive Officer

"Jeffrey D. Sherman"
Jeffrey D. Sherman
Chief Financial Officer

Crowe Soberman™

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Atrium Mortgage Investment Corporation

We have audited the accompanying financial statements of Atrium Mortgage Investment Corporation, which comprise the statements of financial position as at December 31, 2014 and December 31, 2013 and the statements of earnings and comprehensive income, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Atrium Mortgage Investment Corporation as at December 31, 2014 and December 31, 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Crowe Soberman LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 10, 2015

STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars)	Notes	December 31 2014	December 31 2013
Assets			
Mortgages receivable	5	$ 432,757	$ 281,708
Prepaid expenses		370	273
		$ 433,127	$ 281,981
Liabilities			
Bank indebtedness	6	$ 313	$ 326
Operating line	6	79,985	35,910
Accounts payable and accrued liabilities		523	460
Accrued convertible debenture interest		1,093	–
Dividends payable	7	3,379	2,473
Due to related party	8	395	182
Convertible debentures	9	99,235	30,611
		184,923	69,962
Shareholders' equity			
Share capital		245,794	210,659
Contributed surplus and other equity		1,085	899
Equity component of convertible debentures		1,062	398
Retained earnings		263	63
		248,204	212,019
		$ 433,127	$ 281,981
Commitments	*6, 13*		

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

Approved on behalf of the board of directors:

"Robert Goodall" — Robert Goodall, Director

"Mark Silver" — Mark Silver, Director

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of Canadian dollars, except for number of common shares)

	Notes	Common shares		Contributed surplus and other equity	Equity component of convertible debentures	Retained earnings	Total
		Number	Amount				
Balance, December 31, 2012		21,078,537	$ 209,383	$ 693	$ –	$ 33	$ 210,109
Shares issued under dividend reinvestment plan	10	116,765	1,217	–	–	–	1,217
Shares issued under employee share purchase plan	10	3,328	35	–			35
Shares issued under deferred share incentive plan	10	2,203	24	(24)	–	–	–
Share-based payments	11	–	–	204	–	–	204
Shares subscribed		–	–	26	–	–	26
Equity component of convertible debentures issued	9	–	–	–	419	–	419
Issue costs attributable to equity component of convertible debentures issued	9	–	–	–	(21)	–	(21)
Earnings and comprehensive income		–	–	–	–	18,000	18,000
Dividends declared	7	–	–	–	–	(17,970)	(17,970)
Balance, December 31, 2013		21,200,833	210,659	899	398	63	212,019
Shares issued	10	3,036,000	34,610	–	–	–	34,610
Shares issued under dividend reinvestment plan	10	175,851	1,954	–	–	–	1,954
Shares issued under employee share purchase plan	10	12,854	144	–	–	–	144
Shares issued under deferred share incentive plan	10	3,427	36	(36)	–	–	–
Issue costs	10	–	(1,609)	–	–	–	(1,609)
Share-based payments	11	–	–	248	–	–	248
Shares subscribed		–	–	(26)	–	–	(26)
Equity component of convertible debentures issued	9	–	–	–	697	–	697
Issue costs attributable to equity component of convertible debentures issued	9	–	–	–	(33)	–	(33)
Earnings and comprehensive income		–	–	–	–	21,037	21,037
Dividends declared	7	–	–	–	–	(20,837)	(20,837)
Balance, December 31, 2014		24,428,965	$ 245,794	$ 1,085	$ 1,062	$ 263	$ 248,204

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

STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME
(in thousands of Canadian dollars, except for per share amounts)

	Notes	Years ended December 31 2014	2013
Revenues			
Mortgage interest and fees		$ 34,956	$ 23,760
Operating expenses			
Mortgage servicing and management fees	8	3,553	2,468
Transfer agent, regulatory fees and investor relations		320	224
Share-based payments	8, 11	248	204
Professional fees		144	170
Directors' fees	8	175	147
Administration and general		127	100
Provision for mortgage losses	5	1,817	63
		6,384	3,376
Income before financing costs		28,572	20,384
Financing costs			
Interest on convertible debentures		4,627	1,065
Interest and other bank charges		2,908	1,319
		7,535	2,384
Earnings and comprehensive income for the year		$ 21,037	$ 18,000
Earnings per common share			
Basic	12	$ 0.91	$ 0.85
Diluted	12	$ 0.91	$ 0.85

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

STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars)	Years ended December 31 2014	2013
Cash provided by (used in):		
Operating activities		
Earnings and comprehensive income for the year	$ 21,037	$ 18,000
Add (subtract) non-cash items		
Share-based payments	222	206
Interest capitalized on mortgages	(5,152)	(1,612)
Amortization of mortgage discount	(122)	(208)
Amortization of mortgage origination fees	(1,153)	(881)
Non-cash portion of interest on convertible debentures	644	149
Provision for mortgage losses	1,817	63
	17,293	15,717
Changes in operating assets and liabilities		
Accrued interest receivable	(615)	1,027
Prepaid expenses	(97)	(253)
Accounts payable and accrued liabilities	63	(1)
Accrued convertible debenture interest	1,093	–
Additions to mortgage discount	248	161
Additions to mortgage origination fees	1,264	961
	1,956	1,895
Cash provided by operating activities	19,249	17,612
Investing activities		
Advances of mortgages receivable	(278,319)	(186,703)
Repayment of mortgages receivable	130,983	107,438
Cash used by investing activities	(147,336)	(79,265)
Financing activities		
Bank indebtedness, net	(13)	326
Operating line advanced	528,535	267,778
Operating line repaid	(484,460)	(231,868)
Increase (decrease) in due to related party	213	(23)
Issuance of common shares	36,708	1,277
Common shares issue costs	(1,609)	–
Issuance of convertible debentures	72,051	32,500
Convertible debenture issue costs	(3,407)	(1,641)
Dividends paid	(19,931)	(17,324)
Cash provided by financing activities	128,087	51,025
Increase (decrease) in cash	–	(10,628)
Cash, beginning of year	–	10,628
Cash, end of year	$ –	$ –
Cash provided by operating activities includes:		
Interest received	$ 27,914	$ 19,697
Interest paid	$ 5,434	$ 2,088

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

1. NATURE OF OPERATIONS

Atrium Mortgage Investment Corporation is a corporation domiciled in Canada, incorporated under the Ontario *Business Corporations Act*. The address of the company's registered head office and principal place of business is Suite 900, 20 Adelaide Street East, Toronto, Ontario M5C 2T6.

The company is a Mortgage Investment Corporation (MIC) as defined in Section 130.1(6) of the Canada *Income Tax Act* (ITA). Accordingly, the company is not taxed on income provided that its taxable income is paid to its shareholders in the form of dividends within 90 days after December 31 each year. Such dividends are generally treated by shareholders as interest income, so that each shareholder is in the same position as if the mortgage investments made by the company had been made directly by the shareholder.

The company's common shares are listed on the Toronto Stock Exchange (TSX) under the symbol AI and its convertible debentures are listed under the symbols AI.DB, AI.DB.A and AI.DB.B.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and International Financial Reporting Standards (IFRS), as set out in Part 1 of the *CPA Canada Handbook – Accounting*. These annual financial statements were authorized for issuance by the Board of Directors on February 10, 2015.

(b) Basis of measurement

These financial statements are prepared on the historical cost basis.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is also the company's functional currency. Dollars are expressed in thousands except for per share amounts or where the context requires otherwise.

(d) Use of estimates and judgements

The preparation of 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 relates to: (a) the valuation of mortgages receivable, which is affected primarily by the provision for mortgage losses which is determined by management's estimate as to the required general and specific provisions; and (b) 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. 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.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue recognition

Mortgage interest and fees revenues are recognized in the statement of earnings and comprehensive income using the effective interest method. Mortgage interest and fees revenues include the company's share of any fees received, as well as the effect of any discount or premium on the mortgage.

The effective interest method derives the interest rate that discounts the estimated future cash payments and 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 (see Note 3 (c)). 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.

(b) Financial assets – classification, initial recognition and measurement

Classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition. Mortgages receivable are classified as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method.

All financial assets are subject to review for impairment quarterly, and written down when there is evidence of impairment.

(c) Mortgages receivable

A mortgage receivable, carried at amortized cost, is considered impaired when there is objective evidence at the end of the reporting period that there has been a deterioration of credit quality subsequent to its initial recognition to the extent that the company no longer has reasonable assurance as to the timely collection of the full amount of principal and interest. The company assesses mortgages receivable for objective evidence of impairment both individually and collectively at each reporting period. The specific and general provisions for mortgage losses are determined by taking into account the following factors:

- Delays in the collection of interest and principal
- The point at which management considers a loan to be in default (which is defined as 90 days for single family residential mortgages and 30 days for all other mortgages)
- Other known factors specific to the property, the borrower or the guarantor
- Economic and other real estate market conditions in the geographic area in which a borrower's project is located
- Management's judgement as to whether current economic and credit conditions are such that the inchoate or potential losses at the reporting date are likely to be higher or lower than the amounts suggested by historic experience
- Any other factors that apply to a particular mortgage or group of mortgages

Several of these factors involve estimates and judgements on the part of management in determining provisions for mortgage losses. The other key estimates used for quantifying the specific and general provisions for mortgage losses are:

- The period of time expected to elapse between the contractual maturity or interest and principal repayment dates and the date at which recovery is estimated
- The amount expected to be ultimately recovered on impaired loans, taking into account the probability of different outcomes, where necessary
- The value of underlying security, and whether the company expects to take possession of the property
- The amount of any legal and other third party costs estimated to be incurred

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Mortgages receivable (continued)

An impairment loss is calculated as the difference between the carrying amount of the mortgage receivable and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are charged to the statements of earnings and comprehensive income and are reflected in the provision for mortgage losses.

If there is no objective evidence of impairment for an individual mortgage receivable, it is included in a group of mortgages with similar credit risk characteristics and collectively assessed for impairment for losses incurred but not identified, and reported as a general provision. For the purpose of determining the group of mortgages with similar credit risk characteristic, mortgages are grouped by category: commercial/mixed use, house and apartment, low-rise residential, construction, high-rise residential, mid-rise residential, and condominium corporations.

(d) Convertible debentures

Convertible debentures can be converted into common shares of the company 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 convertible 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 debentures using the effective interest method, which provides for the application of a constant interest rate over the life of the debenture. The value of the equity component is not remeasured subsequent to its initial measurement date.

(e) Other financial liabilities

Other financial liabilities are non-derivative liabilities recognized initially at fair value, net of transaction costs, and are subsequently stated at amortized cost using the effective interest method. The company has classified bank indebtedness, operating line, accounts payable and accrued liabilities, dividends payable, due to related party and the liability component of convertible debentures as other financial liabilities.

(f) Income taxes

The company qualifies as a Mortgage Investment Corporation under the ITA, and as such is not taxed on income provided that its taxable income is distributed to its shareholders in the form of dividends within 90 days after December 31 each year. It is the company’s policy to pay such dividends to remain non-taxable. Accordingly, no provision for current or future income taxes is required.

(g) Earnings per common share

Basic earnings per common share is calculated by dividing earnings during the period by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive items such as convertible debentures and deferred share incentive plans.

(h) Share-based payments

The company has an equity-settled share-based compensation plan for grants to eligible directors, officers, and senior management under its deferred share incentive plan. Grants are measured based upon the fair value of the awards granted, based on the volume-weighted average trading share price for the five trading days prior to date of the grant.

4. RECENT ACCOUNTING PRONOUNCEMENTS

Various pronouncements have been issued by the IASB or IFRS Interpretations Committee (IFRIC) that will be effective for future accounting periods, most of which do not apply to the company; one that is applicable is summarized below.

IFRS 9 – Financial Instruments is a new standard on accounting for financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement. The effective date has been tentatively set to be applicable for the company's December 31, 2018 financial statements. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is recorded at amortized cost only if the entity is holding the instrument to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is recorded at fair value through profit or loss. IFRS 9 requires an expected-loss impairment model (replacing the current incurred loss impairment model) that will require more timely recognition of expected losses and requires accounting for expected credit losses when financial instruments are first recognized and to accelerate the recognition of full lifetime expected losses. The potential impact of the new standard on the company's financial statements has not been determined.

5. MORTGAGES RECEIVABLE

(a) Mortgage portfolio

	December 31, 2014			December 31, 2013		
Mortgage category	Number	Outstanding amount	% of Portfolio	Number	Outstanding amount	% of Portfolio
Commercial/mixed use	31	$ 134,990	31.1%	27	$ 89,475	31.7%
House and apartment	90	93,070	21.4%	59	69,485	24.6%
Low-rise residential	23	85,678	19.7%	17	58,466	20.7%
Construction	17	61,095	14.1%	9	22,093	7.8%
High-rise residential	8	44,048	10.1%	5	32,967	11.7%
Mid-rise residential	8	12,127	2.8%	3	7,440	2.6%
Condominium corporation	13	3,260	0.8%	11	2,434	0.9%
Mortgage portfolio	190	434,268	100.0%	131	282,360	100.0%
Accrued interest receivable		2,177			1,562	
Mortgage discount		(465)			(339)	
Mortgage origination fees		(835)			(724)	
Provision for mortgage losses		(2,388)			(1,151)	
Mortgages receivable		$ 432,757			$ 281,708	

The mortgage portfolio has maturity dates between 2015 and 2025 with a weighted average term to maturity of 13.7 months at December 31, 2014 (December 31, 2013 – 13.5 months). The portfolio has a weighted average interest rate (which excludes lender fees paid to the company) of 8.81% for the year ended December 31, 2014 (8.72% for the year ended December 31, 2013).

Principal repayments based on contractual maturity dates are as follows:

Years ended December 31, 2015	167,709	38.6%
2016	220,156	50.7%
2017	43,274	10.0%
2018	54	0.0%
2019	72	0.0%
Thereafter	3,003	0.7%
	$ 434,268	100.0%

5. MORTGAGES RECEIVABLE (continued)

(a) Mortgage portfolio (continued)

	Year ended December 31, 2014			
Location of underlying property	Number of mortgages	Amount	Percentage	Weighted average interest rate
Greater Toronto Area	136	$ 296,405	68.2%	8.81%
Non-GTA Ontario	11	38,716	8.9%	9.66%
Saskatchewan	1	2,880	0.7%	8.50%
Alberta	31	66,325	15.3%	8.47%
British Columbia	11	29,942	6.9%	8.64%
	190	434,268	100.0%	8.81%

	Year ended December 31, 2013			
Location of underlying property	Number of mortgages	Amount	Percentage	Weighted average interest rate
Greater Toronto Area	111	$ 228,391	80.9%	8.64%
Non-GTA Ontario	6	22,465	8.0%	9.10%
Saskatchewan	–	–	–	–
Alberta	7	24,910	8.8%	8.57%
British Columbia	7	6,594	2.3%	10.75%
	131	282,360	100.0%	8.72%

Mortgage category	December 31 2014	%	December 31 2013	%	% change
Conventional first mortgages	$ 348,050	80.2%	$ 249,328	88.3%	39.6%
Conventional second and third mortgages	70,728	16.3%	25,711	9.1%	175.1%
Non-conventional mortgages	12,230	2.8%	4,887	1.7%	150.3%
Other	3,260	0.7%	2,434	0.9%	34.0%
	$ 434,268	100.0%	$ 282,360	100.0%	53.8%

Conventional mortgages are those mortgages with a loan-to-value of less than or equal to 75%. Seventy-five percent (75%) loan-to-value is the industry norm for determining a conventional versus non-conventional mortgage. Non-conventional mortgages are those mortgages with a loan-to-value in excess of 75%.

The weighted average term remaining for our mortgages receivable at December 31, 2014 is 13.7 months (December 31, 2013 – 13.5 months).

(b) Provision for mortgage losses

	December 31 2014	December 31 2013
Specific provision	$ –	$ 590
General provision	2,388	561
Provision for mortgage losses	$ 2,388	$ 1,151

	Year ended December 31, 2014		
	Specific provision	General provision	Total
Balance, beginning of year	$ 590	$ 561	$ 1,151
Mortgage settled during the year	(580)	–	(580)
Released to general provision	(10)	10	–
Increase in general provision during the year	–	1,817	1,817
Balance, end of year	$ –	$ 2,388	$ 2,388

5. MORTGAGES RECEIVABLE (continued)

(b) Provision for mortgage losses (continued)

	Year ended December 31, 2013		
	Specific provision	General provision	Total
Balance, beginning of year	$ 527	$ 561	$ 1,088
Increase in specific provision for the year	63	–	63
Balance, end of year	$ 590	$ 561	$ 1,151

One mortgage was in default at December 31, 2014 (one at December 31, 2013, which was subsequently settled). The company does not expect to incur losses on the mortgage in default at December 31, 2014 taking into account market conditions, the value of real property securing the mortgages, and other factors. The increase in the general provision for mortgage losses during the period is based upon assessment of the factors described in Note 3(c).

6. CREDIT FACILITY

At December 31, 2014, the company had a credit facility from a syndicate of two Canadian financial institutions of $100,000 (December 31, 2013 – $80,000) at a formula rate that varies with bank prime and the market bankers' acceptance rate. Drawings under the credit facility may be by way of a bank loan (including bank indebtedness of up to $500), bankers' acceptances or letters of credit (LCs). LCs represent irrevocable assurances that the company's banks will make payments in the event that a customer cannot meet its obligations to third parties. LCs carry the same credit risk, recourse and collateral security requirements as mortgages extended to customers. The committed credit facility was effective October 6, 2014, has a term of two years, and is subject to certain conditions of drawdown and other covenants. During the year ended December 31, 2014 there were various amendments to the operating credit facility negotiated from time to time with the banks that were subsequently repaid and cancelled.

The credit facility is secured by a lien over all of the company's assets by means of a general security agreement. The amount that may be drawn down under the credit facility is determined by the aggregate value of mortgages that are acceptable to the lender. Under the terms of the credit facility, covenants must be met in respect of shareholders' equity, debt to total assets and interest coverage. At December 31, 2014 and December 31, 2013, the company was in compliance with these covenants.

Credit facility	Year ended December 31 2014	Year ended December 31 2013
Bankers' acceptances	$ 57,000	$ 20,000
Bank loan	22,985	15,910
Operating line	79,985	35,910
Bank indebtedness	313	326
Total borrowing under credit facility	80,298	36,236
Letters of credit	4,483	2,680
Total credit facility utilization	$ 84,781	$ 38,916

7. DIVIDENDS

The company follows a dividend policy so that it is non-taxable under the provisions of the ITA related to Mortgage Investment Corporations. Dividends amounted to $0.89 per share for the year ended December 31, 2014 (2013 – $0.85).

	December 31 2014	December 31 2013
Dividends payable, beginning of year	$ 2,473	$ 1,827
Dividends declared	20,837	17,970
Dividends paid	(19,931)	(17,324)
Dividends payable, end of year	$ 3,379	$ 2,473

8. RELATED PARTY TRANSACTIONS

The company pays management and mortgage servicing fees to Canadian Mortgage Capital Corporation (CMCC), which is the manager of the company, and responsible for its day to day management. The majority beneficial owner and Chief Executive Officer (CEO) of the manager is also CEO of the company. The company incurred management and mortgage servicing fees of $3,548 for the year ended December 31, 2014 (2013 – $2,455). The management agreement between the company and CMCC contains provisions for the payment of termination fees to the manager in the event that the management agreement is terminated in certain circumstances. Amounts due to related party are due to CMCC, in the normal course of business, are non-interest bearing and due on demand, and are paid within 30 days of each period end.

Key management includes directors and officers of the company. Compensation expenses for key management personnel include:

	Year ended December 31 2014	Year ended December 31 2013
Directors' fees	$ 175	$ 147
Share-based payments to directors (Note 11)	110	98
Share-based payments to officers (Note 11)	101	92
	$ 386	$ 337

Related party transactions are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. CONVERTIBLE DEBENTURES

	Year ended December 31, 2014			
	Convertible debenture 5.50% AI.DB.B	Convertible debenture 6.25% AI.DB.A	Convertible debenture 5.25% AI.DB	Total
Maturity date	Sept. 30, 2021	March 31, 2019	June 30, 2020	
Convertible debentures, beginning of year	$ –	$ –	$ 30,611	$ 30,611
Issued	40,250	31,801	–	72,051
Equity component	(536)	(161)	–	(697)
Issue costs	(1,861)	(1,546)	–	(3,407)
Issue costs attributed to equity component	26	7	–	33
Convertible debentures	37,879	30,101	30,611	98,591
Accretion for the year	88	273	283	644
Convertible debentures, end of year	$ 37,967	$ 30,374	$ 30,894	$ 99,235

	Year ended December 31, 2013	
	Convertible Debenture 5.25% AI.DB	Total
Maturity date	June 30, 2020	
Convertible debentures, beginning of year	$ –	$ –
Issued	32,500	32,500
Equity component	(419)	(419)
Issue costs	(1,640)	(1,640)
Issue costs attributed to equity component	21	21
Convertible debentures	30,462	30,462
Accretion for the year	149	149
Convertible debentures, end of year	$ 30,611	$ 30,611

9. CONVERTIBLE DEBENTURES (continued)

During the year ended December 31, 2014, the company completed a public offering for 5.50%, unsecured convertible debentures due September 30, 2021 aggregating $35,000 and an overallotment option of a further $5,250 that closed September 23, 2014 and October 2, 2014, respectively. The interest on the debentures is payable on March 31 and September 30 each year. Debentures are convertible into common shares at the option of the holder at any time prior to their maturity at a conversion price of $14.65 per share, subject to various adjustments in accordance with the trust indenture. The debentures may not be redeemed by the company before September 30, 2017. After September 30, 2017 and prior to September 30, 2019, the debentures may be redeemed, in whole or in part, from time to time at the company's option at par plus accrued interest provided that the weighted average trading price of the common shares is not less than 125% of the conversion price. After September 30, 2019, the company may, at its option, redeem the debentures, in whole or in part, at par plus accrued and unpaid interest. On issuance, the company recorded a liability of $37,879, net of equity component of $536 and issue costs attributable to debt of $1,835.

During the year ended December 31, 2014, the company completed a public offering for 6.25%, unsecured convertible debentures due March 31, 2019 aggregating $30,000 and an overallotment option of a further $1,801 that were closed February 27, 2014 and March 5, 2014, respectively. The interest on the debentures is payable on March 31 and September 30 each year. Debentures are convertible into common shares at the option of the holder at any time prior to their maturity at a conversion price of $13.30 per share, subject to various adjustments in accordance with the trust indenture. The debentures may not be redeemed by the company before March 31, 2017. After March 31, 2017 and prior to March 31, 2018, the debentures may be redeemed, in whole or in part, from time to time at the company's option at par plus accrued interest provided that the weighted average trading price of the common shares is not less than 125% of the conversion price. After March 31, 2018, the company may, at its option, redeem the debentures, in whole or in part, at par plus accrued and unpaid interest. On issuance, the company recorded a liability of $30,101, net of equity component of $161 and issue costs attributable to debt of $1,539.

During the year ended December 31, 2013, the company completed a public offering for of 5.25%, unsecured convertible debentures due June 30, 2020 aggregating $30,000 and an overallotment option of $2,500 that were closed on June 18, 2013 and July 9, 2013, respectively. The interest on the debentures is payable on June 30 and December 31 each year. Debentures are convertible into common shares at the option of the holder at any time prior to their maturity at a conversion price of $13.50 per share, subject to various adjustments in accordance with the trust indenture. The debentures may not be redeemed by the company before June 30, 2016. After June 30, 2016 and prior to June 30, 2018, the debentures may be redeemed, in whole or in part, from time to time at the company's option at par plus accrued interest provided that the weighted average trading price of the common shares is not less than 125% of the conversion price. After June 30, 2018, the company may, at its option, redeem the debentures, in whole or in part, at par plus accrued and unpaid interest. On issuance, the company recorded a liability of $30,462, net of equity component of $419 and issue costs attributable to debt of $1,619.

10. SHARE CAPITAL

The company is authorized to issue an unlimited number of common shares without par value. Common shares rank equally with each other and have no preference, conversion, exchange or redemption rights. Common shares participate pro rata with respect to any dividends paid, including distributions upon termination and dissolution.

The company has an optional dividend reinvestment plan (DRIP) for shareholders, whereby participants may reinvest cash dividends in additional common shares of the company at the volume weighted average price for five days prior to distribution, less a 2% discount. Shares issued under the DRIP are issued by the company from treasury.

Under the employee share purchase plan (ESPP), each participant may contribute up to an annual maximum to the ESPP, and CMCC (the manager) will match 50% of the participant's contribution. Thus, the company does not bear any of the cost of the ESPP, but is reimbursed by CMCC and the participants.

10. SHARE CAPITAL (continued)

Year ended December 31, 2014	Common shares Number	Amount
Shares issued –		
ESPP, January 1, 2014	2,368	$ 26
DRIP, January 14, 2014	12,543	131
DRIP, February 13, 2014	12,859	134
DRIP, March 5, 2014	8,841	99
DRIP, March 13, 2014	12,606	141
ESPP, April 1, 2014	1,888	21
DRIP, April 14, 2014	13,287	145
DRIP, May 13, 2014	13,035	145
Public offering, May 22, 2014*	3,036,000	34,610
DRIP, June 13, 2014	14,461	157
ESPP, June 30, 2014	2,533	28
DRIP, July 14, 2014	14,876	163
DRIP, Aug 13, 2014	14,539	163
DRIP, September 12, 2014	14,121	159
ESPP, September 30, 2014	3,070	35
DRIP, October 13, 2014	15,400	172
DRIP, November 13, 2014	14,478	171
DSIP, December 1, 2014	3,427	36
DRIP, December 12, 2014	14,805	174
ESPP, December 30, 2014	2,995	34
Total shares issued during the year	3,228,132	$ 36,744
Public offering*	3,036,000	34,610
DRIP	175,851	1,954
ESPP	12,854	144
DSIP	3,427	36
Total shares issued during the year	3,228,132	$ 36,744

*Issue costs for the May 22, 2014 public offering aggregated $1,609.

Year ended December 31, 2013	Common shares Number	Amount
Shares issued –		
DRIP, January 29, 2013	6,580	$ 71
DRIP, February 26, 2013	6,814	74
DRIP, March 21, 2013	1,785	19
DRIP, March 27, 2013	8,889	95
DRIP, April 15, 2013	8,515	92
DRIP, May 15, 2013	8,806	94
DRIP, June 14, 2013	9,228	97
DRIP, July 15, 2013	9,208	94
ESPP, July 23, 2013	1,332	14
DRIP, August 14, 2013	10,721	107
DRIP, September 13, 2013	11,550	115
ESPP, October 1, 2013	1,996	21
DRIP, October 14, 2013	11,580	117
DRIP, November 14, 2013	10,695	112
DSIP, November 14, 2013	2,203	24
DRIP, December 13, 2013	12,394	130
Total shares issued during the year	122,296	$ 1,276
DRIP	116,765	1,217
ESPP	3,328	35
DSIP	2,203	24
Total shares issued during the year	122,296	$ 1,276

11. SHARE-BASED PAYMENTS

	September 1 2014 grant	August 30 2013 grant	August 29 2012 grant	Total
Deferred shares granted				
Year ended December 31, 2012	–	–	21,500	21,500
2013	–	23,000	–	23,000
2014	21,500	–	–	21,500
	21,500	23,000	21,500	66,000
Income deferred shares earned				
Year ended December 31, 2012	–	–	680	680
2013	–	592	1,741	2,333
2014	375	1,738	1,714	3,827
	375	2,330	4,135	6,840

Share compensation expense:	Year ended December 31 2014	Year ended December 31 2013
September 1, 2014 grant	$ 55	$ –
August 30, 2013 grant	125	54
August 29, 2012 grant	68	150
	$ 248	$ 204

Grants are provided to certain directors and employees under the company's deferred share incentive plan ("DSIP"). The deferred share units vest annually over three years. Common shares are issued to participants on the vesting date of each tranche of deferred share units, unless a participant elects to defer the issuance. In addition, income deferred share units are credited to holders of deferred share units based upon dividends paid on common shares. The fair value of share-based compensation was based upon the volume weighted average market price of the common shares five days prior to the grant date of September 1, 2014 ($11.46), August 30, 2013 ($10.13) and August 29, 2012 ($11.00).

12. EARNINGS PER SHARE

	Year ended December 31 2014	Year ended December 31 2013
Basic earnings per share –		
Numerator		
Earnings for the year	$ 21,037	$ 18,000
Denominator		
Weighted average common shares outstanding	23,151	21,133
Basic earnings per share	$ 0.91	$ 0.85
Diluted earnings per share –		
Numerator		
Earnings for the year	$ 21,037	$ 18,000
Interest on convertible debentures	4,627	1,065
Earnings for diluted earnings per share	25,664	19,065
Denominator		
Weighted average common shares outstanding	23,151	21,133
Convertible debentures	5,153	1,283
Deferred share incentive plan	49	29
Income deferred share units	3	1
Weighted average common shares outstanding – diluted basis	28,356	22,446
Diluted earnings per share	$ 0.91	$ 0.85

13. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

Financial assets comprise mortgages receivable. All financial assets are classified as loans and receivables. Financial liabilities comprise bank indebtedness, operating line, accounts payable and accrued liabilities, dividends payable, due to related party and the liability component of convertible debentures. All financial liabilities are classified as other financial liabilities.

(b) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between arm's length market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means.
- Level 3 inputs are unobservable (supported by little or no market activity).

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. All financial assets are classified as loans and receivables and are recorded at amortized cost. Their carrying values approximate their fair value due to their relatively short-term maturities and because market interest rates have not fluctuated significantly since the date at which the loans were entered into. The fair value of the operating line approximates book value since it bears interest at floating rates. Mortgages receivable mature between 2015 and 2025 with a weighted average term to maturity at December 31, 2014 of 13.7 months (2013 – 13.5 months). Fair value of mortgages receivable is established by Level 3 inputs.

The fair value of convertible debentures at the time of issue is established using Level 2 inputs. The fair value of convertible debentures has been determined based on the closing prices of the convertible debentures on the TSX on the respective dates.

Convertible debentures	**December 31 2014**	**December 31 2013**
Fair value	$ 104,507	$ 30,225
Less book value of equity component	(1,062)	(398)
	$ 103,445	$ 29,827
Book value of financial liability component	$ 99,235	$ 30,611

The fair value of other financial liabilities is estimated using level 3 inputs.

(c) Credit risk

The following asset is exposed to credit risk: mortgages receivable. Credit risk is the risk that a counterparty to a financial instrument will fail to discharge its obligation or commitment, resulting in a financial loss to the company.

The company controls the credit risk of mortgages receivable by maintaining strict credit policies including due diligence processes, credit limits, documentation requirements, review and approval of new mortgages by the board of directors or a subgroup thereof, quarterly review of the entire portfolio by the board of directors, and other credit policies approved by the board of directors. Credit risk is approved by the board of directors. At December 31, 2014 no single borrower accounted for more than 7.9% of mortgages receivable (December 31, 2013 – 14.6%). See Note 5(a) for geographic as well as mortgage rank breakdown.

13. FINANCIAL INSTRUMENTS (continued)

(d) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its obligations when due. The primary sources of liquidity risk are the requirements to fund commitments for new mortgages, advances on existing mortgages, as well as obligations under the company's credit facility. The company's liquidity risk is managed on an ongoing basis in accordance with the policies and procedures in place that reduce the risk to an acceptable level. Policies and procedures include continual monitoring of expected cash flows, reviewing credit requirements with the company's bankers, issuing convertible debentures or common shares in the public markets from time to time as required, and staggering the maturities of convertible debentures when they are issued. From time to time the company has arranged temporary increases in its credit facility with its banks in order to manage liquidity requirements, and expects to be able to continue to do so in the future if required. The company's significant financial liabilities include bank indebtedness, operating line, accounts payable and accrued liabilities, dividends payable, due to related party and the liability component of convertible debentures. The bank indebtedness and operating line are drawn upon as required to discharge accounts payable and accrued liabilities as well as to pay out dividends on a monthly basis. The company's agreement with the lender is that the operating line will not be called provided that all covenants are met and that any significant excess cash is used to pay down the bank loan and indebtedness.

As at December 31, 2014, management considers that it has adequate procedures in place to manage liquidity risk.

Obligations at December 31, 2014	Total	Less than 1 year	1-2 years	3-7 years
Bank indebtedness	$ 313	$ 313	$ –	$ –
Operating line	79,985	79,985		
Accounts payable and accrued liabilities	523	523	–	–
Accrued convertible debentures interest	1,093	1,093		
Dividends payable	3,379	3,379	–	–
Due to related party	395	395	–	–
Convertible debentures	99,235	–	–	99,235
Total	$ 184,923	$ 85,688	$ –	$ 99,235

The company has commitments to advance additional funds under existing mortgages of $99,757 and for new mortgages of $10,063 at December 31, 2014 (December 31, 2013 – $51,437 and $46,728 respectively). Generally, outstanding commitments are expected to be funded within the next 24 months. However, the experience of the company has been that a portion of the unfunded amounts on existing mortgages will never be drawn.

(e) Interest rate risk

The company is exposed to interest rate risk in that an increase in interest rates will result in increased interest expense due to its operating line and indebtedness being set at a variable rate but all mortgages being set at fixed rates. The financial structure of the company results in relatively moderate interest rate risk because most of the company's financing is through common shares and convertible debentures, with a moderate amount of borrowings under the credit facility that bear floating interest rates.

If interest rates on debt had been one percentage point higher (lower) during the year ended December 31, 2014, earnings would have been reduced (increased) by approximately $680 during the period, assuming that no changes had been made to the interest rates at which new mortgage loans were entered into. However, if new mortgage loans had been entered into at higher (lower) interest rates, the resulting reduction of earnings would have been less than (greater than) $680.

(f) Currency risk

Currency risk is the risk that the value of financial assets and liabilities will fluctuate due to changes in foreign exchange rates. The company is not currently exposed to significant currency risk as all assets and liabilities are denominated in Canadian funds.

13. FINANCIAL INSTRUMENTS (continued)

(g) Changes to risk exposure and management of risk exposure

During the year ended December 31, 2014, the company issued 6.25% unsecured convertible debentures with a face value of $31,801 (see Note 9), and issued 5.50% unsecured convertible debentures with a face value of $40,250 (see Note 9), which had the effect of altering its risk exposure profile to be less sensitive to changes in general market interest rates. The effect will be favourable if general interest rates increase, and adverse if general interest rates decline. In addition, during the year ended December 31, 2014, the company issued common shares for net proceeds of $35,135, which had the effect of reducing its leverage and consequently reducing its exposure to changes in interest rates in general.

14. CAPITAL MANAGEMENT

The company defines capital as total debt plus shareholders' equity, as shown below:

	December 31 2014	December 31 2013
Bank indebtedness	$ 313	$ 326
Operating line	79,985	35,910
Total borrowing under credit facility	80,298	36,236
Convertible debentures	99,235	30,611
Total debt	179,533	66,847
Shareholders' equity	248,204	212,019
Capital employed	$ 427,737	$ 278,866

The company's objectives for managing capital are to:

- preserve shareholders' equity
- provide shareholders with stable dividends
- use leverage in a conservative manner to improve return to shareholders

The company manages capital by using conservative amounts of financial leverage to improve its return to shareholders. The company finances growth of its portfolio by issuing common shares and debt. In addition, a small amount of equity is raised every month through a dividend reinvestment plan for shareholders.

As bank borrowings increase, the company could expect to raise further funds through public offerings of convertible debentures or common shares, and through private placements of debt. The company's bank indebtedness, bankers' acceptances and bank loan are subject to external covenants as set out in Note 6. There has been no change in the company's capital management objectives since the prior period.

15. INCOME TAXES

The company is a Mortgage Investment Corporation (MIC) as defined in Section 130.1(6) of the ITA. Accordingly, the company is not taxed on its taxable income (as defined in the ITA) provided that it is distributed as dividends within 90 days of December 31 each year.

Due to certain provisions of the ITA, taxable income does not precisely equal income under IFRS. The company has tax loss carry forwards available that may serve to permit future distributions to shareholders to be less than taxable income in the year while preserving its status as a MIC.

	December 31 2014	December 31 2013
Earnings and comprehensive income for the year	21,037	18,000
Non-deductible expenses	3,018	483
Issue costs deductible pursuant to Section 20(1)(e) of the ITA	(2,409)	(1,350)
Change in deferred revenue	110	80
Cumulative eligible capital deduction	(2)	(2)
Taxable income	$ 21,754	$ 17,211
Less: dividends declared during the year and within 90 days of year end	(20,837)	(17,971)
Taxable income (loss) for the year	917	(760)
Add: tax loss carry forward from previous years	(1,438)	(678)
Tax loss carry forward, end of year	$ (521)	$ (1,438)

Tax losses generated in 2013 will expire in 2033.

16. SUBSEQUENT EVENTS

On January 13, 2015, the company issued 15,902 common shares ($178) to shareholders under its dividend reinvestment plan.

BOARD OF DIRECTORS

Mark L. Silver
Chair of the Board
Atrium Mortgage Investment Corporation
President
Optus Capital Corporation

Robert G. Goodall
CEO and President
Atrium Mortgage Investment Corporation

Peter P. Cohos
President
Copez Properties Ltd.

Robert H. DeGasperis
President
Metrus Properties Inc.

Andrew Grant
President
PCI Group

Nancy H. O. Lockhart
Director
Barrick Gold Corporation
Director
Gluskin Sheff + Associates
Director
Loblaw Companies Ltd.

David M. Prussky
Director
Carfinco Financial Group Inc.
Director
Lonestar West Inc.

MANAGEMENT

Robert G. Goodall
CEO and President

Jeffrey D. Sherman, FCPA, FCA
CFO and Secretary

Michael Lovett
Managing Director – Ontario

Bram Rothman
Managing Director – Ontario

Phil Fiuza
Managing Director – Ontario, Residential

Daniel Stewart
Managing Director – Alberta and Saskatchewan

Marianne Dobslaw
Managing Director – British Columbia

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SHARE LISTING

Common shares,
TSX: AI

Convertible debentures 5.25%,
TSX: AI.DB

Convertible debentures 6.25%,
TSX: AI.DB.A

Convertible debentures 5.5%,
TSX: AI.DB.B

Atrium offers a dividend reinvestment plan (DRIP) so that shareholders may automatically reinvest their dividends in new shares of Atrium at a 2% discount from market price and with no commissions. This provides an easy way to realize the benefits of compound growth of their investment in Atrium. Shareholders can enroll in the DRIP program by contacting their investment advisor or Computershare.

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