

BROOKFIELD CORPORATION
TRANSCRIPT: Q1 2026 CONFERENCE CALL & WEBCAST
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Corporate Speakers:

Bruce Flatt; Brookfield Corporation; Chief Executive Officer
Nick Goodman; Brookfield Corporation; President & Chief Financial Officer
Sachin Shah; Brookfield Corporation; Chief Executive Officer, Brookfield Wealth Solutions
Katie Battaglia; Brookfield Corporation; Vice President, Investor Relations

PRESENTATION

Operator

Good day. Welcome to the Brookfield Corporation First Quarter 2026 Conference Call and Webcast. [Operator Instructions]

Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker, Ms. Katie Battaglia, Vice President, Investor Relations. Please go ahead.

Katie Battaglia, Vice President

Thank you, Operator, and good morning. Welcome to Brookfield Corporation's first quarter 2026 conference call.

On the call today are Bruce Flatt, our Chief Executive Officer; Nick Goodman, President of Brookfield Corporation; and Sachin Shah, Chief Executive Officer of our Wealth Solutions business.

Bruce will start off by giving a business update, followed by Nick, who will discuss our financial and operating results for the quarter. And finally, Sachin will provide an update on our Wealth Solutions business.

After our formal comments, we will turn the call over to the operator and take analyst questions. In order to accommodate all those who want to ask questions, we request that you refrain from asking more than two questions.

I would like to remind you that in today's comments, including in responding to questions and in discussing new initiatives in our financial and operating performance, we may make forward-looking statements including forward-looking statements within the meaning of applicable Canadian and U.S. security laws. These statements reflect predictions of future events and trends and do not relate to historic events. They are subject to known and unknown risks, and future events and results may differ materially from such statements.

For further information on these risks and their potential impacts on our company, please see our filings with the securities regulators in Canada and the U.S. and the information available on our website.

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In addition, when we speak about our Wealth Solutions business or Brookfield Wealth Solutions, we are referring to Brookfield's investments in this business that supported the acquisition of its underlying operating subsidiaries.

With that, I'll turn the call over to Bruce.

Bruce Flatt, *Chief Executive Officer*

Thank you, Katie. Welcome everyone, on the call.

We had a strong start to the year. Distributable earnings were \$1.6 billion for the quarter and \$6 billion over the last 12 months. More importantly, it also looks like the business will get stronger over the year. Our business performed well, and we continue to execute against initiatives which will drive our next phase of growth.

Our asset management business delivered strong earnings growth, supported by continued fundraising momentum across our institutional client base. Our operating businesses generated stable cash flow, backed by resilient underlying fundamentals. Our Wealth Solutions business performed well as it continues to scale globally.

In April, we closed the acquisition of Just Group, a leading pension risk transfer platform in the U.K. This increased total insurance assets by \$40 billion, and we are now heading to \$200 billion and strengthens our position in one of the world's most active -- attractive retirement markets.

Nick will cover our financial results in more detail, and Sachin will spend more time on Just Group and the continued growth of our Wealth Solutions business.

Before that, I would note that the current environment has had no shortage of macro developments competing for investors' attention from geopolitics to trade issues, inflation, and interest rates.

While these factors are important to monitor, they often receive far, far more attention than their long-term impact warrants. Bottom line, we largely try to ignore them when building our business. This is particularly true in periods when capital flows, sentiment, and prevailing market narratives influence price, which can increase the impression that the business fundamentals have changed when, in most cases, they have not.

Value on the other hand, you all know, is determined by the cash flows of a business that it generates and management's ability to reinvest that capital at attractive returns.

Our role as investors is to capitalize on attractive entry points to acquire good businesses for value, operate them well and allow compounding to work over time. Equally important is ensuring that compounding is not disrupted by being forced to act in detrimental ways during periods of market stress. This discipline shapes out how we allocate capital and build our businesses.

We take the time to watch an industry, learn how it works, invest in a measured way, refine a business model, and only then scale a platform. This allows us to make small mistakes while avoiding large ones.

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In our experience, successful businesses are not built quickly, they are built deliberately with the resilience to allow one to compound cash flows and create value through economic cycles. And by adhering to these principles, our shareholders have earned excellent compound returns over long periods of time.

Over that same period, we have navigated many market environments, each felt dramatic at the time, but the most important point is that each period of market disruption in hindsight had very little impact on long-term outcomes.

Today, we believe many of the market distortions we are seeing are temporary and will moderate in the sectors we focus on, and while the current environment may feel volatile, it is ultimately constructive for businesses like ours.

In addition, as uncertainty around growth and inflation rises, capital tends to shift towards high-quality, cash-generative assets, an environment that favors real assets which we are specialists in. We are now seeing large flows of funds due to the HALO effect, that's Hard Assets, Low Obsolescence, and are seeing this across the board within our businesses. Real estate is a good example of this.

Sentiment is now catching up with fundamentals. Financing markets are much, much stronger. New supply is limited across our core markets and demand for the best assets continues to grow.

In office, as an example, replacement costs have risen significantly across our core markets. As a result, the rents required to justify new construction are well above, in many markets, double current market rents. This makes new supply very difficult to deliver.

With demand remaining strong, in fact, very strong for the best buildings in the best markets, rents continue to rise substantially. To put this in perspective, at Manhattan West, one of our super core assets in our portfolio, it would cost around \$2,500 a square foot to build that same building today compared to our cost of just over \$1,000 a square foot.

Fortunately, we started this at the depths of Covid in 2020, when few decided that they should build an office building.

So, we benefited in many ways due to our countercyclical investment.

Our most recent lease there was signed at rents nearly 3x higher than the first lease in the complex and the financing recently completed cash out approximately \$400 million of net cash which was due to the increase in value of the asset. This took our debt to almost the construction cost of the building, exemplifying the increase in cash flows since launching the building. I'd note we continue to own the property.

More important, despite rents and where they are, they actually need to go higher to justify a new tower like this being constructed today. We are seeing the same dynamic play out across our global portfolio.

Another example being One Leadenhall in London, a brand-new asset which we consider as core plus in our portfolio, was fully leased within six months of completion and achieved the highest rents ever in the city of London.

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With very limited new supply and demand for the best buildings continuing to grow, premier assets are becoming increasingly scarce, and values are set to continue to rise. Capital markets are also beginning to recognize this as well. The aforementioned financing of Two Manhattan West was \$1.9 billion, for a 10-year non-recourse mortgage with a 5.5% coupon and was done at 107 basis points spread to treasuries. Buyers looking for solid assets are moving back from software to real assets like these.

Given all the drama in the news over the last five years, I will repeat that comment. The cash flows of this property allows us to complete a non-recourse investment-grade financing and generate real cash of \$400 million from the property. This is the benefit of owning great real estate through cycles as fundamentals strengthen and capital markets improve, the embedded value of portfolios that was always there become increasingly evident.

At the same time uncertainty is increasing urgency for companies and governments to reposition around AI, energy security, data sovereignty, and supply chain resilience. These priorities sit at the intersection of the themes we have invested behind for years, namely, digitalization, decarbonization and deglobalization. Of course, if you have followed us, these themes are not new, but they are more prominent today than ever and the form they take continues to evolve.

Taking them in order. Digitalization started with fiber networks and telecom towers, then hyperscale data centers.

Today, artificial intelligence is driving the next wave of demand through AI factories, which require enormous amounts of computing capacity and reliable power.

Second, decarbonization. The opportunity is no longer just energy transition. It is energy addition. In plain English, that means more.

Electricity demand is rising at a pace not seen in decades, driven by electrification, reindustrialization and digital infrastructure. Meeting this demand will require enormous amounts of new generation capacity with solar, wind, nuclear and batteries, increasingly well placed given one or all of their attributes being their low cost, they can be deployed quickly where they have limited reliance on imported fuel.

Last, deglobalization began as reshoring manufacturing and reorganizing supply chains. It has now evolved to include data sovereignty where governments and companies want critical data stored and processed within their own borders, leading to the build-out of domestic digital infrastructure including large-scale data centers. We are working with major governments and enterprises around the world to help build this infrastructure.

While digitalization, decarbonization and deglobalization will continue to evolve, each is driving significant long-term demand for new infrastructure. Our ability to provide scalable solutions across technologies and regions reinforces our position as a partner of choice.

With almost \$200 billion of capital to deploy, together with what we expect to be a record fundraising year in '26, we are well positioned to scale these businesses.

Thank you all for your continued support in Brookfield. I'll now turn the call over to Nick.

Nick Goodman, *President*

Thank you, Bruce, and good morning, everyone.

Financial results were strong for the first quarter, underpinned by continued momentum across all of our businesses, distributable earnings, or “DE” before realizations for the quarter were \$1.4 billion or \$0.59 per share, representing a 7% increase over the prior year quarter.

Over the last 12 months, DE before realizations was \$5.5 billion or \$2.32 per share. Total DE including realizations was \$1.6 billion or \$0.66 per share for the quarter and \$6 billion or \$2.54 per share over the last 12 months.

Starting with our operating performance. Our Asset Management business started the year strong, generating \$765 million of distributable earnings or \$0.32 per share for the quarter and \$2.8 billion or \$1.20 per share over the last 12 months.

We have raised \$67 billion of capital so far this year including \$21 billion during the quarter, a \$40 billion investment mandate from Just Group and \$6 billion for our seventh vintage flagship private equity strategy. Fee-bearing capital ended the quarter at \$614 billion, up 12% over the prior year, driving an 11% increase in fee-related earnings to \$772 million.

With strong momentum across our flagship and complementary strategies, we are well positioned to deliver a record year of fundraising in 2026. This quarter, our results also benefited from a gain on the partial monetization of one of our technology investments which generated approximately \$120 million of DE.

We only focused portfolios of select investments in new businesses, technology and innovation driven that are positioned to benefit from major secular trends shaping the global economy. This includes our investment in SpaceX of approximately \$1 billion at the pre-IPO mark, which is part of a \$2 billion total investment.

Turning briefly to our Wealth Solutions business, which Sachin will expand on in his remarks.

We delivered strong results with distributable earnings of \$430 million or \$0.18 per share in the quarter and \$1.7 billion or \$0.71 per share over the last 12 months, representing an 11% increase over the prior year period. Results were driven by continued growth in our asset base, including \$4 billion of annuity inflows during the quarter and the ongoing rotation of the portfolio into higher-yielding investment strategies.

Our P&C business also performed well, achieving a combined ratio of 99%, contributing to an overall reduction in our cost of funds.

Our operating businesses continued to deliver stable and resilient cash flows with distributable earnings of \$360 million or \$0.15 per share for the quarter and \$1.5 billion or \$0.65 per share over the last 12 months.

Operating funds from operations in our infrastructure, private equity and energy businesses increased by 19% over the prior year quarter, supported by continued momentum in the underlying businesses and ongoing execution of growth initiatives across each platform. Fundamentals in our real estate business are very strong. The recovery is quality led with tenants, lenders, and capital increasingly focused on the best assets in the strongest markets.

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Our super core and core plus portfolios are over 95% occupied, and we continue to sign new leases at rents materially above expiring levels, supported by a strong pipeline of tenant demand and limited new supply.

In our retail portfolio, tenant consolidation into top-tier malls continues to drive demand for our well-located, high-quality assets. And during the quarter, 1.6 million square feet of leases commenced at rent 11% above prior levels.

In office, we signed 2.6 million square feet of leases globally with average net rents 15% above the expiring levels. This included 227,000 square feet of leases in the U.S. at rents more than double expiring levels and 761,000 square feet in Canada are rented 30% above expiring levels including a 200,000 square foot lease at Exchange Tower, a core plus asset in downtown Toronto. The leasing activity represents meaningful embedded upside that we expect to realize in our results of tenant take occupancy and rent commence.

Our super core portfolio generated 2% same-store NOI growth in the quarter, and our leasing pipeline gives us strong visibility into further cash flow growth ahead.

Moving to North American residential, longer-term market fundamentals remain supportive, underpinned by the structural undersupply of across North America. Performance in the quarter relative to the prior year period primarily reflected the absence of a prior year gain on a sale of five master planned communities as well as the delayed timing of certain lot sales this quarter. Despite short-term market challenges, the business remains well positioned to generate solid earnings in 2026.

Shifting to monetizations, transaction activity remained active across most asset classes.

During the quarter, we advanced \$17 billion of asset sales across the business and substantially all sales were completed at or above carrying levels. A notable highlight which closed after quarter end was the \$2.5 billion recapitalization of IFC Seoul, a landmark mixed-use complex in Seoul, Korea. The transaction crystallized the fund's investment realizing a 17% IRR and 2.4x multiple of capital while allowing Brookfield alongside partners to retain upside participation in the asset.

Importantly, this transaction marks another step toward carried interest realization for the fund and shows the resilience and dominance of the office portfolios we own.

During the quarter, we realized \$157 million of carried interest into income and ended the quarter with \$11.8 billion of accumulated unrealized carried interest.

We continue to maintain conviction in the carried interest we expect to realize over the next three years, supported by a strong pipeline of monetizations, and we continue to expect 2026 to be an inflection point with realizations ramping up in the second half of the year.

Moving to capital allocation. During the quarter, we returned \$598 million of capital to shareholders through regular dividends and share buybacks. Year-to-date, together with BAM, we repurchased over \$1 billion of shares at very attractive prices. That is over \$1 billion invested back into our businesses including \$470 million of BN shares and \$575 million of BAM shares, and we will continue to allocate capital to buybacks enhancing the value of each remaining share.

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Moving on to our balance sheet and liquidity. Capital markets remain constructive, with capital increasingly shifting towards quality assets and businesses underpinned by essential services and real assets that generate predictable cash flows. Year-to-date, we have executed \$45 billion of financings across the franchise including \$15 billion in our real estate business.

We continue to maintain substantial liquidity and a conservatively capitalized balance sheet providing significant flexibility to support the growth of our business.

Before I hand the call over to Sachin, I want to briefly touch on our corporate simplification.

As part of our ongoing efforts to streamline our corporate structure, we are working towards buying the corporation on our Wealth Solutions business, creating a fully integrated insurance investment organization. This builds on the successful conversion of our listed private equity business entity earlier this year and the progress we have made exploring similar initiatives with our listed infrastructure and energy vehicles.

When we established Wealth Solutions, we structured it similarly to our listed affiliates which enabled it to benefit from the corporation's capital base and investing capabilities. That approach served us well. Over the past five years, we have grown the insurance business to \$30 billion in value while scaling the asset base to \$200 billion.

At this stage, to continue growing and maximizing returns while maintaining a low-risk profile combining BN and BWS is optimal, providing our insurance operations with greater access to approximately \$145 billion of incremental capital from our permanent capital base will enhance capital efficiency and flexibility in optimizing our capital structure to support the continued expansion of the business over the long term. A few other insurance businesses in the world have access to this scale of excess capital, combined with deep investment capabilities across real assets. We expect this will strengthen the certainty we provide to our policyholders and create significant long-term value for our shareholders.

We continue to work through the final details to implement the transaction and expect the Boards of Directors of BN and BNT to conduct a final review in the coming weeks. Subject to their approvals, we intend to seek shareholder approvals at our respective annual general meetings scheduled on July 16. Bringing it all together, we have had an active start to the year delivering strong financial results while continuing to execute on our strategic priorities.

As we look ahead to the balance of 2026, we expect the momentum in our financial performance to continue. With that, I'm pleased to confirm that our Board of Directors has declared a quarterly dividend of \$0.07 per share payable at the end of June to shareholders of record at the close of business on June 15, 2026.

Thank you for your time. I will now pass the call over to Sachin.

Sachin Shah, Chief Executive Officer, Brookfield Wealth Solutions

Thank you, Nick, and good morning, everyone.

With the recent close of our acquisition of Just Group, a leading provider of retirement services in the U.K. pension risk transfer and individual annuity markets, we thought it would be

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worthwhile to provide an update on our Wealth Solutions business and the outlook going forward.

As we speak to you today, we have a scaled, global \$180 billion investment-led insurance business focused on retirement and Wealth Solutions and a growing protection business.

Our objective is to compound our capital at 15% plus returns over the long term while maintaining a disciplined approach to risk and generating stable, predictable earnings. Today, that opportunity we set out to pursue remains very large and continues to grow.

Across developed markets, populations are aging, longevity is increasing and the decline of defined benefit pension systems is driving significant demand for private sector solutions that can provide stable income in retirement. These trends are not cyclical but rather structural, and they underpin a long runway for growth in our business.

To grow our business, we have focused on originating long-duration, predictable liabilities, primarily annuities and pensions, and paired those with high-quality cash flowing investments sourced through the Brookfield ecosystem, allowing us to generate consistent excess returns while maintaining low leverage and a high degree of earnings visibility.

Our business today is as follows: first, in North America, our annuity platform built through American National and American Equity provides us with leading distribution capabilities across the retail and institutional annuity and pension channels, and the ability to originate significant volumes of long-duration, predictable liabilities longer dated than what we see across the industry today. This platform continues to be a core driver of organic growth and earnings for BWS.

In parallel, we have our U.S. property and casualty platform or protection platform, as we call it, through Clearbrook. Clearbrook adds an important element of diversification for us, allowing us to participate in specialty insurance markets with a low leverage profile while also broadening our investment flexibility.

Over the past few years, we have significantly improved this business by derisking the liability profile and focusing on profitable growth. We have done this through exiting volatile lines, reducing our catastrophe exposure and strengthening underwriting discipline.

As the P&C market sees pockets of softening, we believe there will be substantial opportunities for us to continue to scale this platform both organically and through M&A.

Finally, with the recent addition of Just in the U.K., we can extend our proven annuity track record into new geographies. This transaction represents a significant step forward in scaling our business internationally. The U.K. is one of the largest and most developed pension risk transfer markets globally, with substantial volumes around GBP 50 billion annually expected to come to market over the next decade.

With the addition of Just, we now have immediate scale and a strong platform to build upon. Just has operated for over 20 years, serving approximately 700,000 U.K. pensioners across institutional and retail policies. The transaction adds approximately \$40 billion of assets into BWS.

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We acquired this business an attractive going-in return of approximately 10% to 12% on our \$1 billion of invested capital. We closed this transaction on April 1st.

From a strategic standpoint, our priorities following the close are very clear. First, we are focused on reinforcing and growing Just's core business lines, particularly in pension risk transfer and retail annuities, where the company has an established track record and a strong market position.

Second, we will apply our investment-led approach to enhance returns by optimizing the asset portfolio and leveraging Brookfield's global origination capabilities.

Today, the business has the ability to write approximately GBP 5 billion of pension flows annually, and we expect that to continue and grow as capital support from our balance sheet and the redeployment into Brookfield originated investments allows Just to be more competitive on large-scale transactions in the U.K. market.

Beyond the U.K. we continue to make progress on our broader international growth initiatives. In Asia, we are in the early stages of building a presence in what we believe will become a very significant market over time.

We executed our first reinsurance transaction in Japan in late 2025, and we are seeing growing interest from our counterparties who believe this channel focused on long-duration, predictable liabilities will represent an important driver of growth in the years to come.

Now turning to the quarter briefly. Our business has \$20 billion of regulatory capital supporting policyholders inside the insurance companies.

In that regard, we had a strong quarter across our distribution channels and continue to see opportunities to write longer-dated policies at our target duration to match our real asset investment strategies.

We originated approximately \$5 billion of sales across long-dated retail annuities, funding backed agreements and pensions capturing market share in the U.S. Furthermore, we continue to expand our distribution capabilities, particularly through bank and broker-dealer channels.

We recently launched our products on two major bank platforms with more to come this year which we expect will contribute incremental annual sales as these platforms scale.

While the first quarter is typically seasonally slower, particularly in pensions, we expect activity to increase meaningfully as the year progresses and remain constructive on the outlook for 2026, where we expect to write circa \$25 billion of new policies across all of our retail and institutional annuity channels. That being said, our approach to growth remains consistent.

We remain disciplined in writing business that meets our target returns and aligns with our investment strategy. Our priority is not maximizing volume but generating high-quality, durable earnings.

We have a growing number of products and distribution channels which gives us the unique ability to allocate capital towards the most attractive opportunities across channels, products, and geographies when one market becomes more competitive.

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On the investment side, we continue to leverage Brookfield's global platform to source high-quality opportunities and seeing attractive risk-adjusted investments suitable for our diversified insurance portfolios.

Over the last 12 months, we have deployed nearly \$15 billion into Brookfield strategies, including \$4 billion in the most recent quarter at an average total return exceeding 10%, reflecting the benefits of our investment franchise and our stable long-duration liability profile.

Today, our business generates more than \$2 billion of annualized earnings, and we remain confident in our ability to deliver at our mid-teens targets over the long term.

We are very pleased with the progress we are making and with the recent addition of Just continued expansion across our core markets and a disciplined investment-led approach, we believe we are well positioned to continue to scale this business while maintaining a high-quality and resilient earnings profile.

Thank you. With that, I will hand the call over to the operator for questions.

QUESTION & ANSWER

Operator

(Operator Instructions) Our first question will come from the line of Cherilyn Radbourne with TD Cowen.

Cherilyn Radbourne, *Analyst, TD Cowen*

Thanks very much and good morning. So clearly, issues in private credit and software have significantly affected the public share prices of the alternative asset managers. Just curious how much fundamental damage you think has been done?

And does that put us on the cusp of further industry consolidation?

Nick Goodman, *President*

Cherilyn, it's Nick. Listen, I think it's a fair question.

I think it comes back to a little bit of what Bruce talked about which is I think there are issues that are grabbing a lot of headlines, but in the scale of the broader investment markets, their materiality is low.

So, for sure, it's not a systemic broad issue in any way to broader markets and valuations. I think the degree of relevance varies based on managers and our investment strategies.

I think that where you see price and value differentiate, they will prove out over time when people prove out their investment posture capabilities and exposure.

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So, I think for managers that are well invested around the right sectors like us with real asset exposure, where performance is incredibly strong. I think you will see that continue to differentiate over time and come through with the performance of the funds.

I think for us, when you take a step back, for Brookfield, our posture was with our relevance around AI infrastructure and our presence in space, we were able to get ahead of what was coming.

It's created a tremendous investment opportunity for our real asset strategies around AI and with the Oaktree's disciplined investment strategy and capabilities, we think this could be an attractive investment opportunity for us. And maybe over time it may create consolidation issues in the market or opportunities even for good managers.

But I think this exposure will pass. There may be some that have outsized exposure to some of those sectors and there are impacts. But I think for the best managers with good investment strategies, this will go by and performance should differentiate itself over time.

But I think if you look at it as it relates to Brookfield, these are very immaterial asset classes to us based on our deliberate posture and our presence in NAI is more around the backbone buildout. We have no software exposure, and our credit portfolio is performing incredibly well.

So, if anything, we see this as just a continuation of our strategy and our performance should differentiate itself over time.

Cherilyn Radbourne, Analyst, TD Cowen

That's good detail. The other question we've been getting is around Brookfield's posture in the Middle East and just how the war there is impacting your LPs and investments in investment activity in that region.

Nick Goodman, President

Yes. I think we have reiterated this at length recently, Cherilyn.

We were absolutely committed to the region. These are tremendous countries with tremendous potential and some of our best partners in the LPs. We remain absolutely committed.

We continue to have constructive conversations with them around our investment strategies and their commitment to our funds and predating this and continuing, we also continue to have discussions with them around investment into the region.

So again, we see this as a core part of our business over the long term and not impacted by the short-term volatility caused by the war.

Operator

One moment for our next question. That will come from the line of Mario Saric with Scotiabank.

Mario Saric, Analyst, Scotiabank

Good morning and thank you for taking the questions.

Just I wanted to circle back on the proposed BN, BNT combination, I appreciate the circular is not out yet. It sounds like the Board are reviewing in the coming weeks. But do you have any initial sense regarding the range of potential tax implications for BN shareholders with respect to the options that you are considering?

Nick Goodman, President

Mario, it's Nick.

Look, I would just tell you that we are still working through the final details of the transaction.

As I said, we expect Board approval shortly. But we are absolutely taking into account the tax efficiency and the impact for shareholders and are proceeding with this in a way that should minimize any impact for shareholders.

Mario Saric, Analyst, Scotiabank

Got it. Okay. And my second one, you included a new slide in the supplemental discussing new business investments including \$1 billion of SpaceX shares. You have talked in the past in terms of BN and its technology-related spend.

How should we think about the progression of that investment at the BN level over time?

Nick Goodman, President

Yes, it's a good question, Mario, but just take a step back.

As you know, technology companies are increasingly moving into hard assets. And given our global presence in AI infrastructure, be it power, real estate, AI factories now through the AI fund and data centers and our broad Brookfield ecosystem, we are developing all-encompassing relationships with the major technology companies, and that is enabling us to have access to attractive investment opportunities, attractive for us and attractive for our clients.

They are also giving us access to technology potentially that can create capabilities that could benefit the broader Brookfield ecosystem or by staying close to these technologies that could be meaningful for our businesses over time.

In terms of the size and the risk profile of what you see, we are being very disciplined. The balance sheet exposure at this point is modest relative to our permanent capital base. We are investing selectively where we think we have differentiated access, strong partners, or strategic relevance.

To be clear, this is not SaaS exposure, it's not software exposure, it's strategic investment in technology that's highly attractive and good for the business.

So I think of this as targeted allocations of capital to investments that have attractive financial returns and potential strategic value to the franchise. And just given the strong performance to

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date, and hence, the growth in size, we felt now is just a good time to call it out and profile the investments that we have so that they are visible for you to see and understand.

Operator

One moment for our next question. That will come from the line of Bart Dziarski with RBC Capital Markets.

Bart Dziarski, Analyst, RBC Capital Markets

Great, thanks. Good morning, everyone.

I wanted to ask with regards to Brookfield Wealth Solutions. So, we are seeing the regulatory environment evolving including recently the U.K. PRA looking at funded reinsurance agreements with Bermuda captive.

So maybe if you guys could talk us through higher managing regulatory capital as the environment evolves.

Sachin Shah, Chief Executive Officer, Brookfield Wealth Solutions

Sure. Hi Bart, it's Sachin.

First of all, just to level set, we have \$20 billion -- in excess of \$20 billion of regulatory capital that's inside the insurance business and every one of our insurance companies that write policies is rated A or A- by the three major agencies. Two of our entities have received upgrades over the last few years.

So, we are in a great position from a capital position we generally operate about 4x the regulatory minimum requirement of capital. That's allowed us to write policies in the U.S. in scale because we are seen as a trusted, reliable partner.

On top of that, as you know we have \$180 billion of permanent capital sitting in BN, which has supported our growth and which acts as an incredible, if not often talked about, layer of additional protection for our business.

So we are in great shape, and we have a runway for years to come to be able to use that capital and grow the franchise.

On your point on the U.K., pushing back on Bermuda as a jurisdiction, I don't think it has a material impact to us. Just doesn't use it today and we were not planning to use it for Just.

I would say the real answer there is the U.K. and even in Europe, migrating insurance liabilities and assets to the U.K. doesn't really provide much of a capital benefit in light of Bermuda adopting rules that were consistent with the U.K. and Europe.

So, for the PRA to say we don't want you to use it, it shouldn't have a dramatic impact on even our competitors in that marketplace, but certainly not for us because we don't use it today.

Bart Dziarski, Analyst, RBC Capital Markets

Brookfield

Okay. Great. Very helpful, thanks Sachin. And then maybe just sticking with insurance and on the Just Group.

So you talked about you can write \$5 billion of business annually today but you are looking to scale that. Could you unpack that opportunity a little bit?

I think there is a chance to move up market and maybe other areas you're looking for to tap into that growth, thanks

Sachin Shah, Chief Executive Officer, Brookfield Wealth Solutions

Sure. So, what Just was and is very, very good at is operating in small pension schemes that are not highly competitive because of their size and generating really attractive returns on those.

They built a franchise in and around small schemes. We intend to continue that because it's an area where there is just not a lot of competition, and you can pick up great returns.

But with our capability to bring capital and investment expertise to their business, we think they can now move to the upper end of the market and write policies that are in excess of \$500 million or in excess of \$1 billion, where again there is less competition on both ends of the extreme spectrum.

So, in the small policies and the very large policies, Just is less competition. If we can play in both of those spots, we can pick up attractive returns.

In playing on the larger policies, we can bring a lot of the expertise we have from the U.S. and Canada into that market.

Operator

One moment for our next question and that will come from the line of Alexander Blostein with Goldman Sachs.

Michael Vinci, Analyst, Goldman Sachs (on behalf of Alexander Blostein)

Thank you. Good morning, everyone. This is Michael on for Alex.

I wanted to ask a quick question on the P&C business.

So, you have mentioned that you continue to exit parts of that business, we were wondering what the run rate the impact is after you fully rationalize those parts of the P&C business. How far along are you towards those goals?

Then as a corollary, what are the capital implications of exiting those lines?

Sachin Shah, Chief Executive Officer, Brookfield Wealth Solutions

Sure, hi Michael.

Brookfield

So, I would say we have completed the “exiting of lines.” We exited Surety, our Professional Lines business, we exited last year. We called a few other lines, but we are done. There is no more in to be done. The business we have is in really good shape.

Where we are today is, I'd say we have a very strong casualty franchise, we really are careful on the property side because of where we saw CAT exposure. We have a small and very stable admitted business.

If I was to look ahead over the next five years, I think what we are seeing is as the property markets continue to soften and rate comes down and as casualty markets are starting to show the first signs that we think our specialty business should be poised to grow for two reasons.

One is, we could be a very reliable counterparty to the broker-led market because we are in good shape. We have strong capital, and we are we have a track record now of profitability.

Then two, we think there will be platforms out there that will need capital in this environment, and we could be a great partner for them.

So, I don't see any further reduction in the business.

In fact, where I see it now over the next five years is potential -- we have the potential to substantially grow this business as markets were to deteriorate.

Michael Vinci, Analyst, Goldman Sachs (on behalf of Alexander Blostein)

Great, thank you.

As a follow-up on the full year \$25 billion target for origination, obviously there is some seasonality in the retail channel for the first quarter. But accounting for the \$4 billion year-to-date, I think that implies something like \$7 billion per quarter for the rest of the year.

So maybe we can walk through the sources there. It sounds like about \$5 billion of that is expected from Just. But anything on the sources of the \$25 billion cadence over the year and the confidence in hitting that target? Thanks.

Sachin Shah, Chief Executive Officer, Brookfield Wealth Solutions

Sure. I'll start with -- one thing we did see in the first quarter and this is pretty broadly published or disseminated is that demand for fixed annuities is down 9% or 10% in the U.S. this year over last year.

So, we are seeing, for the first time, a slight softening of annuity demand. In that environment, we actually picked up market share. We picked up four points of market share in a weaker market which is a really good fact pattern. It shows that we are able to sell in this market pick up as others fall away.

What we are seeing now is the early signs of us entering into bank channel market. Just so you have a perspective on the importance of the bank channels.

Brookfield

Today, we sell about one-third of total annuities in the U.S. in the bank channel most of our competitors sell about two-thirds of total annuities through the bank channel.

So, we have a tremendous runway of growth as those channels ramp up.

We got on to two important bank channels in the first quarter this year, and we have a third one coming likely in the third quarter of this year.

So, we have a lot of runway for growth. We think we'll pick up market share.

If you take that increased market share in the U.S. plus the combination of Just, we feel pretty good if all things stay consistent that they are, that will be in line with our targets.

Operator

One moment for our next question and that will come from the line of Sohrab Movahedi with BMO Capital Markets.

Sohrab Movahedi, Analyst, BMO Capital Markets

Ok, thank you. Sachin, I wanted to just stay with you, if I can.

What are the two or three KPIs you want BN shareholders to watch for to see how best you are capturing at BWS compounding intrinsic value for BN?

Sachin Shah, Chief Executive Officer, Brookfield Wealth Solutions

I would say total return on invested capital is number one, that's our singular focus. We are building this business to compound capital at mid-teens or high teens for a very long period without taking undue risk.

So if I had to focus you on one thing, I would say that we are not a top line business. This isn't about growth at all costs. It's nice that we grow, and we see a long runway of growth, and we don't think that that's going away. But really compounding capital is very important. To unpack that, we then look at total return over our cost of funds, which is more of a per unit measure.

So what is -- I know in the market, sometimes analysts and others look at spread, but we add on top of spread, unrealized gain on investments.

So we really look at total return on our invested capital, and we look at it both on a gross business basis and on a per unit basis. Beyond that, what I would say, we trying to build, and we are maybe the only ones who can do this. We are trying to build a business where at the top of the house, we can move our capital around to geographies and products.

We can do that without any conflicts or clients or other invested capital partners sitting in any part of the business.

So, if the U.K. is a great opportunity, we can move capital there.

Brookfield

If the U.S. presents a more compelling opportunity, we can go there, and we can be fungible in how we allocate capital with that singular goal that I described it at the outset. Does that help?

Sohrab Movahedi, Analyst, BMO Capital Markets

Yes. That's very helpful.

So, maybe just as a bit of a follow-on to that. Maybe it's a bit of a naive question to ask Brookfield but is there a size at which or is there a scale or market position at which you would say we can put a mission accomplished sign on BWS.

Sachin Shah, Chief Executive Officer, Brookfield Wealth Solutions

No. I think as long as you see a credible path to allocate capital in a business where you can continue to compound at mid-teens, you don't really put up a mission accomplished sign.

For us, it's just comes down to the next dollar of capital offer a compelling investment opportunity.

Operator

One moment for our next question and that will come from the line of Jaeme Gloyn with National Bank.

Jaeme Gloyn, Analyst, National Bank

Thanks. Good morning, I'll stay with the star of the show today's session and a question on retail flows, annuity flows.

So, I think you addressed it a little bit a couple of questions to go, but I wanted to focus it on the outflow side of the equation which increased materially from this quarter last year.

Can you talk about the drivers of those outflows? Is there some lumpiness? Is it consistent?

Maybe just help on that front.

Sachin Shah, Chief Executive Officer, Brookfield Wealth Solutions

Yes. Part of it is just quarter-over-quarter comparisons are difficult. I would say on an annualized basis, we should be at somewhere between \$10 billion to \$12 billion of outflows which is consistent with our duration profile that's high single digit.

For the most part, we are selling products in the five, seven and 10-year range.

So, if you blend out on an average liability duration of eight to nine years, and you divide that by the total assets we have, you can very quickly come down to what our annualized outflow should be.

Brookfield

So not a surprise. I would say if you are -- for modeling purposes, if you are trying to plan, you should plan \$10 billion to \$12 billion a year as the business gets larger, naturally, you are going to have more outflows year-over-year.

Jaeme Gloyn, Analyst, National Bank

Yes. Okay. Understood.

Then stepping up higher level on the breakdown of distributable earnings and just looking at cost of funds growing at a faster rate than the net investment income in this quarter, anything to pull out from that result.

Sachin Shah, Chief Executive Officer, Brookfield Wealth Solutions

Yes, one thing that I think is cutting across us and all of our peers is that as the front end of the yield curve comes down, annuity rates continue to stay pegged to the back end of the curve. You are bringing in dollars on day one in cash that have just earned less money.

I think what you have to then be able to look at, so that for -- therefore your weighted average net investment yield is lower on day one than it would have been a year ago when the yield curve was higher, and yet your cost of funds is the same and has crept up a little bit as the back end has come up.

With that steepening of the yield curve, I think what you guys have to look at is who is best positioned to capture that total return. What we are really focused on is rotating that cash position into long-duration assets, long-duration equity, and credit strategies where we can earn that high-teens total return on a per unit basis.

If you look at our results, we are, as I said, we are capturing market share. Our total return is still somewhere in the 225 basis points of spread, and we're still achieving mid-teens ROEs.

So, I'm not worried, but if you look at a point in time that's what is driving your lower average net investment yield vis-a-vis your cost of funds.

Operator

One moment for our next question and that will come from the line of Dean Wilkinson with CIBC.

Dean Wilkinson, Analyst, CIBC

Thank you, good morning everyone. Nick, I just want to talk on the buybacks. I mean it's been a tremendous use of capital over the past five years.

But when you look at that relative to the value that say sits at the manager, has there been any thought as the gap closes at that ownership level saying, would you take that back to the historical \$75 million, or are you just trying to match those buybacks with what the manager is doing?

Nick Goodman, *President*

Hi Dean, yes. Listen, I would think of BN and BAM as two distinct companies with their own capital and we are doing our own buybacks based on our own independently almost of each other. At the BN level, as you know, we have significant cash flow coming in every year.

We have very attractive investment opportunities, and we look to opportunistically buy back shares where we see that discount persist between price and our view of intrinsic value. And as we have executed this year is \$475 million, \$470 million year-to-date, that's a good pace, and we're not even halfway through the year.

So, for us, this is just a permanent consideration of allocation of capital. It's a separate and distinct allocation to what the BAM management team is focused on. They independently of BN believe that, and maybe it comes back to the first question that Cherilyn asked, the volatility that's been created in the market by some of the negative perception around credit and software which really was applied to every manager without distinguishing who had exposure and who didn't cause some irrational behavior in the BAM share price.

They opportunistically bought back shares in size in that period of time. That was an independent capital allocation decision. But given our significant ownership in BAM, we benefit significantly from that.

But I would say they are distinct from each other, but you should expect buybacks continue to be a significant component of our capital allocation at BN.

Dean Wilkinson, *Analyst, CIBC*

It is very reminiscent of everyone thought real estate of going to die a couple years ago and didn't really. Okay, thanks for that, Nick.

Operator

I'm showing no further questions in the queue at this time.

I would now like to turn the call back over to Ms. Katie Battaglia for any closing remarks.

Katie Battaglia, *Vice President, Investor Relations*

Thank you, everybody, for joining us today and with that, we'll end the call.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect.