

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

PART 1 – OUR BUSINESS AND STRATEGY		Infrastructure	38
Overview	13	Private Equity	40
PART 2 – REVIEW OF CONSOLIDATED FINANCIAL RESULTS		Real Estate	42
Overview	16	Residential Development	44
Income Statement Analysis	17	Corporate Activities	45
Balance Sheet Analysis	23	PART 4 – CAPITALIZATION AND LIQUIDITY	
Foreign Currency Translation	26	Capitalization	47
Corporate Dividends	27	Liquidity	51
Summary of Quarterly Results	28	Review of Consolidated Statement of Cash Flows ..	55
PART 3 – OPERATING SEGMENT RESULTS		PART 5 – ACCOUNTING POLICIES AND INTERNAL CONTROLS	
Basis of Presentation	30	Accounting Policies, Estimates and Judgments	56
Summary of Results by Operating Segment	31	Management Representations and Internal Controls	57
Asset Management	32	GLOSSARY OF TERMS	58
Renewable Power and Transition	36		

"Brookfield," the "company," "we," "us" or "our" refers to Brookfield Asset Management Inc. and its consolidated subsidiaries. The "Corporation" refers to our asset management business which is comprised of our asset management and corporate business segments. Our "invested capital" includes our "perpetual affiliates" 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 also includes 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 our real estate funds, transition funds, infrastructure funds and private equity funds. Our other businesses include Residential Development and Corporate.

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.sedar.com 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 reflect 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 listing and distribution of our asset management business, including the anticipated timing and value of such transaction and the impact that such transaction may have on Brookfield and its shareholders. The board of directors of Brookfield has approved, in principle, Brookfield pursuing the transaction. The transaction will be subject to the satisfaction of a number of conditions, including shareholder approval, and, as such, there can be no certainty that the transaction will proceed or proceed in the manner described.

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, including as a result of COVID-19 and the related global economic disruptions; (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 our real estate, renewable power and transition, infrastructure, private equity, 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.sedar.com 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

We are a leading global alternative asset manager¹ with a history spanning over 100 years. We have over \$750 billion of assets under management (“AUM”)¹ across a broad portfolio of renewable power and transition, infrastructure, private equity, real estate and credit. Our \$392 billion in fee-bearing capital¹ is invested on behalf of some of the world’s largest institutional investors, sovereign wealth funds and pension plans, along with thousands of individuals.

We provide a diverse product mix of private funds¹ and dedicated public vehicles, which allow investors to invest in our five key asset classes and participate in the strong performance of the underlying portfolio. We invest in a disciplined manner, targeting returns of 12-15% over the long-term with strong downside protection, allowing our investors and their stakeholders to meet their goals and protect their financial futures.

✓ **Investment Focus**

We predominantly invest in real assets across renewable power and transition, infrastructure, private equity, real estate and credit.

✓ **Diverse Products Offering**

We offer public and private vehicles to invest across a number of product lines, including core, value-add, and opportunistic equity and credit strategies in both closed-end and perpetual vehicles.

✓ **Focused Investment Strategies**

We invest where we can bring our competitive advantages to bear, such as our strong capabilities as an owner-operator, our large-scale capital and our global reach.

✓ **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.

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

In addition, we maintain significant invested capital¹ on the Corporation's balance sheet where we invest alongside our investors. This capital generates annual cash flows that enhance the returns we earn as an asset manager, creates a strong alignment of interest, and allows us to bring the following strengths to bear on all our investments:

1. Large-scale capital

We have over \$750 billion in assets under management and \$392 billion in fee-bearing capital.

2. Operating expertise

We have approximately 180,000 operating employees worldwide who maximize value and cash flows from our operations.

3. Global reach

We operate in more than 30 countries on five continents around the world.

The value of the business is comprised of two key components: Our asset management activities that we refer to as Asset Management, and our balance sheet investments that we refer to as Invested Capital. Our financial returns are represented by the combination of the earnings of our Asset Management business, as well as capital appreciation and distributions from our Invested Capital. The primary performance measure we use is funds from operations ("FFO")¹ which we use to evaluate the performance of our segments.

ASSET MANAGEMENT

Our Asset Management business oversees \$392 billion of fee-bearing capital across a broad portfolio of renewable power and transition, infrastructure, private equity, real estate and credit. Today, we have approximately 2,100 unique institutional investors and have approximately \$36 billion of additional committed capital that will be fee-bearing when invested. Within each of our investment verticals, we manage 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.

Long-term Private Funds – \$182 billion fee-bearing capital

We manage and earn fees on a diverse range of renewable power and transition, infrastructure, private equity, real estate and credit funds. These funds have a long duration, are closed-end and include opportunistic, value-add, core and core plus investment strategies.

On long-term private fund capital, we earn:

1. Diversified and long-term **base management fees** on capital that is typically committed for 10 years with two one-year extension options.
2. **Carried interest**, which enables us to receive a portion of overall fund profits provided that investors receive a minimum prescribed preferred return. Carried interest is recognized when a fund's cumulative returns are in excess of preferred returns and when it is highly probable that a significant reversal will not occur.
3. Transaction and advisory fees are one-time fees earned on co-investment capital related to the close of transactions, and vary based on transaction agreements.

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

Perpetual Strategies – \$133 billion fee-bearing capital

We manage perpetual capital in our perpetual affiliates¹, as well as in our core and core plus private funds, which can continually raise new capital. From our perpetual strategies, we earn:

1. Long-term perpetual **base management fees**, which are based on total capitalization or net asset value (“NAV”) of our perpetual affiliates and the NAV of our perpetual private funds.
2. Stable **incentive distribution**¹ fees which are linked to cash distributions from perpetual affiliates (BEP/BEPC and BIP/BIPC) that exceed pre-determined thresholds. These cash distributions have a historical track record of growing annually and each of these perpetual affiliates target annual distribution growth rates within a range of 5-9%.
3. **Performance fees** based on unit price performance (BBU) and **carried interest** on our perpetual private funds.

Liquid Strategies – \$77 billion fee-bearing capital

We manage publicly listed funds and separately managed accounts, focused on fixed income and equity securities across real estate, infrastructure and natural resources. We earn **base management fees**, which are based on committed capital and fund NAV, and performance income based on investment returns.

INVESTED CAPITAL

We have approximately \$67 billion of invested capital on our balance sheet as a result of our history as an owner and operator of real assets. This capital provides attractive financial returns and important stability and flexibility to our asset management business.

Key attributes of our invested capital:

- Transparent – a significant portion of our invested capital is in our publicly traded investments. The remainder is primarily held in our recently privatized real estate perpetual affiliate, a residential homebuilding business, and a few other directly held investments.
- Diversified, long-term, stable cash flows – received from our underlying perpetual affiliates. These cash flows are underpinned by investments in real assets which should provide inflation protection and less volatility compared to traditional equities, and higher yields compared to fixed income.
- Strong alignment of interests – we are the largest investor in each of our perpetual affiliates, and in turn, the perpetual affiliates are typically the largest investor in each of our private funds.

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 IFRS. Starting on page 55 of our 2021 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 2021 annual report.

OVERVIEW

In the current quarter, financial results benefitted from the continued strength of our underlying operations. The prior year quarter included higher disposition gains.

Net income was \$1.5 billion in the current quarter, with \$590 million attributable to common shareholders (\$0.34 per share) and the remaining income attributable to non-controlling interests.

During the quarter, the decrease of \$954 million in consolidated net income compared to the prior year period is attributable to:

- other income and gains of \$465 million compared to \$1.3 billion in the prior year quarter, mainly as a result of the sale of our Canadian district energy operation in the prior year quarter; and
- lower valuations of \$774 million primarily related to the reduction in the carrying value of certain assets within our Real Estate segment; partially offset by
- income tax expense of \$141 million compared to \$547 million in the prior year quarter, predominantly attributable to a decrease in pre-tax income;
- an increase in equity accounted income of \$76 million from valuation increases in our core portfolio within our Real Estate segment; and
- increased contributions from acquisitions over the last twelve months and same-store¹ growth across our operations.

Our consolidated balance sheet mainly increased as a result of assets acquired, net of liabilities. The increase predominantly relates to recent acquisitions within our Private Equity and Real Estate segments. These increases were partially offset by dispositions of certain investment properties within our Real Estate segment.

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, 2022 and 2021:

FOR THE PERIODS ENDED JUN. 30 (MILLIONS, EXCEPT PER SHARE AMOUNTS)	Three Months Ended			Six Months Ended		
	2022	2021	Change	2022	2021	Change
Revenues	\$ 23,256	\$ 18,286	\$ 4,970	\$ 45,138	\$ 34,696	\$ 10,442
Direct costs ¹	(19,841)	(15,565)	(4,276)	(38,536)	(29,262)	(9,274)
Other income and gains	465	1,251	(786)	494	1,955	(1,461)
Equity accounted income	564	488	76	1,407	1,156	251
Expenses						
Interest	(2,405)	(1,831)	(574)	(4,543)	(3,661)	(882)
Corporate costs	(26)	(30)	4	(59)	(59)	—
Fair value changes	(397)	377	(774)	1,383	2,471	(1,088)
Income tax expense	(141)	(547)	406	(849)	(1,091)	242
Net income	1,475	2,429	(954)	4,435	6,205	(1,770)
Non-controlling interests	(885)	(1,613)	728	(2,486)	(4,154)	1,668
Net income attributable to shareholders ...	\$ 590	\$ 816	\$ (226)	\$ 1,949	\$ 2,051	\$ (102)
Net income per share	\$ 0.34	\$ 0.49	\$ (0.15)	\$ 1.16	\$ 1.26	\$ (0.10)

1. In 2021, our company reclassified depreciation and amortization, which was previously presented as a separate line item, to direct costs. Direct costs include \$1.9 billion and \$3.7 billion of depreciation and amortization expenses for the three and six month periods ended June 30, 2022, respectively. Prior period amounts were adjusted to reflect this change, which resulted in an increase to direct costs by \$1.6 billion and \$3.1 billion for the three and six month periods ended June 30, 2021, respectively, with equal and offsetting decreases to depreciation and amortization. This reclassification had no impact on revenues, net income, or basic and diluted earnings per share.

Three Months Ended June 30

Revenues for the quarter were \$23.3 billion, an increase of \$5.0 billion, compared to the second quarter of 2021, resulting from:

- higher prices and volumes at our road fuels operation within our Private Equity segment and contributions from recently completed acquisitions;
- increased contributions from our hospitality and retail portfolios within our Real Estate segment as pandemic-related restrictions and closures were lifted; and
- revenues from acquisitions during the last twelve months, net of the absence of contributions from businesses fully or partially sold.

A discussion of the impact on revenues and net income from recent acquisitions and dispositions can be found on page 19.

Direct costs were \$19.8 billion, an increase of \$4.3 billion, primarily due to:

- higher costs and volumes at our road fuels operation in our Private Equity segment;
- increased direct costs due to higher occupancy at our hospitality assets in our Real Estate segment;
- incremental costs associated with organic growth initiatives in our Infrastructure segment;
- an increase in depreciation and amortization expense due to an increase in the carrying value of our property, plant and equipment ("PP&E"); and
- higher direct costs related to recent acquisitions, net of dispositions; partially offset by
- cost saving initiatives across our businesses.

Other income and gains of \$465 million in the current quarter primarily relate to the sale of our North American container terminal operation within our Infrastructure segment. The prior period amount included the gain recognized on the sale of our Canadian district energy operation.

Equity accounted income increased by \$76 million mainly due to:

- our share of valuation gains in our retail and office portfolios within our Real Estate segment; and
- strong same-store growth at our infrastructure service business within our Private Equity segment; partially offset by
- Mark-to-market losses on balance sheet assets held by our credit business.

Interest expense of \$2.4 billion increased by \$574 million due to additional borrowings and acquisitions, partially offset by the impact of dispositions across our operations.

We recorded lower valuations of \$397 million, compared to a gain of \$377 million in the prior year quarter. Major contributors include:

- valuation gains at our retail portfolios and office assets within our Real Estate business; more than offset by
- transaction related expenses on recently completed acquisitions within our Private Equity and Real Estate segments;
- a reduction in the carrying value of our multi-use portfolio within our Real Estate segment; and
- the benefit of prior period fair value gains in our Infrastructure segment.

Refer to pages 20 and 21 for a discussion on fair value changes.

We recorded an income tax expense of \$141 million this quarter compared to \$547 million in the prior year quarter as the increase in pre-tax income in our Real Estate segment was partially offset by the tax impact of the aforementioned valuation changes.

Six Months Ended June 30

Revenues and direct costs for the six month period of 2022 increased by \$10.4 billion and \$9.3 billion, respectively, compared to the same period in 2021 primarily due to higher prices and volumes at our road fuels operation within our Private Equity segment, the recovery from the shutdowns experienced in 2021 at our hospitality assets and contributions from acquisitions over the last twelve months.

Other income and gains for the six month period of 2022 was \$494 million compared to \$2.0 billion in the prior year period. The current period gain primarily relates to the aforementioned sale of our North American container terminal operation in our Infrastructure segment. The prior period gain relates to the sale of our Canadian district energy operation.

Equity accounted income for the six month period of 2022 increased by \$251 million compared to the prior year period primarily due to the aforementioned higher fair value gains in our Real Estate segment and strong same-store results within our Private Equity segment.

Fair value gains were \$1.4 billion for the six month period of 2022, compared to \$2.5 billion reported in the prior year period. The gains were primarily due to valuation increases across our portfolio of investment properties within our Real Estate segment, partially offset by transaction costs on recently completed acquisitions. The prior year period gains were mainly the result of transaction related gains on the deconsolidation of our interest in GrafTech International Ltd. ("GrafTech")¹.

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

SIGNIFICANT ACQUISITIONS AND DISPOSITIONS

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

FOR THE PERIOD ENDED JUN. 30, 2022 (MILLIONS)	Three Months Ended				Six Months Ended			
	Acquisitions		Dispositions		Acquisitions		Dispositions	
	Revenue	Net Income (Loss)	Revenue	Net Income (Loss)	Revenue	Net Income (Loss)	Revenue	Net Income (Loss)
Renewable Power and Transition	\$ 67	\$ 26	\$ (34)	\$ (21)	\$ 100	\$ 36	\$ (78)	\$ (5)
Infrastructure	861	65	(161)	1	1,628	117	(309)	5
Private Equity	1,861	(83)	—	—	4,153	(134)	—	(48)
Real Estate	267	120	(242)	(175)	541	354	(374)	(190)
	<u>\$ 3,056</u>	<u>\$ 128</u>	<u>\$ (437)</u>	<u>\$ (195)</u>	<u>\$ 6,422</u>	<u>\$ 373</u>	<u>\$ (761)</u>	<u>\$ (238)</u>

ACQUISITIONS

Acquisitions over the past year contributed incremental revenues and net income of \$3.1 billion and \$128 million, respectively, in the current quarter.

Renewable Power and Transition

Within our Renewable Power and Transition segment, recent acquisitions contributed to \$67 million of incremental revenues and \$26 million of net income. These contributions were primarily due to the acquisitions of a hydro asset in Colombia in the second half of 2021 and a solar developer in Germany in the first quarter of 2022.

Infrastructure

Recent acquisitions contributed incremental revenues of \$861 million and net income of \$65 million. These contributions were primarily from Inter Pipeline Ltd. (“IPL”)¹ which was acquired in 2021.

Private Equity

Within our Private Equity segment, recent acquisitions contributed to incremental revenues of \$1.9 billion and a net loss of \$83 million. These contributions were primarily from acquisitions of an engineered components manufacturer, a modular building leasing services operation and a solar power solutions operation in the second half of 2021, as well as a lottery services operation in the current quarter.

Real Estate

Recent acquisitions contributed incremental revenues of \$267 million and net income of \$120 million. These contributions were primarily from acquisitions of investment properties made through our Brookfield Strategic Real Estate Partners III and IV funds (“BSREP III” and “BSREP IV”)¹.

DISPOSITIONS

Recent asset sales reduced revenues and net income by \$437 million and \$195 million, respectively, in the current quarter. The assets that most significantly impacted our results were the dispositions of our North American district energy and Chilean toll road operations within our Infrastructure segment, our triple net lease portfolio within our Real Estate segment and our U.S. wind portfolio within our Renewable Power and Transition segment.

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		
	2022	2021	Change	2022	2021	Change
Investment properties	\$ 567	\$ 880	\$ (313)	\$ 2,413	\$ 1,707	\$ 706
Transaction related (losses) gains, net of expenses	(156)	(282)	126	(229)	999	(1,228)
Financial contracts	(46)	138	(184)	(30)	653	(683)
Impairment and provisions	38	(149)	187	21	(384)	405
Other fair value changes	(800)	(210)	(590)	(792)	(504)	(288)
Total fair value changes	\$ (397)	\$ 377	\$ (774)	\$ 1,383	\$ 2,471	\$ (1,088)

INVESTMENT PROPERTIES

Investment properties are recorded at fair value with changes recorded in net income. We present the investment properties of our Real Estate segment within three sub-segments. The sub-segments are based on our strategy to maintain an irreplaceable portfolio of trophy mixed-use precincts in global gateway cities ("Core"), maximize returns through a development or buy-fix-sell strategy ("Transitional and Development"), or recycle capital from our private funds ("LP Investments").

The following table disaggregates investment property fair value changes by asset type:

FOR THE PERIODS ENDED JUN. 30 (MILLIONS)	Three Months Ended			Six Months Ended		
	2022	2021	Change	2022	2021	Change
Core	\$ 30	\$ 11	\$ 19	\$ 177	\$ 14	\$ 163
Transitional and Development	122	96	26	168	(81)	249
LP Investments and Other	415	773	(358)	2,068	1,774	294
	\$ 567	\$ 880	\$ (313)	\$ 2,413	\$ 1,707	\$ 706

We discuss the key valuation inputs of our investment properties on pages 56 and 57.

Core

Valuation gains of \$30 million were mainly due to higher cash flow assumptions for our retail assets.

There were no material valuation changes to our core portfolio during the prior year quarter.

Valuation gains of \$177 million during the six months ended June 30, 2022 were mainly due to changes in market rent assumptions on certain New York office assets and the aforementioned increased cash flow assumptions for our retail assets.

Transitional and Development

Valuation gains of \$122 million primarily relate to higher cash flow assumptions for certain retail assets, partially offset by lower valuations at certain office assets in Brazil due to updated leasing assumptions.

Valuation gains of \$96 million in the prior year quarter were mainly attributable to favorable market rent assumptions within our Brazil and Australia portfolios.

The valuation gains for the six month period are primarily due to the aforementioned gains.

LP Investments and Other

Valuation gains of \$415 million mostly relate to:

- fair value uplifts at our U.S. logistics portfolio due to higher market rent assumptions;

- valuation gains in our student housing portfolio as a result of achieving certain development milestones; and
- higher cash flow projections at our U.S. mixed-use portfolio to reflect updated leasing assumptions; partially offset by
- fair value changes in our multi-use project within our Residential Development business, based on a recent external appraisal.

In the prior year quarter, valuation gains of \$773 million were mainly driven by capitalization rate compression in our manufactured housing and multifamily portfolios, as well as higher cash flow assumptions from our student housing portfolio in the U.K.

Valuation gains of \$2.1 billion for the six months ended June 30, 2022 were mainly driven by capitalization rate compression in our manufactured housing portfolio, valuation gains in our U.S. logistics portfolio and higher valuation at our Australian senior living portfolio.

Transaction Related (Losses) Gains, Net of Expenses

Transaction related losses, net of expenses, totaled \$156 million for the quarter. This was primarily 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.

Transaction related losses, net of expenses, in the prior year quarter of \$282 million primarily related to costs related to acquisitions in the period, as well as a write-off of deferred financing fees as part of refinancing initiatives across our portfolios.

The incremental losses for the six month period relate primarily to the aforementioned transaction costs and restructuring costs incurred within our Private Equity segment.

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.

The loss this quarter of \$46 million is primarily 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.

Unrealized gains of \$138 million in the prior year quarter were primarily attributable to fair value changes on our venture investments, partially offset by mark-to-market movements on short term financial contracts used to hedge power prices in our Renewable Power and Transition segment.

The year-to-date losses on financial contracts relate to the aforementioned negative mark-to-market movements, partially offset by mark-to-market gains on interest rate swaps in the first quarter of 2022.

Impairment and Provisions

Impairment and provisions for the quarter totaled a recovery of \$38 million. This is mainly related to a reversal of previously recorded impairment on PP&E at our natural gas production operation within our Private Equity segment as a result of an increase in natural gas pricing.

The year-to-date impairment and provision expenses relate to legal provisions in our Residential Development business, more than offset by the aforementioned impairment reversal.

Other Fair Value Changes

Other fair value changes of \$800 million for the quarter mainly relate to valuation changes in certain assets within our Real Estate and Infrastructure segments and various one-time charges across our segments.

The year-to-date fair value changes are primarily attributable to the aforementioned valuations.

INCOME TAXES

We recorded an aggregate income tax expense of \$141 million in the current quarter (2021 – \$547 million), including current tax expenses of \$330 million (2021 – \$246 million) and deferred tax recovery of \$189 million (2021 – expense of \$301 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		
	2022	2021	Change	2022	2021	Change
Statutory income tax rate	26%	26%	—%	26%	26%	—%
Increase (reduction) in rate resulting from:						
Portion of gains subject to different tax rates	1	(7)	8	—	(4)	4
Change in tax rates and new legislation	—	7	(7)	—	3	(3)
Taxable income attributed to non-controlling interests	(1)	(10)	9	(6)	(12)	6
International operations subject to different tax rates	—	(1)	1	1	—	1
Recognition of deferred tax assets	(21)	—	(21)	(7)	(1)	(6)
Non-recognition of the benefit of current year tax losses	4	2	2	2	2	—
Other	—	1	(1)	—	1	(1)
Effective income tax rate	9%	18 %	(9%)	16%	15%	1%

The decrease in income tax expense in the current quarter primarily relates to the recognition of certain deferred tax assets within our Private Equity segment due to an income tax benefit associated with an increase in the projected utilization of previously unrecognized loss carry forwards on the back of achieved and expected growth of our nuclear technology services operation. This reduced our effective tax rate by 21% in the current quarter.

As an asset manager, 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 reduced our effective tax rate by 1% 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 resulted in no impact in our effective tax rate in the current quarter. The difference will vary from period to period depending on the relative proportion of income earned in each country.

BALANCE SHEET ANALYSIS

The following table summarizes the statement of financial position of the company as at June 30, 2022 and December 31, 2021:

AS AT JUN. 30, 2022 AND DEC. 31, 2021 (MILLIONS)	2022	2021	Change
Assets			
Property, plant and equipment	\$ 114,219	\$ 115,489	\$ (1,270)
Investment properties	106,952	100,865	6,087
Equity accounted investments	45,248	46,100	(852)
Cash and cash equivalents	12,205	12,694	(489)
Accounts receivable and other	26,563	21,760	4,803
Intangible assets	34,750	30,609	4,141
Goodwill	22,104	20,227	1,877
Other assets	49,825	43,259	6,566
Total assets	\$ 411,866	\$ 391,003	\$ 20,863
Liabilities			
Corporate borrowings	\$ 12,054	\$ 10,875	\$ 1,179
Non-recourse borrowings of managed entities	187,585	165,057	22,528
Other non-current financial liabilities	25,838	27,718	(1,880)
Other liabilities	52,377	52,612	(235)
Equity			
Preferred equity	4,145	4,145	—
Non-controlling interests	88,215	88,386	(171)
Common equity	41,652	42,210	(558)
Total equity	134,012	134,741	(729)
	\$ 411,866	\$ 391,003	\$ 20,863

June 30, 2022 vs. December 31, 2021

Total assets increased by \$20.9 billion since December 31, 2021 to \$411.9 billion as at June 30, 2022. The increase is driven by recently completed business combinations and asset acquisitions, net of dispositions, predominantly attributable to our Private Equity segment. This was partially offset by amortization and depreciation of our asset base during the quarter.

PP&E decreased by \$1.3 billion as a result of:

- additions of \$5.1 billion, which includes the acquisition of our lottery services operation and roofing products manufacturer within our Private Equity segment; more than offset by
- the unfavorable impact of foreign currency translation of \$3.3 billion;
- depreciation of \$2.8 billion during the six months; and
- dispositions and assets reclassified as held for sale of \$456 million, most notably the sales of our hydroelectric portfolio in Brazil within our Renewable Power and Transition segment and vessels at our offshore oil services operation within our Private Equity segment.

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, 2022 increased by \$6.1 billion, mostly due to:

- additions of \$6.8 billion of investment properties predominantly through the acquisition of an interest in a German office portfolio;

- addition of \$5.9 billion, through other purchases of investment properties; and
- net valuation gains of \$2.4 billion, primarily driven by valuation increases in our core and LP investments; partially offset by
- asset sales and reclassifications to assets held for sale of \$6.6 billion in our real estate funds; and
- the negative impact of foreign currency translation and other of \$2.4 billion.

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

Equity accounted investments decreased by \$852 million to \$45.2 billion in the current quarter, mainly due to:

- our proportionate share of comprehensive income of \$855 million; being more than offset by
- the negative impact of foreign currency translation and other of \$663 million;
- dispositions of \$89 million, net of additions, primarily from the reclassification of our interest in our German office portfolio within our Real Estate segment, partially offset by the acquisitions of a roofing products manufacturer within our Private Equity segment and a smart meter business at our Infrastructure segment; and
- distributions and returns of capital received of \$1.3 billion.

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

Cash and cash equivalents decreased by \$489 million as at June 30, 2022. 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 increase of \$4.1 billion in our intangible assets primarily relates to the acquisitions of a lottery services operation and Australian residential mortgage lending service in our Private Equity segment, partially offset by amortization expense. Goodwill increased by \$1.9 billion due to additions from acquisitions, net of dispositions, primarily attributable to our Private Equity segment.

Other assets are comprised of inventory, deferred income tax assets, assets classified as held for sale and other financial assets. The increase of \$6.6 billion is primarily a result of:

- an increase in inventory of \$1.5 billion mainly due to higher prices at our road fuels operation within our Private Equity segment; and
- an increase in other financial assets of \$6.6 billion primarily due to the acquisition of an Australian residential mortgage lender in our Private Equity segment; partially offset by
- a decrease in assets held for sale of \$1.8 billion largely attributable to the dispositions of a triple-net lease portfolio and a hospitality portfolio in the U.S. in the first quarter of 2022, partially offset by the reclassification of certain portfolios within our Real Estate segment.

Corporate borrowings increased by \$1.2 billion from the \$400 million green bond issuance and \$400 million re-opening of our 2028 notes during the first quarter of 2022, as well as commercial paper issuances.

Non-recourse borrowings of managed entities increased by \$22.5 billion, net of borrowings reclassified to held for sale, largely attributable to recent acquisitions in our Private Equity and Real Estate segments.

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 \$1.9 billion was primarily due to a decrease in derivative liabilities within our Real Estate segment.

The decrease of \$235 million in other liabilities, was primarily due to the decrease in assets held for sale within our Real Estate segment. This decrease was partially offset by the increase in deferred income tax liabilities as a result of acquisitions completed in the current quarter within our Private Equity segment. Please see Note 6 of the consolidated financial statements for further information.

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

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, 2022
(MILLIONS)

Common equity, beginning of period	\$ 42,210
Changes in period	
Net income attributable to shareholders	1,949
Common dividends	(439)
Preferred dividends	(74)
Other comprehensive losses	(1,250)
Share repurchases, net of issuances	(409)
Ownership changes and other	(335)
	(558)
Common equity, end of period	<u>\$ 41,652</u>

Common equity decreased by \$558 million to \$41.7 billion during the six month period ended June 30, 2022. The change includes:

- net income attributable to common shareholders of \$1.9 billion; more than offset by
- distributions of \$513 million to shareholders as common and preferred share dividends;
- other comprehensive losses of \$1.3 billion, primarily due to foreign currency translation;
- share repurchases, net of issuances, of \$409 million, mainly related to the repurchase of 9 million Class A Limited Voting Shares (“Class A shares”) during the six months ended June 30, 2022; and
- ownership changes and other of \$335 million primarily attributable to losses recorded directly in equity on the step-up acquisition of our German office portfolio in the first quarter of 2022.

NON-CONTROLLING INTERESTS

Non-controlling interests in our consolidated results primarily consist of third-party interests in 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, 2022 AND DEC. 31, 2021
(MILLIONS)

	2022	2021
Brookfield Renewable	\$ 18,556	\$ 19,355
Brookfield Infrastructure	23,472	23,695
Brookfield Business Partners	11,261	10,197
Brookfield Property Group	27,557	28,064
Other participating interests	7,369	7,075
	<u>\$ 88,215</u>	<u>\$ 88,386</u>

Non-controlling interests decreased by \$171 million during the six month period ended June 30, 2022, primarily due to:

- comprehensive income attributable to non-controlling interests, which totaled \$1.8 billion; and
- ownership changes of \$2.1 billion; more than offset by
- distributions, net of equity issuances, of \$4.0 billion.

FOREIGN CURRENCY TRANSLATION

Approximately half of our capital is invested in non-U.S. 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, 2022 AND DEC. 31, 2021 AND FOR THE PERIODS ENDED JUN. 30	Average Rate								
	Period-End Spot Rate			Three Months Ended			Six Months Ended		
	2022	2021	Change	2022	2021	Change	2022	2021	Change
Australian dollar	0.6903	0.7262	(5)%	0.7143	0.7699	(7)%	0.7194	0.7713	(7)%
Brazilian real ¹	5.2383	5.5804	7 %	4.9261	5.2910	7 %	5.0781	5.3867	6 %
British pound	1.2178	1.3532	(10)%	1.2563	1.3982	(10)%	1.2987	1.3887	(6)%
Canadian dollar	0.7768	0.7913	(2)%	0.7834	0.8143	(4)%	0.7865	0.8021	(2)%
Colombian peso ¹	4,151.7	4,064.9	(2)%	3,923.7	3,695.3	(6)%	3,917.0	3,628.1	(7)%
Euro	1.0484	1.1370	(8)%	1.0647	1.2052	(12)%	1.0933	1.2052	(9)%

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 lower than December 31, 2021 for all of our significant non-U.S. dollar investments with the exception of the Brazilian reais. As at June 30, 2022, our common equity of \$41.7 billion was invested in the following currencies: U.S. dollars – 47% (December 31, 2021 – 55%); British pounds – 18% (December 31, 2021 – 16%); Canadian dollars – 8% (December 31, 2021 – 7%); Australian dollars – 7% (December 31, 2021 – 6%); Brazilian reais – 7% (December 31, 2021 – 6%); Colombian pesos – 1% (2021 – 1%); and other currencies – 12% (December 31, 2021 – 9%).

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

FOR THE PERIODS ENDED JUN. 30 (MILLIONS)	Three Months Ended		Six Months Ended	
	2022	2021	2022	2021
Australian dollar	\$ (787)	\$ (115)	\$ (520)	\$ (225)
Brazilian real	(1,053)	1,655	715	637
British pound	(1,002)	49	(1,420)	152
Canadian dollar	(525)	290	(369)	454
Colombian peso	(490)	(46)	(138)	(513)
Euro	(572)	199	(842)	(128)
Other	(827)	(105)	(816)	(286)
Total cumulative translation adjustments	(5,256)	1,927	(3,390)	91
Currency hedges ¹	2,432	(359)	2,009	(172)
Total cumulative translation adjustments net of currency hedges	\$ (2,824)	\$ 1,568	\$ (1,381)	\$ (81)
Attributable to:				
Shareholders	\$ (874)	\$ 468	\$ (527)	\$ 93
Non-controlling interests	(1,950)	1,100	(854)	(174)
	\$ (2,824)	\$ 1,568	\$ (1,381)	\$ (81)

1. Includes deferred income tax expense of \$103 million for the three months ended June 30, 2022 (2021 – recovery of \$9 million) and expense of \$94 million for the six months ended June 30, 2022 (2021 – recovery of \$5 million)

The foreign currency translation of our equity, net of currency hedges, for the three and six months ended June 30, 2022 generated a loss of \$2.8 billion and \$1.4 billion, respectively. This was primarily attributable to the lower 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 at quarter end.

CORPORATE DIVIDENDS

The dividends paid by Brookfield on outstanding securities during the first six months of 2022, 2021 and 2020, are summarized in the following table. Dividends to the Class A and B Limited Voting Shares have been adjusted to reflect a three-for-two stock split on April 1, 2020.

	Distribution per Security		
	2022	2021	2020
Class A and B ¹ Limited Voting Shares ("Class A and B shares") ²	\$ 0.28	\$ 0.26	\$ 0.24
Special distribution to Class A and B shares ³	—	0.36	—
Class A Preferred Shares			
Series 2	0.19	0.17	0.21
Series 4	0.19	0.17	0.21
Series 8	0.27	0.25	0.31
Series 9	0.27	0.28	0.25
Series 13	0.19	0.17	0.21
Series 15	0.11	0.06	0.18
Series 17	0.47	0.48	0.44
Series 18	0.47	0.48	0.44
Series 24	0.32	0.30	0.28
Series 25 ⁴	—	0.24	0.36
Series 26 ⁵	0.36	0.35	0.32
Series 28	0.27	0.27	0.25
Series 30	0.46	0.47	0.43
Series 32	0.50	0.51	0.46
Series 34	0.44	0.44	0.41
Series 36	0.48	0.49	0.44
Series 37	0.48	0.49	0.45
Series 38 ⁶	0.35	0.36	0.37
Series 40	0.40	0.40	0.37
Series 42 ⁷	0.32	0.39	0.41
Series 44	0.49	0.50	0.46
Series 46 ⁸	0.50	0.48	0.44
Series 48	0.47	0.48	0.44

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

2. Adjusted to reflect the three-for-two stock split effective April 1, 2020.

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

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 March 31, 2020.

7. Dividend rate reset commenced June 30, 2020.

8. Dividend rate reset commenced March 31, 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.

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. For example, seasonality affects our contract drilling and well-servicing operations as the ability to move heavy equipment safely and efficiently in western Canadian oil and gas fields is dependent on weather conditions. Within our infrastructure services, the core operating plants business of our service provider to the power generation industry 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 fuel marketing and road fuel distribution businesses, 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 residential development operations are seasonal in nature and a large portion is correlated with the ongoing strength of the U.S. housing market and, to a lesser extent, economic conditions in Brazil. Results in these businesses are typically higher in the third and fourth quarters compared to the first half of the year, as weather conditions are more favorable in the latter half of the year which tends to increase construction activity levels. Our condensed statements of operations for the eight most recent quarters are as follows:

FOR THE PERIODS ENDED (MILLIONS, EXCEPT PER SHARE AMOUNTS)	2022		2021				2020	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	\$23,256	\$21,882	\$21,787	\$19,248	\$18,286	\$16,410	\$17,088	\$16,249
Net income	1,475	2,960	3,461	2,722	2,429	3,776	1,815	542
Net income to shareholders	590	1,359	1,118	797	816	1,235	643	172
Per share								
- diluted	\$ 0.34	\$ 0.81	\$ 0.66	\$ 0.47	\$ 0.49	\$ 0.77	\$ 0.40	\$ 0.10
- basic	0.35	0.84	0.69	0.49	0.51	0.79	0.41	0.10

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)	2022		2021				2020	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Fair value changes	\$ (397)	\$ 1,780	\$ 1,980	\$ 700	\$ 377	\$ 2,094	\$ 175	\$ (31)
Income taxes	(141)	(708)	(516)	(717)	(547)	(544)	(243)	(225)
Net impact	<u>\$ (538)</u>	<u>\$ 1,072</u>	<u>\$ 1,464</u>	<u>\$ (17)</u>	<u>\$ (170)</u>	<u>\$ 1,550</u>	<u>\$ (68)</u>	<u>\$ (256)</u>

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 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 valuation gains at our consolidated and equity accounted investments within our Real Estate segment, 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.
- In the second quarter of 2021, revenues increased in comparison to the prior quarter due to same-store growth in most of our businesses. The lower net income in the quarter as compared to the first quarter of 2021, is a result of lower fair value gains partially offset by asset sale activity within our Infrastructure segment.
- In the first quarter of 2021, revenues decreased in comparison to the prior quarter primarily due to lower same-store results due in part to seasonality across certain operating segments. The higher net income in the quarter is a result of gains from asset sale activities.
- In the fourth quarter of 2020, 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 a result of gains from asset sales in the quarter as well as a positive contribution from our equity accounted investments and fair value changes.
- In the third quarter of 2020, revenues increased relative to the prior quarter due to increased contributions from recent acquisitions across our businesses. We had net income in the quarter, relative to the prior quarter's net loss, as a result of improved performance across many of our businesses and a positive contribution from fair value changes within our consolidated investment properties, particularly within our BSREP III fund.

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, five operating businesses and our corporate activities, which collectively represent seven operating segments for internal and external reporting purposes. We measure operating performance primarily using FFO generated by each operating segment and the amount of capital invested by the Corporation in each segment using common equity. Common equity relates to invested capital allocated to a particular business segment which we use interchangeably with segment common equity. To further assess operating performance for our Asset Management segment we also provide unrealized carried interest¹ which represents carried interest generated on unrealized changes in value of our private fund investment portfolios, net of realized carried interest.

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

- i. *Asset Management* business includes managing our 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. We generate contractual base management fees for these activities as well as incentive distributions and performance income, including performance fees, transaction fees and carried interest.
- ii. *Renewable Power and Transition* business includes the ownership, operation and development of hydroelectric, wind, solar and energy transition power generating assets.
- iii. *Infrastructure* business includes the ownership, operation and development of utilities, transport, midstream, data and sustainable resource assets.
- iv. *Private Equity* business includes a broad range of industries, and is mostly focused on business services, infrastructure services and industrials.
- v. *Real Estate* business includes the ownership, operation and development of core investments, transitional and development investments, and our share of LP investments, which sit within our private funds.
- vi. *Residential Development* business consists of homebuilding, condominium development and land development.
- vii. *Corporate Activities* include the investment of cash and financial assets, our share of the investment in our insurance solutions business, 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 FFO and common equity within our segments that relate to our perpetual affiliates (BEP, BIP, BBU, BPG). We believe that identifying the FFO and common equity attributable to our perpetual affiliates enables investors to understand how the results of these entities are integrated into our financial results and is helpful in analyzing variances in FFO between reporting periods. Additional information with respect to these perpetual affiliates is available in their public filings. We also separately identify the components of our asset management FFO and realized disposition gains included within the FFO of each segment in order to facilitate analysis of variances in FFO between reporting periods.

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

SUMMARY OF RESULTS BY OPERATING SEGMENT

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

AS AT JUN. 30, 2022 AND DEC. 31, 2021 AND FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)	Revenues ¹			FFO			Common Equity		
	2022	2021	Change	2022	2021	Change	2022	2021	Change
	Asset Management	\$ 1,092	\$ 1,225	\$ (133)	\$ 573	\$ 688	\$ (115)	\$ 4,754	\$ 4,905
Renewable Power and Transition	1,340	1,279	61	122	88	34	5,049	5,264	(215)
Infrastructure	3,761	2,856	905	245	317	(72)	2,781	3,022	(241)
Private Equity	14,698	11,262	3,436	264	337	(73)	3,620	3,565	55
Real Estate	2,765	2,234	531	223	189	34	31,542	32,004	(462)
Residential Development	559	609	(50)	100	42	58	2,077	2,392	(315)
Corporate Activities	(7)	88	(95)	(128)	(61)	(67)	(8,171)	(8,942)	771
Total segments	<u>\$24,208</u>	<u>\$19,553</u>	<u>\$ 4,655</u>	<u>\$ 1,399</u>	<u>\$ 1,600</u>	<u>\$ (201)</u>	<u>\$41,652</u>	<u>\$42,210</u>	<u>\$ (558)</u>

1. Revenues include inter-segment revenues which are adjusted to arrive at external revenues for IFRS purposes. Please refer to Note 3(c) of the consolidated financial statements for further details.

Total revenues and FFO were \$24.2 billion and \$1.4 billion in the current quarter, compared to \$19.6 billion and \$1.6 billion in the prior period, respectively. FFO includes realized disposition gains of \$197 million, compared to \$582 million in the prior year quarter.

Revenues increased primarily due to organic growth initiatives across our businesses and from acquisitions completed in the last twelve months across most segments. These increases were partially offset by sales of operating businesses over the last twelve months.

The decrease in FFO is primarily a result of:

- increased fee-related earnings driven by strong fundraising, including contributions from our latest round of flagship funds and continued capital deployments;
- higher prices and volumes at our infrastructure services operations within our Private Equity segment;
- organic growth across our businesses, as well as contributions from recent acquisitions, net of the impact of asset sales; and
- strong same-store contributions from our office, retail and hospitality portfolios within our Real Estate segment; more than offset by
- lower realized disposition gains as the prior period primarily related to the sale of our Canadian district energy operation within our Infrastructure segment; and
- lower realized carried interest¹ in our Asset Management segment as the prior period benefitted from a higher level of monetization activities.

Common equity decreased by \$558 million since year-end to \$41.7 billion, as the positive contributions from net income were more than offset by the impact of foreign exchange, dividends paid and share buybacks.

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

ASSET MANAGEMENT

FEE-BEARING CAPITAL

The following table summarizes fee-bearing capital:

AS AT JUN. 30, 2022 AND DEC. 31, 2021 (MILLIONS)	Long-Term Private Funds	Perpetual Strategies	Liquid Strategies	Total 2022	Total 2021
Renewable power and transition	\$ 23,221	\$ 26,817	\$ —	\$ 50,038	\$ 47,525
Infrastructure	30,338	43,826	—	74,164	67,736
Private equity	31,683	7,271	—	38,954	34,395
Real estate	55,536	33,810	—	89,346	82,282
Credit and other	41,196	21,256	76,802	139,254	132,195
June 30, 2022	\$ 181,974	\$ 132,980	\$ 76,802	\$ 391,756	n/a
December 31, 2021	\$ 169,279	\$ 114,624	\$ 80,230	n/a	\$ 364,133

We have approximately \$36 billion of additional committed capital that does not currently earn fees but will generate approximately \$360 million in annual fees once deployed.

Fee-bearing capital increased by \$13.2 billion during the quarter. The changes are set out in the following table:

AS AT AND FOR THE THREE MONTHS ENDED JUN. 30, 2022 (MILLIONS)	Renewable Power and Transition	Infrastructure	Private Equity	Real Estate	Credit and Other	Total
Balance, March 31, 2022	\$ 51,468	\$ 75,530	\$ 35,917	\$ 84,704	\$ 130,968	\$ 378,587
Inflows	2,916	4,283	4,274	4,073	22,300	37,846
Outflows	—	—	—	(157)	(5,630)	(5,787)
Distributions	(572)	(1,052)	(594)	(1,144)	(487)	(3,849)
Market valuation	(3,785)	(4,341)	(999)	1,225	(7,234)	(15,134)
Other	11	(256)	356	645	(663)	93
Change	(1,430)	(1,366)	3,037	4,642	8,286	13,169
Balance, June 30, 2022	\$ 50,038	\$ 74,164	\$ 38,954	\$ 89,346	\$ 139,254	\$ 391,756

Renewable Power and Transition fee-bearing capital decreased by \$1.4 billion, due to:

- \$3.8 billion decrease in market valuations as a result of the lower market capitalization of BEP; and
- \$572 million of distributions, including quarterly distributions paid to BEP's unitholders; partially offset by
- \$2.9 billion of inflows largely driven by additional capital raised for our transition fund.

Infrastructure fee-bearing capital decreased by \$1.4 billion, due to:

- \$4.3 billion decrease in market valuations as a result of the lower market capitalization of BIP; and
- \$1.1 billion of distributions, including quarterly distributions paid to BIP's unitholders and capital returned to investors; partially offset by
- \$4.3 billion of inflows largely driven by additional capital raised from follow-on investments within our third flagship fund and capital deployed within our perpetual infrastructure fund; and

Private Equity fee-bearing capital increased by \$3.0 billion, due to:

- \$4.3 billion of inflows from our sixth flagship private equity fund and capital deployed across other private equity funds; partially offset by
- \$1.0 billion decrease in market valuations as a result of the lower market capitalization of BBU;

- \$594 million of distributions, including quarterly distributions paid to BBU's unitholders and capital returned to investors; and
- \$356 million related to an increase in working capital.

Real Estate fee-bearing capital increased by \$4.6 billion, due to:

- \$4.1 billion of inflows from incremental capital raised for our fourth flagship real estate fund and capital deployed across various other fund strategies; and
- \$1.2 billion increase from higher valuations in our perpetual strategies during the quarter; partially offset by
- \$1.1 billion of distributions across our perpetual strategies and capital returned to investors.

Credit and Other fee-bearing capital increased by \$8.3 billion, due to:

- \$22.3 billion of inflows primarily as a result of Brookfield Asset Management Reinsurance Partners Ltd.'s ("BAMR")¹ acquisition of American National Group ("American National")¹ and capital deployed within our credit strategies; partially offset by
- \$7.2 billion of impact from lower market valuations, primarily from our liquid strategies;
- \$5.6 billion of outflows due to redemptions within our liquid and perpetual strategies; and
- \$487 million of distributions within our long-term private funds.

CARRY ELIGIBLE CAPITAL

Carry eligible capital increased by \$4.2 billion during the quarter to \$175.7 billion as at June 30, 2022 (March 31, 2022 – \$171.5 billion). The increase was primarily related to additional capital raised for our transition fund, our sixth private equity flagship fund, and our fourth real estate flagship fund.

As at June 30, 2022, \$117.7 billion of carry eligible capital was deployed (March 31, 2022 – \$117.5 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 \$58.0 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, 2022 – \$53.9 billion).

OPERATING RESULTS

Asset management FFO includes fee-related earnings and realized carried interest earned by us in respect of capital managed for our investors. 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.

To facilitate analysis, the following table disaggregates our Asset Management segment revenues and FFO into fee-related earnings and realized carried interest, net, as these are the measures that we use to analyze the performance of the Asset Management segment. We also analyze unrealized carried interest, net, to provide insight into the value our investments have created in the period.

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

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

FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)	Ref.	Revenues		FFO	
		2022	2021	2022	2021
Fee-related earnings	i	\$ 993	\$ 890	\$ 525	\$ 483
Realized carried interest	ii	99	335	48	205
Asset management		<u>\$ 1,092</u>	<u>\$ 1,225</u>	<u>\$ 573</u>	<u>\$ 688</u>
Unrealized carried interest					
Generated				\$ 553	\$ 1,087
Foreign exchange				(225)	46
				<u>328</u>	<u>1,133</u>
Less: direct costs				(68)	(432)
Unrealized carried interest, net	iii			<u>260</u>	<u>701</u>
Less: unrealized carried interest not attributable to BAM				(5)	(68)
				<u>\$ 255</u>	<u>\$ 633</u>

i. Fee-Related Earnings

FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)		2022	2021
Fee revenues			
Base management fees		\$ 894	\$ 726
Incentive distributions		84	84
Performance fees		—	79
Transaction and advisory fees		15	1
		<u>993</u>	<u>890</u>
Less: direct costs		(433)	(369)
		<u>560</u>	<u>521</u>
Less: fee-related earnings not attributable to BAM		(35)	(38)
Fee-related earnings		<u>\$ 525</u>	<u>\$ 483</u>

Fee-related earnings increased to \$525 million at our share, mainly due to higher base management fees driven by increased fee-bearing capital and higher transaction and advisory fees in the quarter, partially offset by increased direct costs.

Base management fees increased by \$168 million to \$894 million, representing a 23% increase from the same quarter in 2021. The increase is broken down as follows:

- \$70 million increase in our Real Estate segment largely due to capital raised for our fourth flagship fund, higher valuations across our perpetual strategies and capital deployed during the quarter;
- \$34 million increase from our Renewable Power and Transition segment due to capital raised for our transition fund, partially offset by a lower market capitalization for BEP compared to the prior year quarter;
- \$29 million increase in our Credit and Other business due to capital deployed within our closed-end funds, partially offset by lower valuations across our liquid strategies;
- \$23 million increase from our Infrastructure segment, primarily as a result of BIP's increased market capitalization and their capital market issuance in the quarter; and
- \$12 million increase from our Private Equity segment largely due to capital raised for our sixth flagship private equity fund.

Incentive distributions across our perpetual affiliates were consistent at \$168 million, as higher incentive distributions earned from BIP and BEP due to higher distribution levels were offset by the absence of BPY's

incentive distributions fees following its privatization in the third quarter of 2021.

The margin on our fee-related earnings, including our 64% share of Oaktree's fee-related earnings, improved to 59% in the current quarter (2021 – 57%). Our fee-related earnings margin before performance fees, including 100% of Oaktree's fee-related earnings, was 56% in the current quarter (2021 – 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 \$64 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.

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 \$48 million of carried interest, net of direct costs (2021 – \$205 million). Realizations during the quarter were primarily driven by distribution and monetization activities in our credit and real estate fund strategies.

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. Unrealized Carried Interest

The amounts of accumulated unrealized carried interest 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)	2022			2021		
	Carried Interest	Direct Costs	Net	Carried Interest	Direct Costs	Net
Accumulated unrealized, beginning of period.....	\$ 8,404	\$ (2,753)	\$ 5,651	\$ 5,410	\$ (1,969)	\$ 3,441
In-period change						
Unrealized in period.....	553	(123)	430	1,087	(417)	670
Foreign currency revaluation.....	(225)	55	(170)	46	(15)	31
	328	(68)	260	1,133	(432)	701
Less: realized.....	(99)	40	(59)	(335)	109	(226)
	229	(28)	201	798	(323)	475
Accumulated unrealized, end of period.....	8,633	(2,781)	5,852	6,208	(2,292)	3,916
Carried interest not attributable to BAM shareholders.....	(936)	483	(453)	(879)	469	(410)
Accumulated unrealized, end of period, net	<u>\$ 7,697</u>	<u>\$ (2,298)</u>	<u>\$ 5,399</u>	<u>\$ 5,329</u>	<u>\$ (1,823)</u>	<u>\$ 3,506</u>

Unrealized carried interest generated in the current quarter before foreign exchange and associated costs was \$553 million, primarily related to increased valuations across our strategies.

Accumulated unrealized carried interest, net¹, totaled \$7.7 billion at June 30, 2022. We estimate approximately \$2.3 billion of 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 \$3.7 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 monetization.

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

RENEWABLE POWER AND TRANSITION

SUMMARY OF OPERATING RESULTS

The following table disaggregates segment revenues and our share of FFO and common equity of entities in our Renewable Power and Transition segment, which was previously referred to as our Renewable Power segment. We have provided additional detail, where referenced, to explain significant movements from the prior period.

AS AT JUN. 30, 2022 AND DEC. 31, 2021 AND FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)	Ref.	Revenues		FFO		Common Equity	
		2022	2021	2022	2021	2022	2021
Brookfield Renewable ¹	i	\$ 1,333	\$ 1,303	\$ 131	\$ 86	\$ 4,446	\$ 4,641
Energy contracts	ii	7	(24)	(23)	(31)	603	623
Realized disposition gains	iii	—	—	14	33	—	—
		<u>\$ 1,340</u>	<u>\$ 1,279</u>	<u>\$ 122</u>	<u>\$ 88</u>	<u>\$ 5,049</u>	<u>\$ 5,264</u>

1. Brookfield's interest in BEP consists of 194.5 million redemption-exchange units, 68.7 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 48% of BEP.

Compared to the prior year quarter, revenues increased by \$61 million primarily driven by contributions from organic growth initiatives, recent acquisitions and higher realized pricing across most markets. FFO increased by \$34 million, as a result of higher prices, favorable same-store generation and contributions from growth initiatives.

Excluding realized disposition gains, FFO increased by \$53 million. This increase was mainly attributable to the aforementioned contributions, partially offset by lower generation in Europe.

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	
	2022	2021	2022	2021	2022	2021
Hydroelectric	5,541	4,534	5,535	5,465	\$ 205	\$ 161
Wind	1,545	1,559	1,684	2,003	76	125
Solar	541	538	663	620	74	53
Energy transition	351	382	270	268	38	37
Corporate	—	—	—	—	(99)	(108)
Attributable to unitholders	<u>7,978</u>	<u>7,013</u>	<u>8,152</u>	<u>8,356</u>	<u>294</u>	<u>268</u>
Non-controlling interests and other ²					(163)	(149)
Segment reallocation ³					—	(33)
Brookfield's interest					<u>\$ 131</u>	<u>\$ 86</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 \$24 million (2021 - \$20 million) as the general partner of BEP.

3. Segment reallocation refers to 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 second quarter of 2022 was \$294 million, our share was \$131 million compared to \$86 million in the prior year quarter. Generation for the quarter totaled 7,978 GWh, relatively consistent with the long-term average ("LTA")¹ and a 14% increase compared to the prior year quarter. 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 increased by \$44 million relative to the prior year quarter. The increase is mainly attributable to:

- benefits from strong pricing and favorable hydrology conditions across North America; and
- higher generation and average pricing from our Colombian operation driven by inflation indexation and recontracting initiatives.

Wind

FFO in the current quarter decreased by \$49 million relative to the prior year quarter, as a result of the absence of a \$48 million gain recognized on the sale of certain development assets in the prior period. Excluding this gain, FFO was consistent compared to the prior year quarter.

Solar

FFO in the current quarter increased by \$21 million relative to the prior year quarter primarily due to higher market prices and newly commissioned facilities.

Energy Transition

FFO from our energy transition operation was consistent with the prior year quarter.

Corporate

The corporate FFO deficit decreased by \$9 million due to reduced management fees as a result of the lower market capitalization of BEP.

ii. Energy Contracts

During the quarter, we purchased 949 GWh (2021 – 727 GWh) from BEP at \$72 per MWh (2021 – \$77 per MWh) and sold the purchased generation at an average selling price of \$51 per MWh (2021 – \$36 per MWh). As a result, we incurred an FFO deficit of \$23 million compared to a deficit of \$31 million in the prior year quarter.

iii. Realized Disposition Gains

Disposition gains of \$14 million for the quarter are attributable to the sale of our Brazil hydroelectric portfolio and solar assets in Asia.

Disposition gains of \$33 million for the prior year quarter relate to the sale of our wind portfolio in Ireland.

COMMON EQUITY

Common equity in our Renewable Power and Transition segment decreased to \$5.0 billion as at June 30, 2022 from \$5.3 billion as at December 31, 2021, as contributions from FFO were more than offset by the decline in most foreign exchange rates relative to the U.S. dollar. Our Renewable Power and Transition PP&E is revalued annually, and therefore, common equity in this segment is typically not affected by revaluation items during the first three quarters of the year. For further information, refer to our Revaluation Method for PP&E within Part 5 – Accounting Policies and Internal Controls.

INFRASTRUCTURE

SUMMARY OF OPERATING RESULTS

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

AS AT JUN. 30, 2022 AND DEC. 31, 2021 AND FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)	Ref.	Revenues		FFO		Common Equity	
		2022	2021	2022	2021	2022	2021
Brookfield Infrastructure ¹	i	\$ 3,737	\$ 2,713	\$ 123	\$ 89	\$ 2,564	\$ 2,696
Sustainable resources and other	ii	24	143	2	7	217	326
Realized disposition gains	iii	—	—	120	221	—	—
		\$ 3,761	\$ 2,856	\$ 245	\$ 317	\$ 2,781	\$ 3,022

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.

Revenues and FFO, excluding realized disposition gains, increased by \$905 million and \$29 million, respectively, compared to the prior year quarter. The increases were primarily as a result of contributions from recent acquisitions as well as organic growth across our operations.

i. Brookfield Infrastructure

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

FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)	2022	2021
Utilities	\$ 188	\$ 190
Transport	199	173
Midstream	170	60
Data	60	60
Corporate	(104)	(89)
Attributable to unitholders	513	394
Non-controlling interests and other ¹	(386)	(296)
Segment reallocation ²	(4)	(9)
Brookfield's interest	\$ 123	\$ 89

1. Includes incentive distributions paid to Brookfield of \$60 million (2021 - \$50 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. This allows us to present FFO attributable to unitholders on the same basis as BIP in the table above.

BIP's FFO for the second quarter of 2022 was \$513 million, our share was \$123 million compared to \$89 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 \$188 million was consistent compared to the prior period.

Transport

FFO from our transport operations of \$199 million was \$26 million higher than the prior year quarter. The increase is mainly attributable to:

- benefits from inflationary tariff increases across our transport operations;
- higher storage revenue at our North American and U.K. ports due to supply chain congestion; and
- strong performance at our U.S. LNG export terminal due to continued strength in prices; partially offset by
- the absence of contributions associated with the sale of our Chilean toll road operation in the fourth quarter of 2021.

Midstream

FFO in our midstream operations of \$170 million was \$110 million higher than the prior year quarter. The increase is primarily due to:

- contributions from our acquisition of IPL in the second half of 2021; and
- elevated commodity prices and increased utilization.

Data

FFO from our data operations of \$60 million was consistent compared to the prior period.

Corporate

The Corporate FFO deficit of \$104 million increased by \$15 million from the prior year quarter, largely attributable to higher base management fees from a higher market capitalization of BIP.

ii. Sustainable Resources and Other

FFO at our sustainable resources and other operations decreased by \$5 million relative to the prior period, caused by the sale of the portfolio since the prior year quarter.

iii. Realized Disposition Gains

Disposition gains of \$120 million in the quarter related to the sales of our North American port operation and a sustainable resources portfolio in Brazil.

The prior period disposition gains of \$221 million primarily relate to the sale of our district energy operation in Canada and our portfolio of smart meters in the U.K.

COMMON EQUITY

Common equity in our Infrastructure segment was \$2.8 billion as at June 30, 2022 (December 31, 2021 – \$3.0 billion). The contributions from earnings were more than offset by distributions to unitholders and the impact of foreign currency translation.

This equity is primarily our investment 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 segment revenues and our share of FFO and common equity of entities in our Private Equity segment. We have provided additional detail, where referenced, to explain significant movements from the prior period.

AS AT JUN. 30, 2022 AND DEC. 31, 2021 AND FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)	Ref.	Revenues		FFO		Common Equity	
		2022	2021	2022	2021	2022	2021
Brookfield Business Partners ¹	i	\$ 14,637	\$ 11,261	\$ 211	\$ 79	\$ 2,768	\$ 2,803
Other investments	ii	61	1	22	15	852	762
Realized disposition gains	iii	—	—	31	243	—	—
		\$ 14,698	\$ 11,262	\$ 264	\$ 337	\$ 3,620	\$ 3,565

1. Brookfield's interest in BBU consists of 69.7 million redemption-exchange units, 24.8 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.

Revenues generated from our Private Equity segment increased by \$3.4 billion, as a result of higher prices and volumes at our road fuels operation, as well as contributions from the recent acquisitions in the first half of 2022. These increases were partially offset by the partial sale of a stake in our graphite electrode operation in 2021.

FFO decreased by \$73 million due to the disposition gains of \$243 million in the prior period. Excluding realized disposition gains, FFO increased by \$139 million, mainly due to newly acquired operations, and continued strong performance at our residential mortgage insurer operation.

i. Brookfield Business Partners

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

FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)	2022	2021
Business services	\$ 151	\$ 93
Infrastructure services	124	72
Industrials	101	216
Corporate	(34)	(25)
Attributable to unitholders	342	356
Performance fees	—	(79)
Non-controlling interests	(119)	(104)
Segment reallocation and other ¹	(12)	(94)
Brookfield's interest	\$ 211	\$ 79

1. Segment reallocation and other refers to 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 \$342 million of FFO compared to \$356 million in the prior year quarter, our share was \$211 million compared to \$79 million in the prior year quarter. Key variances for our operations are described on the following page.

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

Business Services

Business services' FFO included a gain of \$19 million related to the sale of a financial asset. Excluding the disposition gain, FFO increased by \$39 million, compared to the prior year quarter. Contributing factors include:

- strong business performance at our residential mortgage insurer operation as a result of continued lower mortgage default rates and higher premiums earned due to the resilient Canadian housing market; and
- increased contributions from our road fuels operation driven by higher volumes and prices.

Infrastructure Services

Within our infrastructure services operations, we generated \$124 million of FFO, an increase of \$52 million compared to prior year quarter, largely driven by:

- contributions from the acquisitions of our modular building leasing services and lottery service operations in the fourth quarter of 2021 and second quarter of 2022, respectively; and
- strong business performance at our offshore oil services operation due to higher oil price and production volumes.

Industrials

Industrials' FFO in the prior period included a gain of \$148 million related to the partial sell-down of our stake in our graphite electrode operation. Excluding this gain, FFO increased by \$33 million to \$101 million primarily due to:

- contributions from the acquisition of our engineered components manufacturer in the fourth quarter of 2021; and
- increased contributions from our natural gas production operation; partially offset by
- lower contributions from our automotive aftermarket parts remanufacturer operation.

Corporate

The Corporate FFO deficit increased by \$9 million due to increased interest expense driven by higher borrowings.

ii. Other Investments

FFO from other investments increased by \$7 million to \$22 million mainly related to the acquisition of our roofing products manufacturer during the quarter.

iii. Realized Disposition Gains

Realized disposition gains of \$31 million in the quarter is attributable to the partial sale of our interests in public equity holdings.

Realized disposition gains were \$243 million in the prior year quarter, primarily due to the partial sales of our interests in West Fraser and our graphite electrode operation.

COMMON EQUITY

Common equity in our Private Equity segment was \$3.6 billion as at June 30, 2022 (December 31, 2021 – \$3.6 billion), which was consistent with year end. 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 segment revenues and our share of FFO and common equity of entities in our Real Estate segment. We have provided additional detail, where referenced, to explain significant movements from the prior period. We present the operating results of our Real Estate segment, which include our investment in BPY and in other directly held real estate investments, within three sub-segments. The sub-segments are based on our strategy to maintain an irreplaceable portfolio of trophy mixed-use precincts in global gateway cities (“Core”), maximize returns through a development or buy-fix-sell strategy (“Transitional and Development”), or recycle capital from our private funds (“LP Investments”). We also separately manage certain corporate activities for these underlying investments.

		Revenues		FFO		Common Equity	
		2022	2021	2022	2021	2022	2021
AS AT JUN. 30, 2022 AND DEC. 31, 2021 AND FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)	Ref.						
Brookfield Property Group ¹	i	\$ 2,765	\$ 2,234	\$ 220	\$ 154	\$ 31,542	\$ 32,004
Realized disposition gains	ii	—	—	3	35	—	—
		<u>\$ 2,765</u>	<u>\$ 2,234</u>	<u>\$ 223</u>	<u>\$ 189</u>	<u>\$ 31,542</u>	<u>\$ 32,004</u>

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

Revenues and FFO from our Real Estate business increased by \$531 million and \$34 million, respectively, compared to the prior period. Excluding realized disposition gains, FFO increased by \$66 million. These increases were primarily due to a step up in ownership following the privatization of BPY during the third quarter of 2021, as well as higher earnings from our retail portfolios within our Core operations and our hospitality assets within our LP Investments, resulting from the continued economic recovery. These increases were partially offset by higher management fee expenses.

i. Brookfield Property Group

The following table disaggregates BPG’s FFO by business line to facilitate analysis of the quarter-over-quarter variances:

FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)		2022	2021
Core		\$ 129	\$ 145
Transitional and Development		126	160
LP Investments		84	39
Corporate		(108)	(108)
Attributable to BPG		231	236
Non-controlling interests		—	(67)
Segment reallocation and other ¹		(11)	(15)
Brookfield’s interest		<u>\$ 220</u>	<u>\$ 154</u>

1. Reflects preferred dividend distributions as well as fee-related earnings, net carried interest and associated asset management expenses not included in FFO reclassified to the Asset Management segment.

BPG’s FFO for the second quarter of 2022 was \$220 million compared to \$154 million in the prior year quarter. Key variances for our operations are described on the following page.

Core

FFO of \$129 million was \$16 million lower than the prior year quarter. The main contributors are:

- the absence of incremental income from condominium sales recognized in the prior year quarter; partially offset by
- growth in same-property NOI within our retail and office portfolios.

Transitional and Development

FFO of \$126 million was \$34 million lower than the prior period mainly attributable to:

- the absence of a one-time distribution from a retail asset in the prior period; partially offset by
- increased contributions and growth in same-property NOI within our retail portfolios.

LP Investments

FFO of \$84 million was \$45 million higher than the prior year quarter due to benefits from the re-opening of our hospitality assets as pandemic-related restrictions and closures were lifted compared to the prior year quarter.

Corporate

Corporate expenses within our Real Estate segment of \$108 million, which include interest expense, management fees and other costs, remained consistent compared to the prior year quarter.

ii. Realized Disposition Gains

Realized disposition gains in the current quarter and prior year quarter of \$3 million and \$35 million, respectively, mainly relate to the sales of investment properties within our LP Investments portfolio.

COMMON EQUITY

Common equity in our Real Estate segment decreased to \$31.5 billion as at June 30, 2022 compared to \$32.0 billion as at December 31, 2021. The decrease is mainly attributable to contributions from FFO and valuation gains, partially offset by the aforementioned dispositions as well as distributions.

RESIDENTIAL DEVELOPMENT

SUMMARY OF OPERATING RESULTS

The following table disaggregates segment revenues, FFO and common equity into the amounts attributable to the two principal operating regions of our wholly owned residential development businesses:

	Revenues		FFO		Common Equity	
	2022	2021	2022	2021	2022	2021
AS AT JUN. 30, 2022 AND DEC. 31, 2021 AND FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)						
North America.....	\$ 434	\$ 526	\$ 80	\$ 31	\$ 1,480	\$ 1,892
Brazil and other.....	125	83	20	11	597	500
	\$ 559	\$ 609	\$ 100	\$ 42	\$ 2,077	\$ 2,392

North America

FFO from our North American operations increased by \$49 million to \$80 million. The increase is largely driven by the sale of two land parcels, higher average sales prices for homes and increased rental income.

As at June 30, 2022, we had 69 active housing communities (June 30, 2021 – 79) and 17 active land communities (June 30, 2021 – 17).

Brazil and Other

FFO at our Brazilian and other operations increased compared to the prior period, mainly due to sales of additional units.

Our Brazilian operations started 2022 with 26 projects under construction and as of June 30, 2022, we have 23 projects under construction.

COMMON EQUITY

Common equity was \$2.1 billion as at June 30, 2022 (June 30, 2021 – \$2.4 billion) and consists largely of residential development inventory which is carried at the lower of cost and market value, notwithstanding the length of time that we may have held these assets and created value through the development process. The decrease in common equity is primarily attributable to dividends received from our North America operation as a result of strong business performance.

CORPORATE ACTIVITIES

SUMMARY OF OPERATING RESULTS

The following table disaggregates segment revenues, FFO and common equity into the principal assets and liabilities within our corporate operations and associated FFO to facilitate analysis:

AS AT JUN. 30, 2022 AND DEC. 31, 2021 AND FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)	Revenues		FFO		Common Equity	
	2022	2021	2022	2021	2022	2021
Corporate cash and financial assets, net	\$ (7)	\$ 25	\$ (31)	\$ 20	\$ 2,680	\$ 3,522
Corporate borrowings	—	—	(124)	(106)	(12,054)	(10,875)
Preferred equity ^{1,2}	—	—	—	—	(4,375)	(4,375)
Insurance solutions	—	64	46	3	3,868	988
Other corporate investments	—	(1)	2	10	1,031	1,099
Corporate costs and taxes/ net working capital	—	—	(50)	(38)	679	699
Realized disposition gains	—	—	29	50	—	—
	\$ (7)	\$ 88	\$ (128)	\$ (61)	\$ (8,171)	\$ (8,942)

1. FFO excludes preferred share distributions of \$39 million (2021 – \$41 million).

2. Includes \$230 million of perpetual subordinated notes issued in November 2020 by a wholly owned subsidiary of Brookfield, included within non-controlling interest.

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, 2022, our portfolio of corporate cash and financial assets included \$1.8 billion of cash and cash equivalents (December 31, 2021 – \$1.9 billion). The decrease from December 31, 2021 is largely attributable to cash deployed to fund BAMR's acquisition of American National, dividends paid to shareholders, funding of capital calls, and the repurchase of 9.0 million Class A shares; partially offset by \$2.4 billion of distributable earnings and the issuance of commercial paper.

Our corporate cash and financial assets generated FFO deficit of \$31 million compared to FFO income of \$20 million in the prior year quarter primarily due to losses on our financial asset portfolio in the current 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 \$124 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 during the last twelve months.

Preferred equity does not revalue under IFRS and the total outstanding shares remain unchanged from year end.

We describe cash and financial assets, corporate borrowings and preferred equity in more detail within Part 4 – Capitalization and Liquidity.

Our share of FFO contributions in our insurance solutions business increased primarily due to BAMR's close of the acquisition of American National during the quarter.

Other corporate investments include our share of the corporate cash and financial assets of Oaktree. The decrease in FFO from the prior year quarter is primarily due to lower returns on Oaktree's balance sheet investments.

Corporate costs, taxes and net working capital were collectively in an asset position of \$679 million as at June 30, 2022, consistent with the prior year balance of \$699 million. Included within this balance are net deferred income tax assets of \$1.6 billion (December 31, 2021 – \$1.8 billion). The FFO deficit of \$50 million includes corporate costs and cash taxes, which were higher compared to the prior year quarter due to a higher tax expense.

Disposition gains of \$29 million were primarily due to the partial sale of a financial asset.

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 segment and our issued and outstanding common and preferred shares. Corporate debt includes unsecured bonds and excludes draws on revolving credit facilities and the issuance of short-term commercial paper. At June 30, 2022, our corporate capitalization was \$63.5 billion (December 31, 2021 – \$62.9 billion) with a debt to capitalization of 17% (December 31, 2021 – 16%).

*Consolidated Capitalization*¹ – reflects the aggregate capitalization of wholly owned, partially owned, and managed entities that we consolidate in our financial statements. At June 30, 2022, consolidated capitalization increased compared to the prior year largely due to acquisitions, which resulted in additional associated borrowings, working capital balances and non-controlling interests. 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, 2022 AND DEC. 31, 2021 (MILLIONS)	Ref.	Corporate		Consolidated	
		2022	2021	2022	2021
Corporate borrowings	i	\$ 12,054	\$ 10,875	\$ 12,054	\$ 10,875
Non-recourse borrowings					
Subsidiary borrowings	i	—	—	14,919	13,049
Property-specific borrowings	i	—	—	172,666	152,008
		12,054	10,875	199,639	175,932
Accounts payable and other		4,991	5,104	51,134	52,546
Deferred income tax liabilities		399	299	20,737	20,328
Subsidiary equity obligations		—	—	4,788	4,308
Liabilities associated with assets classified as held for sale		—	—	1,556	3,148
Equity					
Non-controlling interests		230	230	88,215	88,386
Preferred equity	ii	4,145	4,145	4,145	4,145
Common equity	iii	41,652	42,210	41,652	42,210
		46,027	46,585	134,012	134,741
Total capitalization		\$ 63,471	\$ 62,863	\$411,866	\$391,003
Debt to capitalization ¹		17%	16%	48%	45%

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

i. Borrowings

Corporate Borrowings

AS AT JUN. 30, 2022 AND DEC. 31, 2021 (\$ MILLIONS)	Average Rate		Average Term (Years)		Consolidated	
	2022	2021	2022	2021	2022	2021
Term debt	4.1%	4.2%	13	13	\$ 10,820	\$ 10,039
Commercial paper	2.2%	0.4%	<1	<1	1,315	462
Revolving facilities	n/a	1.1%	n/a	4	—	450
Deferred financing costs	n/a	n/a	n/a	n/a	(81)	(76)
Total					\$ 12,054	\$ 10,875

As at June 30, 2022, corporate borrowings included term debt of \$10.8 billion (December 31, 2021 – \$10.0 billion) which had an average term to maturity of 13 years (December 31, 2021 – 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.

The increase in term debt compared to the prior year is mainly driven by the issuance of \$400 million 2052 green notes and a \$400 million re-opening of our 2028 notes in the first quarter of 2022.

We had \$1.3 billion of commercial paper outstanding and revolving facility draws outstanding as at June 30, 2022 (December 31, 2021 – \$912 million). As at June 30, 2022, \$58 million of the facilities were utilized for letters of credit (December 31, 2021 – \$61 million).

Subsidiary Borrowings

We endeavor to capitalize our principal 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, 2022 AND DEC. 31, 2021 (\$ MILLIONS)	Average Rate		Average Term (Years)		Consolidated	
	2022	2021	2022	2021	2022	2021
Renewable power and transition	3.2%	3.9%	10	12	\$ 2,548	\$ 2,147
Infrastructure	3.7%	3.2%	11	10	3,489	2,719
Private equity	4.3%	2.6%	5	4	1,981	1,619
Real estate	3.8%	3.1%	4	4	4,802	4,782
Residential development	5.6%	5.3%	6	7	2,099	1,782
Total	4.0%	3.5%	7	7	\$ 14,919	\$ 13,049

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, 2022 AND DEC. 31, 2021 (\$ MILLIONS)	Average Rate		Average Term (Years)		Consolidated	
	2022	2021	2022	2021	2022	2021
Renewable power and transition	4.7%	4.5%	10	10	\$ 22,040	\$ 19,893
Infrastructure	5.5%	4.3%	7	7	28,691	28,515
Private equity	4.9%	4.7%	4	5	40,308	27,894
Real estate	4.2%	3.6%	3	3	80,875	74,978
Residential development	4.8%	4.4%	2	2	752	728
Total	4.7%	4.0%	5	5	\$172,666	\$152,008

Property-specific borrowings have increased by \$20.7 billion since December 31, 2021, which is largely attributable to acquisitions in our real estate and private equity operations.

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, 2022, 70% 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, 2022 AND DEC. 31, 2021 (\$ MILLIONS)	Fixed Rate				Floating Rate			
	2022		2021		2022		2021	
	Average Rate	Consolidated	Average Rate	Consolidated	Average Rate	Consolidated	Average Rate	Consolidated
Corporate borrowings	3.9%	\$ 12,054	4.2%	\$ 10,875	—%	\$ —	—%	\$ —
Subsidiary borrowings	4.3%	8,815	4.0%	8,619	3.6%	6,104	2.4%	4,430
Property-specific borrowings	5.1%	65,117	4.8%	58,392	4.3%	107,549	3.6%	93,616
Total	4.8%	\$ 85,986	4.7%	\$ 77,886	4.3%	\$ 113,653	3.5%	\$ 98,046

Non-controlling interests

Non-controlling interests decreased in the second quarter of 2022 primarily as a result of losses from foreign currency translation recorded in comprehensive income. This was partially offset by non-controlling equity interest assumed from recent acquisitions.

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, 2022 AND DEC. 31, 2021 (\$ MILLIONS)	Term	Average Rate		Amount	
		2022	2021	2022	2021
Fixed rate-reset	Perpetual	4.3%	4.1%	\$ 2,901	\$ 2,901
Fixed rate	Perpetual	4.8%	4.8%	739	739
Floating rate	Perpetual	3.6%	2.3%	505	505
Total		4.3%	4.0%	\$ 4,145	\$ 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, 2022 was 279 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	
	2022	2021	2022	2021
Outstanding at beginning of period	1,566.3	1,510.0	1,568.8	1,510.7
Issued (repurchased)				
Issuances	0.1	—	0.1	—
Repurchases	(5.1)	(4.2)	(9.0)	(6.7)
Long-term share ownership plans ¹	0.6	0.8	1.9	2.6
Dividend reinvestment plan and others	—	0.1	0.1	0.1
Outstanding at end of period	1,561.9	1,506.7	1,561.9	1,506.7
Unexercised options and other share-based plans ¹ and exchangeable shares of affiliate	76.2	80.7	76.2	80.7
Total diluted shares at end of period	1,638.1	1,587.4	1,638.1	1,587.4

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

The company holds 77.1 million Class A shares (June 30, 2021 – 69.9 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 16.1 million (June 30, 2021 – 21.3 million) shares issuable in respect of these plans based on the market value of the Class A shares at June 30, 2022 and June 30, 2021, resulting in a net reduction of 61.0 million (June 30, 2021 – 48.6 million) diluted shares outstanding.

During the second quarter of 2022, 0.5 million options were exercised, of which 0.1 million were issued on a net-settled basis, respectively, resulting in the cancellation of 0.4 million vested options.

The cash value of unexercised options was \$1.4 billion as at June 30, 2022 (June 30, 2021 – \$1.3 billion) based on the proceeds that would be paid on exercise of the options.

As of August 12, 2022, the Corporation had outstanding 1,561,671,137 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 liquidity, consist of:

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

We further assess overall liquidity inclusive of our perpetual affiliates BEP, BIP, BBU, BPG, BAMR and Oaktree because of their role in funding acquisitions both directly and through our managed funds. On a group basis, we had \$37 billion of core liquidity, including liquidity from corporate and perpetual affiliates, and \$111 billion of total liquidity, including third-party commitments available for drawdown in our private funds, as at June 30, 2022.

CAPITAL REQUIREMENTS

The Corporation has very few non-discretionary capital requirements. Our largest normal course capital requirements are our debt maturities and there are no corporate debt maturities until March 2024 when approximately \$1.1 billion is due. Periodically, we will fund acquisitions 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 we manage. 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, 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. In the case of our transition, infrastructure, private equity and real estate funds, these commitments are expected to be funded by BEP, BIP, BBU, BPG and BAM. On January 31, 2019, the Corporation committed \$2.75 billion to our third flagship real estate fund alongside BPG's \$1 billion commitment. As of June 30, 2022, the Corporation has funded \$1.8 billion of our commitment. On May 26, 2021, the Corporation committed \$2.5 billion to our fourth flagship real estate fund and has not funded any amount associated with this commitment. On August 3, 2020, the Corporation committed \$750 million to our latest opportunistic credit fund. As of June 30, 2022, the Corporation has funded \$337.5 million of our commitment. 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.

CORE AND TOTAL LIQUIDITY

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

AS AT JUN. 30, 2022 AND DEC. 31, 2021 (MILLIONS)	Corporate	Real Estate	Renewable Power and Transition	Infrastructure	Private Equity	Credit and Other ¹	Total 2022	Total 2021
Cash and financial assets, net	\$ 2,680	\$ 98	\$ 673	\$ 439	\$ 326	\$ 23,768	\$ 27,984	\$ 6,233
Undrawn committed credit facilities	2,532	1,356	2,037	1,580	319	1,028	8,852	8,778
Core liquidity²	5,212	1,454	2,710	2,019	645	24,796	36,836	15,011
Uncalled private fund commitments	—	25,013	14,167	6,356	12,536	15,783	73,855	77,079
Total liquidity²	\$ 5,212	\$ 26,467	\$ 16,877	\$ 8,375	\$ 13,181	\$ 40,579	\$ 110,691	\$ 92,090

1. Includes \$23 billion of liquidity held through our insurance portfolio.

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

As at June 30, 2022, the Corporation's core liquidity was \$5.2 billion, consisting of \$2.7 billion in 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 private funds, funding strategic transactions as well as seeding new investment products.

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 page 54. 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 2022, we generated \$1.2 billion of distributable earnings, inclusive of:

- \$525 million fee-related earnings;
- \$612 million of distributions from our perpetual affiliates and other principal investments, and yield earned on corporate cash and financial assets; and
- realizations, including \$48 million of net realized carried interest and \$129 million of disposition gains from principal investments; partially offset by
- corporate costs, interest expense, and preferred share dividends, net of equity-based compensation costs, of \$174 million.

The Corporation paid \$219 million in cash dividends on its common equity during the quarter ended June 30, 2022 (2021 – \$196 million). The Corporation paid \$538 million in non-cash dividends in kind as part of the BAMR spin-out during the quarter ended June 30, 2021.

The following table presents distributable earnings generated by the Corporation:

FOR THE PERIODS ENDED JUN. 30 (MILLIONS)	Three Months Ended		Six Months Ended	
	2022	2021	2022	2021
Fee revenues	\$ 993	\$ 890	\$ 1,958	\$ 1,691
Direct costs	(433)	(369)	(859)	(723)
	560	521	1,099	968
Amounts attributable to non-Brookfield shareholders	(35)	(38)	(73)	(72)
Fee-related earnings¹	525	483	1,026	896
Perpetual affiliates	548	421	1,081	810
Corporate cash and financial assets	(31)	20	(6)	93
Other principal investments	95	33	146	59
Distributions from investments	612	474	1,221	962
Insurance solutions operating earnings	46	3	59	4
Corporate borrowings	(124)	(106)	(241)	(214)
Corporate costs and taxes	(50)	(38)	(106)	(82)
	(174)	(144)	(347)	(296)
Preferred share dividends ²	(39)	(41)	(79)	(80)
Add back: equity-based compensation costs	39	27	76	56
	(174)	(158)	(350)	(320)
Distributable earnings before realizations	1,009	802	1,956	1,542
Realizations				
Realized carried interest, net ³	48	205	176	428
Disposition gains from principal investments	129	225	236	1,769
Distributable earnings	\$ 1,186	\$ 1,232	\$ 2,368	\$ 3,739

1. Includes \$66 million for the three months ended June 30, 2022 (2021 - \$63 million), and \$126 million for the six months ended June 30, 2022 (2021 - \$117 million) of fee-related earnings from Oaktree at our share.

2. Includes \$2 million (2021 - \$3 million) of dividends paid on perpetual subordinated notes.

3. Includes our share of Oaktree's distributable earnings attributable to realized carried interest.

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

AS AT JUN. 30, 2022 (MILLIONS, EXCEPT PER UNIT AMOUNTS)	Ownership %	Brookfield Owned Units	Distributions Per Unit	Quoted Value ²	Current Distributions (Current Rate) ³	YTD Distributions (Actual)
Distributions from investments						
Perpetual affiliates						
Brookfield Renewable ⁴	48%	312.0	\$ 1.28	\$ 10,895	\$ 399	\$ 200
Brookfield Infrastructure ⁵	27%	209.4	1.44	8,058	302	150
Brookfield Business Partners ⁶	65%	141.7	0.25	3,089	35	15
Brookfield Property Group ⁷	100%	n/a	n/a	n/a	1,483	716
					<u>2,219</u>	<u>1,081</u>
Corporate cash and financial assets^{8,9}	various	various	various	2,680	214	(6)
Other investments¹⁰	various	various	various	various	<u>2</u>	<u>1</u>
Total					<u>\$ 2,435</u>	<u>\$ 1,076</u>

1. Based on current distribution policies.
2. Quoted value represents the value of Brookfield owned units as at market close on June 30, 2022.
3. Distributions (current rate) are calculated by multiplying units held as at June 30, 2022 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 \$16 million of preferred share dividends received by the Corporation for the three months ended (2021 - nominal amounts) and \$32 million for the six months ended June 30, 2022 (2021 - nominal amounts).
8. Includes cash and cash equivalents and financial assets net of deposits.
9. YTD distributions relate to a decrease in valuations of our corporate cash and financial assets portfolio.
10. Other includes cash distributions from our listed investment within our Private Equity segment.

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	
	2022	2021	2022	2021
Operating activities	\$ 3,128	\$ 1,533	\$ 3,598	\$ 3,364
Financing activities	13,104	(2,306)	14,257	81
Investing activities	(15,547)	1,270	(18,219)	(2,889)
Change in cash and cash equivalents	\$ 685	\$ 497	\$ (364)	\$ 556

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

Operating Activities

Cash inflow from operating activities totaled \$3.1 billion in the second quarter of 2022, a \$1.6 billion increase from the second quarter of 2021. Excluding the net change in non-cash working capital, cash flow from operating activities increased by \$646 million versus the prior year period mainly as a result of the same-store growth across our business and contributions from subsidiaries acquired, net of disposals, during the last 12 months.

Financing Activities

Net cash inflows from financing activities totaled \$13.1 billion in the second quarter of 2022 versus outflows of \$2.3 billion in the prior year period, and primarily related to:

- non-recourse borrowings arranged by our subsidiaries, net of repayments, of \$12.2 billion;
- capital provided from non-controlling interests, net of capital repaid, of \$3.0 billion; and
- non-recourse credit facilities drawn, net, of \$1.4 billion related to short-term borrowings backed by private fund commitments; partially offset by
- distributions to non-controlling interests and shareholders of \$3.0 billion.

Investing Activities

Net cash outflows from investing activities were \$15.5 billion in the second quarter of 2022 versus inflows of \$1.3 billion in the prior year quarter, and mainly related to:

- acquisitions of subsidiaries, net of dispositions, of \$9.0 billion primarily associated with acquisitions in our Private Equity segment;
- acquisitions of financial assets and other, net of dispositions, of \$2.0 billion mainly as a result of investments in debt and equity securities across our operating segments as well as financial assets associated with managing currency risk;
- acquisitions of investment properties, net of dispositions, of \$1.9 billion; and
- additions to PP&E, net of dispositions, of \$1.5 billion.

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 9 of the unaudited June 30, 2022 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 significant accounting policies contained in Note 2 of the December 31, 2021 consolidated financial statements.

CONSOLIDATED FINANCIAL INFORMATION

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 88% 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 94%. 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, 46 of our properties were externally appraised, representing a gross property value of \$20 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 of June 30, 2022 and December 31, 2021 are summarized below.

	Core		Transitional and Development		LP Investments		Weighted Average	
	2022	2021	2022	2021	2022	2021	2022	2021
AS AT JUN. 30, 2022 AND DEC. 31, 2021	2022	2021	2022	2021	2022	2021	2022	2021
Discount rate	5.9%	5.9%	7.4%	7.3%	9.0%	9.1%	7.7%	7.7%
Terminal capitalization rate	4.6%	4.6%	5.9%	5.8%	6.1%	5.9%	5.6%	5.5%
Investment horizon (years)	11	11	10	10	14	13	12	12

The following table presents the impact on the fair value of our consolidated investment properties as at June 30, 2022 from a 25-basis point change to the relevant unobservable inputs. 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 the consolidated financial statements of BAM 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, 2022 (MILLIONS)	Fair Value	Sensitivity
Core	\$ 19,365	\$ 1,198
Transitional and Development	28,823	1,248
LP Investments	57,353	2,179
Other investment properties	1,411	51
Total	\$ 106,952	\$ 4,676

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, 2021 audited consolidated financial statements. Our PP&E are measured at fair value on a recurring basis with an effective date of revaluation for all asset classes as of December 31, 2021. Refer to Note 10 for further information.

MANAGEMENT REPRESENTATIONS AND INTERNAL CONTROLS

Internal Control Over Financial Reporting

No change in our internal control over financial reporting occurred during the quarter ended June 30, 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any material impact to our internal controls over financial reporting due to the global pandemic. We are continually monitoring and assessing our internal controls to minimize the impact of the global pandemic on their design and operating effectiveness.

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 Asset Management Inc. and its consolidated subsidiaries. The “Corporation” refers to our asset management business which is comprised of our asset management and corporate business segments.

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

We use **asset manager** to refer to our Asset Management segment 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 and real estate. These funds include core, credit, value-add and opportunistic closed-end funds and core long-life funds. We refer to these funds as our private funds.
- 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
- **BAMR** – Brookfield Asset Management Reinsurance Partners Ltd.
- **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.
- **BSREP III** – Brookfield Strategic Real Estate Partners III
- **BSREP IV** – Brookfield Strategic Real Estate Partners IV
- **GrafTech** – GrafTech International Ltd.
- **IPL** – Inter Pipeline Ltd.
- **Oaktree** – Oaktree Capital Management
- **West Fraser** – West Fraser Timber Co.

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 we manage, on a gross asset value basis, including assets for which we earn management fees and those for which we do not. AUM is calculated as follows: (i) for investments that Brookfield consolidates for accounting purposes or actively manages, including investments of 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. Brookfield’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, 2022, was as follows: BEP/BEPC – \$26.8 billion; BIP/BIPC – \$33.7 billion; BBU/BBUC – \$7.3 billion; and BPG – \$21.8 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)	2022	2021
Realized carried interest ¹	\$ 99	\$ 335
Less: direct costs associated with realized carried interest	(40)	(109)
	59	226
Less: realized carried interest not attributable to BAM	(11)	(21)
Realized carried interest, net	\$ 48	\$ 205

1. Includes \$58 million of realized carried interest related to Oaktree (2021 – \$113 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.

Adjusted carry eligible capital excludes uncalled fund commitments and funds that have not yet reached their preferred return, as well as co-investments and separately managed accounts that are subject to lower carried interest than our standard funds.

A reconciliation from carry eligible capital to adjusted carry eligible capital is provided below:

AS AT JUN. 30 (MILLIONS)	<u>2022</u>	<u>2021</u>
Carry eligible capital ¹	<u>\$117,373</u>	<u>\$ 87,669</u>
Less:		
Uncalled private fund commitments.....	<u>(41,810)</u>	(26,501)
Co-investments and other.....	<u>(8,219)</u>	(6,806)
Funds not yet at target preferred return.....	<u>(17,569)</u>	(10,416)
Adjusted carry eligible capital.....	<u>\$ 49,775</u>	<u>\$ 43,946</u>

1. Excludes carry eligible capital related to Oaktree.

Consolidated capitalization 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, such as our investments in Canary Wharf and several other businesses.

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 quickly 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 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 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 our Asset Management segment FFO (i.e., fee-related earnings and realized carried interest, net); distributions from our perpetual affiliates, other investments that pay regular cash distributions and FFO from our corporate cash and financial assets; other invested capital earnings, which include FFO from our insurance solutions business, residential operations, energy contracts, sustainable resources and other real estate, private equity, corporate investments that do not pay regular cash distributions, corporate costs and corporate interest expense; excluding equity-based compensation costs and net of preferred share dividend payments.

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 we manage which entitles us 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 our private funds.
- **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.

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 below for a table which reconciles fee-related earnings and total FFO to net income, 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 to revenue, the most comparable IFRS measure:

FOR THE PERIODS ENDED JUN. 30 (MILLIONS)	Three Months Ended		Six Months Ended	
	2022	2021	2022	2021
Revenue	\$ 23,256	\$ 18,286	\$ 45,138	\$ 34,696
Add: revenues from Oaktree	290	263	568	516
Add: Inter-segment and other revenues	568	536	1,150	1,007
Less: external revenues from consolidated subsidiaries of other segments	(23,121)	(18,195)	(44,898)	(34,528)
Fee Revenues	\$ 993	\$ 890	\$ 1,958	\$ 1,691

Funds from operations (“FFO”) is a key measure of our financial performance. We use FFO to assess operating results and the performance of our businesses on a segmented basis. While we use segment FFO as our segment measure of profit and loss (see Note 3 to our consolidated financial statements), the sum of FFO for all our segments, or total FFO, is a non-IFRS measure.

The following table reconciles total FFO, fee-related earnings, and distributable earnings to net income:

	Three Months Ended		Six Months Ended	
	Total		Total	
	2022	2021	2022	2021
FOR THE PERIODS ENDED JUN. 30 (MILLIONS)				
Net income	\$ 1,475	\$ 2,429	\$ 4,435	\$ 6,205
Financial statement components not included in FFO:				
Equity accounted fair value changes and other non-FFO items ¹	535	328	761	616
Fair value changes	397	(377)	(1,383)	(2,471)
Depreciation and amortization	1,886	1,571	3,697	3,081
Deferred income taxes	(189)	301	236	490
Realized disposition gains recorded as fair value changes or equity	152	488	520	2,212
Non-controlling interest in FFO ²	(2,857)	(3,140)	(5,270)	(5,712)
Total FFO	1,399	1,600	2,996	4,421
Less: total disposition gains	(197)	(582)	(553)	(2,403)
Less: net invested capital FFO	(629)	(330)	(1,241)	(694)
Less: realized carried interest, net	(48)	(205)	(176)	(428)
Fee-related earnings	525	483	1,026	896
Distributions from investments	612	474	1,221	962
Corporate activities	(174)	(144)	(347)	(296)
Insurance solutions operating earnings	46	3	59	4
Preferred share dividends	(39)	(41)	(79)	(80)
Add back: equity-based compensation costs	39	27	76	56
Distributable earnings before realizations	1,009	802	1,956	1,542
Realized carried interest, net	48	205	176	428
Disposition gains from principal investments	129	225	236	1,769
Distributable earnings	\$ 1,186	\$ 1,232	\$ 2,368	\$ 3,739

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 use FFO to assess our performance as an asset manager and separately as an investor in our assets. FFO includes the fees that we earn from 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.

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 differences between our definition of FFO and the determination of FFO by REALPAC and/or NAREIT are 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.

Incentive distributions is an IFRS measure and is determined by contractual arrangements; incentive distributions are paid to us 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, 2022	Current Distribution Rate ¹	Distribution Hurdles (per unit) ²	Incentive Distributions
Brookfield Infrastructure (BIP) ³	\$ 1.44	\$ 0.49 / \$ 0.53	15% / 25%
Brookfield Renewable (BEP) ⁴	1.28	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 investments in our perpetual affiliates, other listed securities, unlisted investments and corporate working capital. 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.

Performance fees is an IFRS measure. Performance fees are paid to us when we exceed 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 after direct costs, which include employee expenses and taxes.

The following table identifies the inputs of accumulated unrealized carried interest to arrive at unrealized carried interest generated in the year:

AS AT JUN. 30 (MILLIONS)	Adjusted Carry Eligible Capital ¹	Adjusted Multiple of Capital ²	Fund Target Carried Interest ³	Current Carried Interest ⁴
2022				
Real Estate	\$ 18,040	1.6x	20%	25%
Infrastructure	24,012	1.5x	20%	20%
Private Equity	7,723	1.8x	20%	16%
	<u>\$ 49,775</u>			
2021				
Real Estate	\$ 17,233	1.3x	20%	20%
Infrastructure	22,058	1.5x	20%	18%
Private Equity	4,655	2.2x	20%	16%
	<u>\$ 43,946</u>			

1. Excludes uncalled private fund commitments, co-investment capital and funds that have not met their preferred return.
2. Adjusted Multiple of Capital represents the ratio of total distributions plus estimates of remaining value to the equity invested, and reflects performance net of fund management fees and expenses, before carried interest. Our core, credit and value add funds pay management fees of 0.90-1.50% and our opportunistic and private equity funds pay fees of 1.50-2.00%. Funds typically incur fund expenses of approximately 0.35% of carry eligible capital annually.
3. Fund target carried interest percentage is the target carry average of the funds within adjusted carry eligible capital as at each period end.
4. When a fund has achieved its preferred return, we earn an accelerated percentage of the additional fund profit until we have earned the fund target carried interest percentage. Funds in their early stage of earning carry will not yet have earned the full percentage of total fund profit to which we are entitled.

The following table summarizes the unrealized carried interest generated in the current and prior year periods:

(MILLIONS)	Accumulated Unrealized Carried Interest					
	Jun. 30, 2022	Mar. 31, 2022	Change	Jun. 30, 2021	Mar. 31, 2021	Change
Real Estate	\$ 2,504	\$ 2,400	\$ 104	\$ 1,193	\$ 1,011	\$ 182
Infrastructure	2,585	2,337	248	1,825	1,731	94
Private Equity	944	1,044	(100)	879	715	164
Credit and other	1,664	1,615	49	1,432	1,210	222
Accumulated unrealized carried interest	<u>7,697</u>	<u>7,396</u>	<u>301</u>	<u>5,329</u>	<u>4,667</u>	<u>662</u>
Less: associated expenses ¹	<u>(2,298)</u>	<u>(2,234)</u>	<u>(64)</u>	<u>(1,823)</u>	<u>(1,588)</u>	<u>(235)</u>
Accumulated unrealized carried interest, net	<u>\$ 5,399</u>	<u>\$ 5,162</u>	<u>\$ 237</u>	<u>3,506</u>	<u>\$ 3,079</u>	<u>\$ 427</u>

1. Carried interest generated is subject to taxes and long-term incentive expenses to investment professionals. These expenses are typically 30-35% of carried interest generated.