

MANAGEMENT'S DISCUSSION AND ANALYSIS

ORGANIZATION OF MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

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"Brookfield," the "company," "we," "us" or "our" refers to Brookfield Corporation and its consolidated subsidiaries. The "Corporation" is comprised of ownership interests in our Asset Management, Insurance Solutions and Operating Businesses. Our Asset Management business includes Brookfield Asset Management ULC ("BAM") and our direct investments into and alongside private funds managed by BAM. Our Insurance Solutions business is via our equity accounted investment in Brookfield Reinsurance Ltd., a separate issuer. Our "Operating Businesses" include Brookfield Renewable Partners L.P., Brookfield Infrastructure Partners L.P. and Brookfield Business Partners L.P., which are separate issuers included within our Renewable Power and Transition, Infrastructure and Private Equity segments, respectively, and issuers in the Brookfield Property Group, which are included in our Real Estate segment. Additional discussion of their businesses and results can be found in their public filings. We use "private funds" to refer to the real estate funds, transition funds, infrastructure funds and private equity funds of our Asset Management business. Our other businesses include our corporate activities.

Please refer to the Glossary of Terms beginning on page 58 which defines our key performance measures that we use to measure our business.

Additional information about the company, including our Annual Information Form, is available on our website at www.brookfield.com, on the Canadian Securities Administrators' website at www.sedarplus.ca and on the EDGAR section of the U.S. Securities and Exchange Commission's ("SEC") website at www.sec.gov.

We are incorporated in Ontario, Canada, and qualify as an eligible Canadian issuer under the Multijurisdictional Disclosure System and as a "foreign private issuer" as such term is defined in Rule 405 under the U.S. Securities Act of 1933, as amended, and Rule 3b-4 under the U.S. Securities Exchange Act of 1934, as amended. As a result, we comply with U.S. continuous reporting requirements by filing our Canadian disclosure documents with the SEC; our annual report is filed under Form 40-F and we furnish our quarterly interim reports under Form 6-K.

Information contained in or otherwise accessible through the websites mentioned throughout this report does not form part of this report. All references in this report to websites are inactive textual references and are not incorporated by reference. Any other reports of the company referred to herein are not incorporated by reference unless explicitly stated otherwise.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

This Report contains “forward-looking information” within the meaning of Canadian provincial securities laws and “forward-looking statements” within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, Section 21E of the U.S. Securities Exchange Act of 1934, as amended, “safe harbor” provisions of the United States Private Securities Litigation Reform Act of 1995 and in any applicable Canadian securities regulations. We may provide such information and make such statements in the Report, in other filings with Canadian regulators or the U.S. Securities and Exchange Commission or in other communications. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, include statements which reflects management’s expectations regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Corporation and its subsidiaries, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods, and include words such as “expects,” “anticipates,” “plans,” “believes,” “estimates,” “seeks,” “intends,” “targets,” “projects,” “forecasts” or negative versions thereof and other similar expressions, or future or conditional verbs such as “may,” “will,” “should,” “would” and “could.” In particular, forward-looking statements contained in the letter to shareholders included in this Report include statements regarding the AEL acquisition, including its expected impact on our Insurance Solutions and Asset Management businesses, and our fundraising targets.

Although we believe that our anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information contained in this Report. The statements and information involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, which may cause the actual results, performance or achievements of the company to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements and information.

Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include, but are not limited to: (i) investment returns that are lower than target; (ii) the impact or unanticipated impact of general economic, political and market factors in the countries in which we do business; (iii) the behavior of financial markets, including fluctuations in interest and foreign exchange rates; (iv) global equity and capital markets and the availability of equity and debt financing and refinancing within these markets; (v) strategic actions including dispositions; the ability to complete and effectively integrate acquisitions into existing operations and the ability to attain expected benefits; (vi) changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates); (vii) the ability to appropriately manage human capital; (viii) the effect of applying future accounting changes; (ix) business competition; (x) operational and reputational risks; (xi) technological change; (xii) changes in government regulation and legislation within the countries in which we operate; (xiii) governmental investigations; (xiv) litigation; (xv) changes in tax laws; (xvi) ability to collect amounts owed; (xvii) catastrophic events, such as earthquakes, hurricanes, or pandemics/epidemics; (xviii) the possible impact of international conflicts and other developments including terrorist acts and cyberterrorism; (xix) the introduction, withdrawal, success and timing of business initiatives and strategies; (xx) the failure of effective disclosure controls and procedures and internal controls over financial reporting and other risks; (xxi) health, safety and environmental risks; (xxii) the maintenance of adequate insurance coverage; (xxiii) the existence of information barriers between certain businesses within our asset management operations; (xxiv) risks specific to our business segments including asset management, renewable power and transition, infrastructure, private equity, real estate and other alternatives, including credit; and (xxv) factors detailed from time to time in our documents filed with the securities regulators in Canada and the United States, including in “Part 6 – Business Environment and Risks” of our Annual Report available on SEDAR+ at www.sedarplus.ca and EDGAR at www.sec.gov.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. Readers are urged to consider the foregoing risks, as well as other uncertainties, factors and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such forward-looking information. Except as required by law, the Corporation undertakes no obligation to publicly update or revise any forward-looking statements or information, whether written or oral, that may be as a result of new information, future events or otherwise.

Past performance is not indicative nor a guarantee of future results. There can be no assurance that comparable results will be achieved in the future, that future investments will be similar to the historic investments discussed herein (because of economic conditions, the availability of investment opportunities or otherwise), that targeted returns, diversification or asset allocations will be met or that an investment strategy or investment objectives will be achieved.

STATEMENT REGARDING USE OF NON-IFRS MEASURES

We disclose a number of financial measures in this Report that are calculated and presented using methodologies other than in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). We utilize these measures in managing the business, including for performance measurement, capital allocation and valuation purposes and believe that providing these performance measures on a supplemental basis to our IFRS results is helpful to investors in assessing the overall performance of our businesses. These financial measures should not be considered as the sole measure of our performance and should not be considered in isolation from, or as a substitute for, similar financial measures calculated in accordance with IFRS. We caution readers that these non-IFRS financial measures or other financial metrics may differ from the calculations disclosed by other businesses and, as a result, may not be comparable to similar measures presented by other issuers and entities. Reconciliations of these non-IFRS financial measures to the most directly comparable financial measures calculated and presented in accordance with IFRS, where applicable, are included within this Report. Please refer to our Glossary of Terms beginning on page 58 for all non-IFRS measures.

PART 1

OUR BUSINESS AND STRATEGY

OVERVIEW

Our objective is to compound our capital to deliver 15%+ annual returns to shareholders over the long term. With a 100+ year heritage as an owner and operator of real assets, we have a proven track record of deploying capital to build market leading businesses that generate stable, growing cash flows and attractive long-term total returns. Today, our capital is invested across our Asset Management, Insurance Solutions, and our Operating Businesses, which generate \$5 billion of free cash flow annually and continue to grow.

Our capital is invested across businesses that help form the backbone of the global economy. The cash flows generated from our businesses are generally underpinned by stable, inflation-linked, largely contracted and growing revenue streams, and high cash margins. We leverage our global presence, the synergies of our businesses and large-scale, flexible capital to achieve strong returns across market cycles. On their own, each of our market leading businesses have a strong growth profile but together they generate synergies which significantly enhance their growth.

As a proven value investor, we remain focused on allocating the distributions we receive from our businesses to enhance value for our shareholders. We will continue to deploy the substantial free cash flows we receive towards supporting the growth of our three businesses, new strategic opportunities, and share buybacks. By leveraging the global reach and expertise of our asset management business, our goal is to identify new investment opportunities that provide strategic value for Brookfield and the potential for attractive returns over the long term.

Our conservatively capitalized balance sheet provides downside protection and our scale, stability, and diversification create a differentiated business model, positioning us well as a partner of choice for the global buildout of infrastructure, the transition to a sustainable energy future, and take-private opportunities. We expect the flexibility of our capital and reputation as a good partner to create a significant proprietary pipeline of opportunities.

Sound environmental, social and governance (“ESG”) principles are integral to building resilient businesses and creating long term value for our investors and other stakeholders. As a result, we embed these principles into all our activities—including our investment process—and conduct our business in a sustainable and ethical manner. An emphasis on diversity and inclusion reinforces our culture of collaboration. It strengthens our ability to develop our people and maintain an engaged workforce focused on serving as a trusted partner and first-choice provider of investment solutions.

✓ **Investment Focus**

We invest in a global and diverse portfolio of high-quality assets and businesses that are predominantly long-term or perpetual in nature and have the following attributes:

- stable, largely contracted or inflation-linked, and growing revenues
- ability to drive outsized financial returns through operational excellence
- highly cash-generative
- high barriers to entry with a market leading position
- offer continuous deployment opportunities

✓ **Focused Investment Strategies**

We invest where we can bring our competitive advantages to bear, leveraging our global presence and reputation, the synergies of our businesses, and access to large-scale, flexible capital.

✓ Proven Capital Allocator

We are a value investor with a strong track record of allocating our capital to generate meaningful compound returns that enhance value for our shareholders.

✓ Disciplined Financing Approach

We employ leverage¹ in a prudent manner to enhance returns while preserving capital throughout business cycles. Underlying investments are typically funded at investment-grade levels on a standalone and non-recourse basis, providing us with a stable capitalization. Only 6% of the total leverage reported in our consolidated financial statements has recourse to the Corporation.

✓ Sustainability

We are committed to ensuring that the assets and businesses in which we invest are set up for long-term success, and we seek to have a positive impact on the environment and the communities in which we operate.

We calculate the value of Brookfield Corporation as the capital we have in our three businesses—Asset Management, Insurance Solutions, and Operating Businesses. Our financial returns are represented by capital appreciation and distributions from our businesses. The primary performance measure that we use to evaluate the performance of our business is distributable earnings (“DE”).¹

ASSET MANAGEMENT

Our **Asset Management business** is one of the world’s leading alternative asset managers, with approximately \$850 billion of assets under management (“AUM”)¹ as at June 30, 2023 across infrastructure, renewable power and transition, real estate, private equity and credit. The business invests client capital for the long-term with a focus on real assets and essential service businesses that form the backbone of the global economy. The business draws on our heritage as an owner and operator to invest for value and generate strong returns for clients, across economic cycles.

Within each investment vertical, our business manages capital in a variety of products that broadly fall into one of three categories: i) long-term private funds, ii) perpetual strategies and iii) liquid strategies¹. Products within these three strategies have similar base management fee¹ and carried interest¹ or performance fee¹ drivers.

Our capital in this business is via our 75% ownership interest in Brookfield Asset Management ULC (“BAM”)¹ for which we receive quarterly distributions, as well as our direct investments into and alongside private funds managed by BAM. Our direct investments are primarily comprised of capital invested in flagship real estate private funds which own high-quality assets and portfolios with operational upside (“LP Investments”) across logistics, multifamily, hospitality, office, retail, triple net lease, self-storage, student housing and the manufactured housing sectors. We also invest directly in certain private equity funds.

INSURANCE SOLUTIONS

Our **Insurance Solutions business**, via our investment in Brookfield Reinsurance Ltd. (“BNRE”)¹, is a leading financial services business providing capital-based solutions to the insurance industry, offering a broad range of insurance products and services to individuals and institutions. Through operating subsidiaries, the business provides annuity-based reinsurance products to insurance and reinsurance companies and acts as a direct issuer of pension risk transfer products for pension plan sponsors. In doing so, the business seeks to match long-duration liabilities with a portfolio of high-quality investments in order to generate attractive, risk-adjusted returns.

As at June 30, 2023, our business has \$4 billion of equity capital and approximately \$45 billion of assets with annualized DE of \$725 million. The goal of our Insurance Solutions business is to create one of the world’s leading platforms for insurance solutions. It is expected that the capital base of this business will be vastly greater in the future, achieved through internal growth as well as through the addition of new capital from the Corporation and other business partners.

1. See definition in Glossary of Terms beginning on page 58.

Our Asset Management business acts as the investment manager of most of the assets of our Insurance Solutions business.

OPERATING BUSINESSES

We have approximately \$35 billion of capital in our Operating Businesses as a result of our history as an owner and operator of real assets. This capital generates attractive financial returns and provides important financial stability and flexibility to the Corporation.

Renewable Power and Transition, Infrastructure, and Private Equity

Our investments in Renewable Power and Transition, Infrastructure, and Private Equity serve as publicly listed permanent capital vehicles that also act as our primary vehicles for making commitments to the flagship private funds of our asset management business, providing them each with a very strong pipeline for growth. Each of these businesses share key characteristics—highly diversified by sector and geography, generating stable and often inflation-linked revenue streams, high cash margins, market leading positions, high barriers to entry and opportunities to invest additional capital to enhance returns—all of which enable us to generate very attractive risk-adjusted returns on our capital.

Our **Renewable Power and Transition business** owns diverse and high-quality assets across multiple continents and technologies including hydroelectric, wind, utility-scale solar, and distributed energy and sustainable solutions investments. Our capital in this business is primarily via our 47% ownership interest in Brookfield Renewable Partners (“BEP”)¹ for which we receive quarterly distributions. We also enter into energy contracts, which are our contractual arrangements with BEP to purchase power generated by certain North American hydro assets at a fixed price that is then resold on a contracted or uncontracted basis.

Our **Infrastructure business** is one of the world’s largest infrastructure investors and owns and operates assets across the transport, data, utilities, and midstream sectors. Our capital in this business is via our 27% ownership interest in Brookfield Infrastructure Partners (“BIP”)¹ for which we receive quarterly distributions.

Our **Private Equity business** is a leading private equity investor with a focus on owning and operating businesses that provide essential products and services in the business services and industrials sectors. Our capital in this business is via our 65% ownership interest in Brookfield Business Partners (“BBU”)¹ for which we receive quarterly distributions. The cash distributions reflect BBU’s policy of paying a modest distribution and reinvesting the majority of its FFO back into its businesses to further enhance value.

Real Estate

Our **Real Estate business** is a diversified global real estate portfolio that owns and operates one of the largest portfolios of office, retail, and multifamily residential assets.

Our capital in this business is via our 100% ownership stake in Brookfield Property Group (“BPG”)¹, which today consists of an irreplaceable portfolio of trophy mixed-use precincts in global gateway cities (“Core”), and a portfolio designed to maximize returns through a development or buy-fix-sell strategy (“Transitional and Development”), of which \$3 billion includes our capital invested in our North American residential business.

Our investment in the real estate business offers a diverse and high-quality portfolio of real estate assets in some of the best locations around the world with a history of strong performance over long periods of time and through economic cycles.

Refer to Parts 2 and 3 of this MD&A for more information on our operations and performance.

1. See definition in Glossary of Terms beginning on page 58.

PART 2

REVIEW OF CONSOLIDATED FINANCIAL RESULTS

The following section contains a discussion and analysis of line items presented within our consolidated financial statements. The financial data in this section has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). Starting on page 53 of our 2022 annual report, we provide an overview of our fair value accounting process and why we believe it provides useful information for investors about our performance. We also provide an overview of our application of the control-based model under IFRS used to determine whether or not an investment should be consolidated. Our fair value accounting process and application of the control-based model under IFRS in the period were consistent with those referenced in our 2022 annual report.

OVERVIEW

In the current quarter, net income was supported by growth within our asset management business, strong investment performance and capital redeployment within our insurance solutions business, and the stable and resilient recurring cash flows of our operating businesses.

Net income was \$1.5 billion in the current quarter, with \$81 million attributable to common shareholders (\$0.03 per share) and the remaining income attributable to non-controlling interests.

The \$37 million increase in net income over the prior year quarter was primarily attributable to:

- contributions from acquisitions, net of dispositions, over the past twelve months, mostly in our Private Equity segment;
- same-store¹ growth, primarily from strong pricing and inflation-linked revenues across our Renewable Power and Transition and Infrastructure segments;
- an increase in other income and gains primarily due to disposition gains in our Infrastructure segment; and
- an increase in fair value changes of \$459 million, primarily related to mark-to-market gains on commodity contracts and interest rate contracts in our Infrastructure and Real Estate businesses, respectively; mostly offset by
- an increase in interest expense of \$1.4 billion, of which \$299 million related to incremental debt from recent acquisitions, \$151 million from asset-level upfinancings, \$30 million resulting from corporate borrowings, and \$879 million due to higher rates on variable rate debt obligations;
- a decrease in equity accounted income of \$163 million, where our share of mark-to-market gains on derivatives were more than offset by lower valuations on certain investment properties;
- higher depreciation and amortization expense primarily as a result of recently completed acquisitions in our Private Equity and Infrastructure segments; and
- an increase in income tax expense, primarily due to higher deferred tax recoveries in the prior year quarter.

Our consolidated balance sheet increased as a result of assets acquired, net of liabilities. Further increases relate to net valuation gains on our investment properties, and revaluations of property, plant and equipment (“PP&E”) primarily within our Renewable Power and Transition segment. These increases were partially offset by dispositions of certain assets in our Renewable Power and Transition and Infrastructure segments.

1. See definition in Glossary of Terms beginning on page 58.

INCOME STATEMENT ANALYSIS

The following table summarizes the financial results of the company for the three and six months ended June 30, 2023 and 2022:

FOR THE PERIODS ENDED JUN. 30 (MILLIONS, EXCEPT PER SHARE AMOUNTS)	Three Months Ended			Six Months Ended		
	2023	2022	Change	2023	2022	Change
Revenues	\$ 23,668	\$ 23,256	\$ 412	\$ 46,965	\$ 45,138	\$ 1,827
Direct costs ¹	(19,906)	(19,841)	(65)	(39,726)	(38,536)	(1,190)
Other income and gains	1,483	465	1,018	1,864	494	1,370
Equity accounted income	401	564	(163)	830	1,407	(577)
Expenses						
Interest						
Corporate borrowings	(154)	(124)	(30)	(290)	(241)	(49)
Non-recourse borrowings	(3,610)	(2,281)	(1,329)	(7,087)	(4,302)	(2,785)
Corporate costs	(23)	(26)	3	(37)	(59)	22
Fair value changes	62	(397)	459	100	1,383	(1,283)
Income tax expense	(409)	(141)	(268)	(683)	(849)	166
Net income	1,512	1,475	37	1,936	4,435	(2,499)
Non-controlling interests	(1,431)	(885)	(546)	(1,735)	(2,486)	751
Net income attributable to shareholders	\$ 81	\$ 590	\$ (509)	\$ 201	\$ 1,949	\$ (1,748)
Net income per share	\$ 0.03	\$ 0.34	\$ (0.31)	\$ 0.08	\$ 1.16	\$ (1.08)

1. Direct costs include \$2.2 billion and \$4.4 billion of depreciation and amortization expense for the three and six months ended June 30, 2023, respectively (2022 - \$1.9 billion and \$3.7 billion).

Three Months Ended June 30

Revenues for the quarter were \$23.7 billion, an increase of \$412 million or 2% compared to the prior year quarter, primarily due to higher same-store results and the impact of recent acquisitions, net of asset sales, including:

- higher revenue from our Real Estate segment as a result of growing income in our retail properties and higher rents in our office properties, as well as higher occupancy and rates at our hospitality assets;
- higher contributions from our Infrastructure segment as a result of inflation indexation and organic growth;
- growth of our Renewable Power and Transition segment due to commissioning of recent development projects, higher realized pricing, and inflation indexation on contracts within our business;
- higher contributions from our advanced energy storage operations due to favourable pricing and product mix, and our nuclear technology services operations due to higher volumes in our Private Equity segment;
- revenues from acquisitions during the last twelve months, net of the impact of dispositions; partially offset by
- lower volumes and unfavorable pricing at our road fuels operations in our Private Equity segment.

A discussion of the impact on revenues and net income from recent acquisitions and dispositions can be found on page 18.

Direct costs of \$19.9 billion were consistent with the prior quarter as:

- decreased volume-linked costs at our road fuels operations in our Private Equity segment; were offset by
- incremental costs associated with organic growth initiatives; and
- higher direct costs related to recent acquisitions, net of dispositions.

Other income and gains increased by \$1.0 billion mainly related to disposition gains from the sale of our New Zealand mobile network operator in our Infrastructure segment.

Equity accounted income decreased by \$163 million as mark-to-market gains on derivative contracts in our Infrastructure segment were more than offset by lower valuations of certain investment properties within our Real Estate segment.

Total interest expense of \$3.8 billion, of which \$3.6 billion relates to non-recourse financing, increased by \$1.4 billion compared to the prior year quarter primarily due to incremental borrowings associated with acquisitions and refinancings, and higher interest rates on floating rate debt, partially offset by the the impact of dispositions.

We recorded fair value gains of \$62 million compared to fair value losses of \$397 million in the prior year quarter. Valuation increases were driven by our investment properties as a result of improved market rent assumptions on our U.S. logistics and Australian senior living portfolios as well as mark-to-market gains on interest rate contracts in our Real Estate business and commodity contracts in our Infrastructure business. These gains were partially offset by decreases in valuations in our Transitional and Development real estate portfolio due to discount and capitalization rate expansion on certain U.S. office assets. Refer to pages 19 to 21 for a discussion on fair value changes.

We recorded income tax expense of \$409 million for the quarter compared to \$141 million in the prior year quarter mainly due to higher deferred tax recoveries in the prior year.

Six Months Ended June 30

Revenues and direct costs for the six month period of 2023 increased by \$1.8 billion and \$1.2 billion, respectively, compared to the same period in 2022 primarily due to inflation indexation and organic growth at our Infrastructure and Renewable Power and Transaction segments, higher volumes and price increases at our nuclear technology services operations, and contributions from acquisitions over the last twelve months, net of dispositions.

Other income and gains for the six month period of 2023 was \$1.9 billion compared to \$494 million in the prior year period. The current period gain primarily relates to disposition gains in our Infrastructure segment.

Equity accounted income for the six month period of 2023 decreased by \$577 million compared to the prior year period primarily due to mark-to-market unrealized valuation changes on investments held within our insurance solutions business and decreases in the value of certain investment properties.

Fair value gains were \$100 million for the six month period of 2023, compared to \$1.4 billion reported in the prior year period. Valuation increases in our investment properties for the six month period of 2023 were as a result of improved occupancy rates at certain mixed-use properties, favourable market rent increases on our U.S. logistics and Australian senior living portfolios, as well as gains upon closing of a South Korean logistics portfolio purchased in 2020. These were partially offset by changes in valuation of our U.S. office real estate portfolio due to discount and capitalization rate expansion, transaction and acquisition related expenses, and mark to market fair value changes on financial assets in our Infrastructure segment. The prior period gains were mainly the result of valuation increases across our portfolio of investment properties within our Real Estate segment, partially offset by transaction costs on recently completed acquisitions.

SIGNIFICANT ACQUISITIONS AND DISPOSITIONS

We have summarized below the impact of recent significant acquisitions and dispositions since January 1, 2022 on our results for the three and six months ended June 30, 2023:

FOR THE PERIODS ENDED JUN. 30 (MILLIONS)	Three Months Ended				Six Months Ended			
	Acquisitions		Dispositions		Acquisitions		Dispositions	
	Revenue	Net Income (Loss)	Revenue	Net Loss (Income)	Revenue	Net Income (Loss)	Revenue	Net (Income) Loss
Renewable Power and Transition.....	\$ 62	\$ 3	\$ —	\$ (3)	\$ 107	\$ 4	\$ (1)	\$ (4)
Infrastructure.....	511	(94)	(30)	(19)	1,135	(59)	(56)	(42)
Private Equity.....	857	37	13	—	5,672	(173)	(30)	9
Real Estate.....	303	(146)	(132)	(108)	603	67	(274)	(251)
	<u>\$ 1,733</u>	<u>\$ (200)</u>	<u>\$ (149)</u>	<u>\$ (130)</u>	<u>\$ 7,517</u>	<u>\$ (161)</u>	<u>\$ (361)</u>	<u>\$ (288)</u>

ACQUISITIONS

Recent acquisitions contributed incremental revenues and net loss of \$1.7 billion and \$200 million, respectively, in the current quarter.

Renewable Power and Transition

Within our Renewable Power and Transition segment, recent acquisitions contributed to incremental revenues of \$62 million and \$3 million of net income, respectively. These contributions were primarily due to the acquisitions of a wind, solar and storage development platform, and a distributed generation platform in the U.S. in the second half of 2022.

Infrastructure

Recent acquisitions contributed incremental revenues of \$511 million and a net loss of \$94 million. These contributions were primarily from our residential infrastructure business operating in North America and Europe, which was acquired in the first quarter of 2023.

Private Equity

Within our Private Equity segment, recent acquisitions contributed incremental revenues of \$857 million and net income of \$37 million. These contributions were primarily from the acquisitions of our dealer software and technology services operations in the third quarter of 2022, and our fleet management and car rental services operations in the fourth quarter of 2022.

Real Estate

Recent acquisitions contributed incremental revenues of \$303 million and a net loss of \$146 million. These contributions were primarily from the acquisition of a private REIT comprising of 23 luxury hotels across the U.S. made through our Brookfield Strategic Real Estate Partners IV fund ("BSREP IV")¹.

DISPOSITIONS

Recent asset sales reduced revenues and net income by \$149 million and \$130 million, respectively, in the current quarter. The transactions that most significantly impacted our results were the disposition of our U.K. student housing portfolio in the fourth quarter of 2022.

1. See definition in Glossary of Terms beginning on page 58.

FAIR VALUE CHANGES

The following table disaggregates fair value changes into major components to facilitate analysis:

FOR THE PERIODS ENDED JUN. 30 (MILLIONS)	Three Months Ended			Six Months Ended		
	2023	2022	Change	2023	2022	Change
Investment properties	\$ 224	\$ 567	\$ (343)	\$ 778	\$ 2,413	\$ (1,635)
Transaction related expenses, net of income...	(88)	(156)	68	(422)	(229)	(193)
Financial contracts	144	(46)	190	227	(30)	257
Impairment and provisions	(73)	38	(111)	(132)	21	(153)
Other fair value changes	(145)	(800)	655	(351)	(792)	441
Total fair value changes	<u>\$ 62</u>	<u>\$ (397)</u>	<u>\$ 459</u>	<u>\$ 100</u>	<u>\$ 1,383</u>	<u>\$ (1,283)</u>

INVESTMENT PROPERTIES

Investment properties are recorded at fair value with changes recorded in net income. We present the investment properties based on our strategy to maintain an irreplaceable portfolio of trophy mixed-use precincts in global gateway cities, maximize returns through a development or buy-fix-sell strategy, or recycle capital from the private funds of our Asset Management business.

The following table disaggregates investment property fair value changes within our Real Estate and Asset Management segments by asset type:

FOR THE PERIODS ENDED JUN. 30 (MILLIONS)	Three Months Ended			Six Months Ended		
	2023	2022	Change	2023	2022	Change
Core	\$ (5)	\$ 30	\$ (35)	\$ (6)	\$ 177	\$ (183)
Transitional and Development ¹	(235)	(9)	(226)	(474)	32	(506)
LP Investments and Other ¹	464	546	(82)	1,258	2,204	(946)
	<u>\$ 224</u>	<u>\$ 567</u>	<u>\$ (343)</u>	<u>\$ 778</u>	<u>\$ 2,413</u>	<u>\$ (1,635)</u>

1. Valuation gains on residential assets of \$131 million and \$136 million in the three and six months ended June 30, 2022, respectively, were reclassified from LP Investments and Other to Transitional and Development as a result of the inclusion of the North American and Australian Residential operations into the Real Estate segment beginning in the fourth quarter of 2022.

We discuss the key valuation inputs of our investment properties beginning on page 56.

Core

Valuation decreases of \$5 million are mainly due to updated leasing assumptions for U.S. office assets, partially offset by valuation increases at our U.S. retail assets due to higher cashflows from the roll forward of our valuation models.

Valuations increases of \$30 million in the prior year quarter were due to higher cash flow assumptions on certain retail assets.

Valuations decreases of \$6 million for the six months ended June 30, 2023 were due to external appraisals, partially offset by higher cashflows from the roll forward of our valuation models.

Transitional and Development

Valuation decreases of \$235 million related to discount rate and capitalization rate expansion of certain U.S. and Australian office assets due to updated market assumptions and recent external valuations, which offset gains from the roll forward of cash flows in our retail portfolio.

Valuation decreases of \$9 million in the prior year quarter related to decreases based on external appraisals in our multi-use projects within our residential multi-use project, partially offset by gains related to favourable market rent assumptions within our Brazilian and Australian portfolios.

Valuation decreases of \$474 million for the six months ended June 30, 2023 are due to the one-time impact of incremental tax on certain properties and the lower value of certain U.S. office assets due to discount and capitalization rate expansions as well as recent bids received.

LP Investments and Other

Valuation increases of \$464 million primarily relate to:

- fair value uplifts in our U.S. logistics portfolio due to favourable market rent assumptions and the adoption of the discounted cashflow method at several recently completed developments; and
- higher valuation of our Australian senior living portfolio due to unit price uplifts; partially offset by
- lower valuations from capitalization rate expansion due to market conditions at certain multifamily assets in the U.S.

In the prior year quarter, valuation increases of \$546 million were primarily due to fair value uplifts in our U.S. logistics portfolio due to higher market rent assumptions, valuation gains in our student housing portfolio due to the achievement of certain development milestones, and higher cash flow projections at our U.S. mixed-used portfolio for leasing assumptions.

Valuation increases of \$1.3 billion for the six months ended June 30, 2023 are driven by fair value uplifts in our Shanghai mixed-use portfolio due to higher occupancy rates, our U.S. logistics portfolio due to favourable market rent assumptions, and our Australian senior living portfolio due to market price increases. Gains upon closing of the acquisition of South Korea Logistics portfolio that we agreed to purchase in 2020 also contributed to valuation increases. The gains are partially offset by capitalization rate expansion at certain multifamily assets in the U.S.

Transaction Related Expenses, Net of Income

Transaction related expenses, net of income, totaled \$88 million for the quarter. These relate to transaction, restructuring, and severance costs on acquired assets within our Private Equity segment, partially offset by gains associated with dispositions of certain properties within our Real Estate portfolio.

The prior year quarter transaction related expenses, net of income, of \$156 million was mostly due to transaction costs associated with the acquisition of a lottery services operation and an Irish office portfolio in our Private Equity and Real Estate segments, respectively, as well as restructuring costs in our Private Equity segment.

Decreases of \$422 million for the six months ended June 30, 2023 relate to transaction, restructuring, and other costs incurred on acquired assets and businesses across our segments, partially offset by disposition gains on certain Real Estate properties.

Financial Contracts

Financial contracts include mark-to-market gains and losses related to foreign currency, interest rate and pricing exposures that are not designated as hedges.

Financial contracts drove a \$144 million increase in fair value changes for the quarter, mostly attributable to gains on commodity contracts in our Infrastructure business and mark-to-market gains on interest rate caps in our Real Estate business.

The decrease of \$46 million in the prior year quarter is mainly attributable to negative mark-to-market movement on short term financial contracts to hedge power prices in our Renewable Power and Transition business, partially offset by mark-to-market gains on interest rate swaps in our Real Estate business.

Financial contracts resulted in a \$227 million increase for the six months ended June 30, 2023, driven by positive mark-to-market gains on interest swaps within the Real Estate business, commodity contracts in our Infrastructure business, and power price hedges in our Renewable Power and Transition segment. These were partially offset by mark-to-market on interest rate caps and swaps.

Impairment and Provisions

Impairment and provisions expense of \$73 million in the quarter related to the impairment of goodwill due to weaker performance at an Australian ports business in our Infrastructure group.

Impairment and provisions recovery of \$38 million in the prior year quarter related to the reversal of previously recorded PP&E impairment at our natural gas production operation within our Private Equity segment.

Impairment and provision expense resulted in a \$132 million decrease in fair value changes for the six months ended June 30, 2023. This is driven by goodwill impairment on the sale of a hospitality investment within BSREP IV, our Australian port business, and impairment of property, plant, and equipment.

Other Fair Value Changes

Other fair value decreases of \$145 million in the quarter are attributable to a one-time adjustment due to legislation changes at a regulated Spanish wind and solar asset in our Renewable Power and Transition business, which was partially offset by a gain recognized on a sale and leaseback transaction at our healthcare services operations in our Private Equity business.

The decrease in other fair value changes of \$800 million in the prior year quarter related to valuation changes in certain assets within the Real Estate and Infrastructure segments and various one-time items across our segments.

Other fair value decreases of \$351 million for the six months ended June 30, 2023 is driven by mark-to-market fair value changes on financial assets within our Infrastructure business, as well as acquisition related costs in our Renewable Power and Transition and Infrastructure segments. These were partially offset by gains on debt modifications and extinguishments and a sale and leaseback within our Private Equity segment.

INCOME TAXES

We recorded an aggregate income tax expense of \$409 million in the quarter (2022 – \$141 million), including current tax expenses of \$560 million (2022 – \$330 million) and deferred tax recovery of \$151 million (2022 – \$189 million).

Our income tax provision does not include a number of non-income taxes paid that are recorded elsewhere in our consolidated financial statements. For example, a number of our operations in Brazil are required to pay non-recoverable taxes on revenue, which are included in direct costs as opposed to income taxes. In addition, we pay considerable property, payroll and other taxes that represent an important component of the tax base in the jurisdictions in which we operate, which are also predominantly recorded in direct costs.

Our effective income tax rate is different from the Canadian domestic statutory income tax rate due to the following differences:

FOR THE PERIODS ENDED JUN. 30	Three Months Ended			Six Months Ended		
	2023	2022	Change	2023	2022	Change
Statutory income tax rate	26%	26%	—%	26%	26%	—%
(Reduction) increase in rate resulting from:						
Portion of gains subject to different tax rates	(7)	1	(8)	(5)	—	(5)
Taxable income attributed to non-controlling interests	(6)	(1)	(5)	(4)	(6)	2
International operations subject to different tax rates	5	—	5	4	1	3
Recognition of deferred tax assets	(10)	(21)	11	(9)	(7)	(2)
Non-recognition of the benefit of current year tax losses	4	4	—	6	2	4
Non-deductible expenses	4	—	4	4	—	4
Other	4	—	4	4	—	4
Effective income tax rate	20%	9 %	11%	26%	16%	10%

In the current quarter, we realized disposition gains that were subject to tax rates that were different to our statutory income tax rate. This contributed to a 7% reduction in our effective tax rate.

Many of our operations are held in partially owned “flow-through” entities, such as partnerships, and any tax liability is incurred by the investors as opposed to the entity. As a result, while our consolidated earnings include income attributable to non-controlling ownership interests in these entities, our consolidated tax provision includes only our proportionate share of the associated tax provision of these entities. In other words, we are consolidating all the net income, but only our share of the associated tax provision. This decreased our effective tax rate by 6% in the current quarter.

We operate in countries with different tax rates, most of which vary from our domestic statutory rate, and we also benefit from tax incentives introduced in various countries to encourage economic activity. Differences in global tax rates increased our effective tax rate by 5% this quarter. The difference will vary from period to period depending on the relative proportion of income earned in each country.

This quarter, we recorded a deferred tax recovery primarily for previously unrecognized tax attributes related to our solar power solutions operations within our Private Equity segment, which reduced our effective tax rate by 10%. In addition, some of our operations generated tax losses for which the benefit was not recognized, and certain expenses incurred were not deductible for tax purposes, both resulting in an increase to the effective tax rate of 4%.

BALANCE SHEET ANALYSIS

The following table summarizes the statements of financial position of the company as at June 30, 2023, and December 31, 2022:

AS AT JUN. 30, 2023 AND DEC. 31, 2022 (MILLIONS)	2023	2022	Change
Assets			
Property, plant and equipment	\$ 127,462	\$ 124,268	\$ 3,194
Investment properties	119,780	115,100	4,680
Equity accounted investments	52,141	47,094	5,047
Cash and cash equivalents	12,427	14,396	(1,969)
Accounts receivable and other	29,063	27,378	1,685
Intangible assets	41,217	38,411	2,806
Goodwill	32,329	28,662	3,667
Other assets	48,715	45,975	2,740
Total assets	<u>\$ 463,134</u>	<u>\$ 441,284</u>	<u>\$ 21,850</u>
Liabilities			
Corporate borrowings	\$ 13,618	\$ 11,390	\$ 2,228
Non-recourse borrowings of managed entities	206,085	202,684	3,401
Other non-current financial liabilities	27,118	27,679	(561)
Other liabilities	60,730	57,640	3,090
Equity			
Preferred equity	4,103	4,145	(42)
Non-controlling interests	110,982	98,138	12,844
Common equity	40,498	39,608	890
Total equity	<u>155,583</u>	<u>141,891</u>	<u>13,692</u>
	<u>\$ 463,134</u>	<u>\$ 441,284</u>	<u>\$ 21,850</u>

June 30, 2023 vs. December 31, 2022

Total assets increased by \$21.9 billion since December 31, 2022 to \$463.1 billion as at June 30, 2023. The increase is due to recently completed business combinations and asset acquisitions, net of dispositions, mostly in our Infrastructure, Renewable Power and Transition, and Private Equity segments. Net valuation increases recognized on our investment properties during the quarter also contributed to the increase in total assets. This was partially offset by amortization and depreciation of our asset base during the quarter.

PP&E increased by \$3.2 billion primarily as a result of:

- additions of \$4.4 billion, which includes acquisitions of a provider of portable storage solutions through the modular building leasing services operations in our Private Equity segment, a 136MW portfolio of operating wind assets in Brazil in our Renewable Power and Transition segment, and a residential infrastructure business operating in North America and Europe within our Infrastructure segment; and
- the positive impact of foreign currency translation of \$2.8 billion mostly due to the weakening of the U.S. dollar versus the Colombian Peso and Brazilian Reais in our Renewable Power and Transition segment; partially offset by
- depreciation of \$3.1 billion during the quarter; and
- dispositions and assets reclassified as held for sale of \$857 million.

We provide a continuity of PP&E in Note 10 of the consolidated financial statements.

Investment properties predominantly consist of the company's Real Estate assets. The balance as at June 30, 2023 increased by \$4.7 billion from December 31, 2022, primarily due to:

- acquisitions and additions of \$5.1 billion, driven by acquisitions in BSREP IV India Office, BSREP III and IV U.S. Logistics, and BSREP III Korea Logistics portfolios;
- net valuation increases of \$778 million, mainly of our LP Investments; and
- the impact of foreign currency translation and other of \$493 million; partially offset by
- asset sales and the reclassification of certain assets to held for sale of \$1.8 billion, primarily related to the transfer of a commercial properties portfolio in our core office operations.

We provide a continuity of investment properties in Note 9 of the consolidated financial statements.

Equity accounted investments increased by \$5.0 billion in the current quarter to \$52.1 billion, primarily due to:

- additions, net of disposals, of \$4.6 billion;
- our proportionate share of comprehensive income of \$867 million; and
- the impact of foreign currency translation and other items of \$434 million; partially offset by
- distributions and returns of capital received of \$808 million.

We provide a continuity of equity accounted investments in Note 8 of the consolidated financial statements.

Cash and cash equivalents decreased by \$2.0 billion. For further information, refer to our Consolidated Statements of Cash Flows and to the Review of Consolidated Statements of Cash Flows within Part 4 – Capitalization and Liquidity.

The increases of \$2.8 billion and \$3.7 billion in our intangible assets and goodwill balances, respectively, primarily relate to the acquisition of a residential infrastructure business operating in North America and Europe in our Infrastructure segment, partially offset by amortization expense across all segments.

Other assets are comprised of inventory, deferred income tax assets, assets classified as held for sale and other financial assets. The increase of \$2.7 billion is mainly a result of:

- an increase in other financial assets of \$2.6 billion primarily due to the acquisition of a residential infrastructure business operating in North America and Europe in our Infrastructure segment, higher mortgage receivables at our residential mortgage lender in Australia within our Private Equity segment, and the issuance of green bonds during the first quarter of 2023 in our Renewable Power and Transition segment; and
- an increase in deferred income tax assets of \$156 million mainly due to lower taxable income earned during the first quarter; partially offset by
- a decrease in assets held for sale of \$146 million largely attributable to the dispositions of a hydroelectric portfolio and wind assets in the U.S. within our Renewable Power and Transition segment and our Indian toll roads portfolio and a port in Australia in our Infrastructure segment.

Corporate borrowings increased by \$2.2 billion primarily from the issuance of \$550 million ten-year U.S. term notes during the second quarter and issuances of commercial paper throughout the last six months. Subsequent to June 30, 2023, the proceeds of \$550 million were used to repay a portion of the bonds maturing in 2024.

Non-recourse borrowings of managed entities increased by \$3.4 billion, net of borrowings reclassified to held for sale, largely attributable to recent acquisitions in our Infrastructure and Renewable Power and Transition segment and the impact of foreign exchange.

Other non-current financial liabilities consist of our subsidiary equity obligations, non-current accounts payable and other long-term financial liabilities that are due after one year. The decrease of \$561 million was primarily due to a decrease in the non-current portion of accounts payable due to a reduction of amounts placed on deposit with the Corporation by our affiliates.

The increase of \$3.1 billion in other liabilities was primarily due to an increase in deferred income tax liabilities mainly as a result of acquisitions completed primarily within our Infrastructure and Renewable Power and Transition segment.

EQUITY

The significant variances in common equity and non-controlling interests are discussed below. Preferred equity is discussed in Part 4 – Capitalization and Liquidity.

COMMON EQUITY

The following table presents the major contributors to the period-over-period variances for common equity:

AS AT AND FOR THE SIX MONTHS ENDED JUN. 30, 2023
(MILLIONS)

Common equity, beginning of period	\$ 39,608
Changes in period	
Net income attributable to shareholders	201
Common dividends	(220)
Preferred dividends	(82)
Other comprehensive income	752
Share repurchases, net of issuances	(301)
Ownership changes and other	540
	890
Common equity, end of period	<u>\$ 40,498</u>

Common equity increased by \$890 million to \$40.5 billion in the six months ended June 30, 2023, primarily due to:

- net income attributable to common shareholders of \$201 million;
- other comprehensive income of \$752 million, primarily due to foreign currency translation; partially offset by
- distributions of \$302 million to shareholders as common and preferred share dividends;
- share repurchases, net of issuances, of \$301 million, mainly related to the repurchase of 10 million Class A Limited Voting Shares (“Class A shares”) during the six month period ended June 30, 2023; and
- ownership changes and other of \$540 million primarily attributable to the increase in the value of our investment in BNRE as a result of the adoption of IFRS 17, *Insurance Contracts* (“IFRS 17”) at the beginning of 2023.

NON-CONTROLLING INTERESTS

Non-controlling interests in our consolidated results primarily consist of third-party interests in BAM, BEP, BIP, BBU, BPG and their consolidated entities as well as co-investors and other participating interests in our consolidated investments as follows:

AS AT JUN. 30, 2023 AND DEC. 31, 2022
(MILLIONS)

	2023	2022
Brookfield Asset Management	\$ 2,324	\$ 2,377
Brookfield Renewable	23,738	21,651
Brookfield Infrastructure	26,116	23,030
Brookfield Business Partners	14,484	16,026
Brookfield Property Group	32,698	29,321
Other participating interests	11,622	5,733
	<u>\$110,982</u>	<u>\$ 98,138</u>

Non-controlling interests increased by \$12.8 billion during the six months ended June 30, 2023, primarily due to:

- comprehensive income attributable to non-controlling interests, which totaled \$3.1 billion;
- ownership changes of \$353 million; and
- equity issuances, net of distributions, of \$9.4 billion.

FOREIGN CURRENCY TRANSLATION

Approximately half of our capital is invested in non-U.S. dollar currencies and the cash flows generated from these businesses, as well as our equity, are subject to changes in foreign currency exchange rates. From time to time, we utilize financial contracts to adjust these exposures. The most significant currency exchange rates that impact our business are shown in the following table:

AS AT JUN. 30, 2023 AND DEC. 31, 2022 AND FOR THE PERIODS ENDED JUN. 30	Period-End Spot Rate			Average Rate					
				Three Months Ended			Six Months Ended		
	2023	2022	Change	2023	2022	Change	2023	2022	Change
Australian dollar	0.6640	0.6813	(3)%	0.6682	0.7143	(6)%	0.6759	0.7194	(6)%
Brazilian real ¹	4.8193	5.2165	8 %	4.9480	4.9261	— %	5.0728	5.0781	— %
British pound	1.2703	1.2083	5 %	1.2523	1.2563	— %	1.2339	1.2987	(5)%
Canadian dollar	0.7550	0.7382	2 %	0.7448	0.7834	(5)%	0.7422	0.7865	(6)%
Colombian peso ¹	4,171.7	4,852.5	16 %	4,411.7	3,923.7	(11)%	4,584.3	3,917.0	(15)%
Euro	1.0909	1.0705	2 %	1.0888	1.0647	2 %	1.0810	1.0933	(1)%

1. Using Brazilian real and Colombian peso as the price currency.

Currency exchange rates relative to the U.S. dollar at the end of the current quarter were higher than December 31, 2022 for all of our significant non-U.S. dollar investments with the exception of the Australian dollar. As at June 30, 2023, our common equity of \$40.5 billion was invested in the following currencies: U.S. dollars – 49% (December 31, 2022 – 48%); British pounds – 13% (December 31, 2022 – 15%); Australian dollars – 8% (December 31, 2022 – 7%); Canadian dollars – 7% (December 31, 2022 – 7%); Brazilian reais – 7% (December 31, 2022 – 7%); Euro – 7% (December 31, 2022 – 5%); and other currencies – 9% (December 31, 2022 – 11%).

The following table disaggregates the impact of foreign currency translation on our equity by the most significant non-U.S. dollar currencies:

FOR THE PERIODS ENDED JUN. 30 (MILLIONS)	Three Months Ended		Six Months Ended	
	2023	2022	2023	2022
Australian dollar	\$ (46)	\$ (787)	\$ (252)	\$ (520)
Brazilian real	641	(1,053)	948	715
British pound	388	(1,002)	659	(1,420)
Canadian dollar	303	(525)	307	(369)
Colombian peso	519	(490)	706	(138)
Euro	85	(572)	333	(842)
Other	(204)	(827)	(107)	(816)
Total cumulative translation adjustments	1,686	(5,256)	2,594	(3,390)
Currency hedges ¹	(703)	2,432	(1,079)	2,009
Total cumulative translation adjustments net of currency hedges	\$ 983	\$ (2,824)	\$ 1,515	\$ (1,381)
Attributable to:				
Shareholders	\$ 253	\$ (874)	\$ 380	\$ (527)
Non-controlling interests	730	(1,950)	1,135	(854)
	\$ 983	\$ (2,824)	\$ 1,515	\$ (1,381)

1. Includes deferred income tax recovery of \$21 million (2022 – expense of \$103 million) and \$25 million (2022 – expense of \$94 million) for the three and six months ended June 30, 2023 respectively.

The foreign currency translation of our equity, net of currency hedges, for the three and six months ended June 30, 2023 increased consolidated equity by \$983 million and \$1.5 billion, respectively. This was attributable to higher period-end rates across most currencies.

We seek to hedge foreign currency exposure where the cost of doing so is reasonable. Due to the high historical costs associated with hedging the Brazilian real, Colombian peso and other emerging market currencies, hedge levels against those currencies were low as at June 30, 2023.

CORPORATE DIVIDENDS

The dividends paid by Brookfield on outstanding securities during the first six months of 2023, 2022 and 2021, are summarized in the following table.

	Distribution per Security		
	2023	2022	2021
Class A and B ¹ Limited Voting Shares ("Class A and B shares") ¹²	\$ 0.14	\$ 0.28	\$ 0.26
Special distribution to Class A and B shares ²	—	—	0.36
Class A Preferred Shares			
Series 2	0.43	0.19	0.17
Series 4	0.43	0.19	0.17
Series 8	—	0.27	0.25
Series 9	—	0.27	0.28
Series 13	0.43	0.19	0.17
Series 15 ³	—	0.11	0.06
Series 17	0.44	0.47	0.48
Series 18	0.44	0.47	0.48
Series 24	0.30	0.32	0.30
Series 25 ⁴	—	—	0.24
Series 26 ⁵	0.36	0.36	0.35
Series 28 ⁶	0.43	0.27	0.27
Series 30 ⁷	0.56	0.46	0.47
Series 32	0.47	0.50	0.51
Series 34	0.41	0.44	0.44
Series 36	0.45	0.48	0.49
Series 37	0.45	0.48	0.49
Series 38 ⁸	0.33	0.35	0.36
Series 40	0.37	0.40	0.40
Series 42 ⁹	0.30	0.32	0.39
Series 44	0.46	0.49	0.50
Series 46 ¹⁰	0.50	0.50	0.48
Series 48 ¹¹	0.58	0.47	0.48
Series 51	0.54	—	—
Series 52	0.22	—	—

1. Class B Limited Voting Shares ("Class B shares").

2. Distribution of one Class A exchangeable limited voting share of Brookfield Asset Management Reinsurance Partners Ltd. (now Brookfield Reinsurance Ltd.) for every 145 Class A shares and Class B shares held as of the close of business of June 18, 2021.

3. All Series 15 shares were fully redeemed and cancelled as at March 31, 2023.

4. Dividend rate reset commenced the last day of each quarter. All Series 25 shares were converted into Series 24 on a one-for-one basis effective June 30, 2021.

5. Dividend rate reset commenced March 31, 2022.

6. Dividend rate reset commenced June 30, 2022.

7. Dividend rate reset commenced January 1, 2023.

8. Dividend rate reset commenced March 31, 2020.

9. Dividend rate reset commenced June 30, 2020.

10. Dividend rate reset commenced March 31, 2022.

11. Dividend rate reset commenced January 1, 2023.

12. Combined, the Corporation's and BAM's quarterly dividend would equate to \$0.15 per Class A share held prior to the special distribution; representing a 7% increase compared to the dividend prior to the special distribution, assuming that shareholders retained the BAM shares received upon completion of the special distribution in December 2022.

Dividends on the Class A and B shares are declared in U.S. dollars whereas Class A Preferred share dividends are declared in Canadian dollars.

SUMMARY OF QUARTERLY RESULTS

The quarterly variances in revenues over the past two years are due primarily to acquisitions and dispositions. Variances in net income to shareholders relate primarily to the timing and amount of non-cash fair value changes and deferred tax provisions, as well as seasonality and cyclical influences in certain businesses. Changes in ownership have resulted in the consolidation and deconsolidation of revenues from some of our assets, particularly in our Real Estate and Private Equity businesses. Other factors include the impact of foreign currency on non-U.S. revenues, net income attributable to non-controlling interests and the global economic shutdown in 2021 and 2020.

Our Real Estate business typically generates consistent results on a quarterly basis due to the long-term nature of contractual lease arrangements subject to the intermittent recognition of disposition and lease termination gains. Our retail properties typically experience seasonally higher retail sales during the fourth quarter, and our resort hotels tend to experience higher revenues and costs as a result of increased visits during the first quarter. We fair value our real estate assets on a quarterly basis which results in variations in net income based on changes in the value.

Renewable power hydroelectric operations are seasonal in nature. Generation tends to be higher during the winter rainy season in Brazil and spring thaws in North America; however, this is mitigated to an extent by prices, which tend not to be as strong as they are in the summer and winter seasons due to the more moderate weather conditions and reductions in demand for electricity. Water and wind conditions may also vary from year to year. Our Infrastructure operations are generally stable in nature as a result of regulation or long-term sales contracts with our investors, certain of which guarantee minimum volumes.

Revenues and direct costs in our Private Equity operations vary from quarter to quarter primarily due to acquisitions and dispositions of businesses, fluctuations in foreign exchange rates, business and economic cycles, and weather and seasonality in underlying operations. Broader economic factors and commodity market volatility may have a significant impact on a number of our businesses, in particular within our industrials portfolio. Within our infrastructure services, our nuclear technology services operations generates the majority of its revenue during the fall and spring when power plants go offline to perform maintenance and replenish their fuel. Some of our business services operations will typically have stronger performance in the latter half of the year whereas others, such as our road fuels operation, will generate stronger performance in the second and third quarters. Net income is impacted by periodic gains and losses on acquisitions, monetization and impairments.

Our condensed statements of operations for the eight most recent quarters are as follows:

FOR THE PERIODS ENDED (MILLIONS, EXCEPT PER SHARE AMOUNT)	2023		2022				2021	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	\$ 23,668	\$23,297	\$24,213	\$23,418	\$23,256	\$21,882	\$21,787	\$19,248
Net income	1,512	424	44	716	1,475	2,960	3,461	2,722
Net income (loss) to shareholders	81	120	(316)	423	590	1,359	1,118	797
Per share								
– diluted	\$ 0.03	\$ 0.05	\$ (0.23)	\$ 0.24	\$ 0.34	\$ 0.81	\$ 0.66	\$ 0.47
– basic	0.03	0.05	(0.23)	0.25	0.35	0.84	0.69	0.49

The following table shows fair value changes and income taxes for the last eight quarters, as well as their combined impact on net income:

FOR THE PERIODS ENDED (MILLIONS)	2023		2022				2021	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Fair value changes	\$ 62	\$ 38	\$(1,811)	\$(549)	\$(397)	\$ 1,780	\$ 1,980	\$ 700
Income taxes	(409)	(274)	(95)	(525)	(141)	(708)	(516)	(717)
Net impact	\$ (347)	\$(236)	\$(1,906)	\$(1,074)	\$(538)	\$ 1,072	\$ 1,464	\$(17)

Over the last eight quarters, the factors discussed below caused variations in revenues and net income to shareholders on a quarterly basis:

- In the second quarter of 2023, revenues increased in comparison to the prior quarter primarily due to same-store growth across our operating businesses and recent acquisitions. The increased net income in the quarter compared to the prior quarter is primarily a result of disposition gains from our Infrastructure segment.
- In the first quarter of 2023, revenues decreased in comparison to the prior quarter primarily due to decreased contributions from our Private Equity segment due to the impact of volume, partially offset by contributions from recent acquisitions and organic growth initiatives in our Infrastructure and Renewable Power and Transition segments. The increase in net income was primarily due to fair value decreases recorded on investment properties in the prior quarter.
- In the fourth quarter of 2022, revenues increased in comparison to the prior quarter mainly due to contributions from recent acquisitions across our operating segments, primarily in our Private Equity Segment. The lower net income in the quarter is primarily attributable to fair value decreases on our Transitional and Development properties within our Real Estate segment.
- In the third quarter of 2022, revenues increased compared to the prior quarter mainly due to contributions from recent acquisitions, primarily in our Private Equity segment. The lower net income in the quarter is primarily attributable to fair value decreases in our Transitional and Development properties in our Real Estate segment.
- In the second quarter of 2022, revenue increased compared to the prior quarter mainly due to contributions from recent acquisitions and same-store growth across our businesses. The lower net income in the quarter is primarily attributable to the one-time reduction in valuations of certain properties within our Real Estate segment.
- In the first quarter of 2022, revenues increased compared to the prior quarter mainly due to increased contributions from recent acquisitions and same-store growth across our businesses. The higher net income in the quarter is primarily attributable to increased valuations of our LP Investments, partially offset by higher income taxes.
- In the fourth quarter of 2021, revenues increased relative to the prior quarter due to increased contributions from recent acquisitions across our operating segments as well as same-store growth in most of our businesses. The higher net income in the quarter is primarily attributable to higher fair value gains in our Real Estate segment and lower income taxes, partially offset by lower gains from asset sale activities.
- In the third quarter of 2021, revenues increased in comparison to the prior quarter due to same-store growth in most of our businesses. The higher net income in the quarter is primarily attributable to higher fair value gains in our Real Estate segment partially offset by higher income taxes.

PART 3

OPERATING SEGMENT RESULTS

BASIS OF PRESENTATION

HOW WE MEASURE AND REPORT OUR OPERATING SEGMENTS

Our operations are organized into our Asset Management business, our Insurance Solutions business, our four primary Operating Businesses and our Corporate Activities, which collectively represent seven operating segments for internal and external reporting purposes.

Beginning in the second quarter of 2023, the company presented an Insurance Solutions operating segment for internal and external reporting purposes. Additionally, our direct investments into and alongside private funds managed by BAM are now presented within the Asset Management segment. These amounts were previously presented in our Corporate Activities segment and our Operating Businesses, respectively. This presentation aligns our operating segments with how our Chief Operating Decision Maker assesses the operating results and performance of our businesses on a segmented basis. The company has retrospectively applied these presentation changes for all periods presented.

For our Asset Management and Insurance Solutions segments, we measure operating performance primarily using DE¹. To further assess operating performance for the Asset Management segment, we also provide unrealized carried interest¹ which represents carried interest generated on unrealized changes in the fair value of our private fund investment portfolios, net of realized carried interest¹. Net operating income (“NOI”)¹ is the key performance metric for our Real Estate segment, and Funds from Operations (“FFO”)¹ is used for our other operating segments. We also provide the amount of capital invested by the Corporation in each segment using common equity. Common equity relates to invested capital¹ allocated to a particular business segment, which we use interchangeably with segment common equity.

Our operating segments are global in scope and are as follows:

- i. *Asset Management* business includes managing long-term private funds, perpetual strategies and liquid strategies on behalf of our investors and ourselves, as well as our share of the asset management activities of Oaktree Capital Management (“Oaktree”)¹. We generate contractual base management fees for these activities as well as incentive distributions¹ and performance income, including performance fees¹, transaction fees and carried interest¹. The Asset Management business also includes our direct investments into and alongside private funds managed by BAM.
- ii. *Insurance Solutions* business includes our equity accounted interest in a leading capital solutions business providing insurance and reinsurance services to individuals and institutions across a broad range of insurance products including life insurance and annuities, and personal and commercial property and casualty insurance.

Operating Businesses

- iii. *Renewable Power and Transition* business includes the ownership, operation and development of hydroelectric, wind, utility-scale solar power generating assets and distributed energy & sustainable solutions.
- iv. *Infrastructure* business includes the ownership, operation and development of utilities, transport, midstream, and data assets.
- v. *Private Equity* business includes a broad range of industries, and is mostly focused on the ownership and operation of business services and industrial operations.

1. See definition in Glossary of Terms beginning on page 58.

- vi. *Real Estate* business includes the ownership, operation and development of Core and Transitional and Development investments (including residential development properties).
- vii. *Corporate Activities* include the investment of cash and financial assets, as well as the management of our corporate leverage, including corporate borrowings and preferred equity, which fund a portion of the capital invested in our other operations. Certain corporate costs such as technology and operations are incurred on behalf of our operating segments and allocated to each operating segment based on an internal pricing framework.

In assessing operating performance and capital allocation, we separately identify the portion of DE, NOI, or FFO and common equity that relate to each segment, where applicable. We believe that identifying the key operating metrics attributable to each segment enables investors to understand how the results of these entities are integrated into our financial results and is helpful in analyzing variances between reporting periods. Additional information with respect to our listed affiliates (BEP, BIP, BBU) is available in their public filings. We also separately identify the components of realized carried interest, net¹, and realized disposition gains¹ included within the DE and FFO of each segment in order to facilitate analysis of variances between reporting periods.

SUMMARY OF RESULTS BY OPERATING SEGMENT

The following table presents DE, FFO, NOI and common equity by segment, where applicable, on a period-over-period basis for comparative purposes:

AS AT JUN. 30, 2023 AND DEC. 31, 2022 AND FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)	DE ¹			FFO ^{1,2} / NOI ^{1,2}			Common Equity		
	2023	2022	Change	2023	2022	Change	2023	2022	Change
Asset Management	\$ 777	\$ 917	\$ (140)				\$20,801	\$19,645	\$ 1,156
Insurance Solutions	160	46	114				4,006	3,996	10
Operating Businesses									
Renewable Power and Transition				\$ 143	\$ 122	\$ 21	5,426	5,274	152
Infrastructure				243	183	60	2,513	2,524	(11)
Private Equity				121	223	(102)	2,515	2,439	76
Real Estate				825	812	13	22,793	22,825	(32)
Corporate Activities				(133)	(130)	(3)	(17,556)	(17,095)	(461)
Total	<u>\$ 1,187</u>	<u>\$ 1,186</u>	<u>\$ 1</u>				<u>\$40,498</u>	<u>\$39,608</u>	<u>\$ 890</u>

- DE is the key performance metric for the Asset Management and Insurance Solutions segments. NOI is presented as the key performance metric for the Real Estate segment only. FFO is presented as the key performance metric for the Renewable Power and Transition, Infrastructure, Private Equity, and Corporate Activities segments.
- See definition in Glossary of Terms beginning on page 58.

During the quarter, we generated strong results with total DE of \$1.2 billion. Adjusting for the impact of the special distribution of a 25% interest in our asset management business in December 2022, total DE increased by \$129 million or 12% compared to the prior year quarter. These increases were due to the continued growth in our asset management franchise mainly from significant flagship fundraising, strong investment performance and origination of new annuities within our insurance solutions business, and resilient and stable streams of recurring cash flows from our operating businesses.

Our Asset Management business generated DE before realizations of \$604 million in the current quarter. BAM benefited from a strong quarter of fundraising and deployment, with growth in FRE¹ supported by significant inflows across each of our flagship funds and capital deployed at our perpetual strategies, resulting in a \$48 billion or 12% increase in fee-bearing capital¹ over the prior year quarter. Distributions from our direct investments were \$209 million in the current quarter.

- See definition in Glossary of Terms beginning on page 58.

Insurance Solutions DE increased by \$114 million compared to prior year quarter primarily driven by the acquisition of American National in May 2022 and strong performance of our investment portfolio over the past year.

Renewable Power and Transition's FFO increased by \$21 million compared to the prior year quarter, primarily driven by higher realized pricing from inflation indexation on our contracted generation and hedge gains, partially offset by lower hydrology and wind generation volumes, and increased interest expense.

Infrastructure's FFO increased by \$60 million compared to the prior year quarter. Excluding the impact of disposition gains, the increase of \$9 million was primarily as a result of organic growth initiatives, capital commissioned into the rate base, inflation indexation on contracts, and acquisitions net of dispositions, partially offset by higher financing costs.

Private Equity's FFO decreased by \$102 million compared to the prior year quarter as increased contributions from recent acquisitions were more than offset by impacts of the adoption of IFRS 17 at our residential mortgage insurer, lower volume in our industrials operations, and increased interest expense as a result of increased borrowings and higher interest rates on floating rate debt.

NOI from our Real Estate business increased by \$13 million compared to the prior year quarter as same store growth supported by the strong performance of our Core properties was offset by net disposition activity and foreign exchange impacts on NOI for our Transitional and Development retail properties. The impact of elevated interest on floating rate debt reduced FFO by \$136 million compared to the prior year quarter, primarily related to our transitional and development portfolio and were partially offset by the benefit of interest rate swaps.

Common equity remained consistent with prior quarter at \$40.5 billion, as comprehensive income was offset by the impact of distributions to common and preferred equity holders and the impact of the adoption of IFRS 17. Refer to Part 2 – Review of Consolidated Financial Results for details.

ASSET MANAGEMENT

FEE-BEARING CAPITAL

The following table summarizes fee-bearing capital:

AS AT JUN. 30, 2023 AND DEC. 31, 2022 (MILLIONS)	Long-Term Private Funds	Perpetual Strategies	Liquid Strategies	Total 2023	Total 2022
Renewable Power and Transition	\$ 27,651	\$ 24,270	\$ —	\$ 51,921	\$ 47,218
Infrastructure	47,580	48,994	—	96,574	85,887
Private Equity	33,051	7,485	—	40,536	39,317
Real Estate	67,099	31,082	—	98,181	103,025
Credit and other	52,058	28,049	72,429	152,536	142,416
June 30, 2023	\$ 227,439	\$ 139,880	\$ 72,429	\$ 439,748	n/a
December 31, 2022	\$ 218,857	\$ 127,155	\$ 71,851	n/a	\$ 417,863

We have approximately \$40 billion of additional committed capital that does not currently earn fees but will generate approximately \$400 million in annual fees once deployed.

Fee-bearing capital increased by \$8.1 billion during the quarter. The changes are set out in the following table:

AS AT AND FOR THE THREE MONTHS ENDED JUN. 30, 2023 (MILLIONS)	Renewable Power and Transition	Infrastructure	Private Equity	Real Estate	Credit and Other	Total
Balance, March 31, 2023	\$ 52,484	\$ 92,752	\$ 39,472	\$ 98,092	\$ 148,861	\$ 431,661
Inflows	1,269	2,511	1,088	1,948	6,166	12,982
Outflows	—	—	—	(144)	(3,754)	(3,898)
Distributions	(490)	(988)	(11)	(1,482)	(629)	(3,600)
Market valuation	(895)	2,361	(1)	200	1,134	2,799
Other	(447)	(62)	(12)	(433)	758	(196)
Change	(563)	3,822	1,064	89	3,675	8,087
Balance, June 30, 2023	\$ 51,921	\$ 96,574	\$ 40,536	\$ 98,181	\$ 152,536	\$ 439,748

Renewable Power and Transition fee-bearing capital decreased by \$563 million, due to:

- inflows largely driven by capital market issuances as well as capital deployed across our fund strategies; more than offset by
- decrease in market valuations as a result of the lower market capitalization of BEP; and
- quarterly distributions paid to BEP's unitholders.

Infrastructure fee-bearing capital increased by \$3.8 billion, due to:

- inflows from capital raised for our fifth flagship infrastructure fund; and
- increase in market valuations as a result of the higher trading price of BIP; partially offset by
- quarterly distributions paid to BIP's unitholders and capital returned to investors across our long-term and perpetual private funds.

Private Equity fee-bearing capital increased by \$1.1 billion, due to:

- inflows from capital raised for our sixth flagship private equity fund and capital deployed in other strategies; partially offset by
- quarterly distributions paid to BBU's unitholders.

Real Estate fee-bearing capital increased by \$89 million, due to:

- capital deployed within our third flagship fund and across various other private funds; partially offset by
- distributions across our perpetual strategies and capital returned to investors.

Credit and Other fee-bearing capital increased by \$3.7 billion, due to:

- inflows primarily as a result of capital deployed within our credit strategies (specifically our eleventh flagship opportunistic credit fund), and capital deployed within our insurance solutions business; and
- higher market valuations, primarily from our perpetual private strategies; partially offset by
- outflows due to redemptions within our liquid strategies.

CARRY ELIGIBLE CAPITAL

Carry eligible capital¹ increased by \$6.5 billion during the quarter to \$219.7 billion as at June 30, 2023 (March 31, 2023 – \$213.1 billion). The increase was primarily related to capital deployed across our strategies, especially in our third infrastructure debt fund and our eleventh opportunistic credit fund, partially offset by the return of capital across various funds.

As at June 30, 2023, \$152.0 billion of carry eligible capital was deployed (March 31, 2023 – \$148.1 billion). This capital is either currently earning carried interest or will begin earning carried interest once its related funds have reached their preferred return threshold. There are currently \$67.6 billion of uncalled fund commitments that will begin to earn carried interest once the capital is deployed and fund preferred returns are met (March 31, 2023 – \$65.0 billion).

1. See definition in Glossary of Terms beginning on page 58.

OPERATING RESULTS

DE from our Asset Management business includes fee-related earnings, net of corporate costs, and realized carried interest earned by us in respect of capital managed for our investors, excluding equity-based compensation costs. Fee-related earnings also include fees earned on the capital invested by us in the perpetual affiliates. This is representative of how we manage the business and measure the returns from our asset management activities. DE from our Asset Management business also includes operating earnings from our interests in direct investments.

To facilitate analysis, the following table disaggregates our Asset Management segment DE into distributable earnings from our asset manager, realized carried interest, net, and distributable earnings from direct investments as these are the measures that we use to analyze the performance of this segment. We also analyze unrealized carried interest, net, to provide insight into the value our investments have created in the period.

We have provided additional detail, where referenced, to explain significant variances from the prior period.

FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)	Ref.	DE	
		2023	2022
Distributable earnings from BAM	i	\$ 395	\$ 511
Realized carried interest, net	ii	170	48
Distributable earnings from direct investments	iii	212	358
		<u>\$ 777</u>	<u>\$ 917</u>
Generated carried interest			
Generated in period		\$ 266	\$ 553
Foreign exchange		83	(225)
		<u>349</u>	<u>328</u>
Less: direct costs		(51)	(68)
Generated carried interest, net	iv	298	260
Less: generated carried interest not attributable to the Corporation		(27)	(5)
Total generated carried interest, net		<u>\$ 271</u>	<u>\$ 255</u>

i. Distributable earnings from BAM

FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)	2023	2022
Fee revenues ¹		
Base management fees	\$ 983	\$ 894
Incentive distributions	94	84
Transaction and advisory fees	9	15
	<u>1,086</u>	<u>993</u>
Less: direct costs	(507)	(442)
	<u>579</u>	<u>551</u>
Less: fee-related earnings not attributable to the Corporation	(31)	(35)
Fee-related earnings	548	516
Cash taxes	(68)	(21)
Other income (expense)	39	(9)
Add back: equity-based compensation costs	8	25
	<u>527</u>	<u>511</u>
Amounts not attributable to the Corporation	(132)	—
Distributable earnings from BAM	<u>\$ 395</u>	<u>\$ 511</u>

1. See definition in Glossary of Terms beginning on page 58.

Fee-related earnings increased to \$548 million at our share, mainly due to higher base management fees driven by increased fee-bearing capital and growth in incentive distributions from BIP and BEP, partially offset by increased direct costs and lower one-time transaction and advisory fees earned on co-investment capital.

Base management fees increased by \$89 million to \$983 million, representing a 10% increase from the prior year quarter. The increase is broken down as follows:

- \$53 million increase from our Infrastructure segment due to contributions from our fifth flagship infrastructure fund as well as higher fees from other perpetual strategies resulting from the capital deployment;
- \$23 million increase from our Credit and Other segment due to capital deployed within our closed-end funds and capital deployed by our insurance solutions business;
- \$12 million increase from our Private Equity segment primarily due to the capital raised for our sixth flagship private equity fund; and
- \$8 million increase from our Real Estate segment largely due to increased commitments throughout 2022 in our fourth flagship real estate fund partially offset by the end of the investment period from an early vintage flagship fund; partially offset by
- \$7 million decrease from our Renewable Power and Transition as positive contributions from our fifth flagship infrastructure fund were more than offset by decreased capitalization of BEP due to a lower trading price and the absence of catch-up fees earned from our global transition fund in the prior year.

Incentive distributions across our perpetual affiliates increased by \$10 million to \$94 million, due to higher distributions paid by BIP and BEP versus the prior year quarter.

The margin on our fee-related earnings, including our 68% share of Oaktree's fee-related earnings, decreased to 56% in the current period (2022 – 58%). Our fee-related earnings margin before performance fees, including 100% of Oaktree's fee-related earnings, was 53% in the current period (2022 – 55%).

Direct costs consist primarily of employee expenses and professional fees, as well as business related technology costs and other shared services. Direct costs increased by \$65 million from the prior year quarter as we continue to scale our asset management franchise, including new product development and the broadening of our distribution capabilities.

Cash taxes and other income (expense) comprise of corporate costs of our asset management business. Amounts not attributable to the Corporation relate to non-controlling interest ("NCI") of our asset management business.

ii. Realized Carried Interest

We realize carried interest when a fund's cumulative returns are in excess of preferred returns and are no longer subject to future investment performance (e.g., subject to "clawback"). During the quarter, we realized \$170 million of carried interest, net of direct costs (2022 – \$48 million), which were primarily driven by realizations from flagship funds within our infrastructure, private equity and real estate businesses.

We provide supplemental information and analysis below on the estimated amount of unrealized carried interest (see Section iii) that has accumulated based on fund performance up to the date of the consolidated financial statements.

iii. Distributable earnings from direct investments

DE before realizations from our direct investments of \$209 million was \$48 million lower than the prior year quarter. The decrease is mainly attributable to lower unit sales at our Brazilian residential operations.

iv. *Unrealized Carried Interest*

The amounts of accumulated unrealized carried interest¹ and associated costs are not included in our Consolidated Balance Sheets or Consolidated Statements of Operations as they are still subject to clawback. These amounts are shown in the following table:

FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)	2023			2022		
	Carried Interest	Direct Costs	Net	Carried Interest	Direct Costs	Net
Accumulated unrealized, beginning of period.....	\$ 9,360	\$ (3,078)	\$ 6,282	\$ 8,404	\$ (2,753)	\$ 5,651
In-period change						
Generated in period.....	266	(23)	243	553	(123)	430
Foreign currency revaluation.....	83	(28)	55	(225)	55	(170)
	<u>349</u>	<u>(51)</u>	<u>298</u>	<u>328</u>	<u>(68)</u>	<u>260</u>
Less: realized.....	(245)	73	(172)	(99)	40	(59)
	<u>104</u>	<u>22</u>	<u>126</u>	<u>229</u>	<u>(28)</u>	<u>201</u>
Accumulated unrealized, end of period.....	9,464	(3,056)	6,408	8,633	(2,781)	5,852
Carried interest not attributable to the Corporation.....	(1,082)	528	(554)	(936)	483	(453)
Accumulated unrealized, end of period, net	<u>\$ 8,382</u>	<u>\$ (2,528)</u>	<u>\$ 5,854</u>	<u>\$ 7,697</u>	<u>\$ (2,298)</u>	<u>\$ 5,399</u>

Unrealized carried interest generated in the current quarter before foreign exchange and associated costs was \$266 million primarily related to increased valuations across our strategies.

Accumulated unrealized carried interest, net¹, totaled \$8.4 billion as at June 30, 2023. We estimate approximately \$2.5 billion in associated costs related to the future realization of the accumulated amounts to date, predominantly related to employee long-term incentive plans and taxes that will be incurred. We expect to recognize \$4.5 billion of this carry at our share, before costs, within the next three years; however, realization of this carried interest is dependent on future investment performance and the timing of monetizations.

1. See definition in Glossary of Terms beginning on page 58.

INSURANCE SOLUTIONS

Our capital invested in our Insurance Solutions business is via our equity accounted investment in Brookfield Reinsurance Ltd.

SUMMARY OF OPERATING RESULTS

Distributable operating earnings (“DOE”) is a key measure of our Insurance Solutions business’ financial performance and is equivalent to its DE. The following table disaggregates our Insurance Solutions segment’s DOE by business line to facilitate analysis of the year-over-year variances:

FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)	<u>2023</u>	<u>2022</u>
Net investment income	\$ 581	\$ 317
Cost of insurance	(356)	(245)
Interest expense	(58)	(22)
Operating expenses and other	(7)	(4)
Distributable operating earnings	<u>\$ 160</u>	<u>\$ 46</u>

Our DOE from our insurance solutions business was \$160 million in the quarter, a \$114 million increase from the prior quarter, primarily driven by a full quarter of contribution and growth from the acquisition of American National in May 2022, and the effect of redeploying its investment portfolio into higher yielding assets.

During the quarter, total insurance assets increased to \$45 billion. The business continues to expand its spread earnings by re-deploying its short-duration investment portfolio into higher yielding assets. During the quarter, we redeployed \$1.5 billion across the franchise at an average yield in excess of 8%, increasing the average yield on our insurance assets to 5.4%, higher than the average cost of capital of 3.2%. As a result, the spread earnings on the investment portfolio increased by 20 bps to 220 bps.

COMMON EQUITY

Common equity in our Insurance Solutions segment was \$4.0 billion as at June 30, 2023 (2022 – \$4.0 billion), comprised of our capital injected in this business since inception.

RENEWABLE POWER AND TRANSITION

SUMMARY OF OPERATING RESULTS

The following table disaggregates our share of FFO and common equity of entities in our Renewable Power and Transition segment. In addition, we provide the cash distributions received. We have provided additional detail, where referenced, to explain significant movements from the prior period.

AS AT JUN. 30, 2023 AND DEC. 31, 2022 AND FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)	Ref.	FFO		Common Equity	
		2023	2022	2023	2022
Brookfield Renewable ¹	i	\$ 119	\$ 131	\$ 4,775	\$ 4,635
Energy contracts	ii	7	(23)	651	639
Realized disposition gains	iii	17	14	—	—
		<u>\$ 143</u>	<u>\$ 122</u>	<u>\$ 5,426</u>	<u>\$ 5,274</u>
Cash distributions received		<u>\$ 112</u>	<u>\$ 77</u>		

1. Brookfield's interest in BEP consists of 194.5 million redemption-exchange units, 68.8 million Class A limited partnership units, 4.0 million general partnership units, as well as 44.8 million Class A shares in Brookfield Renewable Corporation ("BEPC"), together representing an economic interest of 47% of BEP.

FFO increased by \$21 million compared to the prior year quarter, primarily driven by higher realized pricing from inflation indexation on our contracted generation and hedge gains, partially offset by lower hydrology and wind generation volumes, and increased interest expense.

i. Brookfield Renewable

The following table disaggregates BEP's generation and FFO by business line to facilitate analysis of the quarter-over-quarter variances:

FOR THE THREE MONTHS ENDED JUN. 30 (GIGAWATT HOURS AND MILLIONS)	Actual Generation (GWh) ¹		Long-Term Average (GWh) ¹		FFO	
	2023	2022	2023	2022	2023	2022
Hydroelectric	4,994	5,541	5,496	5,535	\$ 171	\$ 205
Wind	1,441	1,545	1,773	1,684	107	76
Utility-scale solar	661	541	843	663	77	74
Distributed energy & sustainable solutions	447	351	291	270	54	38
Corporate	—	—	—	—	(97)	(99)
Attributable to unitholders	<u>7,543</u>	<u>7,978</u>	<u>8,403</u>	<u>8,152</u>	<u>312</u>	<u>294</u>
Non-controlling interests and other ²					(176)	(163)
Segment reallocation ³					(17)	—
Brookfield's interest					<u>\$ 119</u>	<u>\$ 131</u>

1. Proportionate to BEP; see "Proportionate basis generation" in Glossary of Terms beginning on page 58.

2. Includes incentive distributions paid to Brookfield of \$30 million (2022 - \$24 million) as the general partner of BEP.

3. Segment reallocation refers to realized disposition gains, net of NCI, included in BEP's operating FFO that we reclassify to realized disposition gains. This allows us to present FFO attributable to unitholders on the same basis as BEP in the table above.

BEP's FFO for the quarter was \$312 million, of which our share was \$119 million compared to \$131 million in the prior year quarter. Generation for the quarter totaled 7,543 GWh, a 5% decrease compared to the prior year quarter, and 10% lower than the long-term average ("LTA")¹ primarily due to lower hydrology resources in North America and wind resources in the U.S. Key variances for our operations are described on the following page.

1. See definition in Glossary of Terms beginning on page 58.

Hydroelectric

FFO in the current quarter decreased by \$34 million relative to the prior year quarter primarily due to:

- higher revenue due to inflation indexation on the contracted generation and commercial initiatives; more than offset by
- lower resources and weaker hydrology across the portfolio; and
- increased financing expenses due to higher interest rates and upfinancing initiatives.

Wind

FFO in the current quarter increased by \$31 million relative to the prior year quarter primarily due to:

- growth, including the completion of our 850MW repowering project in the U.S.;
- price increases in North and South America due to inflation indexation on contracted assets; and
- a gain on the partial sale of certain North American development assets.

Utility-Scale Solar

FFO in the current quarter increased by \$3 million relative to the prior year quarter primarily due to:

- higher realized pricing due to inflation indexation and hedge gains; and
- contributions from the acquisition of an integrated distributed generation developer with approximately 500 MW of contracted operating and under construction assets, and an 1.8 GW of development pipeline in the U.S.; partially offset by
- absence of contributions from dispositions of certain wind assets.

Distributed Energy & Sustainable Solutions

FFO from our distributed energy and sustainable solutions operation increased by \$16 million relative to the prior year quarter, primarily attributable to growth from recent acquisitions and development activities, as well as higher realized pricing, partially offset by decreased volumes due to timing of maintenance activities.

Corporate

The corporate FFO deficit remained constant as contributions from asset dispositions were offset by increased interest expense on elevated borrowings and higher interest rates.

ii. Energy Contracts

During the quarter, we purchased 854 GWh (2022 – 949 GWh) from BEP at \$75 per MWh (2022 – \$76 per MWh) and sold the purchased generation at an average selling price of \$84 per MWh (2022 – \$54 per MWh). As a result, we recognized FFO of \$7 million, an increase from the prior year due to pricing.

iii. Realized Disposition Gains

Realized disposition gains of \$17 million for the quarter are attributable to partial sale of a 378 MW operating hydroelectric portfolio in the U.S., while disposition gains of \$14 million for the prior year quarter relate to the sale of our Brazil hydroelectric portfolio and solar assets in Asia.

COMMON EQUITY

Common equity in our Renewable Power and Transition segment was \$5.4 billion as at June 30, 2023 (December 31, 2022 – \$5.3 billion). Contributions from earnings were offset by distributions to unitholders.

INFRASTRUCTURE

SUMMARY OF OPERATING RESULTS

The following table disaggregates our share of FFO and common equity of entities in our Infrastructure segment. In addition, we provide the cash distributions received. We have provided additional detail, where referenced, to explain significant movements from the prior period.

AS AT JUN. 30, 2023 AND DEC. 31, 2022 AND FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)	Ref.	FFO		Common Equity	
		2023	2022	2023	2022
Brookfield Infrastructure ¹	i	\$ 132	\$ 123	\$ 2,513	\$ 2,524
Realized disposition gains		111	60	—	—
		<u>\$ 243</u>	<u>\$ 183</u>	<u>\$ 2,513</u>	<u>\$ 2,524</u>
Cash distributions received		<u>\$ 80</u>	<u>\$ 75</u>		

1. Brookfield's interest consists of 193.6 million redemption-exchange units, 0.4 million limited partnership units, 2.4 million general partnership units of BIP LP, as well as 13.0 million Class A shares in Brookfield Infrastructure Corporation ("BIPC"), together representing an economic interest of 27% of BIP.

FFO increased by \$60 million compared to the prior year quarter. Excluding the impact of disposition gains, the increase of \$9 million was primarily as a result of organic growth initiatives, capital commissioned into the rate base, inflation indexation on contracts, and acquisitions net of dispositions, partially offset by higher financing costs.

i. Brookfield Infrastructure

The following table disaggregates BIP's FFO by business line to facilitate analysis of the year-over-year variances:

FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)	2023	2022
Utilities	\$ 224	\$ 188
Transport	199	199
Midstream	161	170
Data	72	60
Corporate	(104)	(104)
Attributable to unitholders	552	513
Non-controlling interests and other ¹	(416)	(386)
Segment reallocation ²	(4)	(4)
Brookfield's interest	<u>\$ 132</u>	<u>\$ 123</u>

1. Includes incentive distributions paid to Brookfield of \$66 million (2022 – \$60 million) as the general partner of BIP.

2. Segment reallocation refers to certain items, net of NCI, included in BIP's FFO that we reclassify.

BIP's FFO for the quarter was \$552 million, of which our share was \$132 million compared to \$123 million in the prior year quarter. Key variances for our operations are described below and on the following page.

Utilities

FFO in our utilities operations of \$224 million was \$36 million higher than the prior year quarter. The increase is mainly attributable to:

- contributions from the acquisition of a residential infrastructure business operating in North America and Europe in January 2023;
- increased volume from higher connections income at our U.K. regulated distribution business; and
- benefits of inflation indexation and capital commissioned into the rate base; partially offset by
- absence of contribution from five electricity transmission lines in Brazil divested in Q4 2022; and
- higher interest expense, primarily from new debt issuances and refinancings, as well as increased rates.

Transport

FFO from our transport operations of \$199 million was consistent compared to the prior year quarter as the benefit of organic growth from high inflationary tariff increases was offset by higher interest expense from refinancings at our Australian rail network and U.K. port operations.

Midstream

FFO from our midstream operations of \$161 million was \$9 million lower than the prior year quarter as strong performance at our North American gas storage business was more than offset by the decline in market sensitive revenues and increase in interest expense upon refinancing.

Data

FFO from our data operations of \$72 million was \$12 million higher than the prior year quarter as results benefitted from strong underlying growth from additional towers across our telecom tower portfolio and megawatts commissioned across our global data storage business, as well as a full quarter contributions from acquisitions of a European telecom tower operation and an Australian fibre-to-the-home business, purchased in February 2023 and August 2022, respectively. The increase was partially offset by higher interest expense on financings to support capital projects.

Corporate

The Corporate FFO deficit of \$104 million was consistent compared to the prior year quarter.

COMMON EQUITY

Common equity in our Infrastructure segment was \$2.5 billion as at June 30, 2023 (December 31, 2022 – \$2.5 billion). Contributions from earnings were offset by distributions to unitholders.

This equity is primarily comprised of our investments in PP&E and certain concessions, which are recorded as intangible assets. Our PP&E is recorded at fair value and revalued annually while concessions are considered as intangible assets under IFRS, and therefore recorded at historical cost and amortized over the life of the concession. Accordingly, a smaller portion of our equity is impacted by revaluation compared to our Real Estate and Renewable Power and Transition segments, where a larger portion of the balance sheet is subject to revaluation.

PRIVATE EQUITY

SUMMARY OF OPERATING RESULTS

The following table disaggregates our share of FFO and common equity of entities in our Private Equity segment. In addition, we provide the cash distributions received. We have provided additional detail, where referenced, to explain significant movements from the prior period.

AS AT JUN. 30, 2023 AND DEC. 31, 2022 AND FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)	Ref.	FFO		Common Equity	
		2023	2022	2023	2022
Brookfield Business Partners ¹	i	\$ 116	\$ 211	\$ 2,515	\$ 2,439
Realized disposition gains	ii	5	12	—	—
		<u>\$ 121</u>	<u>\$ 223</u>	<u>\$ 2,515</u>	<u>\$ 2,439</u>
Cash distributions received ²		<u>\$ 9</u>	<u>\$ 9</u>		

1. Brookfield's interest in BBU consists of 69.7 million redemption-exchange units, 25.2 million limited partnership units, eight general partnership units, as well as 47.2 million Class A shares in Brookfield Business Corporation ("BBUC"), together representing an economic interest of 65% of BBU.
2. BBU pays a modest distribution as the majority of its FFO is reinvested within the business.

FFO decreased by \$102 million compared to the prior year quarter as increased contributions from recent acquisitions were more than offset by impacts of the adoption of IFRS 17 at our residential mortgage insurer, lower volume in our industrials operations, and increased interest expense as a result of increased borrowings and higher interest rates on floating rate debt.

i. Brookfield Business Partners

The following table disaggregates BBU's FFO by business line to facilitate analysis of the year-over-year variances:

FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)	2023	2022
Business services	\$ 119	\$ 151
Infrastructure services	88	124
Industrials	63	101
Corporate	(85)	(34)
Attributable to unitholders	185	342
Non-controlling interests	(64)	(119)
Segment reallocation and other ¹	(5)	(12)
Brookfield's interest	<u>\$ 116</u>	<u>\$ 211</u>

1. Segment reallocation and other refers to realized disposition gains, net of NCI, included in BBU's FFO that we reclassify to realized disposition gains. This allows us to present FFO attributable to unitholders on the same basis as BBU.

BBU generated \$185 million of FFO compared to \$342 million in the prior year quarter, with our share being \$116 million compared to \$211 million in the prior year quarter. Key variances are described on the following page.

Business Services

Business services' FFO disposition gains in the prior year included gains on the disposition of a financial asset. Excluding disposition gains, FFO decreased by \$25 million compared to the prior year quarter, primarily driven by:

- increased contributions from the acquisition of dealer software and technology services operations, payment processing services operations, audience measurement operations, an Australian residential mortgage lender, and fleet management and car rental services; more than offset by
- decreased contributions from our residential mortgage insurer upon adoption of IFRS 17, the new insurance accounting standard; and
- higher interest expense on borrowings to support recent acquisitions.

Infrastructure Services

Within our infrastructure services operations, we generated \$88 million of FFO, a decrease of \$36 million compared to the prior year quarter, largely driven by:

- decreased contributions from our offshore oil services operations due to lower volumes from floating production storage and offloading operations and lower pricing from the absence of oil price tariffs earned in the prior period; and
- higher interest expense as a result of increased borrowings and interest rates.

Industrials

Industrials generated \$63 million of FFO, a decrease of \$38 million compared to prior year quarter, primarily due to:

- decreased contributions from our graphite electrode operations, solar power solutions operations, and natural gas production operations due to price and volume impacts; and
- higher interest expense, particularly at our engineered components manufacturing business and our advanced energy storage operations as a result of increased borrowings and interest rates, respectively.

Corporate

The corporate FFO deficit increased by \$51 million compared to prior year quarter, primarily due to higher interest expense driven by rate increases, and the absence of tax recoveries utilized in the prior year quarter.

ii. Realized Disposition Gains

Realized disposition gains of \$5 million in the quarter and \$12 million in the prior year quarter are related to dispositions from certain financial assets.

COMMON EQUITY

Common equity in our Private Equity segment was \$2.5 billion as at June 30, 2023 (December 31, 2022 – \$2.4 billion). The increase was mainly attributable to contributions from FFO that were partially offset by the impact of depreciation. The depreciable assets held in these operations are recorded at amortized cost, with depreciation recorded on a quarterly basis, with the exception of investments in financial assets, which are carried at fair value based predominantly on quoted prices.

REAL ESTATE

SUMMARY OF OPERATING RESULTS

The following table disaggregates our share of NOI and common equity of entities in our Real Estate segment. In addition, we provide the cash distributions received. We have provided additional detail, where referenced, to explain significant movements from the prior period. Included in directly held assets is our North American residential development business, which is conducted through Brookfield Residential Properties ULC.

We present the operating results of our Real Estate segment based on our strategy to invest in Core, and Transitional and Development properties.

AS AT JUN. 30, 2023 AND DEC. 31, 2022
AND FOR THE THREE MONTHS ENDED JUN. 30
(MILLIONS)

	Ref.	NOI		Common Equity	
		2023	2022	2023	2022
Brookfield Property Group ¹	i	\$ 825	\$ 812	\$ 22,793	\$ 22,825

1. See "Economic ownership interest" in the Glossary of Terms beginning on page 58.

NOI from our Real Estate business increased by \$13 million compared to the prior year quarter, driven by growth in same-store NOI, partially offset by net disposition activity.

i. Brookfield Property Group

The following table disaggregates BPG's NOI by business line to facilitate analysis of the year-over-year variances:

FOR THE THREE MONTHS ENDED JUN. 30
(MILLIONS)

	2023	2022
Core	\$ 375	\$ 348
Transitional and Development	450	464
Brookfield's interest	\$ 825	\$ 812

BPG's NOI for the quarter was \$825 million compared to \$812 million in the prior year quarter. Key variances for our operations are described below.

Core

NOI of \$375 million was \$27 million higher than the prior year quarter, primarily due to higher income across our retail properties and higher rents, in addition to commencement of lease term and operations at certain office properties, and reduction of lease inducements recognized in the prior year.

Transitional and Development

NOI of \$450 million was \$14 million lower than the prior year quarter, mainly attributable to the impacts of decreased contributions from partial dispositions in the quarter.

COMMON EQUITY

Common equity in our Real Estate segment remained consistent at \$22.8 billion as at June 30, 2023 compared to December 31, 2022.

CORPORATE ACTIVITIES

SUMMARY OF OPERATING RESULTS

The following table disaggregates FFO and common equity into the principal assets and liabilities within our Corporate Activities segment to facilitate analysis:

AS AT JUN. 30, 2023 AND DEC. 31, 2022 AND FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)	FFO		Common Equity	
	2023	2022	2023	2022
Corporate cash and financial assets, net	\$ 43	\$ (15)	\$ 328	\$ 477
Corporate costs and taxes/net working capital	(22)	(20)	67	(1,807)
Corporate borrowings	(154)	(124)	(13,618)	(11,390)
Preferred equity ¹	—	—	(4,333)	(4,375)
Realized disposition gains	—	29	—	—
	<u>\$ (133)</u>	<u>\$ (130)</u>	<u>\$ (17,556)</u>	<u>\$ (17,095)</u>

1. FFO excludes preferred share distributions of \$43 million (2022 – \$39 million).

Our portfolio of corporate cash and financial assets is generally recorded at fair value with changes recognized through net income, unless the underlying financial investments are classified as fair value through other comprehensive income, in which case changes in value are recognized in other comprehensive income. Loans and receivables are typically carried at amortized cost. As at June 30, 2023, our portfolio of corporate cash and financial assets included \$1.2 billion of cash and cash equivalents (December 31, 2022 – \$1.3 billion). The change is due to \$2.3 billion of distributable earnings and \$1.6 billion of term notes and commercial paper issuances, offset by investments into our Asset Management and Insurance Solutions businesses and return of capital to shareholders.

Our corporate cash and financial assets generated FFO of \$43 million compared to FFO deficit of \$15 million in the prior year quarter primarily due to gains from the trading portfolio, partially offset by interest expense on cash placed on deposit with the Corporation by our Asset Management business.

Net working capital was in an asset position of \$67 million as at June 30, 2023, compared to a liability position of \$1.8 billion in the prior year. Included within this balance are net deferred income tax assets of \$451 million (December 31, 2022 – \$363 million) and accounts payable net of receivables of \$584 million (December 31, 2022 – \$2.0 billion). The FFO deficit of \$22 million includes corporate costs and cash taxes and was consistent with the prior year quarter.

Corporate borrowings are generally issued with fixed interest rates. Some of these borrowings are denominated in Canadian dollars and therefore the carrying value fluctuates with changes in the foreign exchange rate. A number of these borrowings have been designated as hedges of our Canadian dollar net investments within our other segments, resulting in the majority of the currency revaluation being recognized in other comprehensive income. The \$154 million FFO deficit reported through corporate borrowings reflects the interest expense on all of our corporate borrowings. The increase from the prior year quarter was primarily attributable to corporate debt issuances completed over the last twelve months.

Preferred equity is not revalued under IFRS and is consistent with year-end. We describe cash and financial assets, corporate borrowings and preferred equity in more detail within Part 4 – Capitalization and Liquidity.

PART 4

CAPITALIZATION AND LIQUIDITY

CAPITALIZATION

We review key components of our capitalization in the following sections. In several instances we have disaggregated the balances into the amounts attributable to our operating segments in order to facilitate discussion and analysis.

*Corporate Capitalization*¹ – reflects the amount of debt held in the Corporate Activities segment and our issued and outstanding common and preferred shares. Corporate debt includes unsecured bonds and draws on revolving credit facilities and the issuance of short-term commercial paper. As at June 30, 2023, our corporate capitalization was \$63.8 billion (December 31, 2022 – \$61.5 billion) with a debt to capitalization^{1,2} of 19% (December 31, 2022 – 19%).

*Consolidated Capitalization*¹ – reflects the aggregate capitalization of wholly owned, partially owned, and managed entities that we consolidate in our financial statements. As at June 30, 2023, consolidated capitalization was consistent compared to year-end. Much of the borrowings issued within our managed entities are included in our consolidated balance sheet notwithstanding that virtually none of this debt has any recourse to the Corporation.

The following table presents our capitalization on a corporate and consolidated basis:

AS AT JUN. 30, 2023 AND DEC. 31, 2022 (MILLIONS)	Ref.	Corporate		Consolidated	
		2023	2022	2023	2022
Corporate borrowings	i	\$ 13,618	\$ 11,390	\$ 13,618	\$ 11,390
Non-recourse borrowings					
Subsidiary borrowings	i	—	—	16,287	15,140
Property-specific borrowings	i	—	—	189,798	187,544
		<u>13,618</u>	<u>11,390</u>	<u>219,703</u>	<u>214,074</u>
Accounts payable and other		5,228	5,985	57,977	57,065
Deferred income tax liabilities		122	112	24,333	23,190
Subsidiary equity obligations		—	—	4,049	4,188
Liabilities associated with assets classified as held for sale		—	—	1,489	876
Equity					
Non-controlling interests		230	230	110,982	98,138
Preferred equity	ii	4,103	4,145	4,103	4,145
Common equity	iii	40,498	39,608	40,498	39,608
		<u>44,831</u>	<u>43,983</u>	<u>155,583</u>	<u>141,891</u>
Total capitalization		<u>\$ 63,799</u>	<u>\$ 61,470</u>	<u>\$463,134</u>	<u>\$441,284</u>
Debt to capitalization ²		<u>19%</u>	<u>19%</u>	<u>47%</u>	<u>49%</u>

1. See definition in Glossary of Terms beginning on page 58.

2. Determined as the aggregate of corporate borrowings and non-recourse borrowings divided by total capitalization. Draws on revolving facilities and commercial paper issuances are excluded from the debt to capitalization ratios as they are not permanent sources of capital.

i. Borrowings

Corporate Borrowings

AS AT JUN. 30, 2023 AND DEC. 31, 2022 (MILLIONS)	Average Rate		Average Term (Years)		Consolidated	
	2023	2022	2023	2022	2023	2022
	Term debt	4.3%	4.2%	13	13	\$ 12,064
Commercial paper	5.9%	n/a	<1	n/a	1,634	—
Deferred financing costs	n/a	n/a	n/a	n/a	(80)	(77)
Total					<u>\$ 13,618</u>	<u>\$ 11,390</u>

As at June 30, 2023, corporate borrowings included term debt of \$12.1 billion (December 31, 2022 – \$11.5 billion) which had an average term to maturity of 13 years (December 31, 2022 – 13 years). Term debt consists of public and private bonds, all of which are fixed rate and have maturities ranging from 2024 to 2080. These financings provide an important source of long-term capital and are appropriately matched to our long-term asset profile.

Our term debt temporarily increased due to a \$550 million notes offering at the end of June 2023, proceeds from which were used in July 2023 to redeem our senior notes due in April 2024. We had \$1.6 billion of commercial paper outstanding and no draws on our revolving facility as at June 30, 2023 (December 31, 2022 – \$nil). As at June 30, 2023, \$57 million of the facilities were utilized for letters of credit (December 31, 2022 – \$50 million).

Subsidiary Borrowings

We endeavor to capitalize our perpetual affiliates to enable continuous access to debt capital markets, usually on an investment-grade basis, thereby reducing the demand for capital from the Corporation. Subsidiary borrowings include perpetual affiliates' recourse term debt and credit facility draws. These borrowings have no recourse to the Corporation.

AS AT JUN. 30, 2023 AND DEC. 31, 2022 (MILLIONS)	Average Rate		Average Term (Years)		Consolidated	
	2023	2022	2023	2022	2023	2022
	Renewable Power and Transition	4.3%	4.2%	11	10	\$ 2,650
Infrastructure	4.9%	4.4%	8	10	4,691	3,666
Private Equity	8.2%	7.3%	5	4	2,135	2,226
Real Estate	6.1%	5.5%	4	4	6,811	6,702
Total	<u>5.7%</u>	<u>5.3%</u>	<u>7</u>	<u>6</u>	<u>\$ 16,287</u>	<u>\$ 15,140</u>

Property-Specific Borrowings

As part of our financing strategy, the majority of our debt capital is in the form of property-specific borrowings and project financings and is denominated in local currencies that have recourse only to the assets being financed and have no recourse to the Corporation or the relevant perpetual affiliate.

AS AT JUN. 30, 2023 AND DEC. 31, 2022 (MILLIONS)	Average Rate		Average Term (Years)		Consolidated	
	2023	2022	2023	2022	2023	2022
	Renewable Power and Transition	6.7%	6.1%	9	9	\$ 22,372
Infrastructure	6.7%	6.5%	7	6	33,478	29,881
Private Equity	8.2%	7.3%	6	6	48,846	48,787
Real Estate	7.0%	6.1%	3	3	85,101	86,050
Total	<u>7.2%</u>	<u>6.5%</u>	<u>5</u>	<u>5</u>	<u>\$ 189,798</u>	<u>\$ 187,544</u>

Property-specific borrowings have increased by \$2.3 billion since December 31, 2022, primarily due to acquisitions at our infrastructure business.

Fixed and Floating Interest Rate Exposure

Many of our borrowings, including all corporate borrowings recourse to the Corporation, are fixed rate, long-term financings. The remainder of our borrowings are at floating rates; however, from time to time, we enter into interest rate contracts to swap our floating rate exposure to fixed rates.

As at June 30, 2023, 76% of our share of debt outstanding, including the effect of swaps, was fixed rate. Accordingly, changes in interest rates are typically limited to the impact of refinancing borrowings at prevailing market rates or changes in the level of debt as a result of acquisitions and dispositions.

The following table presents the fixed and floating rates of interest expense:

AS AT JUN. 30, 2023 AND DEC. 31, 2022 (MILLIONS)	Fixed Rate				Floating Rate			
	2023		2022		2023		2022	
	Average Rate	Consolidated	Average Rate	Consolidated	Average Rate	Consolidated	Average Rate	Consolidated
Corporate borrowings	4.3%	\$ 13,618	4.2%	\$ 11,390	—%	\$ —	—%	\$ —
Subsidiary borrowings	4.8%	10,708	4.5%	9,346	7.5%	5,579	6.3%	5,794
Property-specific borrowings	5.1%	60,776	4.9%	57,908	8.2%	129,022	7.1%	129,637
Total	5.0%	\$ 85,102	4.7%	\$ 78,644	8.2%	\$ 134,601	7.0%	\$ 135,431

ii. Preferred Equity

Preferred equity represents permanent non-participating preferred shares that provide leverage to our common equity. The shares are categorized by their principal characteristics in the following table:

AS AT JUN. 30, 2023 AND DEC. 31, 2022 (MILLIONS)	Term	Average Rate		Amount	
		2023	2022	2023	2022
Fixed rate-reset	Perpetual	4.6%	4.3%	\$ 2,901	\$ 2,901
Fixed rate	Perpetual	4.8%	4.8%	739	739
Floating rate	Perpetual	5.0%	4.3%	463	505
Total		4.6%	4.4%	\$ 4,103	\$ 4,145

Fixed rate-reset preferred shares are issued with an initial fixed rate coupon that is reset after an initial period, typically five years, at a predetermined spread over the Canadian five-year government bond yield. The average reset spread as at June 30, 2023 was 283 basis points.

iii. *Common Equity*

Issued and Outstanding Shares

Changes in the number of issued and outstanding Class A and Class B shares during the periods are as follows:

AS AT AND FOR THE PERIODS ENDED JUN. 30 (MILLIONS)	Three Months Ended		Six Months Ended	
	2023	2022	2023	2022
Outstanding at beginning of period	1,564.4	1,566.3	1,573.4	1,568.8
Issued (repurchased)				
Issuances	—	0.1	0.3	0.1
Repurchases	(1.2)	(5.1)	(11.7)	(9.0)
Long-term share ownership plans ¹	0.6	0.6	1.8	1.9
Dividend reinvestment plan and others	0.1	—	0.1	0.1
Outstanding at end of period	1,563.9	1,561.9	1,563.9	1,561.9
Unexercised options and other share-based plans ¹ and exchangeable shares of affiliate	56.4	76.2	56.4	76.2
Total diluted shares at end of period	1,620.3	1,638.1	1,620.3	1,638.1

1. Includes management share option plan and restricted stock plan.

The company holds 71.9 million Class A shares (June 30, 2022 – 77.1 million) purchased by consolidated entities in respect of long-term share ownership programs, which have been deducted from the total amount of shares outstanding at the date acquired. Diluted shares outstanding include nil (June 30, 2022 – 16.1 million) shares issuable in respect of these plans based on the market value of the Class A shares as at June 30, 2023 and June 30, 2022, resulting in a net reduction of 71.9 million (June 30, 2022 – 61.0 million) diluted shares outstanding.

During the second quarter of 2023, 0.5 million options were exercised, of which 0.1 million and 0.1 million were issued on a net-settled and gross basis, respectively, resulting in the cancellation of 0.3 million vested options.

The cash value of unexercised options was \$1.1 billion as at June 30, 2023 (June 30, 2022 – \$1.4 billion) based on the proceeds that would be paid on exercise of the options.

As at August 10, 2023, the Corporation had outstanding 1,563,228,898 Class A shares and 85,120 Class B shares. Refer to Note 12 of the consolidated financial statements for additional information on equity.

LIQUIDITY

CORPORATE LIQUIDITY

We maintain significant liquidity at the corporate level. Our primary sources of liquidity, which we refer to as core liquidity¹, consist of:

- cash and financial assets, net of other associated liabilities; and
- undrawn committed credit facilities.

We further assess overall liquidity inclusive of our Operating Businesses and our Insurance Solutions business because of their role in funding acquisitions both directly and through funds managed by our Asset Management business. On a group basis, we had \$34 billion of core liquidity, including liquidity from corporate and perpetual affiliates, and \$117 billion of total liquidity¹, including third-party commitments available for drawdown in the private funds of our Asset Management business, as at June 30, 2023.

CAPITAL REQUIREMENTS

The Corporation has very few non-discretionary capital requirements. Our largest normal course capital requirements are our debt maturities and commitments into the funds managed by our Asset Management business. We do not have any debt maturities until March 2024, when approximately \$1 billion is due. Periodically, we will fund capital calls for our fund commitments, strategic acquisitions to expand our capabilities and seed new investment strategies.

At the perpetual affiliate level, the largest normal course capital requirements are debt maturities and the pro-rata share of private fund capital calls. New acquisitions are primarily funded through the private funds or perpetual affiliates that are managed by our Asset Management business. We endeavor to structure these entities so that they are self-funding, preferably on an investment-grade basis, and in almost all circumstances do not rely on financial support from the Corporation.

In the case of private funds in our Asset Management business, the necessary equity capital is obtained by calling on commitments made by the limited partners in each fund, which include commitments made by our perpetual affiliates as well as the Corporation. As at June 30, 2023, the Corporation has funded \$2.6 billion of our \$2.75 billion commitment to our third flagship real estate fund alongside BPG's \$1 billion commitment. The Corporation has committed \$3.5 billion to our fourth flagship real estate fund of which \$1.8 billion has been funded. The Corporation has committed \$750 million to our eleventh opportunistic credit fund of which \$638 million has been funded. The Corporation has additionally committed \$750 million to our twelfth opportunistic credit fund. In the case of perpetual affiliates, capital requirements are funded through their own resources and access to capital markets, which may be supported by us from time to time through participation in equity offerings or bridge financings.

At the asset level, we schedule ongoing capital expenditure programs to maintain the operating capacity of our assets at existing levels. We refer to this as sustaining capital expenditures. The sustaining capital expenditure programs are typically funded by, and represent a relatively small proportion of, the operating cash flows within each business. The timing of these expenditures is discretionary; however, we believe it is important to maintain the productivity of our assets in order to optimize cash flows and value accretion.

1. See definition in Glossary of Terms beginning on page 58.

CORE AND TOTAL LIQUIDITY

The following table presents core liquidity of the Corporation, perpetual affiliates and managed funds:

AS AT JUN. 30, 2023 AND DEC. 31, 2022 (MILLIONS)	Corporate Liquidity ¹		Group Liquidity	
	2023	2022	2023	2022
Cash and financial assets, net	\$ 2,516	\$ 2,893	\$ 24,312	\$ 27,440
Undrawn committed credit facilities	2,533	2,540	9,575	9,284
Core liquidity	5,049	5,433	33,887	36,724
Uncalled private fund commitments	—	—	83,075	87,364
Total liquidity ²	\$ 5,049	\$ 5,433	\$ 116,962	\$ 124,088

1. Corporate cash and financial assets includes our proportionate share of the asset manager's cash and financial assets of \$2.2 billion as at June 30, 2023 (2022 – \$2.9 billion)

2. Includes \$20 billion of liquidity held through our insurance portfolio.

As at June 30, 2023, the Corporation's core liquidity was \$5.0 billion, consisting of \$2.5 billion in cash and financial assets, inclusive of our proportionate share of our Asset Management business' cash and financial assets, and \$2.5 billion in undrawn credit facilities. The Corporation's liquidity is readily available for use without any material tax consequences. We utilize this liquidity to support the activities of our perpetual affiliates and funding strategic transactions.

The Corporation has the ability to raise additional liquidity through the issuance of securities and the sale of holdings of listed investments within our perpetual affiliates and other investments on the following page. However, this is not included in our core liquidity as we are generally able to finance our operations and capital requirements through other means.

During the second quarter of 2023, we generated \$1.2 billion of distributable earnings, inclusive of:

- \$1.1 billion of distributable earnings before realizations, excluding corporate costs and other;
- realizations, including \$170 million of net realized carried interest and \$4 million of realized disposition gains from principal investments; partially offset by
- corporate costs, interest expense, and preferred share dividends, net of equity-based compensation costs, of \$148 million.

The Corporation paid \$110 million in cash dividends on its common equity during the quarter ended June 30, 2023 (2022 – \$110 million). The Corporation also returned \$36 million to shareholders via NCIB share repurchases (2022 – \$237 million).

The following table shows the quoted market value of the company's listed securities and annual cash distributions of the company's operating businesses based on current distribution policies for each entity:

AS AT JUN. 30, 2023 (MILLIONS, EXCEPT PER UNIT AMOUNTS)	Ownership %	Brookfield Owned Units	Distributions Per Unit ¹	Quoted Value ²	Current Distributions ³ (Current Rate) ³	YTD Distributions (Actual)
Distributions from investments						
Brookfield Renewable ⁴	47%	312.0	\$ 1.35	\$ 9,292	\$ 421	\$ 210
Brookfield Infrastructure ⁵	27%	209.4	1.53	7,760	320	160
Brookfield Business Partners ⁶	65%	142.1	0.25	2,540	36	18
Brookfield Property Group ⁷	100%	n/a	n/a	n/a	1,442	725
Total					<u>\$ 2,219</u>	<u>\$ 1,113</u>

1. Based on current distribution policies.
2. Quoted value represents the value of Brookfield owned units as at market close on June 30, 2023.
3. Distributions (current rate) are calculated by multiplying units held as at June 30, 2023 by distributions per unit. Actual dividends may differ due to timing of dividend increases and payment of special dividends, which are not factored into the current rate calculation. See definition in Glossary of Terms beginning on page 58.
4. Brookfield owned units represent the combined units held in BEP and BEPC.
5. Brookfield owned units represent the combined units held in BIP and BIPC.
6. Brookfield owned units represent the combined units held in BBU and BBUC.
7. BPG's distributions include \$nil of preferred share dividends received by the Corporation for the quarter ended June 30, 2023 (2022 - \$16 million).

REVIEW OF CONSOLIDATED STATEMENTS OF CASH FLOWS

The following table summarizes the consolidated statements of cash flows within our consolidated financial statements:

FOR THE PERIODS ENDED JUN. 30 (MILLIONS)	Three Months Ended		Six Months Ended	
	2023	2022	2023	2022
Operating activities	\$ 406	\$ 3,128	\$ 1,524	\$ 3,598
Financing activities	(228)	13,104	10,538	14,257
Investing activities	(862)	(15,547)	(14,164)	(18,219)
Change in cash and cash equivalents	\$ (684)	\$ 685	\$ (2,102)	\$ (364)

This statement reflects activities within our consolidated operations and therefore excludes activities within non-consolidated entities.

Operating Activities

Cash flows from operating activities totaled \$406 million in the second quarter of 2023, a \$2.7 billion decrease from the prior year quarter. Excluding the net change in non-cash working capital, cash flow from operating activities decreased by \$1.3 billion versus the prior year quarter. Strong underlying performance across our businesses and contributions from recent acquisitions were offset by higher interest expense primarily due to incremental debt from refinancings, and higher interest rates on floating rate debt.

Financing Activities

Net cash flows used by financing activities totaled \$228 million in the second quarter of 2023 versus \$13.1 billion inflows in the prior year quarter, and primarily related to:

- capital provided from non-controlling interests, net of capital repaid, of \$7.7 billion;
- corporate borrowings arranged of \$550 million; more than offset by
- non-recourse repayments, net of credit draws, of \$5.9 billion; and
- cash distributions to non-controlling interests and shareholders of \$2.9 billion.

Investing Activities

Net cash flows used by investing activities were \$862 million in the second quarter of 2023 versus \$15.5 billion in the prior year quarter, and mainly related to:

- acquisitions and additions to investment properties, net of dispositions, of \$1.4 billion;
- acquisitions and additions to PP&E, net of dispositions, of \$1.4 billion; partially offset by
- dispositions of subsidiaries, net of acquisitions, of \$1.2 billion primarily associated with the our Infrastructure segment.

Refer to Note 4 Acquisitions of Consolidated Entities and Note 8 Equity Accounted Investments in the consolidated financial statements for further details.

PART 5

ACCOUNTING POLICIES AND INTERNAL CONTROLS

ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

OVERVIEW

We are a publicly held Canadian corporation and, as such, we prepare our consolidated financial statements in accordance with IFRS.

We present our consolidated balance sheets on a non-classified basis, meaning that we do not distinguish between current and long-term assets or liabilities. We believe this classification is appropriate given the nature of our business strategy.

The preparation of the consolidated financial statements requires management to select appropriate accounting policies and to make judgments and estimates that affect the carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

In making judgments and estimates, management relies on external information and observable conditions, where possible, supplemented by internal analysis, as required. These estimates have been applied in a manner consistent with the prior year and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in this report. As we update the fair values of our investment property portfolios quarterly, with gains reflected in net income, we discuss judgments and estimates relating to the key valuation metrics in Note 11 of the 2022 audited consolidated financial statements and below.

For further reference on accounting policies, including new and revised standards issued by the IASB and judgments and estimates, see our accounting policies contained in Note 2 of the 2022 audited consolidated financial statements.

ACCOUNTING ESTIMATES

IFRS uses a control-based model to determine if consolidation is required. Therefore, we are deemed to control an investment if we: (1) exercise power over the investee; (2) are exposed to variable returns from our involvement with the investee; and (3) have the ability to use our power to affect the amount of the returns. Due to the ownership structure of many of our subsidiaries, we control entities in which we hold only a minority economic interest. Please refer to Part 2 – Review of Consolidated Financial Results for additional information.

i. Investment Properties

We classify the majority of the property assets within our Real Estate segment as investment properties. Our valuations are prepared at the individual property level by internal investment professionals with the appropriate expertise in the respective industry, geography and asset type. These valuations are updated at each balance sheet date with gains or losses recognized in net income.

The majority of underlying cash flows in the models are comprised of contracted leases, many of which are long term, with our office assets within our Core and Transitional and Development portfolios having a combined 86% occupancy level and an average 8 year lease life, while our retail assets within our Core and Transitional and Development portfolios have a combined occupancy rate of 93%. The models also include property-level assumptions for renewal probabilities, future leasing rates and capital expenditures. These are reviewed as part of the business planning process and external market data is utilized when determining the cash flows associated with lease renewals.

We test the outcome of our process by having a number of our properties externally appraised each year, including appraisals for core office properties, at least on a three-year rotating basis. We compare the results of the external appraisals to our internally prepared values and reconcile significant differences when they arise. In the current year, 30 of our properties were externally appraised, representing a gross property value of \$13.6 billion of assets; external appraisals were within 1% of management's valuations.

The valuations are most sensitive to changes in cash flows, which include assumptions relating to lease renewal probabilities, downtime, capital expenditures, future leasing rates and associated leasing costs, discount rates and terminal capitalization rates. The key valuation metrics of our real estate assets as at June 30, 2023 and December 31, 2022 are summarized below.

	Core		Transitional and Development		LP Investments		Weighted Average	
	2023	2022	2023	2022	2023	2022	2023	2022
AS AT JUN. 30, 2023 AND DEC. 31, 2022								
Discount rate.....	6.2%	6.2%	7.7%	7.6%	8.3%	8.4%	7.8%	7.7%
Terminal capitalization rate.....	4.6%	4.6%	6.0%	5.9%	5.8%	5.7%	5.6%	5.5%
Investment horizon (years).....	11	11	10	10	12	13	11	12

The following table presents the impact on the fair value of our consolidated investment properties as at June 30, 2023 from a 25-basis point change to the relevant unobservable inputs in isolation and does not present the impact on the fair value from other factors such as changes in cash flows or inflation. For properties valued using the discounted cash flow method, the basis point change in valuation metrics relates to a change in discount and terminal capitalization rates. For properties valued using the direct capitalization approach, the basis point change in valuation metrics relates to a change in the overall capitalization rate. These amounts represent the effect on all consolidated investment property assets within our consolidated financial statements on a pre-tax basis, including amounts attributed to non-controlling interests in our perpetual affiliates and private fund investments. The amounts attributable to shareholders may be significantly less than shown depending on ownership levels in the individual assets.

AS AT JUN. 30, 2023 (MILLIONS)	Fair Value	Sensitivity
Core.....	\$ 19,112	\$ 1,126
Transitional and Development.....	24,216	990
LP Investments.....	75,496	4,068
Other investment properties.....	956	18
Total	\$ 119,780	\$ 6,202

ii. Revaluation Method for PP&E

PP&E is revalued on a regular basis. The critical estimates and assumptions underlying the valuation of PP&E are set out in Note 10, Property, Plant and Equipment in our December 31, 2022 audited consolidated financial statements. Our PP&E is measured at fair value on a recurring basis with an effective date of revaluation for all asset classes as of December 31, 2022.

MANAGEMENT REPRESENTATIONS AND INTERNAL CONTROLS

Internal Control Over Financial Reporting

No change in our internal control over financial reporting occurred during the three and six months ended June 30, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

GLOSSARY OF TERMS

The below summarizes certain terms relating to our business that are made throughout the MD&A and it defines IFRS performance measures, non-IFRS performance measures and key operating measures that we use to analyze and discuss our results.

REFERENCES

“Brookfield,” the “company,” “we,” “us” or “our” refers to Brookfield Corporation and its consolidated subsidiaries. The “Corporation” refers to our business which is comprised of our Asset Management, Insurance Solutions and Operating Businesses.

We refer to investors in the Corporation as **shareholders** and we refer to investors in the private funds of our Asset Management business and perpetual affiliates as **investors**.

We use **asset manager** to refer to our Brookfield Asset Management ULC which offers a variety of investment products to our investors:

- We have over 40 active funds across major asset classes: renewable power and transition, infrastructure, private equity, real estate and credit. These funds include core, credit, value-add and opportunistic closed-end funds and core long-life funds. We refer to these funds as the private funds of our Asset Management business.
- We refer to BEP, BEPC, BIP, BIPC, BBU, BBUC and BPG, as our perpetual affiliates.
- We refer to our public securities group as liquid strategies. This group manages fee-bearing capital through numerous funds and separately managed accounts, focused on fixed income and equity securities.

Throughout the MD&A and consolidated financial statements, the following operating companies, joint ventures and associates, and their respective subsidiaries, will be referenced as follows:

- **American National** – American National Group
- **BAM** – Brookfield Asset Management ULC
- **BBU** – Brookfield Business Partners L.P.
- **BBUC** – Brookfield Business Corporation
- **BEP** – Brookfield Renewable Partners L.P.
- **BEPC** – Brookfield Renewable Corporation
- **BIP** – Brookfield Infrastructure Partners L.P.
- **BIPC** – Brookfield Infrastructure Corporation
- **BPG** – Brookfield Property Group
- **BPY** – Brookfield Property Partners L.P.
- **BNRE** – Brookfield Reinsurance Ltd.
- **BSREP IV** – Brookfield Strategic Real Estate Partners IV
- **Oaktree** – Oaktree Capital Management

PERFORMANCE MEASURES

Definitions of performance measures, including IFRS, non-IFRS and operating measures, are presented below in alphabetical order. We have specifically identified those measures which are IFRS or non-IFRS measures; the remainder are operating measures.

Assets under management (“AUM”) refers to the total fair value of assets that our Asset Management business manages, on a gross asset value basis, including assets for which this business earns management fees and those for which they do not. AUM is calculated as follows: (i) for investments that Brookfield consolidates for accounting purposes or actively manages, including investments in which Brookfield or a controlled investment vehicle is the largest shareholder or the primary operator or manager, at 100% of the investment’s total assets on a fair value basis; and (ii) for all other investments, at Brookfield’s or its controlled investment vehicle’s, as applicable, proportionate share of the investment’s total assets on a fair value basis. Our Asset Management business’s methodology for determining AUM may differ from the methodology employed by other alternative asset managers and Brookfield’s AUM presented herein may differ from our AUM reflected in other public filings and/or our Form ADV and Form PF.

Base management fees, which are determined by contractual arrangements, are typically equal to a percentage of fee-bearing capital and are accrued quarterly. Base management fees, including private fund base fees and perpetual affiliate base fees, are IFRS measures.

Private fund base fees are typically earned on fee-bearing capital from third-party investors only and are earned on invested and/or uninvested fund capital, depending on the stage of the fund life.

Perpetual affiliate base fees are earned on the total capitalization or net asset value of our perpetual affiliates, which includes our investment. Base fees for BEP include a quarterly fixed fee amount of \$5 million, with additional fees of 1.25% on the increase in capitalization above their initial capitalization of \$8 billion. Base fees for BIP and BBU are 1.25% of total capitalization. Base fees for BPG are 1.05% of net asset value, excluding its interests in private funds and investments which were held directly by Brookfield prior to the BPY privatization. Perpetual affiliate capitalization as at June 30, 2023, was as follows: BEP/BEPC – \$23.9 billion; BIP/BIPC – \$33.9 billion; BBU/BBUC – \$7.5 billion; and BPG – \$19.0 billion.

Carried interest is a contractual arrangement whereby we receive a fixed percentage of investment gains generated within a private fund provided that the investors receive a pre-determined minimum return. Carried interest is typically paid towards the end of the life of a fund after the capital has been returned to investors and may be subject to “clawback” until all investments have been monetized and minimum investment returns are sufficiently assured.

Realized carried interest is an IFRS measure and represents our share of investment returns based on realized gains within a private fund. Realized carried interest earned is recognized when an underlying investment is profitably disposed of and the fund’s cumulative returns are in excess of preferred returns, in accordance with the respective terms set out in the fund’s governing agreements, and when the probability of clawback is remote. We include realized carried interest when determining our Asset Management segment results within our consolidated financial statements.

Realized carried interest, net is a non-IFRS measure and represents realized carried interest after direct costs, which include employee expenses and cash taxes. A reconciliation of realized carried interest to realized carried interest, net, is shown below:

FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)	2023	2022
Realized carried interest ¹	\$ 245	\$ 99
Less: direct costs associated with realized carried interest	(73)	(40)
	172	59
Less: realized carried interest not attributable to Corporation	(2)	(11)
Realized carried interest, net	\$ 170	\$ 48

1. Includes \$12 million of realized carried interest related to Oaktree (2022 – \$58 million). For segment reporting, Oaktree’s revenue is shown on a 100% basis.

Carry eligible capital represents the capital committed, pledged or invested in the private funds that we manage and which entitle us to earn carried interest. Carry eligible capital includes both invested and uninvested (i.e., uncalled) private fund amounts as well as those amounts invested directly by investors (co-investments) if those entitle us to earn carried interest. We believe this measure is useful to investors as it provides additional insight into the capital base upon which we have potential to earn carried interest once minimum investment returns are sufficiently assured.

Consolidated capitalization is a non-IFRS measure that reflects the full capitalization of wholly owned and partially owned entities that we consolidate in our financial statements. Our consolidated capitalization includes 100% of the debt of the consolidated entities even though in many cases we only own a portion of the entity and therefore our pro-rata exposure to this debt is much lower. In other cases, this basis of presentation excludes the debt of partially owned entities that are accounted for following the equity method.

Core liquidity represents the amount of cash, financial assets and undrawn credit lines at the Corporation, perpetual affiliates and directly held investments. We use core liquidity as a key measure of our ability to fund future transactions and capitalize on opportunities as they arise. Our core liquidity also allows us to backstop the transactions of our various businesses as necessary and fund the development of new activities that are not yet suitable for our investors.

Total liquidity represents the sum of core liquidity and uncalled private fund commitments and is used to pursue new transactions.

Corporate capitalization represents the amount of debt issued by the Corporation, accounts payable and deferred tax liability in our Corporate Activities segment as well as our issued and outstanding common and preferred shares.

Debt to capitalization is determined as the aggregate of corporate borrowings and non-recourse borrowings divided by total capitalization. Draws on revolving facilities and commercial paper issuances are excluded from the debt to capitalization ratios as they are not permanent sources of capital.

Distributions (current rate) represents the distributions that we would receive during the next twelve months based on the current distribution rates of the investments that we currently hold. The dividends from our listed investments are calculated by multiplying the number of shares held by the most recently announced distribution policy. The yield on cash and financial assets portfolio is equal to an estimated 8% on the ending balance as of the end of the current year. Distributions on our unlisted investments are calculated based on the distributions received in the most recent fiscal year.

Distributable earnings (“DE”) is a non-IFRS measure that provides insight into earnings received by the Corporation that are available for distribution to common shareholders or to be reinvested into the business. It is calculated as the sum of distributable earnings before realizations from our Asset Management business and our Insurance Solutions business, distributions received from our ownership of our Operating Businesses, realized carried interest and disposition gains from principal investments, net of Corporate Activities FFO, preferred share dividends and equity-based compensation costs.

Distributable earnings before realizations from our Asset Management business is comprised of fee-related earnings and other income (expenses), net of cash taxes and equity-based compensation costs from BAM, as well as FFO on direct investments.

Distributable earnings from our Insurance Solutions business is equivalent to its distributable operating earnings (“DOE”), which is calculated as net income from our Insurance Solutions business, excluding the impact of depreciation and amortization, deferred income taxes, net income from our equity accounted investments, mark-to-market on investments and derivatives, breakage and transaction costs, and is inclusive of our proportionate share of DOE from investments in associates.

Distributable earnings before realizations (“DE before realizations”) is DE excluding realized carried interest and disposition gains from principal investments. We use DE before realizations to provide additional insight regarding recurring DE of the business.

The following table reconciles net income to DE, DE before realizations, FFO, and Operating FFO:

FOR THE PERIODS ENDED JUN. 30 (MILLIONS)	Three Months Ended		Six Months Ended	
	Total		Total	
	2023	2022	2023	2022
Net income	\$ 1,512	\$ 1,475	\$ 1,936	\$ 4,435
Financial statement components not included in FFO:				
Equity accounted fair value changes and other non-FFO items ¹	703	535	1,507	761
Fair value changes	(62)	397	(100)	(1,383)
Depreciation and amortization	2,214	1,886	4,402	3,697
Deferred income taxes	(151)	(189)	(243)	236
Realized disposition gains in fair value changes or equity	283	152	399	520
Non-controlling interests in FFO ²	(3,127)	(2,857)	(5,349)	(5,270)
Funds from operations	1,372	1,399	2,552	2,996
Less: total disposition gains	(416)	(197)	(628)	(553)
Less: realized carried interest, net	(170)	(48)	(376)	(176)
Operating funds from operations	786	1,154	1,548	2,267
Less: Operating FFO from Asset Management business	(364)	(629)	(791)	(1,220)
Less: Operating FFO from Operating Businesses	(395)	(638)	(734)	(1,250)
Distributions from Asset Management business	604	768	1,271	1,494
Distributions from Operating Businesses	397	379	696	718
Add back: equity-based compensation costs	29	14	56	26
Preferred share dividends	(44)	(39)	(88)	(79)
Distributable earnings before realizations	1,013	1,009	1,958	1,956
Realized carried interest, net	170	48	376	176
Disposition gains from principal investments	4	129	10	236
Distributable earnings	\$ 1,187	\$ 1,186	\$ 2,344	\$ 2,368

1. Other non-FFO items correspond to amounts that are not directly related to revenue earning activities and are not normal or recurring items necessary for business operations. In addition, this adjustment is to back out non-FFO expenses (income) that are included in consolidated equity accounted income including depreciation and amortization, deferred taxes and fair value changes from equity accounted investments.

2. Amounts attributable to non-controlling interests are calculated based on the economic ownership interests held by non-controlling interests in consolidated subsidiaries. By adjusting FFO attributable to non-controlling interests, we are able to remove the portion of FFO earned at non-wholly owned subsidiaries that is not attributable to Brookfield.

We assess our segment performance using DE from our Asset Management segment, DOE from our Insurance Solutions business, NOI from our Real Estate segment, and FFO for all other segments as our key measures of financial performance and our segment measures of profit and loss. Refer to Note 3 Segmented Information in our consolidated financial statements for a reconciliation of net income to segment measures of profit or loss.

Economic ownership interest represents the company's proportionate equity interest in our listed partnerships which can include redemption-exchange units ("REUs"), Class A limited partnership units, special limited partnership units and general partnership units in each subsidiary, where applicable, as well as any units or shares issued in subsidiaries that are exchangeable for units in our listed partnerships ("exchange units"). REUs and exchange units share the same economic attributes as the Class A limited partnership units in all respects except for our redemption right, which the listed partnership can satisfy through the issuance of Class A limited partnership units. The REUs, general partnership units and exchange units participate in earnings and distributions on a per unit basis equivalent to the per unit participation of the Class A limited partnership units of the subsidiary.

Fee-bearing capital represents the capital committed, pledged or invested in the perpetual affiliates, private funds and liquid strategies that are managed by our Asset Management business which entitles that business to earn fee revenues. Fee-bearing capital includes both called (“invested”) and uncalled (“pledged” or “committed”) amounts. When reconciling period amounts, we utilize the following definitions:

- **Inflows** include capital commitments and contributions to our private and liquid strategies funds and equity issuances in our perpetual affiliates.
- **Outflows** represent distributions and redemptions of capital from within the liquid strategies capital.
- **Distributions** represent quarterly distributions from perpetual affiliates as well as returns of committed capital (excluding market valuation adjustments), redemptions and expiry of uncalled commitments within the private funds of our Asset Management business.
- **Market valuation** includes gains (losses) on portfolio investments, perpetual affiliates and liquid strategies based on market prices.
- **Other** includes changes in net non-recourse leverage included in the determination of perpetual affiliate capitalization and the impact of foreign exchange fluctuations on non-U.S. dollar commitments.

Long-term private funds are long duration and closed-end in nature and include value-add and opportunistic strategies. Capital is typically committed for 10 years from the inception of the fund with two one-year extension options.

Perpetual strategies include capital in our perpetual affiliates and perpetual private funds, which includes core and core plus strategies that can continually raise new capital.

Liquid strategies represent publicly listed funds and separately managed accounts, focused on fixed income and equity securities across a number of difference sectors.

Fee-related earnings is a non-IFRS measure and is comprised of fee revenues less direct costs associated with earning those fees, which include employee expenses and professional fees as well as business related technology costs, other shared services and taxes. We use this measure to provide additional insight into the operating profitability of our asset management activities. See the following page for a table which reconciles fee revenues and fee-related earnings to revenue, the most comparable IFRS measure.

Fee revenues is a non-IFRS measure and includes base management fees, incentive distributions, performance fees and transaction fees presented within our Asset Management segment. Many of these items do not appear in consolidated revenues because they are earned from consolidated entities and are eliminated on consolidation. The following table reconciles fee revenues and fee-related earnings to revenue, the most comparable IFRS measure:

FOR THE PERIODS ENDED JUN. 30 (MILLIONS)	Three Months Ended		Six Months Ended	
	2023	2022	2023	2022
Revenue	\$ 23,668	\$ 23,256	\$ 46,965	\$ 45,138
Add: revenues from Oaktree	299	290	588	568
Add: inter-segment and other revenues.....	(1,814)	(1,377)	(3,494)	(2,723)
Less: external revenues from consolidated subsidiaries of other segments.....	(21,067)	(21,176)	(41,893)	(41,025)
Fee revenues	1,086	993	2,166	1,958
Direct costs ¹	(507)	(442)	(1,011)	(877)
	579	551	1,155	1,081
Less: amounts attributable to other shareholders.....	(31)	(35)	(60)	(73)
Fee-related earnings	\$ 548	\$ 516	\$ 1,095	\$ 1,008

1. Direct costs include \$9 million and \$18 million for the three and six months ended June 30, 2022 respectively reallocated from the Corporate Activities segment to the asset manager following the special distribution of a 25% interest in our asset manager.

Funds from operations (“FFO”) is a non-IFRS measure that includes the fees that we earn from our Asset Management business managing capital as well as our share of revenues earned and costs incurred within our operations, which include interest expense and other costs. Specifically, FFO includes the impact of contracts that we enter into to generate revenue, including asset management agreements, power sales agreements, contracts that our Operating Businesses enter into such as leases and take or pay contracts and sales of inventory. FFO also includes the impact of changes in borrowings or the cost of borrowings as well as other costs incurred to operate our business. FFO also includes realized disposition gains and losses, which are defined in this glossary of terms.

We use realized disposition gains and losses within FFO in order to provide additional insight regarding the performance of investments on a cumulative realized basis, including any unrealized fair value adjustments that were recorded in equity and not otherwise reflected in current period FFO, and believe it is useful to investors to better understand variances between reporting periods. We exclude depreciation and amortization from FFO as we believe that the value of most of our assets typically increases over time, provided we make the necessary maintenance expenditures, the timing and magnitude of which may differ from the amount of depreciation recorded in any given period. In addition, the depreciated cost base of our assets is reflected in the ultimate realized disposition gain or loss on disposal. As noted above, unrealized fair value changes are excluded from FFO until the period in which the asset is sold. We also exclude deferred income taxes from FFO because the vast majority of the company's deferred income tax assets and liabilities are a result of the revaluation of our assets under IFRS.

Our definition of FFO differs from the definition used by other organizations, as well as the definition of FFO used by the Real Property Association of Canada (“REALPAC”) and the National Association of Real Estate Investment Trusts, Inc. (“NAREIT”), in part because the NAREIT definition is based on U.S. GAAP, as opposed to IFRS. The key difference between our definition of FFO and the determination of FFO by REALPAC and/or NAREIT is that we include the following: realized disposition gains or losses and cash taxes payable or receivable on those gains or losses, if any; foreign exchange gains or losses on monetary items not forming part of our net investment in foreign operations; and foreign exchange gains or losses on the sale of an investment in a foreign operation. We do not use FFO as a measure of cash generated from our operations.

Operating FFO is FFO excluding realized disposition gains. We use Operating FFO to provide additional insight regarding recurring performance of the business.

Incentive distributions is an IFRS measure and is determined by contractual arrangements; incentive distributions are paid to our asset management business by BEP and BIP and represent a portion of distributions paid by perpetual affiliates above a predetermined hurdle. Incentive distributions are accrued on the record date of the associated distributions of the entity.

A summary of our distribution hurdles and current distribution rates is as follows:

AS AT JUN. 30, 2023	Current Distribution Rate ¹	Distribution Hurdles (per unit) ²	Incentive Distributions
Brookfield Infrastructure (BIP) ³	\$ 1.53	\$ 0.49 / \$ 0.53	15% / 25%
Brookfield Renewable (BEP) ⁴	1.35	0.80 / 0.90	15% / 25%

1. Current rate based on most recently announced distribution rates.

2. Incentive distributions equate to 18% and 33% of limited partner distribution increases over the first and second hurdles, respectively.

3. Incentive distributions from Brookfield Infrastructure are earned on distributions made by BIP and BIPC.

4. Incentive distributions from Brookfield Renewable are earned on distributions made by BEP and BEPC.

Invested capital consists of our perpetual investments, which include our interests in BAM and perpetual affiliates, other investments and corporate activities. Our invested capital provides us with FFO and cash distributions.

Invested capital, net consists of invested capital and leverage.

Leverage represents the amount of corporate borrowings and perpetual preferred shares held by the company.

Long-term average (“LTA”) generation is used in our Renewable Power and Transition segment and is determined based on expected electrical generation from its assets in commercial operation during the year. For assets acquired or reaching commercial operation during the year, LTA generation is calculated from the acquisition or commercial operation date. In Brazil, assured generation levels are used as a proxy for LTA. We compare LTA generation to actual generation levels to assess the impact on revenues and FFO of hydrology, wind generation levels and irradiance, which vary from one period to the next.

Net operating income (“NOI”) is a key measure of our Real Estate segment’s financial performance and is defined as property-specific revenues less direct operating expenses before the impact of depreciation and amortization. Refer to Note 3 Segmented Information in our consolidated financial statements for a reconciliation of net income to segment measures of profit or loss.

Performance fees is an IFRS measure. Performance fees are paid to our asset management business when it exceeds predetermined investment returns within BBU and BBUC and on certain liquid strategies portfolios. BBU and BBUC performance fees are accrued quarterly based on the volume-weighted average increase in BBU unit price over the previous threshold, whereas performance fees within liquid strategies funds are typically determined on an annual basis. Performance fees are not subject to clawback.

Proportionate basis generation is used in our Renewable Power and Transition segment to describe the total amount of power generated by facilities held by BEP, at BEP’s respective economic ownership interest percentage.

Realized disposition gains/losses is a component of FFO and includes gains or losses arising from transactions during the reporting period together with any fair value changes and revaluation surplus recorded in prior periods, presented net of cash taxes payable or receivable. Realized disposition gains include amounts that are recorded in net income, other comprehensive income and as ownership changes in our consolidated statements of equity, and exclude amounts attributable to non-controlling interests unless otherwise noted. We use realized disposition gains/losses to provide additional insight regarding the performance of investments on a cumulative realized basis, including any unrealized fair value adjustments that were recorded in prior periods and not otherwise reflected in current period FFO, and believe it is useful to investors to better understand variances between reporting periods.

Same-store or same-property represents the earnings contribution from assets or investments held throughout both the current and prior reporting period on a constant ownership basis. We utilize same-store analysis to illustrate the growth in earnings excluding the impact of acquisitions or dispositions.

Unrealized carried interest is the change in accumulated unrealized carried interest from prior period and represents the amount of carried interest generated during the period. We use this measure to provide insight into the value our investments have created in the period.

Accumulated unrealized carried interest is based on carried interest that would be receivable under the contractual formula at the period end date as if a fund was liquidated and all investments had been monetized at the values recorded on that date. We use this measure to provide insight into our potential to realize carried interest in the future. Details of components of our accumulated unrealized carried interest are included in the definition of unrealized carried interest below.

Accumulated unrealized carried interest, net is accumulated unrealized carried interest after direct costs, which include employee expenses and taxes at our share.