Brookfield Corporation Shareholders

The Quarter was Strong

Our business performed well, and cash flows were strong. We announced more than $50 billion of acquisitions, sold approximately $15 billion of assets, and grew to $850 billion of assets under management during the first half of the year. These are large sums in any six-month period, but given markets in the first half, the ability to achieve this continues to differentiate our franchise.

Our insurance solutions business announced the acquisition of American Equity Life (“AEL”) during the quarter, our operating businesses were resilient, and we are on track to achieve record inflows of close to $150 billion in 2023. Included in the capital raised year to date is capital for our latest infrastructure fund, which at $27 billion to date, is the largest infrastructure draw-down fund ever raised.

Our scale, global operations, long-term capital, and deep investment and operating expertise position us exceptionally well in the long run. We remain focused on delivering on our goal of building one of the largest pools of discretionary private capital in the world, enabling our clients and shareholders to earn strong returns while taking moderate risk.

Rate Increases are Creating Volatility but Working

The global economy was resilient in the first half of 2023, supported by strong labor markets and healthy corporate and household balance sheets. The markets experienced volatility caused by the recent U.S. debt ceiling negotiations and challenges faced by a few regional banks. Neither was helpful to the overall tone of the market, but that volatility seems to have settled.

On the other hand, the increase in short-term interest rates is having the desired impact of reducing inflation and slowing the economy, especially in the United States. Looking ahead, central banks seem likely to keep short-term rates in their current range, so we appear to now be reaching the end of the rate hiking cycle. As this becomes widely accepted, it will create an even more constructive backdrop for global capital markets.

Liquidity in the bank and capital markets, both in the U.S. and internationally, is improving and increasingly supportive of transaction activity. Equity markets have been on a strong run and credit spreads for high-quality borrowers have compressed back to early-2022 levels. However, credit conditions remain relatively tight, with lenders favoring those with strong balance sheets, high-quality assets, and longstanding relationships. In this scenario, premier players like Brookfield continue to benefit.

Our Operating Results were Excellent

Operating performance across our businesses was strong in the quarter, with each benefiting from strong underlying fundamentals.

Distributable earnings before realizations were $1 billion in the quarter and $4.3 billion for the last 12 months. This represents an increase of 21% over the prior year, after adjusting for the special distribution of 25% of our asset management business (or "Manager") that we completed in December last year.

During the quarter, we invested our distributable earnings into our asset management and insurance solutions businesses and returned $146 million to shareholders through regular dividends and share repurchases. We expect to continue to allocate capital towards share buybacks, given the gap between our intrinsic value and trading price.

Asset Management – Momentum in our asset management business continues to be very strong. We generated $604 million of distributable earnings in the quarter and $2.7 billion over the last 12 months. Recent fundraising efforts increased fee-bearing capital to $440 billion at the end of the second quarter, which has driven a 16% increase in fee-related earnings, when excluding performance fees, compared to the prior year. Our asset management business continues to be one of the most active investment managers in the world, benefiting from our competitive advantages to facilitate meaningful deals and monetize assets for our clients. We expect fundraising to accelerate into the second half of the year, as we remain strongly positioned in areas seeing increasing demand from our clients—including infrastructure, renewable power and transition, opportunistic real estate, and private credit. We expect to reach over $100 billion of fundraising which, when combined with insurance inflows, puts us on track to raise a record of close to $150 billion of capital in 2023.

Insurance Solutions – Our insurance solutions business delivered another strong quarter, with distributable operating earnings of $160 million in the quarter and $634 million over the last 12 months, both significantly higher compared to the prior periods. We continue to focus on expanding the spread earnings of our existing business by redeploying our short-duration investment portfolio into higher yielding assets. During the quarter, our average investment portfolio yield increased to 5.4% on approximately $45 billion of assets, about 220 bps higher than the average cost of capital. We continue to see a path to annualized earnings from this business of $800 million by the end of 2023 and, given tight credit markets, this puts us in an enviable position. We expect a ramp up in earnings towards the end of the year from the expected closing of Argo Group, a provider of property & casualty insurance products, and then a further step change in earnings from the recently announced acquisition of AEL, either before year end or shortly thereafter.

Operating Businesses – Our operating businesses continue to deliver stable and recurring cash flows, generating cash distributions of $397 million in the quarter and $1.5 billion over the last 12 months. The cash distributions from our renewable power and transition, infrastructure and private equity businesses are supported by underlying earnings growth as the strong fundamentals for each business continue to drive higher revenues. Our real estate business continues to benefit from strong tenant demand for space in high-quality, well-located buildings and shopping malls, with our core portfolio 96% leased. Recent leasing momentum has driven higher revenues in this core portfolio, resulting in growth in net operating income of 8% compared to the prior year. Higher short-term interest rates continue to impact cash flows in the near term, but we do not consider this to be materially impactful to the long-term intrinsic value of our portfolio.

Monetizations Have Been Driven by Non-U.S. Activity

Despite an environment with relatively low transaction activity, the benefits of the global diversity of our portfolio were apparent in the quarter, with a number of monetizations that were driven largely by non-U.S. activity. We sold approximately $15 billion of assets at strong values, taking the total monetizations completed over the last 12 months to around $30 billion.

A few sales of note that we signed or closed include:

- A portfolio of office campuses in India for $1.4 billion, returning a nearly 4x multiple of capital. This is a portfolio we acquired and built over the past nine years and significantly enhanced revenues over our investment period by increasing occupancy and securing higher in-place rents through a very active leasing program.

The recent sale is strong evidence that high-quality, well-located office assets continue to be attractive investments and trade at premium valuations.

- Our 50% ownership in our mobile network operator in New Zealand at an implied enterprise value of NZ$5.9 billion. The sale in New Zealand completes the exit from a business we acquired with a partner four years ago, generating an IRR of 31% and a multiple of capital of 2.6x.

- A portfolio of wind and solar assets in Uruguay for $312 million, implying an over 20% IRR and over 2x multiple of capital over the 6-year hold period.

- 12.5% of our U.S. gas pipeline for an implied enterprise value of $5.3 billion, generating an IRR of over 18% and a multiple of capital of nearly 3x.

- A toll road portfolio in India for $1.1 billion; a freehold landport in Australia for A$1.2 billion; and $374 million of U.S. gas storage assets.

These sales provide strong support for the carrying values of our assets and the carried interest we project to realize over the next 5 to 10 years, as we continue to monetize existing investments. At the end of the quarter, total accumulated unrealized carried interest was almost $10 billion, representing a 10% increase over the last 12 months. Year to date, we have recognized $376 million of net realized carried interest into income and remain on track to realize over $500 million of net realized carried interest into income during 2023.

Should we achieve the target return of each of our current private funds, the potential realized carried interest over the next 10 years is more than $20 billion to Brookfield Corporation, none of which is currently recorded in our accounts. This will also provide us with meaningful liquidity, above and beyond our recurring free cash flows we generate to further enhance the value of our business.

Access to Multiple Sources of Capital Differentiates Us Now More Than Ever

Over the last 30 years, we have by design established access to deep and diversified pools of public and private capital across our organization. Our strong access to capital across the business today is as a result of our approach of maintaining discipline within our capital structures, utilizing in-house capital market teams with deep expertise, and working with our global network of lending relationships built over decades and through many market cycles.

During periods when capital is abundant, the power of these multiple sources of capital may not be as apparent and they may seem time-consuming to understand. However, during periods when capital is scarce, our access to these deep pools of capital differentiates us and enables us to continue to transact where most others are unable to. Today, our access to capital is distinctive and multi-faceted, with strong access to public and private capital across the organization.

Corporate Liquidity

Our goal has always been to maintain significant liquidity at the corporate level in the form of cash, financial assets and undrawn corporate credit facilities, which today stands at $5 billion, with additional liquid securities of another ±$60 billion on our balance sheet to enhance our flexibility, and another approximately $45 billion of insurance float, soon to be over $100 billion. We also have the ability to raise additional capital through public debt in the capital markets; however, we generally finance our capital requirements at the Corporation through the distributable earnings we receive or by selling liquid balance sheet assets.

We borrow only a modest amount of long duration corporate debt at the Corporation, which today is $13 billion. This compares to the intrinsic value of our equity of ±$140 billion, enabling us to have an “A” rating. In June, we issued $550 million of 10-year bonds well in advance of a maturity next year, leaving us with only modest maturities left at the BN level through to the end of 2024.

You may recall that one of our key objectives in separately listing our asset management business last year was to further increase our access to capital by creating optionality for us to use BAM shares (either that we own or that BAM could issue), as potential currency for transactions. We recently announced that we plan to use $1 billion of the BAM shares we own today to support our insurance solutions business on their AEL transaction, which demonstrates the powerful currency this and our other listed securities provide us.

Operating Businesses

Each of our Operating Businesses are self-funding, with deep access to public and private pools of capital, and in almost all circumstances do not rely on financial support from our balance sheet. Below are just a few examples of more recent capital raises by our Operating Businesses which exemplify the agility of our franchise:

- Brookfield Renewable Partners ("BEP"), alongside institutional partners, recently agreed to acquire one of the largest renewable platforms in the U.S., Duke Energy Renewables, for approximately $2.7 billion in aggregate—or equity of $1.1 billion. This was acquired in our private infrastructure fund, with BEP taking its proportionate share of the deal. In conjunction with announcing this transaction, BEP raised $650 million from the public equity markets, with our insurance company buying $150 million of shares, and the balance issued to listed market investors.

- Brookfield Infrastructure Partners ("BIP") recently announced a transaction to take private the world's largest intermodal shipping container owner, Triton International, for $13 billion. As part of the $4.7 billion of equity consideration, BIP committed to issue approximately $900 million of shares. This augmented funding from both our flagship infrastructure fund and strategic co-investors—and enabled us to close the deal.

- Our real estate business recently signed a A$1.5 billion refinancing for a senior living facility in Australia and closed on a nearly $500 million refinancing of a retail portfolio in Dubai. This is a reminder that despite tighter credit conditions in the U.S., global capital markets remain very much open for the high-quality globally diversified portfolio of real estate that we own.

Asset Management Business

Our asset management business continues to raise a significant amount of third-party capital, raising $37 billion year to date, and has more than $80 billion of uncalled private fund commitments today. This large amount of long-duration, third-party capital provides a significant scale advantage which enables us to execute on transactions few others can do.

In addition, our Manager has deep relationships with clients that have been fostered over many years. One of the keys to our success has been the scale of our overall business, and as a result, we are able to complete transactions larger than any comparable fund could do. This allows us to offer clients significant flexibility, sizable co-investment and strategic investment opportunities. This has proven to be very valuable to our clients and broadened the nature of our relationships.

An example of this is the recently announced approximately $3 billion acquisition of Network International, a leading provider of digital payment solutions across the Middle East. Our private equity group was able to secure the transaction because of our relationships with a number of very strategic partners in the Middle East who co-underwrote the deal.

Overall Liquidity

Bringing it all together, each part of our business has a high level of liquidity and strong access to capital. On their own, this provides each with a strong foundation for growth, but when the different parts work together, the scale of what we can achieve is significantly larger. As a result, we have one of the world's largest pools of discretionary capital with a balance sheet of mostly liquid assets that from time to time we recycle to support strategic transactions.

The AEL Transaction Showcases the Power of Our Franchise

Two years ago, we set out to build a leading global insurance business. We believed we had the necessary skills to earn very attractive spread earnings on assets in the insurance portfolios, and the perpetual capital base to build and grow this business in order to allow us to earn an attractive return on our capital while creating further financial flexibility for our overall group.

Since then, we have made good progress on building our next global champion. This is now a business that is already a scale provider of diversified insurance lines in the U.S., with a float of approximately $45 billion and annualized earnings that will be $800 million by the end of this year. At our Investor Day last year, we presented a five-year plan for our insurance solutions business with the goal of growing it to $225 billion of assets with distributable earnings of $3 billion by 2027. We believe that we can achieve our plan through organic growth (i.e., originating more predictable long-dated liabilities through writing policies), enhancing the return of the float that we manage currently, and strategic M&A to expand our capabilities and grow internationally.

In July, our insurance solutions business committed to acquire AEL, one of the largest independent scale annuity platforms in the U.S. with a float of approximately $50 billion today and earnings of around $400 million a year. The business agreed to acquire all the remaining outstanding shares of AEL which values the company at $4.3 billion, and the transaction will be funded by cash and $1 billion of BAM shares from our Corporation balance sheet. Importantly, since the Corporation will provide the BAM shares to close this transaction, there will be no dilution to BN, BAM, or Brookfield Reinsurance shareholders.

With the acquisition of AEL, our insurance solutions business will grow to over $100 billion of assets. In addition, our policy origination capabilities will expand as we expect that AEL, in conjunction with our capabilities through American National, will establish our business as one of the top three annuity writers in the U.S. with the capability to write over $10 billion of policies in the aggregate annually. The AEL transaction will also be additive for our Manager, as we expect that it will manage a large portion of the $50 billion float of AEL.

More important than the specifics of the AEL deal itself is that this transaction demonstrates the power of our franchise today. Few investors can execute a deal such as this. The combination of the flexible capital at Brookfield Reinsurance, the scale and perpetual capital base of the Corporation, and the deep investment capabilities of our Manager truly differentiate our franchise.

Value vs. Price

We will end this letter with a final comment on Value investing as it relates to real estate. To ensure we all have comparable terms, Value is what a business or asset is worth based on the future cash flows it will generate. Price is what a business is perceived to be worth, or trades at from time to time, based on prevailing sentiment and other matters. Rarely are Value and Price the same.

Quality real estate is an exceptional long-term asset class which has proven to be that over centuries. It is positively correlated to inflation and therefore protects wealth on a real return basis. With the rapid increase in interest rates over the past year, many are currently questioning these attributes. There is no doubt that there will be pain for those real estate investors whose financings prepared them poorly for these increases.

In addition, real estate always evolves, and owners must ensure that their real estate is relevant for the end customer. This has always been the case, but with constantly evolving work, life, and consumer habits, it is more true today than ever before. Some real estate does not meet this test and therefore must be repurposed.

We believe that great real estate will endure and adjust, and that these interest rate increases will merely be a blip on the Value of great real estate in the long term. We were reminded of this last month when reading our partner Howard Marks' memo entitled "Taking the Temperature." On page 9, it includes the following paragraph which is worth considering in relationship to real estate today:

> "Watch for moments when most people are so optimistic that they think things can only get better, an expression that usually serves to justify the dangerous view that 'there's no price too high.' Likewise, recognize when people are so depressed that they conclude things can only get worse, as this often means they think a sale at any price is a good sale. When the herd's thinking is either pollyannaish or apocalyptic, the odds increase that the current level and direction are unsustainable. Remember that in extreme times, because of the above, the secret to making money lies in contrarianism, not conformity." (Emphasis added)

Real estate is a great long-term asset class because it generates real increases in cash flow over time and thus benefits from inflation, rather than suffering because of it. It is important today to remember that interest rates increase once, but rental rates can keep increasing forever, and are positively correlated to the factors that cause interest rates to go up. Crucial, though, to capturing the benefits of the compounding cash flows and inflation protected returns across cycles, is the resiliency of the chosen capital structure and the permanency of the owner's equity capital.

Perpetual and very long-dated equity capital coupled with a conservative capital structure affords the owner patience to realize the Value of an asset with less focus placed on short-term movements in Price. This has always been true and is still true today. It is important for you to remember that our office and retail portfolios are all funded with permanent equity and as evidenced by recent activity, we retain strong access to debt financing to support our investments.

Real estate investors like us, that push through this current environment, will find themselves in a very powerful position once the markets recover. In the interim, as with every cycle, we think there will be some excellent opportunities to acquire some properties on a deep Value basis from owners who are not funded with permanent equity capital, or who have capital structures which cannot withstand this environment.

Closing

We remain committed to investing capital for you in high-quality assets that earn solid cash returns on equity, while emphasizing downside protection for the capital employed. The primary objective of the company continues to be generating increased cash flows on a per share basis and as a result, higher intrinsic value per share over the longer term.

We look forward to seeing you on September 12th in Manhattan at our Investor Day. If you cannot attend in person, our presentation will be webcast live on our website, and also available for replay.

Thank you for your interest in Brookfield, and please do not hesitate to contact any of us should you have suggestions, questions, comments, or ideas you wish to share.

Sincerely,

Bruce Flatt
Chief Executive Officer

August 10, 2023

Cautionary Statement Regarding Forward-Looking Statements and Information

All references to "$" or "Dollars" are to U.S. Dollars. This letter to shareholders 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. 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, capital management and outlook of Brookfield 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, the forward-looking statements contained in this letter include statements referring to the impact of current market or economic conditions on our operating businesses, the future state of the economy or the securities market, share repurchases, the expected future trading price of our shares or financial results, the results of future fundraising efforts, the expected growth, size or performance of future or existing strategies, future opportunities, or the results of future asset sales.

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 because they 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 Brookfield Corporation or Brookfield Asset Management Ltd. 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) 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 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 acquisitions and 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 and epidemics/pandemics; (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 insurance solutions, real estate, renewable power and transition, infrastructure, private equity, and credit; and (xxv) factors detailed from time to time in our documents filed with the securities regulators in Canada and the United States.

We caution that the foregoing list of important factors that may affect future results is not exhaustive and other factors could also adversely affect its results. Investors and other 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.

Expect where otherwise indicated, the information provided herein is based on matters as they exist as of the date hereof and not as of any future date. Unless required by law, we undertake no obligation to publicly update or otherwise revise any such information, whether written or oral, to reflect information that subsequently becomes available or circumstances existing or changes occurring after the date hereof.

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 historic investments discussed herein, that targeted returns, growth objectives, diversification or asset allocations will be met or that an investment strategy or investment objectives will be achieved (because of economic conditions, the availability of appropriate opportunities or otherwise).

Target returns and growth objectives set forth in this letter are for illustrative and informational purposes only and have been presented based on various assumptions made by Brookfield Corporation in relation to the investment strategies being pursued, any of which may prove to be incorrect. There can be no assurance that targeted returns or growth objectives will be achieved. Due to various risks, uncertainties and changes (including changes in economic, operational, political or other circumstances) beyond Brookfield Corporation's control, the actual performance of the business could differ materially from the target returns and growth objectives set forth herein. In addition, industry experts may disagree with the assumptions used in presenting the target returns and growth objectives. No assurance, representation or warranty is made by any person that the target returns or growth objectives will be achieved, and undue reliance should not be put on them. Prior performance is not indicative of future results and there can be no guarantee that Brookfield Corporation will achieve the target returns or growth objectives or be able to avoid losses.

Certain of the information contained herein is based on or derived from information provided by independent third-party sources. While Brookfield Corporation believes that such information is accurate as of the date it was produced and that the sources from which such information has been obtained are reliable, Brookfield Corporation makes no representation or warranty, express or implied, with respect to the accuracy, reasonableness or completeness of any of the information or the assumptions on which such information is based, contained herein, including but not limited to, information obtained from third parties.

Cautionary Statement Regarding the Use of Non-IFRS Measures

This letter to shareholders contains references to financial measures that are calculated and presented using methodologies other than in accordance with IFRS. These financial measures, which include Distributable Earnings (as defined below), its components and its per share equivalent, 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 are not standardized under IFRS and may differ from the financial measures or other financial metrics disclosed by other businesses and, as a result, may not be comparable to similar measures presented by other issuers and entities.

We make reference to Distributable Earnings, which refers to the sum of distributable earnings from our asset management business, distributable operating earnings from our insurance solutions business, distributions received from our ownership of investments, realized carried interest and disposition gains from principal investments, net of preferred share dividends and equity-based compensation costs. We also make reference to Distributable Earnings before realizations, which refers to Distributable Earnings before realized carried interest and disposition gains from principal investments, and net operating income, which refers to the revenues from our operations less direct expenses before the impact of depreciation and amortization within our real estate business. Our outlook for growth in Distributable Earnings assumes growth in fee-related earnings and realized carried interest in line with our business plans, which assume growth in our fee bearing capital consistent with our fundraising plans, capital deployment expectations, maintaining the fee rates we earn on fee bearing capital and earning margins consistent with our current margin. Actual results may vary materially and are subject to market conditions and other factors and risks set out above. For more information on non-IFRS measures and other financial metrics, see Brookfield Corporation's Q2 2023 Press Release, which includes reconciliations of these non-IFRS financial measures to their most directly comparable financial measures calculated and presented in accordance with IFRS.