

Letter to Shareholders

Overview

Distributable earnings grew to \$1.2 billion for the second quarter of 2021. FFO was \$1.6 billion and net income was \$2.4 billion, all substantially higher than the second quarter of last year. We reported strong operating results, and continue to monetize assets in our capital recycling programs generating large proceeds for clients, principal investment proceeds for us, and substantial carried interests.

We have raised \$24 billion of private capital since we last wrote to you, and this will continue to grow over the balance of the year as we close and launch a number of new private funds. We distributed the special Brookfield Reinsurance dividend to shareholders, recently closed the privatization of our property business, and just this week added to our insurance operations, announcing the acquisition of American National Group for approximately \$5 billion.

Our financial position is very strong and our businesses are all growing as economies recover globally. This is in the context of the continuation of extremely low interest rates, which magnifies growth to the bottom line. While the threat of inflation and disinflation both loom large in peoples' minds, we believe that the total return assets we own will perform extremely well in all environments that are expected in this cycle and beyond.

The Market Environment is Much Better

The economic backdrop has continued to strengthen over the last few months with the roll out of vaccines allowing countries to advance reopening plans. While a total reopening of the global economy will not be without challenges, we seem to be on a good path with many countries easing restrictions and others almost back to normal.

Pent-up demand has been released where allowed and this has fueled a recovery in consumption and labor markets and contributed to strong GDP growth. We are seeing this in almost all of our businesses. Inflation has predictably increased, but despite the uncertainty over the permanence of the level of inflation, the yield on the 10-year U.S. Treasury Note has settled into the low 1% range. Whether inflation will be sustained for a longer period of time or prove to be transitory, it appears certain that interest rates will be remaining "lowish" (although not quite this low) for some time.

Despite the uncertainty regarding short-term moves in interest rates and the beginning of talk of tapering, capital markets remain very constructive, with strong levels of global liquidity and a search for yield driving demand. Debt financing is available across the credit spectrum, and equity markets continue to set all-time highs. These conditions are very positive for our business, and for real assets in general. This leaves us well positioned to execute on our growth plans and deliver strong returns to our shareholders and clients.

Operating Results are Very Strong

Fee-related earnings increased by 49% to \$483 million during the quarter. Distributable earnings were \$1.2 billion (\$0.79/share) during the quarter, or \$6.3 billion (\$4.05/share) over the last twelve months – the result of stable operating returns from our principal investments, carried interest realizations, and gains on the disposition of principal investments.

AS AT AND FOR THE 12 MONTHS ENDED JUNE 30 (\$USD, MILLIONS, EXCEPT PER SHARE AMOUNTS)	2017	2018	2019	2020	2021	CAGR
Distributable earnings (DE) – Per share	1.30	1.60	1.85	1.98	4.05	33%
– Total	1,903	2,353	2,702	3,009	6,254	35%
Fee-related earnings (before performance fees)	707	783	954	1,345	1,600	23%
Gross annual run rate of fees plus target carry	2,150	2,590	3,435	5,637	6,667	33%
Total assets under management	257,538	287,025	388,327	545,250	626,332	25%

Realized Carried Interest Continues to Ramp Up

We realized \$335 million of carried interest during the quarter as a result of several monetizations across our funds. This calendar year we have already generated over \$1 billion of gross carried interest. With our asset sale program still very active, we expect the realization of carried interest to continue through the remainder of the year. We are now realizing carry within at least one fund in each of our businesses. Although carried interest is ultimately dependent on the timing of monetizations, going forward we do expect to recognize it on a more frequent and regular basis.

During the quarter we closed on the sale of a Canadian district energy company, resulting in the realization of carried interest in our first flagship infrastructure fund. Having now returned all the original capital and the investors' preferred return, all future asset sales within this fund will result in the realization of further carry. We also realized carried interest during the quarter on the sale of two office properties in one of our more mature real estate funds; in our fourth private equity fund through secondary sales of shares of a listed company; and in our credit business which continues to monetize mature investments.

Advancing our Strategic Initiatives

Since our last reporting, we completed a number of key strategic initiatives, including the privatization of our property business and the spin-out of our paired reinsurance entity, Brookfield Asset Management Reinsurance Partners Ltd. ("Brookfield Reinsurance"). Both of these are strategically important and should be value enhancing over the longer term.

As a reminder, Brookfield Reinsurance is a paired security with BAM, meaning that it is designed to trade in tandem with the share price of BAM, while providing investors an alternative way to own BAM shares. It also provides small-cap funds an opportunity to get exposure to Brookfield. To date, the pairing has worked exceedingly well, and we feel confident it will continue to do so in the future. Brookfield Reinsurance expects the acquisition of its first reinsurance block with American Equity to close in the coming quarter and as announced earlier this week, Brookfield Reinsurance recently committed to acquire another insurance company, American National for \$5.1 billion. This is the next step in Brookfield Reinsurance's strategy.

Fundraising is Accelerating with Interest Rates Near Zero

Our asset management franchise continues to grow. We are in a period of heightened activity in our flagship funds, while simultaneously marketing a number of new funds. This should contribute to a move up to higher growth across our asset management franchise.

Closed-End Private Funds

In the last few years, we have grown our flagship funds to five – real estate, infrastructure, private equity, transition and credit. Each of these funds has a strategy centered around global themes that are driving significant capital flows and investment opportunities. In the current round of fundraising we are targeting to raise \$100 billion of capital across our strategies, and our goal is to grow each of our flagship funds over time to be in excess of \$25 billion.

Fundraising for our latest opportunistic credit fund is almost complete at \$15 billion, the largest yet for this strategy. The fund is already 62% invested or committed, leveraging the team's deep sourcing network and underwriting expertise to deploy capital for value. Our Global Transition Fund utilized a unique opportunity to establish a new flagship fund at large scale. The fund's founders' close, which took place earlier this month at \$7 billion, and the establishment of a \$12.5 billion hard cap, are illustrations of the opportunity we see ahead. Dealing with the issue of climate change, and deciding how it should impact investment decisions, is a top agenda item for every Chief Investment Officer allocating capital today. We expect our initial fund to be a leader in this segment and we are just getting started.

The fourth vintage of our flagship real estate fund is currently in the market, and we have already raised \$9 billion in a faster and larger first close compared to the prior vintage. The final fund size is expected to exceed the \$15 billion of the prior vintage. Our latest private equity flagship fund is \$9 billion and is more than 75% invested or committed, meaning we will start fundraising for our sixth fund in the third quarter. Based on the success of our earlier vintage funds and the growing profile of our private equity business, we expect the successor fund to be significantly larger than the current fund. Our latest flagship infrastructure fund at \$20 billion is already one of the global leaders and is currently 70% invested or committed for investment. Based on the current investment pipeline, we plan to begin fundraising for a larger successor fund later this year or early in 2022.

We also have a total of 25 mid-size private funds in the market, closed-end and perpetual, which should raise \$40 billion over the next fundraising cycle; a remarkable increase compared to a few years ago. These nimble, strategic funds (each generally between \$1 billion and \$5 billion) are designed to cater to our clients' needs while leveraging the broader Brookfield organization to optimize efficiency.

Perpetual Capital

Our perpetual managed capital now stands at \$100 billion and has been steadily growing over the last few years – across both our listed entities and our perpetual private funds. Fee-related earnings from our listed affiliates have more than doubled over the last five years, and they continue to grow.

Our perpetual private funds are designed to provide clients with an attractive, stable return with low risk by capitalizing on the deep investing and operating expertise we have built across our main investment verticals. Some of the products include: a perpetual global super-core infrastructure fund; a perpetual real estate credit fund; and our perpetual real estate fund series, one in each of the U.S., Europe and Australia; with more to come. From a standing start just a few years ago, we now have \$7 billion of capital under management from these funds.

We also continue to develop and introduce new offerings as our clients look to do more with us and as we see compelling investment opportunities in the market. This includes our recently announced private non-traded REIT,

which we believe will be very additive to the franchise going forward. The flexibility added by having privatized our property portfolio will be extremely helpful in this regard.

Fundraising Channels

A key element of our growth is expanding the size and depth of our existing client relationships, while also adding new ones. Today, we have 2,000 clients, each of whom invest in 2.1 funds on average. Five years ago, we had 425 clients who were in 1.8 funds on average. This means that not only are we gaining new clients, but we are also seeing an increase in the number of Brookfield products they participate in. If we perform well and we treat our clients well, this should continue to increase.

As we scaled our franchise and product offering over the years, our fundraising efforts focused on the largest institutions across North America, Asia, the Middle East and Europe. We believe there is significant room for these relationships to grow and, at the same time, we are also focusing on new fundraising channels, including private wealth, mid-market investors and other wealth pools such as insurance.

Individual investors, supported by the wealth channel, are dramatically underweight in alternatives, often with 3% of their portfolios or less in alternatives. We recently formed Brookfield Oaktree Wealth Solutions with an initial 60-person team dedicated to growing and supporting the development of new investment structures to target wealth channels, such as our recently announced non-traded-REIT. Mid-market institutions represent a largely untapped segment of the investor market for us. Our credit platform has had considerable success in this segment, and we aim to build on that success with our other funds.

In addition, insurance companies are facing the challenge of ultra-low returns on their fixed income portfolios, and alternatives are one of the few options available through which they can aim for returns. We currently manage close to \$30 billion of private fund capital from insurance companies and we expect that to grow by multiples, in particular as we continue designing regulation-friendly products for them.

The scaling of our flagship products, the diversification of our product offering, and penetration of new fundraising channels should lead to meaningful growth for our asset management franchise. This should help us achieve our target of increasing our third-party fee-bearing capital across our funds by approximately \$50 billion this calendar year and for it to double over the next five years. This is in addition to our reinsurance business which we have a line of sight to at least \$40 billion; and the broadening of our venture and growth investing strategies.

Real Estate Will Fuel Our Capital Plans for Years

We recently completed the acquisition of the outside interests in Brookfield Property Partners. We believe we paid our partners a fair price, and the added benefit is the flexibility to manage these assets in the private markets. In total, we now have ±\$30 billion of equity invested in commercial real estate.

Approximately ±\$16 billion of this equity capital is invested in an irreplaceable portfolio of high-quality mixed-use office and retail anchored properties in global gateway cities. On balance we intend to hold these assets for a very long time, if not forever. They provide an excellent total return for shareholders over the longer term, but also act as a liquidity pool for us should we ever need capital. In time, we will harvest capital with up-financings and sales of partial interests. It is likely that, unless we choose otherwise someday, the long-term permanent-hold equity will be in the range of ±\$10 billion, enabling us to generate upwards of \$10 billion of cash for discretionary use.

The remaining \$14 billion of equity capital is invested in shorter-term opportunistic property investments, including LP commitments to our private real estate fund strategies and direct real estate holdings. Virtually all of these

assets will be monetized opportunistically over the next five to seven years, with the proceeds then available to invest across the entire franchise.

Our Core Properties are comprised of ±50 assets located in 25 or so precincts in global gateway cities but centered in New York and London, both of which are exceptional global centers. These assets have proven to increase in value over the longer term, maintain high occupancy, and create numerous opportunities for us to put new capital to work at very high rates of return. The office locations are mostly the best-of-the-best in the finest cities in the world in which to own property. Our retail locations are among the most productive centers in the world — they are must-have locations for the world's leading retailers. All of these locations are irreplaceable, and while we may have certain strategic partners to invest alongside us, we intend to maintain significant ownership interests in them and control their operations for the foreseeable future.

Our Opportunistic Properties consist of two groups of assets – fund investments and direct investments. Approximately half of our capital here is invested through our various private real estate fund strategies alongside institutional clients. These funds are global and target very high rates of return (upwards of 20% plus) across a wide range of real estate asset classes including logistics, multifamily, hospitality, student housing and life sciences, in addition to office and retail. Our capital is invested beside some of the world's most sophisticated real estate investors, including leading sovereign wealth funds, insurance companies and public pension plans. The terms of these funds vary but are typically between seven and 10 years, creating a natural recycling of our capital with proceeds received from older vintage funds reinvested into future fund strategies.

The remainder of our Opportunistic Properties consist of direct real estate, each with a shorter-duration business plan than our Core Properties. While most are very high quality in nature, and they are mostly situated in great locations, we maximize the returns on these investments through a buy/fix/sell strategy. Some of these assets are in need of an operational turnaround, while others are driven by development or redevelopment. In all cases, they benefit from the operational capabilities of our 25,000 real estate operating professionals. As with our private fund strategies, as these business plans are executed, we will look to recycle our capital into new opportunities, in property or elsewhere, or use the proceeds to repurchase shares.

We believe that the economic recovery and ensuing real estate recovery will enable us to monetize significant capital from our property investments. With \$14 billion of equity in our Opportunistic Properties, and assuming reasonable returns on this capital, we should generate over \$15 billion of equity for reinvestment, even with us retaining partial stakes in a number of these properties. In addition to that \$15 billion, we should generate a further \$10 billion from our Core Properties while remaining in control of these assets. This circa +\$25 billion of capital will fuel the next phase of growth for Brookfield.

Size and Scale Matter as We Set a Path to Decarbonize Global Business

As stakeholders around the world increasingly focus on the global imperative to decarbonize, it should come as no surprise that not only is there is a growing investment opportunity set, but also an increasing amount of capital chasing investments in renewable energy and transition. For those market participants limited to investing in de-risked assets, the current market conditions are very competitive, with prospective returns compressing into the mid-single digits. With interest rates continuing near zero, this could go even lower.

Despite this, the growth and returns earned by our renewables business have been excellent over the longer term, as we continue to focus on opportunities that leverage our global scale, operational expertise, and access to capital. In fact, as decarbonization trends accelerate, the pipeline of large-scale, value-add opportunities that favor investors with a global platform and development capabilities, continues to grow. With the recent founders' close of \$7 billion for our Global Transition Fund, the additional capital we intend to raise for this strategy, and a

hard cap of \$12.5 billion, we intend to meaningfully grow the capital with which to assist companies transition to net zero.

As just one example on the investment front, earlier this year, we acquired the 845-megawatt Shepherds Flat project in Oregon, one of the largest wind farms in the United States. We acquired it for \$750 million of upfront equity. The project was built in 2011 and is fully contracted with a high-quality, long-term offtake. In June, we began the world's largest wind repowering project at Shepherds Flat, which we expect to deliver in under 24 months.

The repowering project entails replacing the wind turbine hardware with longer rotors and more efficient equipment, while keeping the rest of the infrastructure unchanged. This repowering is expected to increase the facility's production by approximately 25% annually and meaningfully extend the asset's useful life. Furthermore, given that it costs a fraction of what a comparable greenfield project costs, and enhanced generation can support a more robust capital structure, the repowering will require no additional equity from us, while generating attractive returns. All told, this project should generate mid-to-high teen returns on our investment – much higher than where this project would sell in the open market when completed, implying potential for significant capital appreciation.

Our differentiator is that there are few investors globally with the size and capabilities to take on a project of this scale. It took \$750 million of equity. It also took the operating skill to repower 320 turbines over an 18-month period. This requires intense development skills, power marketing knowledge, and operating capabilities. Our position as one of the leading renewable power platforms globally, with strong existing relationships with equipment suppliers, permitting authorities, financing partners, and power off-takers positioned us to execute this \$600 million repowering.

The overall market for repowering is large and global. Within the next five years, almost 200 gigawatts of global wind capacity will be 15 years old or older. Given our global scale and extensive operational expertise, we are uniquely positioned to execute on a number of large-scale repowerings – both across our existing facilities as well as those that we acquire. These opportunities should deliver excellent returns for our investors.

American National Group Adds Meaningfully to Our Insurance Plans

Over the last 10 years, we have built a team to provide a wide range of capital and investment solutions to insurance companies around the world. This entails assisting insurers with investment management services, and providing them higher yield credit products through our funds. More recently as rates reached today's lows, we started acquiring direct books of business reinsuring asset-intensive life and annuity policies. To focus our efforts and create a more efficient structure, we recently formed Brookfield Reinsurance, the shares of which we distributed to BAM shareholders last month.

Our partnership approach to business, our investment capabilities, strong balance sheet and significant liquidity are key differentiators, making us a good counterparty for insurers, particularly in this low-interest-rate-environment. We also have a long track record in real estate, infrastructure and other lower-volatility, higher-returning credit strategies – all of which are a strategic competitive advantage when dealing with life and annuity-focused insurance companies.

In order to augment our transaction capacity in the U.S., we announced this week an agreement through Brookfield Reinsurance to acquire a 100% interest in American National Group Inc. for \$5.1 billion. American National is a 100-year-old, U.S.-based insurer that provides a wide range of insurance products, predominantly in the life and annuities space. The company has a long and stable operating history, experienced management team, and conservative culture centered around prudent underwriting, capital preservation, and balance sheet

management. The company has \$28 billion of assets, \$22 billion of insurance liabilities, and \$6 billion of book equity. Our acquisition of it significantly enhances our platform in the U.S. for further growth in the future.

Once the American National transaction closes, we will have approximately \$40 billion of insurance assets under management through a combination of direct business, our pension transfers operations, and the reinsurance transactions signed to date with several U.S. insurers. These assets, when fully invested in a number of our credit strategies, should generate over \$200 million in fee revenues annually. More importantly, we expect our invested principal capital in our overall insurance strategy to meet or exceed the returns on equity we have become accustomed to at Brookfield while also enabling us to get smarter about how to best meet the objectives and needs of our broad array of growing insurance clients.

Closing

We remain committed to being a world-class asset manager, and to investing capital for you and the rest of our investment partners in high-quality assets that earn solid cash returns on equity, while delivering downside protection for the capital employed. The primary objective of the company continues to be to generate increasing cash flows on a per-share basis and, as a result, higher intrinsic value per share over the longer term.

Please do not hesitate to contact us should you have suggestions, questions, comments or ideas you wish to share.

Sincerely,



Bruce Flatt
Chief Executive Officer

August 12, 2021

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 and outlook of Brookfield Asset Management Inc. 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," "can," "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 businesses, the future state of the economy or securities market, 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 investment opportunities, or the results of future asset sales. References in this letter to the "Value" of our shares are forward-looking statements. Additional detail regarding how we measure the Value of our shares can be found on page 5 of our Q1 2021 Supplemental Information which can be accessed here: <https://bam.brookfield.com/reports-and-filings/financial-reports/supplemental-information>.

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 Asset Management Inc. and its subsidiaries to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements and information.

Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include, but are not limited to: (i) investment returns that are lower than target; (ii) the impact or unanticipated impact of general economic, political and market factors in the countries in which we do business including as a result of Covid-19 and the related global economic shutdown; (iii) the behavior of financial markets, including fluctuations in interest and foreign exchange rates; (iv) global equity and capital markets and the availability of equity and debt financing and refinancing within these markets; (v) strategic actions including dispositions; the ability to complete and effectively integrate acquisitions into existing operations and the ability to attain expected benefits; (vi) changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates); (vii) the ability to appropriately manage human capital; (viii) the effect of applying future accounting changes; (ix) business competition; (x) operational and reputational risks; (xi) technological change; (xii) changes in government regulation and legislation within the countries in which we operate; (xiii) governmental investigations; (xiv) litigation; (xv) changes in tax laws; (xvi) ability to collect amounts owed; (xvii) catastrophic events, such as earthquakes, hurricanes 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 our real estate, renewable power, infrastructure, private equity, credit, and residential development 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 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.

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

Certain of the information contained herein is based on or derived from information provided by independent third-party sources. While Brookfield 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 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.