Brookfield Corporation Shareholders

Overview

We generated strong financial results in the first quarter, and subsequent to the end of the quarter, we closed the acquisition of American Equity Life ("AEL") and announced a major renewables deal with Microsoft. We repurchased over $700 million of shares, and we continue to allocate capital to share repurchases.

With the AEL closing, we nearly doubled the size of our insurance operations and added $50 billion of fee-bearing capital to our asset manager. We also expanded our private credit operations with the announced acquisition of a majority stake in Castlelake, a premier asset-backed lender, adding $22 billion of assets under management.

Our landmark agreement with Microsoft provides for the provision of over 10.5 gigawatts of new renewable energy capacity through our renewable facilities in the U.S. and Europe to support their data center growth, demonstrating our position as the leading clean power provider to the digitalizing global economy. In addition, our real estate operations performed extremely well. In an increasingly bifurcated real estate market, we successfully financed close to $15 billion of debt, monetized approximately $2 billion of assets and signed over 7 million square feet of office and retail leases over the last few months.

With rates expected to have peaked and inflation beginning to cool down, liquidity has returned to the capital markets. Most major economies in the world are performing better than anticipated, and risk appetite has returned to most markets. Given the less restrictive conditions, it appears that we are in a more stable and constructive market than we have seen over the past two years. With this backdrop, transaction activity is picking up for high-quality businesses and assets like those that we own. At the same time, we have a record $150 billion of capital to put to work as transaction markets recover.

Our Operating Results Were Strong

We delivered strong financial results in the first quarter. With markets normalizing and transaction activity picking up, we expect the momentum in earnings growth to continue throughout the year.

Financial Results

Distributable earnings ("DE") before realizations were $1 billion or $0.63 per share in the quarter and $4.3 billion or $2.70 per share for the last twelve months. This represents an increase of 10% per share over the prior year, after adjusting for the special distribution of 25% of our asset management business in December 2022.

Asset Management – Our asset management business generated distributable earnings of $621 million in the quarter and $2.5 billion over the last twelve months, benefiting from continued fundraising momentum across our latest flagship funds and complementary strategies as clients continue to gravitate to our scale and global operating platform. To date, we have had strong inflows across our latest flagship funds, which include $10 billion for our second global transition fund strategy, over $8 billion for our fifth opportunistic real estate fund strategy, and $9 billion for opportunistic credit. Fee-bearing capital was $459 billion at quarter end, with fee-related earnings in line with the prior year quarter. We recently announced a deal to acquire a majority stake in Castlelake, a premier asset-backed lender focused on aviation, specialty and real asset finance. This broadens our presence in asset-backed lending and will provide investment products for our wealth solutions business and our insurance

clients. In addition, our large-scale capital and deep client relationships should provide Castlelake with a platform for accelerated growth.

Wealth Solutions – Our wealth solutions business, which is our platform for individual investors that includes our retirement services business as well as Brookfield Oaktree Wealth Solutions, had a strong quarter, generating distributable operating earnings of $273 million in the quarter and $868 million over the last twelve months. We continue to scale our asset base and leverage our broadening investment origination platform to support earnings growth. We were able to generate an average investment portfolio yield on our insurance assets of 5.7%, maintaining a spread of approximately 2% over our average cost of capital. With the close of AEL, our assets are now over $100 billion and annualized earnings are approximately $1.4 billion. Through these channels, we continue to raise approximately $800 million a month from retail products for high-net-worth and mid-market clients. We remain on track to reach over $1.5 billion of monthly retail capital inflows in the near-to-medium term.

Operating Businesses – Our operating businesses continue to deliver stable cash flows, generating distributable earnings of $337 million for the quarter and $1.5 billion over the last twelve months. Cash distributions are supported by the resilient earnings across our renewable power and transition, infrastructure and private equity businesses, as well as 5% growth in same-store net operating income in our core real estate portfolio over the last twelve months. In our renewable power and transition business, we continue to see robust demand for clean energy from mega-cap technology companies. Subsequent to the quarter, Brookfield Renewable Partners signed a landmark agreement with Microsoft to deliver over 10.5 gigawatts of new renewable energy capacity between 2026 and 2030 through the development of projects in the U.S. and Europe to support Microsoft's data center growth. This agreement is a testament to the scale of our global operations and our deep operating and development expertise.

In our real estate business, operating fundamentals and market conditions are strengthening. Outperformance of higher quality real estate assets continues to intensify, and our operating performance was very strong, with occupancy levels at 96% in our core portfolio and leasing spreads in our office portfolio increasing by 14% in the quarter. We see many tailwinds for the earnings and valuations of our real estate business with core operating cash flows continuing to grow, interest rates and inflation peaking and expected to decline, financing spreads tightening, and transaction volumes increasing.

Monetizations – Across all our businesses we are progressing monetizations. As transaction activity starts to pick up, we are observing a flight to quality, with buyers focused on the highest quality businesses and assets. We recently announced the sale of a 49% stake in a premier office asset in Dubai at very attractive returns, underscoring the demand for high-quality real estate globally, and the long-term potential for this one-of-a-kind asset. We are progressing the sale of a hotel at our premier mixed-use complex in Seoul, Korea, targeting above-hurdle returns on capital, and we are at the later stages of finalizing additional real estate monetizations. Substantially all sales were completed or are expected to be agreed at prices in line with our carrying values.

In our renewable power and transition business, we are advancing a significant pipeline of asset sales, targeting $3 billion of proceeds in aggregate this year. We also agreed to sell a fiber platform in France within our infrastructure business and a road fuels operation in Europe within our private equity business. We will continue to monetize assets as we find exit opportunities at optimal value. At the end of the quarter, accumulated unrealized carried interest was $10.1 billion. With our asset sales pipeline active, we expect to realize additional carried interest into income through the remainder of the year.

Balance Sheet and Liquidity

We continue to maintain a conservatively capitalized balance sheet and high levels of liquidity. At quarter end, our perpetual capital base was approximately $155 billion, with a modest amount of long-duration, corporate debt at the Corporation. We have a record $150 billion of deployable capital today, enabling us to execute on strategic growth initiatives.

Given the continued positive tone in the capital markets over the last few months, we executed on approximately $40 billion of financings across the group. A few highlights include:

- Issuance of $750 million of 30-year bonds at the Corporation to enhance our liquidity.
- Completion of close to $15 billion of financings in our real estate business, including approximately $4 billion in our office portfolio.
- Repricing of approximately $12 billion of financings across six portfolio companies, extending duration and reducing spreads by 40 bps on average.
- Execution on a C$400 million, 30-year, investment-grade green bond and $150 million fixed-rate perpetual subordinated notes at Brookfield Renewable, as well as an issuance of $3.85 billion of investment-grade bonds as part of our partnership with Intel for their semiconductor facility in Arizona. These financings emphasize the continued demand from lenders for transition and digitalization opportunities.

During the quarter, we reinvested our excess cash flow back into our businesses and returned $626 million to shareholders through regular dividends and share repurchases. To date this year, we repurchased over $700 million of shares in the open market, adding approximately $0.50 of value to each remaining share. We continue to allocate capital for further share repurchases.

Running Businesses Better Is the Most Secure Way to Good Returns

In business, there are many ways to earn a good return for stakeholders. In doing what we do – owning and building the backbone of the global economy – three different options stand out as the main drivers for most of the performance for private investors like us. The first is margin expansion and growing a business (i.e., earn more by running the business well); the second is multiple expansion (i.e., convincing someone the future is bright and have them pay you a higher multiple for an income stream than you paid); and the third is adding more financial leverage (which amplifies returns by having the excess return fall to a smaller amount of equity investment, hence a greater return on the equity invested). Each of these are tried and tested ways to make money; each also comes with its own risks and rewards.

Most of the returns on our investments come from managing our businesses well and growing them over time to enhance their cash flows. This is hard work and takes time, but running a business better is the most risk-averse way to make money and is the only one you can guarantee that you are fully in control of when making an investment. In addition, finding businesses that can continuously deploy capital in a productive way, grow operations, and operate in a cost-disciplined fashion, is the safest way to earn good long-term returns. We estimate that over 60 to 70% of the returns we earn in our businesses come from margin expansion and growing the underlying cash flows.

It is also possible to enhance returns by expanding the multiple of a business you acquire. We do not often plan for this but benefit on the upside if it comes. It is impossible to predict whether someone will pay you a higher multiple for a business, especially if you do nothing to enhance cash flows or de-risk operations and you are therefore dependent on something out of your control. This happened to growth investors to the upside in 2021—and conversely, to the downside in 2023. Very little of our return is expected from this source when we underwrite our deals, but we do know that if we successfully execute our business plans, we are often selling an improved business with a lower risk profile than the one we acquired. We estimate that 20% of our returns come from multiple expansion on exits, as we try to time our exits to markets that favor selling. The extra multiple we receive is generally due to market perception of lowered risk in the business at that point in time. If we do our jobs properly, we can influence that.

Much of the returns in financial sponsors' investments have come from the third way to generate returns: financial leverage. On average, we use less leverage in our investments than many financial sponsors and therefore, our

risk is also far less. On balance, we estimate that about 10% of our return comes from the use of financial leverage. This contrasts with far greater amounts for many financial sponsors' returns being generated this way. While sometimes this can be very lucrative, the risk attendant in this is high and the outcome less certain.

As the era of free money abates, the operating skills of running businesses better are becoming increasingly important to differentiating reasonable returns from excellent returns. This is why we continuously expand our operating teams to help our investee companies become better. The next five years are expected to test those that relied only on multiple expansion and leverage to earn returns, but will be a great period for those with the operating skills and people to remake businesses.

Our Wealth Solutions Business Will Soon Generate Over $2 billion of Annual Cash Flows

For decades, we have invested on behalf of pension plans, sovereign wealth funds, universities and other institutions looking to meet their long-term obligations, establishing ourselves as a responsible steward of capital while investing alongside our institutional partners to demonstrate alignment. When we looked at the insurance market dedicated to meeting individual retirement needs a few years ago, it was clear that the skills required to generate retirement income were very similar. Our ability to lend to and acquire long-duration assets and manage risk while generating consistent returns has always been highly desired by insurance company clients. Now, as we build our wealth solutions business, we are offering those benefits directly to individuals.

Our guiding principles from the start have been to focus on delivering 15%+ returns on our equity while managing downside risk. Our expertise is in investing; it is not in making money from insurance. We therefore identified and focused on the parts of the market where we could acquire low-risk, long-duration liabilities (no different than the long-duration debt we utilize within our real asset businesses), then apply our ability to originate and underwrite attractive risk-adjusted investment opportunities to drive returns. The output is a long-dated, highly predictable, annuity-like earnings stream that is very similar to the cash flows generated by the other assets we own, and our asset management business.

From a macro perspective, there were two additional factors that further underpinned our conviction in this business. The first is that the cohort of people in the U.S. and Europe entering retirement age and planning for their long-term wealth and retirement needs is the largest it has ever been, and it will be growing for a long time. Today there are ~60 million people in the U.S. aged 65 or older, and that number will grow to over 80 million over the next 25 years. This demographic is aging, while government entitlements and corporate pensions are under tremendous pressure with the added issue that healthcare costs are rising. The second factor is that in 2020, long-term interest rates seemed unduly low, and it was clear they would not stay there. This presented a unique, asymmetric opportunity to enter the business at a time when the odds favored that even if we made some mistakes, we could likely earn excess returns on our capital as interest rates increased over time.

Combined, these factors gave us confidence to invest our capital and start to build a scale business that would meet individual wealth and retirement needs, with the potential to deliver very attractive returns over a long period of time. Four years later, we have made significant progress—we are positioned as one of the largest providers of annuities in the U.S., with a float of over $100 billion and capabilities to originate $20 billion of policies annually in the near term. Annualized cash flows are currently approximately $1.4 billion, and as we reposition the investment portfolio and deploy our over $25 billion of cash and shorter duration financial assets, we are on track to surpass $2 billion of cash flows annually in the next 18 to 24 months from this business.

We have built a platform with significant embedded organic growth and have a top three position in the U.S. life and annuity market. As we continue to scale this business, diversify into new low-risk products such as acquiring pension plan assets from companies looking to shed the risk, and look at international expansion, we see a credible path to once again doubling this business over the next five years.

From a standing start, we have built a business that we believe is worth approximately $20 billion when you apply a conservative multiple to the highly predictable, long-duration cash flows. More importantly, this business brings strong synergistic benefits to the Brookfield ecosystem. It acts as a natural hedge to our broader real asset business. It has also provided a platform for us to further scale our credit business within Brookfield Asset Management, by both growing established product offerings and starting new strategies focused on asset-backed lending. These businesses complement each other and should grow in tandem, driving earnings and cash flow generation for our other businesses. Lastly, it has made us a better manager for our insurance clients as we learn the nuances of insurance.

Great Businesses Compound Wealth Irrespective of Market Conditions

The returns of a great business compound through good and bad markets. While the day-to-day events are often the focus of the news, they are often not overly relevant, and are mostly a distraction. The last five years have been one of the most volatile markets ever experienced. Despite that, we remind you of the performance of our business as it keeps compounding away:

AS AT AND FOR THE 12 MONTHS ENDED MAR. 31 ($ MILLIONS)	2020	2021	2022	2023	2024	CAGR
Brookfield FRE[1]	$ 1,284	$ 1,520	$ 1,987	$ 2,162	$ 2,246	15%
Brookfield Run-Rate Fees and Carry[2]	5,561	6,637	7,969	9,671	10,416	17%
Annualized DE Before Realizations[3,4]	2,105	2,481	3,667	4,070	4,493	21%
Common Equity – Plan Value[4,5]	73,308	96,254	119,685	119,698	136,304	17%

See endnotes on page 6.

We have been able to deliver stable and growing results for a long time. The consistency of our approach and the resilient nature of our business is the special value of Brookfield. Great businesses allow you to turn around and find that seven years later, the business has doubled in value and you don’t even realize the time has passed. Furthermore, our advantages of scale, our global platform and operating capabilities, and the synergies across the Brookfield ecosystem make our franchise stronger and more resilient. It is the compounding of all these factors that enables us to achieve strong and stable financial returns, which is the surest way to long-term wealth.

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.

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

May 9, 2024

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 the U.S. Securities Act of 1933, the U.S. Securities Exchange Act of 1934, “safe harbor” provisions of the United States Private Securities Litigation Reform Act of 1995 and in any applicable Canadian securities regulations (collectively, “forward-looking statements”). Forward-looking statements include statements that are predictive in nature, depend upon or refer to future results, events or conditions, and include, but are not limited to, statements which reflect management’s current estimates, beliefs and assumptions 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 which in turn are based on our experience and perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. The estimates, beliefs and assumptions of Brookfield Corporation are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and as such, are subject to change. Forward-looking statements are typically identified by words such as “expect,” “anticipate,” “believe,” “foresee,” “could,” “estimate,” “goal,” “intend,” “plan,” “seek,” “strive,” “will,” “may” and “should” and similar expressions. In particular, the forward-looking statements contained in this letter include statements referring to the impact of current market or economic conditions on our business, the future state of the economy or the securities market, the Castlelake acquisition, including its expected impact on our business, the anticipated allocation and deployment of our capital, our liquidity and ability to access and raise capital, our fundraising targets, our target growth objectives, and our target carried interest.

Although Brookfield Corporation believes that such forward-looking statements are based upon reasonable estimates, beliefs and assumptions, actual results may differ materially from the forward-looking statements. 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; (iii) the behavior of financial markets, including fluctuations in interest and foreign exchange rates and heightened inflationary pressures; (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 and sanctions; (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 asset management, wealth solutions, renewable power and transition, infrastructure, private equity, real estate and corporate activities; 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 future results. Readers are urged to consider these risks, as well as other uncertainties, factors and assumptions carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements, which are based only on information available to us as of the date of this letter or such other date specified herein. Except as required by law, Brookfield Corporation undertakes no obligation to publicly update or revise any forward-looking statements, 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 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.

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 Q1 2024 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.

<u>Endnotes</u>

1. This represents fee-related earnings attributable to BAM.
2. This represents gross annual run rate of fees plus target carry.
3. This represents management’s estimate of the annualized cash flow of the business as at March 31 each year. In certain years where management did not disclose an estimate of annualized cash flow, we have presented an estimate based on the key cash metrics disclosed at that time or where no disclosure was made, we have presented the cash available for distribution over the last twelve months.
4. Distributable earnings before realizations for the twelve months ended and plan value as at March 31, 2019 to 2022 were adjusted for the special distribution of 25% of our asset management business on December 9, 2022.
5. This represents management’s estimate of the intrinsic value of the business as at March 31 each year. In certain years where management did not disclose an estimate of intrinsic value, we have presented an estimate based on relevant valuation metrics disclosed at that time.