U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 40-F

(Check One)

¨ **Registration statement pursuant to Section 12 of the Securities Exchange Act of 1934**

or

x **Annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended December 31, 2012

Commission file number 1-15226

BROOKFIELD ASSET MANAGEMENT INC.

(Exact name of registrant as specified in its charter)

Ontario, Canada	**1121, 1031, 1061, 1311, 1321, 2421, 4939, 6311**	**Not applicable**
(Province or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number (if applicable))**	**(I.R.S. Employer Identification Number (if Applicable))**

Suite 300, Brookfield Place, 181 Bay Street, P.O. Box 762, Toronto, Ontario, Canada M5J 2T3
(416) 363-9491
(Address and Telephone Number of Registrant's Principal Executive Offices)

Torys LLP, 1114 Avenue of the Americas, New York, NY 10036-7703
(212) 880-6000
(Name, Address (Including Zip Code) and Telephone Number (Including Area Code) of Agent For Service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Class A Limited Voting Shares	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: Debt Securities

For annual reports, indicate by check mark the information filed with this Form:

x Annual Information Form x Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

Class A Limited Voting Shares **625,122,204**

Class B Limited Voting Shares **85,120**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). ¨ Yes ¨ No

FORM 40-F

Principal Documents

The following documents, filed as Exhibits 99.1 through 99.2 hereto, are hereby incorporated by reference into this Form 40-F:

(a) Annual Information Form for the fiscal year ended December 31, 2012;

(b) Management's Discussion and Analysis of Financial Results (" MD&A") for the fiscal year ended December 31, 2012; and

(c) Consolidated Financial Statements for the fiscal year ended December 31, 2012.

ADDITIONAL DISCLOSURE

Certifications and Disclosure Regarding Controls and Procedures

(a) Certifications. See Exhibits 99.3, 99.4, 99.5 and 99.6 to this Annual Report on Form 40-F.

(b) Disclosure Controls and Procedures. As of the end of the registrant's fiscal year ended December 31, 2012, an evaluation of the effectiveness of the registrant's "disclosure controls and procedures" (as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) was carried out by the registrant's principal executive officer and principal financial officer.

Based upon that evaluation, the registrant's principal executive officer and principal financial officer have concluded that as of the end of that fiscal year, the registrant's disclosure controls and procedures were effective at the reasonable assurance level to ensure that information required to be disclosed by the registrant in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and (ii) accumulated and communicated to the registrant's management, including its principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

It should be noted that while the registrant's principal executive officer and principal financial officer believe that the registrant's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the registrant's disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

(c) Management's Annual Report on Internal Control Over Financial Reporting.

(1) Management of the registrant is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the Chief Executive Officer and the Chief Financial Officer and effected by the Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

(2) Management assessed the effectiveness of the registrant's internal control over financial reporting as of December 31, 2012, based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

(3) Based on this assessment, management concluded that, as of December 31, 2012, the registrant's internal control over financial reporting was effective. Also, management determined that there were no material weaknesses in the registrant's internal control over financial reporting as of December 31, 2012.

(4) Deloitte LLP, the independent registered chartered accountants that audited the registrant's consolidated financial statements for the fiscal year ended December 31, 2012, has issued its opinion on the registrant's internal control over financial reporting (the "Attestation Report").

(d) Attestation Report of the Independent Registered Chartered Accountants. The Attestation Report is included in Exhibit 99.2 attached hereto, which is incorporated by reference into this Annual Report on Form 40-F.

(e) Changes in Internal Control over Financial Reporting. During the fiscal year ended December 31, 2012, there were no changes in the registrant's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Notices Pursuant to Regulation BTR

None.

Audit Committee Financial Experts

The registrant's board of directors has determined that Mr. Marcel R. Coutu, Mr. Youssef A. Nasr and Mr. George S. Taylor, all members of the registrant's audit committee, each qualify as an "audit committee financial expert" (as such term is defined in paragraph 8(b) of General Instruction B in Form 40-F) and are each "independent" (as such term is defined in the rules of the New York Stock Exchange (the "NYSE")), in accordance with the director independence standards of the NYSE.

Code of Ethics

The registrant has adopted a "code of ethics" (as that term is defined in paragraph 9(b) of General Instruction B in Form 40-F), which it refers to as its Code of Business Conduct and Ethics, that applies to its principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions (together, the "Financial Supervisors").

The Code of Business Conduct and Ethics, which complies with the requirements of the New York Stock Exchange, is available for viewing on the registrant's website at *www.brookfield.com* at *Corporate/Conduct Guidelines* and is available in print to any shareholder who requests it. Requests for copies of the Code of Business Conduct and Ethics should be made by contacting: Corporate Secretary, Brookfield Asset Management Inc., Suite 300, Brookfield Place, 181 Bay Street, P.O. Box 762, Toronto, Ontario, Canada M5J 2T3, Telephone: 416-363-9491. Alternatively, requests may be sent by email to *inquiries@brookfield.com*.

All amendments to the Code of Business Conduct and Ethics, and all waivers of the Code of Business Conduct and Ethics with respect to any of the directors, officers and employees covered by it, have been and will be posted promptly on the registrant's website.

Principal Accountant Fees and Services

The information required is included under the heading "Principal Accountant Fees and Services" in the Audit Committee Information section of the registrant's Annual Information Form for the fiscal year ended December 31, 2012, incorporated by reference as Exhibit 99.1 to this Annual Report on Form 40-F.

Pre-Approval Policies and Procedures

The information required is included under the heading "Pre-Approval Policies and Procedures" in the Audit Committee Information section of the registrant's Annual Information Form for the fiscal year ended December 31, 2012, incorporated by reference as Exhibit 99.1 to this Annual Report on Form 40-F.

Off-Balance Sheet Arrangements

The registrant does not have any off-balance sheet arrangements.

Tabular Disclosure of Contractual Obligations

The information required is included under the heading "Contractual Obligations" in Part 4, "Capitalization," in the registrant's MD&A for the fiscal year ended December 31, 2012, incorporated by reference as Exhibit 99.2 to this Annual Report on Form 40-F.

Identification of the Audit Committee

The registrant has a separately designated standing audit committee established in accordance with section 3(a)(58)(A) of the Exchange Act. The members of the audit committee are: George S. Taylor who is the committee's Chair, Marcel R. Coutu and Youssef A. Nasr.

DISCLOSURE PURSUANT TO THE REQUIREMENTS OF THE NEW YORK STOCK EXCHANGE

Independence of Directors

The registrant's board of directors has determined that 11 of the registrant's 15 directors, comprising a majority of the board, are "independent directors," as that term is defined in the rules of the NYSE, and that none of these 11 directors has a material relationship with the registrant which would impair his independence from management or otherwise compromise his ability to act as an independent director.

The directors who have been determined to be independent on this basis are: Marcel R. Coutu, J. Trevor Eyton, Maureen Kempston Darkes, Seek Ngee Huat, Lance Liebman, Philip B. Lind, Frank J. McKenna, Youssef A. Nasr, James A. Pattison, Diana L. Taylor and George S. Taylor.

Presiding Director at Meetings of Independent Directors

The registrant schedules regular meetings in which the registrant's independent directors meet without the participation of management and non-independent directors. Mr. Frank McKenna, the chair of the board of directors, serves as the chair at such sessions (the "Chair").

Communication with Independent Directors

Shareholders may send communications to the registrant's independent directors by contacting the Chair, c/o Corporate Secretary, Brookfield Asset Management Inc., Suite 300, Brookfield Place, 181 Bay Street, P.O. Box 762, Toronto, Ontario, Canada M5J 2T3, Telephone: (416) 363-9491. Alternatively, communications may be sent by e-mail to *inquiries@brookfield.com*. Communications will be referred to the Chair for appropriate action. The status of all outstanding concerns addressed to the Chair will be reported to the board of directors as appropriate.

Corporate Governance Guidelines

The rules of the NYSE require listed companies to adopt and disclose a set of corporate governance guidelines with respect to specified topics. Such guidelines are required to be posted on the listed company's website. The registrant operates under corporate governance principles that are consistent with the requirements of the NYSE rules, and which are summarized under the heading "Statement of Corporate Governance Practices" in the registrant's latest Management Information Circular available for viewing on the registrant's web site at *www.brookfield.com* under *Corporate/Corporate Governance*.

Board and Committee Charters

The charter of the registrant's board of directors is set out in Schedule A to the registrant's latest Management Information Circular. The charter of the registrant's audit committee is set out in Appendix C of the Registrant's Annual Information Form for the fiscal year ended December 31, 2012.

These documents are available for viewing on the registrant's web site at *www.brookfield.com* under *Corporate/Corporate Governance.*

The charters of the registrant's board of directors, audit committee, management resources and compensation committee, governance and nominating committee and risk management committee are each available for viewing on the registrant's web site at *www.brookfield.com* under *Corporate/Corporate Governance* and are available in print to any shareholder who requests them. Requests for copies of these documents should be made by contacting: Corporate Secretary, Brookfield Asset Management Inc., Suite 300, Brookfield Place, 181 Bay Street, P.O. Box 762, Toronto, Ontario, Canada M5J 2T3, Telephone: (416) 363-9491. Alternatively, requests may be sent by email to *inquiries@brookfield.com*.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

A. Undertaking.

The registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Securities and Exchange Commission (the "Commission") staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

B. Consent to Service of Process.

The Company has previously filed a Form F-X in connection with the class of securities in relation to which the obligation to file this report arises.

Any change to the name or address of the agent for service of process of the registrant shall be communicated promptly to the Commission by an amendment to the Form F-X referencing the file number of the registrant.

SIGNATURE

Pursuant to the requirements of the Exchange Act, the registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized, on April 1, 2013.

BROOKFIELD ASSET MANAGEMENT INC.

By: */s/ Brian D. Lawson*
Name: Brian D. Lawson
Title: Chief Financial Officer

EXHIBIT INDEX

Exhibit	Description
99.1	Annual Information Form for the fiscal year ended December 31, 2012
99.2	Management's Discussion and Analysis of Financial Results for the fiscal year ended December 31, 2012, the Consolidated Financial Statements for the fiscal year ended December 31, 2012, and the Attestation Report of Deloitte LLP
99.3	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934
99.4	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934
99.5	Certification of Chief Executive Officer pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code
99.6	Certification of Chief Financial Officer Form pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code
99.7	Consent of Deloitte LLP

Exhibit 99.1

Brookfield Asset Management Inc.

Brookfield

ANNUAL INFORMATION FORM

April 1, 2013

ANNUAL INFORMATION FORM

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BROOKFIELD ASSET MANAGEMENT INC.

ANNUAL INFORMATION FORM

THE CORPORATION

Brookfield Asset Management Inc. (the "Corporation") is a global alternative asset manager with over $175 billion in assets under management. We have over a 100-year history of owning and operating assets with a focus on property, renewable power, infrastructure and private equity and residential development. We have a range of public and private investment products and services, which leverage our expertise and experience and provide us with a competitive advantage in the markets where we operate. Our Class A Limited Voting Shares are co-listed on the New York Stock Exchange ("NYSE") under the symbol "BAM", the Toronto Stock Exchange ("TSX") under the symbol "BAM.A" and on NYSE Euronext under the symbol "BAMA".

The Corporation was formed by articles of amalgamation dated August 1, 1997 and is organized pursuant to articles of amalgamation under the Business *Corporations Act* (Ontario) dated January 1, 2005.

References in this Annual Information Form to the "Corporation" refer to Brookfield Asset Management Inc., including its predecessor companies. References to "Brookfield", "we", "us" and "our" refer to the Corporation and its consolidated subsidiaries, individually or collectively, as applicable. The Corporation's registered office and head office are located at Suite 300, Brookfield Place, 181 Bay Street, Toronto, Ontario, Canada M5J 2T3.

All financial information in this Annual Information Form is expressed in United States dollars, unless otherwise noted. All references to C$ are to Canadian dollars. All reference to R$ are to Brazilian reais. All references to A$ are to Australian dollars. All information is presented as at December 31, 2012, unless otherwise noted.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

This Annual Information Form 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 regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Corporation and its subsidiaries, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods, and include words such as “expects,” “anticipates,” “plans,” “believes,” “estimates,” “seeks,” “intends,” “targets,” “projects,” “forecasts” or negative versions thereof and other similar expressions, or future or conditional verbs such as “may,” “will,” “should,” “would” and “could”.

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 our actual results, performance or achievements 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: the impact or unanticipated impact of general economic, political and market factors in the countries in which we do business; the behavior of financial markets, including fluctuations in interest and foreign exchanges rate; global equity and capital markets and the availability of equity and debt financing and refinancing within these markets; strategic actions including dispositions; the ability to complete and effectively integrate acquisitions into existing operations and the ability to attain expected benefits; changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates); the effect of applying future accounting changes; business competition; operational and reputational risks; technological change; changes in government regulation and legislation within the countries in which we operate; changes in tax laws, catastrophic events, such as earthquakes and hurricanes; the possible impact of international conflicts and other developments including terrorist acts; and other risks and 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. When relying on our forward-looking statements, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as required by law we undertake no obligation to publicly update or revise any forward-looking statements or information, whether written or oral, that may be as a result of new information, future events or otherwise.

SUBSIDIARIES

The following is a list of the Corporation's main subsidiaries, indicating the jurisdiction of formation and the percentage of voting securities owned, or over which control or direction is exercised directly or indirectly, by the Corporation as at December 31, 2012:

Name	Jurisdiction of Formation	Percentage of Voting Securities Owned, Controlled or Directed
Property		
Brookfield Office Properties Inc.	Canada	50.7
Renewable Power		
Brookfield Renewable Energy Partners L.P.	Bermuda	100.0 [(a)]
Infrastructure		
Brookfield Infrastructure Partners L.P.	Bermuda	100.0 [(b)]

(a) Represents the Corporation's ownership of 100% of the general partnership interest. The Corporation also owns limited partnership units and units exchangeable into limited partnership units representing an aggregate 68% ownership interest in Brookfield Renewable Energy Partners L.P. (on a fully-exchanged basis).

(b) Represents the Corporation's ownership of 100% of the general partnership interest. The Corporation also owns limited partnership units and units exchangeable into limited partnership units representing an aggregate 28% ownership interest in Brookfield Infrastructure Partners L.P. (on a fully-exchanged basis).

DEVELOPMENT OF THE BUSINESS

The following is a summary of recent developments since January 2010 in each of our principal areas of business and at the corporate level.

Property

2013 Activity - to date

On January 15, 2013, Brookfield Office Properties Inc. ("Brookfield Office Properties") announced the construction of the platform of its $4.5 billion, five-million-square-foot Manhattan West Development.

On January 31, 2013, Brookfield Office Properties redeemed C$200 million Class AAA Preference Shares, Series F.

On February 11, 2013, we announced the acquisition of a portfolio of 19 apartment communities with 4,892 units located in North Carolina, South Carolina and Virginia for a total of $414 million from Babcock & Brown Residential.

On March 15, 2013, the Corporation announced that it will distribute to every holder of Class A and Class B Limited Voting Shares in the Corporation one limited partnership unit in a newly created global commercial property company named Brookfield Property Partners L.P. ("BPY") for approximately every 17.42 shares held in the Corporation. This special dividend is currently estimated to be valued at $1.45 per share of the Corporation, or approximately $900 million in the aggregate. This distribution is scheduled to occur on April 15, 2013 and immediately thereafter, BPY will effectively be owned approximately 7.5% by the shareholders of the Corporation and 92.5% by the Corporation, on a fully-exchanged basis.

2012 Activity

We leased approximately 6.8 million square feet of commercial office property during 2012, resulting in overall occupancy of 92% and a 7.4 year average term. Our average in place rent in the portfolio was $30.93 per square foot. We continue to manage our portfolios and tenant relationships on a proactive basis, which can lead to opportunities to re-lease space for increased yields while minimizing vacancies.

On January 12, 2012, General Growth Properties, Inc. ("GGP") completed the spin-off of Rouse Properties Inc. ("Rouse") through a special dividend of the common stock of Rouse to holders of GGP common stock. Following completion of the spin-off, we owned 37.5% of the common stock of Rouse. In the first quarter of 2012, following completion of the spin-off, Rouse distributed rights to its common stockholders entitling them to acquire 13,333,333 shares of common stock of Rouse at $15 per share. We agreed to purchase the shares of Rouse that we were entitled to purchase with our pro rata share of rights and to acquire any shares of Rouse that were not otherwise subscribed for in the rights offering. As a result, we currently hold 26,580,603 shares of Rouse representing 54% of the common stock of Rouse.

On January 17, 2012, Brookfield Office Properties issued C$200 principal amount of 4.30% senior notes due January 17, 2017.

On March 1, 2012, Brookfield Office Properties redeemed C$153.5 million Class AAA Preference Shares, Series I.

On March 12, 2012, the Brookfield Real Estate Opportunity Fund I, a private fund established by the Corporation, announced the sale of Convergence Office Center in Dallas, Texas for $123 million.

On March 14, 2012, we announced a joint venture with Hillwood (the "Hillwood JV"), a Dallas/Fort Worth-based real estate investor and developer, to acquire, develop and manage industrial property, principally large warehouses, across the United States. With an equity commitment of $400 million, the partnership is expected to deploy up to $1 billion through the first quarter of 2015.

On April 12, 2012, the Corporation filed a Registration Statement on Form 20-F to register limited partnership units of BPY with the U.S. Securities and Exchange Commission and applied to list these units on the NYSE, and filed a preliminary prospectus to register these units with the Ontario Securities Commission and apply to list these units on the TSX.

On April 16, 2012, Brookfield Office Properties issued C$150 million principal amount of 4.00% senior unsecured notes due April 16, 2018.

On June 5, 2012, Brookfield Office Properties announced that it acquired two office towers, Metropolitan Park East & West, in the Seattle central business district for $210 million.

On June 12, 2012, Brookfield Office Properties announced that it would commence development of the Bay Adelaide Centre East Tower in Toronto, Ontario.

On June 19, 2012, Brookfield Office Properties announced that it had agreed to acquire a portfolio of premier office buildings and a development site in the London financial district from Hammerson plc ("Hammerson") for $829 million (£518 million). Brookfield Office Properties subsequently acquired an additional development site from Hammerson in partnership with Oxford Properties Group.

On September 13, 2012, Brookfield Office Properties issued C$250 million 4.60% rate-reset Preference Shares, Series T.

On September 19, 2012, Brookfield Office Properties announced the approval for a normal course issuer bid to purchase up to 12.6 million common shares, representing at the time approximately 2.5% of its issued and outstanding shares, through open market purchases on the NYSE and TSX. The bid commenced on September 22, 2012 and will expire on September 21, 2013.

On September 25, 2012, the Corporation and Fairfield Residential Company LLC ("Fairfield") announced the final close of Brookfield Fairfield U.S. Multifamily Value Add Fund ("Multifamily Fund") with total commitments of $323 million. The Corporation committed $50 million to the Multifamily Fund. Fairfield manages the Multifamily Fund, which is pursuing investment opportunities to acquire undervalued or underperforming multifamily apartment properties in infill or supply-constrained locations suitable for renovation, reposition and operational turnaround.

On October 10, 2012, Brookfield Office Properties and certain of the Corporation's funds acquired all of the outstanding shares of Thakral Holdings Group ("Thakral") for A$0.81 per share or A$474 million, securing a prime development site in Sydney, Australia and a portfolio of Australian hotel properties.

On October 15, 2012, Brookfield Office Properties acquired a 37.5% interest in the 100 Bishopsgate property in the City of London from Great Portland Estates for £47.2 million, giving Brookfield Office Properties control of the office project, which was previously a 50:50 partnership between the two companies.

On November 20, 2012, Brookfield Office Properties announced the sale of two assets: the 33 South 6th Street / City Center property in Minneapolis and the KBR Tower office building in Houston, for net proceeds to Brookfield Office Properties of $182 million.

On December 17, 2012, Brookfield Office Properties announced it had repaid C$480 million of promissory notes of Brookfield Residential Properties Inc., a North American homebuilder and land developer ("Brookfield Residential"). The promissory notes were held by Brookfield Office Properties as a portion of the compensation for the divestiture of the company's residential division associated with the formation of Brookfield Residential in March 2011. Two tranches of notes, the C$265 million senior note and the C$215 junior note, were due on December 31, 2015 and December 31, 2020, respectively. All principal and interest has been repaid in full.

On December 21, 2012, the Hillwood JV acquired 81% of Verde Realty ("Verde") from Verde shareholders at a price of $12.85 per share for a total transaction value of $886 million.

On December 31, 2012, the Corporation acquired 18,432,855 warrants to acquire shares of common stock of GGP from affiliates of Pershing Square Capital Management LP in exchange for $272 million. Such warrants have an exercise price of approximately $9.36 per share of common stock of GGP.

2011 Activity

We leased approximately 11 million square feet of commercial office property during 2011, resulting in overall occupancy of 93% and a 7.3 year average term. Our average in place rent in the portfolio was $28.57 per square foot.

On January 18, 2011, we acquired 113.3 million common shares of GGP from The Fairholme Fund ("Fairholme") for aggregate consideration of approximately $1.7 billion, giving us and our consortium partners an approximate 38% equity interest in GGP which we continue to hold today (43% on a fully-diluted basis). Pursuant to an agreement with Fairholme, we issued 27.5 million Class A Limited Voting Shares, representing a 4.5% equity interest in the Corporation, to Fairholme valued at $907 million and paid Fairholme $804 million in cash. Fairholme subsequently sold its ownership stake in the Corporation through market sales.

We announced a joint venture with Peninsula Land Ltd. to launch a $100 million real estate fund early in 2012 which we have completed. We have an equal stake with Peninsula Land Ltd. in the venture, and jointly evaluated and managed investments targeting the development of residential and commercial assets, primarily in Tier I cities in India.

We recapitalized an office property fund for $175 million by acquiring bank debt and converting it to equity. The fund owns a five million square foot portfolio of office properties on the west coast of the U.S., predominantly in California.

We sold three office properties in 2011: 1400 Smith Street in Houston, Newport Tower in New Jersey and 53 State Street in Boston. These sales raised net equity proceeds of $555 million. These proceeds were reinvested in seven separate investments: a 75% interest in 450 West 33rd Street in New York, a 50% interest in Bankwest Tower in Perth, a 50% interest in Southern Cross West in Melbourne, a 100% interest in Three Bethesda Metro Center in Bethesda, a 49%-interest in Brookfield Place, 250 Vesey Street (formerly Four World Financial Center) in New York (consolidating our ownership in this property to 100%), a 51% interest in 1801 California St. in Denver, and the acquisition of a further 21% interest in our U.S. Office Fund.

In Dubai, United Arab Emirates, where we have long-standing construction relationships, we partnered with the Investment Corporation of Dubai, a leading government agency, to establish a $1 billion platform to make opportunistic real estate investments in the Middle East. We committed $100 million to this initiative, as did our partner.

We acquired a $1 billion portfolio of defaulted property loans in New Zealand from a European bank. We also acquired a defaulted loan backed by 40% of Thakral, an Australian public company.

We refinanced or secured $4.5 billion of new financing on our office properties portfolio during 2011, including the recapitalization of our U.S. Office Fund and the financing of Bay Adelaide Centre West in Toronto which was completed at a 4.4% interest rate. This $4.5 billion breaks down as $1.5 billion in the U.S. Office Fund; $900 million in North America; $900 million in Australia; and acquisition-related financings of $1.2 billion. The average rate on these financings was 5.3%.

Brookfield Office Properties issued C$250 million 5.1% rate-reset preferred shares.

We traded 33% interests in two malls in Arizona for $75 million of cash and the acquisition of freehold interests in six big box anchor locations in our malls that were owned by another company. We also sold three non-core retail centers in the United States.

We foreclosed, through a defaulted mezzanine loan, on a hotel and casino containing 1,500 guestrooms located in Las Vegas, Nevada.

We advanced numerous development activities, including the completion of our premier Brookfield Place office development in Perth, Australia.

2010 Activity

We leased 7.2 million square feet of commercial office property during 2010, almost three times the amount that was rolling over, maintaining our lease profile at 95% occupancy with a 7.2 year average term. The average rent in the portfolio increased to $28 per square foot, which continued to be approximately 11% below average market rents.

We signed a definitive agreement with the predecessor of GGP ("General Growth") for a proposed recapitalization of General Growth. We, along with our consortium partners, agreed to invest $2.625 billion in equity to fund General Growth's recapitalization. On November 9, 2010, General Growth emerged from Chapter 11 protection and was split into two companies, new General Growth

Properties, Inc., which is GGP, and The Howard Hughes Corporation. At the time, upon completion of the recapitalization, we and our consortium partners owned approximately 27% of GGP and approximately 14% of The Howard Hughes Corporation on a fully-diluted basis.

We foreclosed on a 542,000 square foot office property in San Francisco through a defaulted mortgage loan.

We jointly acquired a prime redevelopment site in the City of London. We also completed the development of Deloitte Centre in Auckland, New Zealand. The new 23-story, 23,720 square metre prime office building, which includes flagship retail on the ground floor, is fully leased to Deloitte LLP and Bank of New Zealand.

We acquired undervalued properties in Washington D.C. and Houston encompassing 2.1 million square feet for total consideration of $435 million. We sold two properties in each of Washington and Edmonton for aggregate proceeds of $296 million.

In July 2010, Brookfield Office Properties announced a strategic repositioning plan to transform itself into a global pure-play office property company. The plan included the acquisition by Brookfield Office Properties from us of an economic interest in 16 premier Australian office properties for total consideration of approximately $1.4 billion. The properties comprised 8 million square feet in Sydney, Melbourne and Perth, were 99% leased and had a total value of $3.4 billion. This transaction closed on September 27, 2010.

Brookfield Office Properties' Canadian subsidiary was converted into a real estate investment trust and renamed Brookfield Office Properties Canada (renamed Brookfield Canada Office Properties in 2012), whose units are listed for trading on the TSX and the NYSE under the symbols BOX.UN and BOXC, respectively. Brookfield Office Properties sold 6.8 million units of Brookfield Canada Office Properties through a secondary offering for gross proceeds of C$150 million.

We acquired a 16 property portfolio in the U.S. totaling 2.9 million square feet from JP Morgan Chase, which, as part of the transaction, leased back over 60% of the space on a long-term basis. We also sold 26 properties at returns exceeding our underwritten returns.

Renewable Power

2013 Activity - to date

On January 18, 2013, Brookfield Renewable Energy Partners L.P. (together with its related entities, "Brookfield Renewable") increased its quarterly distribution to $0.3625 per unit. This reflects an annual distribution of $1.45 per unit.

On January 29, 2013, Brookfield Renewable issued C$175 million 5.00% perpetual Class A Preference Shares, Series 5.

On February 7, 2013, Brookfield Renewable announced a 5% increase in its quarterly distribution, from $0.345 per limited partnership unit to $0.3625 per limited partnership unit. This enhanced distribution is payable on April 30, 2013 to unitholders of record as of the close of business on March 31, 2013.

On February 22, 2013, Brookfield Renewable completed a C$450 million bond offering for its Comber Wind farm in Essex County, Ontario. These senior bonds bear an all-in interest rate of 5.13% and fully amortize over a period of 17.7 years.

Two of Brookfield Renewable's hydroelectric facilities in Brazil entered into commercial operation in November 2012 and February 2013. These facilities have a total installed capacity of 48 MW and are expected to be capable of generating a combined 242.5 gigawatts (GWh) of generation annually. Total construction costs were approximately R$400 million.

On March 1, 2013, Brookfield Renewable acquired a portfolio of 19 hydroelectric generating stations in Maine from a subsidiary of NextEra Energy Resources, LLC, for a total enterprise value of approximately $760 million, subject to typical closing adjustments. The portfolio consists of 19 hydroelectric facilities and eight upstream storage reservoir dams primarily on the Kennebec, Androscoggin and Saco rivers in Maine (the "Maine Portfolio"), with an aggregate capacity of 351 megawatts (MW) and expected average annual generation of approximately 1.6 million MW.

On March 7, 2013, Brookfield announced that we had taken up additional common shares in our all-cash offer to acquire common shares of Western Wind Energy Corp. ("Western Wind") for C$2.60 per share. We now own approximately 93% of the issued and outstanding common shares of Western Wind and have launched a compulsory acquisition to acquire the remaining common shares.

On March 13, 2013, the Corporation sold 8,065,000 limited partnership units of Brookfield Renewable through a secondary offering for gross proceeds of $250 million. As a result of the sale, the Corporation now owns an economic interest of approximately 65% in Brookfield Renewable on a fully-exchanged basis. In connection with this offering, the underwriters were granted an over-allotment option to purchase up to an additional 1,209,750 limited partnership units at the offering price. The option will expire on April 12, 2013.

On March 20, 2013, Brookfield Renewable acquired the remaining 50% interest in Powell River Energy Inc. that it did not hold for C$33 million plus the assumption of related debt.

In March 2013, Brookfield Renewable announced that approximately 88% of $575 million principal amount of project level notes with respect to the Maine Portfolio were tendered and accepted for purchase pursuant to a previously announced cash tender offer. The purchase of the tendered notes was partially funded through a non-recourse, 18-month bridge loan of up to $350 million from a syndicate of banks that closed on March 6, 2013.

2012 Activity

On January 24, 2012, the Corporation announced the sale of 11,430,000 limited partnership units of Brookfield Renewable through a secondary offering that closed on February 2, 2012. In connection with this offering, the underwriters were granted an over-allotment option to purchase up to an additional 1,714,500 limited partnership units at the offering price, which was exercised. The gross proceeds for the sale of approximately 13.15 million units were $345 million. Following the sale, the Corporation owned an economic interest of approximately 68% in Brookfield Renewable on a fully-exchanged basis (65% as of April 1, 2013).

In January 2012, Brookfield Renewable acquired a 150 MW wind project in the Tehachapi region of California from a U.S. wind developer. This project is located in close proximity to its other 102 MW wind farm in Tehachapi, California and benefits from a 24-year power purchase agreement (PPA) with Southern California Edison. Brookfield Renewable also acquired 22 MW of additional operating wind generation capacity from its existing partner, the Coram Energy Group, and an incremental 50% interest in the Tehachapi wind farm, bringing its interest in the wind farm to 100%.

On February 2, 2012, we sold 13,144,500 limited partnership units of Brookfield Renewable through a secondary offering for gross proceeds of approximately $345 million. Following the sale, we owned an economic interest of approximately 68% in Brookfield Renewable on a fully-exchanged basis.

On February 7, 2012, Brookfield Renewable issued C$400 million principal amount of 4.79% medium term notes, Series 8, due February 7, 2022.

In March 2012, Brookfield Renewable and certain of our key holding companies entered into a separate credit agreements with five banks, and at the same time reduced the aggregate availability under existing credit facilities with six lenders. As a result of this refinancing, Brookfield Renewable increased its committed unsecured revolving credit facility availability from an aggregate of $600 million to $900 million. Each of the new credit facilities contains similar terms and conditions as the existing facilities. In May 2012, Brookfield Renewable entered into a further credit agreement for an additional $90 million with a sixth bank on similar terms and conditions as the other credit agreements. All credit agreements expire on October 31, 2016, subject to additional one-year extensions.

Brookfield Renewable's 102 MW and 150 MW wind farms in California, which we own with certain institutional investors, reached commercial operation in the first quarter of 2012.

On April 30, 2012, Brookfield Renewable filed a Registration Statement on Form 20-F to register its non-voting limited partnership units ("LP Units") with the U.S. Securities and Exchange Commission and applied to list the LP Units on the NYSE. As of April 1, 2013, the LP Units have not yet been listed on the NYSE.

In May 2012, Brookfield Renewable refinanced indebtedness associated with its 50%-owned hydroelectric pumped storage facility in New England through a $125 million loan for a term of 5 years.

On August 29, 2012, Brookfield Renewable acquired a 16% stake in Western Wind from an institutional investor for C$2.25 a share. Western Wind has a wind farm in California that is adjacent to a Brookfield Renewable property. On November 23, 2012, Brookfield Renewable launched an unsolicited offer for all of the outstanding common shares of Western Wind for C$2.50 a share. The bid was subsequently raised to C$2.60 in January 2013 and it succeeded in February 2013 when 59.7% of the common shares of Western Wind held by shareholders independent of Brookfield tendered into the bid.

On October 11, 2012, Brookfield Renewable issued C$250 million 4.40% rate-reset Class A Preference Shares, Series 3.

On November 1, 2012, Brookfield Renewable completed a C$175 million private placement bond financing for its 45 MW Kokish River hydroelectric project in the northern part of Vancouver Island near Port McNeill, British Columbia. These senior bonds bear an interest rate of 4.45% and are fully amortizing over their 41-year term.

On November 15, 2012, we acquired a portfolio consisting of four hydroelectric generating stations in Tennessee and North Carolina from Alcoa Power Generating, Inc. for a total enterprise value of $600 million, subject to certain price adjustments. Brookfield Renewable owns an approximate 25% interest and will manage and integrate the assets into its North American operating platform. The remaining equity interest is owned by an institutional fund managed by the Corporation.

In November 2012, Brookfield Renewable refinanced indebtedness associated with its Prince Wind facility through a C$232 million loan for a 15-year term.

In 2012, following the receipt of provincial and federal permits, construction commenced on a 45 MW hydroelectric facility in British Columbia. This facility is expected to enter commercial operation in 2014 and will benefit from a 40-year PPA.

2011 Activity

In early 2011, we acquired, with certain institutional investors, a 50% interest in the 30 MW Malacha wind project located in northern California.

In May 2011, the notice to proceed for construction of the Coram wind project, a 102 MW facility located in California, was issued. Construction financing of $150 million for the project was obtained during the second quarter of 2011. The project reached commercial operation in early 2012.

In 2011, we purchased a 30 MW hydro facility in Brazil for R$300 million. This facility is near our other operations in Mato Grosso State.

In 2011, we received the necessary permits to construct a $200 million hydro project in western Canada.

In late 2011, we completed construction of three other renewable power facilities totaling approximately 182 MW of capacity, including the 166 MW Comber Wind project in Ontario, a 10 MW hydro station in Minnesota, and a 6 MW hydro station in West Virginia.

On November 28, 2011, we completed the strategic combination of the renewable power assets of Brookfield Renewable Power Inc. (“BRPI”) and Brookfield Renewable Power Fund (the “Fund”) to launch Brookfield Renewable, a Bermuda publicly-traded limited partnership focused on renewable power generation. On completion of the combination, public unitholders of the Fund received one limited partnership Unit in exchange for each trust unit of the Fund held, and the Fund was wound up. The new limited partnership Units were listed on the TSX on November 30, 2011. Following the combination, the Corporation owned 73% of Brookfield Renewable on a fully-exchanged basis and the remaining 27% was held by the public. In connection with the combination, a subsidiary of Brookfield Renewable assumed all obligations relating to approximately C$1.1 billion of unsecured public corporate bonds issued by BRPI. As well, Brookfield Renewable Power Preferred Equity Inc., a former subsidiary of the Fund and the issuer of C$250 million of Class A Preference Shares, Series 1, is now a subsidiary of Brookfield Renewable. As of April 1, 2013, the Corporation owns 65% of Brookfield Renewable on a fully-exchanged basis.

In December 2011, we completed construction at our 99 MW Granite Reliable wind project in New Hampshire, the largest wind project in the state. The project entered commercial operation in February 2012.

2010 Activity

In 2010, we sold 17.2 million units of the Fund through two secondary offerings, taking our ownership at the time from 50.01% to approximately 34% on a fully-exchanged basis and generating gross proceeds of $341 million and a gain of $291 million.

In 2010, we commissioned our 51 MW Gosfield Wind facility in Ontario. All power produced from the Gosfield Wind facility is being sold at a fixed price to the Ontario Power Authority under a 22-year PPA and will qualify for the Canadian Federal Government’s ecoEnergy Program for renewable energy. Commercial operations started under the project’s PPA on September 16, 2010.

During the fourth quarter of 2010, construction activities commenced on two of our hydroelectric facilities in Brazil. The two facilities were commissioned in November 2012 and February 2013, respectively, have a total installed capacity of 48 MW and are capable of generating a combined 242.5 GWh of generation annually. Total construction costs were R$400 million.

In December 2010, we transferred to the Fund the 166 MW Comber Wind project in southwestern Ontario, in close proximity to the Gosfield wind facility. The acquisition of the Comber Wind project represented an investment by the Fund of C$567 million. The Comber Wind project benefits from two 20-year PPAs with the Ontario Power Authority pursuant to the Province of Ontario’s Feed-in Tariff program.

Infrastructure

2013 Activity – to date

On February 8, 2013, Brookfield Infrastructure Partners L.P. (together with its affiliated entities, "Brookfield Infrastructure"), announced a 15% increase in its quarterly distribution, from $0.375 per limited partnership unit to $0.43 per limited partnership unit. This enhanced distribution is payable on March 29, 2013 to unitholders of record as at the close of business on February 28, 2013.

2012 Activity

In January 2012, Brookfield Infrastructure, purchased an electrical distribution network in Colombia for approximately $440 million.

On July 30, 2012, Brookfield Infrastructure announced the following strategic initiatives: an agreement, together with its institutional partners, to acquire the remaining 45% of the Autopista Vespucio Norte toll road, a key artery in the ring road network surrounding Santiago, Chile; an agreement to acquire an 85% interest in Inexus Group, a regulated distribution utility in the UK; the issuance of 9.68 million limited partnership units in the U.S. and Canada and the concurrent private placement of 3.86 million redeemable partnership units of Brookfield Infrastructure's holding limited partnership to the Corporation for aggregate gross proceeds of $445 million; and plans to explore strategic alternatives to divest some of its timber and certain non-core assets.

On August 6, 2012, Brookfield Infrastructure announced a joint venture with Abertis Infraestructuras, S.A. ("Abertis") to acquire a 60% interest in Obrascon Huarte Lain Brasil S.A. ("OHL Brasil") for approximately $1.7 billion, comprised of $1.1 billion of equity and $600 million of assumed liabilities. Brookfield Infrastructure and its institutional partners currently own 49% of the joint venture and Abertis owns the remaining 51%. In 2013, the joint venture will undertake to launch a tender offer to acquire the remaining 40% of OHL Brasil that is publicly traded, resulting in a final ownership interest of between 60% and 100% depending upon the outcome of the tender offer.

On October 10, 2012, Brookfield Infrastructure issued C$400 million principal amount of 3.455% medium term notes, Series 1, due October 10, 2017.

On October 31, 2012, we acquired Enwave Energy Corporation ("Enwave") from Borealis Infrastructure and the City of Toronto for C$480 million including assumption of debt. Formerly known as the Toronto District Heating Corporation, Enwave is a fully-integrated, sustainable energy services provider with operations in Toronto and Windsor, operating one of North America's largest district energy systems.

On December 31, 2012, the Corporation disposed of all of its direct interest in Island Timberlands LP ("Island Timberlands"), representing a 12.5% ownership interest in Island Timberlands, for approximately $85 million. Additionally, Brookfield Infrastructure disposed of one-third of its interest in Island Timberlands, representing a 12.5% ownership interest in Island Timberlands, for approximately $85 million. Brookfield Infrastructure retains a 25% ownership interest in Island Timberlands.

2011 Activity

We acquired a 54% interest in 33 kilometres of the Autopista Vespucio Norte toll road around Santiago, Chile for a total value of approximately $760 million. This toll road was acquired from a Spanish construction company and forms an integral part of the Santiago ring road.

We also closed on the acquisition of the 39 kilometre electricity transmission cable connecting Long Island, New York to Connecticut for $190 million. Called Cross Sound Cable, this line is strategic to a power constrained island in one of the most highly populated regions of the United States.

Brookfield Infrastructure completed a public offering and issued approximately 19.3 million limited partnership units and we concurrently purchased approximately 8.3 million redeemable partnership units of Brookfield Infrastructure's holding limited partnership to maintain our approximate then 30% interest in Brookfield Infrastructure on a fully-exchanged basis (now 28%). The aggregate gross proceeds to Brookfield Infrastructure of the public offering and the concurrent private placement were approximately $685 million.

We signed five new customer contracts which will underwrite our rail expansion plans in western Australia. These contracts support our investment of over $600 million to upgrade our rail tracks, which is expected to be completed by 2014.

We received regulatory approval and began construction of a Texas transmission project at a total cost of approximately $750 million. We were awarded the contract to construct this project in 2009, together with our joint venture partner. We anticipate completion of the network in 2013, at which time the joint venture will be a licensed utility in Texas.

2010 Activity

We closed a $2.7 billion Brookfield Americas Infrastructure Fund, which focuses on investing in infrastructure assets primarily in North and South America. We manage the fund and have committed 25% of the total capital commitments, or approximately $660 million.

Investors in the fund include sovereign wealth funds and public and private pension plans from North America, Europe, Asia and the Middle East. Our capital commitment to the fund is primarily funded by Brookfield Infrastructure.

Brookfield Infrastructure closed its merger with Prime Infrastructure ("Prime"). Pursuant to the merger, approximately 50.7 million limited partnership units of Brookfield Infrastructure were issued. Following these transactions, there were approximately 157.4 million Brookfield Infrastructure units outstanding (as of April 1, 2013, there were approximately 200.8 million units outstanding).

We invested $0.4 billion into expansion projects during 2010 and advanced six significant capital projects in our Western Australian rail business to upgrade and expand the capacity of our network by 50% and deploy a further $600 million of capital at favorable returns.

We completed $2.2 billion of financings on our infrastructure assets. This included the renewal of a revolving corporate credit facility with a syndicate of global financial institutions for a three-year term.

Acadian Timber Income Fund ("Acadian") was converted to a corporation named Acadian Timber Corp., pursuant to a plan of arrangement under the *Canada Business Corporations Act* together with CellFor Inc., a leading independent supplier of high technology seedlings to the global forest industry. We continue to hold 44.9% of Acadian.

Asset Management and Services

2013 Activity - to date

We are in the process of raising capital for six funds with the objective of obtaining third party capital commitments of approximately $5 billion.

2012 Activity

In 2012, we raised third party capital commitments for various funds totalling approximately $2.6 billion.

On October 30, 2012, we partnered with HomeServices of America, Inc. to create Berkshire Hathaway HomeServices, a new franchise brand that joins the existing brands and affiliate networks of Prudential Real Estate and Real Living Real Estate. We received consideration consisting of cash and a one-third interest in Berkshire Hathaway HomeServices.

On November 21, 2012, Brookfield and Johnson Controls, Inc. agreed to merge their respective Australian and New Zealand property and facility operations to create Brookfield Johnson Controls. The merged entity will combine the local operations of Brookfield Multiplex Services, which provides real estate, facilities and project management services to a range of large corporate and government occupiers, with the Australian and New Zealand business of Johnson Controls Global WorkPlace Solutions, a provider of facilities, corporate real estate and energy management services.

2011 Activity

In late 2011, we acquired a large relocation and residential brokerage business that significantly expanded our market position in these areas.

We completed the acquisition of a European corporate high-yield investment team, based in London. The acquisition was integrated into our existing North American high-yield investment management operations.

We completed the IPO of Brookfield Global Listed Infrastructure Fund (NYSE: INF) in August for total levered proceeds of approximately $180 million.

We announced the expansion of our registered funds investment business. In November 2011, our registration became effective for four registered mutual funds in the United States: Brookfield Global Listed Real Estate Fund, Brookfield Global Listed Infrastructure Fund, Brookfield Global High Yield Fund and Brookfield High Yield Fund. Also in the fourth quarter of 2011, the Central Bank of Ireland authorized our four Irish domiciled UCITS Funds: Brookfield Global Listed Real Estate UCITS Fund, Brookfield U.S. Listed Real Estate UCITS Fund, Brookfield Global Listed Infrastructure UCITS Fund and Brookfield Global High Yield UCITS Fund.

Private Equity and Residential Development

2012 Activity

In September 2012, we held the final closing for our third private equity fund, Brookfield Capital Partners III, which has $1 billion of capital commitments.

In November 2012, Longview Fibre Paper and Packaging Inc. (“Longview”) paid us a $58 million distribution. We invested $114 million to acquire Longview in 2007 and continue to own 100% of Longview.

On November 13, 2012, Brookfield Residential raised a total of $250 million in an equity offering and private placement, and used the proceeds to pay down debt owed to Brookfield Office Properties. Following the offering, we own 68.9% of Brookfield Residential.

On December 4, 2012, Brookfield Residential acquired a California development site called Playa Vista in central Los Angeles, California, and entered into a partnership with a U.S. pension fund to develop properties in Alberta.

In December 2012, we completed a sale of a portion of our equity in Western Forest Products Inc. through a $75 million bought deal.

In December 2012, Ainsworth Lumber Company (“Ainsworth”) completed a C$175 million rights offering and an issuance of $350 million principal amount of 7.5% notes. These proceeds were used to repay C$100 million in term debt and $400 million of 11% senior unsecured notes. This recapitalization refinanced substantially all of Ainsworth’s indebtedness, reducing interest costs by 46% and extending maturities from 2014 to 2017. We backstopped the C$175 million rights offering and remains Ainsworth’s largest shareholder with 55.3% of the common equity.

In December 2012, Armtec Infrastructure Inc. (“Armtec”) refinanced an existing C$125 million senior secured loan from us with new financing consisting of a C$60 million revolving bank line with a Schedule I bank and a C$110 million term loan with us. We subsequently syndicated a $60 million senior participation and continue to hold a $50 million junior position in the loan.

In 2012, we fully realized our final investment in Brookfield Capital Partners I, our first private equity fund. Over the life of the fund we generated an overall net internal rate of return of 24.5% and a net 1.9x initial investment return for our investors.

2011 Activity

On March 31, 2011, we combined Brookfield Homes Corporation and the North American residential land and housing division of Brookfield Office Properties to form Brookfield Residential. The transaction created a diversified North American residential land and housing company that, at the time, had $2.5 billion of assets and an equity value of approximately $1 billion. As consideration, Brookfield Office Properties received shares of Brookfield Residential common stock representing in the aggregate approximately 50.7% of the outstanding shares of Brookfield Residential common stock, a $265 million senior unsecured promissory note and a $215 million junior unsecured promissory note. Brookfield Office Properties distributed rights to its common shareholders entitling them to acquire, at $10 per share, the Brookfield Residential common shares that it received. We agreed to purchase the shares of Brookfield Residential that we would have been entitled to purchase if we had received our pro rata share of rights and to acquire any shares of Brookfield Residential that were not otherwise subscribed for in the rights offering. As a result, following completion of the transactions and the rights offering, we purchased 33,325,272 common shares of Brookfield Residential and held 73.5% of the Brookfield Residential common shares on a fully-diluted basis, which has since been reduced to 68.9%.

We committed a C$125 million senior secured loan to Armtec, who was facing a debt default.

Longview issued $480 million of high yield bonds and repatriated the net proceeds back to Brookfield.

We closed a fund dedicated to the agriculture business in Brazil, with total committed capital of $330 million. The fund is focused on investing in high quality agricultural growth opportunities across a region that is a recognized global leader in agribusiness.

Fraser Papers Inc. (“Fraser”), which initiated a court-supervised restructuring in June 2009, implemented a plan of arrangement approved by the courts in February 2011 whereby its U.S. subsidiaries (including two lumber mills located in Northern Maine) were sold to us. Following the completion of the sale, Fraser’s interests in the Twin Rivers Company (“Twin Rivers”) were distributed to Fraser’s unsecured creditors.

We acquired an additional 891,843 common shares of Insignia Energy Ltd. (“Insignia”) through market purchases, a Calgary-based oil and natural gas company engaged in the exploration for and the acquisition, development and production of natural gas and crude oil in Canada, and purchased a further 21,146,849 common shares in connection with Insigna’s rights offering, increasing our ownership to approximately 66% of the issued and outstanding common shares (our ownership currently stands at 67% as a result of Insignia share repurchase throughout 2012.

We sold our Australian residential land business to a publicly traded developer for A$270 million. These operations largely consisted of two land assemblies in Perth.

We completed, through our Brazilian residential property businesses, R$3.9 billion of launches and contracted sales of R$4.4 billion.

2010 Activity

We acquired additional common shares and warrants of Ainsworth in a privately negotiated transaction. This acquisition, and the subsequent exercise of the warrants, increased our ownership of Ainsworth to 54,635,219 common shares or 53.5% of the issued and outstanding common shares on a fully diluted basis (excluding warrants not currently exercisable for common shares). Our ownership has since increased to 55.3%

We sold 8.7 million shares of Norbord Inc., a panel board manufacturer ("Norbord"), for approximately C$145 million, reducing our interest from approximately 73.0% to 52.5%. Our current interest in Norbord is approximately 51.9%.

We sold Concert Industries Corp., a manufacturer of specialty non-woven airlaid fiber, to a global manufacturer of specialty papers and engineered products. Following an initial investment of $100 million during 2004 and 2005 and subsequent restructuring, refinancing and expansion of its German facilities, we received total proceeds of $235 million, resulting in a $36 million gain.

In April 2010, we completed the sale of Fraser's specialty papers business to Twin Rivers, a company 51% owned by us and in December 2010, we sold Fraser's paper mill in Gorham, New Hampshire.

Corporate

2013 Activity - to date

On February 4, 2013, the Corporation issued C$175 million principal amount of 3.95% medium term notes due April 9, 2019. The Corporation also issued C$175 million principal amount of 4.54% medium term notes due March 31, 2023.

On February 15, 2013, the Corporation announced a 7% increase in its quarterly dividend, from $0.14 per share to $0.15 per share. This enhanced dividend is payable on May 31, 2013 to shareholders of record as at the close of business on May 1, 2013.

On March 6, 2013, the Corporation redeemed C$150 million principal amount of 8.95% medium term notes due June 2, 2014. The Corporation had redeemed C$350 million principal amount of these notes, originally issued as C$500 million principal amount, on October 15, 2012.

2012 Activity

On March 13, 2012, the Corporation issued C$300 million 4.50% rate-reset Class A Preference Shares, Series 32.

On April 5, 2012, the Corporation redeemed C$250 million 5.75% convertible redeemable Class A Preference Shares, Series 10.

On April 9, 2012, the Corporation issued C$425 million principal amount of 3.95% medium term notes due April 9, 2019.

On April 19, 2012, the Corporation announced the approval for a normal course issuer bid to purchase up to 53.8 million Class A Limited Voting Shares, representing at the time approximately 10% of the public float of our issued and outstanding shares, through open market purchases on the NYSE and TSX. Under this bid, which commenced on April 23, 2012 and will expire on April 22, 2013, we have not purchased any Class A Limited Voting Shares as of the date of this Annual Information Form.

On September 12, 2012, the Corporation issued C$425 million principal amount of 4.54% medium term notes due March 31, 2023.

On September 12, 2012, the Corporation issued C$250 million 4.20% rate-reset Class A Preference Shares, Series 34.

On October 1, 2012, the Corporation redeemed C$100.8 million non-cumulative convertible redeemable Class A Preference Shares, Series 11.

On October 15, 2012, the Corporation redeemed C$350 million principal amount of 8.95% medium term notes due June 2, 2014.

On November 27, 2012, the Corporation issued C$200 million 4.85% perpetual Class A Preference Shares, Series 36.

2011 Activity

The Corporation issued C$250 million 4.80% rate-reset Class A Preference Shares, Series 30.

In February 2011, the Corporation issued 17,595,000 Class A Limited Voting Shares for gross proceeds of C$578 million and C$235 million 4.60% rate-reset Class A Preference Shares, Series 28. The proceeds of these offerings allowed the Corporation to finance its January 2011 purchase of additional common shares in GGP almost entirely with permanent equity.

2010 Activity

The Corporation issued C$250 million 4.50% rate-reset Class A Preference Shares, Series 26.

The Corporation issued C$350 million principal amount of 5.30% senior unsecured notes due March 1, 2021.

The Corporation issued C$300 million unsecured debt financing at 5.2% with a September 2016 maturity.

The Corporation issued C$275 million 5.40% rate-reset Class A Preference Shares, Series 24.

BUSINESS OF THE CORPORATION

Our Business

We focus on assets and businesses that form the critical backbone of economic activity, whether they provide high quality office space and retail malls in major urban markets, generate reliable clean electricity, or transport goods and resources to or from key locations. These assets and businesses typically benefit from some form of barrier to entry, regulatory regime or other competitive advantage that provides stability in cash flows, strong operating margins and value appreciation over the longer term.

As an asset manager we establish investment products through which our clients can invest in the assets that we own and operate. These products consist of both listed entities and private funds. We invest alongside our clients with capital from our balance sheet. This generates management fees and performance-based income that increases the value to our business and adds further value to the company by providing us with additional capital to grow the business and compete for larger transactions.

We are active managers of capital. We strive to add value by judiciously and opportunistically reallocating capital among our businesses to continuously increase returns.

Our operating platforms include over 24,000 employees worldwide who are instrumental in maximizing the value and cash flows from our assets. Our track record shows that we can add meaningful value and cash flow through “hands-on” operational expertise, through the negotiation of property leases, energy contracts or regulatory agreements, asset development, operations and other activities.

We finance our operations on a long-term, investment-grade basis, with most of our operations financed on a stand-alone asset-by-asset basis with minimal recourse to other parts of the organization. We also strive to maintain excess liquidity at all times in order to be in a position to respond to opportunities. This provides us with considerable stability and enables our management teams to focus on operations and other growth initiatives. It also improves our ability to weather financial cycles and provides the strength and flexibility to react to opportunities.

We prefer to invest in times of distress and in situations which are more multi-faceted and intensive. We believe these situations provide much more attractive valuations than competitive auctions and we have considerable experience in this specialized field.

We maintain development and capital expansion capabilities and a large pipeline of attractive opportunities. This provides us flexibility in deploying growth capital, as we can invest in both acquisitions and organic developments, depending on the relative attractiveness of returns.

As an asset manager, we create value for shareholders in the following ways:

- We offer attractive investment opportunities to our clients that will, in turn, enable us to earn base management fees based on the amount of capital that we manage for them, and additional returns such as incentive distributions and carried interests based on our performance. Accordingly, we create value by increasing the amount of capital under management and by achieving strong investment performance that leads to increased cash flows and asset values.
- We invest significant amounts of our own capital, alongside our clients in the same assets. This differentiates us from many of our competitors, creates a strong alignment of interest with our clients and enables us to create value by directly participating in the cash flows and value increases generated by these assets, in addition to the performance returns that we earn as manager.
- Our operating capabilities enable us to increase the value of the assets within our businesses, and the cash flows they produce, through our operating expertise, development capabilities and effective financing. We believe this is one of our most important competitive advantages as an asset manager.

- We aim to finance assets effectively, using a prudent amount of leverage. We believe the majority of our assets are well suited to support a relatively high level of investment-grade secured debt with long maturity dates given the predictability of the cash flows and tendency of these assets to retain substantial value throughout economic cycles. This is reflected in our return on net capital deployed, our overall return on capital and our cost of capital. Furthermore, we position our assets so that they can be easily monetized through a sale or refinancing. While we tend to hold our assets for extended periods of time, we endeavour to maximize our ability to realize the value and liquidity of our assets on short notice and without disrupting our operations.
- Finally, as an investor and capital allocator with a value investing culture and expertise in recapitalizations and operational turnarounds, we strive to invest at attractive valuations, particularly in situations that create opportunities for superior valuation gains and cash flow returns.

Principal Business Activities

We organize our business into a number of operating platforms that are responsible for managing the assets in each of our principal segments as set forth below. As an asset manager, we have established a number of listed and unlisted entities through which our clients can invest in these assets. These consist of unlisted institutional funds, listed entities that are externally managed by us, and listed internally managed entities in which we own major interests.

Property

We own and manage one of the highest quality commercial office portfolios in the world located in major financial, energy and government centre cities in North America, Australia and Europe as well as retail shopping centres in North America, Brazil and Australia. Our strategy is to concentrate our operations in high growth, supply-constrained markets that have high barriers to entry and attractive tenant bases. Our goal is to maintain a meaningful presence in each of our primary markets in order to maximize the value of our tenant relationships.

We also maintain office development capabilities and have a substantial pipeline of attractive opportunities. We conduct a wide range of opportunistic investment strategies focused on income producing properties such as multi-residential, office, student accommodations and industrial and invest in these assets directly and through debt securities. These activities are conducted through a series of instrumental funds. Our property portfolio is characterized by strong, consistent financials results and a track record of steady growth. With high occupancy levels, long-term leases and financing structures that minimize risk our properties are well positioned in their respective markets.

Renewable Power

We have one of the largest privately owned hydroelectric power generating portfolios in the world, located on river systems in the U.S., Canada and Brazil. Our renewable power portfolio totals approximately 5,700 MW across 69 river systems and 11 power markets. We have chosen to focus on hydroelectric generation because of the long-life, exceptional reliability and low operating costs of these facilities which leads to stable, long-term cashflows.

Infrastructure

Our infrastructure group manages assets in the following sectors: transportation (ports, rail lines); utilities (electrical and natural gas transmission); and timberlands. Our strategy is to acquire and operate high quality long-life assets that generate stable cash flows, require minimal capital expenditures and, by virtue of barriers to entry or other characteristics, tend to appreciate in value over time. Our infrastructure businesses are located in North and South America, Australia and Europe and we continuously seek acquisition opportunities in new infrastructure sectors with similar attributes to our current portfolio.

Asset Management and Services

Asset management and services comprises the asset management, construction and property services businesses. These operations generate contractual service fees for performing management services, including management of institutional private funds and listed entities, management of construction projects and residential relocation, franchise and brokerage operations. We provide construction services in Australia, United Arab Emirates and United Kingdom, and recently expanded into North America. Additionally, our property services business includes the second largest global corporate relocation business.

Private Equity and Residential Development

Our private equity and residential development operations include the investments and activities overseen by Brookfield's private equity group. These include direct investments by our private equity funds. Our private equity funds have a mandate to invest in a broad range of industries, although currently the portfolios contain a number of investments whose performance is significantly impacted by the North American home building industry. Direct investments include interests in Norbord, Brookfield Residential and Brookfield Incorporações S.A., a publicly listed Brazilian condominium developer. The private equity group's activities are generally characterized by an investment approach that is opportunistic in nature. Furthermore, businesses in this group are not integrated into core operating platforms, unlike the assets within our property, renewable power or infrastructure operations.

Operating Capabilities

We believe that we have the necessary capabilities to execute our business strategy and achieve our performance targets. We focus on disciplined and active hands-on management of assets and capital. We strive for excellence and quality in each of our core operating platforms in the belief that this approach will produce superior returns over the long term.

We endeavour to operate as a value investor and follow a disciplined investment approach. Our management team has considerable capabilities in investment analysis, mergers and acquisitions, divestitures and corporate finance that enable us to acquire assets for value, finance them effectively, and to ultimately realize value created during our ownership.

Our operating platforms and depth of experience in managing these assets differentiate us from some competitors that have shorter investment horizons and more of a financial focus. These high quality operating platforms have been established over many years and are fully integrated into our organization. This has required considerable investment in building the management teams and the necessary resources; however, we believe these platforms enable us to optimize the cash returns and values of the assets that we manage.

We have established strong relationships with a number of leading institutions and believe we are well positioned to continue increasing capital managed for others on a fee bearing basis. We are investing in our distribution capabilities to encourage existing and potential clients to commit capital to our investment strategies. We are devoting expanded resources to these activities, and our efforts continue to be assisted by favourable investment performance.

The diversification within our operations allows us to offer a broad range of products and investment strategies to our clients. We believe this is of considerable value to investors with large amounts of capital to deploy. In addition, our commitment to transparency and governance as a well-capitalized public company listed on major North American and European stock exchanges positions us as a desirable long-term partner for our clients.

Finally, our commitment to invest a meaningful amount of capital alongside our investors creates a strong alignment of interest between us and our investment partners and also differentiates us from many of our competitors. Accordingly, our strategy calls for us to maintain considerable surplus financial resources. This capital also supports our ability to commit to investment opportunities on our own account when appropriate or in anticipation of future syndications.

Financing Strategy

The strength of our capital structure and the liquidity that we maintain enable us to achieve a low cost of capital for our shareholders and at the same time provide us with the flexibility to react quickly to potential investment opportunities and adverse changes in economic circumstances.

The following are the key elements of our capital strategy:

- Co-invest with partners through listed and unlisted funds to broaden sources of equity capital;
- Match fund our long-life assets with long-duration mortgage financings with a diversified maturity schedule;
- Provide recourse only to the specific assets being financed, with limited cross collateralization or parental guarantees;
- Limit borrowings to investment-grade levels based on anticipated performance throughout a business cycle;
- Structure our affairs to facilitate access to a broad range of capital and liquidity at multiple levels of the organization; and
- Maintain access to a diverse range of financing markets.

Our strategy is to have two flagship entities within each platform, one listed and one unlisted, through which capital will be invested by us and our partners. This strategy became fully-executed on March 15, 2013 when we announced the launch of Brookfield Property Partners L.P., a global publicly-traded company that will be Brookfield's flagship public commercial property entity, set to spin-off from the Corporation on April 15, 2013. The two flagship entities within each platform are supplemented from time-to-time with additional listed and unlisted niche entities, such as our Latin American country-specific funds and timber funds. This provides us with access to both listed and private equity capital.

Most of our borrowings are in the form of long-term, property-specific financings such as mortgages or project financings secured only by the specific assets. The diversification of our maturity schedule means that financing requirements in any given year are manageable. Limiting recourse to specific assets or business units ensures that weak performance by one asset or business unit does not compromise our ability to finance the balance of the operations.

Our focus on structuring financings with investment-grade characteristics ensures that debt levels on any particular asset or business can typically be maintained throughout a business cycle, and also enables us to limit covenants and other performance requirements, thereby reducing the risk of early payment requirements or restrictions on the distribution of cash from the assets being financed. Furthermore, our ability to finance at the parent, operating unit, and asset level on a private or public basis means that we are not overly dependent on any particular segment of the capital markets or the performance of any particular unit.

To enable us to react to attractive investment opportunities and deal with contingencies when they arise, we typically maintain a high level of liquidity at the corporate level and within our key operating platforms. Our primary sources of liquidity, which we refer to as "core liquidity," consist of our cash and financial assets, net of deposits and other associated liabilities, and undrawn committed credit facilities.

We generate substantial liquidity within our operations on an ongoing basis through our operating cash flow, as well as from the turnover of assets with shorter investment horizons and periodic monetization of our longer-dated assets through sales, refinancing or co-investor participations. Accordingly, we believe we have the necessary liquidity to manage our financial commitments and to capitalize on opportunities to invest capital at attractive returns.

Employees

As at December 31, 2012, we employed over 24,000 people world-wide.

CODE OF BUSINESS CONDUCT AND ETHICS

We have a Code of Business Conduct and Ethics ("Code") that sets out the expected conduct of our directors, officers and employees, and those of the Corporation's subsidiaries, in relation to honesty, integrity and compliance with all legal and regulatory requirements. Our Board of Directors approved the Code on February 14, 2013, copies of which are available on System for Electronic Document Analysis and Retrieval ("SEDAR") at *www.sedar.com* and also may be obtained on our website at *www.brookfield.com at The Company/Conduct Guidelines.*

CORPORATE SOCIAL RESPONSIBILITY, BUSINESS ENVIRONMENT AND RISKS

We have established policies and procedures for sustainable growth, employee health and safety, community engagement and corporate governance, and we have incurred and will continue to incur significant capital and operating expenditures to comply with our commitments. Nonetheless, our businesses continuously face certain micro and macro economic risks. For information about risk factors related to Brookfield and its businesses, reference is made to the section entitled "Business Environment and Risks" on pages 71 to 79 of our Consolidated Financial Statements and Management Discussion and Analysis of Financial Results for the fiscal year ended December 31, 2012, which pages are incorporated by reference in this Annual Information Form and available on SEDAR at *www.sedar.com.*

HEALTH, SAFETY AND ENVIRONMENTAL POLICIES

The health and safety of our employees is critically important to us. In certain of our businesses physical risks to employees are unavoidable. We strive to achieve excellence in health and safety performance and to be recognized as an industry leader in accident prevention. Our overall objective is to incur zero high risk safety incidents and zero lost time injuries. In 2012, we established a cross-organizational health and safety steering committee. The purpose of this committee is to develop best practices in health and safety policies and procedures and implement related initiatives across the organization.

We are committed to being responsible investors, across our portfolio. With more than a century of experience as business operators, we have developed expertise in areas such as energy and water conservation, reduction of green house gas emissions, recycling, wildlife preservation, timber reforestation and erosion control. We pursue innovative programs and systems that foster environmental responsibility across all of our operations. Our leadership in sustainable business practices was recognized during the past year by a number of independent industry organizations.

Renewable Power

We are an owner and operator of a diversified portfolio of high quality assets that produce electricity from renewable resources. Our assets are predominantly hydroelectric and represent one of the most environmentally preferred forms of power generation. We may benefit from future environmental regulations under consideration to encourage the use of clean energy technologies and regulate emissions of greenhouse gases to address climate change. Our goal is to be responsible stewards of our resources, and good citizens in all that we do. We require all employees, contractors, agents and others involved in our operations to comply with our established environmental practices. We seek to have transparent and well-established relationships with local stakeholder groups and the communities in which we operate, which we believe is a key element of successfully operating and developing renewable power facilities. We consult and work proactively with local stakeholders and communities potentially affected by our operations.

Property

As a leader in the commercial real estate industry, we are committed to continuous improvement of our environmental performance. Sustainability is a priority for our tenants, and, as landlords, our goal is to exceed their expectations. We know that shrinking the environmental footprint in our buildings, and cutting back on energy, water and waste will have a positive effect on the financial performance of our assets.

We intend to build all future office developments to a LEED (Leadership in Energy and Environmental Design) Gold standard or local equivalent. The LEED Green Building Rating System is an internationally accepted scorecard for sustainable sites, water efficiency, energy and atmosphere, materials and resources, and indoor environmental quality. Within our global office portfolio:

- we currently have 37 properties that are LEED certified or 58% of our office building portfolio in North America, measured as a percentage of the sq/ft that we own and operate in North America;
- 85% of our U.S. office properties have earned the EPA's ENERGY STAR award and 100% of our Canadian office properties have achieved BOMA BESt (Building Environmental Standards); and
- 80% of our Australian office properties have received a 4-Star rating or higher under NABERS.

We continue to expand and enhance the features, systems and programs that foster energy efficiency in our existing office buildings, as well as the health and safety of all of our tenants, employees and the community. We perform regular, comprehensive environmental reviews and upgrades at our office properties and endeavor to maximize energy efficiency at every office building.

Our goal is to be responsible stewards of our resources, and good citizens in all that we do. We are an active contributor in the communities where we conduct business. We are proud of the commitment we have made to corporate social responsibility. The initiatives we undertake and the investments we make in building our partnership are guided by our core set of values around sustainable development, as we create a culture and organization that can be successful today and in the future.

Infrastructure

Our infrastructure business operates within well defined legislative and regulatory frameworks related to environmental protection, climate change and carbon emissions in many jurisdictions on four continents. Throughout our operations, we strive to meet and exceed environmental standards through environmental management plans which assist us in reducing our environmental footprint

and monitoring our performance over time. Our operations work proactively within their local communities and with other key stakeholders to positively contribute to the communities through sponsorship activities and local employment opportunities. A number of our infrastructure operations are ISO 14001 certified and others are currently working towards certification.

For example, as the owner and operator of Dalrymple Bay Coal Terminal ("DBCT") in Australia, one of the world's largest coal export terminals, we operate an established Integrated Management System alongside our third-party, customer-owned operator. DBCT has an Environmental Action Team focused on minimizing the impacts on the local marine and terrestrial ecosystems and implementing sustainability practices for water usage, recycling, noise reduction and other programs and initiatives. In addition, Brookfield Rail in Australia has a detailed environmental management plan to oversee its key environmental risks, including flora and fauna, soil and water contamination, fire control, noise pollution and dangerous and hazardous cargoes.

Our timberlands operations, in North and South America, provide another example of our approach to environmental protection and policies. Our timberlands are managed for long-term timber production of both solid wood and pulp and paper products and the sustainability of the operations, which is independently audited under the Sustainable Forestry Initiative (SFI). We are fully regulated by federal, state and/or provincial laws, which in many cases are more rigorous than those required under various forest practice certification schemes. The standards under which our timberlands are certified all meet the standards defined by the Programme for the Endorsement of Forest Certification schemes ("PEFC"), a globally recognized forest certification system. It is our intention that all timberlands owned and/or managed by us will become certified by PEFC, providing assurance to purchasers of wood and paper products that they are supporting the sustainable management of forests. We view these policies and procedures as standard best operating practices and we treat all related costs as direct business costs within each operation.

DIRECTORS AND OFFICERS

Directors of the Corporation

The Corporation's directors are elected annually and hold office until the next annual meeting of shareholders of the Corporation or until their successors are elected or appointed. As of the date of this Annual Information Form, the Board has 15 directors and one vacancy. Particulars relating to each of the 15 current directors are set out below. Each has been appointed to serve until the Annual Meeting of Shareholders to be held on May 9, 2013 or until his or her successor is elected or appointed.

Directors

Name, municipality of residence	*Director since*	*Principal Occupation*
JACK L. COCKWELL Toronto, Ontario, Canada	1979	Group Chair, Brookfield Asset Management Inc.
MARCEL R. COUTU (1) (2) Calgary, Alberta, Canada	2006	President and Chief Executive Officer, Canadian Oil Sands Limited
THE HON. J. TREVOR EYTON (1) (3) (6) Toronto, Ontario, Canada	1979	Corporate Director and former Member of the Senate of Canada
J. BRUCE FLATT Toronto, Ontario, Canada	2001	Chief Executive Officer, Brookfield Asset Management Inc.
ROBERT J. HARDING Toronto, Ontario, Canada	1992	Chair, Brookfield Global Advisory
MAUREEN KEMPSTON DARKES (1) (4) (5) Lauderdale-by-the-Sea, Florida, U.S.A.	2008	Corporate Director and former President, Latin America, Africa and Middle East, General Motors Corporation
DAVID W. KERR (5) Toronto, Ontario, Canada	1987	Corporate Director
LANCE LIEBMAN (1) (3) (4) New York, New York, U.S.A.	2005	Director, America Law Institute
PHILIP B. LIND (1) (3) Toronto, Ontario, Canada	1994	Vice-Chairman, Rogers Communications Inc.
THE HON. FRANK J. MCKENNA (1) (3) Toronto, Ontario and Cap-Pele, New Brunswick, Canada	2006	Chair, Brookfield Asset Management Inc. and Deputy Chair, TD Bank Financial Group
YOUSSEF A. NASR (1) (2) (5) Beirut, Lebanon	2010	Corporate Director and former Chairman and CEO of HSBC Middle East Ltd. and former President of HSBC Bank Brazil
JAMES A. PATTISON (1) (4) Vancouver, British Columbia, Canada	2006	Chief Executive Officer, The Jim Pattison Group
SEEK NGEE HUAT (1) Singapore	2012	Chairman of the Latin American Business Group, Government of Singapore Investment Corporation
DIANA L. TAYLOR (1) New York, New York, U.S.A.	2012	Managing Director, Wolfensohn & Co.
GEORGE S. TAYLOR (1) (2) St. Marys, Ontario, Canada	1994	Corporate Director

(1) Independent Director
(2) Member of the Audit Committee
(3) Member of the Governance and Nominating Committee
(4) Member of the Management Resources and Compensation Committee
(5) Member of the Risk Management Committee
(6) Not standing for re-election at the 2013 Annual Meeting of Shareholders

Executive and Corporate Officers of the Corporation

The names of the executive and corporate officers of the Corporation, their location of residence, their current offices and their dates of appointment are shown in the following table:

Executive and Corporate Officers

Name	*Residence*	*Current Office*	*Date of Appointment*
JEFFREY M. BLIDNER [(a)]	Ontario, Canada	Senior Managing Partner	2003
J. BRUCE FLATT [(a)]	Ontario, Canada	Senior Managing Partner and Chief Executive Officer	2002
BRIAN D. LAWSON [(a)]	Ontario, Canada	Senior Managing Partner and Chief Financial Officer	2002
GEORGE E. MYHAL [(a)]	Ontario, Canada	Senior Managing Partner	2003
SAMUEL J.B. POLLOCK [(a)]	Ontario, Canada	Senior Managing Partner	2003
A.J. SILBER [(b)]	Ontario, Canada	Vice-President, Legal Affairs and Corporate Secretary	2012
KATHERINE C. VYSE [(b)]	Ontario, Canada	Senior Vice President, Investor Relations	2002

(a) Executive Officer
(b) Corporate Officer

Each of the executive and corporate officers has had the principal occupation referred to opposite his or her name during the past five years, except Mr. Silber who prior to his appointment in 2012 was an associate at a Canadian law firm.

As at March 20, 2013, the directors and executive officers of the Corporation together owned, or controlled or directed, directly or indirectly, approximately 25 million Class A Limited Voting Shares, representing approximately 4.0% of the Corporation's issued and outstanding shares of this class. These ownership interests do not include the pro rata interests of related directors and other executive officers held beneficially through Partners Limited and BAM Investments Corp. which totalled approximately 34 million shares, representing approximately 5.4% of the Corporation's issued and outstanding Class A Limited Voting Shares at the same date. None of the Corporation's directors or executive officers own directly any of the Corporation's Class B Limited Voting Shares. As at March 20, 2013, the directors and executive officers of the Corporation together owned, or controlled or directed, directly or indirectly, approximately 605,543 common shares of Brookfield Office Properties, 121,074 common shares of Brookfield Residential and 22,284 common shares of Norbord, representing less than 1% of the issued and outstanding securities of each of these classes, respectively.

Mr. Lawson served as a director of American Resource Corporation Limited ("ARCL") until April 2005. During that time, ARCL failed to file financial statements on a timely basis, and accordingly ARCL and its directors and officers became subject to management cease trade orders imposed by the Ontario Securities Commission and other provincial securities regulatory authorities. We control all of the voting and 99% of the non-voting shares of ARCL. ARCL corrected the filing deficiencies that led to the management cease trade orders and the relevant provincial securities regulatory authorities fully revoked the management cease trade orders in June 2008.

Mr. Pollock was a director of Fraser until February 2011. Fraser voluntarily applied for and obtained an order for creditor protection under the *Companies' Creditors Arrangement Act* (Canada) in June 2009, and on February 10, 2011, the Ontario court sanctioned an amended plan of compromise and arrangement under that statute that provided for, among other things, the sale of most of Fraser's remaining property and the making of distributions to Fraser's creditors.

MARKET FOR SECURITIES

The Corporation's publicly traded securities that are currently issued and outstanding as of the date of this Annual Information Form are listed on the following exchanges under the symbols shown below:

Security	Symbol	Stock Exchange
Class A Limited Voting Shares	BAM	New York
	BAM.A	Toronto
	BAMA	NYSE Euronext
Class A Preference Shares		
Series 2	BAM.PR.B	Toronto
Series 4	BAM.PR.C	Toronto
Series 8	BAM.PR.E	Toronto
Series 9	BAM.PR.G	Toronto
Series 12	BAM.PR.J	Toronto
Series 13	BAM.PR.K	Toronto
Series 14	BAM.PR.L	Toronto
Series 17	BAM.PR.M	Toronto
Series 18	BAM.PR.N	Toronto
Series 21	BAM.PR.O	Toronto
Series 22	BAM.PR.P	Toronto
Series 24	BAM.PR.R	Toronto
Series 26	BAM.PR.T	Toronto
Series 28	BAM.PR.X	Toronto
Series 30	BAM.PR.Z	Toronto
Series 32 (a)	BAM.PF.A	Toronto
Series 34 (b)	BAM.PF.B	Toronto
Series 36 (c)	BAM.PF.C	Toronto

(a) The Corporation's Class A Preference Shares, Series 32 were listed for trading on the TSX on March 13, 2012.
(b) The Corporation's Class A Preference Shares, Series 34 were listed for trading on the TSX on September 12, 2012.
(c) The Corporation's Class A Preference Shares, Series 36 were listed for trading on the TSX on November 27, 2012.

Information on the trading prices and volumes for each of the above securities and for the Corporation's Class A Preferred Shares, Series 10 and Series 11, which were redeemed on April 5, 2012 and October 1, 2012, respectively, for each month of the calendar year ended December 31, 2012 is set out in Appendix A to this Annual Information Form.

RATINGS AND LIQUIDITY

The credit ratings for the Corporation's securities as at the date of this Annual Information Form are as follows:

	DBRS		*Standard & Poor's*		*Moody's*		*Fitch*	
Securities of the Corporation	*Rating*	*Outlook*	*Rating*	*Outlook*	*Rating*	*Outlook*	*Rating*	*Outlook*
Commercial paper	R-1 (low)	Negative	A-1 (low)	Negative	Not rated	Not rated	Not rated	Not rated
Senior notes and debentures	A (low)	Negative	A-	Negative	Baa2	Stable	BBB	Stable
Subordinated notes and debentures	Not rated	Not rated	BBB	Negative	Not rated	Not rated	Not rated	Not rated
Preferred shares	Pfd-2 (low)	Negative	P-2	Negative	Not rated	Not rated	Not rated	Not rated

Credit ratings are important to the Corporation's borrowing costs and ability to raise funds. A rating's downgrade could potentially have adverse consequences by reducing the Corporation's access to capital markets and increasing its borrowing costs. The terms of our various credit agreements and other financing documents require us to comply with a number of customary financial and other covenants, such as maintaining debt service coverage and leverage ratios, insurance coverage and, in limited circumstances, rating levels. These covenants may limit flexibility in our operations, and breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness even if we had satisfied our payment obligations.

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. Each of the Corporation's debt and preferred securities are rated by DBRS Limited ("DBRS") and by Standard & Poor's Rating Services ("S&P"), and its senior notes and debentures are also rated by Moody's Investors Service Inc. ("Moody's") and Fitch Ratings Ltd. ("Fitch"). The following is a brief description of each rating agency's rating schedule.

DBRS rates commercial paper, long-term debt and preferred shares with ratings of "R-1", "AAA" and "Pfd-1", respectively, which represent the highest ratings, to "R-5", "C" and "Pfd-5", which represent the lowest, with "D" for issues in payment default. To show relative rankings within these rating categories, DBRS may modify them by the addition of "(high)" or "(low)".

S&P rates commercial paper, long-term credit and preferred shares with ratings of "A-1", "AAA" and "P-1", respectively, which represent the highest ratings, to "C" and "P-3", which represent the lowest, with "D" for issues in payment default. To show relative rankings within these rating categories, S&P may modify them by the addition of a plus "(+)" or minus "(-)". DBRS and S&P further modify their ratings by indicating the stability of an assigned rating with terms such as "stable," "positive" and "negative".

Moody's rates long-term obligations with ratings of "Aaa", which represents the highest rating, to "C", which represents the lowest. To show relative rankings within these rating categories, Moody's may modify them by the addition of a "1", "2" or "3" to indicate relatively higher, middle or lower ranking.

Fitch rates long-term obligations with ratings of "AAA", which represents the highest rating, to "C", which represents the lowest. To show relative rankings within these categories, Fitch may modify them by the addition of a plus "(+)" or minus "(-)". Fitch modifies its ratings by indicating the outlook of an assigned rating with terms such as "stable", "positive" and "negative".

A definition and description of the categories of the credit ratings described above which have been assigned to the Corporation's debt and preferred securities are publicly available from the website of each of the individual ratings agencies.

The Corporation has paid customary rating fees to DBRS, S&P, Moody's and Fitch in connection with some or all of the above-mentioned ratings. In addition, the Corporation has made customary payments in respect of certain other services provided to the Company by each of DBRS, S&P, Moody's and Fitch during the last two years.

The ratings discussed above for the Corporation's debt and preferred securities are not a recommendation to purchase, hold or sell the Corporation's debt and preferred securities and do not comment as to market price or suitability for a particular investor. There can be no assurance that the ratings shown above will remain in effect for any given period of time or that the ratings will not be revised or withdrawn in their entirety by any or all of DBRS, S&P, Moody's or Fitch in the future if, in their sole discretion, circumstances so warrant.

The investment ratings of our publicly traded subsidiaries are presented in the respective Annual Information Forms of these subsidiaries, which are available on SEDAR at *www.sedar.com.*

DIVIDENDS AND DIVIDEND POLICY

Class A Limited Voting Shares and Class B Limited Voting Shares

The declaration and payment of dividends on the Corporation's Class A Limited Voting Shares and Class B Limited Voting Shares are at the discretion of the Board of Directors. Dividends on the Class A Limited Voting Shares and Class B Limited Voting Shares are paid quarterly, normally at the end of February, May, August and November of each year. The Board of Directors supports a stable and consistent dividend policy for these shares and will consider increasing dividends from time to time at a rate based on a portion of the growth rate in cash flow from operations per share. Special dividends may also be declared from time to time to implement corporate strategic initiatives.

The Corporation has a Dividend Reinvestment Plan which enables registered holders of Class A Limited Voting Shares who are resident in the United States or Canada to receive their dividends in the form of newly issued Class A Limited Voting Shares.

Registered shareholders of our Class A Limited Voting Shares who are resident in the United States may elect to receive their dividends in the form of newly issued Class A Limited Voting Shares at a price equal to the volume-weighted average price (in U.S. dollars) at which the shares traded on the NYSE based on the average closing price during each of the five trading days immediately preceding the relevant dividend payment date (the "NYSE VWAP").

Registered shareholders of our Class A Limited Voting Shares who are resident in Canada may also elect to receive their dividends in the form of newly issued Class A Limited Voting Shares at a price equal to the NYSE VWAP multiplied by an exchange factor which is calculated as the average noon exchange rate as reported by the Bank of Canada during each of the five trading days immediately preceding the relevant dividend payment date.

Our Dividend Reinvestment Plan allows current shareholders of the Corporation who are resident in the United States or Canada to increase their investment in the Corporation free of commissions.

Preferred Shares

The declaration and payment of dividends on the Corporation's preferred shares are at the discretion of the Board of Directors. Dividends on the Corporation's Class A Preference Shares, Series 2, 4, 5, 7, 12, 13, 15 17, 18, 19, 20, 21, 22, 24, 26, 28, 30, 32, 34 and 36 are paid quarterly, normally at the end of March, June, September and December of each year. Dividends on the Corporation's Class A Preference Shares, Series 9 are paid quarterly, normally at the beginning of February, May, August and November. Dividends on the Corporation's Class A Preference Shares, Series 8, 14 and 16 are paid monthly. Dividends on the Corporation's preferred shares are currently declared in Canadian dollars. Additional information on the dividends payable on the Corporation's currently issued and outstanding preferred shares can be found in the summary share conditions contained in Appendix B to this Annual Information Form.

The following table summarizes the dividends paid per share for each of the three years ended December 31, 2010, 2011 and 2012, on each class and series of securities of the Corporation that was outstanding at December 31, 2012, all expressed in United States dollars.

	Distribution per Security		
	2012	*2011*	*2010*
Per Class A Limited Voting Share and Class B Limited Voting Share			
Regular	$ 0.56	$ 0.52	$ 0.52
Per Class A Preferred Share [(a)]			
Series 2	0.52	0.53	0.43
Series 4 + Series 7	0.52	0.53	0.43
Series 5	0.48	0.49	0.40
Series 8	0.75	0.76	0.61
Series 9	0.95	1.10	1.06
Series 10 [(b)]	0.37	1.45	1.39
Series 11 [(c)]	1.02	1.40	1.33
Series 12	1.35	1.36	1.31
Series 13	0.52	0.53	0.43
Series 14	1.88	1.91	1.52
Series 15	0.42	0.43	0.28
Series 16	0.75	0.76	0.73
Series 17	1.19	1.20	1.15
Series 18	1.19	1.20	1.15
Series 19	0.89	0.91	0.87
Series 20	0.89	0.91	0.87
Series 21	1.24	1.27	1.21
Series 22	1.75	1.77	1.70
Series 24 [(d)]	1.35	1.36	1.25
Series 26 [(e)]	1.12	1.14	0.19
Series 28 [(f)]	1.15	1.03	—
Series 30 [(g)]	1.20	0.19	—
Series 32 [(h)]	0.89	—	—
Series 34 [(i)]	0.32	—	—
Series 36 [(j)]	—	—	—

(a) The dividends on these preferred shares are declared in Canadian dollars and are expressed in this table in US$ using the average Bloomberg mid-market exchange rate for 2012 of C$1.00 = US$1.0004.

(b) The dividends on these shares were paid up until their redemption on April 5, 2012.

(c) The dividends on these shares were paid up until their redemption on October 1, 2012

(d) These shares were issued on January 14, 2010. The dividends paid in 2010 were for the period from the date of issue.

(e) These shares were issued on October 29, 2010. The dividends paid in 2010 were for the period from the date of issue.

(f) These shares were issued on February 8, 2011. The dividends paid in 2011 were for the period from the date of issue.

(g) These shares were issued on November 2, 2011. The dividends paid in 2011 were for the period from the date of issue.

(h) These shares were issued on March 13, 2012. The dividends paid in 2012 were for the period from the date of issue.

(i) These shares were issued on September 12, 2012. The dividends paid in 2012 were for the period from the date of issue.

(j) These shares were issued on November 27, 2012. No dividends were paid in 2012.

The Corporation redeemed its 8.30% preferred securities due December 31, 2051 on January 2, 2007; its 8.35% preferred securities due December, 2050 on January 2, 2007; its Class A Preference Shares, Series 3 on November 8, 2005; its Class A Preference Shares, Series 10 on April 5, 2012; and its Class A Preference Shares, Series 11 on October 1, 2012.

Information relating to the dividends and dividend policies of the Corporation's publicly traded subsidiaries can be found in the Annual Information Forms of these subsidiaries, which are available on SEDAR at www.sedar.com.

DESCRIPTION OF CAPITAL STRUCTURE

The following is a summary of the components of the Corporation's share capital. Additional summary information on the terms and conditions attached to or affecting each class of the Corporation's authorized securities is contained in Appendix B to this Annual Information Form. Reference should also be made to the articles of the Corporation for a complete description of all terms and conditions of our share capital. These articles can be found on our website at *www.brookfield.com at The Company/Articles & By-laws* and are filed on SEDAR at *www.sedar.com*.

The Corporation's authorized share capital consists of:

a) an unlimited number of preference shares designated as Class A Preference Shares, issuable in series:
   - the first series, which consists of 23,391 Class A Preference Shares, Series 1;
   - the second series, which consists of 10,465,100 Class A Preference Shares, Series 2;
   - the third series, which consists of 2,000 Class A Preference Shares, Series 3;
   - the fourth series, which consists of 4,000,000 Class A Preference Shares, Series 4;
   - the fifth series, which consists of 2,600,000 Class A Preference Shares, Series 5;
   - the sixth series, which consists of 111,633 Class A Preference Shares, Series 6;
   - the seventh series, which consists of 4,000,000 Class A Preference Shares, Series 7;
   - the eighth series, which consists of 8,000,000 Class A Preference Shares, Series 8;
   - the ninth series, which consists of 8,000,000 Class A Preference Shares, Series 9;
   - the tenth series, which consists of 10,000,000 Class A Preference Shares, Series 10;
   - the eleventh series, which consists of 31,500,000 Class A Preference Shares, Series 11;
   - the twelfth series, which consists of 8,000,000 Class A Preference Shares, Series 12;
   - the thirteenth series, which consists of 9,999,000 Class A Preference Shares, Series 13;
   - the fourteenth series, which consists of 665,000 Class A Preference Shares, Series 14;
   - the fifteenth series, which consists of 4,000,000 Class A Preference Shares, Series 15;
   - the sixteenth series, which consists of 7,835,200 Class A Preference Shares, Series 16;
   - the seventeenth series, which consists of 8,000,000 Class A Preference Shares, Series 17;
   - the eighteenth series, which consists of 9,200,000 Class A Preference Shares, Series 18;
   - the nineteenth series, which consists of 13,700,000 Class A Preference Shares, Series 19;
   - the twentieth series, which consists of 13,513,510 Class A Preference Shares, Series 20;
   - the twenty-first series, which consists of 6,000,000 Class A Preference Shares, Series 21;
   - the twenty-second series, which consists of 12,000,000 Class A Preference Shares, Series 22;
   - the twenty-third series, which consists of 12,000,000 Class A Preference Shares, Series 23;
   - the twenty-fourth series, which consists of 11,000,000 Class A Preference Shares, Series 24;
   - the twenty-fifth series, which consists of 11,000,000 Class A Preference Shares, Series 25;
   - the twenty-sixth series, which consists of 10,000,000 Class A Preference Shares, Series 26;
   - the twenty-seventh series, which consists of 10,000,000 Class A Preference Shares, Series 27;
   - the twenty-eighth series, which consists of 9,890,000 Class A Preference Shares, Series 28;
   - the twenty-ninth series, which consists of 9,890,000 Class A Preference Shares, Series 29;

- the thirtieth series, which consists of 10,000,000 Class A Preference Shares, Series 30;
- the thirty-first series, which consists of 10,000,000 Class A Preference Shares, Series 31;
- the thirty-second series, which consists of 12,000,000 Class A Preference Shares, Series 32;
- the thirty-third series, which consists of 12,000,000 Class A Preference Shares, Series 33;
- the thirty-fourth series, which consists of 10,000,000 Class A Preference Shares, Series 34;
- the thirty-fifth series, which consists of 10,000,000 Class A Preference Shares, Series 35; and
- the thirty-sixth series, which consists of 8,000,000 Class A Preference Shares, Series 36;

b) an unlimited number of preference shares designated as Class AA Preference Shares, issuable in series, of which no series have been created or issued;

c) an unlimited number of Class A Limited Voting Shares; and

d) 85,120 Class B Limited Voting Shares.

As at March 20, 2013, the following shares of the Corporation were issued and outstanding: nil Class A Preference Shares, Series 1; 10,465,100 Class A Preference Shares, Series 2; nil Class A Preference Shares, Series 3; 4,000,000 Class A Preference Shares, Series 4; 2,600,000 Class A Preference Shares, Series 5; nil Class A Preference Shares, Series 6; 4,000,000 Class A Preference Shares, Series 7; 1,652,394 Class A Preference Shares, Series 8; 6,347,606 Class A Preference Shares, Series 9; nil Class A Preference Shares, Series 10; nil Class A Preference Shares, Series 11; 7,000,000 Class A Preference Shares, Series 12; 9,999,000 Class A Preference Shares, Series 13; 665,000 Class A Preference Shares, Series 14; 4,000,000 Class A Preference Shares, Series 15; 7,810,200 Class A Preference Shares, Series 16; 8,000,000 Class A Preference Shares, Series 17; 8,000,000 Class A Preference Shares, Series 18; 13,700,000 Class A Preference Shares, Series 19; 13,513,510 Class A Preference Shares, Series 20; 6,000,000 Class A Preference Shares, Series 21; 12,000,000 Class A Preference Shares, Series 22; nil Class A Preference Shares, Series 23; 11,000,000 Class A Preference Shares, Series 24; nil Class A Preference Shares, Series 25; 10,000,000 Class A Preference Shares, Series 26; nil Class A Preference Shares, Series 27; 9,400,000 Class A Preference Shares, Series 28; nil Class A Preference Shares, Series 29; 10,000,000 Class A Preference Shares, Series 30; nil Class A Preference Shares, Series 31; 12,000,000 Class A Preference Shares, Series 32; nil Class A Preference Shares, Series 33; 10,000,000 Class A Preference Shares, Series 34; nil Class A Preference Shares, Series 35; 8,000,000 Class A Preference Shares, Series 36; nil Class AA Preference Shares; 625,791,138 Class A Limited Voting Shares; and 85,120 Class B Limited Voting Shares.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the Corporation is CIBC Mellon Trust Company at its principal office in Toronto, Ontario, Canada. CIBC Mellon Trust Company maintains registers for the transfer of the Corporation's public securities at its offices in Toronto, Ontario, in Montreal, Quebec and in Vancouver, British Columbia in Canada and through BNY Mellon Shareowner Services LLC in Jersey City, New Jersey in the U.S.

MATERIAL CONTRACTS

The following is the only material contract, other than contracts entered into in the ordinary course of business, which has been entered into by the Corporation or any of its subsidiaries or their predecessors within the most recently completed financial year, or was entered into before the most recently completed financial year and is still in effect, or which is proposed to be entered into:

- The Trust Agreement referred to under "Principal Holders of Voting Shares" in the Corporation's most recent Management Information Circular (the "Circular").

A copy of this document has been filed on SEDAR as a material contract and is available at *www.sedar.com.*

INTERESTS OF EXPERTS

Deloitte LLP, the Corporation's external auditor, is independent of the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

AUDIT COMMITTEE INFORMATION

Responsibilities of the Audit Committee

The Corporation's board of directors has established an Audit Committee with the responsibility for monitoring the Corporation's systems and procedures for financial reporting and internal controls, for reviewing all public disclosure documents containing financial information, and for monitoring the performance of the Corporation's external and internal auditors. The responsibilities of the Audit Committee are set out in a written charter, which is reviewed and approved annually by the board of directors. The current Charter of the Audit Committee is set out in full in Appendix C to this Annual information Form.

Composition of the Audit Committee

As at the date of this Annual Information Form, the Audit Committee is comprised of the following three directors: Marcel R. Coutu; Youssef A. Nasr; and George S. Taylor, who is the Committee's chair. The Corporation's board of directors has determined that all of these directors are independent and financially literate, and that Mr. Coutu, Mr. Nasr and Mr. Taylor each qualify as an "audit committee financial expert". Mr. Coutu has a Masters Degree in Business Administration and over 15 years' experience in investment banking and corporate finance. He is currently President and Chief Executive Officer of Canadian Oil Sands Limited. Mr. Nasr has over 30 years' experience in the financial industry. He was the former Chairman and Chief Executive Officer of HSBC Middle East Ltd. and President and Chief Executive Officer of the HSBC group's business in North and South America. Mr. Taylor is a Certified Management Accountant and has extensive financial and senior management experience with a public company as an executive of John Labatt Limited from 1977 to 1995. He has served as an audit committee member and audit committee chairman for a number of public companies and non-profit organizations during his business career.

Additional information on the members of the Audit Committee is contained in the Circular.

Principal Accountant Fees and Services

Deloitte LLP, together with the member firms of Deloitte Touche Tohmatsu Limited and their respective affiliates (collectively "Deloitte"), is the principal external auditor of the Corporation and its consolidated reporting issuer subsidiaries (other than Brookfield Renewable). The following table provides information about the aggregate fees billed to the Corporation and its consolidated subsidiaries for professional services rendered by Deloitte during 2012 and 2011:

	2012			*2011*		
		Subsidiaries of			*Subsidiaries of*	
YEARS ENDED DECEMBER 31 (MILLIONS)	*Brookfield*	*Brookfield*	*Total*	*Brookfield*	*Brookfield*	*Total*
Audit fees	$ 2.1	$ 20.4	$ 22.5	$ 3.2	$ 25.0	$ 28.2
Audit-related fees	0.5	6.9	7.4	0.3	9.1	9.4
Tax fees	—	0.2	0.2	—	0.2	0.2
All other fees	0.4	2.0	2.4	0.3	0.6	0.9
Total	$ 3.0	$ 29.5	$ 32.5	$ 3.8	$ 34.9	$ 38.7

Audit Fees. Audit fees include fees for services that would normally be provided by the external auditor in connection with statutory and regulatory filings or engagements, including fees for services necessary to perform an audit or review in accordance with generally accepted auditing standards. This category also includes services that generally only the external auditor reasonably can provide, including comfort letters, statutory audits, attest services, consents and assistance with and review of certain documents filed with securities regulatory authorities.

Audit-Related Fees. Audit-related fees are for assurance and related services, such as due diligence services, that traditionally are performed by the external auditor. More specifically, these services include, among others: employee benefit plan audits, accounting consultations and audits in connection with acquisitions, attest services that are not required by statute or regulation, and consultation concerning financial accounting and reporting standards.

Tax Fees. Tax fees are principally for assistance in tax return preparation and tax advisory services.

All Other Fees. All other fees include fees for due diligence related to mergers and acquisitions, translation and advisory support services.

Pre-Approval Policies and Procedures

The Audit Committee of the Corporation's board of directors has adopted a policy regarding the provision of services by its external auditor, currently Deloitte. This policy requires Audit Committee pre-approval of all permitted audit, audit-related and non-audit services. It also specifies a number of services that may not be provided by the Corporation's external auditor, including all services prohibited by law from being provided by the external auditor.

Under the policy, all permitted services to be provided by the external auditor must be pre-approved by the Audit Committee or a designated member of the Audit Committee. Any pre-approval granted by a designated member must be reported to the Audit Committee at its next scheduled meeting. The pre-approval of services may be given at any time up to a year before commencement of the specified service.

The Audit Committee may delegate its pre-approval authority and responsibility to the audit committee of any consolidated subsidiary of the Corporation in respect of services to be provided to such subsidiary, provided that such subsidiary's audit committee members are independent from the Corporation and its management, such subsidiary adopts pre-approval policies and procedures that are substantially similar to those of the Corporation, and such subsidiary's audit committee makes certain reports to the Corporation's audit committee.

Subject to the above mentioned policy, the Audit Committee may establish fee thresholds for a group of pre-approved services, provided that such fees will, when combined with all such fees that have not been specifically approved by the Audit Committee, aggregate less than 25% of the anticipated audit fees for the Corporation and its subsidiaries for the same year. In such cases, the description of services must be sufficiently detailed as to the particular services to be provided to ensure that (i) the Audit Committee knows precisely what services it is being asked to pre-approve and (ii) the Audit Committee's responsibilities are not delegated to management. All such services will be ratified at the next scheduled meeting of the Audit Committee, and upon such ratification will no longer be included in determining the aggregate fees covered by this limited approval.

None of the fees reported in this Annual Information Form under the heading "Principal Accountant Fees and Services" were subject to the de minimis exception from Audit Committee pre-approval provided by Rule 2-01(c)(7)(i)(C) of Regulation S-X.

ADDITIONAL INFORMATION

Additional information relating to the Corporation, including information as to directors' and executive officers' remuneration and indebtedness, the principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, is set out in the Circular.

Additional financial information on the Corporation is provided in our Consolidated Financial Statements and Management's Discussion and Analysis of Financial Results for the fiscal year ended December 31, 2012, as well as other information on the Corporation, all of which may be found on our website at *www.brookfield.com* and on SEDAR at *www.sedar.com*.

APPENDIX A

TRADING INFORMATION FOR THE CORPORATION'S PUBLICLY-LISTED SECURITIES

The following sets out trading information for 2012 for the Corporation's publicly traded securities that were outstanding at any time during 2012, all of which are or were listed on the Toronto Stock Exchange ("TSX"), based on information provided by the TSX and, in the case of the Corporation's Class A Limited Voting Shares, information provided by the New York Stock Exchange ("NYSE") and NYSE Euronext.

Class A Limited Voting Shares (TSX: BAM.A)

	Price Per Share			
Period	*High*	*Low*	*Average*	*Volume Traded* [(a)]
2012	*C$*	*C$*	*C$*	*#*
December	36.75	34.32	35.49	14,854,362
November	35.21	32.56	34.05	13,870,296
October	34.97	32.27	33.70	14,907,177
September	35.35	33.47	34.31	18,287,805
August	35.25	33.67	34.59	17,844,017
July	35.00	33.06	33.91	11,397,040
June	33.73	31.42	32.71	16,353,957
May	33.18	30.62	32.32	24,635,989
April	32.71	30.09	31.52	15,520,760
March	32.21	30.53	31.47	20,029,933
February	31.96	30.41	31.34	21,379,745
January	31.36	27.92	29.76	12,248,362

(a) Volume traded refers to volume traded on TSX only.

Class A Limited Voting Shares (NYSE: BAM)

	Price Per Share			
Period	*High*	*Low*	*Average*	*Volume Traded* [(a)]
2012	*US$*	*US$*	*US$*	*#*
December	37.17	34.55	35.87	16,262,224
November	35.41	32.40	34.15	15,199,318
October	35.02	32.91	34.05	18,533,373
September	36.49	33.47	35.05	14,881,904
August	35.55	33.42	34.80	18,566,084
July	34.29	32.39	33.42	18,488,798
June	33.14	30.11	31.82	19,330,377
May	33.62	29.98	31.95	26,083,837
April	33.00	29.97	31.74	19,398,141
March	32.50	30.50	31.67	16,644,251
February	32.10	30.47	31.41	13,895,424
January	31.03	27.34	29.40	16,396,021

(a) Volume traded refers to volume traded on NYSE only.

Class A Limited Voting Shares (NYSE Euronext: BAMA)

Period	Price Per Share			Volume Traded [(a)]
	High	*Low*	*Average*	*Volume Traded* [(a)]
2012	*€*	*€*	*€*	*#*
December	27.50	26.11	26.85	10,535
November	26.60	24.90	25.96	15,183
October	26.19	25.60	26.07	19,749
September	27.03	25.80	26.69	12,624
August	28.00	25.36	27.60	22,590
July	27.40	25.36	26.84	16,787
June	25.68	23.20	24.96	19,179
May	25.25	22.80	24.37	16,284
April	24.25	22.79	23.61	12,717
March	24.85	23.10	23.62	9,799
February	23.75	22.11	22.81	6,043
January	23.29	20.62	22.09	16,787

Class A Preference Shares, Series 2 (TSX: BAM.PR.B)

Period	Price Per Share			Volume Traded
	High	*Low*	*Average*	*Volume Traded*
2012	*C$*	*C$*	*C$*	*#*
December	17.74	17.43	17.59	504,283
November	17.73	17.49	17.62	103,961
October	17.94	17.47	17.70	310,077
September	18.34	17.47	17.72	188,226
August	17.81	16.76	17.19	206,439
July	16.99	16.52	16.74	194,463
June	18.04	16.48	16.83	126,289
May	18.61	17.91	18.19	325,628
April	18.59	17.00	17.82	173,077
March	18.36	17.20	17.71	205,046
February	17.95	17.28	17.73	211,159
January	17.95	15.29	17.25	413,721

Class A Preference Shares, Series 4 (TSX: BAM.PR.C)

Period	Price Per Share			Volume Traded
2012	*High* C$	*Low* C$	*Average* C$	*#*
December	17.75	17.44	17.55	223,469
November	17.71	17.39	17.58	43,159
October	17.75	17.30	17.59	97,194
September	17.64	17.15	17.37	77,282
August	17.30	16.46	16.77	60,352
July	16.75	16.41	16.52	77,247
June	17.90	16.45	16.74	80,059
May	18.50	17.90	18.13	63,728
April	18.47	17.00	17.81	79,952
March	18.20	17.40	17.66	30,183
February	17.82	17.20	17.61	46,269
January	18.00	15.14	17.12	71,659

Class A Preference Shares, Series 8 (TSX: BAM.PR.E)

Period	Price Per Share			Volume Traded
2012	*High* C$	*Low* C$	*Average* C$	*#*
December	23.45	23.10	23.31	14,144
November	23.45	23.11	23.24	3,450
October	23.60	23.00	23.25	13,261
September	23.50	23.00	23.19	4,545
August	23.91	22.75	23.63	49,540
July	23.91	23.00	23.59	7,050
June	24.44	22.75	23.64	21,752
May	24.49	23.16	23.68	31,679
April	23.69	22.71	23.33	27,374
March	23.40	22.01	22.68	12,672
February	23.40	21.50	22.47	10,930
January	22.45	20.60	21.87	14,175

Class A Preference Shares, Series 9 (TSX: BAM.PR.G)

Period 2012	Price Per Share High C$	Low C$	Average C$	Volume Traded #
December	23.75	21.50	22.72	36,948
November	23.25	22.60	23.00	19,969
October	23.99	21.80	22.58	43,543
September	21.60	20.75	21.21	49,065
August	21.75	20.54	21.34	48,266
July	21.50	19.99	20.77	30,903
June	21.68	20.57	21.18	13,280
May	22.00	21.05	21.53	34,375
April	22.10	21.00	21.74	23,839
March	21.40	20.79	21.08	58,695
February	21.48	20.20	20.91	35,250
January	20.50	19.80	20.20	58,110

Class A Preference Shares, Series 10 (TSX: BAM.PR.H) [(a)]

Period 2012	Price Per Share High C$	Low C$	Average C$	Volume Traded #
April	25.02	24.99	25.01	40,208
March	25.50	24.96	25.13	392,984
February	25.55	25.35	25.47	144,926
January	25.90	25.26	25.46	158,133

Class A Preference Shares, Series 11 (TSX: BAM.PR.I) [(b)]

Period 2012	Price Per Share High C$	Low C$	Average C$	Volume Traded #
September	25.35	24.96	25.09	124,676
August	25.79	25.28	25.45	290,487
July	25.80	25.43	25.56	19,204
June	25.79	25.25	25.53	20,517
May	25.85	25.45	25.58	19,847
April	25.66	25.20	25.42	24,689
March	25.68	25.15	25.44	20,707
February	25.97	25.51	25.70	74,687
January	25.99	25.50	25.63	13,299

(a) The Corporation's Class A Preference Shares, Series 10, were redeemed on April 5, 2012.

(b) The Corporation's Class A Preference Shares, Series 11, were redeemed on October 1, 2012.

Class A Preference Shares, Series 12 (TSX: BAM.PR.J)

Period	Price Per Share			Volume Traded
2012	*High* C$	*Low* C$	*Average* C$	*#*
December	27.20	26.54	26.82	48,191
November	27.28	26.72	27.04	69,261
October	27.20	26.55	26.76	77,378
September	26.90	26.55	26.69	40,062
August	27.01	26.62	26.80	50,414
July	26.90	26.50	26.66	53,392
June	26.84	26.24	26.52	51,880
May	27.05	26.40	26.75	38,081
April	27.25	26.65	26.99	48,592
March	27.69	26.71	27.07	56,491
February	27.53	26.82	27.19	48,581
January	27.54	25.90	26.84	69,454

Class A Preference Shares, Series 13 (TSX: BAM.PR.K)

Period	Price Per Share			Volume Traded
2012	*High* C$	*Low* C$	*Average* C$	*#*
December	17.61	17.31	17.53	332,122
November	17.70	17.37	17.54	51,314
October	17.69	17.30	17.55	107,019
September	17.59	17.06	17.34	90,809
August	17.60	16.50	16.79	65,341
July	16.80	16.43	16.55	107,767
June	18.02	16.44	16.83	145,896
May	19.00	17.95	18.28	180,155
April	18.75	16.95	17.70	63,465
March	18.00	17.01	17.60	46,823
February	17.82	17.10	17.60	51,721
January	17.85	15.36	17.09	63,437

Class A Preference Shares, Series 14 (TSX: BAM.PR.L)

There were no trades of the Corporation's Class A Preference Shares, Series 14 during 2012.

Class A Preference Shares, Series 17 (TSX: BAM.PR.M)

	Price Per Share			
Period	*High*	*Low*	*Average*	*Volume Traded*
2012	*C$*	*C$*	*C$*	*#*
December	24.88	24.39	24.60	110,009
November	24.65	24.21	24.46	428,535
October	24.66	24.15	24.33	106,104
September	24.74	24.00	24.25	86,473
August	24.50	24.02	24.28	90,793
July	24.51	23.68	24.20	75,614
June	23.95	23.14	23.67	67,450
May	24.44	22.61	23.50	126,602
April	23.59	22.50	23.05	109,476
March	24.49	21.90	23.43	181,915
February	25.00	23.27	24.35	194,816
January	24.70	23.24	24.16	208,144

Class A Preference Shares, Series 18 (TSX: BAM.PR.N)

	Price Per Share			
Period	*High*	*Low*	*Average*	*Volume Traded*
2012	*C$*	*C$*	*C$*	*#*
December	24.80	24.43	24.64	102,770
November	24.81	24.30	24.49	80,727
October	24.75	24.13	24.38	103,847
September	24.50	24.00	24.32	87,911
August	24.59	24.00	24.30	92,902
July	24.69	23.74	24.27	98,262
June	24.16	23.18	23.77	81,367
May	24.38	22.64	23.53	115,608
April	23.63	22.31	23.06	92,386
March	24.54	22.15	23.47	144,155
February	25.15	23.27	24.41	242,742
January	24.91	23.20	24.24	298,987

Class A Preference Shares, Series 21 (TSX: BAM.PR.O)

Period	Price Per Share			Volume Traded
2012	*High* C$	*Low* C$	*Average* C$	*#*
December	25.95	25.32	25.57	16,272
November	26.62	25.84	25.99	38,393
October	25.85	25.27	25.51	44,085
September	25.80	25.15	25.46	53,155
August	25.94	25.58	25.70	19,863
July	25.73	25.31	25.61	62,936
June	26.25	25.60	25.74	37,374
May	26.00	25.72	25.88	27,475
April	26.09	25.75	25.88	44,010
March	26.16	25.59	25.85	43,845
February	26.49	25.90	26.02	45,702
January	26.20	25.21	25.98	142,993

Class A Preference Shares, Series 22 (TSX: BAM.PR.P)

Period	Price Per Share			Volume Traded
2012	*High* C$	*Low* C$	*Average* C$	*#*
December	27.31	26.53	26.97	253,123
November	27.35	26.95	27.23	207,039
October	27.26	26.66	26.93	140,684
September	27.19	26.53	26.87	101,117
August	27.28	26.87	27.13	72,430
July	27.38	26.91	27.14	80,837
June	27.50	26.74	27.14	89,951
May	27.75	26.86	27.45	246,351
April	27.55	27.01	27.25	208,857
March	27.60	26.60	27.10	186,973
February	28.28	27.30	27.66	128,096
January	28.33	27.00	27.48	412,137

Class A Preference Shares, Series 24 (TSX: BAM.PR.R)

Period	Price Per Share			Volume Traded
2012	*High* C$	*Low* C$	*Average* C$	*#*
December	26.40	26.00	26.24	141,987
November	26.34	26.06	26.21	133,411
October	26.31	25.52	26.05	525,078
September	26.66	25.75	26.24	48,657
August	26.84	26.18	26.41	82,682
July	26.96	25.90	26.31	86,328
June	26.65	25.22	26.22	58,812
May	26.40	25.85	26.11	145,739
April	26.58	26.14	26.29	80,642
March	26.82	25.74	26.19	104,233
February	27.20	26.20	26.66	121,057
January	26.84	25.93	26.42	425,089

Class A Preference Shares, Series 26 (TSX: BAM.PR.T)

Period	Price Per Share			Volume Traded
2012	*High* C$	*Low* C$	*Average* C$	*#*
December	25.74	25.40	25.63	85,092
November	25.70	25.40	25.59	91,020
October	25.55	25.13	25.39	70,558
September	25.66	25.03	25.43	98,429
August	25.83	25.33	25.57	127,635
July	25.79	25.20	25.43	86,897
June	25.76	24.92	25.24	130,172
May	25.76	25.00	25.30	102,037
April	25.65	25.01	25.30	280,109
March	25.90	24.70	25.15	280,559
February	25.90	25.00	25.57	151,822
January	25.95	24.95	25.47	117,074

Class A Preference Shares, Series 28 (TSX: BAM.PR.X)

Period	Price Per Share			Volume Traded
	High	*Low*	*Average*	
2012	*C$*	*C$*	*C$*	*#*
December	25.28	24.93	25.15	137,905
November	25.30	25.01	25.19	123,929
October	25.30	25.01	25.19	722,371
September	25.56	24.92	25.15	97,964
August	25.62	25.15	25.37	167,152
July	25.45	24.95	25.16	174,994
June	25.30	24.90	25.11	81,327
May	25.36	24.80	25.01	105,437
April	25.33	24.71	25.04	160,127
March	25.44	24.21	25.04	162,498
February	26.40	24.95	25.20	150,130
January	25.49	24.71	25.08	111,440

Class A Preference Shares, Series 30 (TSX: BAM.PR.Z)

Period	Price Per Share			Volume Traded
	High	*Low*	*Average*	
2012	*C$*	*C$*	*C$*	*#*
December	26.30	25.85	26.16	194,117
November	26.47	25.96	26.25	277,297
October	26.45	25.82	26.16	92,425
September	26.18	25.35	25.81	123,558
August	26.49	25.71	26.11	139,255
July	26.53	25.60	26.18	168,549
June	25.90	25.32	25.67	90,825
May	26.36	25.60	25.94	136,769
April	26.00	25.45	25.75	118,764
March	25.95	25.35	25.63	193,189
February	26.45	25.43	25.99	234,582
January	26.24	25.32	25.82	710,117

Class A Preference Shares, Series 32 (TSX: BAM.PF.A)

Period	Price Per Share			Volume Traded
2012	*High* C$	*Low* C$	*Average* C$	*#*
December	25.90	25.50	25.76	115,424
November	26.32	25.59	25.83	231,005
October	26.07	25.50	25.73	117,378
September	25.70	25.13	25.49	179,355
August	25.75	25.30	25.59	196,483
July	25.60	25.17	25.42	365,990
June	25.48	24.85	25.20	252,248
May	25.69	25.05	25.38	319,455
April	25.50	25.02	25.32	767,962
March[a)]	25.09	24.80	24.96	1,657,210

(a) The Corporation's Class A Preference Shares, Series 32 commenced trading on the TSX on March 13, 2012.

Class A Preference Shares, Series 34 (TSX: BAM.PF.B)

Period	Price Per Share			Volume Traded
2012	*High* C$	*Low* C$	*Average* C$	*#*
December	25.32	24.71	25.15	115,385
November	25.75	24.95	23.33	183,133
October	25.65	25.00	25.34	721,062
September[(a)]	25.20	24.91	25.07	710,095

(a) The Corporation's Class A Preference Shares, Series 34 commenced trading on the TSX on September 12, 2012.

Class A Preference Shares, Series 36 (TSX: BAM.PF.C)

Period	Price Per Share			Volume Traded
2012	*High* C$	*Low* C$	*Average* C$	*#*
December	24.92	24.57	24.76	448,869
November[(a)]	24.95	24.46	24.61	758,664

(a) The Corporation's Class A Preference Shares, Series 36 commenced trading on the TSX on November 27, 2012.

APPENDIX B

SUMMARY OF TERMS AND CONDITIONS OF THE CORPORATION'S AUTHORIZED SECURITIES

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CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES AS A CLASS

The following is a summary of certain provisions attaching to or affecting the Class A Preference Shares as a class.

Series

The Class A Preference Shares may be issued from time to time in one or more series. The board of directors of the Corporation will fix the number of shares in each series and the provisions attached to each series before issue.

Priority

The Class A Preference Shares rank senior to the Class AA Preference Shares, the Class A Limited Voting Shares, the Class B Limited Voting Shares and other shares ranking junior to the Class A Preference Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or in the event of any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs. Each series of Class A Preference Shares ranks on a parity with every other series of Class A Preference Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or in the event of any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs.

Shareholder Approvals

The Corporation shall not delete or vary any preference, right, condition, restriction, limitation or prohibition attaching to the Class A Preference Shares as a class or create preference shares ranking in priority to or on parity with the Class A Preference Shares except by special resolution passed by at least 66 2/3% of the votes cast at a meeting of the holders of the Class A Preference Shares duly called for that purpose, in accordance with the provisions of the articles of the Corporation.

Each holder of Class A Preference Shares entitled to vote at a class meeting of holders of Class A Preference Shares, or at a joint meeting of the holders of two or more series of Class A Preference Shares, has one vote in respect of each C$25.00 of the issue price of each Class A Preference Share held by such holder.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 1 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 1 are entitled to receive cumulative preferential cash dividends, accruing daily, as and when declared by the board of directors, payable quarterly on the last day of March, June, September and December in each year, in an amount per share equal to C$25.00 multiplied by one-quarter of 65% of the average “Prime Rate” (as defined in the share conditions).

Redemption

Each of the Class A Preference Shares, Series 1 is redeemable at any time in whole or in part from time to time at the option of the Corporation at a redemption price of C$25.00 per share together with all accrued and unpaid dividends thereon up to but excluding the date fixed for redemption. Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Retraction

Subject to the restrictions imposed by applicable law, each of the Class A Preference Shares, Series 1 is retractable by the holder on any January 1, April 1, July 1 and October 1 at a price of C$25.00 per share together with all accrued and unpaid dividends to the applicable retraction date. Notice of retraction must be given by the holder to the transfer agent at least 15 days prior to the date fixed for retraction.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 1 in the open market or by invitation for tenders at a price not exceeding C$25.00 per share plus accrued and unpaid dividends and costs of purchase.

Conversion

The holders of the Class A Preference Shares, Series 1 have the right at any time and from time to time, but effective on the next following January 1, April 1, July 1 or October 1 to convert any or all of the Class A Preference Shares, Series 1 held by them into Class A Preference Shares, Series 2 of the Corporation, on a one-for-one basis. Notice of conversion must be given by the holder to the transfer agent at least 15 days prior to the next following conversion date.

Voting

At any time dividends have not been paid for two years on the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 or Class A Preference Shares, Series 3 and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 are paid, the holders of Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 shall be entitled to receive notice of and to attend all meetings of shareholders and to one vote in respect of each Class A Preference Share, Series 1, Class A Preference Share, Series 2 and Class A Preference Share, Series 3 held and in addition shall be entitled to elect two members of the board of directors of the Corporation if the board consists of seven or fewer directors or three members of the board of directors if the board consists of more than seven directors; subject to the foregoing, when entitled to vote in the election of directors, the holders of Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 will vote with the holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 may be entitled to elect). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 1 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 1:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 1) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 1;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the Class A Preference Shares, Series 1, redeem or call for redemption, purchase or otherwise pay off or retire for value any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 1;

(c) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of preferred shares of the Corporation from time to time issued, redeem or call for redemption, purchase or otherwise pay off or retire for value any shares of the Corporation ranking as to capital on a parity with the Class A Preference Shares, Series 1; or

(d) redeem or call for redemption, purchase or otherwise pay off or retire for value less than all of the Class A Preference Shares, Series 1;

unless, in each such case, all dividends then payable on the Class A Preferences Shares, Series 1 then outstanding and on all other shares of the Corporation ranking as to dividends on a parity with the Class A Preference Shares, Series 1 accrued up to and including the dividends payable on the immediately preceding respective date or dates for the payment of dividends thereon shall have been declared and paid or set apart for payment.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 1 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends before any amount can be paid to the holders of shares ranking junior as to capital to the Class A Preference Shares, Series 1. Upon such payment, the holders of Class A Preference Shares, Series 1 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 2 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 2 are entitled to receive cumulative preferential cash dividends, accruing daily, as and when declared by the board of directors, payable quarterly on the last day of March, June, September and December in each year in an amount per share equal to C$25.00 multiplied by one-quarter of 70% of the average “Prime Rate” (as defined in the share conditions).

Redemption

Each of the Class A Preference Shares, Series 2 is redeemable at any time in whole or in part from time to time at the option of the Corporation at a redemption price of C$25.00 per share together with all accrued and unpaid dividends thereon up to but excluding the date fixed for redemption. Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 2 in the open market or by invitation for tenders at a price not exceeding C$25.00 per share plus accrued and unpaid dividends and costs of purchase.

Voting

At any time dividends have not been paid for two years on the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 or Class A Preference Shares, Series 3 and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 are paid, the holders of Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 shall be entitled to receive notice of and to attend all meetings of shareholders and to one vote in respect of each Class A Preference Share, Series 1, Class A Preference Share, Series 2 and Class A Preference Share, Series 3 held and in addition shall be entitled to elect two members of the board of directors of the Corporation if the board consists of seven or fewer directors or three members of the board of directors if the board consists of more than seven directors; subject to the foregoing, when entitled to vote in the election of directors, the holders of Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 will vote with the holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 may be entitled to elect). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 2 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 2:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 2) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 2;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the Class A Preference Shares, Series 2, redeem or call for redemption, purchase or otherwise pay off or retire for value any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 2;

(c) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of preferred shares of the Corporation from time to time issued, redeem or call for redemption, purchase or otherwise pay off or retire for value any shares of the Corporation ranking as to capital on a parity with the Class A Preference Shares, Series 2; or

(d) redeem or call for redemption, purchase or otherwise pay off or retire for value less than all of the Class A Preference Shares, Series 2;

unless, in each such case, all dividends then payable on the Class A Preferences Shares, Series 2 then outstanding and on all other shares of the Corporation ranking as to dividends on a parity with the Class A Preference Shares, Series 2 accrued up to and including the dividends payable on the immediately preceding respective date or dates for the payment of dividends thereon, shall have been declared and paid or set apart for payment.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 2 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends before any amount can be paid to the holders of shares ranking junior as to capital to the Class A Preference Shares, Series 2. Upon such payment, the holders of Class A Preference Shares, Series 2 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 3 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 3 are entitled to receive cumulative preferential cash dividends, accruing from the date of issue, as and when declared by the board of directors, on the Thursday following the second Wednesday of each month in each year in an amount equal to the product of (a) C$100,000, (b) a dividend rate determined by an auction of Class A Preference Shares, Series 3 conducted on the business day next preceding the commencement of each dividend period, and (c) the number of days in the dividend period, all divided by 365. The dividend rate is subject to a maximum dividend rate equal to the Bankers' Acceptance Rate (as defined in the share conditions) in effect on the business day next preceding the commencement of the dividend period plus 0.40% and provided that if the Corporation fails to pay a dividend on the Class A Preference Shares, Series 3 (whether or not declared) or fails to redeem any Class A Preference Shares, Series 3 after giving notice to do so, dividends become payable at the said maximum dividend rate.

Redemption

Each of the Class A Preference Shares, Series 3 is redeemable at any time in whole or in part from time to time at the option of the Corporation at a redemption price of C$100,000 per share, provided that the Corporation may not redeem such shares unless the board of directors shall have declared a dividend on the Class A Preference Shares, Series 3 equal to all accrued and unpaid dividends thereon to the date fixed for redemption. Notice of any redemption must be given by the Corporation at least 10 days prior to the date fixed for redemption.

Voting

At any time dividends have not been paid for two years on the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 or Class A Preference Shares, Series 3 and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 are paid, the holders of Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 shall be entitled to receive notice of and to attend all meetings of shareholders and to one vote in respect of each Class A Preference Share, Series 1, Class A Preference Share, Series 2 and Class A Preference Share, Series 3 held and in addition shall be entitled to elect two members of the board of directors of the Corporation if the board consists of seven or fewer directors or three members of the board of directors if the board consists of more than seven directors; subject to the foregoing, when entitled to vote in the election of directors, the holders of Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 will vote with the holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 may be entitled to elect). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 3 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 3:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 3) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 3;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the Class A Preference Shares, Series 3, redeem or call for redemption, purchase or otherwise pay off or retire any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 3;

(c) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of Class A Preference Shares of the Corporation, redeem or call for redemption, purchase or otherwise pay off or retire any shares of the Corporation ranking as to capital on a parity with the Class A Preference Shares, Series 3; or

(d) redeem or call for redemption, purchase or otherwise retire for value less than all of the Class A Preference Shares, Series 3;

unless, in each such case, all dividends then payable on the Class A Preference Shares, Series 3 then outstanding and on all other shares of the Corporation ranking as to dividends on a parity with the Class A Preference Shares, Series 3 accrued up to and including the dividends payable on the immediately preceding respective date or dates for the payment of dividends thereon shall be payable, shall have been declared and paid or set apart for payment.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 3 will be entitled to payment of an amount equal to C$100,000 per share plus accrued and unpaid dividends before any amount can be paid to the holders of shares ranking junior as to capital to the Class A Preference Shares, Series 3. Upon such payment, the holders of Class A Preference Shares, Series 3 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 4 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 4 are entitled to receive cumulative preferential cash dividends, accruing daily from the date of issue, as and when declared by the board of directors, payable quarterly on the last day of March, June, September and December in each year in an amount per share equal to C$25.00 multiplied by one-quarter of 70% of the "Average Prime Rate" (as defined in the share conditions).

Redemption

Each of the Class A Preference Shares, Series 4 is redeemable at any time in whole or in part from time to time at the option of the Corporation at a redemption price of C$25.00 per share together with all unpaid dividends accrued thereon up to the date of redemption. Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 4 in the open market or by invitation for tenders at a price not exceeding C$25.00 plus accrued and unpaid dividends and costs of purchase.

Voting

At any time that eight quarterly dividends, whether or not consecutive, on the Class A Preference Shares, Series 4 are not paid and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 4 are paid, the holders of Class A Preference Shares, Series 4 shall be entitled to receive notice of and to attend all meetings of shareholders at which directors are to be elected and to one vote in respect of each Class A Preference Share, Series 4 held, voting with holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 may be entitled to elect). Except as aforesaid and as provided by law, the holders of Class A Preference Shares, Series 4 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 4:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 4) on shares of the Corporation ranking as to capital or dividends junior to the Class A Preference Shares, Series 4;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the Class A Preference Shares, Series 4, redeem or call for redemption, purchase or otherwise pay off or retire for value any shares of the Corporation ranking as to capital or dividends junior to the Class A Preference Shares, Series 4;

(c) call for redemption, redeem, purchase or otherwise pay off or retire for value less than all of the Class A Preference Shares, Series 4; or

(d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of preferred shares of the Corporation, redeem or call for redemption, purchase or otherwise pay off or retire for value any shares of the Corporation ranking as to capital on a parity with the Class A Preference Shares, Series 4;

unless, in each such case, all dividends then payable for the Class A Preference Shares, Series 4 then outstanding and on all other shares of the Corporation ranking as to dividends on parity with the Class A Preference Shares, Series 4 accrued up to and including the dividends payable on the immediately preceding respective date or dates for the payment of dividends thereon shall have been declared and paid or set apart for payment.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 4 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends before any amount can be paid to the holders of any other shares ranking junior as to capital to the Class A Preference Shares, Series 4. Upon such payment, the holders of Class A Preference Shares, Series 4 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 5 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 5 are entitled to receive cumulative preferential cash dividends, accruing daily from the date of issue, as and when declared by the board of directors, payable quarterly on the last day of March, June, September and December in each year in an amount per share equal to C$25.00 multiplied by one-quarter of 65% of the "Average Prime Rate" (as defined in the share conditions).

Redemption

Each of the Class A Preference Shares, Series 5 is redeemable at any time in whole or in part from time to time at the option of the Corporation at a redemption price of C$25.00 per share together with all unpaid dividends accrued thereon up to the date of redemption. Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 5 in the open market or by invitation for tenders at a price not exceeding C$25.00 per share plus accrued and unpaid dividends and costs of purchase.

Retraction

Subject to the restrictions imposed by applicable law, each of the Class A Preference Shares, Series 5 is retractable by the holder on any March 1, June 1, September 1 and December 1 at a price of C$25.00 together with all accrued and unpaid dividends thereon to but excluding the date of retraction. Notice of retraction must be given by the holder to the transfer agent at least 15 days prior to the date fixed for retraction.

Voting

At any time that eight quarterly dividends, whether or not consecutive, on the Class A Preference Shares, Series 5 are not paid and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 5 are paid, the holders of Class A Preference Shares, Series 5 shall be entitled to receive notice of and to attend all meetings of shareholders at which directors are to be elected and to one vote in respect of each Class A Preference Share, Series 5 held, voting with holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 may be entitled to elect). Except as aforesaid and as permitted by law, the holders of Class A Preference Shares, Series 5 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 5:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 5) on shares of the Corporation ranking as to capital or dividends junior to the Class A Preference Shares, Series 5;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the Class A Preference Shares, Series 5, redeem or call for redemption, purchase or otherwise pay off or retire for value any shares of the Corporation ranking as to capital or dividends junior to the Class A Preference Shares, Series 5;

(c) call for redemption, redeem, purchase or otherwise pay off or retire for value less than all of the Class A Preference Shares, Series 5; or

(d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of preferred shares from time to time issued, redeem or call for redemption, purchase or otherwise pay off or retire for value any shares of the Corporation ranking as to capital on a parity with the Class A Preference Shares, Series 5;

unless, in each such case, all dividends then payable on the Class A Preference Shares, Series 5 then outstanding and on all other shares of the Corporation ranking as to dividends on a parity with the Class A Preference Shares, Series 5 accrued up to and including the dividends payable on the immediately preceding respective date or dates for the payment of dividends thereon shall have been declared and paid or set apart for payment.

Creation or Issue of Additional Shares

The Corporation will not, without the approval of the holders of the Class A Preference Shares, Series 5, create or issue any shares ranking as to capital or dividends prior to or on a parity with the Class A Preference Shares, Series 5, provided that the Corporation may without such approval issue additional series of Class A Preference Shares if all dividends then payable on the Class A Preference Shares, Series 5 then outstanding and on all other shares of the Corporation ranking as to dividends prior to or on a parity with the Class A Preference Shares, Series 5 shall have been declared and paid or set apart for payment.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 5 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends before any amount can be paid to the holders of any other shares ranking junior as to capital to the Class A Preference Shares, Series 5. Upon such payment, the holders of Class A Preference Shares, Series 5 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 6 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 6 are entitled to receive fixed cumulative preferential cash dividends, accruing daily from the date of issue, as and when declared by the board of directors, payable quarterly on the last day of March, June, September and December in each year in an aggregate annual amount equal to C$1.875 per share, being a rate of 7 1/2% per annum on the price of C$25.00 per share.

Redemption

Each of the Class A Preference Shares, Series 6 is redeemable at any time in whole or in part from time to time at the option of the Corporation at a redemption price of C$25.00 per share together with all unpaid dividends accrued thereon up to the date of redemption. Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to but excluding the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 6 through the facilities of a stock exchange on which the Class A Preference Shares, Series 6 are listed, or in any other manner, at a price not exceeding C$25.00 per share plus accrued and unpaid dividends and costs of purchase.

Voting

At any time that eight quarterly dividends, whether or not consecutive, on the Class A Preference Shares, Series 6 are not paid and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 6 are paid, the holders of Class A Preference Shares, Series 6 shall be entitled to receive notice of and to attend all annual and other general meetings of shareholders, but shall not be entitled to vote thereat except in the election of directors in which case the holders of Class A Preference Shares, Series 6 shall be entitled to one vote in respect of each Class A Preference Share, Series 6 held, voting with holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 may be entitled to elect). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 6 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement and Issue of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 6:

(a) declare, pay or set apart for payment any dividends on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 6 (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 6);

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the Class A Preference Shares, Series 6, redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 6;

(c) redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of less than all of the Class A Preference Shares, Series 6;

(d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provision attaching thereto, redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of any shares of the Corporation ranking as to capital on a parity with the Class A Preference Shares, Series 6; or

(e) issue any additional Class A Preference Shares or any shares ranking as to dividends or capital on a parity with the Class A Preference Shares, Series 6;

unless at the date of such declaration, payment, setting apart for payment, redemption, call for redemption, purchase or reduction, return of capital or issuance, as the case may be, all accrued and unpaid cumulative dividends up to and including the dividend payment for the last completed period for which such dividends shall be payable, shall have been declared and paid or set apart for payment on the Class A Preference Shares, Series 6 and any accrued and unpaid cumulative dividends which have become payable and any declared and unpaid non-cumulative dividends shall have been paid or set apart for payment on all other shares ranking as to dividends prior to or on a parity with the Class A Preference Shares, Series 6. The Corporation will not, without the prior approval of the holders of Class A Preference Shares, Series 6 issue any shares ranking as to dividends or capital prior to the Class A Preference Shares, Series 6.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 6 will be entitled to payment of an aggregate amount equal to C$25.00 per share plus accrued and unpaid dividends before any amount can be paid to the holders of any other shares of the Corporation ranking junior as to capital to the Class A Preference Shares, Series 6. Upon such payment, the holders of Class A Preference Shares, Series 6 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 7 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 7 are entitled to receive fixed cumulative preferential cash dividends, accruing daily, as and when declared by the board of directors, payable quarterly on the last day of March, June, September and December in each year in an amount per share equal to 8 1/2% per annum applied to the price of C$25.00 per share.

Redemption

Each of the Class A Preference Shares, Series 7 is redeemable at any time in whole or in part from time to time at the option of the Corporation at a redemption price of C$25.00 per share together with all unpaid dividends accrued thereon up to but excluding the date fixed for redemption. Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 7 through the facilities of a stock exchange on which the Class A Preference Shares, Series 7 are listed, or in any other manner, at a price not exceeding C$25.00 per share plus accrued and unpaid dividends and costs of purchase.

Right to Exchange

The holders of the Class A Preference Shares, Series 7 shall have the right ("Exchange Right"), on each date on which a closing (a "Closing") occurs of:

(a) a distribution (a "Public Offering") by the Corporation of its Class A Limited Voting Shares pursuant to a prospectus or other similar document ("prospectus") filed with any appropriate securities regulatory agency or stock exchange;

(b) a rights offering (a "Rights Offering") by the Corporation; or

(c) a private placement (a "Private Placement") by the Corporation;

to exchange Class A Preference Shares, Series 7 held by them for up to a certain maximum aggregate number of Class A Limited Voting Shares at an exchange rate per Class A Preference Share, Series 7 which is A divided by B, where A is the price per Class A Limited Voting Share which would have been payable by the holder exercising the exchange right to acquire Class A Limited Voting Shares in connection with the Public Offering, Rights Offering or Private Placement and B is C$25.00.

Voting

At any time that eight quarterly dividends, whether or not consecutive, on the Class A Preference Shares, Series 7 are not paid and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 7 are paid, the holders of Class A Preference Shares, Series 7 shall be entitled to receive notice of and to attend all annual and other general meetings of shareholders, but shall not be entitled to vote thereat except in the election of directors in which case the holders of Class A Preference Shares, Series 7 shall be entitled and to one vote in respect of each Class A Preference Share, Series 7 held, voting with holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 may be entitled to elect). Except as aforesaid, the holders of Class A Preference Shares, Series 7 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement and Issue of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 7:

(a) declare, pay or set apart for payment any dividends on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 7 (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 7);

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the Class A Preference Shares, Series 7, redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 7;

(c) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provision attaching thereto, redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of any shares of the Corporation ranking as to capital on a parity with the Class A Preference Shares, Series 7; or

(d) issue any additional Class A Preference Shares or any shares ranking as to dividends or capital on a parity with the Class A Preference Shares, Series 7;

unless at the date of such declaration, payment, setting apart for payment, redemption, call for redemption, purchase or reduction, return of capital or issuance, as the case may be, all accrued and unpaid cumulative dividends up to and including the dividend payment for the last completed period for which such dividends shall be payable, shall have been declared and paid or set apart for payment on the Class A Preference Shares, Series 7 and any accrued and unpaid cumulative dividends which have become payable and any declared and unpaid non-cumulative dividends shall have been paid or set apart for payment on all other shares ranking as to dividends prior to or on a parity with the Class A Preference Shares, Series 7.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 7 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends before any amount can be paid to the holders of any other shares ranking junior as to capital to the Class A Preference Shares, Series 7. Upon such payment, the holders of Class A Preference Shares, Series 7 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 8 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 8 are entitled to receive fixed cumulative preferential cash dividends, accruing daily from the date of issue, to and including October 31, 2001 (the "Fixed Rate Period"), as and when declared by the board of directors, payable quarterly on the first day of February, May, August and November in each year in an amount per share equal to 6.25% per annum applied to the price of C$25.00 per share, and thereafter so long as any of the Class A Preference Shares, Series 8 shall be outstanding (the "Floating Rate Period") are entitled to receive monthly floating cumulative preferential cash dividends, accruing daily, as and when declared by the board of directors on the 12th day of each month in an amount per share equal to the product of C$25.00 per share and one-twelfth of an annual floating dividend rate equal to between 50% and 100% of the Prime Rate, as provided in the share conditions.

Redemption

The Class A Preference Shares, Series 8 are not redeemable by the Corporation prior to November 1, 2001. Subject to applicable law and certain restrictions and to the rights, privileges, restrictions and conditions attaching to other shares of the Corporation, all, but not less than all, of the Class A Preference Shares, Series 8 are redeemable at the option of the Corporation on November 1, 2001 at a redemption price of C$25.00 per share together with all accrued and unpaid dividends thereon up to but excluding the date of redemption and after November 1, 2001 at a redemption price of C$25.50 per share together with all accrued and unpaid dividends thereon up to but excluding the date of redemption. Notice of any redemption must be given by the Corporation at least 45 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 8 in the open market or by private agreement or otherwise, at the lowest price obtainable, in the opinion of the board of directors, plus accrued and unpaid dividends and costs of purchase.

Conversion

Subject to certain restrictions, the holders of the Class A Preference Shares, Series 8 have the right, on November 1, 2001, and on November 1 in every fifth year thereafter (each, a "Conversion Date"), to convert any or all of the Class A Preference Shares, Series 8 held by them into Class A Preference Shares, Series 9 of the Corporation, on a one-for-one basis. A conversion of Class A Preference Shares, Series 8 into Class A Preference Shares Series 9 must be initiated not less than 14 days and not more than 45 days prior to a Conversion Date. Under certain circumstances, the Class A Preference Shares, Series 8 automatically convert into Class A Preference Shares, Series 9, on a one-for-one basis.

Voting

At any time that during the Fixed Rate Period eight quarterly dividends, or during the Floating Rate Period 24 monthly dividends, as applicable, whether or not consecutive, on the Class A Preference Shares, Series 8 are not paid and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 8 are paid, the holders of Class A Preference Shares, Series 8 shall be entitled to receive notice of and to attend each meeting of shareholders which takes place more than 60 days after the date such failure first occurs and to one vote in respect of each Class A Preference Share, Series 8 held, voting, with respect to directors, with holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 may be entitled to elect). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 8 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement and Issue of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 8:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking junior to the Class A Preference Shares, Series 8) on shares of the Corporation ranking junior to the Class A Preference Shares, Series 8;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Class A Preference Shares, Series 8, redeem, purchase or otherwise retire or make any capital distribution on or in respect of shares of the Corporation ranking junior to the Class A Preference Shares, Series 8;

(c) purchase or otherwise retire less than all of the Class A Preference Shares, Series 8 then outstanding;

(d) except pursuant to any retraction privilege, mandatory redemption or purchase obligation attaching thereto, redeem, purchase or otherwise retire any shares of any class or series ranking on a parity with the Class A Preference Shares, Series 8; or

(e) issue any additional Class A Preference Shares or any shares ranking as to dividends or capital on a parity with the Class A Preference Shares, Series 8;

unless, in each such case, all dividends on outstanding Class A Preference Shares, Series 8 accrued up to and including the dividend payable for the last completed period for which dividends were payable shall have been declared and paid.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 8 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends before any amount can be paid to the holders of shares ranking junior to the Class A Preference Shares, Series 8. Upon such payment, the holders of Class A Preference Shares, Series 8 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 9 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 9 are entitled to receive fixed cumulative preferred cash dividends, as and when declared by the board of directors, payable quarterly on the first day of February, May, August and November in each year, in an amount per share per annum equal to the product of C$25.00 and a percentage (which shall not be less than 80%) of the yield on certain Government of Canada bonds, as provided in the share conditions.

Redemption

The Corporation may not redeem the Class A Preference Shares, Series 9 on or prior to November 1, 2006. Subject to applicable law and certain restrictions and to the rights, privileges, restrictions and conditions attaching to any other shares of the Corporation, on November 1, 2006 and on November 1 in every fifth year thereafter, all, but not less than all, of the Class A Preference Shares, Series 9 are redeemable at the option of the Corporation at a redemption price of C$25.00 per share together with all accrued and unpaid dividends up to but excluding the date of redemption. Notice of any redemption must be given by the Corporation at least 45 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 9 in the open market or by private agreement, or otherwise, at the lowest price obtainable, in the opinion of the board of directors, plus accrued and unpaid dividends and costs of purchase.

Conversion

Subject to certain restrictions, the holders of the Class A Preference Shares, Series 9 have the right on November 1, 2006, and on November 1 in every fifth year thereafter, to convert any or all of the Class A Preference Shares, Series 9 held by them into Class A Preference Shares, Series 8 of the Corporation, on a one-for-one basis. A conversion of Class A Preference Shares, Series 9 into Class A Preference Shares, Series 8 must be initiated not less than 14 days and not more than 45 days prior to a conversion date. Under certain circumstances, the Class A Preference Shares, Series 9 automatically convert into Class A Preference Shares, Series 8, on a one-for-one basis.

Voting

At any time that eight quarterly dividends, whether or not consecutive, on the Class A Preference Shares, Series 9 are not paid and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 9 are paid, the holders of Class A Preference Shares, Series 9 shall be entitled to receive notice of and to attend each meeting of shareholders which takes place more than 60 days after the date of such failure first occurs and to one vote in respect of each Class A Preference Share, Series 9 held, voting, with respect to directors, with holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 may be entitled to elect). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 9 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement and Issue of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 9:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking junior to the Class A Preference Shares, Series 9) on shares of the Corporation ranking junior to the Class A Preference Shares, Series 9;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Class A Preference Shares, Series 9, redeem, purchase or otherwise retire or make any capital distribution on or in respect of shares of the Corporation ranking junior to the Class A Preference Shares, Series 9;

(c) purchase or otherwise retire less than all of the Class A Preference Shares, Series 9 then outstanding;

(d) except pursuant to any retraction privilege, mandatory redemption or purchase obligation attaching thereto, redeem, purchase or otherwise retire any shares of any class or series ranking on a parity with the Class A Preference Shares, Series 9; or

(e) issue any additional Class A Preference Shares or any shares ranking as to dividends or capital on a parity with the Class A Preference Shares, Series 9;

unless in each such case, all dividends on outstanding Class A Preference Shares, Series 9 accrued up to and including the dividend payable for the last completed period for which dividends were payable shall have been declared and paid.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 9 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends before any amount can be paid to the holders of shares ranking junior to the Class A Preference Shares, Series 9. Upon such payment, the holders of Class A Preference Shares, Series 9 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 10 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 10 are entitled to receive fixed cumulative preferential cash dividends, if, as and when declared by the board of directors of the Corporation, in an amount equal to C$1.4375 per share per annum, accruing daily from the date of issue, payable quarterly on the last day of March, June, September and December in each year.

Redemption

The Class A Preference Shares, Series 10 are not redeemable on or prior to September 30, 2008. On or after this date, but subject to applicable law and to the provisions described under “Certain Provisions of the Class A Preference Shares, Series 10 as a Series – Restrictions on Dividends and Retirement and Issue of Shares” the Corporation may, at its option, at any time redeem all, or from time to time any part, of the outstanding Class A Preference Shares, Series 10, by the payment of an amount in cash for each such share so redeemed of C$25.75 if redeemed before September 30, 2009, of C$25.50 if redeemed on or after September 30, 2009 but before September 30, 2010, of C$25.25 if redeemed on or after September 30, 2010 but before September 30, 2011, and of C$25.00 thereafter plus, in each case, all accrued and unpaid dividends up to but excluding the date fixed for redemption.

Conversion at the Option of the Corporation

The Class A Preference Shares, Series 10 are not convertible at the option of the Corporation prior to September 30, 2008. On or after this date, the Corporation may, subject to applicable law and, if required, to stock exchange approval, convert all, or from time to time any part, of the outstanding Class A Preference Shares, Series 10 into that number of Class A Limited Voting Shares determined (per Class A Preference Share, Series 10) by dividing the then applicable redemption price, together with all accrued and unpaid dividends up to but excluding the date fixed for conversion, by the greater of C$2.00 or 95% of the weighted average trading price of the Class A Limited Voting Shares on the Toronto Stock Exchange for the 20 consecutive trading days ending on: (i) the fourth day prior to the date specified for conversion, or (ii) if such fourth day is not a trading day, the immediately preceding trading day (the “Current Market Price”). Fractional Class A Limited Voting Shares will not be issued on any conversion of Class A Preference Shares, Series 10, but in lieu thereof the Corporation will make cash payments.

Conversion at the Option of the Holder

Subject to applicable law and the rights of the Corporation described below, on and after March 31, 2012, each Class A Preference Share, Series 10 is be convertible at the option of the holder on the last day of each of March, June, September and December in each year on at least 30 days notice (which notice shall be irrevocable) into that number of Class A Limited Voting Shares determined by dividing C$25.00, together with all accrued and unpaid dividends up to but excluding the date fixed for conversion, by the greater of C$2.00 or 95% of the Current Market Price. Fractional Class A Limited Voting Shares will not be issued on any conversion of Class A Preference Shares, Series 10, but in lieu thereof the Corporation will make cash payments.

The Corporation, subject to the provisions described under "Certain Provisions of the Class A Preference Shares, Series 10 as a Series – Restrictions on Dividends and Retirement and Issue of Shares", as applicable, may by notice given not later than 20 days before the date fixed for conversion to all holders who have given a conversion notice, either (i) redeem on the first business day after the date fixed for conversion all or any part of the Class A Preference Shares, Series 10 forming the subject matter of the applicable conversion notice, or (ii) cause the holder of such Class A Preference Shares, Series 10 to sell on the first business day after the date fixed for conversion all or any part of such Class A Preference Shares, Series 10 to another purchaser or purchasers in the event that a purchaser or purchasers willing to purchase all or any part of such Class A Preference Shares, Series 10 is or are found. Any such redemption or purchase shall be made by the payment of an amount in cash of C$25.00 per share, together with all accrued and unpaid dividends up to but excluding the date fixed for redemption or purchase. The Class A Preference Shares, Series 10 to be so redeemed or purchased shall not be converted on the date set forth in the conversion notice.

Purchase for Cancellation

Subject to applicable law and to the provisions described under "Certain Provisions of the Class A Preference Shares, Series 10 as a Series – Restrictions on Dividends and Retirement and Issue of Shares", the Corporation may at any time purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 10 at the lowest price or prices at which in the opinion of the board of directors of the Corporation such shares are obtainable.

Voting

The holders of the Class A Preference Shares, Series 10 are not (except as otherwise provided by law and except for meetings of the holders of Class A Preference Shares as a class and meetings of the holders of Class A Preference Shares, Series 10 as a series) entitled to receive notice of, attend, or vote at, any meeting of shareholders of the Corporation unless and until the Corporation shall have failed to pay eight quarterly dividends on the Class A Preference Shares, Series 10, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Corporation properly applicable to the payment of dividends. In that event, and for only so long as any such dividends remain in arrears, the holders of the Class A Preference Shares, Series 10 are entitled to receive notice of and to attend each meeting of the Corporation's shareholders other than any meetings at which only holders of another specified class or series are entitled to vote, and to one vote for each Class A Preference Share, Series 10 held, provided that in respect of the election of directors, the holders of Class A Preference Shares, Series 10 will vote with holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 may be entitled to elect).

Restrictions on Dividends and Retirement and Issue of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 10:

(a) declare, pay or set apart for payment any dividends (other than stock dividends payable in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 10) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 10;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to return of capital and dividends junior to the Class A Preference Shares, Series 10, redeem or call for redemption, purchase or otherwise pay off or retire any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 10;

(c) redeem or call for redemption, purchase or otherwise retire for value less than all of the Class A Preference Shares, Series 10 then outstanding;

(d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off or retire any Class A Preference Shares, ranking as to the payment of dividends or return of capital on a parity with the Class A Preference Shares, Series 10; or

(e) issue any additional Class A Preference Shares, Series 10 or any shares ranking as to dividends or return of capital prior to or on a parity with the Class A Preference Shares, Series 10;

unless, in each such case, all accrued and unpaid dividends up to and including the dividend payable for the last completed period for which dividends were payable on the Class A Preference Shares, Series 10 and on all other shares of the Corporation ranking prior to or on a parity with the Class A Preference Shares, Series 10 with respect to the payment of dividends have been declared paid or set apart for payment.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 10 will be entitled to receive C$25.00 per share, together with all accrued and unpaid dividends up to but excluding the date fixed for payment, before any amount is paid or any assets of the Corporation are distributed to the holders of any shares ranking junior as to capital to the Class A Preference Shares, Series 10. The holders of the Class A Preference Shares, Series 10 will not be entitled to share in any further distribution of the assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 11 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 11 are entitled to receive fixed non-cumulative preferential cash dividends, if, as and when declared by the board of directors of the Corporation, in an amount per share per annum equal to C$1.375, accruing daily from the date of issue payable quarterly on the last day of March, June, September and December in each year.

Redemption

The Class A Preference Shares, Series 11 are not redeemable before June 30, 2009. On or after this date, but subject to applicable law and to the provisions described under “Certain Provisions of the Class A Preference Shares, Series 11 as a Series – Restrictions on Dividends and Retirement and Issue of Shares”, the Corporation may, at its option, at any time redeem all, or from time to time any part, of the then outstanding Class A Preference Shares, Series 11, by the payment of an amount in cash for each such share so redeemed of C$25.75 if redeemed before June 30, 2010, of C$25.50 if redeemed on or after June 30, 2010 but before June 30, 2011, of C$25.25 if redeemed on or after June 30, 2011, but before June 30, 2012, and of C$25.00 thereafter, in each case together with, all declared and unpaid dividends up to but excluding the date fixed for redemption (less any tax required to be deducted and withheld by the Corporation).

Conversion at the Option of the Corporation

The Class A Preference Shares, Series 11 are not convertible at the option of the Corporation prior to June 30, 2009. On or after this date, the Corporation may, subject to applicable law and any requirement to obtain regulatory relief, and upon notice, convert all, or from time to time any part, of the then outstanding Class A Preference Shares, Series 11 into that number of Class A Limited Voting Shares determined (per Class A Preference Share, Series 11) by dividing the then applicable redemption price, together with all declared and unpaid dividends up to but excluding the date fixed for conversion, by the greater of C$2.00 or 95% of the then Current Market Price. Fractional Class A Limited Voting Shares will not be issued on any conversion of Class A Preference Shares, Series 11, but in lieu thereof the Corporation will make cash payments.

Conversion at the Option of the Holder

Subject to applicable law and to the rights of the Corporation described below, on or after December 31, 2013, each Class A Preference Share, Series 11 is convertible at the option of the holder on the last day of each of March, June, September and December in each year on at least 30 days notice (which notice shall be irrevocable) into that number of Class A Limited Voting Shares determined (per Class A Preference Share, Series 11) by dividing C$25.00, together with all declared and unpaid dividends up to but excluding the date fixed for conversion, by the greater of C$2.00 or 95% of the then Current Market Price. Fractional Class A Limited Voting Shares will not be issued on any conversion of Class A Preference Shares, Series 11, but in lieu thereof the Corporation will make cash payments.

The Corporation, subject to the provisions described under “Certain Provisions of the Class A Preference Shares, Series 11 as a Series – Restrictions on Dividends and Retirement and Issue of Shares”, as applicable, may by notice given not later than 20 days before the date fixed for conversion to all holders who have given a conversion notice, either (i) redeem on the first business day after the date fixed for conversion all or any part of the Class A Preference Shares, Series 11 forming the subject matter of the applicable conversion notice, or (ii) cause the holder of such Class A Preference Shares, Series 11 to sell on the first business day after the date fixed for conversion all or any part of such Class A Preference Shares, Series 11 to another purchaser or purchasers

in the event that a purchaser or purchasers willing to purchase all or any part of such Class A Preference Shares, Series 11 is or are found. Any such redemption or purchase shall be made by the payment of an amount in cash of C$25.00 per share, together with all declared and unpaid dividends up to but excluding the date fixed for redemption or purchase (less any tax required to be deducted and withheld by the Corporation). The Class A Preference Shares, Series 11 to be so redeemed or purchased shall not be converted on the date set forth in the conversion notice.

Purchase for Cancellation

Subject to applicable law and to the provisions described under "Certain Provisions of the Class A Preference Shares, Series 11 as a Series – Restrictions on Dividends and Retirement and Issue of Shares" below, the Corporation may at any time purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 11 at the lowest price or prices at which in the opinion of the board of directors of the Corporation such shares are obtainable.

Voting

The holders of the Class A Preference Shares, Series 11 are not (except as otherwise provided by law and except for meetings of the holders of Class A Preference Shares as a class and meetings of all holders of Class A Preference Shares, Series 11 as a series) entitled to receive notice of, attend, or vote at, any meeting of shareholders of the Corporation unless and until the Corporation shall have failed to pay eight quarterly dividends on the Class A Preference Shares, Series 11, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Corporation properly applicable to the payment of dividends. In the event of such non-payment, until such time as the Corporation pays the whole amount of a quarterly dividend, the holders of the Class A Preference Shares, Series 11 will be entitled to receive notice of and to attend each meeting of the Corporation's shareholders (other than any meetings at which only holders of another specified class or series are entitled to vote), and to one vote for each Class A Preference Share, Series 11 held, provided that in respect of the election of directors, the holders of Class A Preference Shares, Series 11 will vote with holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 may be entitled to elect). The voting rights of the holders of the Class A Preference Shares, Series 11 shall forthwith cease upon payment by the Corporation of the whole amount of a quarterly dividend on the Class A Preference Shares, Series 11 subsequent to the time such voting rights first arose.

Restrictions on Dividends and Retirement and Issue of Shares

So long as any of the Class A Preference Shares, Series 11 are outstanding, the Corporation will not, without the approval of the holders of the Class A Preference Shares, Series 11:

(a) declare, pay or set apart for payment any dividends (other than stock dividends payable in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 11) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 11;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares of the Corporation ranking as to return of capital and dividends junior to the Class A Preference Shares, Series 11, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 11;

(c) redeem or call for redemption, purchase or otherwise retire for value or make any return of capital in respect of less than all of the Class A Preference Shares, Series 11 then outstanding;

(d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any Class A Preference Shares, ranking as to the payment of dividends or return of capital on a parity with the Class A Preference Shares, Series 11; or

(e) issue any additional Class A Preference Shares, Series 11 or any shares ranking as to the payment of dividends or the return of capital prior to or on a parity with the Class A Preference Shares, Series 11;

unless, in each such case, all declared and unpaid dividends up to and including the dividend payable for the last completed period for which dividends were payable on the Class A Preference Shares, Series 11 and on all other shares of the Corporation ranking prior to or on a parity with the Class A Preference Shares, Series 11 with respect to the payment of dividends have been declared paid or set apart for payment.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 11 will be entitled to receive C$25.00 per share, together with all declared and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld by the Corporation), before any amount is paid or any assets of the Corporation are distributed to the holders of any shares ranking junior as to capital to the Class A Preference Shares, Series 11. Upon payment of such amounts, the holders of the Class A Preference Shares, Series 11 will not be entitled to share in any further distribution of the assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 12 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 12 are entitled to receive fixed cumulative preferential cash dividends, if, as and when declared by the board of directors of the Corporation, in an amount per share per annum equal to C$1.35, accruing daily from the date of issue payable quarterly on the last day of March, June, September and December in each year.

Redemption

The Class A Preference Shares, Series 12 are not redeemable before March 31, 2014. On or after this date, but subject to applicable law and to the provisions described under “Certain Provisions of the Class A Preference Shares, Series 12 as a Series – Restrictions on Dividends and Retirement and Issue of Shares”, the Corporation may, at its option, at any time redeem all, or from time to time any part, of the then outstanding Class A Preference Shares, Series 12, by the payment of an amount in cash for each such share so redeemed of C$26.00 if redeemed before March 31, 2015 of C$25.75 if redeemed on or after March 31, 2015 but before March 31, 2016, of C$25.50 if redeemed on or after March 31, 2016 but before March 31, 2017, of C$25.25 if redeemed on or after March 31, 2017, but before March 31, 2018, and of C$25.00 thereafter, in each case together with, all declared and unpaid dividends up to but excluding the date fixed for redemption (less any tax required to be deducted and withheld by the Corporation).

Conversion at the Option of the Corporation

The Class A Preference Shares, Series 12 are not convertible at the option of the Corporation prior to March 31, 2014. On or after this date, the Corporation may, subject to applicable law and any requirement to obtain regulatory relief, and upon notice, convert all, or from time to time any part, of the then outstanding Class A Preference Shares, Series 12 into that number of Class A Limited Voting Shares determined (per Class A Preference Share, Series 12) by dividing the then applicable redemption price, together with all declared and unpaid dividends up to but excluding the date fixed for conversion, by the greater of C$2.00 or 95% of the then Current Market Price. Fractional Class A Limited Voting Shares will not be issued on any conversion of Class A Preference Shares, Series 12, but in lieu thereof the Corporation will make cash payments.

Conversion at the Option of the Holder

Subject to applicable law and to the rights of the Corporation described below, on or after March 31, 2018, each Class A Preference Share, Series 12 is convertible at the option of the holder on the last day of each of March, June, September and December in each year on at least 30 days notice (which notice shall be irrevocable) into that number of Class A Limited Voting Shares determined (per Class A Preference Share, Series 12) by dividing C$25.00, together with all declared and unpaid dividends up to but excluding the date fixed for conversion, by the greater of C$2.00 or 95% of the then Current Market Price. Fractional Class A Limited Voting Shares will not be issued on any conversion of Class A Preference Shares, Series 12, but in lieu thereof the Corporation will make cash payments.

The Corporation, subject to the provisions described under “Certain Provisions of the Class A Preference Shares, Series 12 as a Series – Restrictions on Dividends and Retirement and Issue of Shares”, as applicable, may by notice given not later than 20 days before the date fixed for conversion to all holders who have given a conversion notice, either (i) redeem on the first business day after the date fixed for conversion all or any part of the Class A Preference Shares, Series 12 forming the subject matter of the applicable conversion notice, or (ii) cause the holder of such Class A Preference Shares, Series 12 to sell on the first business day after the date fixed for conversion all or any part of such Class A Preference Shares, Series 12 to another purchaser or purchasers in the event that a purchaser or purchasers willing to purchase all or any part of such Class A Preference Shares, Series 12 is or are found. Any such redemption or purchase shall be made by the payment of an amount in cash of C$25.00 per share, together with all declared and unpaid dividends up to but excluding the date fixed for redemption or purchase (less any tax required to be deducted and withheld by the Corporation). The Class A Preference Shares, Series 12 to be so redeemed or purchased shall not be converted on the date set forth in the conversion notice.

Purchase for Cancellation

Subject to applicable law and to the provisions described under "Certain Provisions of the Class A Preference Shares, Series 12 as a Series – Restrictions on Dividends and Retirement and Issue of Shares" below, the Corporation may at any time purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 12 at the lowest price or prices at which in the opinion of the board of directors of the Corporation such shares are obtainable.

Voting

The holders of the Class A Preference Shares, Series 12 will not (except as otherwise provided by law and except for meetings of the holders of Class A Preference Shares as a class and meetings of all holders of Class A Preference Shares, Series 12 as a series) be entitled to receive notice of, attend, or vote at, any meeting of shareholders of the Corporation unless and until the Corporation shall have failed to pay eight quarterly dividends on the Class A Preference Shares, Series 12, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Corporation properly applicable to the payment of dividends. In the event of such non-payment, until such time as the Corporation pays the whole amount of a quarterly dividend, the holders of the Class A Preference Shares, Series 12 will be entitled to receive notice of and to attend each meeting of the Corporation's shareholders (other than any meetings at which only holders of another specified class or series are entitled to vote), and to one vote for each Class A Preference Share, Series 12 held, provided that in respect of the election of directors, the holders of Class A Preference Shares, Series 12 will vote with holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 may be entitled to elect). Upon payment of the entire amount of all Class A Preference Shares, Series 12 dividends in arrears, the voting rights of the holders of the Class A Preference Shares, Series 12 shall forthwith cease.

Restrictions on Dividends and Retirement and Issue of Shares

So long as any of the Class A Preference Shares, Series 12 are outstanding, the Corporation will not, without the approval of the holders of the Class A Preference Shares, Series 12:

(a) declare, pay or set apart for payment any dividends (other than stock dividends payable in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 12) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 12;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares of the Corporation ranking as to return of capital and dividends junior to the Class A Preference Shares, Series 12, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 12;

(c) redeem or call for redemption, purchase or otherwise retire for value or make any return of capital in respect of less than all of the Class A Preference Shares, Series 12 then outstanding;

(d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any Class A Preference Shares, ranking as to the payment of dividends or return of capital on a parity with the Class A Preference Shares, Series 12; or

(e) issue any additional Class A Preference Shares, Series 12 or any shares ranking as to the payment of dividends or the return of capital prior to or on a parity with the Class A Preference Shares, Series 12;

unless, in each such case, all declared and unpaid dividends up to and including the dividend payable for the last completed period for which dividends were payable on the Class A Preference Shares, Series 12 and on all other shares of the Corporation ranking prior to or on a parity with the Class A Preference Shares, Series 12 with respect to the payment of dividends have been declared paid or set apart for payment.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 12 will be entitled to receive C$25.00 per share, together with all declared and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld by the Corporation), before any amount is paid or any assets of the Corporation are distributed to the holders of any shares ranking junior as to capital to the Class A Preference Shares, Series 12. Upon payment of such amounts, the holders of the Class A Preference Shares, Series 12 will not be entitled to share in any further distribution of the assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 13 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 13 are entitled to receive cumulative preferential cash dividends, accruing daily, as and when declared by the board of directors of the Corporation, payable quarterly on the last day of March, June, September and December in each year in an amount per share equal to C$25.00 multiplied by one quarter of 70% of the "Average Prime Rate" (as defined in the share conditions).

Redemption

Each of the Class A Preference Shares, Series 13 is redeemable at any time in whole or in part from time to time at the option of the Corporation at a redemption price of C$25.00 per share together with all accrued and unpaid dividends thereon up to but excluding the date fixed for redemption. Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 13 in the open market or by invitation for tenders at a price not exceeding C$25.00 per share plus accrued and unpaid dividends and reasonable costs of purchase.

Voting

At any time the Corporation fails to pay in the aggregate eight quarterly dividends on the Class A Preference Shares, Series 13 and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 13 are paid, the holders of the Corporation Class A Preference Shares, Series 13 shall be entitled to receive notice of and to attend all meetings of shareholders of the Corporation other than any meeting of the holders of any other class or series of shares of the Corporation held separately as a class or series, but shall not be entitled to vote thereat, except in the election of directors in which case the holders of the Class A Preference Shares, Series 13 shall be entitled to one vote per share (provided that holders of the Series 13 Preference Shares shall vote together with holders of Class A Limited Voting Shares in the election of one-half of the board of directors). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 13 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

At a class meeting of holders of Class A Preference Shares, or at a joint meeting of the holders of two or more series of Class A Preference Shares, each Class A Preference Share, Series 13 will have one vote.

Restrictions on Dividends and Retirement and Issue of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 13:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 13) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 13; pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 13) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 13;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the Class A Preference Shares, Series 13, redeem or call for redemption, purchase or otherwise pay off or retire for value any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 13;

(c) redeem or call for redemption, purchase or otherwise pay off or retire for value less than all of the Class A Preference Shares, Series 13;

(d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off or retire for value any shares of the Corporation ranking as to capital on a parity with the Class A Preference Shares, Series 13; or

(e) issue any additional Class A Preference Shares, Series 13 or any shares ranking as to dividends or capital on a parity with the Class A Preference Shares, Series 13;

unless, in each such case, all dividends then payable on the Class A Preferences Shares, Series 13 then outstanding and on all other shares of the Corporation ranking as to dividends on a parity with the Class A Preference Shares, Series 13 accrued up to and including the dividends payable on the immediately preceding respective date or dates for the payment of dividends thereon, shall have been declared and paid or set apart for payment.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 13 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends before any amount can be paid to the holders of shares ranking junior as to capital to the Class A Preference Shares, Series 13. Upon such payment, the holders of Class A Preference Shares, Series 13 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 14 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 14 are entitled to receive cumulative preferential cash dividends, accruing daily, as and when declared by the board of directors of the Corporation, payable monthly in respect of each calendar month in an amount per share equal to C$100.00 multiplied by one twelfth of 63% of the "Average Prime Rate" (as defined in the share conditions).

Redemption

Each of the Class A Preference Shares, Series 14 is redeemable on any March 1, June 1, September 1 and December 1 in whole or in part from time to time at the option of the Corporation at a redemption price of C$100.00 per share together with all accrued and unpaid dividends thereon up to but excluding the date fixed for redemption. Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Retraction

Subject to the restrictions imposed by applicable law, each of the Class A, Preference Shares, Series 14 is retractable by the holder on any March 1, June 1, September 1 and December 1 at a price of C$100.00 per share together with all accrued and unpaid dividends to the applicable retraction date. Notice of retraction must be given by the holder to the transfer agent at least 15 days prior to the date fixed fro retraction.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 14 in the open market or by invitation for tenders at a price not exceeding C$100.00 per share plus accrued and unpaid dividends thereon.

Voting

At any time the Corporation fails to pay in the aggregate 24 monthly dividends on the Class A Preference Shares, Series 14 and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 14 are paid, the holders of Class A Preference Shares, Series 14 shall be entitled to receive notice of and to attend all meetings of shareholders of the Corporation other than any meetings of the holders of any other class or series of shares of the Corporation held separately as a class or series, but shall not be entitled to vote thereat except in the election of directors in which case the holders of the Class A Preference Shares, Series 14 shall be entitled to four votes in respect of each C$100.00 of the issue price of the Class A Preference Shares, Series 14 held. Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 14 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting (provided that holders of the Series 14 Preference Shares shall vote together with holders of Class A Limited Voting Shares in the election of one-half of the board of directors).

At a class meeting of holders of Class A Preference Shares, or at a joint meeting of the holders of two or more series of Class A Preference Shares, each Class A Preference Share, Series 14 will have four votes.

Restrictions on Dividends and Retirement and Issue of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 14:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 14) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 14;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the Class A Preference Shares, Series 14, redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 14;

(c) except pursuant to the retraction privilege attaching thereto, redeem or call for redemption or purchase or otherwise reduce or make any return of capital in respect of less than all the Class A Preference Shares, Series 14;

(d) pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of any shares of the Corporation ranking as to capital on a parity with the Class A Preference Shares, Series 14; or

(e) issue any additional Class A Preference Shares, Series 14 or any shares ranking as to dividends or capital on a parity with the Class A Preference Shares, Series 14;

unless, in each such case, all dividends then payable on the Class A Preferences Shares, Series 14 then outstanding and on all other shares of the Corporation ranking as to dividends on a parity with the Class A Preference Shares, Series 14 accrued up to and including the dividends payable on the immediately preceding respective date or dates for the payment of dividends thereon, shall have been declared and paid or set apart for payment.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 14 will be entitled to payment of an amount equal to C$100.00 per share plus accrued and unpaid dividends before any amount can be paid to the holders of shares ranking junior as to capital to the Class A Preference Shares, Series 14. Upon such payment, the holders of Class A Preference Shares, Series 14 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 15 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 15 are entitled to receive cumulative preferential cash dividends, accruing daily, as and when declared by the board of directors of the Corporation, payable quarterly on the last day of March, June, September and December in each year in an amount per share equal to C$25.00 multiplied by the rate determined by negotiation, bid or auction. If the amount is not determinable by negotiation, bid or auction, it shall be the Bankers' Acceptable Rate (defined in the share conditions) plus 0.40%.

Redemption

Each of the Class A Preference Shares, Series 15 is redeemable at any time in whole or in part from time to time at the option of the Corporation at a redemption price of C$25.00 per share together with all accrued and unpaid dividends thereon up to but excluding the date fixed for redemption. Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 15 in the open market or by invitation for tenders at a price not exceeding C$25.00 per share plus accrued and unpaid dividends and reasonable costs of purchase.

Voting

At any time the Corporation fails to pay in the aggregate dividends for 24 months on the Class A Preference Shares, Series 15 and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 15 are paid, the holders of Class A Preference Shares, Series 15 shall be entitled to receive notice of and to attend all meetings of shareholders of the Corporation other than any meetings of the holders of any other class or series of shares of the Corporation held separately as a class or series, but shall not be entitled to vote thereat except in the election of directors in which case the holders of the Class A Preference Shares, Series 15 shall be entitled to one vote per share (provided that holders of the Series 15 Preference Shares shall vote together with holders of Class A Limited Voting Shares in the election of one-half of the board of directors). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 15 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

At a class meeting of holders of Class A Preference Shares, or at a joint meeting of the holders of two or more series of Class A Preference Shares, each Class A Preference Share, Series 15 will have one vote.

Restrictions on Dividends and Retirement and Issue of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 15:

(a) pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 15) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 15;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the Class A Preference Shares, Series 15, redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 15;

(c) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of any shares of the Corporation ranking as to capital on a parity with the Class A Preference Shares, Series 15;

(d) redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of less than all of the Class A Preference Shares, Series 15; or

(e) issue any additional Class A Preference Shares, Series 15 or any shares ranking as dividends or capital on a parity with the Class A Preference Shares, Series 15;

unless, in each such case, all dividends then payable on the Class A Preferences Shares, Series 15 then outstanding and on all other shares of the Corporation ranking as to dividends on a parity with the Class A Preference Shares, Series 15 accrued up to and including the dividends payable on the immediately preceding respective date or dates for the payment of dividends thereon, shall have been declared and paid or set apart for payment.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 15 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends before any amount can be paid to the holders of shares ranking junior as to capital to the Class A Preference Shares, Series 15. Upon such payment, the holders of Class A Preference Shares, Series 15 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 16 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 16 are entitled to receive annual floating rate cumulative preferential cash dividends, accruing daily, as and when declared by the board of directors of the Corporation, payable monthly in respect of each calendar month, equal to 75% of the "Prime Rate" (as defined in the share conditions). The dividend rate will be adjusted upwards or downwards on a monthly basis whenever the inferred trading price of the Class A Preference Shares, Series 16 (as determined by the Corporation's management based on the trading price of the Class A Preference Shares, Series 8) is C$24.875 or less, or C$25.125 or more, respectively. The maximum monthly adjustment for changes will be 4% of the Prime Rate, subject to a floor of 50% of the Prime Rate and a ceiling of 150% of the Prime Rate.

Redemption

Each of the Class A Preference Shares, Series 16 is redeemable at any time in whole from time to time at the option of the Corporation at a redemption price of C$25.00 per share together with all accrued and unpaid dividends up to but excluding the date of redemption. Notice of any redemption must be given by the Corporation at least 45 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 16 in the open market or by private agreement or otherwise, at the lowest price obtainable, in the opinion of the board of directors of the Corporation plus accrued and unpaid dividends and reasonable costs of purchase.

Voting

At any time that the Corporation fails to pay in the aggregate dividends for 24 months on the Class A Preference Shares, Series 16 and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 16 are paid, the holders of Class

A Preference Shares, Series 16 shall be entitled to receive notice of and to attend all meetings of shareholders of the Corporation which takes place more than 60 days after the date such failure first occurs and to one vote for each Class A Preference Share, Series 16 held (provided that holders of the Series 16 Preference Shares shall vote together with holders of Class A Limited Voting Shares in the election of 1/2 of the board of directors). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 16 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

At a class meeting of holders of Class A Preference Shares, or at a joint meeting of the holders of two or more series of Class A Preference Shares, each Class A Preference Share, Series 16 will have one vote.

Restrictions on Dividends and Retirement and Issue of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 16:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 16) on shares of the Corporation ranking junior as to dividends to the Class A Preference Shares, Series 16;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the Class A Preference Shares, Series 16, redeem or call for redemption, purchase or otherwise retire or make any capital distribution on or in respect of any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 16;

(c) except pursuant to any purchase obligation, retraction privilege or mandatory redemption provisions attaching thereto, redeem, purchase or otherwise retire any shares of the Corporation ranking as to capital on a parity with the Class A Preference Shares, Series 16;

(d) purchase or otherwise retire less than all of the Class A Preference Shares, Series 16 then outstanding; or

(e) issue any additional Class A Preference Shares or any shares ranking as to dividends or capital on a parity with the Class A Preference Shares, Series 16;

unless, in each such case, all dividends then payable on the Class A Preference Shares, Series 16 then outstanding accrued up to and including the dividends payable on the immediately preceding respective date or dates for the payment of dividends thereon, shall have been declared and paid.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class Preference Shares, Series 16 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends before any amount can be paid to the holders of shares ranking junior as to capital to the Class A Preference Shares, Series 16. Upon such payment, the holders of Class A Preference Shares, Series 16 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 17 AS A SERIES

Dividends

The holders of Class A Preference Shares, Series 17 are entitled to receive fixed cumulative preferential cash dividends, if, as and when declared by the board of directors of the Corporation, at a rate of C$0.296875 per share per quarter, to accrue from the date of original issue, payable quarterly on the last day of December, March, June and September of each year.

Redemption

The Class A Preference Shares, Series 17 may not be redeemed by the Corporation prior to December 31, 2011. On and after December 31, 2011, the Corporation may, at its option upon not less than 30 days and not more than 60 days prior notice, redeem for cash the Class A Preference Shares, Series 17, in whole at any time or in part from time to time, at C$26.00 per share if redeemed before December 31, 2012, C$25.75 per share if redeemed on or after December 31, 2012 but before December 31, 2013, at C$25.50 per share if redeemed on or after December 31, 2013, but before December 31, 2014, at C$25.25 per share if redeemed on or after December 31, 2014, but before December 31, 2015 and at C$25.00 per share if redeemed on or after December 31, 2015, in each case, together with all accrued and unpaid dividends up to but excluding the date fixed for redemption (less any tax required to be deducted and withheld by the Corporation).

If less than all of the outstanding Class A Preference Shares, Series 17 are at any time to be redeemed, the shares will be redeemed on a pro rata basis.

Conversion

The Corporation may at any time give the holders of Class A Preference Shares, Series 17 the right, at their option, to convert such shares into a further series of preference shares designated by the Corporation.

The Class A Preference Shares, Series 17 are not convertible by the Corporation prior to December 31, 2011. On and after December 31, 2011 and subject to approval of the TSX, the Corporation may, at its option, upon not less than 30 days and not more than 60 days prior notice, convert, in whole at any time or in part from time to time, the outstanding Class A Preference Shares, Series 17 into Class A Limited Voting Shares of the Corporation. The number of Class A Limited Voting Shares into which each Class A Preference Share, Series 17 may be so converted will be determined by dividing the then applicable redemption price together with all accrued and unpaid dividends up to but excluding the date of conversion, by the greater of C$2.00 and 95% of the Current Market Price. Fractional Class A Limited Voting Shares will not be issued on any conversion of Class A Preference Shares, Series 17 but in lieu thereof the Corporation will make cash payments.

Purchase for Cancellation

Subject to applicable law and to the provisions described under "– Restrictions on Dividends and Retirement and Issue of Shares'' below, the Corporation may at any time purchase for cancellation the whole or any part of the Class A Preference Shares, Series 17 at the lowest price or prices at which in the opinion of the board of directors of the Corporation such shares are obtainable.

Rights on Liquidation

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 17 will be entitled to receive C$25.00 per share, together with all accrued and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld by the Corporation), before any amount is paid or any assets of the Corporation are distributed to the holders of any shares ranking junior as to capital to the Class A Preference Shares, Series 17. Upon payment of such amounts, the holders of the Class A Preference Shares, Series 17 will not be entitled to share in any further distribution of the assets of the Corporation.

Restrictions on Dividends and Retirement and Issue of Shares

So long as any of the Class A Preference Shares, Series 17 are outstanding, the Corporation will not, without the approval of the holders of the Class A Preference Shares, Series 17:

(a) declare, pay or set apart for payment any dividends (other than stock dividends payable in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 17) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 17;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares of the Corporation ranking as to return of capital and dividends junior to the Class A Preference Shares, Series 17, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 17;

(c) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any Class A Preference Shares, ranking as to the payment of dividends or return of capital on a parity with the Class A Preference Shares, Series 17; or

(d) issue any additional Class A Preference Shares, Series 17 or any shares ranking as to the payment of dividends or the return of capital prior to or on a parity with the Class A Preference Shares, Series 17;

unless, in each such case, all accrued and unpaid dividends up to and including the dividend payable for the last completed period for which dividends were payable on the Class A Preference Shares, Series 17 and on all other shares of the Corporation ranking prior to or on a parity with the Class A Preference Shares, Series 17 with respect to the payment of dividends have been declared and paid or set apart for payment.

Shareholder Approvals

In addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Class A Preference Shares, Series 17 as a series and any other approval to be given by the holders of the Class A Preference Shares, Series 17 may be given by a resolution carried by an affirmative vote of at least 66 2/3% of the

votes cast at a meeting at which the holders of a majority of the outstanding Class A Preference Shares, Series 17 are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Class A Preference Shares, Series 17 then present would form the necessary quorum. At any meeting of holders of Class A Preference Shares, Series 17 as a series, each such holder shall be entitled to one vote in respect of each Class A Preference Share, Series 17 held.

Voting Rights

The holders of the Class A Preference Shares, Series 17 will not (except as otherwise provided by law and except for meetings of the holders of Class A Preference Shares as a class and meetings of all holders of Class A Preference Shares, Series 17 as a series) be entitled to receive notice of, attend, or vote at, any meeting of shareholders of the Corporation unless and until the Corporation shall have failed to pay eight quarterly dividends on the Class A Preference Shares, Series 17, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Corporation properly applicable to the payment of dividends. In the event of such non-payment, and for only so long as any such dividends remain in arrears, the holders of the Class A Preference Shares, Series 17 will be entitled to receive notice of and to attend each meeting of the Corporation's shareholders (other than any meetings at which only holders of another specified class or series are entitled to vote), and to one vote for each Class A Preference Share, Series 17 held, provided that in respect of the election of directors, the holders of Class A Preference Shares, Series 17 will vote with holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 2 may be entitled to elect if dividends on such shares are in arrears). Upon payment of the entire amount of all Class A Preference Share, Series 17 dividends in arrears, the voting rights of the holders of the Class A Preference Shares, Series 17 shall forthwith cease.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 18 AS A SERIES

Dividends

The holders of Class A Preference Shares, Series 18 are entitled to receive fixed cumulative preferential cash dividends, if, as and when declared by the board of directors of the Corporation, at a rate of C$0.296875 per share per quarter, to accrue from the date of original issue, payable quarterly on the last day of March, June, September and December of each year.

Redemption

The Class A Preference Shares, Series 18 may not be redeemed by the Corporation prior to June 30, 2012. On and after June 30, 2012, the Corporation may, at its option upon not less than 30 days and not more than 60 days prior notice, redeem for cash the Class A Preference Shares, Series 18, in whole at any time or in part from time to time, at C$26.00 per share if redeemed before June 30, 2013, at C$25.75 per share if redeemed on or after June 30, 2013 but before June 30, 2014, at C$25.50 per share if redeemed on or after June 30, 2014 but before June 30, 2015, at C$25.25 per share if redeemed on or after June 30, 2015 but before June 30, 2016 and at C$25.00 per share if redeemed on or after June 30, 2016, in each case, together with all accrued and unpaid dividends up to but excluding the date fixed for redemption (less any tax required to be deducted and withheld by the Corporation).

If less than all of the outstanding Class A Preference Shares, Series 18 are at any time to be redeemed, the shares will be redeemed on a pro rata basis.

Conversion

The Corporation may at any time give the holders of Class A Preference Shares, Series 18 the right, at their option, to convert such shares into a further series of preference shares designated by the Corporation.

The Class A Preference Shares, Series 18 will not be convertible by the Corporation prior to June 30, 2012. On and after June 30, 2012 and subject to approval of the TSX, the Corporation may, at its option, upon not less than 30 days and not more than 60 days prior notice, convert, in whole at any time or in part from time to time, the outstanding Class A Preference Shares, Series 18 into Class A Limited Voting Shares. The number of Class A Limited Voting Shares into which each Class A Preference Share, Series 18 may be so converted will be determined by dividing the then applicable redemption price together with all accrued and unpaid dividends up to but excluding the date of conversion, by the greater of C$2.00 and 95% of the Current Market Price. Fractional Class A Limited Voting Shares will not be issued on any conversion of Class A Preference Shares, Series 18 but in lieu thereof the Corporation will make cash payments.

Purchase for Cancellation

Subject to applicable law and to the provisions described under "— Restrictions on Dividends and Retirement and Issue of Shares" below, the Corporation may at any time purchase for cancellation the whole or any part of the Class A Preference Shares, Series 18 at the lowest price or prices at which in the opinion of the board of directors of the Corporation such shares are obtainable.

Rights on Liquidation

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 18 will be entitled to receive C$25.00 per share, together with all accrued and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld by the Corporation), before any amount is paid or any assets of the Corporation are distributed to the holders of any shares ranking junior as to capital to the Class A Preference Shares, Series 18. Upon payment of such amounts, the holders of the Class A Preference Shares, Series 18 will not be entitled to share in any further distribution of the assets of the Corporation.

Restrictions on Dividends and Retirement and Issue of Shares

So long as any of the Class A Preference Shares, Series 18 are outstanding, the Corporation will not, without the approval of the holders of the Class A Preference Shares, Series 18:

(a) declare, pay or set apart for payment any dividends (other than stock dividends payable in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 18) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 18;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares of the Corporation ranking as to return of capital and dividends junior to the Class A Preference Shares, Series 18, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 18;

(c) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any Class A Preference Shares, ranking as to the payment of dividends or return of capital on a parity with the Class A Preference Shares, Series 18; or

(d) issue any additional Class A Preference Shares, Series 18 or any shares ranking as to the payment of dividends or the return of capital prior to or on a parity with the Class A Preference Shares, Series 18;

unless, in each such case, all accrued and unpaid dividends up to and including the dividend payable for the last completed period for which dividends were payable on the Class A Preference Shares, Series 18 and on all other shares of the Corporation ranking prior to or on a parity with the Class A Preference Shares, Series 18 with respect to the payment of dividends have been declared and paid or set apart for payment.

Shareholder Approvals

In addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Class A Preference Shares, Series 18 as a series and any other approval to be given by the holders of the Class A Preference Shares, Series 18 may be given by a resolution carried by an affirmative vote of at least 66 2/3% of the votes cast at a meeting at which the holders of a majority of the outstanding Class A Preference Shares, Series 18 are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Class A Preference Shares, Series 18 then present would form the necessary quorum. At any meeting of holders of Class A Preference Shares, Series 18 as a series, each such holder shall be entitled to one vote in respect of each Class A Preference Share, Series 18 held.

Voting Rights

The holders of the Class A Preference Shares, Series 18 will not (except as otherwise provided by law and except for meetings of the holders of Class A Preference Shares as a class and meetings of all holders of Class A Preference Shares, Series 18 as a series) be entitled to receive notice of, attend, or vote at, any meeting of shareholders of the Corporation unless and until the Corporation shall have failed to pay eight quarterly dividends on the Class A Preference Shares, Series 18, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Corporation properly applicable to the payment of dividends. In the event of such non-payment, and for only so long as any such dividends remain in arrears, the holders of the Class A Preference Shares, Series 18 will be entitled to receive notice of and to attend each meeting of the Corporation's shareholders (other than any meetings at which only holders of another

specified class or series are entitled to vote), and to one vote for each Class A Preference Share, Series 18 held, provided that in respect of the election of directors, the holders of Class A Preference Shares, Series 18 will vote with holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 2 may be entitled to elect if dividends on such shares are in arrears). Upon payment of the entire amount of all Class A Preference Share, Series 18 dividends in arrears, the voting rights of the holders of the Class A Preference Shares, Series 18 shall forthwith cease.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 19 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 19 are entitled to receive fixed cumulative preferential cash dividends, accruing daily, as and when declared by the board of directors, payable quarterly on the last day of March, June, September and December in each year in an amount per share equal to 9% per annum applied to the price of C$10.00 per share.

Redemption

Each of the Class A Preference Shares, Series 19 is redeemable at any time in whole or in part from time to time at the option of the Corporation at a redemption price of C$10.00 per share together with all unpaid dividends accrued thereon up to but excluding the date fixed for redemption. Notice of any redemption must be given by the Corporation at least 30 days prior to the date fixed for redemption.

Purchase for Cancellation

Subject to the *Business Corporation Act* (Ontario) and the articles of the Corporation, the Corporation may at any time purchase for cancellation all or any Class A Preference Shares, Series 19 by invitation for tenders or in any other manner at the lowest price or prices at which, in the opinion of the board of directors of the Corporation, such shares are obtainable, but not exceeding C$10.00 per share plus accrued and unpaid dividends up to but excluding the date fixed for purchase together with the costs of purchase. If, in response to an invitation for tenders, more Class A Preference Shares, Series 19 are tendered at a price or prices acceptable to the Corporation than the Corporation is prepared to purchase, then the Class A Preference Shares, Series 19 to be purchased by the Corporation shall be purchased as nearly as may be pro rata according to the number of Class A Preference Shares, Series 19 tendered by each holder who submits a tender to the Corporation, provided that when Class A Preference Shares, Series 19 are tendered at different prices, the pro rating shall be effected with reference to the Class A Preference Shares, Series 19 tendered at the price at which more Class A Preference Shares, Series 19 were tendered than the Corporation is prepared to purchase only after the Corporation has purchased all Class A Preference Shares, Series 19 which were tendered at lower prices.

Rights on Liquidation

In the event of a Distribution of Assets (as defined in the share conditions) of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 19 will be entitled to receive C$10.00 per share held by them, plus any accrued and unpaid dividends up to but excluding the date of payment or distribution, before any amount is paid or any assets of the Corporation are distributed to the holders of any shares ranking junior as to capital to the Class A Preference Shares, Series 19. Upon payment of such amounts, the holders of the Class A Preference Shares, Series 19 will not be entitled to share in any further distribution of the property or assets of the Corporation upon a Distribution of Assets.

Restrictions on Dividends and Retirement and Issue of Shares

The Corporation will not without the approval of the Class A Preference Shares, Series 19 redeem or call for redemption and/or purchase and/or make any capital distribution in respect of any shares ranking junior to the Class A Preference Shares, Series 19 in respect of a Distribution of Assets except entirely through the issuance of shares ranking junior to the Class A Preference Shares, Series 19 with respect to a Distribution of Assets or through the use of proceeds from the issuance of shares ranking junior to the Class A Preference Shares, Series 19 with respect to a Distribution of Assets.

Shareholder Approvals

In addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Class A Preference Shares, Series 19 as a series and any other approval to be given by the holders of the Class A Preference Shares, Series 19 may be given by resolution signed by all the holders of outstanding Class A Preference Shares, Series 19 or passed by the affirmative vote of at least 66 2/3% of the votes cast by the holders of Class A Preference Shares, Series 19 who voted in respect of that resolution at a meeting at which the holders of a majority of the outstanding Class A Preference Shares, Series 19 are represented or, if no quorum is present at such meeting, at any adjourned meeting at which the holders of Class A Preference Shares, Series 19 then represented would form the quorum. At any meeting of holders of Class A Preference Shares, Series 19, each holder of Class A Preference Shares, Series 19 is entitled to vote and will have one vote in respect of each Class A Preference Share, Series 19 held.

Voting Rights

Each holder of Class A Preference Shares, Series 19 is entitled to notice of, and to attend and vote at, all meetings of the Corporation's shareholders, other than meetings at which holders of only a specified class or series may vote, and shall be entitled to cast one vote per Class A Preference Share, Series 19 held.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 20 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 20 are entitled to receive fixed cumulative preferential cash dividends, accruing daily, as and when declared by the board of directors, payable quarterly on the last day of March, June, September and December in each year in an amount per share equal to 9% per annum applied to the price of C$10.00 per share.

Redemption

Each of the Class A Preference Shares, Series 20 is redeemable at any time in whole or in part from time to time at the option of the Corporation at a redemption price of C$10.00 per share together with all unpaid dividends accrued thereon up to but excluding the date fixed for redemption. Notice of any redemption must be given by the Corporation at least 30 days prior to the date fixed for redemption.

Purchase for Cancellation

Subject to the *Business Corporations Act* (Ontario) and the articles of the Corporation, the Corporation may at any time purchase for cancellation all or any Class A Preference Shares, Series 20 by invitation for tenders or in any other manner at the lowest price or prices at which, in the opinion of the board of directors of the Corporation, such shares are obtainable, but not exceeding C$10.00 per share plus accrued and unpaid dividends up to but excluding the date fixed for purchase together with the costs of purchase. If, in response to an invitation for tenders, more Class A Preference Shares, Series 20 are tendered at a price or prices acceptable to the Corporation than the Corporation is prepared to purchase, then the Class A Preference Shares, Series 20 to be purchased by the Corporation shall be purchased as nearly as may be pro rata according to the number of Class A Preference Shares, Series 20 tendered by each holder who submits a tender to the Corporation, provided that when Class A Preference Shares, Series 20 are tendered at different prices, the pro rating shall be effected with reference to the Class A Preference Shares, Series 20 tendered at the price at which more Class A Preference Shares, Series 20 were tendered than the Corporation is prepared to purchase only after the Corporation has purchased all Class A Preference Shares, Series 20 which were tendered at lower prices.

Rights on Liquidation

In the event of a Distribution of Assets (as defined in the share conditions) of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 20 will be entitled to receive C$10.00 per share held by them, plus any accrued and unpaid dividends up to but excluding the date of payment or distribution, before any amount is paid or any assets of the Corporation are distributed to the holders of any shares ranking junior as to capital to the Class A Preference Shares, Series 20. Upon payment of such amounts, the holders of the Class A Preference Shares, Series 20 will not be entitled to share in any further distribution of the property or assets of the Corporation upon a Distribution of Assets.

Restrictions on Dividends and Retirement and Issue of Shares

The Corporation will not without the approval of the Class A Preference Shares, Series 20 redeem or call for redemption and/or purchase and/or make any capital distribution in respect of any shares ranking junior to the Class A Preference Shares, Series 20 in respect of a Distribution of Assets except entirely through the issuance of shares ranking junior to the Class A Preference Shares, Series 20 with respect to a Distribution of Assets or through the use of proceeds from the issuance of shares ranking junior to the Class A Preference Shares, Series 20 with respect to a Distribution of Assets.

Shareholder Approvals

In addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Class A Preference Shares, Series 20 as a series and any other approval to be given by the holders of the Class A Preference Shares, Series 20 may be given by resolution signed by all the holders of outstanding Class A Preference Shares, Series 20 or passed by the affirmative vote of at least 66 2/3% of the votes cast by the holders of Class A Preference Shares, Series 20 who voted in respect of that resolution at a meeting at which the holders of a majority of the outstanding Class A Preference Shares, Series 20 are represented or, if no quorum is present at such meeting, at any adjourned meeting at which the holders of Class A Preference Shares, Series 20 then represented would form the quorum. At any meeting of holders of Class A Preference Shares, Series 20, each holder of Class A Preference Shares, Series 20 is entitled to vote and will have one vote in respect of each Class A Preference Share, Series 20 held.

Voting Rights

Except as required by law and except for meetings of the holders of Class A Preference Shares as a class and meetings of all holders of Class A Preference Shares, Series 20 as a series, the holders of Class A Preference Shares, Series 20 shall not be entitled of, to attend or to vote at any meeting of the shareholders of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 21 AS A SERIES

Dividends

The holders of Class A Preference Shares, Series 21 are entitled to receive fixed cumulative preferential cash dividends, if, as and when declared by the board of directors of the Corporation, at a rate of C$1.2500 per share per annum, to accrue from the date of original issue, payable quarterly on the last day of March, June, September and December of each year.

Redemption

The Class A Preference Shares, Series 21 may not be redeemed by the Corporation before June 30, 2013. On or after this date, but subject to applicable law and to the provisions described under "— Restrictions on Dividends and Retirement and Issue of Shares", the Corporation may, at its option, at any time redeem all, or from time to time any part, of the then outstanding Class A Preference Shares, Series 21, by the payment of an amount in cash for each such share so redeemed of C$25.00 per Class A Preference Share, Series 21 together with, all accrued and unpaid dividends up to but excluding the date fixed for redemption (less any tax required to be deducted and withheld by the Corporation).

Notice of any redemption will be given by the Corporation not less than 30 days and not more than 60 days prior to the date fixed for redemption. If less than all the outstanding the Class A Preference Shares, Series 21 are at any time to be redeemed, the shares will be redeemed on a pro-rata basis.

Conversion at the Option of the Corporation

The Class A Preference Shares, Series 21 are not convertible at the option of the Corporation prior to June 30, 2013. On or after this date, the Corporation may, subject to applicable law and other regulatory approvals, and upon notice, convert all, or from time to time any part, of the then outstanding Class A Preference Shares, Series 21 into that number of Class A Limited Voting Shares determined (per Class A Preference Share, Series 21) by dividing the then applicable redemption price, together with all accrued and unpaid dividends up to but excluding the date fixed for conversion, by the greater of C$2.00 or 95% of the weighted average trading price of such Class A Limited Voting Shares on the TSX for the period of 20 consecutive trading days ending on the fourth day prior to the date specified for conversion or, if that fourth day is not a trading day, on the trading day immediately preceding such fourth day (the "Current Market Price"). Fractional Class A Limited Voting Shares will not be issued on any conversion of Class A Preference Shares, Series 21, but in lieu thereof the Corporation will make cash payments.

Notice of any conversion will be given by the Corporation not less than 30 days and not more than 60 days prior to the date fixed for conversion. If less than all the outstanding Class A Preference Shares, Series 21 are at any time to be converted, the shares to be converted will be selected on a pro-rata basis.

Upon exercise by the Corporation of its right to convert Class A Preference Shares, Series 21 into Class A Limited Voting Shares, the Corporation reserves the right not to issue Class A Limited Voting Shares to any person whose address is in, or whom the Corporation or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require compliance by the Corporation with the securities or other laws of such jurisdiction.

Conversion at the Option of the Holder

Subject to applicable law and to the rights of the Corporation described below, on or after June 30, 2013, each Class A Preference Share, Series 21 will be convertible at the option of the holder on the last day of each of March, June, September and December in each year on at least 30 days notice (which notice shall be irrevocable) into that number of Class A Limited Voting Shares determined (per Class A Preference Share, Series 21) by dividing C$25.00, together with all accrued and unpaid dividends up to but excluding the date fixed for conversion, by the greater of C$2.00 or 95% of the then Current Market Price. Fractional Class A Limited Voting Shares will not be issued on any conversion of Class A Preference Shares, Series 21, but in lieu thereof the Corporation will make cash payments.

Upon exercise of the conversion privilege by the holder of Class A Preference Shares, Series 21, the Corporation reserves the right not to issue Class A Limited Voting Shares to any person whose address is in, or whom the Corporation or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require compliance by the Corporation with the securities or other laws of such jurisdiction.

The Corporation, subject to the provisions described under "— Restrictions on Dividends and Retirement and Issue of Shares", as applicable, may by notice given not later than 20 days before the date fixed for conversion to all holders who have given a conversion notice, either (i) redeem on the first business day after the date fixed for conversion all or any part of the Class A Preference Shares, Series 21 forming the subject matter of the applicable conversion notice, or (ii) cause the holder of such Class A Preference Shares, Series 21 to sell on the first business day after the date fixed for conversion all or any part of such Class A Preference Shares, Series 21 to another purchaser or purchasers in the event that a purchaser or purchasers willing to purchase all or any part of such Class A Preference Shares, Series 21 is or are found. Any such redemption or purchase shall be made by the payment of an amount in cash of C$25.00 per share, together with all accrued and unpaid dividends up to but excluding the date fixed for redemption or purchase (less any tax required to be deducted and withheld by the Corporation). The Class A Preference Shares, Series 21 to be so redeemed or purchased shall not be converted on the date set forth in the conversion notice.

If the Corporation elects to redeem or arrange for the purchase of any Class A Preference Shares, Series 21 that are the subject of a conversion notice ("Subject Shares"), the Corporation shall, at least 20 days prior to the conversion date, give notice to all holders who have given a conversion notice to the Corporation, stating:

(a) the number of Subject Shares to be redeemed for cash by the Corporation;

(b) the number of Subject Shares to be sold to another purchaser; and

(c) the number of Subject Shares to be converted into Class A Limited Voting Shares;

such that all of the Subject Shares will be redeemed, purchased or converted on or before the first business day after the date fixed for conversion and that the proportion of the Subject Shares which are either redeemed, purchased or converted on that conversion date shall, to the extent practicable, be the same for each holder delivering a conversion date.

Purchase for Cancellation

Subject to applicable law and to the provisions described under "— Restrictions on Dividends and Retirement and Issue of Shares" below, the Corporation may at any time purchase for cancellation the whole or any part of the Class A Preference Shares, Series 21 at the lowest price or prices at which in the opinion of the board of directors of the Corporation such shares are obtainable.

Rights on Liquidation

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 21 will be entitled to receive C$25.00 per share, together with all accrued and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld by the Corporation), before any amount is paid or any assets of the Corporation are distributed to the holders of any shares ranking junior as to capital to the Class A Preference Shares, Series 21. Upon payment of such amounts, the holders of the Class A Preference Shares, Series 21 will not be entitled to share in any further distribution of the assets of the Corporation.

Restrictions on Dividends and Retirement and Issue of Shares

So long as any of the Class A Preference Shares, Series 21 are outstanding, the Corporation will not, without the approval of the holders of the Class A Preference Shares, Series 21:

(a) declare, pay or set apart for payment any dividends (other than stock dividends payable in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 21) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 21;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares of the Corporation ranking as to return of capital and dividends junior to the Class A Preference Shares, Series 21, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 21;

(c) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any Class A Preference Shares, ranking as to the payment of dividends or return of capital on a parity with the Class A Preference Shares, Series 21; or

(d) issue any additional Class A Preference Shares, Series 21 or any shares ranking as to the payment of dividends or the return of capital prior to or on a parity with the Class A Preference Shares, Series 21;

unless, in each such case, all accrued and unpaid dividends up to and including the dividend payable for the last completed period for which dividends were payable on the Class A Preference Shares, Series 21 and on all other shares of the Corporation ranking prior to or on a parity with the Class A Preference Shares, Series 21 with respect to the payment of dividends have been declared and paid or set apart for payment.

Shareholder Approvals

In addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Class A Preference Shares, Series 21 as a series and any other approval to be given by the holders of the Class A Preference Shares, Series 21 may be given by a resolution carried by an affirmative vote of at least 66 2/3% of the votes cast at a meeting at which the holders of a majority of the outstanding Class A Preference Shares, Series 21 are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Class A Preference Shares, Series 21 then present would form the necessary quorum. At any meeting of holders of Class A Preference Shares, Series 21 as a series, each such holder shall be entitled to one vote in respect of each Class A Preference Share, Series 21 held.

Voting Rights

The holders of the Class A Preference Shares, Series 21 will not (except as otherwise provided by law and except for meetings of the holders of Class A Preference Shares as a class and meetings of all holders of Class A Preference Shares, Series 21 as a series) be entitled to receive notice of, attend, or vote at, any meeting of shareholders of the Corporation unless and until the Corporation shall have failed to pay eight quarterly dividends on the Class A Preference Shares, Series 21, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Corporation properly applicable to the payment of dividends. In the event of such non-payment, and for only so long as any such dividends remain in arrears, the holders of the Class A Preference Shares, Series 21 will be entitled to receive notice of and to attend each meeting of the Corporation's shareholders (other than any meetings at which only holders of another specified class or series are entitled to vote), and to one vote for each Class A Preference Share, Series 21 held, provided that in respect of the election of directors, the holders of Class A Preference Shares, Series 21 will vote with holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 2 may be entitled to elect if dividends on such shares are in arrears). Upon payment of the entire amount of all Class A Preference Shares, Series 21 dividends in arrears, the voting rights of the holders of the Class A Preference Shares, Series 21 shall forthwith cease.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 22 AS A SERIES

Dividends

The holders of Class A Preference Shares, Series 22 are entitled to receive quarterly fixed cumulative preferential cash dividends, as and when declared by the board of directors of the Corporation payable quarterly on the last business day of March, June, September and December in each year (except June 30, 2009) at an annual rate of C$1.75 per share until September 30, 2014. The annual fixed dividend rate (the "Annual Fixed Dividend Rate") for each subsequent 5-year fixed rate period will be equal to the sum of the Government of Canada yield on the 30th day prior to the first day of such subsequent fixed rate period plus 4.45%. The annual fixed dividend for each such period will be equal to the applicable Annual Fixed Dividend Rate multiplied by C$25.00.

Redemption

The Class A Preference Shares, Series 22 may not be redeemed by the Corporation before September 30, 2014. On September 30, 2014 and on September 30 every five years thereafter (each, a "Conversion Date"), the Corporation may, subject to applicable law, at its option without the consent of the holders, redeem all or any part of the then outstanding Class A Preference Shares, Series 22 by the payment of C$25.00 per share together with all accrued and unpaid dividends thereon up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld). Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 22 in the open market or by private agreement or otherwise, at the lowest price obtainable in the opinion of the board of directors of the Corporation.

Conversion

Subject to certain restrictions, the holders of the Class A Preference Shares, Series 22 have the right on any Conversion Date to convert any or all of the Class A Preference Shares, Series 22 held by them for Cumulative Class A Preference Shares, Series 23 of the Corporation, on a one-for-one basis. Such a conversion of Class A Preference Shares, Series 22 for Class A Preference Shares, Series 23 must be initiated not less than 15 days and not more than 30 days prior to a Conversion Date. Under certain circumstances, the Class A Preference Shares, Series 22 automatically convert into Class A Preference Shares, Series 23, on a one-for-one basis.

Voting Rights

At any time that eight quarterly dividends, whether or not consecutive, on the Class A Preference Shares, Series 22 are not paid and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 22 are paid, the holders of Class A Preference Shares, Series 22 shall be entitled to receive notice of and to attend each meeting of shareholders and to one vote in respect of each Class A Preference Share, Series 22 held, provided that in respect of the election of directors, the holders of Class A Preference Shares, Series 22 will vote with the holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 2 may be entitled to elect). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 22 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 22:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking junior to the Class A Preference Shares, Series 22) on shares of the Corporation ranking junior to the Class A Preference Shares, Series 22;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Class A Preference Shares, Series 22, redeem, purchase or otherwise retire or make any capital distribution on or in respect of shares of the Corporation ranking junior to the Class A Preference Shares, Series 22;

(c) redeem, purchase or otherwise retire less than all of the Class A Preference Shares, Series 22 then outstanding; or

(d) except pursuant to any retraction privilege, sinking fund, mandatory redemption or purchase obligation attaching thereto, redeem, purchase or otherwise retire any shares of any class or series ranking on a parity with the Class A Preference Shares, Series 22;

unless, in each such case, all dividends on outstanding Class A Preference Shares, Series 22 accrued up to and including the dividend payable for the last completed period for which dividends were payable shall have been declared and paid.

Shareholder Approvals

In addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Class A Preference Shares, Series 22 as a series and any other approval to be given by the holders of the Class A Preference Shares, Series 22 may be given by a resolution carried by an affirmative vote of at least 66 2/3% of the votes cast at a meeting at which the holders of a majority of the outstanding Class A Preference Shares, Series 22 are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Class A Preference Shares, Series 22 then present would form the necessary quorum. At any meeting of holders of Class A Preference Shares, Series 22 as a series, each such holder shall be entitled to one vote in respect of each Class A Preference Share, Series 22 held.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 22 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld) before any amount can be paid to the holders of shares ranking junior to the Class A Preference Shares, Series 22. Upon such payment, the holders of the Class A Preference Shares, Series 22 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 23 AS A SERIES

Dividends

The holders of Class A Preference Shares, Series 23 are entitled to receive quarterly floating rate cumulative preferential cash dividends, as and when declared by the board of directors of the Corporation payable quarterly on the last business day of March, June, September and December in an amount per share equal to the sum of the three-month Government of Canada Treasury Bill Rate (on the 30th day prior to the 1st day of each of April, July, October and January in each year) plus 4.45% calculated on the basis of the actual number of days elapsed in the period divided by 365, then multiplied by C$25.00.

Redemption

The Class A Preference Shares, Series 23 may not be redeemed by the Corporation before September 30, 2014. On or after that date, the Corporation may, subject to applicable law, at its option without the consent of the holders, redeem all or any part of the then outstanding Class A Preference Shares, Series 23 by the payment of (i) C$25.00 per share in the case of redemptions on September 30, 2019 and on September 30 every five years thereafter (each, a "Conversion Date") or (ii) C$25.50 per share in the case of redemptions on any date which is not a Conversion Date after September 30, 2014, in each case together with all accrued and unpaid dividends thereon up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld). Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 23 in the open market or by private agreement or otherwise, at the lowest price obtainable in the opinion of the board of directors of the Corporation.

Conversion

Subject to certain restrictions, the holders of the Class A Preference Shares, Series 23 have the right on any Conversion Date to convert any or all of the Class A Preference Shares, Series 23 held by them for Class A Preference Shares, Series 22 of the Corporation, on a one-for-one basis. Such a conversion of Class A Preference Shares, Series 23 for Class A Preference Shares, Series 22 must be initiated not less than 15 days and not more than 30 days prior to a Conversion Date. Under certain circumstances, the Class A Preference Shares, Series 23 automatically convert into Class A Preference Shares, Series 22, on a one-for-one basis.

Voting Rights

At any time that eight quarterly dividends, whether or not consecutive, on the Class A Preference Shares, Series 23 are not paid and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 23 are paid, the holders of Class A Preference Shares, Series 23 shall be entitled to receive notice of and to attend each meeting of shareholders and to one vote in respect of each Class A Preference Share, Series 23 held, provided that in respect of the election of directors, the holders of Class A Preference Shares, Series 23 will vote with the holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 2 may be entitled to elect). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 23 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 23:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking junior to the Class A Preference Shares, Series 23) on shares of the Corporation ranking junior to the Class A Preference Shares, Series 23;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Class A Preference Shares, Series 23, redeem, purchase or otherwise retire or make any return of capital in respect of shares of the Corporation ranking junior to the Class A Preference Shares, Series 23;

(c) redeem, purchase or otherwise retire or make any return of capital in respect of less than all of the Class A Preference Shares, Series 23 then outstanding; or

(d) except pursuant to any retraction privilege, sinking fund, mandatory redemption or purchase obligation attaching thereto, redeem, purchase or otherwise retire or make any return of capital in respect of any shares of any class or series ranking on a parity with the Class A Preference Shares, Series 23;

unless, in each such case, all dividends on outstanding Class A Preference Shares, Series 23 accrued up to and including the dividend payable for the last completed period for which dividends were payable shall have been declared and paid.

Shareholder Approvals

In addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Class A Preference Shares, Series 23 as a series and any other approval to be given by the holders of the Class A Preference Shares, Series 23 may be given by a resolution carried by an affirmative vote of at least 66 2/3% of the votes cast at a meeting at which the holders of a majority of the outstanding Class A Preference Shares, Series 23 are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Class A Preference Shares, Series 23 then present would form the necessary quorum. At any meeting of holders of Class A Preference Shares, Series 23 as a series, each such holder shall be entitled to one vote in respect of each Class A Preference Share, Series 23 held.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 23 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld) before any amount can be paid to the holders of shares ranking junior to the Class A Preference Shares, Series 23. Upon such payment, the holders of the Class A Preference Shares, Series 23 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 24 AS A SERIES

Dividends

The holders of Class A Preference Shares, Series 24 are entitled to receive quarterly fixed cumulative preferential cash dividends, as and when declared by the board of directors of the Corporation payable quarterly on the last business day of March, June, September and December in each year at an annual rate of C$1.35 per share until June 30, 2016. The annual fixed dividend rate (the “Annual Fixed Dividend Rate”) for each subsequent 5-year fixed rate period will be equal to the sum of the Government of Canada yield on the 30th day prior to the first day of such subsequent fixed rate period plus 2.30%. The annual fixed dividend for each such period will be equal to the applicable Annual Fixed Dividend Rate multiplied by C$25.00.

Redemption

The Class A Preference Shares, Series 24 may not be redeemed by the Corporation before June 30, 2016. On June 30, 2016 and on June 30 every five years thereafter (each, a “Conversion Date”), the Corporation may, subject to applicable law, at its option without the consent of the holders, redeem all or any part of the then outstanding Class A Preference Shares, Series 24 by the payment of C$25.00 per share together with all accrued and unpaid dividends thereon up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld). Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 24 in the open market or by private agreement or otherwise, at the lowest price obtainable in the opinion of the board of directors of the Corporation.

Conversion

Subject to certain restrictions, the holders of the Class A Preference Shares, Series 24 have the right on any Conversion Date to convert any or all of the Class A Preference Shares, Series 24 held by them for Class A Preference Shares, Series 25 of the Corporation, on a one-for-one basis. Such a conversion of Class A Preference Shares, Series 24 for Class A Preference Shares, Series 25 must be initiated not less than 15 days and not more than 30 days prior to a Conversion Date. Under certain circumstances, the Class A Preference Shares, Series 24 automatically convert into Class A Preference Shares, Series 25, on a one-for-one basis.

Voting Rights

At any time that eight quarterly dividends, whether or not consecutive, on the Class A Preference Shares, Series 24 are not paid and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 24 are paid, the holders of Class A Preference Shares, Series 24 shall be entitled to receive notice of and to attend each meeting of shareholders and to one vote in respect of each Class A Preference Share, Series 24 held, provided that in respect of the election of directors, the holders of

Class A Preference Shares, Series 24 will vote with the holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 2 may be entitled to elect). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 24 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 24:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the company ranking junior to the Class A Preference Shares, Series 24) on shares of the Corporation ranking junior to the Class A Preference Shares, Series 24;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Class A Preference Shares, Series 24, redeem, purchase or otherwise retire or make any capital distribution on or in respect of shares of the Corporation ranking junior to the Class A Preference Shares, Series 24;

(c) redeem, purchase or otherwise retire less than all of the Class A Preference Shares, Series 24 then outstanding; or

(d) except pursuant to any retraction privilege, sinking fund, mandatory redemption or purchase obligation attaching thereto, redeem, purchase or otherwise retire any shares of any class or series ranking on a parity with the Class A Preference Shares, Series 24;

unless, in each such case, all dividends on outstanding Class A Preference Shares, Series 24 accrued up to and including the dividend payable for the last completed period for which dividends were payable shall have been declared and paid.

Shareholder Approvals

In addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Class A Preference Shares, Series 24 as a series and any other approval to be given by the holders of the Class A Preference Shares, Series 24 may be given by a resolution carried by an affirmative vote of at least 66 2/3% of the votes cast at a meeting at which the holders of a majority of the outstanding Class A Preference Shares, Series 24 are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Class A Preference Shares, Series 24 then present would form the necessary quorum. At any meeting of holders of Class A Preference Shares, Series 24 as a series, each such holder shall be entitled to one vote in respect of each Class A Preference Share, Series 24 held.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Share, Series 24 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld) before any amount can be paid to the holders of shares ranking junior to the Class A Preference Share, Series 24. Upon such payment, the holders of the Class A Preference Share, Series 24 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 25 AS A SERIES

Dividends

The holders of Class A Preference Shares, Series 25 are entitled to receive quarterly floating rate cumulative preferential cash dividends, as and when declared by the board of directors of the Corporation payable quarterly on the last business day of March, June, September and December in an amount per share equal to the sum of the three-month Government of Canada Treasury Bill Rate (on the 30th day prior to the 1st day of each of April, July, October and January in each year) plus 2.30% calculated on the basis of the actual number of days elapsed in the period divided by 365, then multiplied by C$25.00.

Redemption

The Class A Preference Shares, Series 25 may not be redeemed by the Corporation before June 30, 2016. On or after that date, the Corporation may, subject to applicable law, at its option without the consent of the holders, redeem all or any part of the then outstanding Class A Preference Shares, Series 25 by the payment of (i) C$25.00 per share in the case of redemptions on June 30, 2021 and on June 30 every five years thereafter (each, a “Conversion Date”) or (ii) C$25.50 per share in the case of redemptions on any date which is not a Conversion Date after June 30, 2016, in each case together with all accrued and unpaid dividends thereon up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld). Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 25 in the open market or by private agreement or otherwise, at the lowest price obtainable in the opinion of the board of directors of the Corporation.

Conversion

Subject to certain restrictions, the holders of the Class A Preference Shares, Series 25 have the right on any Conversion Date to convert any or all of the Class A Preference Shares, Series 25 held by them for Class A Preference Shares, Series 24 of the Corporation, on a one-for-one basis. Such a conversion of Class A Preference Shares, Series 25 for Class A Preference Shares, Series 24 must be initiated not less than 15 days and not more than 30 days prior to a Conversion Date. Under certain circumstances, the Class A Preference Shares, Series 25 automatically convert into Class A Preference Shares, Series 24, on a one-for-one basis.

Voting Rights

At any time that eight quarterly dividends, whether or not consecutive, on the Class A Preference Shares, Series 25 are not paid and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 25 are paid, the holders of Class A Preference Shares, Series 25 shall be entitled to receive notice of and to attend each meeting of shareholders and to one vote in respect of each Class A Preference Share, Series 25 held, provided that in respect of the election of directors, the holders of Class A Preference Shares, Series 25 will vote with the holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 2 may be entitled to elect). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 25 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 25:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking junior to the Class A Preference Shares, Series 25) on shares of the Corporation ranking junior to the Class A Preference Shares, Series 25;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Class A Preference Shares, Series 25, redeem, purchase or otherwise retire or make any return of capital in respect of shares of the Corporation ranking junior to the Class A Preference Shares, Series 25;

(c) redeem, purchase or otherwise retire or make any return of capital in respect of less than all of the Class A Preference Shares, Series 25 then outstanding; or

(d) except pursuant to any retraction privilege, sinking fund, mandatory redemption or purchase obligation attaching thereto, redeem, purchase or otherwise retire or make any return of capital in respect of any shares of any class or series ranking on a parity with the Class A Preference Shares, Series 25;

unless, in each such case, all dividends on outstanding Class A Preference Shares, Series 25 accrued up to and including the dividend payable for the last completed period for which dividends were payable shall have been declared and paid.

Shareholder Approvals

In addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Class A Preference Shares, Series 25 as a series and any other approval to be given by the holders of the Class A Preference Shares, Series 25 may be given by a resolution carried by an affirmative vote of at least 66 2/3% of the votes cast at a meeting at which the holders of a majority of the outstanding Class A Preference Shares, Series 25 are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Class A Preference Shares, Series 25 then present would form the necessary quorum. At any meeting of holders of Class A Preference Shares, Series 25 as a series, each such holder shall be entitled to one vote in respect of each Class A Preference Share, Series 25 held.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 25 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld) before any amount can be paid to the holders of shares ranking junior to the Class A Preference Shares, Series 25. Upon such payment, the holders of the Class A Preference Shares, Series 25 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 26 AS A SERIES

Dividends

The holders of Class A Preference Shares, Series 26 are entitled to receive quarterly fixed cumulative preferential cash dividends, as and when declared by the board of directors of the Corporation payable quarterly on the last business day of March, June, September and December in each year at an annual rate of C$1.125 per share until March 31, 2017. The annual fixed dividend rate (the "Annual Fixed Dividend Rate") for each subsequent 5-year fixed rate period will be equal to the sum of the Government of Canada yield on the 30th day prior to the first day of such subsequent fixed rate period plus 2.31%. The annual fixed dividend for each such period will be equal to the applicable Annual Fixed Dividend Rate multiplied by C$25.00.

Redemption

The Class A Preference Shares, Series 26 may not be redeemed by the Corporation before March 31, 2017. On March 31, 2017 and on March 31 every five years thereafter (each, a "Conversion Date"), the Corporation may, subject to applicable law, at its option without the consent of the holders, redeem all or any part of the then outstanding Class A Preference Shares, Series 26 by the payment of C$25.00 per share together with all accrued and unpaid dividends thereon up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld). Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 26 in the open market or by private agreement or otherwise, at the lowest price obtainable in the opinion of the board of directors of the Corporation.

Conversion

Subject to certain restrictions, the holders of the Class A Preference Shares, Series 26 have the right on any Conversion Date to convert any or all of the Class A Preference Shares, Series 26 held by them for Class A Preference Shares, Series 27 of the Corporation, on a one-for-one basis. Such a conversion of Class A Preference Shares, Series 26 for Class A Preference Shares, Series 27 must be initiated not less than 15 days and not more than 30 days prior to a Conversion Date. Under certain circumstances, the Class A Preference Shares, Series 26 automatically convert into Class A Preference Shares, Series 27, on a one-for-one basis.

Voting Rights

At any time that eight quarterly dividends, whether or not consecutive, on the Class A Preference Shares, Series 26 are not paid and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 26 are paid, the holders of Class A Preference Shares, Series 26 shall be entitled to receive notice of and to attend each meeting of shareholders and to one vote in respect of each Class A Preference Share, Series 26 held, provided that in respect of the election of directors, the holders of Class A Preference Shares, Series 26 will vote with the holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 2 may be entitled to elect). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 26 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 26:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking junior to the Class A Preference Shares, Series 26) on shares of the Corporation ranking junior to the Class A Preference Shares, Series 26;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Class A Preference Shares, Series 26, redeem, purchase or otherwise retire or make any capital distribution on or in respect of shares of the Corporation ranking junior to the Class A Preference Shares, Series 26;

(c) redeem, purchase or otherwise retire less than all of the Class A Preference Shares, Series 26 then outstanding; or

(d) except pursuant to any retraction privilege, sinking fund, mandatory redemption or purchase obligation attaching thereto, redeem, purchase or otherwise retire any shares of any class or series ranking on a parity with the Class A Preference Shares, Series 26;

unless, in each such case, all dividends on outstanding Class A Preference Shares, Series 26 accrued up to and including the dividend payable for the last completed period for which dividends were payable shall have been declared and paid.

Shareholder Approvals

In addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Class A Preference Shares, Series 26 as a series and any other approval to be given by the holders of the Class A Preference Shares, Series 26 may be given by a resolution carried by an affirmative vote of at least 66 2/3% of the votes cast at a meeting at which the holders of a majority of the outstanding Class A Preference Shares, Series 26 are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Class A Preference Shares, Series 26 then present would form the necessary quorum. At any meeting of holders of Class A Preference Shares, Series 26 as a series, each such holder shall be entitled to one vote in respect of each Class A Preference Share, Series 26 held.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Share, Series 26 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld) before any amount can be paid to the holders of shares ranking junior to the Class A Preference Share, Series 26. Upon such payment, the holders of the Class A Preference Share, Series 26 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 27 AS A SERIES

Dividends

The holders of Class A Preference Shares, Series 27 are entitled to receive quarterly floating rate cumulative preferential cash dividends, as and when declared by the board of directors of the Corporation payable quarterly on the last business day of March, June, September and December in an amount per share equal to the sum of the three-month Government of Canada Treasury Bill Rate (on the 30th day prior to the 1st day of each of April, July, October and January in each year) plus 2.31% calculated on the basis of the actual number of days elapsed in the period divided by 365, then multiplied by C$25.00.

Redemption

The Class A Preference Shares, Series 27 may not be redeemed by the Corporation before March 31, 2017. On or after that date, the Corporation may, subject to applicable law, at its option without the consent of the holders, redeem all or any part of the then outstanding Class A Preference Shares, Series 27 by the payment of (i) C$25.00 per share in the case of redemptions on March 31, 2022 and on March 31 every five years thereafter (each, a “Conversion Date”) or (ii) C$25.50 per share in the case of redemptions on any date which is not a Conversion Date after March 31, 2017, in each case together with all accrued and unpaid dividends thereon up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld). Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 27 in the open market or by private agreement or otherwise, at the lowest price obtainable in the opinion of the board of directors of the Corporation.

Conversion

Subject to certain restrictions, the holders of the Class A Preference Shares, Series 27 have the right on any Conversion Date to convert any or all of the Class A Preference Shares, Series 27 held by them for Class A Preference Shares, Series 26 of the Corporation, on a one-for-one basis. Such a conversion of Class A Preference Shares, Series 27 for Class A Preference

Shares, Series 26 must be initiated not less than 15 days and not more than 30 days prior to a Conversion Date. Under certain circumstances, the Class A Preference Shares, Series 27 automatically convert into Class A Preference Shares, Series 26, on a one-for-one basis.

Voting Rights

At any time that eight quarterly dividends, whether or not consecutive, on the Class A Preference Shares, Series 27 are not paid and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 27 are paid, the holders of Class A Preference Shares, Series 27 shall be entitled to receive notice of and to attend each meeting of shareholders and to one vote in respect of each Class A Preference Share, Series 27 held, provided that in respect of the election of directors, the holders of Class A Preference Shares, Series 27 will vote with the holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 2 may be entitled to elect). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 27 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 27:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking junior to the Class A Preference Shares, Series 27) on shares of the Corporation ranking junior to the Class A Preference Shares, Series 27;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Class A Preference Shares, Series 27, redeem, purchase or otherwise retire or make any return of capital in respect of shares of the Corporation ranking junior to the Class A Preference Shares, Series 27;

(c) redeem, purchase or otherwise retire or make any return of capital in respect of less than all of the Class A Preference Shares, Series 27 then outstanding; or

(d) except pursuant to any retraction privilege, sinking fund, mandatory redemption or purchase obligation attaching thereto, redeem, purchase or otherwise retire or make any return of capital in respect of any shares of any class or series ranking on a parity with the Class A Preference Shares, Series 27;

unless, in each such case, all dividends on outstanding Class A Preference Shares, Series 27 accrued up to and including the dividend payable for the last completed period for which dividends were payable shall have been declared and paid.

Shareholder Approvals

In addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Class A Preference Shares, Series 27 as a series and any other approval to be given by the holders of the Class A Preference Shares, Series 27 may be given by a resolution carried by an affirmative vote of at least 66 2/3% of the votes cast at a meeting at which the holders of a majority of the outstanding Class A Preference Shares, Series 27 are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Class A Preference Shares, Series 27 then present would form the necessary quorum. At any meeting of holders of Class A Preference Shares, Series 27 as a series, each such holder shall be entitled to one vote in respect of each Class A Preference Share, Series 27 held.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 27 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld) before any amount can be paid to the holders of shares ranking junior to the Class A Preference Shares, Series 27. Upon such payment, the holders of the Class A Preference Shares, Series 27 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 28 AS A SERIES

Dividends

The holders of Class A Preference Shares, Series 28 are entitled to receive quarterly fixed cumulative preferential cash dividends, as and when declared by the board of directors of the Corporation payable quarterly on the last business day of March, June, September and December in each year at an annual rate of C$1.150 per share until June 30, 2017. The annual fixed dividend rate (the "Annual Fixed Dividend Rate") for each subsequent 5-year fixed rate period will be equal to the sum of the 5-year Government of Canada bond yield on the 30th day prior to the first day of such subsequent fixed rate period plus 1.80%. The annual fixed dividend for each such period will be equal to the applicable Annual Fixed Dividend Rate multiplied by C$25.00.

Redemption

The Class A Preference Shares, Series 28 may not be redeemed by the Corporation before June 30, 2017. On June 30, 2017 and on June 30 every five years thereafter (each, a "Conversion Date"), the Corporation may, subject to applicable law, at its option without the consent of the holders, redeem all or any part of the then outstanding Class A Preference Shares, Series 28 by the payment of C$25.00 per share together with all accrued and unpaid dividends thereon up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld). Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 28 in the open market or by private agreement or otherwise, at the lowest price obtainable in the opinion of the board of directors of the Corporation.

Conversion

Subject to certain restrictions, the holders of the Class A Preference Shares, Series 28 have the right on any Conversion Date to convert any or all of the Class A Preference Shares, Series 28 held by them for Class A Preference Shares, Series 29 of the Corporation, on a one-for-one basis. Such a conversion of Class A Preference Shares, Series 28 for Class A Preference Shares, Series 29 must be initiated not less than 15 days and not more than 30 days prior to a Conversion Date. Under certain circumstances, the Class A Preference Shares, Series 28 automatically convert into Class A Preference Shares, Series 29, on a one-for-one basis.

Voting Rights

At any time that eight quarterly dividends, whether or not consecutive, on the Class A Preference Shares, Series 28 are not paid and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 28 are paid, the holders of Class A Preference Shares, Series 28 shall be entitled to receive notice of and to attend each meeting of shareholders and to one vote in respect of each Class A Preference Share, Series 28 held, provided that in respect of the election of directors, the holders of Class A Preference Shares, Series 28 will vote with the holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 2 may be entitled to elect). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 28 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 28:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking junior to the Class A Preference Shares, Series 28) on shares of the Corporation ranking junior to the Class A Preference Shares, Series 28;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Class A Preference Shares, Series 28, redeem, purchase or otherwise retire or make any capital distribution on or in respect of shares of the Corporation ranking junior to the Class A Preference Shares, Series 28;

(c) redeem, purchase or otherwise retire less than all of the Class A Preference Shares, Series 28 then outstanding; or

(d) except pursuant to any retraction privilege, sinking fund, mandatory redemption or purchase obligation attaching thereto, redeem, purchase or otherwise retire any shares of any class or series ranking on a parity with the Class A Preference Shares, Series 28;

unless, in each such case, all dividends on outstanding Class A Preference Shares, Series 28 accrued up to and including the dividend payable for the last completed period for which dividends were payable shall have been declared and paid.

Shareholder Approvals

In addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Class A Preference Shares, Series 28 as a series and any other approval to be given by the holders of the Class A Preference Shares, Series 28 may be given by a resolution carried by an affirmative vote of at least 66 2/3% of the votes cast at a meeting at which the holders of a majority of the outstanding Class A Preference Shares, Series 28 are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Class A Preference Shares, Series 28 then present would form the necessary quorum. At any meeting of holders of Class A Preference Shares, Series 28 as a series, each such holder shall be entitled to one vote in respect of each Class A Preference Share, Series 28 held.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Share, Series 28 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld) before any amount can be paid to the holders of shares ranking junior to the Class A Preference Share, Series 28. Upon such payment, the holders of the Class A Preference Share, Series 28 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 29 AS A SERIES

Dividends

The holders of Class A Preference Shares, Series 29 are entitled to receive quarterly floating rate cumulative preferential cash dividends, as and when declared by the board of directors of the Corporation payable quarterly on the last business day of March, June, September and December in an amount per share equal to the sum of the three-month Government of Canada Treasury Bill Rate (on the 30th day prior to the 1st day of each of April, July, October and January in each year) plus 1.80% calculated on the basis of the actual number of days elapsed in the period divided by 365, then multiplied by C$25.00.

Redemption

The Class A Preference Shares, Series 29 may not be redeemed by the Corporation before June 30, 2017. On or after that date, the Corporation may, subject to applicable law, at its option without the consent of the holders, redeem all or any part of the then outstanding Class A Preference Shares, Series 29 by the payment of (i) C$25.00 per share in the case of redemptions on June 30, 2022 and on June 30 every five years thereafter (each, a “Conversion Date”) or (ii) C$25.50 per share in the case of redemptions on any date which is not a Conversion date after June 30, 2017, in each case together with all accrued and unpaid dividends thereon up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld). Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 29 in the open market or by private agreement or otherwise, at the lowest price obtainable in the opinion of the board of directors of the Corporation.

Conversion

Subject to certain restrictions, the holders of the Class A Preference Shares, Series 29 have the right on any Conversion Date to convert any or all of the Class A Preference Shares, Series 29 held by them for Class A Preference Shares, Series 28 of the Corporation, on a one-for-one basis. Such a conversion of Class A Preference Shares, Series 29 for Class A Preference Shares, Series 28 must be initiated not less than 15 days and not more than 30 days prior to a Conversion Date. Under certain circumstances, the Class A Preference Shares, Series 29 automatically convert into Class A Preference Shares, Series 28, on a one-for-one basis.

Voting Rights

At any time that eight quarterly dividends, whether or not consecutive, on the Class A Preference Shares, Series 29 are not paid and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 29 are paid, the holders of Class A Preference Shares, Series 29 shall be entitled to receive notice of and to attend each meeting of shareholders and to one vote in respect of each Class A Preference Share, Series 29 held, provided that in respect of the election of directors, the holders of

Class A Preference Shares, Series 29 will vote with the holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 2 may be entitled to elect). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 29 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 29:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking junior to the Class A Preference Shares, Series 29) on shares of the Corporation ranking junior to the Class A Preference Shares, Series 29;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Class A Preference Shares, Series 29, redeem, purchase or otherwise retire or make any return of capital in respect of shares of the Corporation ranking junior to the Class A Preference Shares, Series 29;

(c) redeem, purchase or otherwise retire or make any return of capital in respect of less than all of the Class A Preference Shares, Series 29 then outstanding; or

(d) except pursuant to any retraction privilege, sinking fund, mandatory redemption or purchase obligation attaching thereto, redeem, purchase or otherwise retire or make any return of capital in respect of any shares of any class or series ranking on a parity with the Class A Preference Shares, Series 29;

unless, in each such case, all dividends on outstanding Class A Preference Shares, Series 29 accrued up to and including the dividend payable for the last completed period for which dividends were payable shall have been declared and paid.

Shareholder Approvals

In addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Class A Preference Shares, Series 29 as a series and any other approval to be given by the holders of the Class A Preference Shares, Series 29 may be given by a resolution carried by an affirmative vote of at least 66 2/3% of the votes cast at a meeting at which the holders of a majority of the outstanding Class A Preference Shares, Series 29 are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Class A Preference Shares, Series 29 then present would form the necessary quorum. At any meeting of holders of Class A Preference Shares, Series 29 as a series, each such holder shall be entitled to one vote in respect of each Class A Preference Share, Series 29 held.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 29 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld) before any amount can be paid to the holders of shares ranking junior to the Class A Preference Shares, Series 29. Upon such payment, the holders of the Class A Preference Shares, Series 29 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 30 AS A SERIES

Dividends

The holders of Class A Preference Shares, Series 30 are entitled to receive quarterly fixed cumulative preferential cash dividends, as and when declared by the board of directors of the Corporation payable quarterly on the last business day of March, June, September and December in each year at an annual rate of C$1.20 per share until December 31, 2017. The annual fixed dividend rate (the “Annual Fixed Dividend Rate”) for each subsequent 5-year fixed rate period will be equal to the sum of the 5-year Government of Canada bond yield on the 30th day prior to the first day of such subsequent fixed rate period plus 2.96%. The annual fixed dividend for each such period will be equal to the applicable Annual Fixed Dividend Rate multiplied by C$25.00.

Redemption

The Class A Preference Shares, Series 30 may not be redeemed by the Corporation before December 31, 2017. On December 31, 2017 and on December 31 every five years thereafter (each, a "Conversion Date"), the Corporation may, subject to applicable law, at its option without the consent of the holders, redeem all or any part of the then outstanding Class A Preference Shares, Series 30 by the payment of C$25.00 per share together with all accrued and unpaid dividends thereon up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld). Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 30 in the open market or by private agreement or otherwise, at the lowest price obtainable in the opinion of the board of directors of the Corporation.

Conversion

Subject to certain restrictions, the holders of the Class A Preference Shares, Series 30 have the right on any Conversion Date to convert any or all of the Class A Preference Shares, Series 30 held by them for Class A Preference Shares, Series 31 of the Corporation, on a one-for-one basis. Such a conversion of Class A Preference Shares, Series 30 for Class A Preference Shares, Series 31 must be initiated not less than 15 days and not more than 30 days prior to a Conversion Date. Under certain circumstances, the Class A Preference Shares, Series 30 may automatically convert into Class A Preference Shares, Series 31, after December 31, 2017, on a one-for-one basis.

Voting Rights

At any time that eight quarterly dividends, whether or not consecutive, on the Class A Preference Shares, Series 30 are not paid and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 30 are paid, the holders of Class A Preference Shares, Series 30 shall be entitled to receive notice of and to attend each meeting of shareholders and to one vote in respect of each Class A Preference Share, Series 30 held, provided that in respect of the election of directors, the holders of Class A Preference Shares, Series 30 will vote with the holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 2 may be entitled to elect). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 30 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 30:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking junior to the Class A Preference Shares, Series 30) on shares of the Corporation ranking junior to the Class A Preference Shares, Series 30;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Class A Preference Shares, Series 30, redeem, purchase or otherwise retire or make any capital distribution on or in respect of shares of the Corporation ranking junior to the Class A Preference Shares, Series 30;

(c) redeem, purchase or otherwise retire less than all of the Class A Preference Shares, Series 30 then outstanding; or

(d) except pursuant to any retraction privilege, sinking fund, mandatory redemption or purchase obligation attaching thereto, redeem, purchase or otherwise retire any shares of any class or series ranking on a parity with the Class A Preference Shares, Series 30;

unless, in each such case, all dividends on outstanding Class A Preference Shares, Series 30 accrued up to and including the dividend payable for the last completed period for which dividends were payable shall have been declared and paid.

Shareholder Approvals

In addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Class A Preference Shares, Series 30 as a series and any other approval to be given by the holders of the Class A Preference Shares, Series 30 may be given by a resolution carried by an affirmative vote of at least 66 2/3% of the votes cast at a meeting at which the holders of a majority of the outstanding Class A Preference Shares, Series 30 are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Class A Preference Shares, Series 30 then present would form the necessary quorum. At any meeting of holders of Class A Preference Shares, Series 30 as a series, each such holder shall be entitled to one vote in respect of each Class A Preference Share, Series 30 held.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Share, Series 30 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld) before any amount can be paid to the holders of shares ranking junior to the Class A Preference Share, Series 30. Upon such payment, the holders of the Class A Preference Share, Series 30 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 31 AS A SERIES

Dividends

The holders of Class A Preference Shares, Series 31 are entitled to receive quarterly floating rate cumulative preferential cash dividends, as and when declared by the board of directors of the Corporation payable quarterly on the last business day of March, June, September and December in an amount per share equal to the sum of the three-month Government of Canada Treasury Bill Rate (on the 30th day prior to the 1st day of each of April, July, October and January in each year) plus 2.96% calculated on the basis of the actual number of days elapsed in the period divided by 365, then multiplied by C$25.00.

Redemption

The Class A Preference Shares, Series 31 may not be redeemed by the Corporation before December 31, 2017. On or after that date, the Corporation may, subject to applicable law, at its option without the consent of the holders, redeem all or any part of the then outstanding Class A Preference Shares, Series 31 by the payment of (i) C$25.00 per share in the case of redemptions on December 31, 2022 and on December 31 every five years thereafter (each, a "Conversion Date") or (ii) C$25.50 per share in the case of redemptions on any date which is not a Conversion date after December 31, 2017, in each case together with all accrued and unpaid dividends thereon up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld). Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 31 in the open market or by private agreement or otherwise, at the lowest price obtainable in the opinion of the board of directors of the Corporation.

Conversion

Subject to certain restrictions, the holders of the Class A Preference Shares, Series 31 have the right on any Conversion Date to convert any or all of the Class A Preference Shares, Series 31 held by them for Class A Preference Shares, Series 30 of the Corporation, on a one-for-one basis. Such a conversion of Class A Preference Shares, Series 31 for Class A Preference Shares, Series 30 must be initiated not less than 15 days and not more than 30 days prior to a Conversion Date. Under certain circumstances, the Class A Preference Shares, Series 31 automatically convert into Class A Preference Shares, Series 30, on a one-for-one basis.

Voting Rights

At any time that eight quarterly dividends, whether or not consecutive, on the Class A Preference Shares, Series 31 are not paid and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 31 are paid, the holders of Class A Preference Shares, Series 31 shall be entitled to receive notice of and to attend each meeting of shareholders and to one vote in respect of each Class A Preference Share, Series 31 held, provided that in respect of the election of directors, the holders of Class A Preference Shares, Series 31 will vote with the holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 2 may be entitled to elect). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 31 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 31:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking junior to the Class A Preference Shares, Series 31) on shares of the Corporation ranking junior to the Class A Preference Shares, Series 31;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Class A Preference Shares, Series 31, redeem, purchase or otherwise retire or make any return of capital in respect of shares of the Corporation ranking junior to the Class A Preference Shares, Series 31;

(c) redeem, purchase or otherwise retire or make any return of capital in respect of less than all of the Class A Preference Shares, Series 31 then outstanding; or

(d) except pursuant to any retraction privilege, sinking fund, mandatory redemption or purchase obligation attaching thereto, redeem, purchase or otherwise retire or make any return of capital in respect of any shares of any class or series ranking on a parity with the Class A Preference Shares, Series 31;

unless, in each such case, all dividends on outstanding Class A Preference Shares, Series 31 accrued up to and including the dividend payable for the last completed period for which dividends were payable shall have been declared and paid.

Shareholder Approvals

In addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Class A Preference Shares, Series 31 as a series and any other approval to be given by the holders of the Class A Preference Shares, Series 31 may be given by a resolution carried by an affirmative vote of at least 66 2/3% of the votes cast at a meeting at which the holders of a majority of the outstanding Class A Preference Shares, Series 31 are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Class A Preference Shares, Series 31 then present would form the necessary quorum. At any meeting of holders of Class A Preference Shares, Series 31 as a series, each such holder shall be entitled to one vote in respect of each Class A Preference Share, Series 31 held.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 31 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld) before any amount can be paid to the holders of shares ranking junior to the Class A Preference Shares, Series 31. Upon such payment, the holders of the Class A Preference Shares, Series 31 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 32 AS A SERIES

Dividends

The holders of Class A Preference Shares, Series 32 are entitled to receive quarterly fixed cumulative preferential cash dividends, as and when declared by the board of directors of the Corporation payable quarterly on the last day of March, June, September and December in each year at an annual rate of C$1.13 per share until September 30, 2018. The annual fixed dividend rate (the “Annual Fixed Dividend Rate”) for each subsequent 5-year fixed rate period will be equal to the sum of the 5-year Government of Canada bond yield on the 30th day prior to the first day of such subsequent fixed rate period plus 2.90%. The annual fixed dividend for each such period will be equal to the applicable Annual Fixed Dividend Rate multiplied by C$25.00.

Redemption

The Class A Preference Shares, Series 32 may not be redeemed by the Corporation before September 30, 2018. On September 30, 2018 and on September 30 every five years thereafter (each, a “Conversion Date”), the Corporation may, subject to applicable law, at its option without the consent of the holders, redeem all or any part of the then outstanding Class A Preference Shares, Series 32 by the payment of C$25.00 per share together with all accrued and unpaid dividends thereon up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld). Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 32 in the open market or by private agreement or otherwise, at the lowest price obtainable in the opinion of the board of directors of the Corporation.

Conversion

Subject to certain restrictions, the holders of the Class A Preference Shares, Series 32 have the right on any Conversion Date to convert any or all of the Class A Preference Shares, Series 32 held by them for Class A Preference Shares, Series 33 of the Corporation, on a one-for-one basis. Such a conversion of Class A Preference Shares, Series 32 for Class A Preference Shares, Series 33 must be initiated not less than 15 days and not more than 30 days prior to a Conversion Date. Under certain circumstances, the Class A Preference Shares, Series 32 may automatically convert into Class A Preference Shares, Series 33, after September 30, 2018, on a one-for-one basis.

Voting Rights

At any time that eight quarterly dividends, whether or not consecutive, on the Class A Preference Shares, Series 32 are not paid and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 32 are paid, the holders of Class A Preference Shares, Series 32 shall be entitled to receive notice of and to attend each meeting of shareholders and to one vote in respect of each Class A Preference Share, Series 32 held, provided that in respect of the election of directors, the holders of Class A Preference Shares, Series 32 will vote with the holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 2 may be entitled to elect). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 32 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 32:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking junior to the Class A Preference Shares, Series 32) on shares of the Corporation ranking junior to the Class A Preference Shares, Series 32;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Class A Preference Shares, Series 32, redeem, purchase or otherwise retire or make any capital distribution on or in respect of shares of the Corporation ranking junior to the Class A Preference Shares, Series 32;

(c) redeem, purchase or otherwise retire less than all of the Class A Preference Shares, Series 32 then outstanding; or

(d) except pursuant to any retraction privilege, sinking fund, mandatory redemption or purchase obligation attaching thereto, redeem, purchase or otherwise retire any shares of any class or series ranking on a parity with the Class A Preference Shares, Series 32;

unless, in each such case, all dividends on outstanding Class A Preference Shares, Series 32 accrued up to and including the dividend payable for the last completed period for which dividends were payable shall have been declared and paid.

Shareholder Approvals

In addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Class A Preference Shares, Series 32 as a series and any other approval to be given by the holders of the Class A Preference Shares, Series 32 may be given by a resolution carried by an affirmative vote of at least 66 2/3% of the votes cast at a meeting at which the holders of at least 25% of the outstanding Class A Preference Shares, Series 32 are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Class A Preference Shares, Series 32 then present would form the necessary quorum. At any meeting of holders of Class A Preference Shares, Series 32 as a series, each such holder shall be entitled to one vote in respect of each Class A Preference Share, Series 32 held.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Share, Series 32 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld) before any amount can be paid to the holders of shares ranking junior to the Class A Preference Share, Series 32. Upon such payment, the holders of the Class A Preference Share, Series 32 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 33 AS A SERIES

Dividends

The holders of Class A Preference Shares, Series 33 are entitled to receive quarterly floating rate cumulative preferential cash dividends, as and when declared by the board of directors of the Corporation payable quarterly on the last day of March, June, September and December in an amount per share equal to the sum of the three-month Government of Canada Treasury Bill Rate (on the 30th day prior to the 1st day of each of April, July, October and January in each year) plus 2.90% calculated on the basis of the actual number of days elapsed in the period divided by 365, then multiplied by C$25.00.

Redemption

The Class A Preference Shares, Series 33 may not be redeemed by the Corporation before September 30, 2018. On or after that date, the Corporation may, subject to applicable law, at its option without the consent of the holders, redeem all or any part of the then outstanding Class A Preference Shares, Series 33 by the payment of (i) C$25.00 per share in the case of redemptions on September 30, 2023 and on September 30 every five years thereafter (each, a "Conversion Date") or (ii) C$25.50 per share in the case of redemptions on any date which is not a Conversion date after September 30, 2018, in each case together with all accrued and unpaid dividends thereon up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld). Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 33 in the open market or by private agreement or otherwise, at the lowest price obtainable in the opinion of the board of directors of the Corporation.

Conversion

Subject to certain restrictions, the holders of the Class A Preference Shares, Series 33 have the right on any Conversion Date to convert any or all of the Class A Preference Shares, Series 33 held by them for Class A Preference Shares, Series 32 of the Corporation, on a one-for-one basis. Such a conversion of Class A Preference Shares, Series 33 for Class A Preference Shares, Series 32 must be initiated not less than 15 days and not more than 30 days prior to a Conversion Date. Under certain circumstances, the Class A Preference Shares, Series 33 automatically convert into Class A Preference Shares, Series 32, on a one-for-one basis.

Voting Rights

At any time that eight quarterly dividends, whether or not consecutive, on the Class A Preference Shares, Series 33 are not paid and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 33 are paid, the holders of Class A Preference Shares, Series 33 shall be entitled to receive notice of and to attend each meeting of shareholders and to one vote in respect of each Class A Preference Share, Series 33 held, provided that in respect of the election of directors, the holders of Class A Preference Shares, Series 33 will vote with the holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 2 may be entitled to elect). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 33 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 33:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking junior to the Class A Preference Shares, Series 33) on shares of the Corporation ranking junior to the Class A Preference Shares, Series 33;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Class A Preference Shares, Series 33, redeem, purchase or otherwise retire or make any return of capital in respect of shares of the Corporation ranking junior to the Class A Preference Shares, Series 33;

(c) redeem, purchase or otherwise retire or make any return of capital in respect of less than all of the Class A Preference Shares, Series 33 then outstanding; or

(d) except pursuant to any retraction privilege, sinking fund, mandatory redemption or purchase obligation attaching thereto, redeem, purchase or otherwise retire or make any return of capital in respect of any shares of any class or series ranking on a parity with the Class A Preference Shares, Series 33;

unless, in each such case, all dividends on outstanding Class A Preference Shares, Series 33 accrued up to and including the dividend payable for the last completed period for which dividends were payable shall have been declared and paid.

Shareholder Approvals

In addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Class A Preference Shares, Series 33 as a series and any other approval to be given by the holders of the Class A Preference Shares, Series 33 may be given by a resolution carried by an affirmative vote of at least 66 2/3% of the votes cast at a meeting at which the holders of at least 25% of the outstanding Class A Preference Shares, Series 33 are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Class A Preference Shares, Series 33 then present would form the necessary quorum. At any meeting of holders of Class A Preference Shares, Series 33 as a series, each such holder shall be entitled to one vote in respect of each Class A Preference Share, Series 33 held.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 33 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld) before any amount can be paid to the holders of shares ranking junior to the Class A Preference Shares, Series 33. Upon such payment, the holders of the Class A Preference Shares, Series 33 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 34 AS A SERIES

Dividends

The holders of Class A Preference Shares, Series 34 are entitled to receive quarterly fixed cumulative preferential cash dividends, as and when declared by the board of directors of the Corporation payable quarterly on the last day of March, June, September and December in each year at an annual rate of C$1.05 per share until March 31, 2019. The annual fixed dividend rate (the "Annual Fixed Dividend Rate") for each subsequent 5-year fixed rate period will be equal to the sum of the 5-year Government of Canada bond yield on the 30th day prior to the first day of such subsequent fixed rate period plus 2.63%. The annual fixed dividend for each such period will be equal to the applicable Annual Fixed Dividend Rate multiplied by C$25.00.

Redemption

The Class A Preference Shares, Series 34 may not be redeemed by the Corporation before March 31, 2019. On March 31, 2019 and on March 31 every five years thereafter (each, a "Conversion Date"), the Corporation may, subject to applicable law, at its option without the consent of the holders, redeem all or any part of the then outstanding Class A Preference Shares, Series 34 by the payment of C$25.00 per share together with all accrued and unpaid dividends thereon up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld). Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 34 in the open market or by private agreement or otherwise, at the lowest price obtainable in the opinion of the board of directors of the Corporation.

Conversion

Subject to certain restrictions, the holders of the Class A Preference Shares, Series 34 have the right on any Conversion Date to convert any or all of the Class A Preference Shares, Series 34 held by them for Class A Preference Shares, Series 35 of the Corporation, on a one-for-one basis. Such a conversion of Class A Preference Shares, Series 34 for Class A Preference Shares, Series 35 must be initiated not less than 15 days and not more than 30 days prior to a Conversion Date. Under certain circumstances, the Class A Preference Shares, Series 34 may automatically convert into Class A Preference Shares, Series 35, after March 31, 2019, on a one-for-one basis.

Voting Rights

At any time that eight quarterly dividends, whether or not consecutive, on the Class A Preference Shares, Series 34 are not paid and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 34 are paid, the holders of Class A Preference Shares, Series 34 shall be entitled to receive notice of and to attend each meeting of shareholders and to one vote in respect of each Class A Preference Share, Series 34 held, provided that in respect of the election of directors, the holders of Class A Preference Shares, Series 34 will vote with the holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 2 may be entitled to elect). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 34 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 34:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking junior to the Class A Preference Shares, Series 34) on shares of the Corporation ranking junior to the Class A Preference Shares, Series 34;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Class A Preference Shares, Series 34, redeem, purchase or otherwise retire or make any capital distribution on or in respect of shares of the Corporation ranking junior to the Class A Preference Shares, Series 34;

(c) redeem, purchase or otherwise retire less than all of the Class A Preference Shares, Series 34 then outstanding; or

(d) except pursuant to any retraction privilege, sinking fund, mandatory redemption or purchase obligation attaching thereto, redeem, purchase or otherwise retire any shares of any class or series ranking on a parity with the Class A Preference Shares, Series 34;

unless, in each such case, all dividends on outstanding Class A Preference Shares, Series 34 accrued up to and including the dividend payable for the last completed period for which dividends were payable shall have been declared and paid.

Shareholder Approvals

In addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Class A Preference Shares, Series 34 as a series and any other approval to be given by the holders of the Class A Preference Shares, Series 34 may be given by a resolution carried by an affirmative vote of at least 66 2/3% of the votes cast at a meeting at which the holders of at least 25% of the outstanding Class A Preference Shares, Series 34 are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Class A Preference Shares, Series 34 then present would form the necessary quorum. At any meeting of holders of Class A Preference Shares, Series 34 as a series, each such holder shall be entitled to one vote in respect of each Class A Preference Share, Series 34 held.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Share, Series 34 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld) before any amount can be paid to the holders of shares ranking junior to the Class A Preference Share, Series 34. Upon such payment, the holders of the Class A Preference Share, Series 34 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 35 AS A SERIES

Dividends

The holders of Class A Preference Shares, Series 35 are entitled to receive quarterly floating rate cumulative preferential cash dividends, as and when declared by the board of directors of the Corporation payable quarterly on the last day of March, June, September and December in an amount per share equal to the sum of the three-month Government of Canada Treasury Bill Rate (on the 30th day prior to the 1st day of each of April, July, October and January in each year) plus 2.63% calculated on the basis of the actual number of days elapsed in the period divided by 365, then multiplied by C$25.00.

Redemption

The Class A Preference Shares, Series 35 may not be redeemed by the Corporation before March 31, 2019. On or after that date, the Corporation may, subject to applicable law, at its option without the consent of the holders, redeem all or any part of the then outstanding Class A Preference Shares, Series 35 by the payment of (i) C$25.00 per share in the case of redemptions on March 31, 2024 and on March 31 every five years thereafter (each, a "Conversion Date") or (ii) C$25.50 per share in the case of redemptions on any date which is not a Conversion date after March 31, 2019, in each case together with all accrued and unpaid dividends thereon up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld). Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 35 in the open market or by private agreement or otherwise, at the lowest price obtainable in the opinion of the board of directors of the Corporation.

Conversion

Subject to certain restrictions, the holders of the Class A Preference Shares, Series 35 have the right on any Conversion Date to convert any or all of the Class A Preference Shares, Series 35 held by them for Class A Preference Shares, Series 34 of the Corporation, on a one-for-one basis. Such a conversion of Class A Preference Shares, Series 35 for Class A Preference Shares, Series 34 must be initiated not less than 15 days and not more than 30 days prior to a Conversion Date. Under certain circumstances, the Class A Preference Shares, Series 35 automatically convert into Class A Preference Shares, Series 34, on a one-for-one basis.

Voting Rights

At any time that eight quarterly dividends, whether or not consecutive, on the Class A Preference Shares, Series 35 are not paid and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 35 are paid, the holders of Class A Preference Shares, Series 35 shall be entitled to receive notice of and to attend each meeting of shareholders and to one vote in respect of each Class A Preference Share, Series 35 held, provided that in respect of the election of directors, the holders of Class A Preference Shares, Series 35 will vote with the holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 2 may be entitled to elect). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 35 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 35:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking junior to the Class A Preference Shares, Series 35) on shares of the Corporation ranking junior to the Class A Preference Shares, Series 35;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Class A Preference Shares, Series 35, redeem, purchase or otherwise retire or make any return of capital in respect of shares of the Corporation ranking junior to the Class A Preference Shares, Series 35;

(c) redeem, purchase or otherwise retire or make any return of capital in respect of less than all of the Class A Preference Shares, Series 35 then outstanding; or

(d) except pursuant to any retraction privilege, sinking fund, mandatory redemption or purchase obligation attaching thereto, redeem, purchase or otherwise retire or make any return of capital in respect of any shares of any class or series ranking on a parity with the Class A Preference Shares, Series 35;

unless, in each such case, all dividends on outstanding Class A Preference Shares, Series 35 accrued up to and including the dividend payable for the last completed period for which dividends were payable shall have been declared and paid.

Shareholder Approvals

In addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Class A Preference Shares, Series 35 as a series and any other approval to be given by the holders of the Class A Preference Shares, Series 35 may be given by a resolution carried by an affirmative vote of at least 66 2/3% of the votes cast at a meeting at which the holders of at least 25% of the outstanding Class A Preference Shares, Series 35 are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Class A Preference Shares, Series 35 then present would form the necessary quorum. At any meeting of holders of Class A Preference Shares, Series 35 as a series, each such holder shall be entitled to one vote in respect of each Class A Preference Share, Series 35 held.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 35 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld) before any amount can be paid to the holders of shares ranking junior to the Class A Preference Shares, Series 35. Upon such payment, the holders of the Class A Preference Shares, Series 35 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 36 AS A SERIES

Dividends

The holders of Class A Preference Shares, Series 36 are entitled to receive quarterly fixed cumulative preferential cash dividends, as and when declared by the board of directors of the Corporation payable quarterly on the last day of March, June, September and December in each year at an annual rate of C$1.2125 per share.

Redemption

The Class A Preference Shares, Series 36 may not be redeemed by the Corporation before March 31, 2018. On or after March 31, 2018, the Corporation may, subject to applicable law, at its option without the consent of the holders, redeem all or any part of the then outstanding Class A Preference Shares, Series 36 by the payment of C$26.00 per share if redeemed before March 31, 2019, C$25.75 per share if redeemed on or after March 31, 2019 but before March 31, 2020, C$25.50 per share if redeemed on or after March 31, 2020 but before March 31, 2021, C$25.25 if redeemed on or after March 31, 2021 but before March 31, 2022, and C$25.00 per share if redeemed on or after March 31, 2022, together with all accrued and unpaid dividends thereon up to but excluding the date fixed for redemption (less any tax required to be deducted and withheld). Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 36 in the open market or by private agreement or otherwise, at the lowest price obtainable in the opinion of the board of directors of the Corporation.

Voting Rights

At any time that eight quarterly dividends, whether or not consecutive, on the Class A Preference Shares, Series 36 are not paid and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 36 are paid, the holders of Class A Preference Shares, Series 36 shall be entitled to receive notice of and to attend each meeting of shareholders and to one vote in respect of each Class A Preference Share, Series 36 held, provided that in respect of the election of directors, the holders of Class A Preference Shares, Series 36 will vote with the holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 2 may be entitled to elect). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 36 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 36:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking junior to the Class A Preference Shares, Series 36) on shares of the Corporation ranking junior to the Class A Preference Shares, Series 36;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Class A Preference Shares, Series 36, redeem, purchase or otherwise retire or make any capital distribution on or in respect of shares of the Corporation ranking junior to the Class A Preference Shares, Series 36;

(c) redeem, purchase or otherwise retire less than all of the Class A Preference Shares, Series 36 then outstanding; or

(d) except pursuant to any retraction privilege, sinking fund, mandatory redemption or purchase obligation attaching thereto, redeem, purchase or otherwise retire any shares of any class or series ranking on a parity with the Class A Preference Shares, Series 36;

unless, in each such case, all dividends on outstanding Class A Preference Shares, Series 36 accrued up to and including the dividend payable for the last completed period for which dividends were payable shall have been declared and paid.

Shareholder Approvals

In addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Class A Preference Shares, Series 36 as a series and any other approval to be given by the holders of the Class A Preference Shares, Series 36 may be given by a resolution carried by an affirmative vote of at least 66 2/3% of the votes cast at a meeting at which the holders of at least 25% of the outstanding Class A Preference Shares, Series 36 are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Class A Preference Shares, Series 36 then present would form the necessary quorum. At any meeting of holders of Class A Preference Shares, Series 36 as a series, each such holder shall be entitled to one vote in respect of each Class A Preference Share, Series 36 held.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Share, Series 36 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld) before any amount can be paid to the holders of shares ranking junior to the Class A Preference Share, Series 36. Upon such payment, the holders of the Class A Preference Share, Series 36 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS AA PREFERENCE SHARES AS A CLASS

The following is a summary of certain provisions attaching to or affecting the Class AA Preference Shares as a class.

Series

The Class AA Preference Shares may be issued from time to time in one or more series. The board of directors of the Corporation will fix the number of shares in each series and the provisions attached to each series before issue.

Priority

The Class AA Preference Shares rank junior to the Class A Preference Shares and senior to the Class A Limited Voting Shares, the Class B Limited Voting Shares and other shares ranking junior to the Class AA Preference Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or in the event of any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs. Each series of Class AA Preference Shares ranks on a parity with every other series of Class AA Preference Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or in the event of any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs.

Shareholder Approvals

The Corporation shall not delete or vary any preference, right, condition, restriction, limitation or prohibition attaching to the Class AA Preference Shares as a class except by special resolution passed by at least 66 2/3% of the votes cast at a meeting of the holders of the Class AA Preference Shares duly called for that purpose, in accordance with the provisions of the articles of the Corporation.

Each holder of Class AA Preference Shares entitled to vote at a class meeting of holders of Class AA Preference Shares, or at a joint meeting of the holders of two or more series of Class AA Preference Shares, has one vote in respect of each C$25.00 of the issue price of each Class AA Preference Share held by such holder.

CERTAIN PROVISIONS OF THE CLASS A LIMITED VOTING SHARES AND THE CLASS B LIMITED VOTING SHARES

The following is a summary of certain provisions attaching to or affecting the Class A Limited Voting Shares (into which certain series of the Corporation's Preference Shares may be converted) and the Class B Limited Voting Shares. The attributes of the Class A Limited Voting Shares and the Class B Limited Voting Shares are substantially equivalent, except for the differing voting rights attached to the two classes of shares.

The sole holder of the Class B Limited Voting Shares of the Corporation is a party to a trust agreement with Computershare Trust Corporation of Canada (formerly, Montreal Trust Corporation of Canada) (as trustee for the holders of the Corporation's Class A Limited Voting Shares) dated August 1, 1997. The trust agreement provides, among other things, that the holder has agreed not to sell any Class B Limited Voting Shares, directly or indirectly, pursuant to a takeover bid, unless a concurrent bid is made to all holders of Class A Limited Voting Shares. The concurrent offer must be: (i) for the same percentage of Class A Limited Voting Shares as the percentage of Class B Limited Voting Shares offered to be purchased from the holder; and (ii) the same in all material respects as the offer for the Class B Limited Voting Shares. Among other things, the trust agreement permits: (i) a sale by the sole holder of Class B Limited Voting Shares at a price per share less than 115% of the market price of Class A Limited Voting Shares and as part of a transaction involving not more than five persons in the aggregate; and (ii) a direct or indirect sale of shares of the sole holder of the Class B Limited Voting Shares to a purchaser who is or will become a shareholder of that holder and will not hold more than 20% of that holders' outstanding shares as a result of the transaction.

Priority

Subject to the prior rights of the holders of the Class A Preference Shares, the Class AA Preference Shares and any other senior-ranking shares outstanding from time to time, holders of Class A Limited Voting Shares and Class B Limited Voting Shares rank on a parity with each other with respect to the payment of dividends (if, as and when declared by the board of directors of the Corporation) and the return of capital on the liquidation, dissolution or winding up of the Corporation or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs.

Voting Rights

Except as set out below under "Election of Directors", each holder of Class A Limited Voting Shares and Class B Limited Voting Shares is entitled to notice of, and to attend and vote at, all meetings of the Corporation's shareholders, other than meetings at which holders of only a specified class or series may vote, and shall be entitled to cast one vote per share. Subject to applicable law and in addition to any other required shareholder approvals, all matters to be approved by shareholders (other than the election of directors), must be approved: by a majority or, in the case of matters that require approval by a special resolution of shareholders, at least 66 2/3%, of the votes cast by holders of Class A Limited Voting Shares who vote in respect of the resolution or special resolution, as the case may be; and by a majority or, in the case of matters that require approval by a special resolution of shareholders, at least 66 2/3%, of the votes cast by holders of Class B Limited Voting Shares who vote in respect of the resolution or special resolution, as the case may be.

Election of Directors

In the election of directors, holders of Class A Limited Voting Shares, together, in certain circumstances, with the holders of certain series of Class A Preference Shares, are entitled to elect one-half of the board of directors of the Corporation, provided that if the holders of Class A Preference Shares, Series 1, Series 2 or Series 3 become entitled to elect two or three directors, as the case may be, the numbers of directors to be elected by holders of Class A Limited Voting Shares, together, in certain circumstances with the holders of certain series of Class A Preference Shares, shall be reduced by the number of directors to be elected by holders of Class A Preference Shares, Series 1, Series 2 and Series 3. Holders of Class B Limited Voting Shares are entitled to elect the other one-half of the board of directors of the Corporation.

OTHER PROVISIONS REGARDING THE SHARE CAPITAL OF THE CORPORATION

The Corporation's articles provide that each holder of shares of a class or series of shares of the Corporation entitled to vote in an election of directors has the right to cast a number of votes equal to the number of votes attached to the shares held by the holder multiplied by the number of directors to be elected by the holder and the holders of shares of the classes or series of shares entitled to vote with the holder in the election of directors. A holder may cast all such votes in favour of one candidate or distribute such votes among its candidates in any manner the holder sees fit. Where a holder has voted for more than one candidate without specifying the distribution of votes among such candidates, the holder shall be deemed to have divided the holder's votes equally among the candidates for whom the holder voted.

APPENDIX C

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF THE CORPORATION

A committee of the board of directors (the "Board") of Brookfield Asset Management Inc. (the "Corporation") to be known as the Audit Committee (the "Committee") shall have the following terms of reference:

MEMBERSHIP AND CHAIRPERSON

Following each annual meeting of shareholders, the Board shall appoint from its number three or more directors (the "Members" and each a "Member") to serve on the Committee until the close of the next annual meeting of shareholders of the Corporation or until the Member ceases to be a director, resigns or is replaced, whichever occurs first.

The Members will be selected by the Board on the recommendation of the Governance and Nominating Committee of the Corporation (the "Governance and Nominating Committee"). Any Member may be removed from office or replaced at any time by the Board. All of the Members will be Independent Directors In addition, every Member will be Financially Literate and at least one Member will be an Audit Committee Financial Expert Members may not serve on more than three other public company audit committees, except with the prior approval of the Board.

The Board shall appoint one Member as the chairperson of the Committee. If the chairperson is absent from a meeting, the Members shall select a chairperson from those in attendance to act as chairperson of the meeting.

RESPONSIBILITIES

The Committee shall:

(a) oversee the work of the Corporation's external auditor (the "auditor") engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation;

(b) require the Corporation's internal audit function and auditor to report directly to the Committee;

(c) review and evaluate the auditor's independence, experience, qualifications and performance and determine whether the auditor should be appointed or re-appointed and nominate the auditor for appointment or re-appointment by the shareholders;

(d) where appropriate, terminate the auditor;

(e) when a change of auditor is proposed, review all issues related to the change, including the information to be included in the notice of change of auditor required, and the orderly transition of such change;

(f) review the terms of the auditor's engagement and the appropriateness and reasonableness of the proposed audit fees;

(g) at least annually, obtain and review a report by the auditor describing:

  (i) the auditor's internal quality-control procedures; and

  (ii) any material issues raised by the most recent internal quality control review, or peer review, of the auditor, or review by any independent oversight body such as the Canadian Public Accountability Board or the Public Company Accounting Oversight Board, or governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the auditor, and the steps taken to deal with any issues raised in any such review;

(h) at least annually, confirm that the auditor has submitted a formal written statement describing all of its relationships with the Corporation; discuss with the auditor any disclosed relationships or services that may affect its objectivity and independence; obtain written confirmation from the auditor that it is objective within the meaning of the Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of chartered accountants to which it belongs and is an independent public accountant within the meaning of the federal securities legislation administered by the United States Securities and Exchange Commission and of the Independence Standards of the Canadian Institute of Chartered Accountants, and is in compliance with any independence requirements adopted by the Public Company Accounting Oversight Board; and, confirm that the auditor has complied with applicable laws with the rotation of certain members of the audit engagement team;

(i) review and evaluate the lead partner of the auditor;

(j) ensure the regular rotation of the audit engagement team members as required by law, and periodically consider whether there should be regular rotation of the auditor;

(k) meet privately with the auditor as frequently as the Committee feels is appropriate to fulfill its responsibilities, which will not be less frequently than annually, to discuss any items of concern to the Committee or the auditor, including:

(i) planning and staffing of the audit;

(ii) any material written communications between the auditor and management;

(iii) whether or not the auditor is satisfied with the quality and effectiveness of financial recording procedures and systems;

(iv) the extent to which the auditor is satisfied with the nature and scope of its examination;

(v) whether or not the auditor has received the full co-operation of management of the Corporation;

(vi) the auditor's opinion of the competence and performance of the Chief Financial Officer and other key financial personnel of the Corporation;

(vii) the items required to be communicated to the Committee in accordance with generally accepted auditing standards;

(viii) all critical accounting policies and practices to be used by the Corporation;

(ix) all alternative treatments of financial information within International Financial Reporting Standards ("IFRS") that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor;

(x) any difficulties encountered in the course of the audit work, any restrictions imposed on the scope of activities or access to requested information, any significant disagreements with management and management's response; and

(xi) any illegal act that may have occurred and the discovery of which is required to be disclosed to the Committee pursuant to paragraphs 240.41-42 and 250.22-24 of the Canadian Auditing Standards and the United States Securities Exchange Act of 1934, as amended;

(l) pre-approve or approve, if permitted by law, the appointment of the auditor to provide any audit service or non-prohibited non-audit service and, if desired, establish detailed policies and procedures for the pre-approval of audit services and non-prohibited non-audit services by the auditor. The Committee may delegate this responsibility to one or more Members to the extent permitted by applicable law provided that any pre-approvals granted pursuant to such delegation must be detailed as to the particular service to be provided, may not delegate Committee responsibilities to management and must be reported to the full Committee at its next scheduled meeting;

(m) resolve any disagreements between management and the auditor regarding financial reporting;

(n) prior to disclosure to the public, review, and, where appropriate, recommend for approval by the Board, the following:

(i) audited annual financial statements, in conjunction with the report of the external auditor;

(ii) interim financial statements;

(iii) annual and interim management discussion and analysis of financial condition and results of operation;

(iv) reconciliations of the annual or interim financial statements; and

(v) all other audited or unaudited financial information contained in public disclosure documents, including without limitation, any prospectus, or other offering or public disclosure documents and financial statements required by regulatory authorities;

(o) discuss earnings press releases and other press releases containing financial information (to ensure consistency of the disclosure to the financial statements), as well as financial information and earnings guidance provided to analysts and rating agencies including the use of "pro forma" or "adjusted" non-IFRS information in such press releases and financial information. Such review may consist of a general discussion of the types of information to be disclosed or the types of presentations to be made;

(p) review the effect of regulatory and accounting initiatives, as well as any asset or debt financing activities of the Corporation's unconsolidated subsidiaries that are not required under IFRS to be incorporated into the Corporation's financial statements (commonly known as "off-balance sheet financing");

(q) review disclosures made to the Committee by the Chief Executive Officer and Chief Financial Officer of the Corporation during their certification process for applicable securities law filings about any significant deficiencies and material weaknesses in the design or operation of the Corporation's internal control over financial reporting which are reasonably likely to adversely affect the Corporation's ability to record, process, summarize and report financial information, and any fraud involving management or other employees;

(r) review the effectiveness of management's policies and practices concerning financial reporting, any proposed changes in major accounting policies, the appointment and replacement of management responsible for financial reporting and the internal audit function;

(s) review the adequacy of the internal controls that have been adopted by the Corporation to safeguard assets from loss and unauthorized use and to verify the accuracy of the financial records and any special audit steps adopted in light of material control deficiencies;

(t) meet privately with the person responsible for the Corporation's internal audit function as frequently as the Committee feels appropriate to fulfill its responsibilities, which will not be less frequently than annually, to discuss any items of concern;

(u) review the mandate, budget, planned activities, staffing and organizational structure of the internal audit function (which may be outsourced to a firm other than the auditor) to confirm that it is independent of management and has sufficient resources to carry out its mandate. The Committee will discuss this mandate with the auditor; review the appointment and replacement of the person in charge of the Corporation's internal audit and review the significant reports to management prepared by the internal auditor and management's responses;

(v) review the controls and procedures that have been adopted to confirm that material financial information about the Corporation and its subsidiaries that is required to be disclosed under applicable law or stock exchange rules is disclosed, review the public disclosure of financial information extracted or derived from the Corporation's financial statements and periodically assess the adequacy of such controls and procedures and review process;

(w) review periodically, the status of taxation matters of the Corporation;

(x) set clear policies for hiring partners and employees and former partners and employees of the external auditor;

(y) review periodically the Corporation's susceptibility to fraud and oversee management's processes for identifying and managing the risks of fraud;

(z) refer systemic risks, risks of fraud and other risk-related matters, as determined appropriate by the Committee, to the Risk Management Committee of the Corporation, including those identified by the Corporation's internal auditor; and

(aa) consider other matters of a financial nature as directed by the Board.

Limitation of Audit Committee Role

The Committee's function is one of oversight. The Corporation's management is responsible for preparing the Corporation's financial statements and, along with the internal audit function, for developing and maintaining systems of internal accounting and financial controls. The auditor will assist the Committee and the Board in fulfilling their responsibilities for review of the financial statements and internal controls, and the auditor will be responsible for the independent audit of the financial statements. The Committee expects the auditor to call to its attention any accounting, auditing, internal accounting control, regulatory or other related matters that the auditor believes warrant consideration or action. The Committee recognizes that management in the Corporation's finance & treasury group and the internal and independent audit teams have more knowledge and information about the Corporation's financial affairs than do the Committee's members. Accordingly, in carrying out its oversight responsibilities, the Committee does not provide any expert or special assurance as to the Corporation's financial statements or internal controls or any professional certification as to the auditor's work.

REPORTING

The Committee will regularly report to the Board on:

(a) the auditor's independence;

(b) the performance of the auditor and the Committee's recommendations regarding its reappointment or termination;

(c) the performance of the internal audit function department;

(d) the adequacy of the Corporation's internal controls and disclosure controls;

(e) its recommendations regarding the annual and interim financial statements of the Corporation and any reconciliation of the Corporation's financial statements, including any issues with respect to the quality or integrity of the financial statements;

(f) its review of any other public disclosure document including the annual report and the annual and interim management's discussion and analysis of financial condition and results of operations;

(g) the Corporation's compliance with legal and regulatory requirements, particularly those related to financial reporting; and

(h) all other significant matters it has addressed and with respect to such other matters that are within its responsibilities.

COMPLAINTS PROCEDURE

The Committee will establish and periodically review a procedure for the receipt, retention, treatment and follow-up of complaints received by the Corporation regarding accounting, internal controls, disclosure controls or auditing matters and a procedure for the confidential, anonymous submission of concerns by employees of the Corporation regarding such matters.

REVIEW AND DISCLOSURE

The Committee will review this Charter at least annually and submit it to the Governance and Nominating Committee together with any proposed amendments. The Governance and Nominating Committee will review this Charter and submit it to the Board for approval with such further amendments as it deems necessary and appropriate.

This Charter will be posted on the Corporation's website at www.brookfield.com. The Management Information Circular of the Corporation will state that this Charter is available on the Corporation's website. This Charter will also be reproduced in full as an appendix to the Corporation's Annual Information Form

ASSESSMENT

At least annually, the Governance and Nominating Committee will review the effectiveness of this Committee in fulfilling its responsibilities and duties as set out in this Charter and in a manner consistent with the corporate governance guidelines adopted by the Board. The Committee will also conduct its own assessment of the Committee's performance on an annual basis.

ACCESS TO OUTSIDE ADVISORS AND SENIOR MANAGEMENT

The Committee may retain any outside advisor, including legal counsel, at the expense of the Corporation, without the Board's approval, at any time. The Committee has the authority to determine any such advisor's fees and any other retention terms.

The Corporation will provide for appropriate funding, for payment of compensation to any auditor engaged to prepare or issue an audit report or perform other audit, review or attest services, and ordinary administrative expenses of the Committee.

Members will meet privately with senior management as frequently as they feel is appropriate to fulfill the Committee's responsibilities, but not less than annually.

MEETINGS

Meetings of the Committee may be called by any Member, the Chairman of the Board, the Chief Executive Officer or Chief Financial Officer of the Corporation, the internal auditor or the auditor. Meetings will be held each quarter and at such additional times as is necessary for the Committee to fulfill its responsibilities. The Committee shall appoint a secretary to be the secretary of each meeting of the Committee and to maintain minutes of the meeting and deliberations of the Committee.

The powers of the Committee shall be exercisable at a meeting at which a quorum is present. A quorum shall be not less than a majority of the Members from time to time. Matters decided by the Committee shall be decided by majority vote. Subject to the foregoing, the Business Corporations Act (Ontario) and the by-laws of the Corporation, and, unless otherwise determined by the Board, the Committee shall have the power to regulate its procedure.

Notice of each meeting shall be given to each Member, the internal auditor, the auditor, and to the Chairman of the Board and the Chief Executive Officer of the Corporation. Notice of meeting may be given orally or by letter, electronic mail, telephone or other generally accepted means not less than 24 hours before the time fixed for the meeting. Members may waive notice of any meeting and attendance at a meeting is deemed waiver of notice. The notice need not state the purpose or purposes for which the meeting is being held.

The Committee may invite from time to time such persons as it may see fit to attend its meetings and to take part in discussion and consideration of the affairs of the Committee. The Committee may require the auditors and/or members of the Corporation's management to attend any or all meetings.

DEFINITIONS

Capitalized terms used in this Charter and not otherwise defined have the meaning attributed to them below:

"**affiliate**" of any person means any other person that, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such person.

"**Audit Committee Financial Expert**" means a person who has the following attributes:

(a) an understanding of generally accepted accounting principles and financial statements;

(b) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;

(c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements, or experience actively supervising one or more persons engaged in such activities;

(d) an understanding of internal controls and procedures for financial reporting; and

(e) an understanding of audit committee functions;

acquired through any one or more of the following:

(f) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;

(g) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;

(h) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or

(i) other relevant experience.

"**Financially Literate**" means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

"**Independent Director**" means a director who has been affirmatively determined by the Board to have no material relationship with the Corporation, either directly or as a partner, shareholder or officer of an organization that has a relationship with the Corporation. In addition to any other requirement of applicable securities laws or stock exchange provisions, a director who:

(a) is or was an employee or executive officer, or whose immediate family member is or was an executive officer, of the Corporation is not independent until three years after the end of such employment relationship;

(b) is receiving or has received, or whose immediate family member is receiving or has received, during any 12-month period within the last three years more than Cdn$75,000 in direct compensation from the Corporation, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), is not independent;

(c) is or was a partner of, affiliated with or employed by, or whose immediate family member is or was a partner of or employed in a professional capacity by, a present or former internal or external auditor of the Corporation is not independent until three years after the end of the affiliation, partnership or employment relationship with the auditor;

(d) is or was employed as, or whose immediate family member is or was employed as, an executive officer of another company (or its parent or a subsidiary) where any of the present (at the time of review) executive officers of the Corporation serve or served on that company's (or its parent's or a subsidiary's) compensation committee, is not independent until three years after the end of such service or the employment relationship; and

(e) is an executive officer or an employee of, or whose immediate family member is an executive officer of, another company (or its parent or a subsidiary) that has made payments to, or received payments from, the Corporation for property or services in an amount which, in any of the last three fiscal years exceeds the greater of US$1 million or 2% of such other company's consolidated gross revenues, in each case, is not independent until three years after falling below such threshold.

Additionally, an Independent Director for the purpose of the Committee specifically may not:

(a) accept directly or indirectly any consulting, advisory, or other compensatory fee from the Corporation, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service); or

(b) be an affiliated person of the Corporation (within the meaning of applicable rules and regulations).

For the purposes of the definition of Independent Director, the term Corporation includes any parent, subsidiary or other affiliated entity of the Corporation.

In to the requirements for independence set out in paragraph (c) above, Members must disclose any other form of association they have with a current or former external or internal auditor of the Corporation to the Governance and Nominating Committee for a determination as to whether this association affects the Member's status as an Independent Director.

This Charter of the Audit Committee was reviewed and approved by the board of directors of the Corporation on February 14, 2013.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

Management's Discussion and Analysis ("MD&A") is provided to enable a reader to assess our results of operations and financial condition for the fiscal year ended December 31, 2012. This MD&A should be read in conjunction with our 2012 annual consolidated financial statements and related notes and is dated March 28, 2013. Unless the context indicates otherwise, references in this Report to the "Corporation" refer to Brookfield Asset Management Inc., and references to "Brookfield," "us," "we," "our" or "the company" refer to the Corporation and its direct and indirect subsidiaries and consolidated entities. All amounts are in U.S. dollars, and are based on financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board unless otherwise noted.

Additional information about the company, including our 2012 Annual Information Form, is available free of charge on our website at www.brookfield.com, on the Canadian Securities Administrators' website at www.sedar.com and on the EDGAR section of the U.S. Securities and Exchange Commission's ("SEC") website at www.sec.gov.

Organization of the MD&A

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Part 1 provides an overview of our business, including a discussion of our strategy, and the economic environment and outlook at the time of writing. This section also contains information on the basis of presentation of financial information contained in the MD&A and key financial measures.

Part 2 provides an overview of our annual and fourth quarter financial results utilizing key financial measures contained in our Consolidated Statements of Operations, Other Comprehensive Income and Consolidated Balance Sheets over the past three years including a discussion of variances between the periods.

Part 3 is a discussion of the results of our various business segments based on key financial measures, including certain non-IFRS measures such as Funds from Operations and Net Operating Income. We also utilize key operating metrics in the discussion.

Part 4 reviews our capitalization and liquidity profile.

Part 5 discusses our operating capabilities and a number of key risks associated with our business and our issued securities. Further information on risks is contained in our Annual Information Form.

Part 6 contains additional information on our accounting policies, internal control environment and related party transactions.

STATEMENT REGARDING FORWARD-LOOKING STATEMENTS AND USE OF NON-IFRS MEASURES

This Report to Shareholders contains forward-looking information within the meaning of Canadian provincial securities laws and applicable regulations and "forward-looking statements" within the meaning of the "safe harbour" provisions of the United States Private Securities Litigation Reform Act of 1995. We may make such statements in the Report, in other filings with Canadian regulators or the U.S. Securities and Exchange Commission or in other communications. See "Cautionary Statement Regarding Forward-Looking Statements" on page 145.

We disclose a number of financial measures in this Report that are calculated and presented using methodologies other than in accordance with IFRS. We utilize these measures in managing the business, including performance measurement, capital allocation and valuation purposes and believe that providing these performance measures on a supplemental basis to our IFRS results is helpful to investors in assessing the overall performance of our businesses. These financial measures should not be considered as a substitute for similar financial measures calculated in accordance with IFRS. We caution readers that these non-IFRS financial measures may differ from the calculations disclosed by other businesses, and as a result, may not be comparable to similar measures presented by others. Reconciliations of these non-IFRS financial measures to this most directly comparable financial measures calculated and presented in accordance with IFRS, where applicable, are included within this MD&A.

Information contained in or otherwise accessible through the websites mentioned does not form part of this Report. All references in this Report to websites are inactive textual references and are not incorporated by reference.

PART 1 – OVERVIEW AND OUTLOOK

OUR BUSINESS

Brookfield is a global alternative asset manager with over $175 billion in assets under management. For more than 100 years we have owned and operated assets on behalf of shareholders and clients with a focus on property, renewable power, infrastructure and private equity.

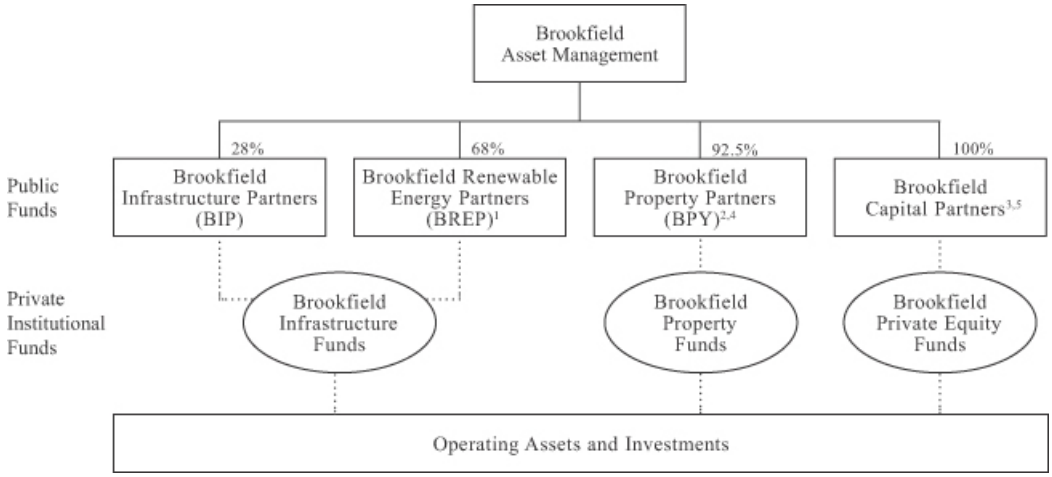
Our business model is simple: utilize our global reach to identify and acquire high-quality real assets at favourable valuations, finance them on a long-term basis, and enhance the cash flows and values of these assets through our operating platforms to earn reliable, attractive long-term total returns for the benefit of our clients and shareholders.

We have a range of public and private investment products and services which allow investees and clients to benefit from our expertise and experience by investing alongside us. These include entities that are listed on major stock exchanges as well as private funds that are available to accredited investors, typically pension funds, endowments and other institutional investors. We also manage public securities through a series of segregated accounts and mutual funds.

Our strategy includes having a flagship listed entity within each of our property, renewable power and infrastructure segments, which will serve as the primary vehicles through which we will invest in each respective segment. As well as owning assets directly, these entities serve as the cornerstone investors in our institutional private funds, alongside capital committed by institutional investors. For example, within our infrastructure operations, we have established Brookfield Infrastructure Partners L.P. (“BIP”), a publicly listed entity that currently has an $7.6 billion market capitalization, which is, in turn, the cornerstone investor in our Brookfield Americas Infrastructure Fund, a private investment partnership with $2.7 billion of committed capital from BIP and institutional investors. These two entities are supplemented from time to time with additional listed and unlisted niche entities, such as our Latin American country-specific infrastructure funds and timber funds. Brookfield Renewable Energy Partners L.P., a $7.8 billion market capitalization publicly listed pure-play renewable energy company, performs a similar function in our renewable power segment. We recently announced the launch of Brookfield Property Partners L.P., (“BPY”) through which we will invest in our commercial property operations, with an estimated initial capitalization of approximately $12 billion based on the IFRS carrying values of the assets and liabilities contributed to BPY by us.

This approach enables us to attract a broad range of public and private investment capital and the ability to match our various investment strategies with the most appropriate form of capital. Given the nature of our investment strategies, we do not currently envisage the formation of a listed entity within our private equity operations; however we are giving consideration to forming a listed entity that will invest in our timber and agricultural resource operations.

The following chart is intended to illustrate the strategy behind our organization structure.



1. In March 2013, we sold 8.1 million units of BREP via a secondary offering decreasing our ownership to 65%
2. Privately held. A 7.5% interest to be spun-off to Brookfield shareholders through a special distribution on April 15, 2013
3. Privately held
4. Also owns our interests in Brookfield Office Properties and General Growth Properties
5. Includes our interests in Brookfield Residential Properties Inc., Brookfield Incorporações SA and Norbord Inc.

STRATEGY AND VALUE CREATION

We focus on assets and businesses that form the critical backbone of economic activity, whether they provide high quality office space and retail malls in major urban markets, generate reliable clean electricity, or transport goods and resources to or from key locations. These assets and businesses typically benefit from some form of barrier to entry, regulatory regime or other competitive advantage that provides stability in cash flows, strong operating margins and value appreciation over the longer term.

As an asset manager we establish investment products through which our clients can invest in the assets that we own and operate. These products consist of both listed entities and private funds. We invest alongside our clients with capital from our balance sheet. This generates management fees and performance-based income that increases the value to our business and adds further value to the company by providing us with additional capital to grow the business and compete for larger transactions.

We are active managers of capital. We strive to add value by judiciously and opportunistically reallocating capital among our businesses to continuously increase returns.

Our operating platforms include over 24,000 employees worldwide who are instrumental in maximizing the value and cash flows from our assets. Our track record shows that we can add meaningful value and cash flow through “hands-on” operational expertise, through the negotiation of property leases, energy contracts or regulatory agreements, asset development, operations and other activities.

We finance our operations on a long-term, investment-grade basis, with most of our operations financed on a stand-alone asset-by-asset basis with minimal recourse to other parts of the organization. We also strive to maintain excess liquidity at all times in order to be in a position to respond to opportunities. This provides us with considerable stability and enables our management teams to focus on operations and other growth initiatives. It also improves our ability to weather financial cycles and provides the strength and flexibility to react to opportunities.

We prefer to invest in times of distress and in situations which are more multi-faceted and intensive. We believe these situations provide much more attractive valuations than competitive auctions and we have considerable experience in this specialized field.

We maintain development and capital expansion capabilities and a large pipeline of attractive opportunities. This provides us flexibility in deploying growth capital, as we can invest in both acquisitions and organic developments, depending on the relative attractiveness of returns.

As an asset manager, we create value for shareholders in the following ways:

- We offer attractive investment opportunities to our clients that will, in turn, enable us to earn base management fees based on the amount of capital that we manage for them, and additional returns such as incentive distributions and carried interests based on our performance. Accordingly, we create value by increasing the amount of capital under management and by achieving strong investment performance that leads to increased cash flows and asset values.
- We invest significant amounts of our own capital, alongside our clients in the same assets. This differentiates us from many of our competitors, creates a strong alignment of interest with our clients and enables us to create value by directly participating in the cash flows and value increases generated by these assets, in addition to the performance returns that we earn as the manager.
- Our operating capabilities enable us to increase the value of the assets within our businesses, and the cash flows they produce, through our operating expertise, development capabilities and effective financing. We believe this is one of our most important competitive advantages as an asset manager.
- We aim to finance assets effectively, using a prudent amount of leverage. We believe the majority of our assets are well suited to support a relatively high level of investment-grade secured debt with long maturity dates given the predictability of the cash flows and tendency of these assets to retain substantial value throughout economic cycles. This is reflected in our return on net capital deployed, our overall return on capital and our cost of capital. While we tend to hold our assets for extended periods of time, we endeavour to maximize our ability to realize the value and liquidity of our assets on short notice and without disrupting our operations.
- Finally, as an investor and capital allocator with a value investing culture and expertise in recapitalizations and operational turnarounds, we strive to invest at attractive valuations, particularly in situations that create opportunities for superior valuation gains and cash flow returns.

ECONOMIC AND MARKET REVIEW AND OUTLOOK

(As at March 7, 2013)

Overview and Outlook

Despite ongoing macroeconomic volatility and geopolitical uncertainty, 2012 generally represented a year of stabilization within the global economy. Confidence improved as the year progressed, as central banks around the world eased monetary policy in order to support a budding economic recovery. Positive catalysts emerged across the globe, with the U.S. housing market continuing to heal, sovereign debt concerns in Europe beginning to subside, and evidence of stability appearing in China. With liquidity continuing to flood the market and interest rates remaining near historic lows, the world economy ended the year poised for a return to normalcy and moderate levels of growth.

Against this backdrop, demand for income-producing asset classes with upside potential accelerated, as investors sought the unique combination of yield, stability and growth offered by these alternatives. Real Assets, including infrastructure and real estate, emerged as a particularly compelling investment option, offering attractive current yields, stable bond-like cash flows, equity-like upside and an important hedge against future inflation. Moving forward, we expect demand for Real Assets to continue to rise, as investors recognize the ability of the asset class to help navigate the current investment landscape and position existing portfolios for future growth.

United States

U.S. economic growth decelerated in the fourth quarter of 2012, with Gross Domestic Product ("GDP") declining by an annualized rate of 0.1%, compared with growth of 3.1% in the prior quarter, due mainly to fears over the fiscal cliff, the impact of Hurricane Sandy and reduced government spending. For the full year 2012, the pace of economic growth accelerated, but remained moderate, with GDP increasing by 2.2% up from 1.8% in 2011. Industrial production continued to recover, increasing by 3.6% in 2012, bringing it nearly level with the 2007 pre-crisis peak. Importantly, the U.S. housing sector showed preliminary signs of recovery as housing starts increased steadily throughout the year, averaging a 28% increase compared to 2011. We expect continued strength in this market during 2013, which should provide a positive catalyst for the rest of the U.S. economy.

On the employment front, 1.8 million new jobs were created in 2012, the same rate as in 2011. As a result, the unemployment rate declined to 7.8% by the end of 2012, from 8.5% in December 2011. Inflation remained low, averaging 2.1%, leaving room for the Federal Reserve to maintain the current zero interest rate policy as well as recent asset purchase programs.

Looking ahead, we anticipate the U.S. economy will produce moderate GDP growth of 2.0% in 2013, before re-accelerating to nearly 3.0% growth in 2014. However, fiscal policy remains uncertain, with mandated spending reductions due to take effect in March 2013 absent action by the U.S. government to alter the timing or size of the cutbacks. Current forecasts estimate these cuts may dampen economic growth by as much as one percentage point, should they be enacted as scheduled.

Canada

Canadian economic growth remained sluggish at the end of 2012, due to weaker exports and a cooling housing market. GDP is estimated to have grown by 1.7% in the fourth quarter, following a tepid increase of 0.6% in the third quarter. On an annual basis, the pace of GDP growth is expected to have eased to 2.0% in 2012 from 2.6% in 2011. Despite this moderation, employment growth accelerated over the course of the year, with 312,000 new jobs created in 2012 compared to an increase of 190,000 in 2011. As a result, the unemployment rate ended the year at 7.1%, down from 7.5% at the end of 2011. While the housing sector began to rebound in 2012, a contraction occurred during the fall, triggered by more restrictive mortgage rules and high levels of consumer debt. In the fourth quarter, housing starts dropped by 9% compared to the third quarter. However, the pace of inflation has been dropping and currently stands below the Bank of Canada's target level, indicating that interest rates will likely remain low in the near-term to stimulate the economy.

Australia

The Australian economy remained healthy throughout 2012 despite moderately weakening fundamentals. GDP growth decelerated throughout the year, due to softening consumer demand and a restrained housing market. Nevertheless, full year GDP growth is forecast to reach 3.5%, with expectations for a decline to 2.7% growth in 2013. The multi-speed nature of Australia's economy, with weakening domestic demand offset by a booming mining sector, creates unique challenges for the Reserve Bank of Australia ("RBA"), as monetary policy seeks to maintain low inflation and unemployment levels. Full year inflation of 2.2% remains comfortably within the RBA's target band, providing room for further cuts to the current cash rate of 3.0% should the labour market continue to soften. Looking ahead, positive catalysts are apparent, as the recent rebound in coal and iron ore pricing, as well as stabilization of the Chinese economy, should translate into favourable trade balance readings in the near term and provide support for the Australian economy.

Latin America

The divergence in the pace of economic growth between Brazil and other South American countries remained prominent throughout 2012. Despite Banco Central do Brasil's reduction in the SELIC monetary policy rate to a record low 7.25% and a weakening of the Brazilian real, efforts to spur stronger growth have yet to trigger a significant acceleration of economic

activity. While the Brazilian economy grew 1.7% year-over-year in the fourth quarter of 2012, full year GDP growth was more muted at approximately 1%, compared with growth rates of 4% to 6% for Colombia, Chile and Peru. Efforts in Brazil to support growth via a combination of easing monetary policy and direct intervention in the foreign exchange market weakened the real by around 10% in 2012, with the currency now trading in a band from 2.0 to 2.1 real to the U.S. dollar. The Chilean and Colombian pesos remained relatively stable against the dollar while the Peruvian Nuevo Sol continued a long-term trend of appreciation.

Although falling since 2011, fourth quarter data indicated inflation increased in Brazil to a level near 6%, whereas Colombia, Chile and Peru continued to experience slowing inflation in a range of 2% to 3%. Labour markets in all four countries remained healthy, with Brazil and Chile continuing a downward trend in unemployment (5.3% and 6.2%, respectively) while Colombia (9.3%) and Peru (5.7%) remained stable. Moving forward, we expect the combination of low unemployment and rising inflation will lead to accelerating economic growth in Brazil through 2013 and 2014.

Europe and the United Kingdom

Authorities took additional steps to combat the Euro zone sovereign debt crisis during 2012, including increased credit market intervention by the European Central Bank ("ECB") to provide liquidity to indebted governments and banks. This intervention, combined with the implementation of the European Stability Mechanism ("ESM"), a new 500 billion Euro rescue fund, lowered sovereign bond spreads and provided support for European equity markets. However, despite favourable developments in financial markets, recessionary conditions persisted in many European countries. Euro zone GDP contracted by 0.6% on an annualized rate during the fourth quarter of 2012, following a contraction of 0.3% in the third quarter. For the full year of 2012, GDP is expected to contract by 0.4%. The employment situation remained difficult, as the Euro zone unemployment rate ended 2012 at a record high level of 11.8%, up from 10.6% a year before. While inflation is muted and interest rates are supportive of growth, we believe the Euro zone economy will remain challenged in 2013. We expect flat to modest declines in GDP, as continued budget cuts and limited credit availability extend the current recession.

The UK experienced a second year of economic stagnation during 2012, as the nation weathered the dual challenges of fiscal austerity and above-target inflation. GDP growth was essentially flat on the year, as the economic growth spurred by the London Olympics and Queen's Jubilee celebration was offset by ongoing pressures on real income levels. Additionally, inflation continued to trend above the Bank of England's target levels, ending the year at a 2.7% rate. Despite these challenges, the labour market remained resilient, as 300,000 new jobs were forecast to have been created during the year, driving the unemployment rate down to 7.7% as of November 2012. Moreover, credit markets began to re-open, as banks worked through legacy loan issues and government lending initiatives took effect. While still well below previous levels, mortgage approvals improved and the housing market appeared to stabilize. Moving forward, while the economy is anticipated to grow modestly in 2013, we expect any recovery to be slow and grinding. Further monetary and fiscal measures appear likely, as the UK government and Bank of England attempt to combat below-trend economic growth while containing above-target inflation.

Asia

Following seven consecutive quarters of slowing growth, China's economy began to rebound in the fourth quarter, supported by an improving manufacturing environment and strong retail sales. Fourth quarter GDP growth of 7.9% represented a sequential improvement over the third quarter and resulted in full year 2012 GDP growth of 7.8%. While results have slowed from the 9.3% GDP growth produced in 2011, the Chinese economy appears to have successfully weathered a soft landing. Conversely, the Japanese economy remained stagnant, with fourth quarter GDP declining by 0.5% following a 3.5% decline in the third quarter. However, the election of a new government, with a mandate to push through aggressive economic reform, boosted the Japanese stock market by 14% during the fourth quarter. The Yen depreciated by approximately 11% over the quarter, but is expected to rally should the Bank of Japan announce further measures to support economic growth, including higher targets for inflation.

Property

Global property markets continued to benefit from improving capital liquidity and low costs of financing throughout 2012, leading transaction activity to accelerate. New supply remained relatively benign during the year, providing a strong foundation for real estate fundamentals, while demand is anticipated to slowly rise as employment growth recovers.

Within the retail property sector, leasing fundamentals remain strong in the U.S., with particular demand from international retailers seeking to expand in the market. New store openings are at a four-year high, with minimal new supply coming online over the next decade. Despite concerns of secular changes impacting lower productivity malls, this segment of the retail sector continues to experience strong tenant demand. Furthermore, attractive opportunities remain to enhance the value of lower productivity malls through tailored business plans, targeted capital upgrades and improved merchandizing mix.

Within the office property sector there is reluctance among larger scale tenants to make leasing decisions unless pressured by pending large expirations or consolidation needs, due largely to lingering concerns over the health of the global economy and uncertainty over U.S. fiscal policy. Property fundamentals continue to rebound, particularly in markets focused upon technology and energy industries. Transaction activity continues to favour premier assets in gateway markets, leading to a widening valuation gap between prime and secondary assets and property markets. We expect this gap to narrow in the medium term, as investors recognize the potential value creation opportunity available in certain secondary markets.

The multi-family sector is benefiting from several key secular and fundamental trends, including declining home ownership rates, demand from echo-boomers and limited mortgage credit provision, which have resulted in strong rent and occupancy growth. Although permits for new multi-family developments are beginning to rise, historical evidence demonstrates that multi-family demand is driven largely by employment growth, which is expected to accelerate in the near term.

Leasing velocity in the industrial sector is also demonstrating strength, driven by the reconfiguration of supply chains as e-commerce tenants build their delivery platforms and as tenants consolidate into more efficient space to reduce costs.

In our view, real estate assets should perform well in an environment of rising interest rates and inflation caused by an improving economic climate. Such an environment should translate into meaningful employment growth, providing support for real estate fundamentals through higher levels of consumption and leasing activity.

Power

Despite indications of a strengthening economic recovery in the U.S., 2012 drew to a close with no significant increase in electricity demand over 2011. The substantial gains in gas-fired generation observed in the first half of the year began to recede through the latter half, with a reversal in fuel switching trends evident by year-end due to higher natural gas prices. On a weather-adjusted basis, 2012 demand mirrored that of the prior year, while actual demand was fractionally lower, due largely to the exceptionally mild conditions of the first quarter.

Over the full year, wholesale power markets in New York and New England were significantly down relative to 2011, recording the lowest average prices in over a decade. However, the markets began to recover in the fourth quarter, reflecting the return of natural gas prices to mid-$3/MMBtu levels at Henry Hub. From a capacity perspective, both markets are expected to remain more than comfortably supplied for several years.

Renewable power continued to enjoy a pricing premium over the levels implied by the gas price curve throughout 2012. Consumers and utility companies are recognizing the benefits of renewable power sources, including lower price volatility, eco-friendly production methods and protection against future policy initiatives, including potential CO2 pricing and enhanced regulation surrounding environmental emissions. Moving forward, we expect demand for renewable power to continue to rise, particularly as recent natural disasters have revived efforts within the U.S. to combat climate change.

Power demand in Brazil rebounded during 2012, growing at 4.5% year-over-year. However, industrial demand was stagnant, increasing by only 0.3% year-over-year from January through October. A severe drought reduced hydro inflows and storage, leading power prices higher. As a result, demand for thermal generation has increased, with much of the incremental supply coming from high-cost imported liquefied natural gas.

Growth in the incentivized free market, where power from small (<30 megawatt capacity) hydro plants can be sold, has been rapid. Broker quotes in the free market for conventional power to be delivered in 2014 and 2015 now reach a range of R$130 to $135 per megawatt hour (“MWh”) compared to R$100/MWh one quarter ago.

Infrastructure

The infrastructure asset class witnessed further privatization activity during 2012, as governments across the world sought to raise capital and introduce private sector discipline into asset operations. This trend is likely to continue, due to a combination of austerity measures in Europe, rating agency pressures, and budgetary constraints. A secondary trend of diversified conglomerates selling infrastructure assets such as pipelines, airports and toll roads is also likely to accelerate moving forward, as management teams recognize the benefits of placing pure-play infrastructure assets into the hands of dedicated infrastructure investors.

Global infrastructure markets continued to benefit from the economic recovery in most regions. Further developments in the U.S. energy sector resulted in significant change among North American energy infrastructure assets. This was driven primarily by shale gas exploration and production growth, as well as ongoing growth in the oil sands of western Canada, resulting in significant investment opportunities. Publicly listed infrastructure companies in the U.S., were active in this market during the year, and enjoy a favourable cost of capital advantage, as investors are attracted to the income and growth potential offered by these securities.

The performance of transportation assets was more mixed in 2012, as local economic activity drove operational performance. In southern Europe, many toll roads experienced significant traffic declines after having weathered the 2008-2009 crisis relatively well. Other assets in regions with stronger economic activity experienced relatively robust operational and financial metrics. These mixed results across the globe have been a powerful reminder that not all infrastructure assets are created equally and regional as well as asset-specific factors can vary significantly.

Regulation and government policies impacted infrastructure assets to varying degrees during the year. Some of the more noteworthy policy changes in recent years include proposed tax changes for European utilities and concessions and proposed changes to concession renewal terms for power assets in Brazil.

Private Equity and Residential Development

Our private equity portfolio companies operate in a number of sectors, primarily in North America, and with a particular concentration in businesses whose performance is correlated with the U.S. homebuilding sector and the Alberta energy sector, while our residential development businesses operate primarily in select U.S. markets, the Alberta market in Canada, and in Brazil a number of major markets. Economic conditions continue to improve, driven primarily by recovery in the U.S. housing market. Additionally, the low interest rate environment and ongoing strength of the credit markets has enabled businesses to recapitalize their balance sheets, lowering overall borrowing costs and extending debt maturity profiles and favourable equity capital markets are permitting monetization of investments at attractive returns.

The Alberta energy sector, specifically oil and gas production and well servicing, was more challenging during 2012. Persistently high U.S. natural gas production and the absence of winter heating demand resulted in low realized commodity prices. Additionally, Canadian energy producers experienced discounted pricing for crude oil, resulting from steadily increasing continental supply.

Looking ahead, we expect commodity pricing will continue to face headwinds in 2013, although results may be mixed. We believe natural gas pricing is poised to improve, as gas rig counts remain at historical lows, natural gas generated electricity remains robust and North America returns to a normal winter weather cycle. However, we expect Canadian crude oil differentials to face ongoing pressure until infrastructure and export opportunities are realized.

As noted previously, we continue to see improvement in the U.S. housing sector. While regional markets in the U.S. progressed at slightly different rates of recovery, supply generally tightened and demand improved, leading to rising prices. The S&P/Case-Shiller index of U.S. property values in 20 cities posted a year-over-year increase of 6.8% in December 2012, one of the largest gains in home prices since mid-2006. Affordability remains high despite these price gains and we expect extremely low mortgage rates to continue to support home ownership.

Single family residential development operations in both Alberta and Ontario also performed well throughout 2012. Ongoing investment in the energy sector continued to support migration to Alberta, leading the province to the lowest unemployment rate in the country. Similarly, strong migration trends and current supply constraints continued to benefit the low-rise market in Toronto.

Moving forward, we anticipate a much improved U.S. housing market in the year ahead and a generally stable Canadian market. As momentum in the U.S. housing market accelerates and house prices rise, we expect our land assets will continue to appreciate in value. In many of our markets, a 10% increase in house prices may translate into a 20% to 30% increase in the underlying value of finished lots.

BASIS OF PRESENTATION AND KEY FINANCIAL MEASURES

Basis of Accounting

We are a Canadian corporation and are required to prepare our consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board. We are listed on the Toronto Stock Exchange, New York Stock Exchange and Euronext and recognize that IFRS may not be the generally used accounting methodology for all readers of this report. A particularly notable feature of IFRS is the use of fair value accounting for assets such as commercial properties and other physical assets that are not fair valued under U.S. generally accepted accounting principles (“U.S. GAAP”). Accordingly, the following discussion contains a summary of key features of IFRS that are particularly relevant to our financial statements and key financial measures. A complete summary of our significant accounting policies are described in Note 2 to our consolidated financial statements, which also contains a summary of critical judgments and estimates.

Consolidated Financial Information

Our consolidated financial statements to which this MD&A relates include the accounts of a number of the entities that we manage and invest in on a fully consolidated basis, as well as those which we present using the equity method of accounting.

We consolidate a number of entities even though we hold only a minority economic interest. This is the result of our exercising sufficient control over the affairs of these entities due to contractual arrangements. As a result, we include 100% of the revenues and expenses of consolidated entities in the corresponding line items in our consolidated statement of operations, even though a substantial portion of the net income of the entity is attributable to non-controlling interests. This does not impact net equity or net income attributable to Brookfield shareholders but it can significantly impact the financial statement presentation. For example, a large variance in revenues within a business which is largely owned by non-controlling interests may have a relatively small impact on net income attributable to shareholders.

Interests in entities over which we exercise significant influence, but where we do not exercise control, are accounted for as equity accounted investments. We record our proportionate share of their comprehensive income on a “one-line” basis as equity accounted income within net income and as equity accounted investments within other comprehensive income (“OCI”). As a result, our share of items such as fair value changes, that would be included with other fair value changes if the entity was consolidated, are instead included with the other components of net income of that entity within equity accounted income.

Certain of our consolidated subsidiaries and equity accounted investments do not utilize IFRS for their reporting purposes. The comprehensive income utilized by us is determined using IFRS and may differ significantly from the comprehensive income pursuant to the accounting principles reported by the investee. For example, IFRS requires a reporting issuer to fair value its investment properties such as office and retail properties, as described below, whereas other accounting principles such as U.S. GAAP may not. Accordingly, their stand-alone financial statements may differ from those which we consolidate.

Use of Fair Value Accounting

In accordance with IFRS, we account for a number of our assets at fair value. As at December 31, 2012 approximately 70% of our consolidated assets were carried at fair value and the remaining 30% were recorded at amortized historical cost or on another basis of accounting. We utilize a fair value measurement framework for our commercial properties, renewable power assets, and certain of our infrastructure and financial assets. Property, plant and equipment and inventory included within our private equity and residential development operations are recorded at amortized historic cost or the lower of cost and net realizable value. Public service concessions within our infrastructure operations are considered intangible assets and are amortized over the life of the concession. Other intangible assets and goodwill are recorded at cost or amortized cost. Equity accounted investments follow the same accounting principles as our consolidated assets and accordingly, include amounts recorded at fair value and amounts recorded on another basis depending on the nature of the underlying assets. The table on page 30 of this MD&A identifies the assets within our consolidated balance sheet that are carried at fair value.

We classify the vast majority all of our commercial property assets, including our office and retail property portfolios, as investment properties. Investment properties are revalued on a quarterly basis and the change in value is recorded as fair value changes within net income. Standing timber and agricultural assets are classified as sustainable resources and accounted for in a similar manner as investment properties. Depreciation is not recorded on investment properties or sustainable resources.

Our renewable power facilities are classified as property, plant and equipment and we have elected to record these assets at fair value using the revaluation method. Unlike investment properties, these assets are revalued only on an annual basis, and positive changes in value are recorded as revaluation surplus within OCI and accumulated within common equity. If a revaluation results in the fair value declining below the depreciated cost of the asset, then an impairment is charged to net income. Impairments of this nature may be subsequently reversed through increases in value. Depreciation is recorded on the revalued carrying values at the beginning of each year and recorded in net income. We also classify property, plant and equipment within our property and infrastructure operations using the revaluation method, however, property, plant and equipment within our other operations is accounted for using the depreciated historical cost method.

A significant amount of the carrying value of our infrastructure operations is recorded as intangible assets. These amounts typically represent the excess purchase price over the ascribed value of tangible assets on the acquisition of infrastructure businesses or assets, and reflect the value of the regulatory rate base or other characteristics. Intangible assets are carried at cost, subject to periodic impairment tests, and are amortized over their useful lives unless they are determined to have an indefinite life, in which case amortization is not recorded.

Financial assets, financial contracts and other contractual arrangements that are treated as derivatives are carried at fair value in our financial statements and changes in their value are recorded in net income or OCI, depending on their nature and business purpose (i.e., whether a security is held for trading, is available-for-sale, or whether a financial contract qualifies for hedge accounting or not). The more significant and common financial contracts and contractual arrangements employed in our business that are fair valued include: interest rate contracts; foreign exchange contracts; and agreements for the sale of electricity.

Key Financial Measures

Revenue

Many of the revenues from our asset management activities are not included in consolidated revenues because they are earned from entities that are consolidated in our financial statements and therefore are eliminated under IFRS consolidation principles. In addition, we do not recognize performance income such as carried interests that may have accrued due to investment performance until they are no longer subject to future events (i.e., claw-back provisions). Revenues in our construction business are recognized on a percentage-of-completion basis and include both our revenues as well as revenues derived by costs that are recoverable from sub-contractors which are offset by an equivalent amount recognized within direct costs.

We account for our office and retail property leases as operating leases and record the total amount of the contractual rent to be received over the life of the lease on a straight-line basis, which may differ from the actual amount of cash received in any given period. Rental revenues also include recoveries of operating expenses (recorded as direct costs), which are recognized in the period that such costs are charged to tenants. We also record certain revenues within our renewable power and infrastructure businesses on a straight-line basis.

Revenue from residential development activities is based on the completed project basis meaning that revenue is not recognized until such time as the risks and rewards of ownership have been transferred and the project is delivered. In the case of larger projects that are completed over several years, such as the residential condominiums developed in our Brazilian business or bulk lot sales, the resultant revenues and associated net income may be more irregular than those derived from the single family development activities that are typical within our North American business.

Direct Costs include costs associated with our asset management activities, notwithstanding that most of the associated income is not included in revenue because the costs are incurred directly or indirectly by Brookfield whereas the revenues are earned from entities that we consolidate and therefore are eliminated on consolidation. Direct costs in our construction and office property lines of business include sub-contractor costs and tenant operating costs, respectively. Direct costs also include subsidiary corporate costs.

Equity Accounted Income represents our share of the components of net income recorded by investments over which we exercise significant influence, such as our investment in General Growth Properties ("GGP"), and is reported as a single line item in our consolidated statement of operations. GGP reports under a U.S. GAAP framework, which differs from IFRS primarily in respect of the accounting treatment of GGP's retail mall portfolio. Under IFRS, we record GGP's retail malls at fair value whereas GGP's U.S. GAAP reporting follows the depreciated historical cost method, which may result in a significantly different net income than is reported by GGP in its standalone financial statements.

Interest Expense includes dividends declared on our capital securities, which are treated as liabilities under IFRS even though they are preferred shares, because they may be redeemed at the holder's option after a specific date for a variable number of Class A Limited Voting Shares.

Corporate Costs represent costs that are not attributable to a specific reportable segment.

Fair Value Changes. As noted under "Use of Fair Value Accounting" on page 20, we carry at fair value our commercial properties, standing timber and agricultural assets, and certain financial instruments and power sales agreements that do not qualify as hedges. Changes in the values of these items are recorded as "fair value changes" in our consolidated statement of operations. We record our share of fair value changes recorded by equity accounted investees as a component of equity accounted income.

Depreciation and Amortization includes the depreciation of property, plant and equipment as well as the amortization of intangible assets. Two of the largest components of depreciation relate to renewable power and infrastructure facilities, which are revalued annually in OCI. Depreciation of these assets is based on their fair value at the beginning of each year. We do not record depreciation on assets that are classified as Investment Properties (i.e., commercial office and retail properties) or Biological Assets (i.e., standing timber and agricultural assets).

Income Taxes recorded in our consolidated statement of operations generally relate to income and expenses presented therein while income taxes in OCI relates to items in that statement such as revaluation of property, plant and equipment, available-for-sale financial assets and financial contracts elected for hedge accounting. Income tax expense includes current and deferred amounts. Current taxes represent amounts that are paid/payable or received/receivable in the current year while deferred taxes represent amounts that are not anticipated to become payable or receivable until subsequent fiscal years. Deferred taxes are typically much larger than current taxes because they relate to timing differences associated with the revaluation of assets in our financial statements (for which there is no corresponding change in the tax value) that will be realized over time in subsequent fiscal years through usage or sale. In addition, we maintain large pools of loss carry forwards and generate other forms of tax attributes each year that are available to reduce current taxes. Deferred tax expense is computed using the applicable local tax rate applied to the excess of an asset's carrying value over its tax value and without discounting.

Non-controlling Interests. As noted above under "Basis of Accounting" we consolidate a number of partially owned entities because of our contractual rights as an asset manager, even though in some cases we own less than 50%. Accordingly, the net income, other comprehensive income and equity of these and other consolidated entities that is attributable to the other investors in these entities are reported on one line as "non-controlling interests" while the associated revenues, expenses, other comprehensive income, assets and liabilities are presented on a "gross" basis within the corresponding line items in our financial statements.

Valuation Items – Other Comprehensive Income include revaluations of property plant and equipment, such as our power generating facilities and certain infrastructure assets, as well as changes in the values of financial contracts and power sales agreements that qualify for hedge treatment, changes in the value of available-for sale securities and equity accounted other comprehensive income, as well as our share of similar items recorded by equity accounted investments.

Use of Non-IFRS Measures

We disclose a number of financial measures in this Report that are calculated and presented using methodologies other than in accordance with IFRS. These measures are used primarily in Part 3 of the MD&A. We utilize these non-IFRS measures in managing the business, including performance measurement, capital allocation and valuation purposes and believe that providing these performance measures on a supplemental basis to our IFRS results is helpful to investors in assessing the overall performance of our businesses. These financial measures should not be considered as a substitute for similar financial measures calculated in accordance with IFRS. We caution readers that these non-IFRS financial measures may differ from the calculations disclosed by other businesses, and as a result, may not be comparable to similar measures presented by others. Reconciliations of these non-IFRS financial measures to the most directly comparable financial measures calculated and presented in accordance with IFRS, where applicable, are included within Part 3 of this MD&A and elsewhere as appropriate.

PART 2 – FINANCIAL PERFORMANCE REVIEW

SELECTED ANNUAL FINANCIAL INFORMATION

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS, EXCEPT PER SHARE AMOUNTS)	**2012**	2011	2010	Change 2012 vs 2011	Change 2011 vs 2010
CONDENSED STATEMENT OF OPERATIONS					
Revenues	**$ 18,697**	$ 15,921	$ 13,623	$ 2,776	$ 2,298
Direct costs	**(13,909)**	(11,906)	(9,892)	(2,003)	(2,014)
Equity accounted income	**1,243**	2,205	765	(962)	1,440
Expenses					
Interest	**(2,497)**	(2,352)	(1,829)	(145)	(523)
Corporate costs	**(158)**	(168)	(188)	10	20
Valuation items					
Fair value changes	**1,150**	1,386	1,651	(236)	(265)
Depreciation and amortization	**(1,263)**	(904)	(795)	(359)	(109)
Income taxes	**(516)**	(508)	(140)	(8)	(368)
Net income	**2,747**	3,674	3,195	(927)	479
Non-controlling interests	**(1,367)**	(1,717)	(1,741)	350	24
Net income attributable to shareholders	**$ 1,380**	$ 1,957	$ 1,454	$ (577)	$ 503
Net income per share	**$ 1.97**	$ 2.89	$ 2.33		
CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME					
Valuation items	**$ 1,626**	$ 1,920	$ (906)	$ (294)	$ 2,826
Foreign currency translation	**(111)**	(837)	653	726	(1,490)
Taxes on above items	**(434)**	(147)	448	(287)	(595)
Other comprehensive income	**1,081**	936	195	145	741
Non-controlling interests	**(564)**	(141)	(421)	(423)	280
Other comprehensive income attributable to shareholders	**517**	795	(226)	(278)	1,021
Comprehensive income attributable to shareholders	**$ 1,897**	$ 2,752	$ 1,228	$ (855)	$ 1,524
AS AT DECEMBER 31 (MILLIONS)					
BALANCE SHEET INFORMATION					
Consolidated assets	**$ 108,644**	$ 91,022	$ 78,131	$ 17,622	$ 12,891
Borrowings and other long-term financial liabilities	**51,782**	42,311	37,487	9,471	4,824
Equity	**44,251**	37,399	29,192	6,852	8,207

Dividends declared for each class of issued securities for the three most recently completed years are presented on page 33.

ANNUAL FINANCIAL PERFORMANCE

The following section contains a discussion and analysis of line items presented within our consolidated financial statements. We have disaggregated several of the line items into the amounts that are attributable to our various business segments in order to facilitate the review of variances.

The financial data in this section has been prepared in accordance with IFRS for each of the three most recently completed financial years. Our presentation currency and functional currency was the U.S. dollar throughout each of these years. There were no changes in accounting principles that have had a material impact on the comparability of the results between financial years.

The condensed statement of operations on page 22 presents the results of consolidated entities on a 100% basis even though in many cases we own a much smaller interest. The amount of the net income of these partially owned entities that accrues to other shareholders is recorded as non-controlling interests. Accordingly, the impact of acquisitions and fair value changes within partially owned entities will often have a disproportionately larger impact on individual line items than it will on net income attributable to shareholders, once changes in non-controlling interests are taken into consideration. Similarly, changes in ownership that give rise to consolidation or deconsolidation can also have a significant impact on variances between reporting periods, as our proportionate share of the revenues and expenses of equity accounted investments are reported on a net basis as equity accounted income, as opposed to consolidation.

Overview

We reported net income attributable to shareholders of $1.38 billion in 2012, compared to $1.96 billion in 2011 and $1.45 billion in 2010. On a per share basis, net income per share was $1.97, $2.89 and $2.33 in those three years, respectively. The most significant contributor to the fluctuations in net income over the three years was the amount of fair value changes recorded in each year, including our proportionate share of fair value gains recorded by equity accounted investments.

2012 vs. 2011

Net income attributable to shareholders decreased by $577 million year-over-year. The decline is due primarily to a lower level of equity accounted income, which in turn reflects a lower amount of fair value changes recorded by the investees. This was partially offset by the contribution from recently acquired property and infrastructure assets, which led to increased revenues and direct costs, as well as increases in interest expense and non-controlling interests attributable to acquisition and development borrowings and capital from non-controlling interests.

The largest single factor was a decrease of $422 million in the equity accounted income from General Growth Properties (“GGP”) in 2012 compared to 2011, almost all of which was attributable to shareholders. The decrease reflects our share of the reduced amount of fair value gains recorded on GGP’s investment properties in 2012 relative to 2011. We also recorded a lower level of fair value gains in equity accounted commercial office properties relative to 2011 in part due to the consolidation of our U.S. Office Fund part way through that year.

Fair value changes related to units held by others in our renewable power fund resulted in a $376 million downward fair value change in 2011 following an increase in the quoted market price of the units. These units were recorded as liabilities prior to the reorganization of the fund in late 2011, and were subsequently recorded as non-controlling interests reflecting changes in the terms of the units upon reorganization. Accordingly, there were no such charges in 2012.

Same store rents increased in both our office and retail portfolios by 3% and 6%, respectively, and net income was also positively impacted by the contribution from recently acquired properties and the completion of the 1 million square foot Brookfield Place in Perth beginning in the second quarter of 2012. The contribution from our existing hydroelectric and wind energy generation facilities was negatively impacted by lower generation levels as a result of poor water flows; however this was partially offset by the contribution from recently acquired and commissioned facilities.

Our infrastructure business recorded increased revenues and earnings from several acquisitions and capital expansion projects completed since the beginning of 2011, notably the expansion of our Western Australian rail lines.

Our private equity and residential development operations recorded increased revenues and earnings from operations that have benefitted from the ongoing U.S. housing recovery, notably our operations and North American residential operations; however our Brazilian residential development business reported lower revenues and operating losses as a result of a slowdown in project completions and increased development costs.

2011 vs. 2010

Net income attributable to shareholders increased by $503 million year-over-year. The variance was due mostly to our proportionate share of fair value changes recorded by equity accounted investments.

The largest single factor was the acquisition of GGP in late 2010. We recorded $1,401 million of equity accounted income from GGP in 2011 compared to $nil in 2010, representing an increase of $1.4 billion which was almost entirely attributable to shareholders. The income includes our share of fair value gains recorded by General Growth Properties in 2011, which was particularly large following the emergence of the company from bankruptcy, the installation of a new management team and

strategy and continued improvement in tenant sales, as well as improved valuations of high-quality retail properties as an asset class. We also recorded our proportionate share of the revenues from GGP's retail properties less direct costs within equity accounted income, which represented a positive contribution to net income relative to 2010.

We recorded an increased amount of fair value gains on our commercial office properties arising from increasing cash flows and decreases in discount rates and terminal capitalization rates that reflected lower risk-free rates and improved valuations of high-quality commercial office properties as an asset class.

These gains were more than offset by a decline of $534 million in gains related to power sales contracts that were not accounted for as hedges between 2010 and 2011, most of which was attributable to shareholders. We recorded large gains in 2010 following a decrease in short-term market prices which increased the value of the contracts because they enabled us to sell power at higher prices. We adopted hedge accounting for several of our power sales agreements in 2011 with the result that mark-to-markets in this year were recorded as a component of OCI. Offsetting this variance was an increase in the negative mark-to-market of units held by others in our Renewable Power Fund following an increase in the quoted market price of the units.

We recorded a $405 million gain on the purchase of an infrastructure business in late 2010, which also gave rise to a decrease in fair value gains in 2011 relative to 2010 as we did not record a similar gain of this magnitude in 2011.

Our commercial office properties reported increases in same store sales relative to 2010. Net income also benefitted from improved results within our infrastructure reflecting the contribution from acquisitions and capital expansion projects.

Estimated impact of foreign currency translation on our consolidated financial results

The impact of currencies on our results was mixed, with the average rate over the year increasing for the Australian dollar and declining for both the Canadian dollar and the Brazilian real. The impact on common equity is reflected in the foreign currency translation component of other comprehensive income, which is discussed on page 29.

The relevant average exchange rates that impact our business are shown in the following table:

	Year-end Spot Rate			Average Annual Rate		
	2012	2011	2010	**2012**	2011	2010
Australian dollar	**1.0395**	1.0205	1.0233	**1.0357**	1.0329	0.9209
Brazilian real	**2.0435**	1.8758	1.6662	**1.9546**	1.8000	1.6967
Canadian dollar	**1.0079**	0.9787	1.0017	**1.0004**	1.0109	0.9709

Statement of Operations

Revenues

The following table presents consolidated revenues disaggregated into our business segments consistent with Note 3 to our consolidated financial statements in order to facilitate a review of year-over-year variances:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2012**	2011	2010	Change 2012 vs 2011	Change 2011 vs 2010
Asset management and other services	**$ 4,520**	$ 3,535	$ 2,374	$ 985	$ 1,161
Property	**3,982**	2,760	2,659	1,222	101
Renewable power	**1,179**	1,128	1,161	51	(33)
Infrastructure	**2,109**	1,725	962	384	763
Private equity and residential development	**6,900**	6,740	6,006	160	734
Corporate activities	**230**	311	623	(81)	(312)
Eliminations and adjustments[1]	**(223)**	(278)	(162)	55	(116)
Total consolidated revenues	**$ 18,697**	$ 15,921	$ 13,623	$ 2,776	$ 2,298

1. Adjustment to eliminate base management fees and interest income earned on/from entities that we consolidate. See Note 3 to our consolidated financial statements

Acquisitions can have a significant impact on revenues, as can changes in the basis of presentation of businesses such as between consolidation and equity accounting following changes in ownership. Revenues from our property and infrastructure assets tend to be relatively consistent between periods because they are largely determined by contractual arrangements; whereas renewable power revenues can be impacted by changes in water availability. Construction and property services revenues fluctuate significantly with the award of large contracts, and the revenues within our private equity and residential development operations can vary in line with changes in the level of economic activity.

2012 vs. 2011

Asset management and other services revenues increased by approximately $1.0 billion of which approximately $680 million relates to increases in construction revenues reflecting an increase in the number and scale of projects under construction, and approximately $200 million relates to increases in property services revenue reflecting the acquisition of a large U.S. relocation and property brokerage business in late 2011.

Property revenues increased by approximately $1.2 billion due to the acquisition of two large resort properties in March 2011 and April 2012, the consolidation of our U.S. Office Fund and Brookfield Place New York in the second half of 2011 and the completion of Brookfield Place Perth in May 2012.

Renewable power generation revenues were virtually unchanged as the contribution from acquired and commissioned facilities was offset by lower generation following unusually low water conditions during the second and third quarters of 2012.

Infrastructure revenues increased by approximately $380 million as a result of a number of acquisitions during the year, as well as the completion of expansion projects, offset by the impact of lower volumes and pricing on our timber revenues.

The increase in revenues within our private equity and residential development segment were principally due to the impact of higher prices and increased volumes on our panelboard operations, although this was largely offset by a lower dollar volume of project completions within our Brazilian residential development operations compared to 2011.

2011 vs. 2010

Asset management and services revenues increased by approximately $1.2 billion primarily as a result of an increase in construction activity as work-in-hand grew to $5.4 billion in 2011 from $4.3 billion in 2010.

Property revenue increased by approximately $100 million as a result of new leasing activity at higher average in-place net rents and currency appreciation in our Australian and Canadian properties. The consolidation of the U.S. Office Fund and other property acquisitions during the second half of the year contributed to the increase but were offset by reduced occupancies in the United States.

Renewable power generation revenues were relatively consistent with 2010 as weaker hydrology conditions in eastern Canada offset the contribution from acquired and commissioned facilities, and pricing for our generation in the northeastern United States, not subject to long-term power contracts, declined in 2011. This was offset partially by a Brazilian hydroelectric acquisition and the practical completion of a wind facility in eastern Canada.

Infrastructure revenues increased by approximately $750 million primarily due to the consolidation of businesses following the Prime Infrastructure merger in addition to increases in our utility and timber operations but was partially offset by a decline in our transport and energy revenues.

The increase in revenues in our private equity and residential development segment was due to an increase in the number of projects completed in our Brazilian residential development operations.

Direct Costs

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2012**	2011	2010	Change 2012 vs 2011	Change 2011 vs 2010
Asset management and other services	**$ 4,171**	$ 3,280	$ 1,954	$ 891	$ 1,326
Property	**1,812**	1,077	1,120	735	(43)
Renewable power	**475**	379	413	96	(34)
Infrastructure	**1,138**	908	698	230	210
Private equity and development	**6,105**	6,129	5,340	(24)	789
Corporate activities	**114**	46	268	68	(222)
Eliminations and adjustments[1]	**94**	87	99	7	(12)
	$ 13,909	$ 11,906	$ 9,892	$ 2,003	$ 2,014

1. Adjustment to reallocate unallocated segment costs

Direct costs within our asset management and other services and residential development operations are primarily variable in nature and increase or decrease in line with changes in revenues. Most of our other direct costs are fixed in nature, and therefore variances tend to relate to acquisitions or dispositions of assets or businesses, or a change in the basis of accounting (i.e., from equity accounting to consolidation). For example, we acquired a controlling interest in our U.S. Office Fund in August 2011, resulting in increased property direct costs in 2012. Changes in currency rates also impact the U.S. equivalent of costs incurred in foreign jurisdictions, particularly Australia, Brazil and Canada.

2012 vs. 2011

The increase in direct costs within our asset management and other services segment reflects an approximate $700 million increase in direct costs within our construction services business reflecting a greater number of projects relative to 2011 in addition to increases in direct costs within our property services business due to the acquisition of a large relocation and property brokerage business in late 2011.

Property related direct costs increased by approximately $740 million primarily due to the acquisition of two large resort properties. In addition, the consolidation of the U.S. Office Fund, Brookfield Place New York and other acquisitions contributed to the increase. The two large resort properties acquired in March 2011 and April 2012 have large operating costs relative to office and retail properties due to the nature of their business related in particular to much larger work forces.

Direct costs within our renewable power operations increased by approximately $100 million primarily relating to acquisitions and the impact of increased foreign exchange rates on our Brazilian and Canadian operations.

The increase in our infrastructure direct costs of $230 million reflects additional costs incurred within newly acquired businesses in addition to costs associated with completed expansion projects.

The decrease in our private equity and residential development segment reflects a lower amount of deliveries recorded within our Brazilian residential operations offset by increases in costs associated with the increased production experienced at our panelboard operations.

2011 vs. 2010

Direct costs within our asset management and other services segment increased by approximately $1.3 billion due principally to increases in construction activity.

Property related direct costs remained relatively flat as the impact of the consolidation of the U.S. Office Fund, Brookfield Place New York and other acquisitions in the second half of 2011 were offset by decreases in costs associated with the sale of properties in Boston and New Jersey.

Direct costs within our infrastructure operations increased by approximately $200 million principally due to a merger transaction in November 2010 that resulted in the consolidation of several businesses that were previously equity accounted.

Direct costs within our private equity and residential development segment increased by approximately $800 million largely due to a higher number of projects and acquisitions in our residential development operations as well as the consolidation of entities that were previously equity accounted following increases in our ownership levels.

Equity Accounted Income

Equity accounted earnings represent our share of the net income reported by equity our accounted investments.

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2012**	2011	2010	Change 2012 vs 2011	Change 2011 vs 2010
General Growth Properties	**$ 979**	$ 1,401	$ —	$ (422)	$ 1,401
U.S. Office Fund[1]	**—**	437	366	(437)	71
Other U.S. office properties	**198**	216	296	(18)	(80)
Infrastructure operations	**15**	115	12	(100)	103
Other	**51**	36	91	15	(55)
	$ 1,243	$ 2,205	$ 765	$ (962)	$ 1,440

1. Excludes income from equity accounted investments within the U.S. Office Fund

Equity accounted income increased by $1.4 billion between 2010 and 2011 and declined by $1.0 billion between 2011 and 2012. The increase between 2010 and 2011 was due primarily to the acquisition in late 2010 of our investment in General Growth Properties (“GGP”). The decrease in the contribution from GGP in 2012 was due almost entirely to a lower level of fair value gains recorded in respect of increases in the value of the company’s retail properties, and was offset in part by an increase in our proportionate share of the net operating income produced by GGP.

We began consolidating the results of our U.S. Office Fund in August 2011 and accordingly did not record any equity accounted income from that time on, although we did begin to record equity accounted income from partially owned properties within the fund. Notwithstanding the shortened ownership period during 2011 relative to 2010, the income recorded on this investment increased reflecting a higher level of fair value gains on increases in the value of the underlying office properties as well as increased net operating income due to improved leasing.

The changes in the amount of equity accounted income from infrastructure operations over the three years is due primarily to a larger amount of fair value gains recorded in respect of transmission operations in 2011 relative to 2010 and 2012.

Interest Expense

The following table presents interest expense organized by the balance sheet classification of the associated liability, with the exception of corporate borrowing expense, which includes expenses in respect of subsidiary liabilities that are guaranteed by the Corporation:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2012**	2011	2010	Change 2012 vs 2011	Change 2011 vs 2010
Corporate borrowings	**$ 209**	$ 197	$ 178	$ 12	$ 19
Non-recourse borrowings					
Property-specific mortgages	1,808	1,724	1,266	84	458
Subsidiary borrowings	405	337	291	68	46
Capital securities	**75**	94	94	(19)	—
	$ 2,497	$ 2,352	$ 1,829	$ 145	$ 523

Interest expense from corporate borrowings increased over the three years due to higher average consolidated borrowing levels over the years, as well as slightly higher exchange rates on Canadian dollar borrowings.

The consolidation of our U.S. Office Fund in 2011, resulted in our recording its interest expenses in our consolidated results, whereas previously it was presented on a net basis within equity accounted results giving rise to increases in property-specific and subsidiary borrowing expenses between the three years. Similarly, we began to consolidate a number of infrastructure operations in late 2010, which contributed to the increase in consolidated interest expense during 2011.

The majority of our borrowings are fixed rate long-term financings. Accordingly, changes in interest rates generally have minimal short-term impact on our cash flows.

Fair Value Changes

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2012**	2011	2010	Change 2012 vs 2011	Change 2011 vs 2010
Investment property	**$ 1,276**	$ 1,477	$ 835	$ (201)	$ 642
Sustainable resources	**132**	292	148	(160)	144
Power contracts	**9**	54	588	(45)	(534)
Infrastructure	**—**	—	405	—	(405)
Redeemable units	**(11)**	(376)	(159)	365	(217)
Interest rate contracts	**(81)**	(64)	(58)	(17)	(6)
Private equity	**(119)**	(74)	11	(45)	(85)
Other	**(56)**	77	(119)	(133)	196
	$ 1,150	$ 1,386	$ 1,651	$ (236)	$ (265)

2012 vs. 2011

Fair value gains from changes in investment property values totalled $1.3 billion in 2012 compared to $1.5 billion in 2011, representing a decrease of $0.2 billion. Changes in the value of our global office portfolio were $0.9 billion, compared to $1.2 billion in 2011 representing a decrease of $0.3 billion. In each year the changes were due primarily to lower discount and terminal capitalization rates as well as increases in projected cash flows.

Fair value changes on redeemable units contributed a positive variance of $0.4 billion. We recorded a valuation charge of $363 million in 2011 that related primarily to increases in the stock market price of units held by others in our listed renewable power entity, which we were required to record as a liability and mark-to-market. Following the reorganization of this entity into Brookfield Renewable Energy Partners L.P. in late 2011, the successor units are now treated as non-controlling interests and no longer marked to market.

2011 vs. 2010

We recorded a $0.6 billion increase in the amount of investment property gains, mostly related to our global office portfolio which in turn reflected both lower discount rates and higher projected cash flows.

We recorded a large mark-to-market gain in 2010 on the revaluation of long-term power sales agreements and which increased in value when electricity prices decreased relative to the price that we were able to sell the power under the contracts. We elected hedge accounting for the agreement in 2011 and accordingly changes in fair value are now recorded in OCI.

We recorded a $405 million gain within our infrastructure operations during 2010 relating to the purchase of a large infrastructure business at a discount to fair values, and the negative mark-to-market on redeemable units was $217 million higher in 2011 due to a larger increase in the stock market price of our listed renewable power entity than what occurred in 2010.

Depreciation and Amortization

Depreciation and amortization is summarized in the following table:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2012**	2011	2010	Change 2012 vs 2011	Change 2011 vs 2010
Renewable power	**$ 499**	$ 455	$ 488	$ 44	$ (33)
Private equity	**251**	227	197	24	30
Infrastructure	**248**	147	33	101	114
Property	**225**	33	12	192	21
Asset management and corporate	**40**	42	65	(2)	(23)
	$ 1,263	$ 904	$ 795	$ 359	$ 109

Depreciation relates mostly to our renewable power generating operations, with smaller amounts arising from infrastructure operations and industrial businesses held within our private equity operations. We do not recognize depreciation or depletion on our commercial office and retail properties, standing timber, and agricultural assets, respectively, as these assets are classified as investment properties and revalued on a quarterly basis in net income as part of “fair value changes.”

Depreciation and amortization on our renewable power facilities increased by $44 million in 2012 compared to 2011, following a decrease of $33 million in the preceding year. We recorded increases in the value of our power facilities at the end of 2011, which increased the amount of depreciation during 2012 whereas we reduced the value of the facilities at the end of 2010, which led to a lower amount of depreciation in 2011. Acquisitions and commissioning of new assets contributed to increases in depreciation in each year.

Private equity depreciation is primarily the depreciation of assets owned by investments held in our private funds.

Infrastructure depreciation and amortization increased by $101 million between 2011 and 2012 due to increased asset valuations, acquisitions and the commencement of depreciation on developments coming on line. The increase of $114 million between 2010 and 2011 is due to the consolidation of several operating units in late 2010.

Although most of our property assets are considered investment properties and are not depreciated under IFRS, we acquired hotel operations in 2011 and 2012, which are considered property plant and equipment and utilize the revaluation method. The increase in depreciation in 2012 is a result of depreciation and amortization recorded on tangible and intangible assets within these operations.

Income Taxes

2012 vs. 2011

The provision for income taxes in the statement of operations increased slightly to $516 million in 2012 from $508 million in 2011. The change from prior year is attributable to various items including the $71 million income tax expense in 2011 reflecting the decrease in value of deferred tax assets arising from a decline in the Canadian corporate income tax rate which did not recur in 2012 offset by a $132 million income tax expense in the current year resulting from an internal reorganization within our property operations.

2011 vs 2010

The provision for income taxes in the statement of operations increased to $508 million in 2011 from $140 million in 2010. This increase was attributable to various items including (i) a one-time derecognition of deferred tax liabilities of $149 million in 2010 in our property operations which arose from the wind-up of a joint venture arrangement; (ii) the $71 million expense in 2011 referred to above; and (iii) larger increases in the fair value of assets relative to their tax basis in 2011 than what occurred in 2010, as reflected in the variance in fair value changes between the two periods.

Non-Controlling Interests

Net income attributable to non-controlling interests decreased by $350 million from 2011 to 2012 and was relatively unchanged between 2010 and 2011. The decrease during 2012 reflects the decline in net income prior to non-controlling interests of $927 million, which is attributable to the variances discussed in this section. Net income prior to non-controlling interests increased by $479 million between 2010 and 2011. A corresponding change in non-controlling interests did not occur because these interests participate in each area of our business to different extents. For example, in 2011 we recorded a large increase in equity accounted income relating to our investment in General Growth Properties, which accrues almost entirely to Brookfield.

Other Comprehensive Income

Revaluation Items

2012 vs. 2011

Fair value changes in OCI during 2012 included a $825 million increase in the valuation of our renewable power facilities reflecting the positive impact of lower discount rates offset in part by the impact of lower price forecasts on projected cash flows. The 2011 results included a $2.3 billion gain, which reflected a larger decrease in discount rates than in 2012.

We recorded an approximate $350 million increase in the valuation of our Western Australian rail project following a $276 million gain in 2011. The gains reflect the completion in stages of a major capital expansion. The revaluation of property plant and equipment in other infrastructure units resulted in a further $200 million of fair value gains in 2012, reflecting capital improvements, lower discount rates and improved cash flows.

2011 vs. 2010

Fair value gains included in other comprehensive income include an increase of $2.3 billion in the carrying value of our renewable power assets, reflecting increases in the property, plant and equipment which were partially offset by a reduction in the carrying values of associated power sales agreements. Revaluation gains also include $300 million in respect of renewable power development projects that was not previously included in IFRS fair values.

Other items in OCI include changes in the fair values of contracts pursuant to which we manage interest rate and currency risks, which occurred primarily in our property and corporate segments.

Foreign Currency Translation

We record the impact of changes in foreign currencies on the carrying value of our net investment in non-U.S. operations in other comprehensive income. As at December 31, 2012, our IFRS net equity of $18.2 billion was invested in the following currencies, principally in the form of net investments which are revalued through other comprehensive income: United States – 56%; Australia – 16%; Brazil – 14%; Canada – 7%; and other – 7%. From time to time, we utilize financial contracts to adjust these exposures. Changes in the value of currency contracts that qualify as hedges are included in foreign currency translation. During 2012, the value of the Brazilian real declined by 9% compared to the U.S. dollar, which resulted in a loss of $111 million after considering the impact of other currency movements and hedging activities. During 2011, the value of our principal non-U.S. currencies (Australia, Brazil and Canada) all declined against the U.S. dollar, giving rise to a total decrease of $837 million after the mitigating impact of hedges, or $443 million after non-controlling interests.

Income Taxes

2012 vs. 2011

The provision for income taxes in the statement of other comprehensive income increased to $434 million in 2012 from $147 million in 2011, representing an increase of $287 million. The prior year's amount includes a $327 million recovery resulting from the formation of Brookfield Renewable Energy Partners L.P. in that year.

2011 vs 2010

The provision for income taxes in the statement of other comprehensive income was an expense of $147 million in 2011 compared to a recovery of $448 million in 2010. The $595 million increase is mainly attributable to increases in the fair value of assets relative to their tax basis that are recorded in other comprehensive income in 2011. The recovery in 2010 is largely due to a decrease in the revaluation of property plant and equipment in our renewable power operations that reduced the amount by which the book values exceeded the related tax basis.

Non-controlling Interests

Non-controlling interests in other comprehensive income declined by $423 million between 2011 and 2012, notwithstanding an increase in total other comprehensive income of $145 million. A greater proportion of fair value gains occurred within business units that had larger non-controlling ownership interests, whereas several business units that experienced a decrease in fair value gains year-over-year where those in which we had a greater interest. The variances between 2010 and 2011 represent similar anomalies.

FINANCIAL PROFILE

Consolidated Assets

The following table disaggregates our consolidated balance sheet for the past three year-ends into assets that are carried at fair value and those that are carried on another basis such as historical cost:

AS AT DECEMBER 31 (MILLIONS)	Carried at Fair Value Basis			Carried on Other Basis			Total Consolidated Assets		
	2012	2011	2010	**2012**	2011	2010	**2012**	2011	2010
Investment properties	**$ 33,161**	$ 28,366	$ 22,163	**$ —**	$ —	$ —	**$ 33,161**	$ 28,366	$ 22,163
Property, plant and equipment	**28,202**	20,036	15,953	**2,912**	2,796	2,567	**31,114**	22,832	18,520
Sustainable resources	**3,283**	3,155	2,834	**—**	—	—	**3,283**	3,155	2,834
Investments	**8,487**	7,272	5,124	**3,202**	2,129	1,505	**11,689**	9,401	6,629
Cash and cash equivalents	**—**	—	—	**2,844**	2,027	1,713	**2,844**	2,027	1,713
Financial assets	**2,630**	2,314	2,343	**481**	1,459	2,076	**3,111**	3,773	4,419
Accounts receivable and other	**1,614**	1,502	1,823	**5,331**	5,221	6,046	**6,945**	6,723	7,869
Inventory	**—**	—	—	**6,579**	6,060	5,849	**6,579**	6,060	5,849
Intangible assets	**—**	—	—	**5,764**	3,968	3,805	**5,764**	3,968	3,805
Goodwill	**—**	—	—	**2,490**	2,607	2,546	**2,490**	2,607	2,546
Deferred income tax asset	**—**	—	—	**1,664**	2,110	1,784	**1,664**	2,110	1,784
	$ 77,377	$ 62,645	$ 50,240	**$ 31,267**	$ 28,377	$ 27,891	**$ 108,644**	$ 91,022	$ 78,131

Consolidated balance sheet assets increased to $108.6 billion at the end of 2012. This represents an increase of $17.6 billion over the 2011 year-end, which followed a $12.9 billion increase between 2010 and 2011. The increases relate primarily to investment properties, property, plant and equipment, and investments and reflect acquisitions and fair value changes. In addition, the consolidation of investments that were previously equity accounted resulted in an increase in consolidated assets.

We do not fair value our equity accounted investments under IFRS; however, certain of our investments own assets that are recorded at fair value. This includes, for example, our investment in General Growth Properties, in which we record GGP's investment properties at fair value on an quarterly basis. We have separated investments into those in which the underlying assets are recorded at fair value or amortized cost in the above table to provide a more a complete analysis for users.

Investment Properties and Property, Plant and Equipment

The following table presents the major contributors to the year-over-year variances for our investment properties and property, plant and equipment balances:

AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Investment Properties		Property, Plant and Equipment							
			Renewable Power		Infrastructure		Property		Private Equity and Other	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Balance, beginning of year	**$28,366**	$22,163	**$14,727**	$12,443	**$4,669**	$3,510	**$ 640**	$—	**$2,796**	$2,567
Fair value changes	**1,276**	1,477	**830**	2,319	**706**	424	**4**	—	**(58)**	27
Depreciation	**—**	—	**(489)**	(453)	**(201)**	(88)	**(166)**	—	**(283)**	(197)
Acquisitions	**4,508**	7,288	**1,530**	852	**3,472**	1,034	**2,490**	640	**469**	668
Dispositions	**(1,136)**	(2,150)	**(20)**	(35)	**(48)**	(127)	**—**	—	**(64)**	(225)
Foreign currency translation	**147**	(412)	**(46)**	(399)	**104**	(84)	**—**	—	**52**	(44)
Net increase	**4,795**	6,203	**1,805**	2,284	**4,033**	1,159	**2,328**	640	**116**	229
Balance, end of year	**$ 33,161**	$ 28,366	**$ 16,532**	$ 14,727	**$ 8,702**	$ 4,669	**$ 2,968**	$ 640	**$ 2,912**	$ 2,796

Acquisitions and developments were the major contributor to increases along with fair value gains and increases revaluation surplus. In addition, we consolidated our U.S. Office Fund in 2011, which added $4 billion of consolidated assets in that year, and consolidated a number of infrastructure businesses in late 2010 following an increase in ownership of those businesses.

Investments

Note 8 to our consolidated financial statements presents a listing of our investments in associates and equity accounted joint ventures. Investments increased by $2.3 billion during 2012 and by $2.8 billion during 2011. The 2012 increase relates primarily to our share of the undistributed net income recorded by General Growth Properties, including fair value gains. We also acquired several equity accounted investments within our infrastructure operations. The 2011 increase includes $3.1 billion relating to our investment in GGP, which includes our share of undistributed net income, including fair value gains, as well as the acquisition of $1.7 billion of additional equity of GGP in early 2011. This increase was offset by the consolidation during 2011 of the U.S. Office Fund, which was carried at $1.8 billion at the end of 2010.

Borrowings and Other Long-term Financial Liabilities

We present our consolidated balance sheets on a non-classified basis, meaning that we do not distinguish between current and long-term assets or liabilities. We believe this classification is appropriate given the nature of our business strategy. Liabilities are disaggregated into current and long-term components in the relevant notes to our consolidated financial statements.

AS AT DECEMBER 31 (MILLIONS)	**2012**	2011	2010	2012 vs 2011	2011 vs 2010
Corporate borrowings	**$ 3,526**	$ 3,701	$ 2,905	$ (175)	$ 796
Non-recourse borrowings					
Property-specific borrowings	**33,648**	28,415	23,454	5,233	4,961
Subsidiary borrowings	**7,585**	4,441	4,007	3,144	434
Long-term accounts payable and other liabilities [1]	**5,407**	3,771	3,852	1,636	(81)
Capital securities	**1,191**	1,650	1,707	(459)	(57)
Other long-term financial liabilities	**425**	333	1,562	92	(1,229)
	$ 51,782	$ 42,311	$ 37,487	$ 9,471	$ 4,824

1. Excludes accounts payable and other liabilities that are due within one year. See Note 15 to our Consolidated Financial Statements for 2012 and 2011 balances

The increase in property-specific borrowings of $5.2 billion during 2012 is due primarily to acquisitions within our property and infrastructure operations. The increase of $5.0 billion during 2011 reflects the consolidation of debt held within our U.S. Office Fund, which was equity accounted at the end of 2010, and acquisitions within our Private Equity operations.

The increase in subsidiary borrowings of $3.1 billion during 2012 reflects acquisitions as well as the issuance of long-term corporate bonds by our managed listed issuers.

Accounts payable and other liabilities with a maturity greater than one year increased in 2012 as a result of long-term liabilities assumed on acquisitions within our property and infrastructure operations and continued expansion of our residential development operations.

We redeemed $506 million of capital securities during 2012 with the proceeds from the issuance of preferred shares at lower rates.

Other long-term liabilities represent interests of others in consolidated funds that are classified as liabilities because they contain terms such as redemption features. We reorganized our Renewable Power Fund in 2011 with the result that the units held by other investors were reclassified as non-controlling interests and therefore no longer treated as long-term liabilities. These units represented $1.4 billion of long-term liabilities at the end of 2010.

Equity

Shareholders' equity increased by $6.9 billion during 2012 following an $8.2 billion increase during 2011. Increases in non-controlling interests provided $4.7 billion of the increase in 2012 and $3.8 billion of the 2011 increase. In each year this reflects the acquisition of consolidated businesses, particularly within our infrastructure operations in 2012 as well as the undistributed comprehensive income and increases in revaluation surplus attributable to non-controlling interests, including fair value changes, which totalled $1.9 billion in each of 2012 and 2011 and $2.2 billion in 2010. Common equity increased by $1.4 billion in 2012, reflecting comprehensive income for shareholders and increases in revaluation surplus less shareholder distributions. The 2011 increase in common equity of $3.9 billion includes similar items as 2012 as well as the issuance of $1.5 billion in common equity net of share buybacks.

We provide a more detailed discussion of our capitalization in Part 4 of the MD&A.

QUARTERLY FINANCIAL PERFORMANCE

Total revenues, net income for the eight most recent quarters are as follows:

THREE MONTHS ENDED (MILLIONS)	2012				2011			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	**$ 5,622**	$ 4,644	$ 4,411	$ 4,020	$ 4,122	$ 4,423	$ 3,963	$ 3,413
Direct costs	**(4,380)**	(3,407)	(3,272)	(2,850)	(3,035)	(3,452)	(2,964)	(2,455)
Equity accounted income	**339**	256	258	390	584	393	1,017	211
Expenses								
Interest	**(637)**	(593)	(613)	(654)	(620)	(622)	(564)	(546)
Corporate costs	**(40)**	(41)	(35)	(42)	(40)	(42)	(43)	(43)
Valuation items								
Fair value changes	**415**	493	(100)	342	434	330	374	248
Depreciation and amortization	**(352)**	(327)	(287)	(297)	(228)	(224)	(231)	(221)
Income taxes	**(191)**	(153)	17	(189)	(257)	(90)	(124)	(37)
Net income	**$ 776**	$ 872	$ 379	$ 720	$ 960	$ 716	$ 1,428	$ 570
Net income for shareholders	**$ 492**	$ 334	$ 138	$ 416	$ 588	$ 253	$ 838	$ 278
Per share								
- diluted	**$ 0.72**	$ 0.48	$ 0.17	$ 0.60	$ 0.86	$ 0.36	$ 1.26	$ 0.41
- basic	**$ 0.74**	$ 0.48	$ 0.17	$ 0.63	$ 0.90	$ 0.36	$ 1.26	$ 0.42

Summary of Quarterly Results

The company's quarterly results vary primarily due to the impact of seasonality on our operations, fair value changes recognized on our consolidated assets as well as fair value changes recorded within equity accounted income, the impact of acquisitions or dispositions of assets or businesses and fluctuations in foreign currency exchange rates on non-U.S. operations.

The amount and timing of fair value changes vary on a quarterly basis depending on changes in the fair value of our assets which are recorded at fair value in net income. We recorded $544 million and $357 million of fair value changes on our equity accounted investment in General Growth Properties in the second and fourth quarters of 2011, respectively, resulting in an increase in both equity accounted income and net income in those periods. Fair value changes in the fourth quarter of 2011 include the reversal of $276 million of previously recorded gains, upon realization, resulting in a lower amount of unrealized gains in the period. We recorded $94 million of mark-to-market losses on power sales contracts in the second quarter of 2012.

Water flows and pricing within our renewable power operations are seasonal in nature. During the fall rainy season and spring thaw, water inflows tend to be the highest leading to higher generation; however prices tend not to be as strong as they are in the summer and winter seasons due to the more moderate weather conditions during the fall and spring and associated reductions in demand for electricity.

Our private equity and residential development operations include our Brazilian and North American residential developers, which tend to be seasonal in nature, with the fourth quarter typically the strongest as most of the construction is completed and homes are delivered. The company's residential operations recognize revenue at the time of delivery, as opposed to over the life of the project, and as a result, revenues and direct costs vary depending on the number of projects completed in a particular quarter. This can have a noticeable impact on the results from our Brazilian operations which involve the development of multi-unit condominium buildings as opposed to single-family dwellings. Also included within private equity is our special situations operations which tend to fluctuate on a quarterly basis as a result of certain of the underlying investments having seasonal operations as well as the timing of acquisitions and dispositions of operations.

Fee revenues generated within our asset management operations are contractual in nature and have increased over the past eight quarters due to higher amounts of fee bearing capital under management. Our construction business line is seasonal in nature and revenues are typically higher in the third and fourth quarters compared to the first half of the year, as weather conditions are more favourable in the latter half of the year.

Our property operations generate consistent results on a quarterly basis due to the long-term nature of contractual lease arrangements subject to the intermittent recognition of disposition and lease termination gains.

Our infrastructure operations are generally stable in nature, as a result of the long-term sales and volumes contracts which with our clients.

We generally finance our operations with long-dated fixed rate borrowings which results in interest expense being relatively consistent on a quarterly basis.

Depreciation and amortization increased in 2012, as a result of a higher valuation on our renewable power assets and increased in the third and fourth quarter of 2012 following the acquisition of depreciable assets.

In August 2011, we restructured and acquired an additional interest in our U.S. Office Fund, within our property operations, increase revenues, direct costs and interest expense. In addition, we acquired and commenced consolidating a number of businesses within our property and infrastructure businesses in the fourth quarter of 2012.

Fourth Quarter Results

We recognized $776 million of net income in the fourth quarter of 2012, $492 million of which was attributable to shareholders. Net income to shareholders in the prior year comparable period was $588 million. Our property and infrastructure operations benefited from the contribution of newly acquired assets and completed development projects coming online. We also realized $34 million of performance-based income in our private funds, $17 million of which was on the close-out of our initial private equity fund. These amounts were offset by lower levels of equity accounted income, primarily a decrease in GGP's fair value changes and increased depreciation on higher asset values and newly acquired assets.

CORPORATE DIVIDENDS

The dividends paid by Brookfield on outstanding securities during the past three years are as follows:

	Distribution per Security		
	2012	2011	2010
Class A Limited Voting Shares	**$ 0.55**	$ 0.52	$ 0.52
Class A Preferred Shares			
Series 2	**0.52**	0.53	0.43
Series 4 + Series 7	**0.52**	0.53	0.43
Series 8	**0.75**	0.76	0.61
Series 9	**0.95**	1.10	1.06
Series 10[1]	**0.37**	1.45	1.39
Series 11[2]	**1.02**	1.40	1.33
Series 12	**1.35**	1.36	1.31
Series 13	**0.52**	0.53	0.43
Series 14	**1.88**	1.91	1.52
Series 15	**0.42**	0.43	0.28
Series 17	**1.19**	1.20	1.15
Series 18	**1.19**	1.20	1.15
Series 21	**1.24**	1.27	1.21
Series 22	**1.75**	1.77	1.70
Series 24[3]	**1.35**	1.36	1.25
Series 26[4]	**1.12**	1.14	0.19
Series 28[5]	**1.15**	1.03	—
Series 30[6]	**1.20**	0.19	—
Series 32[7]	**0.89**	—	—
Series 34[8]	**0.32**	—	—

1. Redeemed April 5, 2012
2. Redeemed October 1, 2012
3. Issued January 14, 2010
4. Issued October 29, 2010
5. Issued February 8, 2011
6. Issued November 2, 2011
7. Issued March 13, 2012
8. Issued September 12, 2012

Dividends on the Class A Limited Voting Shares are declared in U.S. dollars whereas Class A Preferred Share dividends are declared in Canadian dollars.

PART 3 – BUSINESS SEGMENT RESULTS

BASIS OF PRESENTATION

How We Measure and Report Our Business Segments

For management purposes, we have organized our business into five segments in which we make operating and capital allocation decisions and assessing performance. In late 2012 we combined the oversight of our timber and agricultural development business lines and have reallocated the results of our agricultural development operations business line from Private Equity and Residential Development to Infrastructure. The comparative results have been revised to conform to our new basis of segment presentation.

i. Asset Management and Services comprises our asset management, construction and property services businesses. These operations generate contractual service fees earned from consolidated entities included in our other segments and third parties for performing management services, including management of our institutional private funds and listed entities, management of construction projects and residential relocation, franchise and brokerage operations. These operations are also characterized by utilizing relatively low levels of tangible assets relative to our other business segments.

ii. Property operations are predominantly office properties, retail properties, real estate finance, opportunistic investing and office developments located primarily in major North American, Australian, Brazilian and European cities. Income from property operations is primarily comprised of property rental income and, to a lesser degree, interest and dividend income. Virtually all of these operations will be held through Brookfield Property Partners L.P., in which we will own a 92.5% interest following the distribution of a 7.5% interest to our shareholders in April, 2013.

iii. Renewable power operations consist primarily of hydroelectric power generating facilities on river systems in North America and Brazil and wind power generating facilities in North America. The company's power operations are owned and operated through our 68% interest in Brookfield Renewable Energy Partners L.P. ("BREP") and a wholly owned subsidiary of the company which engages in the purchase and sale of energy, primarily on behalf of BREP.

iv. Infrastructure operations are predominantly utilities, transport and energy, timberland and agricultural development operations located in Australia, North America, Europe and South America, and are primarily owned and operated through a 28% interest in Brookfield Infrastructure Partners L.P. and direct investments in certain of the company's sustainable resources operations.

v. Private equity and residential development operations include the investments and activities overseen by our private equity group. These include direct investments as well as investments in our private equity funds. Our private equity funds have a mandate to invest in a broad range of industries, although currently the portfolios contain a number of investments whose performance is significantly impacted by the North American home building industry. Direct investments include interests in Norbord Inc., a panelboard manufacturer, and two publicly listed residential development businesses: which are predominantly a North American homebuilder and land developer, Brookfield Residential Properties Inc. and a Brazilian condominium developer, Brookfield Incorporações S.A. The operations in this segment are generally characterized by an investment approach that is more opportunistic in nature. Furthermore, these businesses are not integrated into core operating platforms, unlike the assets within our property, renewable power or infrastructure operations.

All other company level activities that are not allocated to these five business segments are included within Corporate operations, such as the company's cash and financial assets, corporate borrowings, capital securities and preferred equity and net working capital.

We have presented the costs associated with conducting asset management activities in the asset management segment. These include the costs of centralized activities as well as costs of asset management activities performed within other segments.

Certain corporate costs such as technology and operations are on behalf of the business segment and accordingly allocated to each business segment based on an internal pricing framework.

Segment Operating and Performance Measures

The following section contains a description of key operating and performance measures that we employ in discussing our segmented results and elsewhere in our MD&A on a selective basis. As noted below, these measures include non-IFRS financial measures and operating measures. The non-IFRS measures are reconciled to the most comparable financial statement component in Note 3 to our consolidated financial statements on page 38 of this report.

Funds from Operations

Funds from Operations ("FFO") is a key measure of our financial performance. We define FFO as net income prior to fair value changes, depreciation and amortization, and future income taxes, and including certain disposition gains that are not otherwise included in net income as determined under IFRS. When determining funds from operations, we include our proportionate share of the FFO of equity accounted investments and exclude transaction costs incurred on business combinations, which are required to be expensed as incurred under IFRS. We include disposition gains in FFO because we consider the purchase and sale of assets to be a normal part of the company's business. We use FFO to assess operating results and our business. We do not use FFO as

a measure of cash generated from our operations. We derive funds from operations for each segment and reconcile total FFO to net income in Note 3 of the consolidated financial statements.

Our definition of funds from operations may differ from the definition used by other organizations, as well as the definition of funds from operations used by the Real Property Association of Canada ("REALPAC") and the National Association of Real Estate Investment Trusts, Inc. ("NAREIT"), in part because the NAREIT definition is based on U.S. GAAP, as opposed to IFRS. When reconciling our definition of funds from operations to the determination of funds from operations by REALPAC and/or NAREIT, key differences consist of the following: the inclusion of disposition gains or losses that occur as normal part of our business and cash taxes payable on those gains, if any; foreign exchange gains or losses on monetary items not forming part of our net investment in foreign operations; and gains or losses on the sale of an investment in a foreign operation.

Components of FFO

The segment amounts for the following items are derived from Note 3 to our consolidated financial statements. The totals of these amounts for all segments are non-IFRS measures and are reconciled to the most comparable measures under IFRS using the adjustments described in Note 3(c) to our consolidated financial statements.

- *Equity Accounted FFO* represents our share of what an equity accounted investee would report as FFO determined on a consistent basis with how we determine FFO from consolidated entities.
- *Disposition Gains/Losses* include gains or losses arising from transactions during the reporting period adjusted to include fair value changes and revaluation surplus recorded in prior periods. Disposition gains also include amounts that are recorded directly in equity as changes in ownership as opposed to net income because they result from a change in ownership of a consolidated entity.
- *Interest Expense* represents consolidated interest expense, including dividends declared on our capital securities.
- *Unallocated Costs* within business segments include costs that are not allocated to a specific business line within the segment. These costs are included in direct costs in our consolidated statement of operations, with the exception of unallocated corporate costs, which are presented as corporate costs in our consolidated statement of operations. Unallocated costs in our segment analysis also include expenses associated with asset management services provided by us that are eliminated in our consolidated financial statements.
- *Current Income Taxes* represent the portion of consolidated income tax expense attributable to each segment that is paid/payable or received/receivable in the current year.
- *Non-controlling Interests in FFO* represents the interests of non-controlling interests in the FFO of partially-owned consolidated entities.

The following two measures, net operating income and segment operating income, are non-IFRS measures both on a segment basis and an entity basis. These items are reconciled to revenues in Note 3 of our consolidated financial statements and on page 39.

- *Net Operating Income or NOI* is defined as revenues less direct costs, where direct costs exclude costs such as general and administrative expenses that are not directly attributable to specific operating activities (presented separately as unallocated costs). We use net operating income to assess the amount of cash flows generated from our consolidated businesses and assets, prior to the impact of borrowings.
- *Segment Operating Income* shows the performance of our assets prior to the impact of borrowings and is determined by the aggregate of net operating income, equity accounted FFO and disposition gains/losses.

Valuation Items

Valuation Items include our share of fair value changes and depreciation and amortization included in net income and valuation items included in OCI, after deducting non-controlling interests. Segment balances have been derived from Note 3 to our consolidated financial statements and the total amount of valuation items, which is a non-IFRS measure, is reconciled to the financial statement line items from which it is derived also in Note 3.

Components of Segment Financial Position

The following are components of segment financial position and are derived from Note 3 to our consolidated financial statements. The totals of these amounts for all segments are non-IFRS measures and are reconciled to the most comparable financial statement line items also in Note 3.

- *Segment Assets* represent total consolidated assets in a segment or business line other than equity accounted investments, less accounts payable and other liabilities and any deferred tax liabilities.
- *Borrowings* includes corporate borrowings, non-recourse borrowings, and capital securities which represent the financing associated with the particular segment or business line.
- *Segment Non-Controlling Interests* includes interests of others in consolidated funds and non-controlling interests, which represent the interest of other investors in common equity by segment.

- *Common Equity by Segment* is the amount of common equity allocated to a business segment. This metric is intended to present the net assets associated with the FFO of the segment.

Operating Measures

The following are operating measures that we employ to assess the performance of our asset management activities, as well as a description of how certain asset management income is recorded in our consolidated financial statements and our business segment analysis. The calculation of these measures may differ from other asset managers and, as a result, may not be comparable to similar measures presented by other asset managers.

- *Asset Management Revenues* include base management fees, incentive distributions, transaction and advisory fees and performance income. Many of these items are not included in consolidated revenues because they are earned from consolidated entities and are eliminated on consolidation.

  Base management fees are determined by contractual arrangements and are typically equal to a percentage of the Capital Under Management and are accrued quarterly. Base fees are earned on Capital Under Management from both clients and ourselves.

  We are entitled to a percentage of distributions paid by our managed listed entities above a predetermined threshold. We call these "incentive distributions" and accrue them when declared by the board of directors of the entity.

  Performance income includes arrangements where we are compensated for exceeding pre-determined investment returns. In most cases, these are carried interests whereby we receive a fixed percentage of investment gains generated within a fund that we manage provided that the investors receive a predetermined minimum return. Carried interests are typically paid out towards the end of the life of a fund after the capital has been returned to investors and may be subject to "claw back" until all investments have been monetized and minimum investment returns are sufficiently assured. We defer recognition of carried interests in our financial statements until they are no longer subject to adjustment based on future events; however we include them in our discussion of asset management segment results, in order to provide a more complete representation of performance. Unlike fees and incentive distributions, we only include carried interests earned in respect of third party capital in our segment results.

- *Capital Under Management* represents the capital committed, pledged or invested in our private funds, listed issuers and public securities and includes both called and uncalled amounts and other investments that we manage. Capital under management is the basis for determining base management fees, when held in a fee bearing vehicle such as a private fund or listed entity. We determine client capital in a manner consistent with the determination of the contractual base management fees for fee bearing vehicles. Capital under management also includes the capital committed by us, or entities managed by us, other than capital on which we are not entitled to earn fees (i.e., the fees are credited against other fee arrangements).

- *Fee Bearing Capital* represents capital under management that is managed by us under contractual arrangements that entitle us to earn Asset Management Revenues.

- *Uninvested Capital* (or "Dry Powder") represents capital that has been committed or pledged to us to invest on behalf of a client. We typically, but not always, earn base management fees on this capital from the time that the commitment or pledge to our private fund is effective until such time as the capital is invested, commonly referred to as the investment period. In certain cases, clients retain the right to approve individual investments before providing the capital to fund them. In these cases, we refer to the capital as "pledged" or "allocated."

SUMMARY OF RESULTS BY BUSINESS SEGMENT

Overview

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2012 (MILLIONS)	Operating Segments						
	Asset Management and Services	Property	Renewable Power	Infrastructure	Private Equity and Residential Development	Corporate/ Unallocated	**Total**
Financial results							
Revenues	$ 4,520	$ 3,982	$ 1,179	$ 2,109	$ 6,900	$ 230	**$ 18,920**
Net operating income	349	2,170	704	971	795	116	**5,105**
Equity accounted FFO	4	386	13	223	15	25	**666**
Disposition gains	—	(49)	214	63	31	100	**359**
Segment operating income	353	2,507	931	1,257	841	241	**6,130**
Interest expense	—	(1,076)	(412)	(399)	(276)	(369)	**(2,532)**
Corporate/unallocated costs	—	(172)	(36)	(144)	(28)	(160)	**(540)**
Current income tax	—	(9)	(12)	(16)	(79)	(19)	**(135)**
Non-controlling interests in FFO	—	(713)	(158)	(474)	(197)	(25)	**(1,567)**
Funds from operations	$ 353	$ 537	$ 313	$ 224	$ 261	$ (332)	**$ 1,356**
Valuation items	$ (56)	$ 1,154	$ 264	$ 161	$ (180)	$ (29)	**$ 1,314**
Financial position							
Segment assets	$ 1,855	$ 37,622	$ 14,325	$ 14,463	$ 9,476	$ 1,196	**$ 78,937**
Investments	67	8,143	344	2,606	236	293	**11,689**
Borrowings	(351)	(21,471)	(6,119)	(7,988)	(5,030)	(4,991)	**(45,950)**
Segment non-controlling interests	(1)	(11,336)	(3,559)	(6,510)	(2,107)	(102)	**(23,615)**
Preferred equity	—	—	—	—	—	(2,901)	**(2,901)**
Common equity by segment	$ 1,570	$ 12,958	$ 4,991	$ 2,571	$ 2,575	$ (6,505)	**$ 18,160**

The information presented in the table above has been extracted from Note 3 to our consolidated financial statements and is reconciled to the most closely related financial statement line item within that note.

Summary of Business Segment Results

The following table presents segment measures on a year-over-year basis for comparison purposes:

AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Common Equity by Segment		Funds from Operations	
	2012	2011	**2012**	2011
Operating platforms				
Asset management and other services	**$ 1,570**	$ 1,492	**$ 353**	$ 269
Property	**12,958**	10,943	**537**	687
Renewable power	**4,991**	5,109	**313**	232
Infrastructure	**2,571**	2,507	**224**	172
Private equity and residential development	**2,575**	2,616	**261**	248
Total operating segments	**24,665**	22,667	**1,688**	1,608
Corporate/unallocated	**(6,505)**	(5,924)	**(332)**	(397)
Total	**$ 18,160**	$ 16,743	**$ 1,356**	$ 1,211

FFO from asset management and other service activities increased by $84 million principally due to a higher level of fee-bearing capital, which was in turn a result of capital committed to our private funds, capital issuances by our listed entities, and increases in market values. We also recorded a higher level of performance income during 2012 as a result of the final return of capital to clients from a private equity fund.

Property segment FFO declined by $150 million, consisting of an increase in FFO excluding gains of $158 million, offset by a negative variance on disposition gains of $308 million. The increase in FFO excluding disposition gains was due primarily to the contribution from recently acquired and developed properties, improved leasing within our office portfolios, and increased rental revenues within our U.S. retail portfolio reflecting continued growth in tenant sales. The disposition gains and losses reflect the recognition in FFO of fair value changes previously recorded in net income upon the sale of properties. We recorded disposition gains of $203 million in 2011 compared to disposition losses of $105 million in 2012.

Renewable power FFO increased by $81 million, consisting of a $108 million decrease in FFO excluding gains offset by a $189 million increase in disposition gains. The 2012 gain of $214 million arose on the sale of a partial interest in Brookfield Renewable. The 2011 results included a $25 million gain. FFO excluding gains decreased from $207 million in 2011 to $99 million in 2012 primarily as a result of lower generation that was caused by water flows that were meaningfully below both long-term averages and the prior year's results. The decrease was partially offset by the contribution from recently acquired and commissioned facilities.

Infrastructure FFO increased by $52 million, consisting of a $7 million increase in FFO excluding disposition gains, and a $45 million positive variance in disposition gains. The increase in FFO excluding gains reflects the contribution from acquisitions and capital expansions within our transport and energy operations, offset by a lower contribution from our timber operations which in turn reflects lower pricing and volumes arising from reduced Asian demand. The disposition gains arose on the partial sale of timberlands located in western Canada and agricultural lands in Brazil.

FFO from our private equity and residential development operations increased by $13 million, consisting of a $65 million increase in FFO excluding disposition gains, and a decrease of $52 million in gains. The increase in FFO excluding gains was due primarily to increased pricing and volumes within our North American panelboard operations, which are benefitting from increased demand associated with the recovery in the U.S. home building sector. This improvement also contributed to improved results from our North American residential development operations. These improvements were partially offset by a lower contribution from our Brazilian residential development operations, which experienced a slowdown in activity and higher costs during 2012.

Corporate and unallocated FFO improved by $65 million, consisting of a $52 million increase in net FFO outflows which principally represent carrying charges on corporate borrowings and unallocated operating costs, offset by a $183 million positive variance from disposition gains. The increase in FFO outflows was due to a higher level of borrowing costs arising from higher average debt levels during the year, a $35 million break fee on the early redemption of high coupon debt and increased corporate costs that reflect a higher level of activity during the year. We recorded negative mark-to-markets on corporate securities portfolios in 2011 and positive mark-to-markets in 2012. In addition, these results include a $70 million gain in 2012 on the partial sale of our U.S. residential brokerage business.

Reconciliation of Non-IFRS Measures

The following table reconciles total funds from operations to consolidated net income:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2012**	2011
Funds from operations	**$ 1,356**	$ 1,211
Adjustments		
Less: FFO measures		
Gains not recorded in net income	**(259)**	(601)
Equity accounted FFO	**(666)**	(674)
Current income taxes	**135**	97
Non-controlling interests in FFO	**1,567**	1,462
Add: financial statement components not included in FFO		
Equity accounted income	**1,243**	2,205
Fair value changes	**1,150**	1,386
Depreciation and amortization	**(1,263)**	(904)
Income taxes	**(516)**	(508)
Total adjustments	**1,391**	2,463
Net income	**$ 2,747**	$ 3,674

The following tables reconcile net operating income and segment operating income to Note 3 of our consolidated financial statements:

FOR THE YEAR ENDED DECEMBER 31, 2012 (MILLIONS)	Operating Segments: Asset Management and Services	Property	Renewable Power	Infrastructure	Private Equity and Residential Development	Corporate/ Unallocated	Total Reportable Segments	Adjustments	Consolidated
Revenues	$ 4,520	$ 3,982	$ 1,179	$ 2,109	$ 6,900	$ 230	$ 18,920	$ (223)	18,697
Direct costs	(4,171)	(1,812)	(475)	(1,138)	(6,105)	(114)	(13,815)	(94)	(13,909)
Net operating income	**349**	**2,170**	**704**	**971**	**795**	**116**	**5,105**	**(317)**	**—**
Equity accounted FFO	4	386	13	223	15	25	666	(666)	—
Disposition gains	—	(49)	214	63	31	100	359	(359)	—
Segment operating income	**$ 353**	**$ 2,507**	**$ 931**	**$ 1,257**	**$ 841**	**$ 241**	**$ 6,130**	**$ (1,342)**	**—**

FOR THE YEAR ENDED DECEMBER 31, 2011 (MILLIONS)	Operating Segments: Asset Management and Services	Property	Renewable Power	Infrastructure	Private Equity and Residential Development	Corporate/ Unallocated	Total Reportable Segments	Adjustments	Consolidated
Revenues	$ 3,535	$ 2,760	$ 1,128	$ 1,725	$ 6,740	$ 311	$ 16,199	$ (278)	15,921
Direct costs	(3,280)	(1,077)	(379)	(908)	(6,129)	(46)	(11,819)	(87)	(11,906)
Net operating income	**255**	**1,683**	**749**	**817**	**611**	**265**	**4,380**	**(365)**	**—**
Equity accounted FFO	14	428	25	193	23	(9)	674	(674)	—
Disposition gains	—	433	25	—	177	(83)	552	(552)	—
Segment operating income	**$ 269**	**$ 2,544**	**$ 799**	**$ 1,010**	**$ 811**	**$ 173**	**$ 5,606**	**$ (1,591)**	**—**

The adjustments in the foregoing tables are described in Note 3 to our consolidated financial statements.

ASSET MANAGEMENT AND OTHER SERVICES

AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Asset Management		Construction and Property Services		Total Segment	
	2012	2011	**2012**	2011	**2012**	2011
Segment financial results						
Revenues	**$ 420**	$ 331	**$ 4,100**	$ 3,204	**$ 4,520**	$ 3,535
Net operating income	**190**	105	**159**	150	**349**	255
Equity accounted FFO	**4**	14	**—**	—	**4**	14
Funds from operations	**$ 194**	$ 119	**$ 159**	$ 150	**$ 353**	$ 269
Valuation items	**$ —**	$ —	**$ (56)**	$ (34)	**$ (56)**	$ (34)
Segment financial position						
Segment assets	**$ —**	$ —	**$ 1,855**	$ 1,930	**$ 1,855**	$ 1,930
Investments	**—**	—	**67**	2	**67**	2
Borrowings	**—**	—	**(351)**	(439)	**(351)**	(439)
Segment non-controlling interests	**—**	—	**(1)**	(1)	**(1)**	(1)
Common equity by segment	**$ —**	$ —	**$ 1,570**	$ 1,492	**$ 1,570**	$ 1,492

Asset Management and Other Fees

Asset management and other fees contributed the following revenues during the year:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Annualized	2012	2011
Revenues			
Base management fees	$ 385[1,2]	**$ 352**	$ 269
Incentive distributions	30[3]	**15**	4
Transaction and advisory fees	55[4]	**53**	58
	$ 470	**420**	331
Direct costs		**(252)**	(212)
		168	119
Performance based income[5]			
Realized		**34**	—
Direct costs		**(8)**	—
Net performance income		**26**	—
Funds from operations		**$ 194**	$ 119

1. Based on capital committed or invested and contractual arrangements at December 31, 2012
2. Includes $140 million of annualized base fees on Brookfield capital
3. Based on Brookfield Infrastructure Partners L.P.'s annual distribution in the amount of $1.72 per unit
4. Equal to simple average of 2012 and 2011 revenues
5. Excludes net performance based income subject to clawback

Base management fees increased by 31% to $352 million compared to $269 million in 2011. This reflects the contribution from new funds and an increase in capital committed, particularly in our property and infrastructure operations. Annualized base management fees totalled approximately $385 million at December 31, 2012. Base management fees include 100% of the amounts earned by us, including amounts in respect of Brookfield's capital. We do this in order to present the operating margins in an appropriate manner given that we record 100% of the costs incurred in providing these services. Base management fees do not include any contribution from approximately $1.5 billion of private funds on which our compensation is derived primarily from performance-based measures and carried interests, as opposed to base management fees. The weighted average term of the commitments related to the base fees is nine years, and our goal is to increase the level of base management fees as we continue to expand our asset management activities.

Brookfield Property Partners L.P., which will be launched in April 2013, will add an annual base management fee of $50 million for the initial capital and 1.25% of future increases in capitalization.

Transaction and advisory fees totalled $53 million in 2012, compared to $58 million in 2011. Our advisory business reported increased revenues compared to 2011, reflecting continued expansion and a number of successful mandates; however we recorded a lower level of transaction gains relative to 2011. We have expanded our investment banking activities into the U.S. and the UK, and continue to advise on a number of mandates in Canada and Brazil. Our primary focus is on real estate and infrastructure transactions.

Direct costs consist primarily of employee expenses and professional fees, as well as allocations of technology costs and other shared services. These costs increased by $40 million year-over-year in particular due to geographic expansion in our infrastructure, public securities and advisory businesses. We have expanded our operating resources considerably in recent years to establish the necessary capabilities to execute and manage these activities; however we believe that we can expand our operating margins in the future now that much of the operating infrastructure is in place.

Our share of accumulated performance income totalled $689 million at December 31, 2012. This represents an increase of $310 million compared to the prior year. We estimate that direct expenses of approximately $57 million will arise on the realization of the income accumulated to date. We recognized $34 million of third party performance income and $8 million of associated expenses in our financial statements and deferred the balance as our accounting policies defer recognition until the end of any determination or clawback period which is typically at or near the end of the fund's term. The amount of unrealized performance income net of associated costs was $632 million at year end (2011 – $328 million) as shown in the following table:

AS AT DECEMBER 31 (MILLIONS)	2012 Unrealized Performance Based Income	2012 Direct Costs	2012 Net	2011 Unrealized Performance Based Income	2011 Direct Costs	2011 Net
Unrealized balance, beginning of year	**$ 379**	**$ (51)**	**$ 328**	$ 260	$ (39)	$ 221
In year performance based income						
Unrealized	**344**	**(14)**	**330**	119	(12)	107
Realized	**(34)**	**8**	**(26)**	—	—	—
Unrealized balance, end of year	**$ 689**	**$ (57)**	**$ 632**	$ 379	$ (51)	$ 328

Capital Under Management

Capital under management is determined in a manner consistent with the determination of the contractual base management fees for fee bearing vehicles and is defined on page 36.

The following table summarizes the capital managed for clients, co-investors and ourselves:

AS AT DECEMBER 31 (MILLIONS)	Fee Bearing: Private Funds[1]	Fee Bearing: Listed Issuers[1]	Fee Bearing: Public Securities	Fee Bearing: Other Listed Entities	**Total**	2011
Property	$ 13,183	$ 3,077	$ 1,873	$ 6,512	**$ 24,645**	$ 24,094
Renewable power	498	10,061	—	—	**10,559**	9,031
Infrastructure	6,843	8,163	1,491	—	**16,497**	12,974
Private equity	2,720	—	12,160	3,266	**18,146**	18,162
December 31, 2012	**$ 23,244**	**$ 21,301**	**$ 15,524**	**$ 9,778**	**$ 69,847**	$ n/a
December 31, 2011	$ 20,454	$ 16,488	$ 19,833	$ 7,486	n/a	$ 64,261

1. Includes Brookfield capital of $8.4 billion in private funds and $10.3 billion in listed issuers

Fee bearing capital includes all capital on which we receive some form of asset management revenue, including capital committed or invested by us. For example, we include 100% of the market capitalization of listed issuers such as Brookfield Infrastructure Partners L.P. and private funds such as Brookfield Capital Partners II because we are entitled to earn fees on all of this capital, including our own. We do not, however, include the capital invested or committed by one Brookfield managed entity into another because the fees otherwise payable to us on this capital are credited against the fees payable to us by the other. Fee bearing capital in the above table includes the following amounts from us: private funds – $8.4 billion; managed listed entities – $10.3 billion.

Capital under management increased by $5.6 billion during 2012, resulting in a $100 million increase in annualized base fees from December 31, 2011 to December 31, 2012. The principal variances are set out in the following table:

FOR THE YEAR ENDED DECEMBER 31, 2012 (MILLIONS)	Private Funds	Listed Issuers	Public Securities	Other Listed Entities	**Total**	**Annualized Base Fees**
Balance, December 31, 2011	$ 20,454	$ 16,488	$ 19,833	$ 7,486	**$ 64,261**	**$ 285**
Commitments/contributions	5,036	2,090	2,318	—	**9,444**	**50**
Return of capital/distributions	(2,301)	(704)	(2,549)	—	**(5,554)**	**(5)**
Market appreciation (depreciation)	—	3,331	(1,139)	—	**2,192**	**55**
Other	55	96	(2,939)[1]	2,292	**(496)**	**—**
Change	2,790	4,813	(4,309)	2,292	**5,586**	**100**
Balance, December 31, 2012	**$ 23,244**	**$ 21,301**	**$ 15,524**	**$ 9,778**	**$ 69,847**	**$ 385**

1. Represents termination of joint venture

Private Funds

Private fund capital increased by $2.8 billion during the year to $23.2 billion. The increase reflects $5.0 billion of new commitments offset by distributions of capital to investors and expiry of uninvested commitments. Our approach to value investing means that we will on occasion let investment periods lapse without fully investing available capital if we are not satisfied with potential returns, although our objective is to fully invest the capital entrusted to us by our clients. The invested capital within our private funds of $15.9 billion has an average term of nine years. Private fund capital includes $5.2 billion of client capital that has not been invested to date but which is available to pursue acquisitions within each fund's specific mandate. Of the total uninvested capital, $3.0 billion relates to property funds, $1.2 billion relates to infrastructure funds and $1.0 billion relates to private equity funds. This uncalled capital has an average term during which it can be called of approximately three years.

Listed Issuers

Listed issuers capital includes the market capitalization of our listed issuers: Brookfield Renewable Energy Partners L.P., Brookfield Infrastructure Partners L.P., Brookfield Canada Office Properties, Acadian Timber and several smaller listed entities. Capital also includes corporate debt and preferred shares issued by these entities to the extent these are included in determining base management fees.

The increase in listed issuer capital of $4.8 billion includes the issuance of $2.1 billion of new capital including $0.5 billion of equity capital, $1.6 billion of corporate debt and preferred equity, and a $3.3 billion increase in the market value of our listed issuers, offset by $0.7 billion in distributions.

Brookfield Property Partners L.P. ("BPY") when launched in April 2013, will add an estimated $12 billion to listed issuers capital based on the book values of the assets and liabilities contributed to BPY by us.

Public Securities

In our public securities operations, we manage fixed income and equity securities with a particular focus on real estate and infrastructure, including high yield and distress securities. Capital under management in this business line decreased by $4.3 billion during the year. The cessation of a joint venture arrangement resulted in the elimination of $2.9 billion of associated assets we managed. Net outflows were $0.2 billion and we experienced an approximate $1.1 billion valuation decrease. We have continued to refocus the business on higher margin products and have eliminated several lower margin offerings. To this end, we have expanded our range of higher margin mutual fund and similar products and have received strong interest from clients supported in part by excellent performance in many of our funds.

Construction and Property Services

The following table summarizes funds from operations from our construction and property services operations:

YEARS ENDED DECEMBER 31 (MILLIONS)	Construction Services		Property Services		Total Services	
	2012	2011	**2012**	2011	**2012**	2011
Revenues	**$ 3,188**	$ 2,505	**$ 912**	$ 699	**$ 4,100**	$ 3,204
Operating costs and interest	**(3,075)**	(2,385)	**(866)**	(669)	**(3,941)**	(3,054)
Funds from operations	**$ 113**	$ 120	**$ 46**	$ 30	**$ 159**	$ 150

Construction revenues increased relative to 2011 as we were managing a larger volume of projects during the year.

Operating margins across the construction business decreased to 8.2% from 9.3% in 2011 as a result of increased general and administrative costs associated with the expansion of our engineering and infrastructure operations in Australia and construction operations in Canada.

The remaining work-in-hand totalled $4.3 billion at the end of December 31, 2012, and represented approximately 1.1 years of scheduled activity. We continue to pursue and secure new projects which should position us well for future growth. The following table summarizes the work-in-hand at the end of 2012 and 2011:

AS AT DECEMBER 31 (MILLIONS)	**2012**	2011
Australasia	**$ 2,626**	$ 3,091
Middle East	**1,047**	533
United Kingdom	**606**	1,780
Canada	**44**	—
	$ 4,323	$ 5,404

Property services fees include property and facilities management, leasing and project management and a range of real estate services. FFO from this business increased to $46 million in 2012 compared to $30 million last year reflecting the continued expansion of our property services business. We acquired a large relocation and residential brokerage business in late 2011 that

significantly expanded our market position in the relocations business which also led to higher revenues in 2012. We merged our U.S. residential brokerage business with another industry participant in late 2012 with the objective of creating a highly competitive business and retained a one-third interest in the combined entity, while at the same time receiving $127 million of cash proceeds and recording a disposition gain of $70 million which has been included in unallocated investment income.

Outlook and Growth Initiatives

We continue to witness increased interest by institutions and other investors in real asset investments, which is the focus of most of our investment strategies and products. The addition of $5.6 billion of capital under management and $100 million of associated annualized base management fees should both lead to increased contribution from this segment, as well as the potential to earn performance income and incentive distributions.

We believe the performance of our funds through the recent economic crisis, and the attractiveness of our investment strategies to our clients should enable us to achieve our goal of increasing capital under management and the associated fees substantially in the coming years. We are actively raising capital for six funds over the course of 2013 and 2014, seeking to obtain approximately $5.0 billion of additional commitments from third-party investors; four of the funds have already held first and subsequent closings. The recent issuance of additional equity by Brookfield Infrastructure Partners L.P. and the formation of Brookfield Renewable Energy Partners L.P. are important steps forward in our continued expansion of listed entities.

PROPERTY

Overview

Our property assets are currently owned through a number of public and private entities. We are in the final stages of launching Brookfield Property Partners L.P. ("BPY"), a publicly traded partnership through which we will own virtually all of our commercial property businesses. BPY is intended to be listed on the New York and Toronto stock exchanges under the symbol BPY and is anticipated to have an initial IFRS equity of approximately $12 billion. We will distribute approximately 7.5% of BPY to our shareholders by way of a special dividend in April of this year.

BPY will operate in a similar manner as our two other flagship listed entities, Brookfield Infrastructure Partners L.P. and Brookfield Renewable Energy Partners L.P., in that we intend that these entities will be the primary vehicles through which we will invest our capital into each of the property, power and infrastructure sectors. We are the manager of BPY and the majority of the private funds whereas Brookfield Office Properties manages the core office funds.

Our property operations are organized into three business lines:

Office properties, which are primarily held through 50% owned Brookfield Office Properties and consist of high quality well located office buildings in major cities in Australia, Canada and the United States. We also hold a 22% interest in Canary Wharf Group, which includes similar high quality properties in London, UK.

Our commercial property portfolio consists of interests in 125 properties totalling 80 million square feet, including 10 million square feet of parking. Our development portfolio comprises interests in 20 sites totalling 18 million square feet. Our primary markets are the financial, energy and government center cities of New York, Washington, D.C., Houston, Los Angeles, Toronto, Calgary and Ottawa in North America as well as Sydney, Melbourne and Perth in Australia and London in the United Kingdom. Landmark assets include the Brookfield Place complexes in New York, Toronto, and Perth, Bank of America Plaza in Los Angeles, Bankers Hall in Calgary, and Darling Park in Sydney.

Our commercial property investments are held through wholly or partially owned subsidiaries, which are fully consolidated on our balance sheets, and through entities that we jointly control with our partners, for which we recognize our interests in the net assets of such entities using the equity method of accounting.

Retail properties, located in the United States, are held through our 43% consortium interest in General Growth Properties ("GGP"), our 52% consortium interest in Rouse Properties, in Brazil through our 35% owned institutional fund, and direct interests in Australia.

GGP's portfolio is comprised of 126 regional malls in the United States comprising approximately 129 million square feet of gross leaseable area. GGP's U.S. mall portfolio includes 70 Class A malls generating tenant sales of $635 per square foot. These malls are located in core markets defined by population density, household growth, and a high-income demographic. The regional malls had 2012 average tenant sales of $545 per square foot.

Rouse Properties is among the largest regional mall owners in the United States with a portfolio that consists of 32 malls in 19 states encompassing 23 million square feet of retail space.

Our Brazilian portfolio, which consists of 3 million square feet of retail space, is owned through a private institutional fund that we manage and in which we own a 35% interest. GGP also holds a 45.6% interest in Aliansce, a listed company which owns a 7 million square foot portfolio, also located in Brazil. We hold most of our 3 million square foot Australian portfolio directly, and continue to monetize these assets selectively as we focus our retail operations on markets in which we have a larger retail presence.

Office development, opportunity investing and real estate finance activities: Office developments are conducted primarily through Brookfield Office Properties, and our opportunity and real estate finance activities are conducted primarily through a number of institutional funds with total committed capital at year end of $5.3 billion, including $1.8 billion from Brookfield entities.

Highlights for the year included the following:

- Secured commitments of $2.9 billion for private funds within our property segment.
- Acquired $6.4 billion of property assets enabling us to invest $1.9 billion of equity capital including:
  - a 884,000 square foot office portfolio in London, UK
  - a mixed use portfolio in Australia, including a prime office development site in Sydney
  - a 4,000 room hotel and casino
  - a portfolio of 19 apartment communities with approximately 5,000 units
  - a company which owns and operates approximately 18 million square feet of industrial properties and over 20,000 acres of land
  - 731,000 square feet of retail properties
- Leased 7.3 million square feet in our core office portfolio and 13.2 million square feet in our retail portfolio at meaningful increases in net rents over the expiring leases. Occupancy in our global office portfolio decreased from 93.3% to 92.1% during the year due to the disposition of higher occupancy assets and acquisition of lower occupancy opportunistic assets as well as expected vacancies in Denver, New York, and Washington, D.C., and increased from 93.5% to 95.1% in our retail portfolio.
- Refinanced $11.7 billion of debt during the year, extending term and decreasing cost of capital.
- Completed the development of the 1 million square foot Brookfield Place office tower in Perth and advanced work on 6 million square feet of office development projects, including the 5 million square foot Manhattan West project in New York City.
- Our two primary listed entities within this group, Brookfield Office Properties and General Growth Properties, produced total returns to investors during 2012 of 10.6% and 36.0%, respectively, based on share price appreciation and distributions.

The following table disaggregates the financial results of our property operations into our principal business lines:

AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Office Properties		Retail Properties		Development, Opportunity and Finance		Total Segment	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
Segment financial results								
Revenues	**$ 2,612**	$ 2,006	**$ 215**	$ 245	**$ 1,155**	$ 509	**$ 3,982**	$ 2,760
Net operating income	**1,601**	1,271	**161**	166	**408**	246	**2,170**	1,683
Equity accounted FFO	**92**	191	**283**	236	**11**	1	**386**	428
Disposition gains/losses	**(63)**	326	**(20)**	58	**34**	49	**(49)**	433
Segment operating income	**1,630**	1,788	**424**	460	**453**	296	**2,507**	2,544
Interest expense	**(810)**	(718)	**(102)**	(173)	**(164)**	(123)	**(1,076)**	(1,014)
Unallocated costs	**(134)**	(116)	**(6)**	(8)	**(32)**	(20)	**(172)**	(144)
Current income taxes	**—**	—	**(9)**	(10)	**—**	—	**(9)**	(10)
Non-controlling interests in FFO	**(499)**	(563)	**(48)**	(32)	**(166)**	(94)	**(713)**	(689)
Funds from operations	**$ 187**	$ 391	**$ 259**	$ 237	**$ 91**	$ 59	**$ 537**	$ 687
Valuation items	**$ 291**	$ 720	**$ 801**	$ 1,170	**$ 62**	$ 33	**$ 1,154**	$ 1,923
Segment financial position								
Segment assets	**$ 24,389**	$ 22,446	**$ 3,331**	$ 3,026	**$ 9,902**	$ 5,796	**$ 37,622**	$ 31,268
Investments	**2,418**	2,449	**5,212**	4,186	**513**	270	**8,143**	6,905
Borrowings	**(13,545)**	(12,773)	**(1,003)**	(1,371)	**(6,923)**	(3,289)	**(21,471)**	(17,433)
Segment non-controlling interests	**(7,556)**	(6,785)	**(1,611)**	(1,251)	**(2,169)**	(1,761)	**(11,336)**	(9,797)
Common equity by segment	**$ 5,706**	$ 5,337	**$ 5,929**	$ 4,590	**$ 1,323**	$ 1,016	**$ 12,958**	$ 10,943

Segment FFO excluding the impact of disposition gains increased from $484 million to $642 million. Segment FFO including disposition gains decreased from $687 million to $537 million, as the 2011 results included a larger amounts of gains.

Our share of valuation items was $1.2 billion compared to $1.9 billion. We recorded increases across almost all of our portfolios and, while favourable, the valuation increases were not as large as 2011.

Office Properties

Net operating income from our office property portfolio is presented in the following table which shows net operating income from existing properties based on 2012 foreign currency exchange rates as well as assets which have been acquired, developed or sold. Normalizing existing property net operating income for foreign currency variations is a non-IFRS measure, which we utilize to illustrate the stability that arises from the high occupancy levels and long-term lease profile.

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	% Leased		Average In-place Rent			
	2012	2011	**2012**	2011	**2012**	2011
Existing properties						
United States	**90.8%**	90.6%	**$ 24.68**	$23.60	**$ 397**	$ 385
Canada	**96.9%**	96.3%	**26.80**	26.40	**258**	247
Australasia	**97.5%**	97.2%	**48.80**	46.74	**292**	290
Europe	**100.0%**	100.0%	**63.29**	63.19	**32**	31
	93.3%	93.0%	**$ 28.28**	$26.97	**979**	953
Currency variance					**—**	9
					979	962
Acquired, developed and sold						
U.S. Office Fund					**311**	127
Other					**208**	111
Investment and other income					**103**	71
Net operating income					**$ 1,601**	$ 1,271

Existing properties are those that the company owned and operated throughout both the current and prior reporting periods. Properties classified as redevelopment properties, when applicable, are excluded from existing properties, since they are not in operation for both of the reported periods. There were no properties undergoing redevelopment during either 2012 or 2011.

We use in-place net rents as a measure of leasing performance, and calculate this as the annualized amount of cash rent receivable from leases on a per square foot basis including tenant expense reimbursements, less operating expenses. This measure represents the amount of cash generated from leases in a given period and excludes the impact of concessions such as straight-line rent escalations and free rent amortization.

Net operating income from existing properties in 2012 increased by 2.7% over 2011 on a constant currency basis, following an increase of 3.0% between 2010 and 2011. This reflects the renewal of leases at rental rates that exceed the expiring leases, which increased average in-place rents on existing properties to $28.28 from $26.97. Occupancy was relatively unchanged over the period.

The contribution from properties acquired, developed and sold since the beginning of the comparative period includes the U.S. Office Fund, which was consolidated midway through 2011 as well as acquisitions in Seattle, Washington, D.C., Denver, Melbourne, and Perth, partly offset by the sale of properties in Boston, Minneapolis, Calgary, Melbourne and Brisbane. The decrease in income from unconsolidated properties reflects the consolidation of the U.S. Office Fund, Brookfield Place in New York and First Canadian Place in Toronto offset by an increase in income from the acquisition of unconsolidated interests in a new property in Manhattan.

The increases in interest expense and non-controlling interests are due respectively to financing of acquired properties, the consolidation of the U.S. Office Fund and the attribution of the increase in total FFO prior to non-controlling interests which partially offsets the NOI from properties acquired and consolidated.

Segment FFO attributable to our office properties excluding disposition gains was $281 million in 2012 compared to $232 million in 2011. The increase reflects the improvement in NOI from existing properties, the impact of lower interest expense on borrowings refinanced during the year, and the contribution from acquisitions and developments. We recorded losses on the sales of properties during the year that had accumulated unrealized losses relative to their invested cost (i.e., the losses represent fair value losses recorded in prior years) whereas we sold properties in 2011 that had accumulated unrealized gains. Net disposition losses after non-controlling interests were $94 million in 2012 compared to net gains of $159 million in 2011.

Valuation gains in 2012 included increases in the valuations of our office portfolio, of which our share was $0.3 billion.

Segment assets increased by $1.9 billion, borrowings and segment non-controlling interests by $1.5 billion, and common equity by segment by $369 million. The increases reflect acquisitions, valuation gains, favourable currency revaluations and the completion of Brookfield Place in Perth at a total cost of $1 billion, which was previously included in our Development, Opportunity and Finance business line.

Portfolio Valuation

The key valuation metrics of our commercial office properties are presented in the following table on a weighted average basis. The valuations are most sensitive to changes in the discount rate and terminal capitalization rates. It is important to note that changes in cash flows and discount/terminal capitalization rates are usually inversely correlated as the circumstances that typically give rise to increased interest rates (i.e., strong economic growth, inflation) also give rise to increased cash flows.

	United States			Canada			Australasia		
AS AT DECEMBER 31	**2012**	2011	2010	**2012**	2011	2010	**2012**	2011	2010
Discount rate	**7.3%**	7.5%	8.1%	**6.4%**	6.7%	6.9%	**8.8%**	9.1%	9.1%
Terminal capitalization rate	**6.3%**	6.3%	6.7%	**5.7%**	6.2%	6.3%	**7.1%**	7.5%	7.4%
Investment horizon (years)	**11**	12	10	**11**	11	11	**10**	10	10

Discount rates decreased in each of our regions by 20 to 30 basis points, reflecting continued decline in interest rates and a favourable investment climate for high quality commercial office properties. Terminal capitalization rates decreased in Canada by 50 basis points and by 40 basis points in Australia for similar reasons as discount rates, but remained unchanged in average in the U.S. as forecasted long-term growth remains consistent with last year.

These changes, together with increases in projected cash flows, gave rise to total fair value gains of $0.7 billion which occurred almost entirely in our North American properties, of which our share after non-controlling interests was $0.3 billion. Approximately 70% of the gains were due to lower discount and capitalization rates and 30% to increases in projected cash flows. Total gains in 2011 were $1.3 billion, of which our share was $0.7 billion. We realized $94 million of disposition losses in 2012 and $167 million of disposition gains in 2011, net of non-controlling interests. Valuation gains net of non-controlling interest were $0.4 billion in 2012 and $0.6 billion in 2011.

Leasing Profile

An important characteristic of our portfolio is the strong credit quality of our tenants. We direct special attention to credit quality, particularly in the current economic environment, in order to ensure the long-term sustainability of rental revenues through economic cycles. Major tenants with over 1,000,000 square feet of space in the portfolio include government and government agencies, Bank of America/Merrill Lynch, CIBC World Markets, Suncor Energy, RBC, Morgan Stanley, and Bank of Montreal.

Our strategy is to sign long-term leases in order to mitigate risk and reduce our overall retenanting costs. We typically commence discussions with tenants regarding their space requirements well in advance of the contractual expiration, and although each market is different, the majority of our leases, when signed, have terms ranging between 10 and 20 years. As a result of this strategy, only 7% of our leases, on average, will mature annually over the next five years.

The overall portfolio occupancy rate in our office properties at the end of 2012 was 92.1% and our average remaining lease term is seven years. Occupancy levels in the United States and Europe declined overall from the prior year as a result of opportunistic acquisitions of certain assets at lower occupancy rates in addition to large expiries in Denver, New York, and Washington, D.C. Occupancy levels elsewhere in our portfolio remain favourable. We leased approximately 7.3 million square feet this year and have a leasing pipeline of two million square feet at this time, which would further improve our leasing profile.

					Expiring Leases (000's sq. ft.)						
AS AT DECEMBER 31, 2012	% Leased[1]	Average Term	Net Rental Area	Currently Available	2013	2014	2015	2016	2017	2018	2019 & Beyond
North America											
United States	89.0%	7.0	42,447	4,649	5,149	2,907	2,960	2,141	2,304	2,732	19,605
Canada	96.9%	8.2	16,735	523	1,697	321	1,486	1,630	645	679	9,754
Australasia	97.7%	6.4	10,253	233	401	792	1,137	1,115	990	899	4,686
Europe	85.3%	10.7	905	133	4	1	5	59	88	2	613
Total/Average	92.1%	7.2	70,340	5,538	7,251	4,021	5,588	4,945	4,027	4,312	34,658
Percentage of total			100.0%	7.9%	10.3%	5.7%	7.9%	7.0%	5.7%	6.1%	49.4%
As at December 31, 2011				6.7%	5.3%	11.5%	6.6%	9.4%	6.9%	4.8%	48.8%

1. Occupancy was 93.3% at December 31, 2011 with the following breakdown by geography: United States 91.3%, Canada 96.3%, Australasia 96.6% and Europe 100%.

We reduced the lease rollover profile for the 2013–2017 period by 310 basis points compared to the end of 2011.

In North America, average in-place net rents across our portfolio approximate $27 per square foot compared to $25 per square foot at the end of 2011. Net rents represent a discount of approximately 21.3% to the average market rent of $33 per square foot. This gives us confidence that we will be able to maintain or increase our net rental income in the coming years and, together with our high overall occupancy, to exercise patience in signing new leases.

In Australasia, average in-place rents in our portfolio are A$52 per square foot, which represents an 1% discount to market rents. The occupancy rate across the portfolio remains high at 97.7% and the weighted average lease term is approximately six years. Leases in Australia typically include annual escalations, with the result that in-place lease rates tend to increase along with long-term increases in market rents.

Retail Properties

Our net share of GGP's funds from operations on an IFRS basis, which is recorded in this segment as equity accounted FFO, was $251 million compared to $213 million in 2011. GGP reported 14% growth in core FFO on a U.S. GAAP basis, which reflects increases in both net rents and occupancy. Initial rental rates for leases commencing in 2012 on a suite-to-suite basis increased by 10.2% or $5.74 per square foot, to $61.84 per square foot when compared to the rental rate for expiries leases. Tenant sales were $545 per square foot on a trailing 12-month basis as of year-end 2012, representing a 6.6% increase over year-end 2011 on a comparable basis. The net contribution to FFO from GGP after non-controlling interests was $248 million in 2012 compared to $208 million in 2011. The remaining FFO of $11 million includes the results of Rouse Properties, which was spun out of GGP during 2012, returns from the capital invested in our Brazilian retail property fund and direct interests in retail properties in Australia offset by net disposition losses of $27 million. FFO from these activities in 2011 was $29 million and included $29 million of disposition gains and a nominal contribution from other operations.

GGP completed 9.7 million square feet of new and renewal leasing in 2012, excluding anchor tenants. Regional mall percentage leased was 96.1% at year-end 2012, an increase of 60 basis points over year-end 2011 and in-place rents increased by 2.0% to $69.12 per square foot.

GGP issued $8.0 billion ($7.0 billion at GGP's share) of mortgage notes over the course of 2012 at a weighted average interest rate of 4.20% and average term of 9.4 years. The average interest rate of the original loans was 5.30% and the remaining term to maturity was 2.6 years. The transactions generated approximately $1.4 billion of incremental proceeds and eliminated approximately $1.3 billion of recourse debt to the company.

We recorded fair value gains of $1.1 billion, of which our share was $0.8 billion. Approximately $0.8 billion of the total gains relate to our investment in GGP ($0.7 billion net to Brookfield) with the balance relating primarily to our Brazilian portfolio ($50 million net to Brookfield). The GGP valuation gains were the result of the impact of improved leasing, a future cash flow (40%) and a more favourable discount rate (60%). The Brazil valuation gains were due principally to a 110 basis-point reduction in the discount rate used to value the properties reflecting a general increase in interest rates in that country.

Portfolio Valuation

The blended capitalization rate utilized on our U.S. portfolio for the direct capitalization method was approximately 5.7% (2011 – 6.0%).

Our Brazilian portfolio was valued on a discounted cash flow basis using a discount rate of 8.5% (2011 – 9.6%), a terminal capitalization rate of 7.2% (2011 – 7.3%) and an investment horizon of 10 years (2011 – 10 years).

Leasing Profile

					Expiring Leases (000's sq. ft.)						
AS AT DECEMBER 31, 2012	% Leased[2]	Average Term	Net Rental Area	Currently Available	2013	2014	2015	2016	2017	2018	2019 & Beyond
United States[1]	95.0%	5.8	60,545	2,992	6,215	6,468	5,960	5,794	6,238	5,231	21,647
Brazil	94.7%	7.1	2,802	149	732	301	421	279	231	39	650
Australasia	98.2%	6.7	3,037	55	131	69	134	794	377	40	1,437
Total/Average	95.1%	5.9	66,384	3,196	7,078	6,838	6,515	6,867	6,846	5,310	23,734
Percentage of total			100%	4.8%	10.7%	10.3%	9.8%	10.3%	10.3%	8.0%	35.8%
As at December 31, 2011				6.5%	10.7%	9.9%	9.5%	8.7%	9.8%	8.2%	36.7%

1. Represents regional malls only and excludes leases on traditional anchor stores and specialty leasing license agreements
2. Occupancy was 93.5% at December 31, 2011 with the following breakdown by geography: United States 93.2%, Australasia 97.7% and Brazil 94.7%.

Our retail portfolio reported strong leasing with 13.2 million square feet leased during the year at rates that were 6.6% higher than expiring rates. This increased our overall occupancy by 150 basis points to 95.1%.

Office Development, Opportunity and Finance

We reached practical completion of our Brookfield Place development in Perth and reclassified the property to our office properties portfolio in May 2012. In addition, in the second quarter of 2012, we announced the launch of our Bay Adelaide East development, a one million square foot project in Toronto.

We own development rights on Ninth Avenue between 31st Street and 33rd Street in New York City, which includes 5 million square feet of commercial office space entitlements. We expect that this will be one of the first sites for office development in Manhattan, once new office properties become economic, and are commencing work to build the necessary foundations. We recently acquired an adjacent property during the year to further expand this important development initiative. We also hold several well positioned development sites in London, UK. In all cases, full construction will be dependent on securing leases.

Our opportunity investment funds have committed capital of $4.0 billion, including $2.6 billion from clients and $1.4 billion from ourselves, of which $1.0 billion is currently invested. One of our early funds is fully invested and we have been selling properties, while we are actively investing the capital in the two more recent funds. We deployed nearly $1.2 billion of capital during 2012 in several transactions, which included the acquisition of Thakral Holdings in Australia with a $1 billion portfolio of prime office assets in Sydney, a portfolio of 19 multi-family communities and approximately 5,000 units as well as an industrial company which owns and operates approximately 18 million square feet of industrial properties and over 20,000 acres of land.

Our net invested capital in the funds is $681 million (December 31, 2011 – $429 million) and our share of the underlying FFO for 2012 was $72 million (2011 – $31 million).

Our three real estate finance funds have committed capital of $1.3 billion, including $1.0 billion from clients and $0.3 billion from ourselves, of which $0.8 billion is currently invested. Our share of capital invested in these operations was $255 million at December 31, 2012 (December 31, 2011 – $371 million). These activities contributed $19 million of FFO and gains during 2012, compared to $28 million in 2011.

We continue to pursue a number of opportunistic real estate investments, primarily in the United States, where refinancing requirements and recapitalization opportunities are resulting in increased transaction activity.

Outlook and Growth Initiatives

We remain focused on the following strategic priorities:

- Realizing value from our properties through proactive leasing and select redevelopment initiatives;
- Prudent capital management, including refinancing mature properties and disposition of select mature or non-core assets;
- Advancing development assets as the economy rebounds and supply constraints create opportunities; and
- Renewing and extending borrowings to take advantage of the current low interest rate environment.

We expect to increase the cash flows from our office and retail property activities through continued leasing activity as described above. In particular, we are operating at least 400 basis points below our normal office occupancy level in the United States, which provides the opportunity to expand cash flows through higher occupancy. Most of our markets have favourable outlooks, which we expect will also lead to strong growth in lease rates. We do, however still face a meaningful amount of office lease rollover in 2013, which may restrain FFO growth from this part of our portfolio in the near term.

In our North American retail business, we continue to improve the profitability of the business by rationalizing the portfolio and leases, refinancing debt and reducing costs.

Transaction activity is picking up across our global office markets and we are considering a number of different opportunities to acquire single assets, development sites and portfolios at attractive returns. In our continued effort to enhance returns through capital reallocation, we are also looking to divest of all, or a partial interest in a number of mature assets to capitalize on existing market conditions.

Given the small amount of new office development that occurred over the last decade and the near total development halt during the global financial crisis, we see an opportunity to advance our development inventory in the near term in response to demand we are seeing in our major markets. We are currently focused on five development projects totalling approximately eight million square feet. This pipeline could add more than $7.2 billion in assets and we are actively advancing planning and entitlements and seeking tenants for these sites. In addition, we continue to reposition and redevelop existing retail properties, in particular, a number of the fortress shopping centres in the United States.

RENEWABLE POWER

Overview

Our renewable power assets are held through Brookfield Renewable Energy Partners L.P. ("Brookfield Renewable" or "BREP"), in which we owned 68% at year end. BREP operates renewable power facilities and owns them both directly as well as through joint ventures and our institutional infrastructure funds. In addition to our role as the manager of BREP, we entered into arrangements where we purchase a portion of BREP's power at predetermined prices, providing a stable revenue profile for unitholders of BREP and providing us with continued participation in future increases (or decreases) in power prices.

Highlights for the year included the following:

- Provided a total return to BREP unitholders of 13.5% as compared to 7.1% for the benchmark S&P/TSX Composite Index, and increased annualized cash distributions by 7.4% between late 2011 and February 2013.
- Announced the acquisition of nearly 1,000 megawatts ("MW") of renewable power facilities capacity through our institutional funds including two large scale hydroelectric portfolios. These acquisitions are expected to increase annual generation by 3,500 gigawatt ('GWh") based on long-term average generation. Equity capital deployed during the year by our managed entities totalled $600 million.
- Completed nearly $2.4 billion of financing and capital markets activities, which have meaningfully reduced borrowing costs while increasing the overall term to maturity.
- Achieved generation of 15,821 GWh, unchanged from prior years, as the increase from newly acquired and commissioned facilities (+1,357 GWh) was offset by the impact of below average hydrology conditions on existing facilities (-1,413 GWh).
- Completed the construction and commissioned a 19 MW hydroelectric facility in Brazil earlier than expected and commenced construction of a 45 MW hydroelectric facility in British Columbia, scheduled for completion in 2014.

The following table summarizes the operating results and financial profile of our renewable power operations by operating region:

AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	United States		Canada		Brazil		Corporate/ Unallocated		Total Segment	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Segment financial results										
Revenues	**$ 420**	$ 444	**$ 408**	$ 357	**$ 332**	$ 327	**$ 19**	$ —	**$ 1,179**	$ 1,128
Net operating income	**218**	294	**264**	237	**208**	218	**14**	—	**704**	749
Equity accounted FFO	**6**	13	**2**	6	**5**	6	**—**	—	**13**	25
Disposition gains	**—**	12	**—**	13	**—**	—	**214**	—	**214**	25
Segment operating income	**224**	319	**266**	256	**213**	224	**228**	—	**931**	799
Interest expense	**(160)**	(143)	**(109)**	(91)	**(58)**	(92)	**(85)**	(68)	**(412)**	(394)
Unallocated costs	**—**	—	**—**	—	**—**	—	**(36)**	(2)	**(36)**	(2)
Current income taxes	**2**	2	**—**	5	**(16)**	(15)	**2**	(5)	**(12)**	(13)
Non-controlling interests in FFO	**(66)**	(43)	**(76)**	(102)	**(59)**	(13)	**43**	—	**(158)**	(158)
Funds from operations	**$ —**	$ 135	**$ 81**	$ 68	**$ 80**	$ 104	**$ 152**	$ (75)	**$ 313**	$ 232
Valuation items	**$ 136**	$ 127	**$ 212**	$ 585	**$ (22)**	$ (92)	**$ (62)**	$ —	**$ 264**	$ 620
Segment financial position										
Segment assets	**$ 6,964**	$ 5,525	**$ 7,405**	$ 6,828	**$ 2,775**	$ 2,990	**$ (2,819)**	$ (2,568)	**$ 14,325**	$ 12,775
Investments	**196**	184	**81**	89	**67**	85	**—**	—	**344**	358
Borrowings	**(2,243)**	(1,968)	**(1,756)**	(1,584)	**(348)**	(645)	**(1,772)**	(1,323)	**(6,119)**	(5,520)
Segment non-controlling interests	**(1,609)**	(743)	**(1,548)**	(1,060)	**(937)**	(813)	**535**	112	**(3,559)**	(2,504)
Common equity by segment	**$ 3,308**	$ 2,998	**$ 4,182**	$ 4,273	**$ 1,557**	$ 1,617	**$ (4,056)**	$ (3,779)	**$ 4,991**	$ 5,109

The following table presents our generation results:

FOR THE YEARS ENDED DECEMBER 31 (GIGAWATT HOURS)	Actual Production		Long-Term Average		Variance of Results: Actual vs. Long-term Average		Variance of Results: Actual vs. Prior Year
	2012	2011	**2012**	2011	**2012**	2011	**2012**
Hydroelectric generation							
United States	**5,913**	7,150	**7,205**	6,812	**(1,292)**	338	**(1,237)**
Canada	**3,832**	4,056	**4,972**	5,061	**(1,140)**	(1,005)	**(224)**
Brazil	**3,470**	3,307	**3,470**	3,307	**—**	—	**163**
Total hydroelectric operations	**13,215**	14,513	**15,647**	15,180	**(2,432)**	(667)	**(1,298)**
Wind energy	**1,709**	662	**2,034**	710	**(325)**	(48)	**1,047**
Co-generation	**897**	702	**521**	406	**376**	296	**195**
Total generation	**15,821**	15,877	**18,202**	16,296	**(2,381)**	(419)	**(56)**
% Variance							
– Total					**(13%)**	(3)%	**(0%)**
– Hydroelectric					**(16%)**	(4)%	**(9%)**

Generation from our hydroelectric portfolio was 9% or 1,298 GWh lower than the prior year as a result of lower inflows from drier than normal conditions in eastern Canada, New York State, and in the mid-western United States in the second and third quarter of the year. The decrease was partially offset by the first quarter generation that was higher than long-term average, as well as from improved hydrology conditions in the fourth quarter. Generation from our wind portfolio was 1,047 GWh higher than the prior year resulting from the contribution of acquired or commissioned facilities in California and New England, and from an Ontario facility commissioned in 2011. Results in the second and third quarters of 2012 were below long-term average as a result of lower wind conditions across the U.S and Canadian assets.

Revenues totalled $1.18 billion compared to $1.13 billion in 2011. Total generation was 15,821 GWh, virtually unchanged from the 15,877 GWh produced in 2011. Generation from facilities owned throughout both years declined by 1,413 GWh and were 1,855 GWh below long-term averages, reducing revenue by $160 million. Facilities acquired or commissioned since January 1, 2011 contributed 1,357 GWh and $130 million of revenue. Foreign currency variances reduced revenues by $51 million, while changes in realized prices in local currency terms reduced revenues by $18 million.

FFO and gains totalled $313 million in 2012 compared to $232 million in 2011. The 2012 and 2011 results included $214 million and $25 million of disposition gains. Excluding disposition gains, FFO was $99 million in 2012 compared to $207 million in 2011. While revenues were relatively unchanged overall, the decline in generation and revenues from existing facilities of $160 million reduced the corresponding FFO by $94 million, as the associated direct costs and interest costs are relatively fixed (i.e., the change in revenue results in a fairly commensurate change in FFO after adjusting for non-controlling interest), whereas the revenue increase of $130 million from recently acquired and commissioned facilities contributed incremental FFO of $29 million after taking into consideration the associated direct costs and interest expenses. Interest expense for the segment was largely unchanged year-over-year as borrowing costs on new debt financing acquisitions and commissioned projects was offset by lower cost of debt refinanced during the year. We sold 13 million units of BREP in the first quarter of 2012 for total proceeds of $345 million, decreasing our ownership by 5% to 68% and realizing a $214 million disposition gain. The 5% decrease in our ownership resulted in $9 million reduction in FFO, compared to our ownership level in the prior year.

We estimate that FFO would have been $118 million and $37 million higher during 2012 and 2011, respectively, had we achieved long-term average generation, with no change in realized prices.

Valuation gains of $264 million in 2012 represent our share of increases in the value of our renewable energy portfolio. In 2011, valuation gains of $620 million included a net portfolio revaluation gain of $1.3 billion offset by the recapture of depreciation that was expensed during the year.

The following table provides further analysis of net operating income which, for this purpose, includes equity accounted FFO:

FOR THE YEARS ENDED DECEMBER 31 (GIGAWATT HOURS AND $ MILLIONS)	2012 Production (GWh)	2012 Realized Revenues	2012 Direct Costs	2012 Net Operating Income	2011 Production (GWh)	2011 Realized Revenues	2011 Direct Costs	2011 Net Operating Income
Hydroelectric								
United States	**5,913**	**$ 365**	**$ 171**	**$ 194**	7,150	$ 477	$ 168	$ 309
Canada	**3,832**	**221**	**78**	**143**	4,056	238	72	166
Brazil	**3,470**	**334**	**123**	**211**	3,307	333	109	224
Total hydroelectric	**13,215**	**920**	**372**	**548**	14,513	1,048	349	699
Wind energy	**1,709**	**187**	**54**	**133**	662	70	18	52
Co-generation	**897**	**59**	**44**	**15**	702	56	33	23
Total	**15,821**	**$ 1,166**	**$ 470**	**$ 696**[1]	15,877	$ 1,174	$ 400	$ 774[2]
Per Megawatt hour (MWh)								
Total generation		**$ 74**	**$ 30**	**$ 44**		$ 74	$ 25	$ 49
Hydroelectric generation		**$ 70**	**$ 28**	**$ 42**		$ 72	$ 24	$ 48

1. Includes equity accounted FFO of $13 million and excludes investment income of $21 million that is included in net operating income
2. Includes equity accounted FFO of $25 million

Net operating income declined by $78 million from 2011. NOI from hydroelectric facilities declined by $151 million due to lower revenues while direct costs increased due to the addition of newly acquired and commissioned facilities to the portfolio. Costs are largely fixed and therefore do not decline to the same extent as revenues when generation is lower. NOI from our wind energy facilities increased by $81 million due to the contribution from recently acquired and commissioned wind energy facilities.

Realized prices on a per MWh basis were unchanged at $74 year-over-year on a total portfolio basis, which represents a decline from $72 to $70 for the hydroelectric portfolio offset by a greater proportion of higher price wind energy generation following the acquisition and commissioning of wind energy facilities over the past two years. The decline in hydroelectric prices reflects the impact of lower spot pricing on uncontracted generation in the northeast United States and reduced generation from facilities that sell power under higher priced long-term contracts. Operating costs per unit on a total portfolio basis increased from $25 to $30, reflecting an increase in hydroelectric unit costs from $24 to $28 and a greater proportion of higher cost wind energy. The increase in hydroelectric unit costs is primarily due to the impact of lower generation levels over a relatively fixed cost base and costs incurred from newly acquired assets. Average realized prices and direct costs for our wind facilities were unchanged year-over-year on a per MWh basis.

Currency fluctuations reduced the U.S. equivalent of both revenues and operating costs, resulting in an approximate $1 decrease in net operating income on a per unit basis.

Portfolio Valuation

We recorded a valuation gain of $825 million in Other Comprehensive Income to revalue our portfolio at year-end. After taking into consideration $500 million of accounting depreciation booked during the year, the net portfolio revaluation gain year-over-year was $325 million. This reflects a $650 million increase as a result of lower discount rates, which in turn reflect lower interest rates, offset by a $250 million reduction relating to lower expected electricity prices in the short term and a $100 million reduction reflecting the impact of exchange rates on projected cash flows. Our share of the net portfolio revaluation after non-controlling interests was approximately $270 million.

The assets deployed in our renewable power operations are revalued on an annual basis using discounted cash flows. The key valuation metrics of our hydro and wind generating facilities at the end of 2012 and 2011 are summarized below. The valuations are impacted primarily by the discount rate and long-term power prices. Discount rates are based on our after-tax cost of capital and are adjusted to reflect whether revenues are subject to long-term contracts or spot market pricing. Projected cash flows are based on in-place contracts and expected market prices for non-contracted power. Forward market prices are used for the first four years, during which time there is adequate liquidity permit appropriate price discovery, and thereafter prices are determined using internal projections that reflect our view of future market capacity, cost of capital, costs of fuel for competing forms of generation and competitive attributes of renewable energy. A 100 basis-point change in the discount and terminal capitalization rates and a 5% change in long-term power prices will impact the value of our net invested capital by $1.6 billion and $0.5 billion, respectively.

AS AT DECEMBER 31	United States		Canada		Brazil	
	2012	2011	**2012**	2011	**2012**	2011
Discount rate	**6.5%**	6.7%	**5.4%**	5.7%	**9.4%**	9.9%
Terminal capitalization rate	**7.0%**	7.2%	**6.5%**	6.8%	**n/a**	n/a
Exit date	**2032**	2031	**2032**	2031	**2029**	2029

The discount and terminal capitalization rates decreased in both the United States and Canada due to improved economic outlook and lower risk-free rates. The discount rates in Brazil decreased as a result of lower risk free rates. We reduced expected pricing in the near future to reflect lower spot and forward market prices; however our longer term price projections remain relatively unchanged. Our generation facilities in Brazil are held under concessions and authorizations which have a fixed maturity date and accordingly, we do not ascribe a terminal value to these assets under IFRS, although we believe that we will be able to renew these concessions upon maturity.

Segment Financial Position

Segment assets increased by approximately $1.5 billion in total, which includes a $1.5 billion increase in the U.S. primarily as a result of acquisitions of hydroelectric and wind energy assets, a $0.6 billion increase in Canada reflecting a composition of the continued development of wind and hydroelectric assets and the revaluation of property, plant and equipment and a 3% increase in currency exchange rates, and a $0.2 billion decrease in Brazil reflecting a 9% decrease in currency exchange rates offset by investment in acquisitions and development projects.

Approximately 600 MW of capacity was acquired by our institutional fund during the year, with a total enterprise value of $1.2 billion, which enabled us to invest $600 million of equity. BREP's average interest in these facilities is 22%. This included two California wind projects closed in the first quarter of 2012 with estimated annualized generation of 550 GWh and a 24-year power purchase agreement and a group of hydroelectric facilities in Tennessee with estimated annual generation of 1,360 GWh that closed in November 2012.

We completed the construction of two wind facilities and one hydroelectric facility, adding over 600 GWh of estimated long-term annual generation.

Segment borrowings and segment non-controlling interests increased by $0.6 billion and $1.1 billion, respectively. The additional borrowings primarily reflect acquisition financing. The increase in segment non-controlling interests represents capital called from third party investors to fund generation assets acquired during the year, and the sale by us of a 5% interest in Brookfield Renewable.

Common equity by segment declined by $0.1 billion, as the reduction in our interest in Brookfield Renewable was partially offset by valuation gains.

Contract Profile

We have contracted 77% and 69% of our long-term average generation for 2013 and 2014, respectively. Approximately 70% of the expected generation is hedged with long-term contracts that have an average term of 11.6 years, while 5% of our revenue for 2013 is hedged with shorter-term financial contracts.

Almost all of Brookfield Renewable's generation in Brazil is sold under power sales agreements, as is all of the wind energy in North America. Our wholly-owned energy marketing group has entered into purchase agreements and price guarantees with Brookfield Renewable that fix the prices for most of the North American hydroelectric generation that is not already sold under a long-term contract. The majority of these arrangements are offset by us with long-term contracts such as our 20-year power sales agreement with the Ontario Power Authority, which has the full credit support of the Ontario provincial government. Our primary exposure to price fluctuations relates to approximately 5,000 GWh of annual generation that we have committed to purchase from Brookfield Renewable at an average price of $73 per MWh for which we have no offsetting long-term sales agreements. We estimate that a $10 per MWh negative variance results in an approximate $16 million decrease in FFO based on our 68% ownership of Brookfield Renewable at year-end, because we recover our proportionate share of any negative variance through our ownership interest. On the other hand, we will record annual FFO increases of $50 million for every $10 per MWh of positive variance from the contracted price, which we believe will add significant value over the longer term as demand and prices for renewable hydroelectric generation increase. Realized prices were below contract prices for the most of the year which resulted in a net reduction in FFO of approximately $40 million from these arrangements during 2012.

The following table profiles our contracts over the next five years for generation from our existing facilities, assuming long-term average hydrology:

FOR THE YEARS ENDED DECEMBER 31	2013	2014	2015	2016	2017
Generation (GWh)					
Contracted					
Power sales agreements					
Hydro	11,534	10,266	8,920	8,782	8,140
Wind	2,104	2,104	2,104	2,104	2,104
Gas and other	398	134	—	—	—
	14,036	12,504	11,024	10,886	10,244
Financial contracts	906	876	—	—	—
Total contracted	14,942	13,380	11,024	10,886	10,244
Uncontracted	4,578	5,988	8,258	8,396	9,038
Long-term average generation	19,520	19,368	19,282	19,282	19,282
Contracted generation – as at December 31, 2012					
% of total generation	77%	69%	57%	56%	53%
Price (per MWh)	$ 84	$ 85	$ 93	$ 94	$ 93

The average contracted price fluctuates from period to period as existing contracts expire and we enter into new contracts, and as a result of changes in currency exchange rates for contracts in Brazil and Canada.

We acquired facilities during 2012 with estimated contracted generation of 1,400 gigawatt hours that is sold under contract at what we consider to be low prices that can be exceeded in the near term markets. These contracts terminate during 2013 and 2014, resulting in a decrease in the proportion of contracted generation; however, we are confident that we can ultimately secure much longer term contracts at higher prices.

The decrease in the amount of annual generation contracted under long-term power sales agreements prior to 2017 also reflects the expiry of contracts in Brazil. Given the continued economic expansion in that country and the increasing need for generation capacity, we are confident that we will be able to sell our power at increasing rates and secure long-term contracts on favourable terms.

We have reduced the amount of power sold under financial contracts, which primarily relate to generation in the Quebec and New York markets, relative to previous years, as we believe the current low spot price environment provides more upside potential than downside risk. In the meantime, we continue to pursue opportunities to secure long-term contracts at pricing that reflects the favourable renewable characteristics of our energy production in North America.

Outlook and Growth Initiatives

Acquisition and development activities completed during the year increased our estimated annualized generation by 2,582 GWh, which, together with the expected closing of a previously-announced acquisition of a large-scale hydroelectric portfolio in the northeast U.S., will increase overall portfolio generation by 15% at attractive projected returns. In addition, we continue to advance two hydroelectric facilities with a total expected construction cost of $315 million and estimated long-term average generation of 275 GWh and maintain a development pipeline of approximately 2,000 MW of capacity.

Notwithstanding the current low price environment for electricity prices in our North American markets, we believe electricity prices will increase strongly over the long-term due to the challenges facing many forms of generation technologies, including environmental concerns and possible carbon pricing, desires for energy independence and security and other potential legislative and market driven factors. In the short term, most of our revenues are secured through long-term contracts although the uncontracted power is being sold at the low prices that prevail in the current market. In the long term, we are well positioned to benefit from increasing electricity prices.

INFRASTRUCTURE

Overview

We own and operate our infrastructure operations primarily through Brookfield Infrastructure Partners L.P. ("BIP"), which had a market capitalization of $8 billion at year-end and is listed on the New York and Toronto stock exchanges. We hold a 28% interest in BIP, consistent with our ownership level through 2012 and 2011. BIP owns a number of infrastructure businesses directly as well as through infrastructure funds and joint ventures that we manage, the largest of which is the Brookfield Americas Infrastructure Fund ("BAIF"). BAIF has total committed capital of $2.7 billion, 90% invested at year end, of which Brookfield committed $0.7 billion. We also hold direct interests in our timber funds and our agriculture business outside of BIP.

During 2012 we transferred our remaining directly held transmission interests to BIP and sold our direct interests in our western Canadian timberlands, thereby monetizing the capital invested and simplifying our ownership structure. We are currently exploring alternatives to similarly monetize or reorganize our remaining directly held timber operations with similar objectives.

Highlights during 2012 include the following:

- Achieved total return for unitholders of BIP of 33% on the NYSE during 2012 (3-year – 35%) compared to 16% (3-year – 14%) for the Dow Jones Brookfield Global Infrastructure Index.
- Increased BIP's annualized distribution rate by 15% in February 2013, representing a compound annual growth rate of 10% over the past five years, exceeding our targeted distribution growth rate of 3 – 7% per annum.
- Earned segment FFO of $224 million compared with $172 million in 2011. This 30% increase in FFO reflects the contribution from recently commissioned expansion projects as new investments.
- Successfully commissioned our $600 million Australian railroad expansion below budget and ahead of schedule and significantly advanced our $750 million Texas electricity transmission system, which we expect will be up and running in mid-2013.
- Deployed $2 billion of capital into investments in the utility, transportation and energy sectors, including $1 billion of capital in European businesses or in assets acquired from European owners.
- Completed $3.3 billion of financings and capital markets activities that increased liquidity.
- Negotiated favourable rate base renewals covering $265 million of operating assets.

The following table sets out the operating performance of our infrastructure segment by business line as well as its financial position:

AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Utilities		Transport and Energy		Sustainable Resources		Corporate / Unallocated		Total Segment	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Segment financial results										
Revenues	**$ 868**	$ 580	**$ 672**	$ 541	**$ 559**	$ 598	**$ 10**	$ 6	**$ 2,109**	$ 1,725
Net operating income	**489**	399	**295**	195	**176**	217	**11**	6	**971**	817
Equity accounted FFO	**126**	116	**86**	70	**8**	6	**3**	1	**223**	193
Disposition gains	**—**	—	**—**	—	**63**	—	**—**	—	**63**	—
Segment operating income	**615**	515	**381**	265	**247**	223	**14**	7	**1,257**	1,010
Interest expense	**(184)**	(144)	**(98)**	(82)	**(89)**	(88)	**(28)**	(26)	**(399)**	(340)
Unallocated costs	**(1)**	(2)	**—**	—	**(21)**	(17)	**(122)**	(99)	**(144)**	(118)
Current income taxes	**(8)**	—	**—**	1	**(2)**	(2)	**(6)**	(3)	**(16)**	(4)
Non-controlling interests in FFO	**(313)**	(251)	**(213)**	(137)	**(51)**	(61)	**103**	73	**(474)**	(376)
Funds from operations	**$ 109**	$ 118	**$ 70**	$ 47	**$ 84**	$ 55	**$ (39)**	$ (48)	**$ 224**	$ 172
Valuation items	**$ 8**	$ 35	**$ 32**	$ 95	**$ 125**	$ 153	**$ (4)**	$ —	**$ 161**	$ 283
Segment financial position										
Segment assets	**$ 4,707**	$ 3,166	**$ 5,254**	$ 2,600	**$ 4,482**	$ 4,183	**$ 20**	$ 130	**$14,463**	$10,079
Investments	**1,122**	931	**1,384**	696	**80**	69	**20**	—	**2,606**	1,696
Borrowings	**(3,195)**	(2,336)	**(2,322)**	(962)	**(1,525)**	(1,506)	**(946)**	(114)	**(7,988)**	(4,918)
Segment non-controlling interests	**(2,041)**	(1,168)	**(3,381)**	(1,706)	**(1,747)**	(1,482)	**659**	6	**(6,510)**	(4,350)
Common equity by segment	**$ 593**	$ 593	**$ 935**	$ 628	**$ 1,290**	$ 1,264	**$(247)**	$ 22	**$ 2,571**	$ 2,507

Funds from operations increased to $224 million from $172 million in 2011. Disposition gains contributed $45 million to FFO during 2012 after non-controlling interests, whereas there were no such gains in 2011. The gains related to the sale of a portion of our western Canadian timber to an institutional investor ($34 million) and the disposition of our agricultural land ($11 million). FFO excluding gains increased by $7 million year-over-year, to $179 million. The increase reflects the contribution from capital expansion projects such as our western Australian rail lines and acquisitions such as our South American toll roads, offset by lower timber prices and a reduced interest in our South American transmission business. Valuation gains in 2012 totalled $190 million reflecting value appreciation in our Utilities and Sustainable Resources businesses. In 2011, valuation gains totalled $283 million due to increased valuations of many of our operating assets and standing timber.

Segment assets and equity accounted investments increased by $5.3 billion to $17.1 billion at year-end as a result of the acquisition of several large businesses during the year by BIP directly and through our private funds. Borrowings increased by $3.1 billion and segment non-controlling interests increased by $2.2 billion reflecting acquisition financing of long-term debt capital provided by clients and investment partners.

Common equity by segment increased by $64 million, which reflects our share of undistributed earnings and our $140 million participation in BIP's equity issue during 2012, offset by the sale of our direct interest in western Canadian timberlands and the sale of our direct interest in our Chilean transmission business to BIP.

Utilities

These businesses typically earn a pre-determined return based on their asset base, invested capital or capacity and the applicable regulatory frameworks and long-term contracts. Accordingly, the returns tend to be highly predictable and typically not impacted to any great degree by short-term volume or price fluctuations.

Net operating income increased by 23% to $489 million from $399 million last year reflecting the acquisition of a South American electricity distribution company and the expansion of our UK connections business by way of a merger that doubled the size of the business.

Segment FFO decreased by $9 million to $109 million. A substantial proportion of the contribution from new assets is attributable to non-controlling interests in our private funds and BIP. In addition, we held a lower effective interest in our Chilean transmission business following the sale of our direct interest to BIP during the year.

Common equity by segment in this business line was unchanged year-over-year as our share of the equity deployed in the acquisitions was offset by our reduced interest in our Chilean transmission operations.

We invested approximately $75 million for a 25% interest in a district energy system that serves commercial customers in downtown Toronto, Ontario which we acquired in partnership with institutional investors. In November, we completed the recapitalization of our recently acquired UK regulated distribution business, enabling BIP to invest $525 million in the business and more than doubling our installed base of gas and electricity connections to over 1 million. We subsequently sold a 20% interest in this business for proceeds of $235 million.

Transport and Energy

These businesses operate, in most cases, under long-term contracts or regulatory frameworks that govern prices, but not volumes. As a result, financial performance may fluctuate due to changes in activity levels or short-term price variances; however, these are usually within a narrow band of fluctuation.

Net operating income increased to $295 million in 2012, from $195 million in 2011. The increase was primarily driven by the commissioning of our Australian rail line expansion and the contribution from South American toll road businesses acquired during 2012 and late 2011. Our North American gas transmission business continues to be adversely impacted by weak market conditions caused by excess capacity and low natural gas prices.

The net impact of the acquisitions and capital expansions led to a 49% increase in segment FFO, which was $70 million in 2012 compared to $47 million in 2011. Non-controlling interests increased by $76 million reflecting the interest of these investors in the increased operating results.

Valuation gains relating to our transport and energy operations totalled $32 million compared to $95 million in 2011. In each year the gains relate primarily to the increased value of our Australian rail operations reflecting the capital expansion and the procurement of associated long-term contracts.

Common equity by segment in this business line increased by $307 million, reflecting our pro rata share of the capital invested in the Australian rail lines and the toll road acquisitions.

We completed the acquisition of an additional interest in our Chilean toll road for $170 million, increasing our ownership to approximately 50%. In December, we acquired a 60% interest in the largest toll road operator in Brazil, in partnership with Abertis Infraestructuras and institutional investors for $310 million. These roads benefit from long-term concession agreements in proven regulatory regimes, as well as significant opportunities to deploy additional capital to expand the networks to meet increased road traffic due to GDP growth.

Sustainable Resources

Net operating income for our sustainable resources business decreased to $176 million from $217 million last year, due to lower volumes and pricing in our timber business following a decline in demand from Asian markets. For the year, exports represented 41% of total log sales, compared to 47% in 2011. In December, we sold our direct 12.5% interest in our Canadian timberlands business as well as the 12.5% of interest held by BIP for aggregate proceeds at $170 million, resulting in a disposition gain of $63 million, of which our share after non-controlling interests was $45 million. This led to an increase in our proportionate share of FFO to $67 million from $46 million last year.

We recorded valuation gains of $125 million based on increases in expected cash flows reflecting improved log prices and increased harvest levels and increased values of our Brazilian agricultural lands. The carrying values of our timber assets are based on external appraisals that are completed annually. Key valuation assumptions include a weighted average discount and terminal capitalization rate of 6.2% (2011 – 6.6%) and an average terminal valuation date of 90 years. Timber prices were based on a combination of forward prices available in the market and the price forecasts of each appraisal firm.

Our R$674 million Brazil Agriland Fund is currently 53% invested. Our total investment, including our historical business as well as new investments through the Fund, is approximately $535 million, and is carried at fair value under IFRS and revalued in the normal quarterly process.

Common equity by segment in this business line increased by $26 million, as the impact of valuation gains and additional agriculture investments was largely offset by the sale of interests in our western Canadian timber operations.

Corporate/Unallocated

Our proportionate share of net corporate expenses, which relate primarily to interest expense, unallocated corporate costs, and management fees paid to Brookfield was $39 million compared to $48 million in 2011. Interest expenses and management fees both increased reflecting unsecured borrowings incurred to finance acquisitions and an increase in the amount of capital under management; however this was offset by an increase in the amounts attributable to non-controlling interests.

Common equity by segment that has not been specifically allocated to one of the business lines decreased reflecting our proportionate share of unsecured financings completed during 2012.

We also completed refinancings at a number of our operations, capitalizing on opportunities to issue long-term debt in this historically low interest rate environment. In total, we refinanced $3.3 billion of debt at an average rate of 4.6%. These efforts have positioned us very well going into 2013 as our business now has a well laddered debt maturity profile, with an average maturity of eight years.

Outlook and Growth Initiatives

The completion of strategic initiatives in the fourth quarter of 2012 has established a very solid foundation for our business to prosper across a wide range of economic environments. Based on our current profile, over 85% of projected 2012 cash flow will be generated under regulatory frameworks or long-term contracts, a significant amount of which is not dependent on usage. Furthermore, approximately 60% of our projected 2012 revenue is indexed to inflation and 65% of projected cash flow is generated by assets with excess capacity whereby we have upside from increased throughput of our networks, such as our toll roads in South America and our ports in Europe.

We continue to advance a number of other growth initiatives. A number of our businesses, such as our UK connections business, our electricity transmission operations, our European ports and our Australian railroad, have considerable organic growth investment opportunities that earn very attractive returns on invested capital. A key focus for 2013 will be the replenishment of our capital backlog by identifying and advancing organic growth opportunities such as our Dudgeon Point coal terminal project.

Our timber operations are expected to benefit from continued demand from Asia as we are also participating in the recovery of North American markets which we believe in time will allow us to achieve optimal pricing and increase our harvest levels.

We remain confident that we can achieve attractive returns within our Brazilian agricultural operations based on the country's strong competitive position as a leading agricultural producer and will endeavour to deploy additional capital on behalf of ourselves and our clients. We have an active pipeline for investments in 39 properties with an approximate total value of R$1.7 billion. We are in the process of concluding investments requiring total capital of approximately $100 million which has been recently called from our Brazil Agriland Fund.

PRIVATE EQUITY AND RESIDENTIAL DEVELOPMENT

Our private equity and residential development operations are conducted through a series of institutional private equity funds operated under the Brookfield Capital Partners brand with total committed capital of $2.7 billion as well as direct investments in several public companies including Norbord Inc., Brookfield Residential Properties Inc. and Brookfield Incorporações S.A. We also have residential development operations in Australia that we are in the process of winding down.

Highlights during 2012 include the following:

- Completed the final close of Brookfield Capital Partners III with $1 billion of capital commitments, and secured $450 million of pledge commitments to a bridge lending strategy, including $250 million and $200 million, respectively, from Brookfield.
- Completed $1.8 billion financing and capital markets transactions, including the recapitalization of our North American residential development business with equity and the debt issuances of $800 million.
- Increased segment FFO modestly to $261 million as increased FFO from our private equity operations and our North American residential business was more than offset losses from our Brazilian residential operations.
- Increased aggregate net operating income within our private equity operations by $301 million due primarily to the ongoing recovery in the North American housing markets. Our share of FFO from these operations totalled $234 million compared to $127 million in 2011.
- Closed out Brookfield Capital Partners I with the return of remaining capital to investors for a gross IRR of 31% (Net IRR after fees and carry was 25%) and a gross multiple of capital of 2.2 times (net capital multiple of 1.9 times). Our share of the gains earned by our partners totalled $17 million ($26 million since inception) and is included as performance based income in our Asset Management and Other Services segment.

The following table sets out the operating performance of our private equity and residential development segment during 2012 as well as its financial profile:

AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Private Equity		Residential Development		Total Segment	
	2012	2011	**2012**	2011	**2012**	2011
Segment financial results						
Revenues	**$ 4,424**	$ 3,890	**$ 2,476**	$ 2,850	**$ 6,900**	$ 6,740
Net operating income	**598**	298	**197**	313	**795**	611
Equity accounted FFO	**8**	1	**7**	22	**15**	23
Disposition gains	**15**	177	**16**	—	**31**	177
Segment operating income	**621**	476	**220**	335	**841**	811
Interest expense	**(133)**	(128)	**(143)**	(135)	**(276)**	(263)
Unallocated costs	**(28)**	(22)	**—**	—	**(28)**	(22)
Current income taxes	**(12)**	(8)	**(67)**	(37)	**(79)**	(45)
Non-controlling interests in FFO	**(221)**	(148)	**24**	(85)	**(197)**	(233)
Funds from operations	**$ 227**	$ 170	**$ 34**	$ 78	**$ 261**	$ 248
Valuation items	**$ (134)**	$ (236)	**$ (46)**	$ (13)	**$ (180)**	$ (249)
Segment financial position						
Segment assets	**$ 3,584**	$ 3,514	**$ 5,892**	$ 5,380	**$ 9,476**	$ 8,894
Investments	**26**	25	**210**	236	**236**	261
Borrowings	**(1,682)**	(1,790)	**(3,348)**	(2,655)	**(5,030)**	(4,445)
Segment non-controlling interests	**(970)**	(799)	**(1,137)**	(1,295)	**(2,107)**	(2,094)
Common equity by segment	**$ 958**	$ 950	**$ 1,617**	$ 1,666	**$ 2,575**	$ 2,616

Revenues, net operating income and funds from operations all increased compared to 2011 reflecting the ongoing recovery in the U.S. housing market. This had a particularly favourable impact on the two panelboard investments in our private equity funds, as well as our North American residential development business. These increases were partially offset by a slowdown in activity in our Brazilian residential operations. Disposition gains totalled $31 million in 2012 compared to $177 million in 2011.

Private Equity

We operate six institutional private equity funds with total invested capital of $1.1 billion and uninvested capital commitments from clients of $1 billion, $1.6 billion including Brookfield's commitments. We also directly own a number of investments that are outside the mandates of our private equity funds or other operating entities. Common equity by segment is $1.0 billion consistent with the prior year.

The private equity fund portfolios include 14 investments in a diverse range of industries. Our average investment is $34 million and our largest single exposure is $245 million of common equity by segment and $67 million and $391 million, respectively, at fair value, based on internal valuations. We concentrate our investing activities on businesses with tangible assets and cash flow streams in order to better protect our capital.

Our largest direct investment is a 63% interest in Norbord Inc. ("Norbord"), which is one of the world's largest producers of oriented strand board. The market value of our investment in Norbord at December 31, 2012 was approximately $900 million based on stock market prices, compared to our carrying value of $200 million.

The results of our private equity activities are shown in the following table. Our share of FFO from private equity investments increased to $227 million from $170 million in 2011.

AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Carrying Values		Revenues		Funds from Operations	
	2012	2011	**2012**	2011	**2012**	**2011**
Industrial and forest products	**$ 592**	$ 506	**$ 4,088**	$ 3,673	**$ 166**	$ 59
Energy and related services	**149**	154	**183**	155	**22**	17
Business services	**139**	233	**101**	32	**11**	11
Property and other	**3**	2	**—**	—	**—**	—
Bridge lending	**75**	55	**52**	30	**18**	7
Other	**—**	—	**—**	—	**(5)**	(7)
	958	950	**4,424**	3,890	**212**	87
Disposition gains	**—**	—	**—**	—	**15**	83
	$ 958	$ 950	**$ 4,424**	$ 3,890	**$ 227**	$ 170

Revenues increased by $534 million, due principally to increased prices and volumes within our panelboard businesses, which are benefitting from the U.S. housing recovery. This led to an increase in FFO from our industrial and forest products businesses to $166 million, a $107 million increase over 2011. Asset monetization gains were higher in 2011 due to a $61 million monetization gain relating to the recapitalization of one of our portfolio companies. As a result of these factors, FFO from these operations increased by $57 million to $227 million in 2012.

Residential Development

Our North American business is conducted through Brookfield Residential Properties Inc. We hold approximately 69% of Brookfield Residential which is listed on the New York and Toronto stock exchanges. We are active in 10 principal markets located primarily in Alberta, California and Washington, D.C. area, and control over 100,000 lots in these markets. Our major focus is on entitling and developing land for building homes or for the sale of lots to other builders.

Our Brazilian business is conducted through Brookfield Incorporações S.A. ("BISA"). We hold approximately 44% of BISA which is listed on the principal stock exchange in Brazil. BISA is one of the leading developers in Brazil's real estate industry. These operations include land acquisition and development, construction, and sales and marketing of a broad range of "for sale" residential and commercial office units, with a primary focus on middle income residential. The operations are conducted in Brazil's main metropolitan areas, including São Paulo, Rio de Janeiro, the Brasilia Federal District, and the five other markets that collectively account for the majority of the Brazilian real estate market.

Our development businesses are carried primarily at historical cost, or the lower of cost and market, notwithstanding the length of time that some of our assets have been held and the value created through the development process.

The following table sets out the operating results and financial profile of our residential development activities for the past two years:

AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Brazil		North America		Australia/UK		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
Segment financial results								
Revenues	**$ 1,006**	$ 1,775	**$ 1,340**	$ 818	**$ 130**	$ 257	**$ 2,476**	$ 2,850
Net operating income	**29**	195	**163**	126	**5**	(8)	**197**	313
Equity accounted FFO	**(3)**	21	**10**	1	**—**	—	**7**	22
Disposition gains	**1**	—	**15**	—	**—**	—	**16**	—
Segment operating income	**27**	216	**188**	127	**5**	(8)	**220**	335
Interest expense	**(87)**	(90)	**(41)**	(34)	**(15)**	(11)	**(143)**	(135)
Current income taxes	**(22)**	(18)	**(45)**	(19)	**—**	—	**(67)**	(37)
Non-controlling interests in FFO	**47**	(62)	**(23)**	(23)	**—**	—	**24**	(85)
Funds from operations	**$ (35)**	$ 46	**$ 79**	$ 51	**$ (10)**	$ (19)	**$ 34**	$ 78
Valuation items							**$ (46)**	$ (13)
Segment financial position								
Segment assets	**$ 3,340**	$ 3,028	**$ 2,219**	$ 1,922	**$ 333**	$ 430	**$ 5,892**	$ 5,380
Investments	**44**	80	**155**	144	**11**	12	**210**	236
Borrowings	**(2,175)**	(1,863)	**(1,051)**	(599)	**(122)**	(193)	**(3,348)**	(2,655)
Segment non-controlling interests	**(727)**	(785)	**(410)**	(510)	**—**	—	**(1,137)**	(1,295)
Common equity by segment	**$ 482**	$ 460	**$ 913**	$ 957	**$ 222**	$ 249	**$ 1,617**	$ 1,666

Our Brazilian operations experienced lower levels of sales and project launches during 2012, although both results were consistent with expectations. The slowdown reflects lower levels of permitting throughout our principal development areas following several years of expansion and consistent with the experience of other developers. We have also experienced some margin pressure from cost increases; however margins remained healthy at 13%.

The following table presents project completions, contracted sales and new project launches for the last three years in Brazilian currency:

FOR THE YEARS ENDED DECEMBER 31 (R$ MILLIONS)	**2012**	2011	2010
Project completions	**$ 1,073**	$ 1,952	$ 922
Contracted sales	**3,358**	4,387	3,621
Project launches	**3,072**	3,930	2,981

Our North American operations demonstrated strong growth reflecting the recovery in U.S. housing markets, and while the contribution from our U.S. business was negligible during the year, we believe it has the potential to deliver strong results over the coming years. Funds from operations increased from $51 million to $79 million due largely to an increase in gross margin of $61 million, offset in part by associated income taxes. Brookfield Residential completed an equity offering in the fourth quarter and we participated at a reduced share, diluting our ownership from 72% to 69% and recognizing a disposition gain of $15 million.

We delivered 1,808 homes and 2,142 lots during the year, compared to 1,295 and 1,869, respectively, in 2011, resulting in revenues of $1.3 billion compared to $0.8 billion in 2011. The gross margin on our Canadian operations was 34.2% compared to 36.8% in 2011 reflecting a slight change in mix between the projects being delivered and between home and lot sales.

The 2011 results for Australia and the UK include the bulk sale of residential holdings in Perth.

Outlook and Growth Initiatives

We believe our North American activities will continue to benefit from the continuing recovery of the North American housing industries which should favourably impact our residential development and industry and forest product businesses. In addition, our residential development business benefits from our strong market share within the energy-focused Alberta market. New home orders totalled 2,057 during 2012 compared to 1,635 during 2011, with much of the increase occurring within our U.S. operations. At the end of 2012, the North American backlog of homes sold but not delivered was 834, with a sales value of $365 million, compared to 659 homes with a value of $264 million at the same time last year.

The continued economic expansion within Brazil, combined with favourable demographics and supportive government policies have all contributed to increased sales and are expected to continue. We have focused our operations on major markets, and have established a “top-three” presence in the core markets that represent over 60% of the country’s GDP, which positions us to continue to participate in this growth.

Business conditions for most of the investee companies within our private equity portfolios are improving, which should lead to improved FFO. In addition, favourable capital markets may facilitate their sale, consistent with our strategy. We recently completed the final close of our Brookfield Capital Partners III private fund, with over $1 billion of capital commitments, $250 million of which was from Brookfield.

PART 4 – CAPITALIZATION AND LIQUIDITY

FINANCING STRATEGY

The strength of our capital structure and the liquidity that we maintain enable us to achieve a low cost of capital for our shareholders and, at the same time, provide us with the flexibility to react quickly to potential investment opportunities and adverse changes in economic circumstances.

The following are the key elements of our capital strategy:

- Co-invest with partners through listed and unlisted funds to broaden sources of equity capital;
- Match fund our long-life assets with long-duration mortgage financings with a diversified maturity schedule;
- Provide recourse only to the specific assets being financed, with limited cross collateralization or parental guarantees;
- Limit borrowings to investment-grade levels based on anticipated performance throughout a business cycle;
- Structure our affairs to facilitate access to a broad range of capital and liquidity at multiple levels of the organization; and
- Maintain access to a diverse range of financing markets.

Most of our borrowings are in the form of long-term, property-specific financings such as mortgages or project financings secured only by the specific assets. The diversification of our maturity schedule means that financing requirements in any given year are manageable. Limiting recourse to specific assets or business units ensures that weak performance by one asset or business unit does not compromise our ability to finance the balance of the operations.

Our focus on structuring financings with investment-grade characteristics ensures that debt levels on any particular asset or business can typically be maintained throughout a business cycle, and also enables us to limit covenants and other performance requirements, thereby reducing the risk of early payment requirements or restrictions on the distribution of cash from the assets being financed. Furthermore, our ability to finance at the corporate, operating unit, and asset level on a private or public basis means that we are not overly dependent on any particular segment of the capital markets or the performance of any particular unit.

To enable us to react to attractive investment opportunities and deal with contingencies when they arise, we typically maintain a high level of liquidity at the corporate level and within our key operating platforms. Our primary sources of liquidity, which we refer to as “core liquidity,” consist of our cash and financial assets, net of deposits and other associated liabilities, and undrawn committed credit facilities.

We generate substantial liquidity within our operations on an ongoing basis through our operating cash flow, as well as from the turnover of assets with shorter investment horizons and periodic monetization of our longer-dated assets through sales, refinancings or co-investor participations. Accordingly, we believe we have the necessary liquidity to manage our financial commitments and to capitalize on opportunities to invest capital at attractive returns.

CAPITALIZATION

Overview

We review key components of our consolidated capitalization in the following sections. In several instances we have disaggregated the balances into the amounts attributable to our business segments in order to facilitate discussion and analysis.

Borrowings

Corporate Borrowings

	Average Term		Maturity				
AS AT DECEMBER 31, 2011 (MILLIONS)	**2012**	2011	2013	2014	2015	2016 & After	Total
Commercial paper and bank borrowings	**4**	4	$ —	$ —	$ —	$ 744	$ 744
Term debt	**9**	8	75	178	—	2,529	2,782
	8	7	$ 75	$ 178	$ —	$ 3,273	$ 3,526

Commercial paper and bank borrowings represent shorter-term borrowings pursuant to, or backed by, $2.2 billion of committed revolving term credit facilities of which $1.9 billion have a five-year term and the remaining $300 million have a four-year term. As at December 31, 2012, approximately $253 million (December 31, 2011 – $204 million) of the facilities were utilized for letters of credit issued to support various business initiatives.

Term debt consists of public bonds and private placements, all of which are fixed rate and have maturities ranging from 2013 until 2035. These financings provide an important source of long-term capital and an appropriate match to our long-term asset profile.

Our corporate borrowings have an average term of eight years (December 31, 2011 – seven years). The average interest rate on our corporate borrowings was 4.7% at December 31, 2012 (December 31, 2011 – 5.2%).

Property-Specific Borrowings

As part of our financing strategy, the majority of our debt capital is in the form of property-specific mortgages that have recourse only to the assets being financed and have no recourse to the Corporation.

AS AT DECEMBER 31 (MILLIONS)	Average Term		Consolidated	
	2012	2011	**2012**	2011
Property				
Office	**4**	4	**$ 12,261**	$ 11,398
Retail	**6**	5	**1,003**	1,371
Opportunity, finance and development	**3**	3	**5,445**	2,927
Renewable power	**12**	10	**4,347**	4,197
Infrastructure	**6**	7	**7,021**	4,802
Private equity	**3**	2	**3,210**	3,174
Other	**2**	2	**361**	546
Total	**5**	5	**$ 33,648**	$ 28,415

Property-specific borrowings increased during 2012 due to our share of debt acquired through acquisitions in our property and infrastructure operations.

Subsidiary Borrowings

We capitalize our subsidiary entities to enable continuous access to the debt capital markets, usually on an investment-grade basis, thereby reducing the demand for capital from the Corporation and sharing the cost of financing equally among other equity holders in partially owned subsidiaries.

AS AT DECEMBER 31 (MILLIONS)	Average Term		Consolidated	
	2012	2011	**2012**	2011
Subsidiary borrowings				
Property	**3**	3	**$ 1,896**	$ 743
Renewable power	**8**	8	**1,772**	1,323
Infrastructure	**4**	2	**967**	116
Private equity	**5**	3	**1,820**	1,271
Contingent swap accruals[1]	**3**	4	**1,130**	988
Total	**4**	4	**$ 7,585**	$ 4,441

1. Guaranteed by the Corporation

Our property, renewable power, infrastructure and residential development businesses all completed unsecured borrowings during the year through the issuance of public bonds or term bank facilities, with the proceeds used to refinance higher cost property-specific borrowings or to fund acquisitions.

Subsidiary borrowings have no recourse to the Corporation with only a limited number of exceptions. As at December 31, 2012, subsidiary borrowings included $1,130 million (December 31, 2011 – $988 million) of contingent swap accruals that are guaranteed by the Corporation.

Contingent Swap Accruals

We entered into interest rate swap arrangements with AIG Financial Products (“AIG-FP”) in 1990, which include a zero coupon swap that was originally intended to mature in October 2015. Our financial statements include an accrual of $1,130 million (December 31, 2011 – $988 million) in respect of these contracts, which represents the compounding of amounts based on interest rates from the inception of the contracts. We have also recorded $257 million (December 31, 2011 – $274 million) in accounts payable and other liabilities which represents the difference between the present value of any future payments under the swaps and the current accrual. We believe that the financial collapse of American International Group (“AIG”) and AIG-FP triggered a default under the swap agreements, thereby terminating the contracts with the effect that we are not required to make any further payments under the agreements, including the amounts which might, depending on various events and interest rates, otherwise be payable in 2015. AIG disputes our assertions and therefore we have commenced legal proceedings seeking a declaration from the court confirming our position. We recognize this may not be determined for a considerable period of time, and therefore will continue to account for the contracts as we have in prior years until we receive clarification.

Accounts Payable and Other

AS AT DECEMBER 31 (MILLIONS)	Consolidated		Corporate	
	2012	2011	**2012**	2011
Accounts payable	**$ 7,183**	$ 5,342	**$ 416**	$ 249
Other liabilities	**4,416**	3,924	**967**	1,263
	$ 11,599	$ 9,266	**$ 1,383**	$ 1,512

Accounts payable and other liabilities increased by $2.3 billion on a consolidated basis, of which $1.2 billion represent amounts acquired through business acquisitions, as shown in Note 4 to our consolidated financial statements.

Corporate accounts payable and other decreased $129 million as a result of the continued wind-down of our insurance operations, partially offset by an increased amount of unsettled securities at December 31, 2012.

Capital Securities

Capital securities are preferred shares that are mostly denominated in Canadian dollars and are classified as liabilities because the holders of the preferred shares have the right, after a fixed date, to convert the shares into common equity based on the market price of our Class A Limited Voting Shares, or Brookfield Office Properties common shares at that time unless previously redeemed by us. The dividends paid on these securities are recorded in interest expense.

The average distribution yield on the consolidated capital securities at December 31, 2012 was 5.4% (December 31, 2011 – 5.5%) and the average term to the holders' conversion date was two years as at December 31, 2012 (December 31, 2011 – three years).

AS AT DECEMBER 31 (MILLIONS)	Average Term to Conversion		Consolidated		Corporate	
	2012	2011	**2012**	2011	**2012**	2011
Issued by the Corporation	**3**	2	**$ 325**	$ 656	**$ 325**	$ 656
Issued by Brookfield Office Properties	**2**	3	**866**	994	**—**	—
	2	3	**$ 1,191**	$ 1,650	**$ 325**	$ 656

The decrease during the year reflects the redemption of capital securities by both the Corporation and Brookfield Office Properties.

Interest Rate Profile

As at December 31, 2012, our net floating rate liability position on a proportionate basis was $4.9 billion (December 31, 2011 – $4.7 billion). As a result, a 10 basis-point increase in interest rates would decrease funds from operations by $5 million. Notwithstanding our practice of match funding long-term assets with long-term debt, we do believe that the values and cash flows of certain assets are more appropriately matched with floating rate liabilities. We utilize interest rate contracts to manage our overall interest rate profile so as to achieve an appropriate floating rate exposure on these assets while preserving a long-term maturity profile.

The impact of a 10 basis-point increase in long-term interest rates on financial instruments recorded at market value is estimated to increase net income by $1 million on an annualized basis before tax, based on our positions at December 31, 2012 (December 31, 2011 – $2 million).

We have been active in taking advantage of low long-term rates to fix the coupons on floating rate debt and near-term maturities. This has resulted in an increase in our current borrowing expense but we believe this will result in lower costs in the long term. We have entered into $3.6 billion notional amount (2011 – $2.8 billion) of interest rate contracts, $2.2 billion net to the Corporation (2011 – $1.8 billion), to lock in the risk-free component of interest rates for debt refinancings over the next three years at an average risk-free rate of 2.39% (2011 – 2.79%). The effective rate will be approximately 3.34% (2011 – 3.76%) at the time of issuance which reflects the premium relating to the projected steepness of the yield curve during this period. This represents approximately 50% of expected issuance into the North American and UK markets (2011 – 50%). The value of these contracts is correlated with changes in the reference interest rate, typically the U.S. 10-year government bond such that a 10 basis-point change in the interest rate would result in a $35 million change (2011 – $31 million) in mark-to-market, $25 million net to Brookfield (2011 – $21 million), being recorded in OCI.

Preferred Equity

Preferred equity is comprised of perpetual preferred shares and therefore represents permanent non-participating equity that provides attractive low-cost leverage to our common equity. The shares are categorized by their principal characteristics in the following table:

AS AT DECEMBER 31 (MILLIONS)	Average Rate 2012	Average Rate 2011	2012	2011
Floating rate	**2.12%**	2.12%	**$ 480**	$ 480
Fixed rate	**4.79%**	4.75%	**355**	355
Fixed rate-reset	**5.00%**	5.28%	**2,066**	1,305
	4.48%	4.42%	**$ 2,901**	$ 2,140

We issued C$300 million of 4.5% perpetual rate-reset preferred shares in March 2012, C$250 million of 4.2% perpetual rate-reset preferred shares in September 2012, and C$200 million of 4.85% perpetual fixed rate preferred shares in November 2012. Fixed rate-reset preferred shares have an initial rate that is fixed for an initial five to seven year period and is then reset after that time at a pre-determined spread to the government bond yield.

Non-controlling Interests

Interests of co-investors in net assets are comprised of three components: participating equity interests, participating interests held by other investors in funds that are treated as liabilities for accounting purposes, and non-participating preferred equity issued by subsidiaries.

AS AT DECEMBER 31 (MILLIONS)	2012	2011
Participating equity interests		
Properties		
Brookfield Office Properties Inc.	**$ 6,183**	$ 5,410
Property funds and other	**2,858**	2,803
Renewable power		
Brookfield Renewable Energy Partners L.P.	**3,059**	2,272
Infrastructure		
Brookfield Infrastructure Partners L.P.	**6,157**	4,082
Private equity, development and corporate		
Brookfield Incorporações S.A.	**727**	784
Brookfield Residential Properties Inc.	**851**	510
Other	**1,001**	828
	20,836	16,689
Interest of others in funds	**425**	333
	21,261	17,022
Non-participating interests		
Brookfield Office Properties Inc.	**1,443**	1,190
Brookfield Renewable Energy Partners L.P.	**500**	231
Other	**411**	406
	2,354	1,827
	$ 23,615	$ 18,849

Common Equity

We repurchased 3.4 million Class A Limited Voting Shares during 2012 for $106 million of which 2.3 million shares ($70 million) back grants of escrowed shares to employees.

The company holds 5.5 million Class A Limited Voting Shares (2011 – 3.2 million) for management long-term share ownership programs, which have been deducted from the total amount of shares outstanding.

Issued and Outstanding Shares

Changes in the number of issued and outstanding Class A Limited Voting Shares for the past two years are as follows:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2012**	2011
Outstanding at beginning of year	**619.3**	577.7
Issued (repurchased)		
Share issuances	**—**	45.1
Repurchases	**(2.6)**	(6.1)
Management share option plan[1]	**2.7**	2.5
Dividend reinvestment plan	**0.2**	0.1
Outstanding at end of year	**619.6**	619.3
Unexercised options[1]	**38.4**	37.9
Total diluted shares at end of year	**658.0**	657.2

1. Includes management share option plan and escrowed stock plan

In calculating our book value per share, the cash value of our unexercised options of $912 million (December 31, 2011 – $840 million) is added to the book value of our common equity of $18,160 million (December 31, 2011 – $16,743 million) prior to dividing by the total diluted shares presented above.

As of March 28, 2013, the Corporation had outstanding 615,907,041 Class A Limited Voting Shares and 85,120 Class B Limited Voting Shares.

Basic and Diluted Earnings Per Share

The components of basic and diluted earnings per share are summarized in the following table:

	Net Income	
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2012**	2011
Net income	**$ 1,380**	$ 1,957
Preferred share dividends	**(129)**	(106)
	1,251	1,851
Capital securities dividends[1]	**25**	38
Net income available for shareholders	**$ 1,276**	$ 1,889
Weighted average shares	**618.9**	616.2
Dilutive effect of the conversion of options using treasury stock method [2]	**12.1**	10.8
Dilutive effect of the conversion of capital securities [1,3]	**18.0**	26.0
Shares and share equivalents	**649.0**	653.0

1. Subject to the approval of the Toronto Stock Exchange, the Series 10,11,12 and 21 shares, unless redeemed by the company for cash, are convertible into Class A Limited Voting shares at a price equal to the greater of 95% at the market price at the time of conversion and C$2.00, at the option of either the company or the holder. The Series 10 and 11 shares were redeemed on April 5, 2012 and October 1, 2012, respectively
2. Includes Management Share Option Plan and Escrowed Stock Plan
3. The number of shares is based on 95% of the quoted market price at period-end

Debt to Capitalization

The following table presents our debt to capitalization on a corporate (i.e., deconsolidated), a proportionally consolidated and consolidated basis.

We define capitalization to include accounts payable and other liabilities and deferred income taxes, as well as borrowings, capital securities, interests of others in consolidated funds and equity, which is consistent with how we assess our leverage ratios and how we present them to our rating agencies.

AS AT DECEMBER 31 (MILLIONS)	Consolidated		Corporate		Proportionate	
	2012	2011	**2012**	2011	**2012**	2011
Corporate borrowings	**$ 3,526**	$ 3,701	**$ 3,526**	$ 3,701	**$ 3,526**	$ 3,701
Non-recourse borrowings						
Property-specific mortgages	**33,648**	28,415	**—**	—	**21,794**	19,083
Subsidiary borrowings[1]	**7,585**	4,441	**1,130**	988	**4,928**	3,679
	44,759	36,557	**4,656**	4,689	**30,248**	26,463
Accounts payable and other	**11,599**	9,266	**1,199**	1,287	**7,144**	6,128
Deferred tax liabilities	**6,419**	5,817	**870**	796	**2,339**	2,255
Capital securities	**1,191**	1,650	**325**	656	**758**	1,153
Interests of others in consolidated funds	**425**	333	**—**	—	**—**	—
Equity						
Non-controlling interests	**23,190**	18,516	**—**	—	**—**	—
Preferred equity	**2,901**	2,140	**2,901**	2,140	**2,901**	2,140
Common equity	**18,160**	16,743	**18,160**	16,743	**18,160**	16,743
	44,251	37,999	**21,061**	18,883	**21,061**	18,883
Total capitalization	**$ 108,644**	$ 91,022	**$ 28,111**	$ 26,311	**$ 61,550**	$ 54,882
Debt to capitalization[2]	**41%**	41%	**17%**	18%	**49%**	48%

1. Includes $1,130 million (December 31, 2011 – $988 million) of contingent swap accruals which are guaranteed by the Corporation and are accordingly included in Corporate Capitalization
2. Determined as the aggregate of corporate borrowings and non-recourse borrowings divided by total capitalization

Consolidated Capitalization

Consolidated capitalization reflects the full consolidation of partially-owned entities, notwithstanding that our capital exposure to these entities is limited in almost all cases to our invested capital. The debt-to-capitalization ratio on this basis is 41% (December 31, 2011 – 41%).

We note that in many cases our consolidated capitalization includes 100% of the debt of the consolidated entities, even though in most cases we only own a portion of the entity and therefore our pro rata exposure to this debt is much lower. In other cases, this basis of presentation excludes some or all of the debt of partially owned entities that are equity accounted or proportionately consolidated, such as our investment in General Growth Properties and several of our infrastructure businesses.

The increase in borrowings on this primarily reflects the assumption of non-recourse asset specific borrowings on newly acquired or consolidated assets and businesses. These changes had little impact on our proportionate consolidation as the borrowings were already reflected in that basis of presentation or our share of the borrowings is substantially reduced, after considering the amounts attributable to our partners.

Corporate Capitalization

Our corporate (deconsolidated) capitalization shows the amount of debt that is recourse to the Corporation, and the extent to which it is supported by our invested capital and remitted cash flows. Corporate borrowings decreased by $175 million as a result of retained cash flow, asset monetizations and financing activities. We completed two corporate bond issues during the year for total proceeds of $846 million and used the proceeds in part to redeem $775 million of higher cost debt. These activities reduced the average coupon by 3.63% compared to the redeemed bonds, provided incremental proceeds of $71 million and extended the average term of our corporate term debt from seven years to eight years. Preferred equity increased by $761 million representing the permanent capital raised on three issues of rate-reset preferred shares during the year with an average rate of 4.49%. The proceeds were used in part to redeem $350 million of capital securities with an average rate 5.68%. Our strategy is to maintain a relatively low level of debt at the parent company level and finance our operations primarily at the asset or operating unit level with no recourse to the Corporation. Subsidiary borrowings included in our corporate capitalization are contingent swap accruals issued by a subsidiary that are guaranteed by the Corporation.

Common and preferred equity totals $21 billion and represents 75% of our corporate capitalization. The average term to maturity of our corporate debt is eight years.

Proportionate Capitalization

Proportionate consolidation, which reflects our proportionate interest in the underlying entities, depicts the extent to which our underlying assets are leveraged, which is an important component of enhancing shareholder returns. We believe the 49% debt-to-capitalization ratio at December 31, 2012 (December 31, 2011 – 48%) is appropriate given the high quality of the assets, the stability of the associated cash flows and the level of financings that assets of this nature typically support, as well as our liquidity profile.

LIQUIDITY

Overview

Our principal sources of short-term liquidity are cash and financial assets together with undrawn committed credit facilities, which we refer to collectively as core liquidity. As at December 31, 2012 core liquidity at the corporate level was $2.3 billion, consisting of $1.1 billion in net cash and financial assets and $1.2 billion in undrawn credit facilities. Aggregate core liquidity includes the core liquidity of our principal subsidiaries, which consist for these purposes of Brookfield Office Properties Inc., Brookfield Renewable Energy Partners L.P. and Brookfield Infrastructure Partners L.P., and was $4.1 billion at year-end, approximately $300 million higher than at the end of 2011. The majority of the underlying assets and businesses in these asset classes are funded by these entities, and they will continue to fund our ongoing investments in these areas and, accordingly, we include the resources of these entities in assessing our liquidity. We continue to maintain elevated liquidity levels because we continue to pursue a number of attractive investment opportunities.

The following table presents core liquidity on a corporate and consolidated basis:

AS AT DECEMBER 31 (MILLIONS)	Corporate		Principal Subsidiaries		Total	
	2012	2011	**2012**	2011	**2012**	2011
Cash and financial assets, net	**$ 1,133**	$ 1,461	**$ 497**	$ 348	**$ 1,630**	$ 1,809
Undrawn committed credit facilities	**1,154**	913	**1,364**	1,136	**2,518**	2,049
	$ 2,287	$ 2,374	**$ 1,861**	$ 1,484	**$ 4,148**	$ 3,858

Our two largest normal course capital requirements on a consolidated basis are the funding of debt maturities and acquisitions. As a result of our financing strategy, the quality of our assets and emphasis on investment grade borrowings and diversification of capital sources, we have consistently refinanced maturities in the normal course, even in difficult capital market environments, and frequently do so in advance of the scheduled maturity. Most of our acquisitions are completed by private funds or listed entities that we manage. In the case of private funds, the necessary equity capital is obtained by calling on commitments made by the limited partners in each fund, which include commitments made by us or our managed entities. In the case of listed entities, capital requirements are funded through their own resources and access to capital markets, which may be supported by us from time to time through participation in equity offerings or bridge financings.

Our principal liquidity needs at the corporate level include: debt service and principal repayment obligations; capital calls from funds to which we have committed capital; discretionary investments to fund acquisitions and capital expansion projects; payments related to financial instruments such as interest rate and foreign currency contracts; sustaining capital expenditures; ongoing corporate operating costs; and dividend payments declared by our Board of Directors. We describe our contractual obligations on page 70.

We and our listed subsidiaries enter into commitments to provide capital to the private funds that we manage, similar to the commitments that our clients make. In the case of our property, infrastructure and timber funds, these commitments are expected to be funded by our listed entities, specifically Brookfield Renewable Energy Partners L.P. and Brookfield Infrastructure L.P., although the agreements provide that we will fund any commitments that our listed entities fail to fund. As at December 31, 2012 the Corporation had commitments to fund $2.1 billion of capital to funds, of which $0.3 billion is expected to be funded by managed entities and the balance by the corporation, we had $5.2 billion of commitments from third party clients to fund qualifying transactions. Investments and capital expansion projects are discretionary and require approval under our investment policies including, where appropriate, our Board of Directors. The approval of these activities takes into consideration the availability of capital to fund them.

As discussed further on pages 75 and 76, we enter into financial instruments such as interest rate, foreign currency and power price contracts that require us to make or receive payments based on changes in value of the contracts, either to settle the contract or as collateral. We carefully monitor potential liquidity requirements to ensure that they remain within a reasonable amount and can easily be funded with core liquidity.

We schedule ongoing capital expenditure programs to maintain the operating capacity of our assets at existing levels, which we refer to as sustaining capital expenditures, and which typically represent a relatively small proportion of operating cash flows within each business. The timing of these expenditures is discretionary, however we believe it is important to maintain the productivity of our assets in order to optimize cash flows and value accretion and fund these expenditures with operating cash flow.

Over the medium to longer term, we believe that our strategy of holding most of the capital we invest in our property, renewable power and infrastructure businesses through listed entities will significantly increase our capital resources and liquidity and reduce our capital requirements with respect to future investing activities. Our strategy calls for most of the capital invested in assets within these sectors, either directly or through commitments to private funds, to be funded by the listed entities with their own capital resources. This will likely involve the issuance of equity by these entities from time to time, and we may participate in such equity issues, however, the extent of our participation is at our discretion. Furthermore, we may have the opportunity, but not the obligation, to provide other forms of financing to these entities if we believe it is appropriate. We may from time to time enter into commitments to provide financing to listed entities such as an equity subscription facility or loan facility.

In addition, we have the ability to sell a portion of our interests in the listed entities thereby generating additional liquidity. Our interests in Brookfield Renewable, at 68% and our initial ownership of 92.5% in Brookfield Property Partners are both well in excess of what we expect our longer term ownership positions to be.

Cash and Financial Assets

We maintain a portfolio of financial assets funded with surplus activity with the objective of generating favourable investment returns.

AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Carrying Values		Revenues, Gains and Direct Costs	
	2012	2011	**2012**	2011
Financial assets				
Government bonds	**$ 137**	$ 485		
Corporate bonds	**169**	193		
Other fixed income	**19**	66		
High-yield bonds	**192**	190		
Preferred shares	**297**	289		
Common shares	**690**	493		
Loans receivable/deposits	**40**	218		
Total financial assets	**1,544**	1,934	**$ 241**	$ 173
Cash and cash equivalents	**175**	41	**—**	—
Deposits and other liabilities	**(586)**	(514)	**(45)**	(47)
Common equity by segment/FFO	**$ 1,133**	$ 1,461	**$ 196**	$ 126

Government and corporate bonds include short duration securities for liquidity purposes and longer dated securities that match insurance liabilities.

In addition to the carrying values of financial assets, we hold credit default swaps with a notional value of $815 million pursuant to which we have purchased protection against the reference debt instrument and $50 million of notional value where we have sold protection. The carrying value of these derivative instruments reflected in our financial statements at December 31, 2012 was a liability of $10 million.

Funds from operations includes disposition gains and realized and unrealized gains or losses on other capital markets positions, including fixed income and equity securities, credit investments, foreign currency and interest rates.

Due to the capital market volatility during the year, we recorded mark-to-market gains on investment positions totalling approximately $30 million during the year. This compared with 2011 which included mark-to-market losses of approximately $65 million.

We sold two thirds of our U.S. franchise property service operations in the fourth quarter of 2012 and recorded a $70 million gain within net income. In the third quarter, we early financed a portion of term debt and included a $34 million “make-whole” payment within investment income.

Financing Activities and Liquidity

We issued or raised $29.4 billion of capital during 2012 through consolidated and equity accounted investments to finance growth activities, extend our maturity profile and supplement our liquidity as shown in the following table:

(MILLIONS)	Proceeds	Rate	Term
Borrowings			
Unsecured	$ 7,900	3.79%	5 years
Asset specific	14,120	4.37%	8 years
Equity/asset sales	1,870	n/a	Perpetual
Common share issuance	585	—	Perpetual
Preferred share issuances	1,250	4.50%	Perpetual
Private funds	3,645	n/a	10 years
	$ 29,370		

The refinancing activities have enabled us to extend or maintain our average maturity term at favourable rates. Approximately $9.3 billion of the asset specific financings and the $1.3 billion of preferred shares issued have fixed rate coupons. The continued steepness in the yield curve and prepayment terms on existing debt continue to reduce the attractiveness of prefinancing a number of our future maturities; however, we are actively refinancing short-dated maturities and longer-dated maturities when the opportunities present themselves.

We have also locked in the reference rates for approximately $3.6 billion of anticipated future financings in the United States, Canada, and the UK over the next three years.

Cash Flow Summary

The following table summarizes the consolidated statement of cash flows within our consolidated financial statements:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2012**	2011
Operating activities	**$ 1,497**	$ 780
Financing activities	**3,923**	2,650
Investing activities	**(4,562)**	(3,081)
Increase in cash and cash equivalents	**$ 858**	$ 349

Operating Activities

Cash flow from operating activities consists of net income, including the amount attributable to co-investors, less non-cash items such as undistributed equity accounted income, fair value changes, depreciation and deferred income taxes, and adjusted for changes in non-cash working capital. Cash flow from operating activities also includes the net amount invested or recovered through the ongoing investment in and subsequent sale of residential land, houses and condominiums, which represented an outlay of $861 million in 2012 (2011 – outlay of $543 million). While we consider this to be an investment activity, it is included in operating activities because the associated assets are classified as inventory under IFRS.

Financing Activities

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2012**	2011
Per consolidated financial statements	**$ 3,923**	$ 2,650
Add: equity issued not reflected in the financial statements	**—**	907
	$ 3,923	$ 3,557

Financing activities generated $3.9 billion of cash flow, compared to $3.6 billion in the prior year. We issued $13.2 billion of unsecured and secured borrowings, primarily to refinance $11.3 billion of existing borrowings, thereby extending term and decreasing our cost of capital, and also to finance growth activities. We issued $737 million of preferred shares and redeemed $506 million of capital securities.

We issued $3.8 billion of equity capital; $2.3 billion to our institutional clients in private funds and $1.5 billion through publicly listed entities. The proceeds were utilized to expand our business, primarily in our infrastructure, renewable power and property operations.

Financing activities in the prior year included the issuance of $1.5 billion of Class A Limited Voting Shares and preferred equity, the proceeds of which were used to fund an incremental interest in General Growth Properties. In addition, net debt issues were $1.7 billion during 2011 and our publicly listed Infrastructure Partnership issued $460 million of limited partnership units to further expand our business.

Investing Activities

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2012**	2011
Per consolidated financial statements	**$ (4,562)**	$ (3,081)
Add: equity issued not reflected in the financial statements	**—**	(907)
	$ (4,562)	$ (3,988)

We invested $4.6 billion to expand our operations in the current year, consistent with the $4.0 billion invested in 2011. In our property operations, we acquired $2.1 billion of commercial properties, including a $0.5 billion Australian office, hotel and development portfolio, a $0.3 billion multi-family property portfolio, a $0.3 billion in an industrial property portfolio and invested $0.3 billion in Rouse Properties, following its spin-off from General Growth Properties in the first quarter of 2012. Our renewable power operations invested $1.1 billion, including the acquisition of two hydroelectric portfolios in North America and continued to invest in development projects. Our Infrastructure operations invested $2.1 billion to acquire several businesses, including a UK regulated distribution operation, a Brazilian toll road, an

additional 27% interest in our Chilean toll road business, a Colombian regulated distribution operation and a North American gas storage business. We disposed of certain financial assets during the year, generating $0.9 billion of proceeds, which was reinvested into our operations.

Investing activities in the prior year included an incremental $1.7 billion investment in General Growth Properties, primarily funded through the issuance of $1.5 billion Class A Limited Voting Shares and preferred equity. We further invested in our renewable power operations to acquire wind and hydro development projects and we continued to invest in our Australian railroad and coal terminal within our infrastructure operations.

CONTRACTUAL OBLIGATIONS

The following table presents the contractual obligations of the company by payment periods:

AS AT DECEMBER 31 (MILLIONS)	Payments Due By Period						
	Less than 1 Year	2 Years	3 Years	4 Years	5 Years	After 5 Years	**Total**
Corporate borrowings	75	178	—	467	1,070	1,736	**3,526**
Principal repayments							
Non-recourse borrowings							
Property-specific mortgages	4,419	8,869	2,275	3,795	3,224	11,066	**33,648**
Other debt of subsidiaries	1,039	1,027	1,388	906	1,134	2,091	**7,585**
Capital securities	353	203	312	149	—	174	**1,191**
Lease obligations[1]	24	33	34	17	17	102	**227**
Commitments	2,731	—	—	—	—	—	**2,731**
Interest expense[2]							
Long-term debt	2,243	1,839	1,476	1,232	946	2,212	**9,948**
Capital securities	52	45	33	17	10	2	**159**
Interest rate swaps	112	323	257	91	1	183	**967**

1. Included in accounts payable and other
2. Represents the aggregate interest expense expected to be paid over the term of the obligations. Variable interest rate payments have been calculated based on current rates

Commitments of $2.7 billion (2011 – $1.4 billion) represent various contractual obligations of the company and its subsidiaries assumed in the normal course of business. These included commitments to provide bridge financing, and letters of credit and guarantees provided in respect of power sales contracts and reinsurance obligations, of which $386 million (2011 – $300 million) is included within “accounts payable and other” in the consolidated balance sheets. All other balances, with the exception of interest expense incurred in future periods, are included in our consolidated balance sheet.

In addition, the company and its consolidated subsidiaries execute agreements that provide for indemnifications and guarantees to third parties in transactions or dealings such as business dispositions, business acquisitions, sales of assets, provision of services, securitization agreements, and underwriting and agency agreements. The company has also agreed to indemnify its directors and certain of its officers and employees. The nature of substantially all of the indemnification undertakings prevents the company from making a reasonable estimate of the maximum potential amount the company could be required to pay third parties, as in most cases the agreements do not specify a maximum amount, and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Neither the company nor its consolidated subsidiaries have made significant payments in the past, nor do they expect at this time to make any significant payments under such indemnification agreements in the future.

Our wholly-owned energy marketing group has also committed to purchase power and other wind generation produced by 68% owned Brookfield Renewable Energy Partners L.P. as previously described on page 52.

The company periodically enters into joint venture, consortium or other arrangements that have contingent liquidity rights in favour of the company or its counterparties. These include buy-sell arrangements, registration rights and other customary arrangements. These agreements generally have embedded protective terms that mitigate the risk to us. The amount, timing and likelihood of any payments by the company under these arrangements is, in most cases, dependent on either future contingent events or circumstances applicable to the counterparty and therefore cannot be determined at this time.

EXPOSURES TO SELECTED FINANCIAL INSTRUMENTS

As discussed elsewhere in this MD&A we utilize various financial instruments in our business to manage risk and make better use of our capital. The fair values of these instruments that are reflected on our balance sheets are disclosed in Note 5 to our consolidated financial statements and under Financial and Liquidity Risks beginning on page 75.

PART 5 – OPERATING CAPABILITIES, ENVIRONMENT AND RISKS

In this section we discuss elements of our operating strategies as they relate to the execution of our business strategy, as well as performance measurements. This section also contains a review of certain aspects of the business environment and risks that could affect our performance.

OPERATING CAPABILITIES

We believe that we have the necessary capabilities to execute our business strategy and achieve our performance targets. We focus on disciplined and active hands-on management of assets and capital. We strive for excellence and quality in each of our core operating platforms in the belief that this approach will produce superior returns over the long term.

We endeavour to operate as a value investor and follow a disciplined investment approach. Our management team has considerable capabilities in investment analysis, mergers and acquisitions, divestitures and corporate finance that enable us to acquire assets for value, finance them effectively, and to ultimately realize value created during our ownership.

Our operating platforms and depth of experience in managing these assets differentiate us from some competitors that have shorter investment horizons and more of a financial focus. These operating platforms have been established over many years and are fully integrated into our organization. This has required considerable investment in building the management teams and the necessary resources; however, we believe these platforms enable us to optimize the cash returns and values of the assets that we manage.

We have established strong relationships with a number of leading institutions and believe we are well positioned to continue increasing capital managed for others on a fee bearing basis. We are investing in our distribution capabilities to encourage existing and potential clients to commit capital to our investment strategies. We are devoting expanded resources to these activities, and our efforts continue to be assisted by favourable investment performance.

The diversification within our operations allows us to offer a broad range of products and investment strategies to our clients. We believe this is of considerable value to investors with large amounts of capital to deploy. In addition, our commitment to transparency and governance as a well-capitalized public company listed on major North American and European stock exchanges positions us as a desirable long-term partner for our clients.

Finally, our commitment to invest a meaningful amount of capital alongside our investors creates a strong alignment of interest between us and our investment partners and also differentiates us from many of our competitors. Accordingly, our strategy is to maintain considerable surplus financial resources. This capital also supports our ability to commit to investment opportunities on our own account when appropriate or in anticipation of future syndications.

BUSINESS ENVIRONMENT AND RISKS

The following is a review of certain risks that could adversely impact our financial condition, results of operations and the value of our common equity. Additional risks and uncertainties not previously known to the Corporation, or that the Corporation currently deems immaterial, may also impact our operations and financial results.

General Risks

Economic Conditions

We are exposed to the local, regional, national and international economic conditions and other events and occurrences that affect the jurisdictions in which our entities are formed or where we own assets and operate businesses. In general, a decline in economic conditions, either in the markets or industries in which we participate, or both, will result in downward pressure on our operating margins and asset values as a result of lower demand and increased price competition for the services and products that we provide.

Competition

Each segment of our business is subject to competition in varying degrees. An increase in competition can result in downward pressure on revenues which can, in turn, reduce operating margins and thereby reduce operating cash flows, investment returns and our overall financial condition. In addition, competition could result in the scarcity of inputs which can impact certain of our businesses through higher costs.

Interest Rates

A number of our long-life assets are interest rate sensitive: increases in long-term interest rates will, absent all else, decrease the value of these assets by reducing the present value of the cash flows expected to be produced by the asset. Additionally, any of our debt or preferred shares that are subject to variable interest rates, either as an obligation with a variable interest rate or as an obligation with a fixed interest rate that resets into a variable interest rate in the future, are subject to the risk of a change in interest rates. Should interest rates increase, the amount of cash required to service these obligations would increase and our earnings could be adversely impacted.

Ownership of Common Shares

The trading price of our shares in the open market is subject to volatility and cannot be predicted. Our shareholders may not be able to resell their common shares at or above the price at which they purchased their common shares due to such trading price fluctuations. The trading price could fluctuate significantly in response to factors both related and unrelated to our operating performance and/or future prospects, including, but not limited to: (i) variations in our quarterly or annual operating results and financial condition; (ii) changes in government laws, rules or regulations affecting our businesses; (iii) material announcements by our competitors; (iv) market conditions and events specific to the industries in which we operate; (v) changes in general economic conditions; (vi) differences between our actual financial and operating results and those expected by investors and analysts; (vii) changes in analysts' recommendations or earnings projections; (viii) changes in the extent of analysts' interest in covering the Corporation and its publicly-traded affiliates; (ix) the depth and liquidity of the market for our shares; (x) dilution from the issuance of additional equity; (xi) investor perception of our businesses and industries; (xii) investment restrictions; (xiii) our dividend policy; (xiv) the departure of key executives; (xv) sales of common shares by senior management or significant shareholders; and (xvi) the materialization of other risks described in this section.

Laws, Rules and Regulations

There are many laws and governmental rules and regulations that apply to us, our assets and businesses. Changes in these laws, rules and regulations, or their interpretation by agencies or the courts, could occur. Further, economic and political factors, including civil unrest, governmental changes and restrictions on the ability to transfer capital across borders can have a major impact on us as a global company.

We acquire and develop primarily property, power generation and infrastructure assets. In doing so, we must comply with extensive and complex municipal, state or provincial, national and international regulations affecting the development process. These regulations impose on us additional costs and delays, which may adversely affect our business and results of operations. In particular, we are required to obtain the approval of numerous governmental authorities regulating matters such as permitted land uses, levels of density, the installation of utility services, zoning and building standards. We must also comply with local, state or provincial and federal laws, rules and regulations relating to the protection or preservation of human health and safety and the environment. These laws, rules and regulations sometimes result in delays, which cause us to incur additional costs, or severely restrict development activity in certain regions or areas. Additionally, liability under such laws, rules and regulations may occur without our fault. Private parties may also have the right to pursue legal actions against us to enforce compliance as well as seek damages for non-compliance with these laws, rules and regulations or for personal injury or property damage. Our insurance may not provide any coverage or sufficient coverage in the event that a claim is made against us. An increase in regulatory requirements may require us to incur further compliance costs. Environmental laws and regulations can change rapidly and we may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have an adverse effect on our business, financial condition or results of operation.

Our asset management business is subject to regulatory compliance and oversight. The advisers of our private investment funds are registered as investment advisers with the U.S. Securities and Exchange Commission (the "SEC"). Registered investment advisers are subject to the requirements and regulations of the Investment Advisers Act of 1940 (the "Advisers Act"), including, among other things, fiduciary duties to clients, maintaining an effective compliance program, record-keeping, advertising and operating requirements, disclosure obligations, general anti-fraud prohibitions and "pay to play" practices vis-à-vis U.S. state and local government entities. Compliance results in the expenditure of costs and internal resources and a failure to comply with such obligations could result in investigations, financial or other sanctions and reputational damage.

The U.S. Investment Company Act of 1940 (the "40 Act") requires the registration of any company which holds itself out to the public as being engaged primarily in the business of investing, reinvesting or trading in securities. In addition, the 40 Act may also require the registration of a company that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and which owns or proposes to acquire investment securities with a value of more than 40% of the company's assets on an unconsolidated basis. We are not currently an investment company under the 40 Act. If we were required to register as an investment company under the 40 Act, we would, among other things, be restricted from engaging in certain businesses and issuing certain securities. In addition, certain of our contracts may become void.

Health, Safety and the Environment

As an owner and manager of real property, we may become liable for the costs of removal and remediation of certain hazardous substances or wastes released or deposited on or in our properties, or disposed of at other locations. The failure to remove or remediate such substances, if any, could adversely affect our ability to sell our real estate or to borrow using real estate as collateral, and could potentially result in claims or other proceedings against us.

The ownership and operation of our assets carry varying degrees of inherent risk or liability related to worker health and safety and the environment, including the risk of government imposed orders to remedy unsafe conditions and potential civil liability. Compliance with health, safety and environmental standards and the requirements of licenses, permits and other approvals will remain material to our business. We have incurred and will continue to incur significant capital and operating expenditures to comply with health, safety and environmental standards and to obtain and comply with licenses, permits and other approvals and to assess and manage potential liability exposure. Nevertheless, we may be unsuccessful in obtaining an important license,

permit or other approval or become subject to government orders, investigations, inquiries or other proceedings (including civil claims) relating to health, safety and environmental matters. The occurrence of any of these events or any changes, additions to, or more rigorous enforcement of, health, safety and environmental standards, licenses, permits or other approvals could have a significant impact on our operations and/or result in material expenditures. As a consequence, no assurance can be given that additional environmental and workers' health and safety issues relating to presently known or unknown matters will not require unanticipated expenditures, or result in fines, penalties or other consequences (including changes to operations) material to our business and operations.

Insurance

We carry various insurance coverages on our assets that provide comprehensive protection for first-party and third-party losses. These coverages contain policy specifications, limits and deductibles customarily carried for similar assets. We also self-insure a portion of certain of these risks. There are certain types of risks (generally of a catastrophic nature such as war or environmental contamination) which are either uninsurable or not economically insurable. Should any uninsured or underinsured loss occur, we could lose our investment in, and anticipated profits and cash flows from, one or more of our assets or operations, and would continue to be obligated to repay any mortgage or other indebtedness on such properties to the extent the borrowers have recourse beyond the specific asset or operations being financed.

Litigation

In the normal course of our operations, we become involved in various legal actions, including claims relating to personal injuries, property damage, property taxes, land rights and contract and other commercial disputes. The final outcome with respect to outstanding, pending or future actions cannot be predicted with certainty, and therefore there can be no assurance that their resolution will not have an adverse effect on our financial position or results of our operations in a particular quarter or fiscal year. Any litigation may consume substantial amounts of our management's time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

One such legal action, which has garnered some press attention, is a civil action which has been commenced by a public prosecutor in Brazil against a Brazilian subsidiary of ours relating to allegations that the affiliate made payments to certain third parties in Brazil and those payment were, in turn, used, with our knowledge, to pay certain municipal officials to obtain permits and other benefits. These civil charges stem out of charges brought against three of our employees in Brazil who were allegedly aware of these payments. All involved have denied the allegations. We are advised that the Securities and Exchange Commission has opened an investigation into this matter based on a complaint which they received. While the outcome of this matter is financially not material to Brookfield, it could have an impact on our reputation.

Taxes

A number of factors may increase our effective tax rates, which would have a negative impact on our net income. These include changes in tax policies, tax laws or their interpretation in the jurisdictions in which we pay taxes, changes in the valuation of our deferred tax assets and liabilities and any reassessment of taxes by a taxation authority.

Climate Change

Ongoing changes to the physical climate in which we operate may have an impact on our businesses. In particular, changes in weather patterns may impact hydrology levels thereby influencing generation levels and power generation levels. Climate change may also give rise to changes in regulations and consumer sentiment that could impact other areas of our operations. Climate change regulation at provincial or state, federal and international levels could have an adverse effect on our business, financial position, results of operations or cash flows.

Labour

A portion of the workforce in our operations is unionized and if we are unable to negotiate acceptable contracts with any of our unions as existing agreements expire, we could experience a significant disruption of the affected operations, higher ongoing labour costs and restrictions on our ability to maximize the efficiency of our operations, all of which could have an adverse effect on our financial results.

Terrorist Acts

Our commercial office portfolio is concentrated in large metropolitan areas, some of which have been or may be perceived to be subject to terrorist attacks. Furthermore, many of our properties consist of high-rise buildings, which may also be subject to this actual or perceived threat. The perceived threat of a terrorist attack could negatively impact our ability to lease office space in our portfolio. Infrastructure and power assets may also be specific targets of terrorist organizations who seek to disrupt the backbone of Western economies. A terrorist act affecting us, could have an adverse effect on our operating results and cash flows. Our U.S. and Canadian commercial office property operations have insurance covering certain acts of terrorism and business interruption costs; however, such insurance is not equal to the full replacement cost of all of these assets. Any damage or business interruption costs as a result of uninsured acts of terrorism could result in a material cost to us. There is no assurance that adequate terrorism

insurance will be available at rates we believe are reasonable in the future. All of the risks indicated in this paragraph could potentially be heightened by United States foreign policy at any one time. Our information technology systems may be subject to cyber terrorism, which could cause a disruption in one or more of our businesses and have a negative input on our operating results and cash flows.

Execution of Strategy

Value Investing

Our strategy for building shareholder value is to acquire or develop high-quality assets and businesses that generate sustainable and increasing cash flows on behalf of us and our investors, with the objective of achieving higher returns on our invested capital and our asset management activities over the long term. This requires a diversified business base, liquidity and the sustainability of cash flows.

We consider effective capital allocation to be one of the most important components to achieving long-term investment success. As a result, we need to apply a rigorous approach towards the allocation of capital among our operations, with a keen focus on the preservation of capital to protect our downside risk. We must invest capital only when the expected returns exceed pre-determined thresholds, taking into consideration both the degree and magnitude of the relative risks and upside potential and, if appropriate, strategic considerations in the establishment of new business activities.

The successful execution of such a value investment strategy is uncertain as it requires suitable opportunities, careful timing and business judgment, as well as the resources to complete asset purchases and restructure them as required, notwithstanding difficulties experienced in a particular industry.

Our approach to investing entails adding assets to our existing businesses when the competition for assets is lowest, either due to depressed economic conditions or when non-terminal concerns exist relating to a particular entity or industry. However, there is no certainty that we will be able to acquire additional high-quality assets at attractive prices to supplement our growth. Conversely, overly favourable economic conditions can limit the number of attractive investment opportunities and thereby restrict our ability to increase assets under management and avail ourselves of the related benefits. Competition from other investors may significantly increase the purchase price of target assets or prevent us from completing an acquisition. We may be unable to finance acquisitions on favourable terms, or newly acquired assets and businesses may fail to perform as expected. We may underestimate the costs necessary to bring an acquisition up to standards established for its intended market position or may be unable to quickly and effectively integrate new acquisitions into our existing operations.

Asset Management

Our ability to successfully expand our asset management activities is dependent on our reputation with our current and potential investment partners. Further, competition for investor capital, particularly within the asset classes on which we focus, is intense. There is no assurance that we will be successful in differentiating ourselves as an asset manager and this competition may reduce the margins of our asset management business and decrease the extent of investor involvement in our activities. Our asset management business also relies on the continued ability of insurance companies, pension funds, endowments, sovereign wealth funds, other institutional investors and wealthy individuals to deploy capital to asset managers that focus on investments in real assets. Depending on factors outside of our control certain of our investors may not be able to continue to make new capital commitments to our managed funds.

Management Team

Our executive and other senior officers have a significant role in our success and oversee the execution of our strategy. Our ability to retain our management group or attract suitable replacements should any members of the management group leave is dependent on, among other things, the competitive nature of the employment market and the career opportunities that we can offer. The loss of services from key members of the management group or a limitation in their availability could adversely impact our financial condition and cash flow. Further, such a loss could be negatively perceived in the capital markets. We do not maintain any key person insurance.

The conduct of our businesses and the execution of our growth strategy rely heavily on teamwork. Our continued ability to respond promptly to opportunities and challenges as they arise depends on co-operation across our organization and our team-oriented management structure, which may not materialize in the way we expect.

Business Partnerships

We participate in joint ventures, partnerships, co-tenancies and funds affecting many of our assets and businesses. Investments in partnerships, joint ventures, co-tenancies or other entities may involve risks not present absent third-party involvement, including the possibility that our partners, co-tenants or co-venturers might become bankrupt or otherwise fail to fund their share of required capital contributions, or suffer reputational damage that could have an adverse impact on us. Additionally, our partners, co-venturers or co-tenants might at any time have different economic or other business interests or goals. We do not have sole control of certain major decisions relating to these assets and businesses, including, but not limited to: the decisions relating to the sale of assets and businesses; refinancings; the timing and amount of distributions of cash from such entities to the Corporation; and capital expenditures.

Some of our management arrangements permit our partners to terminate a management agreement in limited circumstances relating to enforcement of the managers' obligations. Any such termination could adversely affect our revenue from management fees. In addition, the sale or transfer of interests in some of our assets or entities is subject to rights of first refusal or first offer and some agreements provide for buy-sell or similar arrangements. Such rights may be triggered at a time when we may not want to sell but forced to do so because we do not have the inclination or financial resources at that time to purchase the other party's interest. Such rights may also inhibit our ability to sell our interest in an entity within our desired time frame or on any other desired basis.

Financial and Liquidity Risks

We employ debt and other forms of leverage in the ordinary course of our business in order to enhance returns to shareholders and our investors. We attempt to match the profile of any leverage to the associated assets. Accordingly we typically fund shorter-duration floating rate assets with shorter-term floating rate debt and fund long-term fixed rate and equity-like assets with long-term fixed rate and equity capital. We are therefore subject to the risks associated with debt financing and refinancing. These risks, including but not limited to the following, may adversely affect our financial condition and results of operations: our cash flow may be insufficient to meet required payments of principal and interest; payments of principal and interest on borrowings may leave us with insufficient cash resources to pay operating expenses; we may not be able to refinance indebtedness on our assets at maturity due to company and market factors including: the estimated cash flow of our assets, the value of our assets, liquidity in the debt markets, financial, competitive, business and other factors, including factors beyond our control; and if refinanced, the terms of a refinancing may not be as favourable as the original terms of the related indebtedness.

The terms of our various credit agreements and other financing documents require us to comply with a number of customary financial and other covenants, such as maintaining debt service coverage and leverage ratios, insurance coverage and rating levels. These covenants may limit our flexibility in our operations and breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness, even if we have satisfied and continue to satisfy our payment obligations.

If we are unable to refinance our indebtedness on acceptable terms, or at all, we may need to utilize available liquidity, which would reduce our ability to pursue new investment opportunities, or require us to dispose of one or more of our assets on disadvantageous terms. Moreover, prevailing interest rates or other factors at the time of refinancing could increase our interest expense, and if we pledge assets to secure payment of indebtedness and are unable to make required payments, the creditor could foreclose upon such asset or appoint a receiver to receive an assignment of the associated cash flows.

A large proportion of our capital is invested in physical assets which can be hard to sell, especially if local market conditions are poor. A lack of liquidity could limit our ability to vary our portfolio or assets promptly in response to changing economic or investment conditions. Additionally, financial or operating difficulties of other owners resulting in distress sales could depress asset values in the markets in which we operate. The restrictions inherent in owning physical assets could reduce our ability to respond to changes in market conditions and could adversely affect the performance of our investments, our financial condition and results of operations.

We periodically enter into agreements that commit us to acquire assets or securities. In some cases we may enter into such agreements with the expectation that we will syndicate or assign all or a portion of our commitment to other investors prior to, at the same time as, or subsequent to, the anticipated closing. We may be unable to complete this syndication or assignment which may increase the amount of capital that we are required to invest. Such an outcome can have an adverse impact on our liquidity, which may reduce our ability to pursue further acquisitions or meet other financial commitments.

We enter into financing commitments in the normal course of business and, as a result, may be required to fund these commitments. From time-to-time we guarantee the obligations of funds or other entities that we manage and/or invest in. If we are required to fund these commitments and are unable to do so this could result in damages being pursued against us or a loss of opportunity through default of contracts that are otherwise to our benefit.

We have pursued and intend to continue to pursue growth opportunities in international markets and often invest in countries where the U.S. dollar is not the notional currency. As a result, we are subject to foreign currency risk due to potential fluctuations in exchange rates between foreign currencies and the U.S. dollar. A significant depreciation in the value of the foreign currency of one or more countries where we have a significant investment may have a material adverse effect on our results of operations and financial position.

Our businesses are impacted by changes in currency rates, interest rates, commodity prices and other financial exposures. We selectively utilize financial instruments to manage these exposures, including credit default swaps and other derivatives to hedge financial positions. We may also establish unhedged positions from time-to-time. These instruments are typically utilized as a hedge or an alternative to purchasing or selling the underlying security when such instruments are more effective from a capital employment perspective. However, derivatives are also subject to their own unique set of risks, including counterparty risk with respect to the financial well-being of the party on the other side of these transactions. The company's risk management and derivative financial instruments are more fully described in the notes to our consolidated financial statements. The Dodd-Frank Act ("Dodd-Frank"), which became law in the U.S. in 2010 and now requires the SEC and Commodities Futures Trading Commission to establish rules and regulations governing federal oversight of the over-the-counter derivatives market and its participants, could have an adverse impact on our ability to hedge risks in our businesses. Specifically, Dodd-Frank, and any

other similar regulations in the markets in which we operate, could significantly increase the cost of derivative contracts, reduce the availability of derivatives to protect against risks in our operations and reduce the liquidity of derivatives. A reduction in the Corporation's use of derivatives as a result of Dodd-Frank and other similar regulations may, among other things, result in increased volatility and decreased predictability of our cash flows.

Property

We invest in high-quality commercial office properties and are therefore exposed to certain risks inherent in the commercial office property business. Commercial office property investments are generally subject to varying degrees of risk depending on the nature of the property. These risks include changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in markets in which we operate), the attractiveness of the properties to tenants, competition from other landlords and our ability to provide adequate maintenance at an economical cost.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made whether or not a property is producing sufficient income to service these expenses. Our commercial office properties are typically subject to mortgages which require substantial debt service payments. If we become unable or unwilling to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or of sale.

Growth of rental income is dependent on strong leasing markets to ensure expiring leases are renewed and new tenants are found promptly to fill vacancies. It is possible that we may face a disproportionate amount of space expiring in any one year. Additionally, rental rates could decline, tenant bankruptcies could increase and tenant renewals may not be achieved, particularly in the event of a protracted disruption in the economy such as a recession.

Our retail property operations are subject to risks that affect the retail environment, including unemployment, weak income growth, lack of available consumer credit, industry slowdowns and plant closures, consumer confidence, increased consumer debt, poor housing market conditions, adverse weather conditions, natural disasters, competition and other factors. All of these factors could negatively affect consumer spending, and adversely affect the sales of our retail tenants. This could have an unfavourable effect on our retail property operations and our ability to attract new retail tenants.

If sales at stores operating in our malls are poor, existing tenants might be unable or unwilling to pay their minimum rents or expense recovery charges and new tenants might be willing to pay lower minimum rents than they otherwise would. Significant expenditures associated with each equity investment, such as mortgage payments, real estate taxes and maintenance costs, are generally not reduced when there is a reduction in income from the investment, so our income and cash flow would be adversely affected by a decline in income from a retail property. In addition, our retail property leases generally do not contain provisions designed to ensure the creditworthiness of the tenant, and are therefore negatively impacted by tenant bankruptcies or the voluntary or involuntary closure of stores in our properties. We may be unable to re-lease space vacated by such events on favourable terms or at all. As a result, the bankruptcy or closure of a national tenant may adversely affect our revenues.

Some of our retail lease agreements include a co-tenancy provision which allows the mall tenant to pay a reduced rent amount and, in certain instances, terminate the lease, if we fail to maintain certain occupancy levels at the mall. In addition, certain of our tenants have the ability to terminate their leases prior to the lease expiration date if their sales do not meet agreed upon thresholds. Therefore, if occupancy, tenancy or sales fall below certain thresholds, rents we are entitled to receive from our retail tenants would be reduced and our ability to attract new tenants may be limited.

Our retail tenants face competition from retailers at other regional malls, outlet malls and other discount shopping centers, discount shopping clubs, catalogue companies, and through internet sales and telemarketing. Competition of these types could reduce the percentage rent payable by certain retail tenants and adversely affect our revenues and cash flows. Additionally, our retail tenants are dependent on perceptions by retailers and shoppers of the safety, convenience and attractiveness of our retail properties. If retailers and shoppers perceive competing properties and other retailing options such as the internet to be more convenient or of a higher quality, our retail property revenues may be adversely affected.

Renewable Power

Our power generating operations, which are primarily hydroelectric generating facilities, are subject to changes in hydrology and price, but also include risks related to equipment and dam failure, counterparty performance, water rental costs, changes in regulatory requirements and other material disruptions.

The revenues generated by our power facilities are correlated to the amount of electricity generated, which in turn is dependent upon available water flows. In the recent past we have experienced particularly low water levels at our North American power generating operations, which resulted in returns below expectations. Hydrology varies naturally from year to year and may also change permanently because of climate change or other factors, and a natural disaster could impact water flows within the watersheds in which we operate. It is therefore possible that low water levels at our North American power generating operations continue into the future.

A significant portion of our power generating operation revenues are tied, either directly or indirectly, to the wholesale market price for electricity in the markets in which we operate. Wholesale market electricity prices are impacted by a number of external factors. As a result, we cannot accurately predict future electricity prices.

A significant portion of the power we generate is sold under long-term power purchase agreements, shorter-term financial instruments and physical electricity and natural gas contracts, some or all of which may be above market. These contracts are intended to mitigate the impact of fluctuations in wholesale electricity prices. If, however, for any reason any of our counterparties in these contracts are unable or unwilling to fulfill their contractual obligations, we may not be able to replace an existing contract with an agreement on equivalent terms and conditions. In this event, and potentially others, we may not be successful in mitigating the impact of fluctuations in wholesale electricity prices.

There is a risk of equipment failure or dam failure due to wear and tear, latent defect, design error or operator error, among other things. The occurrence of such failures could result in a loss of generating capacity and repairing such failures could require the expenditure of significant amounts of capital and other resources. Such failures could also result in exposure to significant liability for damages due to harm to the environment, to the public generally or to specific third parties.

We are required to make rental payments and pay property taxes for water rights or pay similar fees for use of water. Significant increases in water rental costs or fees or changes in the way that governments regulate water supply could have a material adverse effect on our financial condition.

The operation of our generation assets is subject to extensive regulation by various government agencies at the municipal, provincial, state and federal levels. As legal requirements frequently change and are subject to interpretation and discretion, we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. Any new law or regulation could require additional expenditure to achieve or maintain compliance. In addition, we may not be able to renew, maintain or obtain all necessary licenses, permits and governmental approvals required for the continued operation or further development of our projects.

Our power generation assets could be exposed to effects of significant events, such as severe weather conditions, natural disasters, major accidents, acts of malicious destruction, sabotage or terrorism, which could limit our ability to generate or sell power. In certain cases, some events may not excuse us from performing our obligations pursuant to agreements with third parties and we may be liable for damages or suffer further losses as a result. In addition, many of our generation assets are located in remote areas which make access for repair of damage difficult.

Infrastructure

Our infrastructure operations include utilities, transport and energy, timberlands and agrilands operations in North and South America, Europe and Australasia. Our utilities operations include toll roads, electricity transmission systems, coal terminal operations, and electricity and gas distribution companies. The principal risks facing the regulated and unregulated businesses comprising our infrastructure operations relate to government regulation, general economic conditions and other material disruptions, capital expenditure requirements, land use and counterparty performance.

Due to the essential nature of the services provided by our assets, and the fact that some of these services are provided on a monopoly or near monopoly basis, many of our infrastructure operations are subject to forms of economic regulation, including with respect to revenues. In addition, certain of these operations recover their investment in assets through tolls or regulated rates which are charged to third parties. Current tolls and regulated rates are reviewed by the applicable regulatory agency on a regular basis. If any of the respective regulators in the jurisdictions in which we operate decide to change the tolls or rates we are allowed to charge, or the amounts of the provisions we are allowed to collect, we may not be able to earn the rate of return on our businesses that we had planned or we may not be able to recover our initial investment cost.

Economic regulation can also involve ongoing commitments to economic regulators, safety regulators and other governmental agencies. Our timber operations are subject to provincial, state and federal government regulations relating to forestry practices and the export of logs, and several of our utilities and transport and energy operations are subject to government safety and reliability regulations that are specific to their industries. The risk that a government will repeal, amend, enact or promulgate a new law or regulation or that a regulator or other government agency will issue a new interpretation of an existing law or regulation can substantially affect our operating entities. In addition, a decision by a government or regulator to regulate previously unregulated assets may significantly change the economics of these businesses.

General domestic and global economic conditions affect international demand for the commodities handled by our transport and energy operations and demand for timber and agriland products. A downturn in the demand for these commodities may lead to bankruptcies or liquidations of one or more large customers, which could reduce our revenues, increase our bad debt expense, reduce our ability to make capital expenditures or have other adverse effects on us.

The financial performance of our timberland operations depends on strong demand in the wood products and pulp and paper industries. A decrease in the level of residential construction activity generally reduces demand for logs and wood products, resulting in lower revenues, profits and cash flows for our customers. Depressed commodity prices for lumber, pulp or paper, or market irregularities, may cause mill operators to temporarily or permanently shut down their mills if their product prices fall to a level where mill operation would be uneconomical. Moreover, these operators may be required to temporarily suspend operations at one or more of their mills to bring production in line with market demand or in response to market irregularities. Any of these circumstances could significantly reduce the prices that we realize for our timber as well as the volume of our timber that we may be able to sell. In addition to impacting our timber operations' sales, cash flows and earnings, weakness in the market prices of timber products will also have an effect on our ability to attract additional capital, the cost of that capital and the value of our timberland assets. There is no certainty that we will be successful in implementing flexible timberland harvest plans that can reduce harvest levels when prices are low and defer sales until prices recover.

Our agriland operations are comprised of pasture land that may be converted to higher-and-better uses, including soybean, corn and sugarcane production. Such conversion of agrilands may not materialize as anticipated. Additionally, the attractiveness of agrilands as an asset class for investors is contingent on the demand for soft commodities, growth in population and per capita incomes, improving diets and the growing use for biofuels, all of which involve future uncertainty. Weather conditions, growing seasons, interactions with surrounding population, damage by fire, insect infestation, wind, disease, prolonged drought and other natural and man-made disasters may negatively impact our agriland operations.

We and our customers are also exposed to certain uncontrollable events, such as severe weather conditions, natural disasters, major accidents, acts of malicious destruction, sabotage and terrorism. Protecting our revenue through the inclusion of take-or-pay or guaranteed minimum volume provisions into our contracts, such as at our rail operations, is not always possible or fully effective.

Our utilities and transport and energy operations may require substantial capital expenditures in the future to maintain our asset base. Any failure to make necessary capital expenditures to maintain our operations in the future could impair our ability to serve existing customers or accommodate increased volumes. In addition, we may not be able to recover investments in capital expenditure based upon the rates our operations are able to charge.

Our operations require large areas of land on for construction and operation. The rights to use the land can be obtained through freehold title, leases and other rights of use. Although we believe that we have valid rights to all easements, licences and rights of way necessary for our utilities operations, not all of our easements, licences and rights of way are registered against the lands to which they relate and may not bind subsequent owners.

Some of our infrastructure operations have customer contracts as well as concession agreements in place with public and private sector clients. There is a risk of default on those contractual arrangements by such clients. As well, our operations with customer contracts could be adversely affected by any material change in the assets, financial condition or results of operations of such customers.

Weather conditions, industry practices, timber growth cycles, access limitations and aboriginal claims may restrict our harvesting, road building and other activities on the timberlands owned by our timber operations, as may other factors, including damage by fire, insect infestation, wind, disease, prolonged drought and other natural and man-made disasters. There can be no assurance that our forest management planning, including silviculture, will have the intended result of ensuring that our asset base appreciates in value over time. If management's estimates of merchantable inventory are incorrect, harvesting levels on our timberlands may result in depletion of our timber assets.

Private Equity and Residential Development

Our private equity operations involve debt and equity investments in a broad variety of businesses in sectors where we have expertise or experience. The principal risks for the private equity business are potential loss of invested capital as well as insufficient investment or fee income to cover operating expenses, and cost of capital. In addition, these investments are illiquid and may be difficult to monetize, limiting our flexibility to react to changing economic or investment conditions.

Unfavourable economic conditions could have a significant adverse impact on the ability of investee companies to repay debt and on the value of our equity investments and the level of investment income that they generate. Even with our support of investee companies through an economic downturn, adverse economic or business conditions facing our investee companies may adversely impact the value of our investments. These investments are also subject to the risks inherent in the underlying businesses, some of which are facing difficult business conditions and may continue to do so for the foreseeable future.

We have residential land development and homebuilding operations located in Canada, Brazil, the United States and Australia. The residential homebuilding and land development industry is cyclical and is significantly affected by changes in general and local economic and industry conditions, such as consumer confidence, employment levels, availability of financing for homebuyers, interest rates, levels of new and existing homes for sale, demographic trends and housing demand. Competition from rental properties and resale homes, including homes held for sale by investors and foreclosed homes, may reduce our ability to sell new homes, depress prices and reduce margins for the sale of new homes. Furthermore, the market value of undeveloped land, buildable lots and housing inventories held by us can fluctuate significantly as a result of changing economic and real

estate market conditions. If there are significant adverse changes in economic or real estate market conditions, we may have to sell homes at a loss or hold land in inventory longer than planned. Inventory carrying costs can be significant and can result in losses in a poorly performing project or market. Our residential property operations may be particularly affected by changes in local market conditions in California, the Washington, D.C. area, Alberta and Brazil, where we derive a large proportion of our residential property revenue.

Virtually all of our homebuilding customers finance their home acquisitions through lenders providing mortgage financing. Volatility experienced in mortgage markets and by many lenders, fewer loan products and tighter loan qualification requirements have made it more difficult for borrowers to procure mortgages. Even if potential customers do not need financing, changes in interest rates and mortgage availability could make it harder for them to sell their homes to potential buyers who need financing, resulting in a reduced demand for new homes. Fundamentally, rising mortgage rates or reduced mortgage availability could adversely affect our ability to sell new homes and the price at which we can sell them.

Investors in our private equity funds make capital commitments to our funds through the execution of subscription agreements. When a fund makes an investment, these capital commitments are then satisfied by our investors via capital contributions. Investors in our private equity funds may default on their capital commitment obligations to our private equity funds, which could have an adverse impact on our earnings or result in other negative implications to our businesses.

Our private equity funds have a finite life that may require us to exit a private equity investment at an inopportune time. Volatility in the exit markets of our private equity investments, increasing levels of capital required to finance companies to exit, and rising enterprise value thresholds to go public or complete a strategic sale can all contribute to the risk that we will not be able to exit a private equity investment successfully. We cannot always control the timing of our private equity investment exits or our realizations upon exit.

Our private equity investments may not meet their investment hurdles and we may not realize performance based income related to these investments upon exit.

PART 6 – ADDITIONAL INFORMATION

ACCOUNTING POLICIES AND INTERNAL CONTROLS

Accounting Policies and Critical Judgments and Estimates

The preparation of financial statements in conformity with IFRS requires management to select appropriate accounting policies and to make judgments and estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Our 2012 financial statements contain a description of the company's accounting policies and the critical judgments and estimates utilized in the preparation of the consolidated financial statements.

In making critical judgments and estimates, management relies on external information and observable conditions, where possible, supplemented by internal analysis as required. These estimates have been applied in a manner consistent with that in the prior year and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in this report. The estimates are impacted by, among other things, movements in interest rates and other factors, some of which are highly uncertain. For further reference on accounting policies and critical judgments and estimates, see our significant accounting policies contained in Note 2 to the December 31, 2012 consolidated financial statements.

Adoption of Accounting Standard

Income Taxes

The International Accounting Standards Board ("IASB") made amendments to IAS 12, *Income Taxes* ("IAS 12") that are applicable to the measurement of deferred tax liabilities and deferred tax assets where investment property is measured using the fair value model in IAS 40, *Investment Property*. The amendments, which were effective for annual periods beginning on or after January 1, 2012, introduced a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The impact of these amendments on the consolidated financial statements was a reduction in retained earnings of $8 million as at January 1, 2011.

Future Changes in Accounting Policies

i. Consolidated Financial Statements, Joint Ventures and Disclosures

In May 2011, the IASB issued three standards: IFRS 10, *Consolidated Financial Statements* ("IFRS 10"), IFRS 11, *Joint Arrangements* ("IFRS 11"), and IFRS 12, *Disclosure of Interests in Other Entities* ("IFRS 12"), and amended two standards: IAS 27, *Separate Financial Statements* ("IAS 27"), and IAS 28, *Investments in Associates and Joint Ventures* ("IAS 28"). Each of the new and amended standards has an effective date for annual periods beginning on or after January 1, 2013.

IFRS 10 replaces IAS 27 and SIC-12, *Consolidation-Special Purpose Entities ("SIC-12").* The consolidation requirements previously included in IAS 27 have been included in IFRS 10, whereas the amended IAS 27 sets standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements. IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee, eliminating the risks and rewards approach included in SIC-12. An investor must possess the following three elements to conclude it controls an investee: power over the investee's financial and operating decisions, exposure or rights to variable returns from involvement with the investee, and the ability to use power over the investee to affect the amount of the investor's returns. IFRS 10 requires continuous reassessment of changes in an investor's power over the investee and changes in the investor's exposure or rights to variable returns. We are currently evaluating the impact of IFRS 10 and the amendments to IAS 27 on our consolidated financial statements.

IFRS 11 supersedes IAS 31, *Interests in Joint Ventures and SIC-13, Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. IFRS 11 is applicable to all parties that have an interest in a joint arrangement. IFRS 11 establishes two types of joint arrangements: joint operations and joint ventures. In a joint operation, the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the arrangement, and recognize their share of the assets, liabilities, revenues and expenses in accordance with applicable IFRS. In a joint venture, the parties to the arrangement have rights to the net assets of the arrangement and account for their interest using the equity method of accounting under IAS 28. IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. We are currently evaluating the impact of IFRS 11 and the amendments to IAS 28 on our consolidated financial statements.

IFRS 12 integrates the disclosure requirements of interests in other entities and requires a parent company to disclose information about significant judgments and assumptions it has made in determining whether it has control, joint control, or significant influence over another entity, and the type of joint arrangement when the arrangement has been structured through a separate vehicle. An entity should also provide these disclosures when changes in facts and circumstances affect

the entity's conclusion during the reporting period. Entities are permitted to incorporate the disclosure requirements in IFRS 12 into their financial statements without early adopting of IFRS 12. We are currently evaluating the impact of IFRS 12 on our consolidated financial statements.

ii. Fair Value Measurements

In May 2011, the IASB issued IFRS 13, *Fair Value Measurements* ("IFRS 13"). IFRS 13 establishes a single source of fair value measurement guidance and sets out fair value measurement disclosure requirements. The standard requires that information be provided in the financial statements that enables the user to assess the methods and inputs used to develop fair value measurements, and for reoccurring fair value measurements that use significant unobservable inputs, and the effect of the measurements on profit or loss or other comprehensive income. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. We are currently evaluating the impact of IFRS 13 on our consolidated financial statements.

iii. Presentation of Items of Other Comprehensive Income

In June 2011, the IASB made amendments to IAS 1, *Presentation of Financial Statements:* ("IAS 1"). The amendments require that items of other comprehensive income are grouped into two categories: items that will be reclassified subsequently to profit or loss; and items that will be reclassified subsequently directly to equity. Income tax on items of Other Comprehensive Income are required to be allocated on the same basis. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012. We are currently evaluating the impact of the amendments to IAS 1 on our consolidated financial statements.

iv. Financial Instruments

In November 2009, the IASB issued IFRS 9, *Financial Instruments* ("IFRS 9") which will replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. We have not yet determined the impact of IFRS 9 on our consolidated financial statements.

Assessment and Changes in Internal Control Over Financial Reporting

Management has evaluated the effectiveness of the company's internal control over financial reporting as of December 31, 2012 and based on that assessment concluded that, as of December 31, 2012, our internal control over financial reporting was effective. Management excluded from its design and assessment of internal control over financial reporting Paradise Island Holdings Limited ("Atlantis"), Inexus Group Limited ("Inexus"), Sociedad Concesionaria Vespucio Norte Express S.A. ("VNE"), Verde Realty ("Verde") and Thakral Holdings Group ("Thakral"), which were acquired during 2012, and whose total assets, net assets, total revenues and net income on a combined basis constitute approximately 7%, 5%, 4% and (1%), respectively, of the consolidated financial statement amounts as of and for the year ended December 31, 2012. Refer to Management's Report on Internal Control over Financial Reporting. There have been no changes in our internal control over financial reporting during the year ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Disclosure Controls and Procedures

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in the applicable U.S. and Canadian securities laws) as of December 31, 2012. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that such disclosure controls and procedures were effective as of December 31, 2012 in providing reasonable assurance that material information relating to the company and our consolidated subsidiaries would be made known to them by others within those entities. Management excluded from its design and assessment of disclosure controls and procedures Atlantis, Inexus, VNE, Verde and Thakral.

Declarations Under the Dutch Act of Financial Supervision

The members of the Corporation's Corporate Executive Board (as such term is defined in the Dutch Act of Financial Supervision (the "Dutch Act") as required by section 5:25c, paragraph 2, under c of the Dutch Act, confirm that to the best of their knowledge:

- The 2012 financial statements included in this MD&A give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Corporation and the undertakings include in the consolidation taken as whole;
- The management report included in this MD&A gives a true and fair view of the position of the Corporation and the undertakings included in the consolidation taken as a whole as of December 31, 2012, and of the development and performance of the business for the financial year then ended; and
- The management report includes a description of the principal risks and uncertainties that the Corporation faces.

RELATED PARTY TRANSACTIONS

In the normal course of operations, we enter into transactions on market terms with related parties, included consolidated and equity accounted entities which have been measured at exchange value and are recognized in the consolidated financial statements, including, but not limited to: manager or partnership agreements, base management fees, performance fees and incentive distributions; loans, interest and non-interest bearing deposits; power purchase and sale agreements; capital commitments to private funds; the acquisition and disposition of assets and businesses; derivative contracts; and the construction and development of assets.

In December 2012, Brookfield Residential Properties ("BRP"), our 69% owned North American land developer and homebuilder repaid its C$480 million loan to Brookfield Office Properties ("BPO"), using the proceeds from the completion of a senior unsecured debt offering. BRP paid $35 million of interest to BPO during the year ended December 31, 2012 (2011 – $26 million). BPO sold its previously held Canadian residential land development operations to BRP in March 2011 for proceeds of $500 million and issued C$480 million of bridge financings as part of the transaction. The transaction was measured at exchange value.

In October 2012, we agreed to sell the economic interest in our directly held 10% investment in its South American transmission operations to Brookfield Infrastructure Partners L.P. for proceeds of $235 million, subject to satisfaction of customary conditions. The transaction was measured at fair value, as determined by an external appraiser, which approximated the carrying value of our investment. No gain or loss was recorded on the transaction in our consolidated statement of operations.

In November 2011, we completed the combination of our indirectly held wholly-owned renewable power assets and 34% owned Brookfield Renewable Power Fund, to launch Brookfield Renewable Energy Partners L.P. ("BREP"). As part of the combination, we amended certain power purchase and sale agreements between ourselves and BREP to adjust the price of electricity purchased. Additionally, a wholly-owned subsidiary of ours entered into an Energy Revenue Agreement with BREP, whereby we indirectly guarantee the price for energy delivered by certain power generating facilities in the United States at a price of $75 per MWh adjusted annually by an inflation factor.

INTERNAL CONTROL OVER FINANCIAL REPORTING

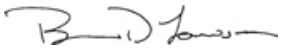
MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Brookfield Asset Management Inc. ("Brookfield") is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the Chief Executive Officer and the Chief Financial Officer and effected by the Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles as defined in Regulation 240.13a–15(f) or 240.15d–15(f).

Management assessed the effectiveness of Brookfield's internal control over financial reporting as of December 31, 2012, based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concludes that, as of December 31, 2012, Brookfield's internal control over financial reporting is effective. Management excluded from its design and assessment of internal control over financial reporting Paradise Island Holdings Limited, Inexus Group Limited, Sociedad Concesionaria Vespucio Norte Express S.A., Verde Realty and Thakral Holdings Group, which were acquired during 2012, and whose total assets, net assets, total revenues and net income on a combined basis constitute approximately 7%, 5%, 4% and (1%), respectively, of the consolidated financial statement amounts as of and for the year ended December 31, 2012.

Brookfield's internal control over financial reporting as of December 31, 2012, has been audited by Deloitte LLP, the Independent Registered Chartered Accountants, who also audited Brookfield's consolidated financial statements for the year ended December 31, 2012. As stated in the Report of Independent Registered Chartered Accountants, Deloitte LLP expressed an unqualified opinion on the effectiveness of Brookfield's internal control over financial reporting as of December 31, 2012.





Toronto, Canada
March 28, 2013

J. Bruce Flatt
Chief Executive Officer

Brian D. Lawson
Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

To the Board of Directors and Shareholders of Brookfield Asset Management Inc.

We have audited the internal control over financial reporting of Brookfield Asset Management Inc. and subsidiaries (the "Company") as of December 31, 2012, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management's Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Paradise Island Holdings Limited ("Atlantis"), Inexus Group Limited ("Inexus"), Sociedad Concesionaria Vespucio Norte Express S.A. ("VNE"), Verde Realty ("Verde") and Thakral Holdings Group ("Thakral"), which were acquired during 2012, and whose total assets, net assets, total revenues and net income on a combined basis constitute approximately 7%, 5%, 4% and (1%), respectively, of the consolidated financial statement amounts as of and for the year ended December 31, 2012. Accordingly, our audit did not include the internal control over financial reporting at Atlantis, Inexus, VNE, Verde and Thakral. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2012 of the Company and our report dated March 28, 2013 expressed an unqualified opinion on those financial statements.



Toronto, Canada
March 28, 2013

Independent Registered Chartered Accountants
Licensed Public Accountants

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

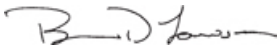
The accompanying consolidated financial statements and other financial information in this Annual Report have been prepared by the company's management which is responsible for their integrity, consistency, objectivity and reliability. To fulfill this responsibility, the company maintains policies, procedures and systems of internal control to ensure that its reporting practices and accounting and administrative procedures are appropriate to provide a high degree of assurance that relevant and reliable financial information is produced and assets are safeguarded. These controls include the careful selection and training of employees, the establishment of well-defined areas of responsibility and accountability for performance, and the communication of policies and code of conduct throughout the company. In addition, the company maintains an internal audit group that conducts periodic audits of the company's operations. The Chief Internal Auditor has full access to the Audit Committee.

These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and, where appropriate, reflect estimates based on management's judgment. The financial information presented throughout this Annual Report is generally consistent with the information contained in the accompanying consolidated financial statements.

Deloitte LLP, the Independent Registered Chartered Accountants appointed by the shareholders, have audited the consolidated financial statements set out on pages 87 through 144 in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States) to enable them to express to the shareholders their opinion on the consolidated financial statements. Their report is set out on the following page.

The consolidated financial statements have been further reviewed and approved by the Board of Directors acting through its Audit Committee, which is comprised of directors who are not officers or employees of the company. The Audit Committee, which meets with the auditors and management to review the activities of each and reports to the Board of Directors, oversees management's responsibilities for the financial reporting and internal control systems. The auditors have full and direct access to the Audit Committee and meet periodically with the committee both with and without management present to discuss their audit and related findings.





Toronto, Canada
March 28, 2013

J. Bruce Flatt
Chief Executive Officer

Brian D. Lawson
Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

To the Board of Directors and Shareholders of Brookfield Asset Management Inc.

We have audited the accompanying consolidated financial statements of Brookfield Asset Management Inc. and subsidiaries (the "Company"), which comprise the consolidated balance sheets as at December 31, 2012 and December 31, 2011, and the consolidated statements of operations, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and the notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Brookfield Asset Management Inc. and subsidiaries as at December 31, 2012 and December 31, 2011, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other Matter

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2012, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 28, 2013 expressed an unqualified opinion on the Company's internal control over financial reporting.



Toronto, Canada
March 28, 2013

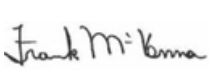
Independent Registered Chartered Accountants
Licensed Public Accountants

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

(MILLIONS)	Note	Dec. 31, 2012	Dec. 31, 2011
Assets			
Cash and cash equivalents	28	**$ 2,844**	$ 2,027
Other financial assets	5	**3,111**	3,773
Accounts receivable and other	6	**6,945**	6,723
Inventory	7	**6,579**	6,060
Investments	8	**11,689**	9,401
Investment properties	9	**33,161**	28,366
Property, plant and equipment	10	**31,114**	22,832
Sustainable resources	11	**3,283**	3,155
Intangible assets	12	**5,764**	3,968
Goodwill	13	**2,490**	2,607
Deferred income tax assets	14	**1,664**	2,110
Total Assets		**$ 108,644**	$ 91,022
Liabilities and Equity			
Accounts payable and other	15	**$ 11,599**	$ 9,266
Corporate borrowings	16	**3,526**	3,701
Non-recourse borrowings			
Property-specific mortgages	17	**33,648**	28,415
Subsidiary borrowings	17	**7,585**	4,441
Deferred income tax liabilities	14	**6,419**	5,817
Capital securities	18	**1,191**	1,650
Interests of others in consolidated funds	19	**425**	333
Equity			
Preferred equity	20	**2,901**	2,140
Non-controlling interests	20	**23,190**	18,516
Common equity	20	**18,160**	16,743
Total equity		**44,251**	37,399
Total Liabilities and Equity		**$ 108,644**	$ 91,022

On behalf of the Board:



Frank J. McKenna, Director



George S. Taylor, Director

CONSOLIDATED STATEMENTS OF OPERATIONS

YEARS ENDED DECEMBER 31 (MILLIONS, EXCEPT PER SHARE AMOUNTS)	Note	2012	2011
Revenues	3,29	**$ 18,697**	$ 15,921
Direct costs	21	**(13,909)**	(11,906)
Equity accounted income	8	**1,243**	2,205
Expenses			
Interest		**(2,497)**	(2,352)
Corporate costs		**(158)**	(168)
Valuation items			
Fair value changes	22	**1,150**	1,386
Depreciation and amortization		**(1,263)**	(904)
Income taxes	14	**(516)**	(508)
Net income		**$ 2,747**	$ 3,674
Net income attributable to:			
Shareholders		**$ 1,380**	$ 1,957
Non-controlling interests		**1,367**	1,717
		$ 2,747	$ 3,674
Net income per share:			
Diluted	20	**$ 1.97**	$ 2.89
Basic	20	**$ 2.02**	$ 3.00

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31 (MILLIONS)	Note	2012	2011
Net income		**$ 2,747**	$ 3,674
Other comprehensive income (loss)			
Valuation items			
Revaluations of property, plant and equipment		**1,491**	2,650
Financial contracts and power sale agreements		**(17)**	(855)
Available-for-sale securities		**7**	(68)
Equity accounted investments	8	**145**	193
		1,626	1,920
Foreign currency translation		**(111)**	(837)
Income taxes	14	**(434)**	(147)
Other comprehensive income		**1,081**	936
Comprehensive income		**$ 3,828**	$ 4,610
Attributable to:			
Shareholders			
Net income		**$ 1,380**	$ 1,957
Other comprehensive income		**517**	795
Comprehensive income		**$ 1,897**	$ 2,752
Non-controlling interests			
Net income		**$ 1,367**	$ 1,717
Other comprehensive income		**564**	141
Comprehensive income		**$ 1,931**	$ 1,858

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2012 (MILLIONS)	Common Share Capital	Contributed Surplus	Retained Earnings	Ownership Changes[1]	Accumulated Other Comprehensive Income: Revaluation Surplus	Accumulated Other Comprehensive Income: Currency Translation	Accumulated Other Comprehensive Income: Other Reserves	Common Equity	Preferred Equity	Non-controlling Interests	Total Equity
Balance as at December 31, 2011	$ 2,816	$ 125	$ 5,982	$ 475	$ 6,399	$ 1,456	$ (510)	$ 16,743	$ 2,140	$ 18,516	$ 37,399
Changes in year											
Net income	—	—	1,380	—	—	—	—	1,380	—	1,367	2,747
Other comprehensive income	—	—	—	—	491	(51)	77	517	—	564	1,081
Comprehensive income	—	—	1,380	—	491	(51)	77	1,897	—	1,931	3,828
Shareholder distributions											
Common equity	—	—	(340)	—	—	—	—	(340)	—	—	(340)
Preferred equity	—	—	(129)	—	—	—	—	(129)	—	—	(129)
Non-controlling interests	—	—	—	—	—	—	—	—	—	(708)	(708)
Other items											
Equity issuances, net of redemptions	39	—	(111)	—	—	—	—	(72)	761	2,896	3,585
Share-based compensation	—	24	—	—	—	—	—	24	—	41	65
Ownership changes	—	—	25	12	—	—	—	37	—	514	551
Total change in year	39	24	825	12	491	(51)	77	1,417	761	4,674	6,852
Balance as at December 31, 2012	$ 2,855	$ 149	$ 6,807	$ 487	$ 6,890	$ 1,405	$ (433)	$ 18,160	$ 2,901	$ 23,190	$ 44,251

1. Includes gains or losses on changes in ownership interests of consolidated subsidiaries

YEAR ENDED DECEMBER 31, 2011 (MILLIONS)	Common Share Capital	Contributed Surplus	Retained Earnings	Ownership Changes[1]	Accumulated Other Comprehensive Income: Revaluation Surplus	Accumulated Other Comprehensive Income: Currency Translation	Accumulated Other Comprehensive Income: Other Reserves	Common Equity	Preferred Equity	Non-controlling Interests	Total Equity
Balance as at December 31, 2010	$ 1,334	$ 97	$ 4,627	$ 187	$ 4,680	$ 1,899	$ (29)	$ 12,795	$ 1,658	$ 14,739	$ 29,192
Changes in accounting policies[2]	—	—	(8)	—	—	—	—	(8)	—	—	(8)
Changes in year											
Net income	—	—	1,957	—	—	—	—	1,957	—	1,717	3,674
Other comprehensive income	—	—	—	—	1,719	(443)	(481)	795	—	141	936
Comprehensive income	—	—	1,957	—	1,719	(443)	(481)	2,752	—	1,858	4,610
Shareholder distributions											
Common equity	—	—	(319)	—	—	—	—	(319)	—	—	(319)
Preferred equity	—	—	(106)	—	—	—	—	(106)	—	—	(106)
Non-controlling interests	—	—	—	—	—	—	—	—	—	(639)	(639)
Other items											
Equity issuances, net of redemptions	1,482	—	(169)	—	—	—	—	1,313	482	1,166	2,961
Share-based compensation	—	28	—	—	—	—	—	28	—	13	41
Ownership changes	—	—	—	228	—	—	—	288	—	1,379	1,667
Total change in year	1,482	28	1,363	288	1,719	(443)	(481)	3,956	482	3,777	8,215
Balance as at December 31, 2011	$ 2,816	$ 125	$ 5,982	$ 475	$ 6,399	$ 1,456	$ (510)	$ 16,743	$ 2,140	$ 18,516	$ 37,399

1. Includes gains or losses on changes in ownership interests of consolidated subsidiaries
2. See financial statement Note 2(c)

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31 (MILLIONS)	Note	2012	2011
Operating activities			
Net income		**$ 2,747**	$ 3,674
Share of undistributed equity accounted earnings		**(868)**	(2,001)
Fair value changes		**(1,150)**	(1,386)
Depreciation and amortization		**1,263**	904
Deferred income taxes		**381**	411
		2,373	1,602
Investments in residential development		**(861)**	(543)
Net change in non-cash working capital balances		**(15)**	(279)
		1,497	780
Financing activities			
Corporate borrowings arranged		**852**	—
Corporate borrowings repaid		**(782)**	—
Commercial paper and bank borrowings, net		**(321)**	851
Property-specific mortgages arranged		**6,698**	5,393
Property-specific mortgages repaid		**(6,539)**	(5,298)
Other debt of subsidiaries arranged		**5,655**	2,373
Other debt of subsidiaries repaid		**(3,641)**	(1,645)
Capital securities redeemed		**(506)**	—
Capital provided by fund partners		**103**	142
Capital provided from non-controlling interests		**3,681**	1,913
Capital repaid to non-controlling interests		**(785)**	(889)
Distributions to non-controlling interests		**(708)**	(639)
Preferred equity issuances		**737**	468
Common shares issued		**54**	592
Common shares repurchased		**(106)**	(186)
Shareholder distributions		**(469)**	(425)
		3,923	2,650
Investing activities			
Acquisitions of investment properties		**(2,123)**	(1,423)
Dispositions of investment properties		**1,037**	1,462
Investments in property, plant and equipment		**(3,544)**	(1,952)
Dispositions of property, plant and equipment		**106**	45
Sustainable resources acquired		**(21)**	(95)
Sustainable resources disposed		**2**	2
Investments acquired		**(1,585)**	(1,715)
Investments disposed		**373**	121
Investments in other financial assets		**(1,327)**	(996)
Dispositions of other financial assets		**2,215**	1,287
Restricted cash and deposits		**(13)**	68
Acquisitions of subsidiaries, net of dispositions		**318**	115
		(4,562)	(3,081)
Cash and cash equivalents			
Change in cash and cash equivalents		**858**	349
Foreign exchange revaluation		**(41)**	(35)
Balance, beginning of year		**2,027**	1,713
Balance, end of year	29	**$ 2,844**	$ 2,027

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Brookfield Asset Management Inc. ("Brookfield" or the "company") is a global alternative asset management company. The company owns and operates assets with a focus on property, renewable power, infrastructure and private equity and residential development. The company is listed on the New York, Toronto and Euronext stock exchanges under the symbols BAM, BAM.A and BAMA, respectively. The company was formed by articles of amalgamation under the Business Corporations Act (Ontario) and is registered in Ontario, Canada. The registered office of the company is Brookfield Place, 181 Bay Street, Suite 300, Toronto, Ontario, M5J 2T3.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements were authorized for issuance by the Board of Directors of the company on March 28, 2013.

b) Basis of Presentation

The financial statements are prepared on a going concern basis. Standards and guidelines not effective for the current accounting period are described in Note 2(s).

i. Subsidiaries

The consolidated financial statements include the accounts of the company and its subsidiaries, which are the entities over which the company exercises control. Subsidiaries are consolidated from the date the company obtains control, and continue to be consolidated until the date when control is lost. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. Non-controlling interests in the equity of the company's subsidiaries are included within equity on the Consolidated Balance Sheets. All intercompany balances, transactions, unrealized gains and losses are eliminated in full. Gains or losses resulting from changes in the company's ownership interest of a subsidiary that do not result in a loss of control are accounted for as equity transactions and are recorded within ownership changes as a component of equity other than gains accumulated within revaluation surplus, a component of accumulated other comprehensive income, which are transferred directly to retained earnings.

The following is a list of the company's principal subsidiaries, which in the opinion of management significantly affects its financial position, indicating the jurisdiction of incorporation or formation and the percentage of voting securities owned, or over which control or direction is otherwise exercised directly or indirectly, by the company as at December 31, 2012:

	Jurisdiction of Formation	Voting Control (%)	Ownership (%)
Brookfield Office Properties Inc.	Canada	50.7%	50.7%
Brookfield Renewable Energy Partners L.P.	Bermuda	100.0%	68.0%
Brookfield Infrastructure Partners L.P.	Bermuda	100.0%	28.5%

ii. Associates

Associates are entities over which the company exercises significant influence. Significant influence is the ability to participate in the financial and operating policy decisions of the investee but without control or joint control over those policies. The company accounts for investments over which it has significant influence using the equity method of accounting within Investments on the Consolidated Balance Sheets.

Interests in investments accounted for using the equity method are initially recognized at cost. At the time of initial recognition, if the cost of the associate is lower than the proportionate share of the investment's underlying fair value, the company records a gain on the difference between the cost and the underlying fair value of the investment in net income. If the cost of the associate is greater than the company's proportionate share of the underlying fair value, goodwill relating to the associate is included in the carrying amount of the investment. Subsequent to initial recognition, the carrying value of the company's interest in an investee is adjusted for the company's share of comprehensive income and distributions of the investee. Profit and losses resulting from transactions with an associate are recognized in the consolidated financial statements based on the interests of unrelated investors in the associate.

iii. Joint Arrangements

The company enters into joint arrangements with one or more parties whereby economic activity and decision-making are shared. These arrangements may take the form of a jointly controlled operation, jointly controlled asset or joint venture and, accordingly, the presentation of each differs.

A jointly controlled operation is where the parties to the joint arrangement each use their own assets and incur their own expenses and liabilities and a contractual agreement exists as to the sharing of revenues and joint expenses. In this case, the company recognizes only its assets and liabilities and its share of the results of operations of the jointly controlled operation.

A jointly controlled asset is a shared asset to which each party has rights and a contractual agreement exists as to the sharing of benefits and risks generated from the asset. The company recognizes its share of the asset and benefits generated from the asset in proportion to its rights.

A joint venture is an arrangement whereby each venturer does not have rights to individual assets or obligations for expenses of the venture, but where each venturer is entitled to a share of the outcome of the activities of the arrangement. The company accounts for its interests in joint ventures using the equity method and they are recorded in Investments on the Consolidated Balance Sheets.

c) Adoption of Accounting Standard

Income Taxes

The IASB made amendments to IAS 12, *Income Taxes* ("IAS 12") that are applicable to the measurement of deferred tax liabilities and deferred tax assets where investment property is measured using the fair value model in IAS 40, *Investment Property.* The amendments, effective for annual periods beginning on or after January 1, 2012, introduced a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The company has determined that the rebuttable presumption introduced by the amendments to IAS 12 has been overcome for most of its investment properties and has continued to measure deferred taxes on these assets on the basis that the carrying amount of investment properties will be recovered through use. The impact of these amendments on the consolidated financial statements was a reduction in retained earnings of $8 million as at January 1, 2011.

d) Foreign Currency Translation

The U.S. dollar is the functional and presentation currency of the company. Each of the company's subsidiaries, associates and jointly controlled entities determines its own functional currency and items included in the financial statements of each subsidiary and associate are measured using that functional currency.

Assets and liabilities of foreign operations having a functional currency other than the U.S. dollar are translated at the rate of exchange prevailing at the reporting date and revenues and expenses at average rates during the period. Gains or losses on translation are accumulated as a component of equity. On the disposal of a foreign operation, or the loss of control or significant influence, the component of accumulated other comprehensive income relating to that foreign operation is reclassified to net income. Gains or losses on foreign currency denominated balances and transactions that are designated as hedges of net investments in these operations are reported in the same manner.

Foreign currency denominated monetary assets and liabilities of the company and its subsidiaries are translated using the rate of exchange prevailing at the reporting date and non-monetary assets and liabilities measured at fair value are translated at the rate of exchange prevailing at the date when the fair value was determined. Revenues and expenses are measured at average rates during the period. Gains or losses on translation of these items are included in net income. Gains or losses on transactions which hedge these items are also included in net income. Foreign currency denominated non-monetary assets and liabilities, measured at historic cost, are translated at the rate of exchange at the transaction date.

e) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and highly liquid short-term investments with original maturities of three months or less.

f) Related Party Transactions

In the normal course of operations, the company enters into various transactions on market terms with related parties, which have been measured at their exchange value and are recognized in the consolidated financial statements. Related party transactions are further described in Note 28. The company's principal subsidiaries are described in Note 2(b)(i) and its associates and jointly controlled entities are described in Note 8.

g) Operating Assets

i. Investment Properties

The company uses the fair value method to account for real estate classified as an investment property. A property is determined to be an investment property when it is principally held to earn either rental income or capital appreciation, or both. Investment properties also include properties that are under development or redevelopment for future use as investment property. Investment property is initially measured at cost including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair value are included in net income during the period in which they arise. Fair values are primarily determined by discounting the expected future cash flows of each property, generally over a term of 10 years, using a discount and terminal capitalization rate reflective of the characteristics, location and market of each property. The future cash flows of each property are based upon, among other things, rental income from current leases

and assumptions about rental income from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The company determines fair value using internal valuations. The company uses external valuations to assist in determining fair value, but external valuations are not necessarily indicative of fair value.

ii. Revaluation Method for Property, Plant and Equipment

The company uses the revaluation method of accounting for certain classes of property, plant and equipment as well as certain assets which are under development for future use as property, plant and equipment. Property, plant and equipment measured using the revaluation method is initially measured at cost and subsequently carried at its revalued amount, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and any accumulated impairment losses. Revaluations are performed on an annual basis. Where the carrying amount of an asset increases as a result of a revaluation, the increase is recognized in other comprehensive income and accumulated in equity in revaluation surplus, unless the increase reverses a previously recognized impairment recorded through net income, in which case that portion of the increase is recognized in net income. Where the carrying amount of an asset decreases, the decrease is recognized in other comprehensive income to the extent of any balance existing in revaluation surplus in respect of the asset, with the remainder of the decrease recognized in net income. Depreciation of an asset commences when it is available for use. On loss of control of an asset which utilizes the revaluation method, all accumulated revaluation surplus is transferred into retained earnings.

iii. Renewable Power Generation

Renewable power generating assets, including assets under development, are classified as property, plant and equipment and are accounted for using the revaluation method. The company determines the fair value of its renewable power generating assets using a discounted cash flow model, which include estimates of forecasted revenue, operating costs, maintenance and other capital expenditures. Discount rates are selected for each facility giving consideration to the expected proportion of contracted to un-contracted revenue and markets into which power is sold.

Generally, the first 20 years of cash flow are discounted with a residual value based on the terminal value cash flows. The fair value and estimated remaining service lives are reassessed on an annual basis. The company uses external appraisers to review fair values of our renewable power generating assets on a rotating basis every three to five years.

Depreciation on power generating assets is calculated on a straight-line basis over the estimated service lives of the assets, which are as follows:

(YEARS)	Useful Lives
Dams	Up to 115
Penstocks	Up to 60
Powerhouses	Up to 115
Hydroelectric generating units	Up to 115
Wind generating units	Up to 22
Other assets	Up to 60

Cost is allocated to the significant components of power generating assets and each component is depreciated separately.

iv. Sustainable Resources

Sustainable resources consist of standing timber and other agricultural assets and are measured at fair value after deducting the estimated selling costs and are recorded in Sustainable resources on the Consolidated Balance Sheets. Estimated selling costs include commissions, levies, delivery costs, transfer taxes and duties. The fair value of standing timber is calculated using the present value of anticipated future cash flows for standing timber before tax and an annual terminal date of 90 years. Fair value is determined based on existing, sustainable felling plans and assessments regarding growth, timber prices and felling and silviculture costs. Changes in fair value are recorded in net income in the period of change. The company determines fair value of its standing timber using external valuations on an annual basis.

The fair value of agricultural assets is determined using discounted future cash flows, generally over a term of 10 years.

Harvested timber is included in Inventory and is measured at the lower of fair value less estimated costs to sell at the time of harvest and net realizable value.

Land under standing timber and other agricultural assets are accounted for using the revaluation method and included in property, plant and equipment.

v. Utilities, Transport and Energy

Utilities, transport and energy assets as well as assets under development classified as property, plant and equipment are accounted for using the revaluation method. The company determines the fair value of its utilities and transport and energy assets using a discounted cash flow model, which includes estimates of forecasted revenue, operating costs, maintenance and other capital expenditures. Valuations are performed internally on an annual basis.

Depreciation on utilities and transport and energy assets is calculated on a straight-line basis over the estimated service lives of the components of the assets, which are as follows:

(YEARS)	Useful Lives
Buildings and infrastructure	Up to 50
Machinery and equipment	Up to 40
Other utilities and transport and energy assets	Up to 41

The fair value and the estimated remaining service lives are reassessed on an annual basis.

Public service concessions that provide the right to charge users for a service in which the service and fee is regulated by the grantor are accounted for as intangible assets.

vi. Other Property, Plant and Equipment

The company accounts for its other property, plant and equipment using the revaluation method or the cost model, depending on the nature of the asset and the operating segment. Other property, plant and equipment measured using the revaluation method is initially measured at cost and subsequently carried at its revalued amount, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and any accumulated impairment losses. Under the cost method, assets are initially recorded at cost and are subsequently depreciated over the assets' useful lives, unless an impairment is identified requiring a write-down to estimated fair value.

vii. Residential Development

Residential development lots, homes and residential condominium projects are recorded in Inventory. Residential development lots are recorded at the lower of cost, including pre-development expenditures and capitalized borrowing costs, and net realizable value, which the company determines as the estimated selling price in the ordinary course of business, less estimated expenses.

Homes and other properties held for sale, which include properties subject to sale agreements, are recorded at the lower of cost and net realizable value in Inventory. Costs are allocated to the saleable acreage of each project or subdivision in proportion to the anticipated revenue.

viii. Other Financial Assets

Other financial assets are classified as either fair value through profit or loss or available-for-sale securities based on their nature and use within the company's business. Other financial assets are recognized on their trade date and initially recorded at fair value with changes in fair value recorded in net income or other comprehensive income in accordance with their classification. The company assesses the carrying value of available-for-sale securities for impairment when there is objective evidence that the asset is impaired. When an impairment is recorded, the cumulative loss in other comprehensive income is reclassified to net income.

Other financial assets also include loans and notes receivable which are recorded initially at fair value and, with the exception of loans and notes receivable designated as fair value through profit or loss, are subsequently measured at amortized cost using the effective interest method, less any applicable provision for impairment. A provision for impairment is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Loans and receivables designated as fair value through profit or loss are recorded at fair value with changes in fair value recorded for in net income in the period in which they arise.

h) Asset Impairment

At each balance sheet date the company assesses whether its assets, other than those measured at fair value with changes in value recorded in net income, have any indication of impairment. An impairment is recognized if the recoverable amount, determined as the higher of the estimated fair value less costs to sell or the discounted future cash flows generated from use and eventual disposal from an asset or cash generating unit is less than their carrying value. Impairment losses are recorded as unrealized fair value adjustments within the Consolidated Statements of Operations and within accumulated depreciation or cost for depreciable and non-depreciable assets, respectively, in the Consolidated Balance Sheets. The projections of future cash flows take into account the relevant operating plans and management's best estimate of the most probable set of conditions anticipated to prevail. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the lesser of the revised estimate of its recoverable amount and the carrying amount that would have been recorded had no impairment loss been recognized previously.

i) Accounts Receivable

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for uncollectability.

j) Intangible Assets

Finite life intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses, and are amortized on a straight-line basis over their estimated useful lives.

Certain of the company's intangible assets have an indefinite life, as there is no foreseeable limit to the period over which the asset is expected to generate cash flows. Indefinite life intangible assets are recorded at cost unless an impairment is identified which requires a write-down to its estimated fair value.

Intangible assets are evaluated for impairment annually or more often if events or circumstances indicate there may be an impairment. Any impairment of the company's intangible assets is recorded in net income in the period in which the impairment is identified. Impairment losses on intangible assets may be subsequently reversed in net income.

k) Goodwill

Goodwill represents the excess of the price paid over the fair value of the net identifiable tangible and intangible assets and liabilities acquired. Goodwill is allocated to the cash generating unit to which it relates. The company identifies cash generating units as identifiable groups of assets that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill is evaluated for impairment annually or more often if events or circumstances indicate there may be an impairment. Impairment is determined for goodwill by assessing if the carrying value of a cash generating unit, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell and the value in use. Impairment losses recognized in respect of a cash generating unit are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the cash generating unit. Any goodwill impairment is recorded in income in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed.

l) Interests of others in consolidated funds

Interest of others in limited life funds and redeemable fund units are classified as liabilities and recorded at fair value within Interests of Others in Consolidated Funds on the Consolidated Balance Sheets. Changes in the fair value are recorded in net income in the period of the change.

Limited life funds represent the interests of others in the company's consolidated funds that have a defined maximum fixed life where the company has an obligation to distribute the residual interests of the fund to fund partners based on their proportionate share of the fund's equity in the form of cash or other financial assets at cessation of the fund's life.

Redeemable fund units represent interests of others in consolidated subsidiaries that have a redemption feature that requires the company to deliver cash or other financial assets to the holders of the units upon receiving a redemption notice.

m) Revenue and Expense Recognition

i. Asset Management and Other Services

Asset management and other services revenues consist of base management fees, advisory fees, incentive distributions, performance-base incentive fees and construction and property service fees and arise from the rendering of services. Revenues from base management fees, advisory fees, property service fees and incentive distributions are recorded on an accrual basis based on the amounts receivable at the balance sheet date and are recorded within revenue in the Consolidated Statements of Operations.

Revenues from performance-based incentive fees are recorded on the accrual basis based on the amount that would be due under the incentive fee formula at the end of the measurement period established by the contract where it is no longer subject to adjustment based on future events, and are recorded within revenue in the Consolidated Statements of Operations.

Revenues from construction contracts are recognized using the percentage-of-completion method once the outcome of the construction contract can be estimated reliably, in proportion to the stage of completion of the contract and to the extent to which collectibility is reasonably assured. The stage of completion is measured by reference to actual costs incurred as a percentage of estimated total costs of each contract. When the outcome cannot be reliably determined, contract costs are expensed as incurred and no revenue is recorded. Where it is probable that a loss will arise from a construction contract, the excess of total expected costs over total expected revenue is recognized as an expense immediately.

ii. Properties Operations

Property revenues primarily consist of rental revenues from leasing activities and, to a lesser degree, hospitality revenues and interest and dividends from unconsolidated real estate investments.

Property rental income is recognized when the property is ready for its intended use. Office and retail properties are considered to be ready for their intended use when the property is capable of operating in the manner intended by management, which generally occurs upon completion of construction and receipt of all occupancy and other material permits.

The company has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. The total amount of contractual rent to be received from operating leases is recognized on a straight-line

basis over the term of the lease; a straight-line or free rent receivable, as applicable, is recorded as a component of investment property for the difference between the amount of rental revenue recorded and the contractual amount received. Rental revenue includes percentage participating rents and recoveries of operating expenses, including property, capital and similar taxes. Percentage participating rents are recognized when tenants' specified sales targets have been met. Operating expense recoveries are recognized in the period that recoverable costs are chargeable to tenants.

Revenue from land sales is recognized at the time that the risks and rewards of ownership have been transferred, possession or title passes to the purchaser, all material conditions of the sales contract have been met, and a significant cash down payment or appropriate security is received.

Revenue from hospitality operations are recognized when the services are provided and collection is reasonably assured.

iii. Renewable Power Operations

Renewable power revenues are derived from the sale of electricity and is recorded at the time power is provided based upon the output delivered and capacity provided at rates specified under either contract terms or prevailing market rates. Costs of generating electricity are recorded as incurred.

iv. Sustainable Resources Operations

Revenue from timberland operations is derived from the sale of logs and related products. The company recognizes sales to external customers when the product is shipped, title passes and collectibility is reasonably assured. Revenue from agricultural development operations is recognized at the time that the risks and rewards of ownership have transferred.

v. Utility Operations

Revenue from utility operations is derived from the distribution and transmission of energy as well as from the company's coal terminal. Distribution and transmission revenue is recognized when services are rendered based upon usage or volume during that period. Terminal infrastructure charges are charged at set rates per tonne of coal based on each customer's annual contracted tonnage and is then recognized on a pro rata basis each month. The company's coal terminal also recognizes variable handling charges based on tonnes of coal shipped through the terminal.

vi. Transport and Energy Operations

Revenue from transport and energy operations consists primarily of energy distribution and storage income and freight and transportation services revenue. Energy distribution and storage income is recognized when services are provided and are rendered based upon usage or volume throughput during the period. Freight and transportation services revenue is recognized at the time of the provision of services.

vii. Private Equity and Residential Development Operations

Revenue from our private equity operations primarily consists of revenues from the sale of goods and rendering of services. Sales are recognized when the product is shipped, title passes and collectability is reasonably assured. Services revenues are recognized when the services are provided.

Revenue from residential land sales is recognized at the time that the risks and rewards of ownership have been transferred, which is generally when possession or title passes to the purchaser, all material conditions of the sales contract have been met, and a significant cash down payment or appropriate security is received.

Revenue from the sale of homes and residential condominium projects is recognized upon completion, when title passes to the purchaser upon closing and at which time all proceeds are received or collectibility is reasonably assured.

viii. Other Financial Assets

Dividend and interest income from other financial assets are recorded within revenues when declared or on an accrual basis using the effective interest method.

Revenue from loans and notes receivable, less a provision for uncollectible amounts, is recorded on the accrual basis using the effective interest method.

n) Derivative Financial Instruments and Hedge Accounting

The company and its subsidiaries selectively utilize derivative financial instruments primarily to manage financial risks, including interest rate, commodity and foreign exchange risks. Derivative financial instruments are recorded at fair value determined on a credit adjusted basis. Hedge accounting is applied when the derivative is designated as a hedge of a specific exposure and there is assurance that it will continue to be effective as a hedge based on an expectation of offsetting cash flows or fair value. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as a hedge or the hedging relationship is terminated. Once discontinued, the cumulative change in fair value of a derivative that was previously recorded in other comprehensive income by the application of hedge accounting is recognized in net income over the remaining term of the original hedging relationship. The assets or liabilities relating to unrealized mark-to-market gains and losses on derivative financial instruments is recorded in Accounts receivable and other or Accounts payable and other, respectively.

i. Items Classified as Hedges

Realized and unrealized gains and losses on foreign exchange contracts, designated as hedges of currency risks relating to a net investment in a subsidiary or an associate are included in equity and are included in net income in the period in which the subsidiary is disposed of or to the extent partially disposed and control is not retained. Derivative financial instruments that are designated as hedges to offset corresponding changes in the fair value of assets and liabilities and cash flows are measured at their estimated fair value with changes in fair value recorded in net income or as a component of equity, as applicable.

Unrealized gains and losses on interest rate contracts designated as hedges of future variable interest payments are included in equity as a cash flow hedge when the interest rate risk relates to an anticipated variable interest payment. The periodic exchanges of payments on interest rate swap contracts designated as hedges of debt are recorded on an accrual basis as an adjustment to interest expense. The periodic exchanges of payments on interest rate contracts designated as hedges of future interest payments are amortized into net income over the term of the corresponding interest payments.

Unrealized gains and losses on electricity contracts designated as cash flow hedges of future power generation revenue are included in equity as a cash flow hedge. The periodic exchanges of payments on power generation commodity swap contracts designated as hedges are recorded on a settlement basis as an adjustment to power generation revenue.

ii. Items Not Classified as Hedges

Derivative financial instruments that are not designated as hedges are carried at their estimated fair value, and gains and losses arising from changes in fair value are recognized in net income in the period in which the change occurs. Realized and unrealized gains and losses on equity derivatives used to offset the change in share prices in respect of vested Deferred Share Units and Restricted Share Appreciation Units are recorded together with the corresponding compensation expense. Realized and unrealized gains on other derivatives not designated as hedges are recorded in Revenues, Direct Costs or Corporate costs, as applicable. Realized and unrealized gains and losses on derivatives which are considered economic hedges, and where hedge accounting is not able to be elected, are recorded in Fair value changes in the Consolidated Statements of Operations.

o) Income Taxes

Current income tax assets and liabilities are measured at the amount expected to be paid to tax authorities, net of recoveries, based on the tax rates and laws enacted or substantively enacted at the balance sheet date. Current and deferred income tax relating to items recognized directly in equity are also recognized in equity. Deferred income tax liabilities are provided for using the liability method on temporary differences between the tax bases and carrying amounts of assets and liabilities. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that deductions, tax credits and tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent it is no longer probable that the income tax assets will be recovered. Deferred income tax assets and liabilities are measured using the tax rates that are expected to apply to the year when the asset is realized or the liability settled, based on the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

p) Business Combinations

Business combinations are accounted for using the acquisition method. The cost of a business acquisition is measured at the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair values at the acquisition date, except for non-current assets that are classified as held-for-sale which are recognized and measured at fair value less costs to sell. The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholders' proportion of the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

To the extent the fair value of consideration paid exceeds the fair value of the net identifiable tangible and intangible assets, the excess is recorded as goodwill. To the extent the fair value of consideration paid is less than the fair value of net identifiable tangible and intangible assets, the excess is recognized in net income.

When a business combination is achieved in stages, previously held interests in the acquired entity are re-measured to fair value at the acquisition date, which is the date control is obtained, and the resulting gain or loss, if any, is recognized in net income, other than amounts transferred directly to retained earnings. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to net income. Acquisition costs are recorded as an expense in net income as incurred.

q) Other Items

i. Capitalized Costs

Capitalized costs related to assets under development and redevelopment include all eligible expenditures incurred in connection with the acquisition, development and construction of the asset until it is available for its intended use. These expenditures consist of costs that are directly attributable to these assets.

Borrowing costs are capitalized when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is an asset that takes a substantial period of time to prepare for its intended use.

ii. Capital Securities

Capital securities are preferred shares that may be settled by a variable number of the company's common shares upon their conversion by the holders or the company. These instruments, as well as the related accrued distributions, are classified as liabilities on the Consolidated Balance Sheets. Dividends and yield distributions on these instruments are recorded as interest expense.

iii. Share-based Payments

The company and its subsidiaries issue share-based awards to certain employees and non-employee directors. The cost of equity-settled share-based transactions, comprised of share options, restricted shares and escrowed shares, is determined as the fair value of the award on the grant date using a fair value model. The cost of equity-settled share-based transactions is recognized as each tranche vests and is recorded in contributed surplus as a component of equity. The cost of cash-settled share-based transactions, comprised of Deferred Share Units and Restricted Share Appreciation Units, is measured as the fair value at the grant date, and expensed on a proportionate basis consistent with the vesting features over the vesting period with the recognition of a corresponding liability. The liability is measured at each reporting date at fair value with changes in fair value recognized in net income.

r) Critical Judgments and Estimates

The preparation of financial statements requires management to make estimates and judgments that affect the carried amounts of certain assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses recorded during the period. Actual results could differ from those estimates.

In making estimates and judgments management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that the company believes will materially affect the methodology or assumptions utilized in making these estimates in these financial statements.

i. Critical Estimates

The significant estimates used in determining the recorded amount for assets and liabilities in the financial statements include the following:

a. Investment Properties

The critical assumptions and estimates used when determining the fair value of commercial properties are: the timing of rental income from future leases reflecting current market conditions, less assumptions of future cash flows in respect of current and future leases; maintenance and other capital expenditures; discount rates; terminal capitalization rates; and terminal valuation dates. Properties under development are recorded at fair value using a discounted cash flow model which includes estimates in respect of the timing and cost to complete the development.

Further information on investment property estimates is provided in Note 9.

b. Revaluation Method for Property, Plant and Equipment

When determining the carrying value of property, plant and equipment using the revaluation method, the company uses the following critical assumptions and estimates: the timing of forecasted revenues, future sales prices and margins; future sales volumes; future regulatory rates; maintenance and other capital expenditures; discount rates; terminal capitalization rates; terminal valuation dates; useful lives; and residual values. Determination of the fair value of property, plant and equipment under development includes estimates in respect of the timing and cost to complete the development.

Further information on estimates used in the revaluation method for property, plant and equipment is provided in Note 10.

c. Sustainable Resources

The fair value of standing timber and agricultural assets is based on the following critical estimates and assumptions: the timing of forecasted revenues and prices; estimated selling costs; sustainable felling plans; growth assumptions; silviculture costs; discount rates; terminal capitalization rates; and terminal valuation dates.

Further information on estimates used for sustainable resources is provided in Note 11.

d. Financial Instruments

Estimates and assumptions used in determining the fair value of financial instruments are: equity and commodity prices; future interest rates; the credit worthiness of the company relative to its counterparties; the credit risk of the company's counterparties relative to the company; estimated future cash flows; discount rates and volatility utilized in option valuations.

Further information on estimates used in determining the carrying value of financial instruments is provided in Notes 5, 23 and 24.

e. Inventory

The company estimates the net realizable value of its inventory using estimates and assumptions about future selling prices and future development costs.

f. Other

Other estimates and assumptions utilized in the preparation of the company's financial statements are: the assessment or determination of net recoverable amounts; depreciation and amortization rates and useful lives; estimation of recoverable amounts of cash generating units for impairment assessments of goodwill and intangible assets; ability to utilize tax losses and other tax measurements; and fair value of assets held as collateral.

ii. Critical Judgments

Management is required to make critical judgments when applying its accounting policies. The following judgments have the most significant effect on the amounts in the consolidated financial statements:

a. Level of Control

When determining the appropriate basis of accounting for the company's investments, the company uses the following judgments and assumptions: the degree of control or influence that the company exerts directly or through an arrangement; the amount of potential voting rights which provide the company or unrelated parties voting powers; the ability to appoint directors, the ability of other investors to remove the company as a manager or general partner in a controlled partnership; and the amount of benefit that the company receives relative to other investors.

b. Investment Properties

When applying the company's accounting policy for investment properties, judgment is applied in determining whether certain costs are additions to the carrying amount of the property and, for properties under development, identifying the point at which practical completion of the property occurs and identifying the directly attributable borrowing costs to be included in the carrying value of the development property. Judgment is also applied in determining the extent and frequency of independent appraisals.

c. Property, Plant and Equipment

The company's accounting policy for its property, plant and equipment requires critical judgments over the assessment of its carrying value, whether certain costs are additions to the carrying amount of the property, plant and equipment as opposed to repairs and maintenance and for assets under development, identification of when the asset is capable of being used as intended and identifying the directly attributable borrowing costs to be included in the assets carrying value.

For assets that are measured using the revaluation method, judgment is required when estimating future prices, volumes and discount and capitalization rates. Judgment is applied when determining future electricity prices considering market data for years that a liquid market is available and estimates of electricity prices from renewable sources that would allow new entrants into the market in subsequent years.

d. Common Control Transactions

The purchase and sale of businesses or subsidiaries between entities under common control fall outside the scope of IFRS and accordingly, management uses judgment when determining a policy to account for such transactions taking into consideration other guidance in the IFRS framework and pronouncements of other standard-setting bodies. The company's policy is to record assets and liabilities recognized as a result of transfers of businesses or subsidiaries between entities under common control at carrying value. Differences between the carrying amount of the consideration given or received and the carrying amount of the assets and liabilities transferred are recorded directly in equity.

e. Indicators of Impairment

Judgment is applied when determining whether indicators of impairment exist when assessing the carrying values of the company's assets, including: the determination of the company's ability to hold financial assets; the estimation of a cash generating units future revenues and direct costs; the determination of discount and capitalization rates; and when an assets carrying value is above the value derived using publicly traded prices which are quoted in a liquid market.

f. Other

Other critical judgments include the determination of effectiveness of financial hedges for accounting purposes; the likelihood and timing of anticipated transactions for hedge accounting; the manner in which the carrying amount of each investment property will be recovered; and the determination of functional currency.

s) Future Changes in Accounting Standards

i. Consolidated Financial Statements, Joint Ventures and Disclosures

In May 2011, the IASB issued three standards: IFRS 10, *Consolidated Financial Statements* ("IFRS 10"), IFRS 11, *Joint Arrangements* ("IFRS 11") and IFRS 12, *Disclosure of Interests in Other Entities* ("IFRS 12"), and amended two standards: IAS 27, *Separate Financial Statements* ("IAS 27"), and IAS 28, *Investments in Associates and Joint Ventures* ("IAS 28"). Each of the new and amended standards has an effective date for annual periods beginning on or after January 1, 2013.

IFRS 10 replaces IAS 27 and SIC–12, *Consolidation-Special Purpose Entities* ("SIC–12"). The consolidation requirements previously included in IAS 27 have been included in IFRS 10, whereas the amended IAS 27 sets standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements. IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee, eliminating the risks and rewards approach included in SIC–12. An investor must possess the following three elements to conclude if it controls an investee: power over the investee's financial and operating decisions, exposure or rights to variable returns from involvement with the investee, and the ability to use power over the investee and its exposure or rights to variable returns. IFRS 10 requires continuous reassessment of changes in an investor's power over the investee and changes in the investor's exposure or rights to variable returns. The company is currently evaluating the impact of IFRS 10 and the amendments to IAS 27 on its consolidated financial statements.

IFRS 11 supersedes IAS 31, *Interests in Joint Ventures* and SIC–13, *Jointly Controlled Entities – Non-Monetary Contributions by Venturers.* IFRS 11 is applicable to all parties that have an interest in a joint arrangement. IFRS 11 establishes two types of joint arrangements: joint operations and joint ventures. In a joint operation, the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the arrangement, and recognize their share of the assets, liabilities, revenues and expenses in accordance with applicable IFRS. In a joint venture, the parties to the arrangement have rights to the net assets of the arrangement and account for their interest using the equity method of accounting under IAS 28. IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.The company is currently evaluating the impact of IFRS 11 and the amendments to IAS 28 on its consolidated financial statements.

IFRS 12 integrates the disclosure requirements on interests in other entities and requires a parent company to disclose information about significant judgments and assumptions it has made in determining whether it has control, joint control, or significant influence over another entity and the type of joint arrangement when the arrangement has been structured through a separate vehicle. An entity should also provide these disclosures when changes in facts and circumstances affect the entity's conclusion during the reporting period. Entities are permitted to incorporate the disclosure requirements in IFRS 12 into their financial statements without early adopting of IFRS 12. The company is currently evaluating the impact of IFRS 12 on its consolidated financial statements.

ii. Fair Value Measurements

In May 2011, the IASB issued IFRS 13, *Fair Value Measurements* ("IFRS 13"). IFRS 13 establishes a single source of fair value measurement guidance and sets out fair value measurement disclosure requirements. The standard requires that information be provided in the financial statements that enables the user to assess the methods and inputs used to develop fair value measurements, and for reoccurring fair value measurements that use significant unobservable inputs, and the effect of the measurements on profit or loss or other comprehensive income. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. The company is currently evaluating the impact of IFRS 13 on its consolidated financial statements.

iii. Presentation of Items of Other Comprehensive Income

In June 2011, the IASB made amendments to IAS 1, *Presentation of Financial Statements* ("IAS 1"). The amendments require that items of other comprehensive income are grouped into two categories: items that will be reclassified subsequently to profit or loss; and items that will be reclassified subsequently directly to equity. Income tax on items of other comprehensive income are required to be allocated on the same basis. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012. The company is currently evaluating the impact of the amendments to IAS 1 on its consolidated financial statements.

iv. Financial Instruments

In November 2009, the IASB issued IFRS 9, *Financial Instruments* ("IFRS 9") which will replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The company has not yet determined the impact of IFRS 9 on its consolidated financial statements.

3. SEGMENTED INFORMATION

a) Operating Segments

For management purposes, the business is organized into five operating segments in which the company makes operating and capital allocation decisions and assesses performance. In late 2012, the company combined the oversight of its timber and agricultural development business lines and reallocated the results of the agricultural development operations business line from Private Equity and Residential Development to Infrastructure. The comparative results have been revised to conform to the new basis of segment presentation.

i. Asset Management and Services comprises our asset management, construction and property services businesses. These operations generate contractual service fees earned from consolidated entities included in our other segments and third parties for performing management services, including management of our institutional private funds and listed entities, management of construction projects and residential relocation, franchise and brokerage operations. These operations are also characterized by utilizing relatively low levels of tangible assets relative to our other business segments.

ii. Property operations are predominantly office properties, retail properties, real estate finance, opportunistic investing and office developments located primarily in major North American, Australian, Brazilian and European cities. Income from property operations is primarily comprised of property rental income and, to a lesser degree, interest and dividend income. Virtually all of these operations will be held through Brookfield Property Partners L.P., in which we will own a 92.5% interest following the distribution of a 7.5% interest to our shareholders in April, 2013.

iii. Renewable power operations consist primarily of hydroelectric power generating facilities on river systems in North America and Brazil and wind power generating facilities in North America. The company's power operations are owned and operated through our 68% interest in Brookfield Renewable Energy Partners L.P. ("BREP") and a wholly owned subsidiary of the company which engages in the purchase and sale of energy, primarily on behalf of BREP.

iv. Infrastructure operations are predominantly utilities, transport and energy, timberland and agricultural development operations located in Australia, North America, Europe and South America, and are primarily owned and operated through a 28% interest in Brookfield Infrastructure Partners L.P. and direct investments in certain of the company's sustainable resources operations.

v. Private equity and residential development operations include the investments and activities overseen by our private equity group. These include direct investments as well as investments in our private equity funds. Our private equity funds have a mandate to invest in a broad range of industries, although currently the portfolios contain a number of investments whose performance is significantly impacted by the North American home building industry. Direct investments include interests in Norbord Inc., a panelboard manufacturer, and two publicly listed residential development businesses: which are predominantly a North American homebuilder and land developer, Brookfield Residential Properties Inc. and a Brazilian condominium developer, Brookfield Incorporações S.A. The operations in this segment are generally characterized by an investment approach that is more opportunistic in nature. Furthermore, these businesses are not integrated into core operating platforms, unlike the assets within our property, renewable power or infrastructure operations.

All other company level activities that are not allocated to these five operating segments are included within Corporate/ Unallocated operations, such as the company's cash and financial assets, non-recourse corporate borrowings and preferred shares and net working capital.

b) Basis of Measurement

i. Funds from Operations

The company considers Funds from Operations ("FFO") to be a key measure of its financial performance and defines FFO as net income prior to fair value changes, depreciation and amortization, and deferred income taxes, and includes certain disposition gains that are not otherwise included in net income as determined under IFRS. FFO includes the company's proportionate share of FFO from equity accounted investments and excludes transaction costs incurred on business combinations, which are required to be expensed as incurred under IFRS. FFO includes disposition gains because the purchase and sale of assets is a normal part of the company's business. Brookfield uses FFO to assess its operating results and the value of its business. The company does not use FFO as a measure of cash generated from its operations.

The company's definition of FFO may differ from the definition used by other organizations, as well as the definition of FFO used by the Real Property Association of Canada ("REALPAC") and the National Association of Real Estate Investment Trusts, Inc. ("NAREIT"), in part because the NAREIT definition is based on U.S. generally accepted accounting principles, as opposed to IFRS. When reconciling the company's definition of FFO to the determination of FFO by REALPAC and/or NAREIT, key differences consist of the following: the inclusion of disposition gains or losses that occur as normal part of the company's business and cash taxes payable on those gains, if any; foreign exchange gains or losses on monetary items not forming part of the company's net investment in foreign operations; and gains or losses on the sale of an investment in a foreign operation.

ii. Other Segment Information – Valuation Items

In assessing performance, the company also makes use of financial information pertaining to the revaluation of assets and liabilities such as fair value changes and depreciation and amortization which are included in consolidated net income and valuation items which are included in other comprehensive income, as well as the company's share of these items that are recorded by equity accounted investments. These amounts are collectively referred to as valuation items.

iii. Segment Balance Sheet Information

Segment balance sheet information considered by the company includes: segment assets, which are total assets other than investments in associates, less accounts payable and other liabilities and deferred tax liabilities; investments in associates, the aggregate amount of segment borrowings including capital securities; segment non-controlling interests, segment preferred shares and common equity by segment.

iv. Segment Allocation and Measurement

Segment measures include amounts earned from consolidated entities that are eliminated on consolidation. The two principal adjustments are to include asset management revenues charged to consolidated entities as revenues within the company's asset management and other services segment with the corresponding expense recorded as corporate costs within the relevant segment; and interest charged on loans between consolidated entities, which are presented as revenues and interest expense within the relevant segments. These amounts are based on the terms of the asset management contracts and loan agreements amongst the consolidated entities. The company allocates the costs of shared functions, which would otherwise be included within the corporate operation segment such as information technology and internal audit, pursuant to formal policies.

c) Segment Operating Results

	Operating Segments								
FOR THE YEAR ENDED DECEMBER 31, 2012 (MILLIONS)	Asset Management and Services	Property	Renewable Power	Infrastructure	Private Equity and Residential Development	Corporate/ Unallocated	Adjustments	Note	Consolidated
Revenues	$ 4,520	$ 3,982	$ 1,179	$ 2,109	$ 6,900	$ 230	$ (223)	i	$ 18,697
Direct costs	(4,171)	(1,812)	(475)	(1,138)	(6,105)	(114)	(94)	ii	(13,909)
Equity accounted FFO	4	386	13	223	15	25	(666)	iii	—
Disposition gains	—	(49)	214	63	31	100	(359)	iv	—
Interest expenses	—	(1,076)	(412)	(399)	(276)	(369)	35	v	(2,497)
Corporate/unallocated costs	—	(172)	(36)	(144)	(28)	(160)	382	vi	(158)
Current income taxes	—	(9)	(12)	(16)	(79)	(19)	135	vii	—
Non-controlling interests in FFO	—	(713)	(158)	(474)	(197)	(25)	1,567	viii	—
Funds from operations	$ 353	$ 537	$ 313	$ 224	$ 261	$ (332)			
Net income	$ 297	$ 2,687	$ (268)	$ 276	$ 44	$ (289)			

	Operating Segments								
FOR THE YEAR ENDED DECEMBER 31, 2011 (MILLIONS)	Asset Management and Services	Property	Renewable Power	Infrastructure	Private Equity and Residential Development	Corporate/ Unallocated	Adjustments	Note	Consolidated
Revenues	$ 3,535	$ 2,760	$ 1,128	$ 1,725	$ 6,740	$ 311	$ (278)	i	$ 15,921
Direct costs	(3,280)	(1,077)	(379)	(908)	(6,129)	(46)	(87)	ii	(11,906)
Equity accounted FFO	14	428	25	193	23	(9)	(674)	iii	—
Disposition gains	—	433	25	—	177	(83)	(552)	iv	—
Interest expenses	—	(1,014)	(394)	(340)	(263)	(367)	26	v	(2,352)
Corporate/unallocated costs	—	(144)	(2)	(118)	(22)	(172)	290	vi	(168)
Current income taxes	—	(10)	(13)	(4)	(45)	(25)	97	vii	—
Non-controlling interests in FFO	—	(689)	(158)	(376)	(233)	(6)	1,462	viii	—
Funds from operations	$ 269	$ 687	$ 232	$ 172	$ 248	$ (397)			
Net income	$ 232	$ 3,652	$ (439)	$ 451	$ (30)	$ (192)			

i. Revenues

The adjustment to revenues consists of management fees earned from consolidated entities totalling $288 million (2011 – $203 million) and interest income on loans between consolidated entities totalling $35 million (2011 – $26 million), which were eliminated on consolidation to arrive at the company's consolidated revenues.

The adjustment to revenues also includes disposition losses totalling $100 million (2011 – $49 million of disposition gains) that are recorded as disposition gains in the segment results.

ii. Direct costs

The adjustment to direct costs consists of the reallocation of unallocated segment costs totalling $94 million (2011 – $87 million) that are included in direct costs in the Consolidated Statements of Operations.

iii. Equity accounted FFO

The company defines equity accounted FFO to be the company's share of FFO from its investments in associates (equity accounted investments), determined by applying the same methodology utilized in adjusting net income of consolidated entities. Equity accounted FFO is combined with the equity accounted fair value changes in the company's Consolidated Statements of Operations. The following table disaggregates equity accounted income into equity accounted FFO and non-FFO items:

FOR THE YEAR ENDED DECEMBER 31, 2012 (MILLIONS)	Asset Management and Services	Property	Renewable Power	Infrastructure	Private Equity and Residential Development	Corporate	Consolidated
Funds from operations	$ 4	$ 386	$ 13	$ 223	$ 15	$ 25	$ 666
Fair value changes and other	—	810	(19)	(210)	(1)	(3)	577
Equity accounted income	$ 4	$ 1,196	$ (6)	$ 13	$ 14	$ 22	$ 1,243

FOR THE YEAR ENDED DECEMBER 31, 2011 (MILLIONS)	Asset Management and Services	Property	Renewable Power	Infrastructure	Private Equity and Residential Development	Corporate	Consolidated
Funds from operations	$ 14	$ 428	$ 25	$ 193	$ 23	$ (9)	$ 674
Funds from operations – gains	—	2	—	—	—	—	2
Fair value changes and other	—	1,620	(13)	(78)	—	—	1,529
Equity accounted income	$ 14	$ 2,050	$ 12	$ 115	$ 23	$ (9)	$ 2,205

iv. Disposition gains

Disposition gains include gains and losses recorded in net income arising from transactions during the current year adjusted to include fair value changes and revaluation surplus recorded in prior periods. Disposition gains also include amounts that are recorded directly in equity as changes in ownership as opposed to net income because they result from a change in ownership of a consolidated entity.

The adjustment to disposition gains consists of amounts that are included in the following components of the company's financial statements:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2012**	2011
Net income		
Revenues	**$ 100**	$ (49)
Equity		
Fair value changes recorded in prior period	**(47)**	420
Revaluation surplus	**277**	13
Changes in ownership	**29**	13
Other	**—**	155
	259	601
	$ 359	$ 552

Other gains in 2011 of $155 million ($61 million net of non-controlling interests) represents a distribution of capital from a consolidated private equity investment that is reflected in the company's Consolidated Balances Sheets as the excess of liabilities over the assets of the private equity investment.

v. Interest expense

The adjustment to interest expense consists of interest on loans between consolidated entities totalling $35 million (2011 – $26 million) that is eliminated on consolidation, along with the associated revenue.

vi. Corporate/unallocated costs

The adjustment to corporate/unallocated costs consists of management fee expenses in respect of services provided between consolidated entities totalling $288 million (2011 – $203 million) that were eliminated on consolidation and $94 million (2011 – $87 million) of costs that are unallocated in the context of a particular segment or business line but which are included in the company's direct costs in the company's Consolidated Statements of Operations.

vii. Current income taxes

Current income taxes are included in segment FFO, but are aggregated with deferred income taxes in income taxes on the company's Consolidated Statements of Operations.

viii. Non-controlling interests in FFO

The company defines non-controlling interests in FFO to be non-controlling interests less the non-controlling interests' share of adjustments required to convert net income attributable to shareholders to FFO. The following table disaggregates non-controlling interests into non-controlling interests in FFO and the principal reconciling items.

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2012**	2011
Non-controlling interests in:		
Funds from operations	**$ (1,567)**	$ (1,462)
Disposition gains	**76**	311
Fair value changes	**(725)**	(865)
Equity accounted income – fair value changes and other	**56**	(261)
Depreciation and amortization	**680**	245
Income tax	**113**	315
Net income attributable to non-controlling interests	**$ (1,367)**	$ (1,717)

ix. Reconciliation of total entity FFO to net income

The following table reconciles the sum of FFO for each operating segment and corporate/unallocated FFO ("total entity FFO") to net income:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2012**	2011
Total entity FFO	**$ 1,356**	$ 1,211
Adjustments		
Less: FFO measures		
Gains not recorded in net income	**(259)**	(601)
Equity accounted FFO	**(666)**	(674)
Current income taxes	**135**	97
Non-controlling interests in FFO	**1,567**	1,462
Add: financial statement components not included in FFO		
Equity accounted income	**1,243**	2,205
Fair value changes	**1,150**	1,386
Depreciation and amortization	**(1,263)**	(904)
Income taxes	**(516)**	(508)
Total adjustments	**1,391**	2,463
Net income	**$ 2,747**	$ 3,674

d) Other Segment Information – Valuation Items

The following table aggregates significant items relating to the periodic revaluation of assets and liabilities, including the company's share of such items included in equity accounted income, and the share of these items that is attributable to non-controlling interests and amounts recorded in equity. Equity accounted items in the following table include the company's share of fair value changes and depreciation and amortization that are included in equity accounted income as presented in Note 3(c)(iii). These items are presented net of non-controlling interests and income taxes in the Consolidated Statements of Changes in Equity, but are presented prior to non-controlling interests and income taxes in the following table.

	Operating Segments						
FOR THE YEAR ENDED DECEMBER 31, 2012 (MILLIONS)	Asset Management and Services	Property	Renewable Power	Infrastructure	Private Equity and Residential Development	Corporate	Consolidated
Recorded in net income							
Fair value changes	$ (25)	$ 1,258	$ (79)	$ 139	$ (116)	$ (27)	$ 1,150
Equity accounted fair value changes and other	—	810	(19)	(210)	(1)	(3)	577
Depreciation and amortization	(31)	(225)	(499)	(248)	(251)	(9)	(1,263)
	(56)	1,843	(597)	(319)	(368)	(39)	464
Recorded in other comprehensive income	—	35	896	720	(34)	9	1,626
Total revaluation items	(56)	1,878	299	401	(402)	(30)	2,090
Non-controlling interests in above[1]	—	(724)	(35)	(240)	222	1	(776)
Valuation items	$ (56)	$ 1,154	$ 264	$ 161	$ (180)	$ (29)	$ 1,314

1. Includes non-controlling interests on valuation items recorded in net income and other comprehensive income and excludes non-controlling interests in FFO as outlined in 3(c)(viii)

	Operating Segments						
FOR THE YEAR ENDED DECEMBER 31, 2012 (MILLIONS)	Asset Management and Services	Property	Renewable Power	Infrastructure	Private Equity and Residential Development	Corporate	Consolidated
Recorded in net income							
Fair value changes	$ —	$ 1,547	$ (305)	$ 282	$ (80)	$ (58)	$ 1,386
Equity accounted fair value changes and other	—	1,620	(13)	(78)	—	—	1,529
Depreciation and amortization	(34)	(33)	(455)	(148)	(226)	(8)	(904)
	(34)	3,134	(773)	56	(306)	(66)	2,011
Recorded in other comprehensive income	—	(238)	1,828	486	(55)	(101)	1,920
Total valuation items	(34)	2,896	1,055	542	(361)	(167)	3,931
Non-controlling interests in above[1]	—	(973)	(435)	(259)	112	—	(1,555)
Valuation items	$ (34)	$ 1,923	$ 620	$ 283	$ (249)	$ (167)	$ 2,376

1. Includes non-controlling interests on valuation items recorded in net income and other comprehensive income and excludes non-controlling interests in FFO as outlined in 3(c)(viii)

e) Segment Financial Position Information

AS AT DEC. 31, 2012 (MILLIONS)	Operating Segments							
	Asset Management and Services	Property	Renewable Power	Infrastructure	Private Equity and Residential Development	Corporate	Total Reportable Segments	Note
Segment assets	$ 1,855	$ 37,622	$ 14,325	$ 14,463	$ 9,476	$ 1,196	$ 78,937	i
Investments	67	8,143	344	2,606	236	293	11,689	
Borrowings	(351)	(21,471)	(6,119)	(7,988)	(5,030)	(4,991)	(45,950)	ii
Segment non-controlling interests	(1)	(11,336)	(3,559)	(6,510)	(2,107)	(102)	(23,615)	iii
Preferred shares	—	—	—	—	—	(2,901)	(2,901)	
Common equity by segment	$ 1,570	$ 12,958	$ 4,991	$ 2,571	$ 2,575	$ (6,505)	$ 18,160	

AS AT DEC. 31, 2011 (MILLIONS)	Operating Segments							
	Asset Management and Services	Property	Renewable Power	Infrastructure	Private Equity and Residential Development	Corporate	Total Reportable Segments	Note
Segment assets	$ 1,930	$ 31,268	$ 12,775	$ 10,079	$ 8,894	$ 1,592	$ 66,538	i
Investments	2	6,905	358	1,696	261	179	9,401	
Borrowings	(439)	(17,433)	(5,520)	(4,918)	(4,445)	(5,452)	(38,207)	ii
Segment non-controlling interests	(1)	(9,797)	(2,504)	(4,350)	(2,094)	(103)	(18,849)	iii
Preferred shares	—	—	—	—	—	(2,140)	(2,140)	
Common equity by segment	$ 1,492	$ 10,943	$ 5,109	$ 2,507	$ 2,616	$ (5,924)	$ 16,743	

The following tables reconcile the company's total reportable segments to the Consolidated Balance Sheets as at December 31, 2012 and 2011, for those financial statement line items which differ:

i. Segment assets

The company defines segment assets to be total assets for each segment less investments, deferred income tax liabilities and accounts payable and other attributable to that segment.

AS AT DECEMBER 31 (MILLIONS)	**2012**	2011
Total assets	**$ 108,644**	$ 91,022
Investments	**(11,689)**	(9,401)
Accounts payable and other	**(11,599)**	(9,266)
Deferred income tax liabilities	**(6,419)**	(5,817)
Segment assets	**$ 78,937**	$ 66,538

ii. Borrowings

The company defines borrowings to include the following liabilities attributable to each segment: corporate borrowings, property-specific mortgages, subsidiary borrowings and capital securities.

AS AT DECEMBER 31 (MILLIONS)	**2012**	2011
Corporate borrowings	**$ 3,526**	$ 3,701
Non-recourse borrowings		
Property specifics borrowings	**33,648**	28,415
Subsidiary borrowings	**7,585**	4,441
Capital securities	**1,191**	1,650
Borrowings	**$ 45,950**	$ 38,207

iii. Segment Non-controlling interests

The company aggregates interests of others in consolidated funds together with non-controlling interests in determining segment financial position information.

AS AT DECEMBER 31 (MILLIONS)	2012	2011
Consolidated balances		
Interests of others in consolidated funds	**$ 425**	$ 333
Non-controlling interests in net assets	**23,190**	18,516
	$ 23,615	$ 18,849

f) Geographic Allocation

Revenues and consolidated assets by geographic segments are as follows:

AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	2012		2011	
	Revenue	**Assets**	Revenue	Assets
United States	**$ 6,206**	**$ 44,291**	$ 4,715	$ 38,191
Canada	**3,290**	**21,415**	2,809	19,848
Australia	**4,528**	**16,781**	3,470	15,066
Brazil	**1,614**	**12,941**	2,519	12,202
Europe	**1,432**	**6,750**	1,364	4,352
Other	**1,627**	**6,466**	1,044	1,363
	$ 18,697	**$ 108,644**	$ 15,921	$ 91,022

Intangible assets and goodwill by geographic segments are included in Note 12 and 13, respectively.

4. ACQUISITIONS OF CONSOLIDATED ENTITIES

The company accounts for business combinations using the acquisition method of accounting, pursuant to which the cost of acquiring a business is allocated to its identifiable tangible and intangible assets and liabilities on the basis of the estimated fair values at the date of acquisition.

a) Completed During 2012

The following table summarizes the balance sheet impact as a result of business combinations that occurred in 2012 by operating segment:

(MILLIONS)	Property	Renewable Power	Infrastructure	**Total**
Cash and cash equivalents	$ 142	$ 50	$ 120	**$ 312**
Accounts receivable and other	418	13	77	**508**
Inventory	393	—	—	**393**
Investments	11	—	—	**11**
Investment properties	2,793	—	—	**2,793**
Property, plant and equipment	2,446	1,374	2,728	**6,548**
Intangible assets	376	—	1,540	**1,916**
Goodwill	15	—	45	**60**
Total Assets	6,594	1,437	4,510	**12,541**
Less:				
Accounts payable and other	(534)	(96)	(529)	**(1,159)**
Non-recourse borrowings	(3,576)	(449)	(1,693)	**(5,718)**
Deferred income tax liabilities	—	—	(488)	**(488)**
Non-controlling interests[1]	(281)	(695)	(854)	**(1,830)**
Non-controlling interests net to Brookfield[2]	(1,199)	(63)	(676)	**(1,938)**
Equity	$ 1,004	$ 134	$ 270	**$ 1,408**
Consideration[3]	$ 2,203	$ 197	$ 946	**$ 3,346**

1. Includes non-controlling interests recognized on business combinations measured as the proportionate share of fair value of the assets and liabilities on the date of acquisition
2. Non-controlling interests determined on application of consolidation principles
3. Aggregate of equity and non-controlling interests net to Brookfield

As a result of the acquisitions made during the year, Brookfield recorded $1,144 million of revenue and $38 million in net losses from the acquired operations. Total revenue and net losses, including fair value changes, that would have been recorded if the acquisitions had occurred at the beginning of the year would have been $2,095 million and $130 million, respectively. Certain of the current year business combinations were completed in close proximity to the year ended December 31, 2012 and accordingly, the fair values of the acquired assets, liabilities and goodwill for these operations have been determined on a provisional basis, pending finalization of the post-acquisition review of the fair value of the acquired net assets.

i. Property

In December 2011, a subsidiary of Brookfield commenced acquiring debentures secured by a 39% ownership interest in Thakral Holdings Group ("Thakral") shares. Brookfield converted its debentures into shares of Thakral and acquired all of the remaining shares outstanding for total consideration of $507 million in October of 2012 and commenced consolidation of Thakral. Thakral's assets include prime office assets, a multi-family property portfolio and various industrial properties within Australia.

In April 2012, a subsidiary of Brookfield acquired a 100% interest in Paradise Island Holdings Limited ("Atlantis"), a hotel and casino resort located in the Bahamas, through a financial restructuring whereby Brookfield converted its $175 million of previously held debt instruments for equity. The transaction was measured at fair value on the date of acquisition. Brookfield completed the acquisition and commenced consolidating Atlantis in the second quarter.

In July 2012, a subsidiary of Brookfield entered into a merger agreement resulting in the acquisition of Verde Realty ("Verde"), a privately-owned industrial real estate investment trust with assets located in the United States and Mexico. A subsidiary of Brookfield acquired 81% of the outstanding equity for total consideration of $275 million, and commenced consolidation of Verde in the fourth quarter.

ii. Infrastructure

In November 2012, a subsidiary of Brookfield acquired a 100% equity interest in Inexus Group Limited ("Inexus"), a UK based regulated distribution operation, for total consideration of $468 million and commenced consolidation of Inexus in the fourth quarter.

In December 2011, Brookfield acquired a 55% interest in Sociedad Concesionario Vespucio Norte Express S.A. ("VNE"), a Chilean toll road, but as a result of an agreement limiting the company's control, did not consolidate the investment. In October 2012, Brookfield acquired the remaining 45% equity interest of VNE it did not already own for $170 million, increasing its total consideration to $333 million, and commenced consolidation. The transaction was measured at fair value on the date of acquisition.

During the year, the company also acquired a Canadian sustainable energy service provider, a North American gas storage business, a Colombian regulated distribution operation, a U.S. residential development business, a property development in London, England and various wind and hydroelectric generating assets, of which the largest investment was $204 million.

The following table shows the balance sheet impact as a result of the significant business combinations that occurred during the 2012.

	Property			Infrastructure	
(MILLIONS)	Thakral	Atlantis	Verde	Inexus	VNE
Cash and cash equivalents	$ 5	$ 85	$ 37	$ 5	$ 69
Accounts receivable and other	33	282	36	14	53
Inventory	65	—	—	—	—
Investments	—	—	10	—	—
Investment properties	240	—	911	—	—
Property, plant and equipment	688	1,758	—	1,410	—
Intangible assets	—	359	17	97	1,443
Goodwill	—	—	—	27	—
Total assets	1,031	2,484	1,011	1,553	1,565
Less:					
Accounts payable and other	(52)	(170)	(48)	(393)	(32)
Non-recourse borrowings	(472)	(2,139)	(571)	(545)	(772)
Deferred income tax liability	—	—	—	(147)	(108)
Non-controlling interests[1]	—	—	(117)	—	(320)
Non-controlling interests net to Brookfield[2]	(309)	(117)	(168)	(335)	(238)
Equity	$ 198	$ 58	$ 107	$ 133	$ 95
Consideration[3]	$ 507	$ 175	$ 275	$ 468	$ 333

1. Includes non-controlling interests recognized on business combinations measured as the proportionate share of fair value of the assets and liabilities on the date of acquisition
2. Non-controlling interests determined on application of consolidation principles
3. Aggregate of equity and non-controlling interests net to Brookfield

The following table provides details of the business combinations achieved in stages during 2012:

FOR THE YEAR ENDED DECEMBER 31 (MILLIONS)	VNE	Other	**Total**
Carrying value of investment immediately before acquisition	$ (171)	$ (63)	**$ (234)**
Fair value of investment immediately before acquiring control	163	59	**222**
Amounts recognized in other comprehensive income [1]	16	11	**27**
Remeasurement gain recorded in net income	$ 8	$ 7	**$ 15**
Remeasurement gain recorded in retained earnings	$ —	$ 5	**$ 5**

1. Included in the carrying value of the investment immediately before acquisition

b) Completed During 2011

The following table summarizes the balance sheet impact as a result of business combinations that occurred in 2011 by operating segment:

(MILLIONS)	Property	Renewable Power	Private Equity and Residential Development	**Total**
Cash and cash equivalents	$ 40	$ 32	$ 66	**$ 138**
Accounts receivable and other	148	6	306	**460**
Investments	685	—	—	**685**
Property, plant and equipment	640	446	299	**1,385**
Investment properties	5,846	—	—	**5,846**
Intangible assets	180	—	24	**204**
Goodwill	—	20	124	**144**
Total assets	7,539	504	819	**8,862**
Less:				
Accounts payable and other	(270)	(5)	(134)	**(409)**
Non-recourse borrowings	(4,437)	(190)	(351)	**(4,978)**
Deferred income tax liabilities	—	—	(28)	**(28)**
Non-controlling interests[1]	(404)	(101)	(96)	**(601)**
Non-controlling interests net to Brookfield[2]	(1,176)	—	(71)	**(1,247)**
Equity	$ 1,252	$ 208	$ 139	**$ 1,599**
Consideration[3]	$ 2,429	$ 208	$ 210	**$ 2,847**

1. Includes non-controlling interests recognized on business combinations measured as the proportionate share of fair value of the assets and liabilities on the date of acquisition
2. Non-controlling interests determined on application of consolidation principles
3. Aggregate of equity and non-controlling interests net to Brookfield

As a result of the acquisitions made during the year, Brookfield recorded $430 million of revenue and $122 million in net income from the operations. Total revenue and net income, including fair value changes, that would have been recorded if the acquisitions had occurred at the beginning of the year would have been $1,005 million and $881 million, respectively.

i) Property

In October 2006, Brookfield formed a joint venture to purchase a portfolio of office properties ("U.S. Office Fund"). Under the terms of the joint venture agreement, Brookfield's venture partner had an option to acquire its interest in certain of the U.S. Office Fund's properties which it managed, and to sell its interest in the properties that the company managed to Brookfield. In August 2011, Brookfield's venture partner exercised its option and sold the company its interest in the properties that it managed, resulting in the company's interest increasing to 83% and the U.S. Office Fund being consolidated. Prior to the acquisition, Brookfield jointly controlled the properties of the U.S. Office Fund and accounted for its investment using the equity method. The company recorded a $212 million gain on the revaluation of its previously held interest in the U.S. Office Fund at the time of acquisition. No cash consideration was paid in connection with the company's venture partner's exercise of its option and the company's consolidation of the U.S. Office Fund, with the exception of the settlement of consideration payable under the joint venture agreement.

Other acquisitions consisted of the acquisition of a controlling interest in certain office properties, a wind power generation business, a real estate and relocation services business and a coal bed methane producer. Brookfield paid total consideration of $673 million for its interest in the other assets of which the largest investment was $190 million.

The following table shows the balance sheet impact as a result of the acquisition of the U.S. Office Fund that occurred during the 2011.

(MILLIONS)	U.S. Office Fund
Cash and cash equivalents	$ 32
Accounts receivable and other	84
Investments	685
Investment properties	4,953
Total Assets	5,754
Less:	
Accounts payable and other	(225)
Non-recourse borrowings	(3,293)
Non-controlling interests[1]	(366)
Non-controlling interests net to Brookfield[2]	(944)
Equity	$ 926
Consideration[3]	$ 1,870

1. Includes non-controlling interests recognized on business combinations measured as the proportionate share of fair value of the assets and liabilities on the date of acquisition
2. Non-controlling interests determined on application of consolidation principles
3. Aggregate of equity and non-controlling interests net to Brookfield

The following table provides details of the business combinations achieved in stages:

FOR THE YEAR ENDED DECEMBER 31, 2011 (MILLIONS)	Total
Carrying value of investment immediately before acquisition	$ 1,658
Fair value of investment immediately before acquiring control	1,870
Remeasurement gain recorded in net income	$ 212

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted bid or ask prices, as appropriate. Where bid and ask prices are unavailable, the closing price of the most recent transaction of that instrument is used. In the absence of an active market, fair values are determined based on prevailing market rates for instruments with similar characteristics and risk profiles or internal or external valuation models, such as option pricing models and discounted cash flow analysis, using observable market inputs.

Fair values determined using valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining those assumptions, the company looks primarily to external readily observable market inputs such as interest rate yield curves, currency rates, and price and rate volatilities, as applicable. The fair value of interest rate swap contracts, which form part of financing arrangements, is calculated by way of discounted cash flows using market interest rates and applicable credit spreads. In limited circumstances, the company uses input parameters that are not based on observable market data and believes that using alternative assumptions will not result in significantly different fair values.

Classification of Financial Instruments

Financial instruments classified as fair value through profit or loss or available-for-sale are carried at fair value on the Consolidated Balance Sheets. Changes in the fair values of financial instruments classified as fair value through profit or loss and available-for-sale are recognized in net income and other comprehensive income, respectively. The cumulative changes in the fair values of available-for-sale securities previously recognized in accumulated other comprehensive income are reclassified to net income when the security is sold, or there is a significant or prolonged decline in fair value or when the company acquires a controlling interest in the underlying investment and commences consolidating the investment. During the year ended December 31, 2012, $52 million of net deferred gains (2011 – $6 million) previously recognized in accumulated other comprehensive income were reclassified to net income as a result of the disposition of available-for-sale securities.

Available-for-sale securities are recorded on the balance sheet at fair value, and are assessed for impairment at each reporting date. As at December 31, 2012, the net unrealized gain relating to the fair value of available-for-sale financial instruments amounted to $49 million (2011 – net unrealized loss of $18 million).

Gains or losses arising from changes in the fair value of fair value through profit or loss financial assets are presented in the Consolidated Statements of Operations in the period in which they arise. Dividends on fair value through profit or loss and available-for-sale financial assets are recognized when the company's right to receive payment is established. Interest on available-for-sale financial assets is calculated using the effective interest method.

Carrying Value and Fair Value of Financial Instruments

The following table provides the allocation of financial instruments and their associated financial instrument classification as at December 31, 2012:

AS AT DEC. 31, 2012 (MILLIONS) FINANCIAL INSTRUMENT CLASSIFICATION / MEASUREMENT BASIS	FVTPL[1] (Fair Value)	Available-for-Sale (Fair Value)	Held-to-Maturity (Amortized Cost)	Loans and Receivables/ Other Financial Liabilities (Amortized Cost)	**Total**
Financial assets					
Cash and cash equivalents	$ —	$ —	$ —	$ 2,844	**$ 2,844**
Other financial assets					
Government bonds	92	86	—	—	**178**
Corporate bonds	58	180	—	—	**238**
Fixed income securities	51	94	—	—	**145**
Common shares	1,794	240	—	—	**2,034**
Loans and notes receivable	35	—	261	220	**516**
	2,030	600	261	220	**3,111**
Accounts receivable and other[2]	768	—	—	4,450	**5,218**
	$ 2,798	$ 600	$ 261	$ 7,514	**$ 11,173**
Financial liabilities					
Corporate borrowings	$ —	$ —	$ —	$ 3,526	**$ 3,526**
Property-specific mortgages	—	—	—	33,648	**33,648**
Subsidiary borrowings	—	—	—	7,585	**7,585**
Accounts payable and other[2]	1,287	—	—	10,312	**11,599**
Capital securities	—	—	—	1,191	**1,191**
Interests of others in consolidated funds	425	—	—	—	**425**
	$ 1,712	$ —	$ —	$ 56,262	**$ 57,974**

1. Financial instruments classified as fair value through profit or loss
2. Includes derivative instruments which are elected for hedge accounting totalling $499 million included in accounts receivable and other and $850 million of derivative instruments included in accounts payable and other, of which changes in fair value are recorded in other comprehensive income

The following table provides the allocation of financial instruments and their associated financial instrument classifications as at December 31, 2011:

AS AT DEC. 31, 2011 (MILLIONS) FINANCIAL INSTRUMENT CLASSIFICATION / MEASUREMENT BASIS	FVTPL[1] (Fair Value)	Available-for-Sale (Fair Value)	Held-to-Maturity (Amortized Cost)	Loans and Receivables/ Other Financial Liabilities (Amortized Cost)	**Total**
Financial assets					
Cash and cash equivalents	$ —	$ —	$ —	$ 2,027	**$ 2,027**
Other financial assets					
Government bonds	263	261	—	—	**524**
Corporate bonds	—	202	—	—	**202**
Fixed income securities	70	152	—	—	**222**
Common shares	1,235	131	—	—	**1,366**
Loans and notes receivable	—	—	762	697	**1,459**
	1,568	746	762	697	**3,773**
Accounts receivable and other[2]	783	—	—	4,085	4,868
	$ 2,351	$ 746	$ 762	$ 6,809	**$ 10,668**
Financial liabilities					
Corporate borrowings	$ —	$ —	$ —	$ 3,701	**$ 3,701**
Property-specific mortgages	—	—	—	28,415	**28,415**
Subsidiary borrowings	—	—	—	4,441	**4,441**
Accounts payable and other[2]	1,123	—	—	8,143	**9,266**
Capital securities	—	—	—	1,650	**1,650**
Interests of others in consolidated funds	333	—	—	—	**333**
	$ 1,456	$ —	$ —	$ 46,350	**$ 47,806**

1. Financial instruments classified as fair value through profit or loss
2. Includes derivative instruments which are elected for hedge accounting totalling $107 million included in accounts receivable and other and $1,053 million of derivative instruments included in accounts payable and other, of which changes in fair value are recorded in other comprehensive income

The following table provides the carrying values and fair values of financial instruments as at December 31, 2012 and December 31, 2011:

(MILLIONS)	**Dec. 31, 2012**		Dec. 31, 2011	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial assets				
Cash and cash equivalents	**$ 2,844**	**$ 2,844**	$ 2,027	$ 2,027
Other financial assets				
Government bonds	**178**	**178**	524	524
Corporate bonds	**238**	**238**	202	202
Fixed income securities	**145**	**145**	222	222
Common shares	**2,034**	**2,034**	1,366	1,366
Loans and notes receivable	**516**	**516**	1,459	1,375
	3,111	**3,111**	3,773	3,689
Accounts receivable and other	**5,218**	**5,218**	4,868	4,868
	$ 11,173	**$ 11,173**	$ 10,668	$ 10,584
Financial liabilities				
Corporate borrowings	**$ 3,526**	**$ 3,793**	$ 3,701	$ 3,906
Property-specific mortgages	**33,648**	**34,981**	28,415	29,173
Subsidiary borrowings	**7,585**	**7,781**	4,441	4,567
Accounts payable and other	**11,599**	**11,599**	9,266	9,266
Capital securities	**1,191**	**1,232**	1,650	1,734
Interests of others in consolidated funds	**425**	**425**	333	333
	$ 57,974	**$ 59,811**	$ 47,806	$ 48,979

The current and non-current balances of other financial assets are as follows:

(MILLIONS)	Dec. 31, 2012	Dec. 31, 2011
Current	**$ 380**	$ 1,143
Non-current	**2,731**	2,630
Total	**$ 3,111**	$ 3,773

Hedging Activities

The company uses derivatives and non-derivative financial instruments to manage or maintain exposures to interest, currency, credit and other market risks. For certain derivatives which are used to manage exposures, the company determines whether hedge accounting can be applied. When hedge accounting can be applied, a hedge relationship can be designated as a fair value hedge, cash flow hedge or a hedge of foreign currency exposure of a net investment in a foreign operation. To qualify for hedge accounting, the derivative must be highly effective in accomplishing the objective of offsetting changes in the fair value or cash flows attributable to the hedged risk both at inception and over the life of the hedge. If it is determined that the derivative is not highly effective as a hedge, hedge accounting is discontinued prospectively.

Fair Value Hedges

The company uses interest rate swaps to hedge the variability related to changes in the fair value of fixed rate assets or liabilities. For the year ended December 31, 2012, pre-tax net unrealized gains or losses of $nil million (2011 – losses of $6 million) were recorded in net income as a result of changes in the fair value of the hedges which were offset by fair value changes related to the effective portion of the hedged asset or liability. As at December 31, 2012, there were no derivative contracts designated as fair value hedges (2011 – net unrealized derivative asset balance of $7 million).

Cash Flow Hedges

The company uses the following cash flow hedges: energy derivative contracts to hedge the sale of power; interest rate swaps to hedge the variability in cash flows or future cash flows related to a variable rate asset or liability; and equity derivatives to hedge the long-term compensation arrangements. For the year ended December 31, 2012, pre-tax net unrealized losses of $36 million (2011 – $855 million) were recorded in other comprehensive income for the effective portion of the cash flow hedges. As at December 31, 2012, there was a net unrealized derivative liability balance of $272 million relating to derivative contracts designated as cash flow hedges (2011 – $899 million). Unrealized losses on cash flow hedges are expected to be realized in net income by 2024.

Net Investment Hedges

The company uses foreign exchange contracts and foreign currency denominated debt instruments to manage its foreign currency exposures arising from net investments in foreign operations. For the year ended December 31, 2012, unrealized pre-tax net losses of $207 million (2011 – gains of $159 million) were recorded in other comprehensive income for the effective portion of hedges of net investments in foreign operations. As at December 31, 2012, there was a net unrealized derivative liability balance of $79 million relating to derivative contracts designated as net investment hedges (2011 – $47 million).

Fair Value Hierarchical Levels

Fair value hierarchical levels are directly determined by the amount of subjectivity associated with the valuation inputs of these assets and liabilities, and are as follows:

Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life. Fair valued assets and liabilities that are included in this category are primarily certain derivative contracts, other financial assets carried at fair value in an inactive market and redeemable fund units.

Level 3 – Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs in determining the estimate. Fair valued assets and liabilities that are included in this category are power purchase contracts, subordinated mortgaged-backed securities, interest rate swap contracts, derivative contracts, certain equity securities carried at fair value which are not traded in an active market and the non-controlling interests share of net assets of limited life funds.

Assets and liabilities measured at fair value on a recurring basis include $2,334 million (2011 – $1,820 million) of financial assets and $680 million (2011 – $618 million) of financial liabilities which are measured at fair value using valuation inputs based on management's best estimates. The following table categorizes financial assets and liabilities, which are carried at fair value, based upon the level of input to the valuations as described above:

(MILLIONS)	Dec. 31, 2012 Level 1	Dec. 31, 2012 Level 2	Dec. 31, 2012 Level 3	Dec. 31, 2011 Level 1	Dec. 31, 2011 Level 2	Dec. 31, 2011 Level 3
Financial assets						
Other financial assets						
Government bonds	**$ 52**	**$ 126**	**$ —**	$ 225	$ 299	$ —
Corporate bonds	**59**	**179**	**—**	8	194	—
Fixed income securities	**88**	**—**	**57**	108	—	114
Common shares	**423**	**—**	**1,611**	329	—	1,037
Loans and notes receivables	**—**	**25**	**10**	—	—	—
Accounts receivable and other	**—**	**112**	**656**	1	113	669
	$ 622	**$ 442**	**$ 2,334**	$ 671	$ 606	$ 1,820
Financial liabilities						
Accounts payable and other	**$ 262**	**$ 697**	**$ 328**	$ —	$ 778	$ 345
Interests of others in consolidated funds	**—**	**73**	**352**	—	60	273
	$ 262	**$ 770**	**$ 680**	$ —	$ 838	$ 618

The following table presents the change in the balance of financial assets and liabilities classified as Level 3 as at December 31, 2012 and December 31, 2011.

(MILLIONS)	Financial Assets 2012	Financial Assets 2011	Financial Liabilities 2012	Financial Liabilities 2011
Balance at beginning of year	**$ 1,820**	$ 2,087	**$ 618**	$ 580
Fair value changes in net income	**20**	237	**(17)**	22
Fair value changes in other comprehensive income [1]	**111**	(340)	**(21)**	(63)
Additions, net of disposals	**383**	(164)	**100**	79
Balance at end of year	**$ 2,334**	$ 1,820	**$ 680**	$ 618

1. Includes foreign currency translation

6. ACCOUNTS RECEIVABLE AND OTHER

(MILLIONS)	Note	Dec. 31, 2012	Dec. 31, 2011
Accounts receivable	(a)	**$ 4,372**	$ 4,149
Prepaid expenses and other assets		**1,727**	1,855
Restricted cash	(b)	**846**	719
Total		**$ 6,945**	$ 6,723

The current and non-current balances of accounts receivable and other are as follows:

(MILLIONS)	Dec. 31, 2012	Dec. 31, 2011
Current	**$ 4,989**	$ 4,515
Non-current	**1,956**	2,208
Total	**$ 6,945**	$ 6,723

a) Accounts Receivable

Accounts receivable includes $647 million (2011 – $669 million) of unrealized mark-to-market gains on energy sales contracts and $994 million (2011 – $944 million) of completed contracts and work-in-progress related to contracted sales from the company's residential development operations. Also included in this balance are loans receivable from employees of the company and its consolidated subsidiaries of $5 million (2011 – $6 million).

b) Restricted Cash

Restricted cash primarily relates to the company's property, renewable power and residential development financing arrangements including defeasement of debt obligations, debt service accounts and deposits held by the company's insurance operations.

7. INVENTORY

(MILLIONS)	Dec. 31, 2012	Dec. 31, 2011
Residential properties under development	**$ 2,700**	$ 2,351
Land held for development	**2,676**	2,395
Completed residential properties	**477**	567
Pulp, paper and other	**726**	747
Total	**$ 6,579**	$ 6,060

The current and non-current balances of inventory are as follows:

(MILLIONS)	Dec. 31, 2012	Dec. 31, 2011
Current	**$ 2,706**	$ 2,373
Non-current	**3,873**	3,687
Total	**$ 6,579**	$ 6,060

During the year ended December 31, 2012, the company recognized as an expense $5,449 million (2011 – $4,579 million) of inventory relating to cost of goods sold and $4 million (2011 – $7 million) relating to impairments of inventory. The carrying amount of inventory pledged as security at December 31, 2012 was $1,060 million (December 31, 2011 – $1,154 million).

8. INVESTMENTS

The following table presents the voting interests and carrying values of the company's investments in associates and equity-accounted joint ventures:

AS AT (MILLIONS)	Investment Type	Voting Interest		Carrying Value	
		Dec. 31 2012	Dec. 31 2011	**Dec. 31 2012**	Dec. 31 2011
Property					
General Growth Properties	Associate	**23%**	23%	**$ 4,831**	$ 4,099
245 Park Avenue	Joint Venture	**51%**	51%	**657**	619
Grace Building	Joint Venture	**41%**	41%	**625**	618
Rouse Properties	Associate	**43%**	—	**381**	—
Other property investments[1, 2]	Various	**20 – 75%**	20 – 75%	**1,636**	1,578
Renewable power					
Bear Swamp Power	Joint Venture	**50%**	50%	**155**	130
Other power investments	Various	**50%**	50%	**189**	228
Infrastructure					
Natural gas pipeline	Associate	**26%**	26%	**594**	395
South American transmission operations	Associate	**28%**	28%	**669**	584
Brazilian toll road	Associate	**49%**	—	**335**	—
Australian energy distribution	Associate	**42%**	42%	**384**	296
Other infrastructure investments[3]	Various	**30 –50%**	30 –50%	**615**	423
Other	Various	**25 –50%**	25 –50%	**618**	431
Total				**$ 11,689**	$ 9,401

1. Other property investments include Darling Park Trust and E&Y Centre Sydney
2. Investments in which the company's ownership interest is greater than 50% represent investments in equity accounted joint ventures where control is either shared or does not exist resulting in the investment being equity accounted
3. Other infrastructure investments include a European port operation, a Texas electricity transmission project and other social infrastructure assets

The following table presents the change in the balance of investments in associates and equity accounted joint ventures:

(MILLIONS)	2012	2011
Balance at beginning of year	**$ 9,401**	$ 6,629
Additions, net of disposals	**1,221**	(100)
Acquisitions through business combinations	**11**	685
Share of net income	**1,243**	2,205
Share of other comprehensive income	**145**	193
Distributions received	**(375)**	(204)
Foreign exchange	**43**	(7)
Balance at end of year	**$ 11,689**	$ 9,401

The following table presents the gross assets and liabilities of the company's investments in associates and equity accounted joint ventures:

	Dec. 31, 2012		Dec. 31, 2011	
(MILLIONS)	Assets	Liabilities	Assets	Liabilities
Property				
General Growth Properties	**$ 38,319**	**$ 18,888**	$ 35,835	$ 20,368
245 Park Avenue	**1,067**	**410**	1,027	408
Grace Building	**813**	**188**	814	196
Rouse Properties	**2,239**	**1,337**	—	—
Other property investments[1]	**4,964**	**1,791**	4,222	2,541
Renewable power				
Bear Swamp Power Co. LLC	**669**	**360**	673	353
Other Power	**655**	**278**	531	260
Infrastructure				
Natural gas pipeline company	**7,623**	**6,429**	7,650	6,432
South American transmission operation	**5,637**	**3,240**	4,828	2,853
Brazilian toll road	**5,215**	**2,857**	—	—
Australian energy distribution	**2,314**	**1,402**	1,909	1,208
Other infrastructure investments[2]	**3,471**	**2,736**	2,659	1,751
Other	**3,119**	**1,528**	2,381	1,569
	$ 76,105	**$ 41,444**	$ 62,529	$ 37,939

1. Other property investments include Darling Park Trust and E&Y Centre Sydney
2. Other infrastructure investments include a European port operation, a Texas electricity transmission project and other social infrastructure assets

Certain of the company's investments in associates are subject to restrictions over the extent to which they can remit funds to the company in the form of cash dividends, or repayment of loans and advances as a result of borrowing arrangements, regulatory restrictions and other contractual requirements.

The following table presents revenue and net income of the company's investments in associates and equity accounted joint ventures:

YEARS ENDED DECEMBER 31 (MILLIONS)	2012 Revenue	2012 Net Income	2012 Equity Accounted Income	2011 Revenue	2011 Net Income	2011 Equity Accounted Income
Property						
General Growth Properties	**$ 3,102**	**$ 4,330**	**$ 979**	$ 3,353	$ 6,287	$ 1,401
U.S. Office Fund[1]	**—**	**—**	**—**	475	518	437
245 Park Avenue	**73**	**131**	**67**	67	118	60
Grace Building	**50**	**31**	**13**	19	215	88
Rouse Properties	**258**	**75**	**33**	—	—	—
Other property investments[2]	**540**	**326**	**85**	545	227	68
Renewable power						
Bear Swamp Power Co. LLC	**59**	**1**	**1**	58	16	8
Other power	**47**	**(13)**	**(7)**	43	10	5
Infrastructure						
Natural gas pipeline company	**554**	**(42)**	**(11)**	840	83	22
South American transmission operation	**440**	**55**	**16**	402	318	90
Brazilian toll road	**65**	**11**	**5**	—	—	—
Australian energy distribution	**322**	**45**	**19**	295	27	11
Other infrastructure investments[3]	**1,079**	**(59)**	**(14)**	945	(11)	(8)
Other	**501**	**128**	**57**	538	55	23
Total	**$ 7,090**	**$ 5,019**	**$ 1,243**	$ 7,580	$ 7,863	$ 2,205

1. The company acquired a controlling interest in the U.S. Office Fund on August 9, 2011, resulting in the consolidation of the U.S. Office Fund and its equity accounted investments, as described in Note 4
2. Other property investments include Darling Park Trust and E&Y Centre Sydney
3. Other infrastructure investments include a European port operation, a Texas electricity transmission project and other social infrastructure assets

Certain of the company's investments are publicly listed entities with active pricing in a liquid market. The fair value based on the publicly listed price of these investments in comparison to the company's carrying value is as follows:

(MILLIONS)	Dec. 31, 2012 Public Price	Dec. 31, 2012 Carrying Value	Dec. 31, 2011 Public Price	Dec. 31, 2011 Carrying Value
General Growth Properties	**$ 4,207**	**$ 4,831**	$ 2,924	$ 4,099
Rouse Properties	**304**	**381**	—	—
Other	**146**	**95**	89	76
	$ 4,657	**$ 5,307**	$ 3,013	$ 4,175

Judgment is applied when assessing the carrying value of the company's investment in General Growth Properties ("GGP") and whether there was an indication of impairment of its investment. Consideration was given to the following: GGP's operating environment; market competition; market share; estimates of future cash flows; financial strength; covenants; public pricing and public price volatility. Additional consideration is applied by the company including: the company's ability and intent to hold its investment, synergies experienced with the company's other businesses, the company's ownership interest relative to other shareholders as well as its internal valuations.

9. INVESTMENT PROPERTIES

(MILLIONS)	2012	2011
Fair value at beginning of year	**$ 28,366**	$ 22,163
Additions	**1,715**	1,442
Acquisitions through business combinations	**2,793**	5,846
Disposals	**(1,136)**	(2,150)
Fair value changes	**1,276**	1,477
Foreign currency translation	**147**	(412)
Fair value at end of year	**$ 33,161**	$ 28,366

The fair value of investment properties is generally determined by discounting the expected cash flows of the properties based upon internal valuations. The majority of the company's investment properties are externally valued on a three-year rotation plan.

The key valuation metrics of the company's commercial office properties are presented in the following table on a weighted average basis:

	United States		Canada		Australia	
	Dec. 31, 2012	Dec. 31, 2011	**Dec. 31, 2012**	Dec. 31, 2011	**Dec. 31, 2012**	Dec. 31, 2011
Discount rate	**7.3%**	7.5%	**6.4%**	6.7%	**8.8%**	9.1%
Terminal capitalization rate	**6.3%**	6.3%	**5.7%**	6.2%	**7.1%**	7.5%
Investment horizon (years)	**11**	12	**11**	11	**10**	10

The key valuation assumptions of the company's Brazilian retail properties include a discount rate of 8.5% (2011 – 9.6%), a terminal capitalization rate of 7.2% (2011 – 7.3%) and an investment horizon of 10 years (2011 – 10 years).

10. PROPERTY, PLANT AND EQUIPMENT

(MILLIONS)	Dec. 31, 2012	Dec. 31, 2011
Cost	**$ 22,823**	$ 14,857
Accumulated fair value changes	**11,398**	9,944
Accumulated depreciation	**(3,107)**	(1,969)
Total	**$ 31,114**	$ 22,832

Accumulated fair value changes include revaluations of property, plant and equipment using the revaluation method, which are recorded in revaluation surplus as a component of equity, as well as unrealized impairment losses recorded in net income.

The company's property, plant and equipment relates to the business segments as shown in the following table:

(MILLIONS)	Note	Dec. 31, 2012	Dec. 31, 2011
Renewable power	(a)	**$ 16,532**	$ 14,727
Infrastructure			
Utilities	(b)	**3,310**	993
Transport and energy	(c)	**4,014**	2,514
Sustainable resources	(d)	**1,378**	1,162
Property	(e)	**2,968**	640
Private equity and other	(f)	**2,912**	2,796
		$ 31,114	$ 22,832

a) Renewable Power

(MILLIONS)	Dec. 31, 2012	Dec. 31, 2011
Cost	**$ 7,617**	$ 6,149
Accumulated fair value changes	**10,712**	9,887
Accumulated depreciation	**(1,797)**	(1,309)
Total	**$ 16,532**	$ 14,727

Renewable power assets include the cost of the company's hydroelectric generating stations, wind energy, pumped storage and natural gas-fired cogeneration facilities. The company's hydroelectric power facilities operate under various agreements for water rights which extend to, or are renewable over, terms through the years up to 2046.

Renewable power assets are accounted for under the revaluation model and the most recent date of revaluation was December 31, 2012.

The key valuation metrics of the company's hydro and wind generating facilities at the end of 2012 and 2011 are summarized below. The valuations are impacted primarily by the discount rate and long-term power prices.

	United States		Canada		Brazil	
	Dec. 31, 2012	Dec. 31, 2011	**Dec. 31, 2012**	Dec. 31, 2011	**Dec. 31, 2012**	Dec. 31, 2011
Discount rate	**6.5%**	6.7%	**5.4%**	5.7%	**9.4%**	9.9%
Terminal capitalization rate	**7.0%**	7.2%	**6.5%**	6.8%	**n/a**	n/a
Exit date	**2032**	2031	**2032**	2031	**2029**	2029

The following table presents the changes to the cost of the company's renewable power generation assets:

(MILLIONS)	**2012**	2011
Balance at beginning of year	**$ 6,149**	$ 5,533
Additions, net of disposals	**136**	371
Acquisitions through business combinations	**1,374**	446
Foreign currency translation	**(42)**	(201)
Balance at end of year	**$ 7,617**	$ 6,149

As at December 31, 2012, the cost of generating facilities under development includes $8 million of capitalized costs (December 31, 2011 – $9 million).

The following table presents the changes to the accumulated fair value changes of the company's power generation assets:

(MILLIONS)	**2012**	2011
Balance at beginning of year	**$ 9,887**	$ 7,804
Fair value changes	**830**	2,319
Foreign currency translation	**(5)**	(236)
Balance at end of year	**$ 10,712**	$ 9,887

The following table presents the changes to the accumulated depreciation of the company's power generation assets:

(MILLIONS)	**2012**	2011
Balance at beginning of year	**$ (1,309)**	$ (894)
Depreciation expense	**(489)**	(453)
Foreign currency translation	**1**	38
Balance at end of year	**$ (1,797)**	$ (1,309)

b) Utilities

(MILLIONS)	**Dec. 31, 2012**	Dec. 31, 2011
Cost	**$ 3,201**	$ 984
Accumulated fair value changes	**214**	49
Accumulated depreciation	**(105)**	(40)
Total	**$ 3,310**	$ 993

The company's utilities assets are primarily comprised of power transmission and distribution networks, which are operated primarily under regulated rate base arrangements.

Utilities assets are accounted for under the revaluation model, and the most recent date of revaluation was December 31, 2012. The company determined fair value to be the current replacement cost.

The following table presents the changes to the cost of the company's utilities assets:

(MILLIONS)	**2012**	2011
Balance at beginning of year	**$ 984**	$ 746
Additions, net of disposals	**92**	254
Acquisitions through business combinations	**2,040**	—
Foreign currency translation	**85**	(16)
Balance at end of year	**$ 3,201**	$ 984

The following table presents the changes to the accumulated fair value changes of the company's utilities assets:

(MILLIONS)	2012	2011
Balance at beginning of year	$ 49	$ —
Fair value changes	165	49
Balance at end of year	$ 214	$ 49

The following table presents the changes to the accumulated depreciation of the company's utilities assets:

(MILLIONS)	2012	2011
Balance at beginning of year	$ (40)	$ (23)
Depreciation expense	(63)	(24)
Foreign currency translation	(2)	7
Balance at end of year	$ (105)	$ (40)

c) Transport and Energy

(MILLIONS)	Dec. 31, 2012	Dec. 31, 2011
Cost	$ 3,562	$ 2,346
Accumulated fair value changes	648	244
Accumulated depreciation	(196)	(76)
Total	$ 4,014	$ 2,514

Transport and energy assets are accounted for under the revaluation model, and the most recent date of revaluation was December 31, 2012. The company determined fair value to be the current replacement cost. The following table presents the changes to the cost of the company's transport and energy assets:

(MILLIONS)	2012	2011
Balance at beginning of year	$ 2,346	$ 1,776
Additions, net of disposals	469	572
Acquisitions through business combinations	685	—
Foreign currency translation	62	(2)
Balance at end of year	$ 3,562	$ 2,346

The following table presents the changes to the accumulated fair value changes of the company's transport and energy assets:

(MILLIONS)	2012	2011
Balance at beginning of year	$ 244	$ (32)
Fair value changes	399	276
Foreign currency translation	5	—
Balance at end of year	$ 648	$ 244

The following table presents the changes to the accumulated depreciation of the company's transport and energy assets:

(MILLIONS)	2012	2011
Balance at beginning of year	$ (76)	$ (17)
Depreciation expense	(118)	(62)
Foreign currency translation	(2)	3
Balance at end of year	$ (196)	$ (76)

d) Sustainable Resources

(MILLIONS)	Dec. 31, 2012	Dec. 31, 2011
Cost	$ 1,426	$ 1,305
Accumulated fair value changes	(18)	(132)
Accumulated depreciation	(30)	(11)
Total	$ 1,378	$ 1,162

The following table presents the changes to the cost of the company's sustainable resources property, plant and equipment assets:

(MILLIONS)	2012	2011
Balance at beginning of year	**$ 1,305**	$ 1,294
Additions, net of disposals	**138**	81
Foreign currency translation	**(17)**	(70)
Balance at end of year	**$ 1,426**	$ 1,305

Sustainable resources assets are accounted for under the revaluation model and the most recent date of revaluation was December 31, 2012.

The following table presents the changes to the accumulated fair value changes of the company's sustainable resources assets:

(MILLIONS)	Dec. 31, 2012	Dec. 31, 2011
Balance at beginning of year	**$ (132)**	$ (224)
Fair value changes	**142**	99
Foreign currency translation	**(28)**	(7)
Balance at end of year	**$ (18)**	$ (132)

The following table presents the changes to the accumulated depreciation of the property, plant and equipment within the company's sustainable resources business:

(MILLIONS)	2012	2011
Balance at beginning of year	**$ (11)**	$ (10)
Depreciation expense	**(20)**	(2)
Foreign currency translation	**1**	1
Balance at end of year	**$ (30)**	$ (11)

e) Property

(MILLIONS)	Dec. 31, 2012	Dec. 31, 2011
Cost	**$ 3,130**	$ 640
Accumulated fair value changes	**4**	—
Accumulated depreciation	**(166)**	—
Total	**$ 2,968**	$ 640

The company's property assets include hospitality assets accounted for under the revaluation model and the most recent date of revaluation was December 31, 2012. The company generally determines fair value for these assets by discounting the expected future cash flows using internal valuations. The following table presents the changes to the carrying value of the company's property, plant and equipment assets included within its property operations:

(MILLIONS)	2012	2011
Balance at beginning of year	**$ 640**	$ —
Additions, net of disposals	**44**	—
Acquisitions through business combinations	**2,446**	640
Balance at end of year	**$ 3,130**	$ 640

The following table presents the changes to the accumulated fair value changes of the company's property, plant and equipment within its property operations:

(MILLIONS)	2012	2011
Balance at beginning of year	**$ —**	$ —
Fair value changes	**4**	—
Balance at end of year	**$ 4**	$ —

The following table presents the changes to the accumulated depreciation of the company's property, plant and equipment within its property operations:

(MILLIONS)	2012	2011
Balance at beginning of year	$ —	$ —
Depreciation expense	(166)	—
Balance at end of year	$ (166)	$ —

f) Private Equity and Other

(MILLIONS)	Dec. 31, 2012	Dec. 31, 2011
Cost	$ 3,887	$ 3,433
Accumulated fair value changes	(162)	(104)
Accumulated depreciation	(813)	(533)
Total	$ 2,912	$ 2,796

Private equity includes capital assets owned by the company's investees held directly or consolidated through funds.

The company's private equity assets are accounted for under the cost model, which requires the assets to be carried at cost less accumulated depreciation and any accumulated fair value changes. The following table presents the changes to the carrying value of the company's property, plant and equipment assets included in the company's private equity and other operations:

(MILLIONS)	2012	2011
Balance at beginning of year	$ 3,433	$ 3,049
Additions, net of disposals	405	144
Acquisitions through business combinations	—	299
Foreign currency translation	49	(59)
Balance at end of year	$ 3,887	$ 3,433

The following table presents the changes to the accumulated fair value changes of the company's property, plant and equipment within its private equity operations:

(MILLIONS)	2012	2011
Balance at beginning of year	$ (104)	$ (131)
Fair value changes	(58)	27
Balance at end of year	$ (162)	$ (104)

The following table presents the changes to the accumulated depreciation of the company's other property, plant and equipment within its private equity operations:

(MILLIONS)	2012	2011
Balance at beginning of year	$ (533)	$ (351)
Depreciation expense	(283)	(197)
Foreign currency translation	3	15
Balance at end of year	$ (813)	$ (533)

11. SUSTAINABLE RESOURCES

(MILLIONS)	Dec. 31, 2012	Dec. 31, 2011
Timber	$ 3,240	$ 3,119
Other agricultural assets	43	36
Total	$ 3,283	$ 3,155

The company held 1,438 million acres of consumable freehold timber at December 31, 2012 (December 31, 2011 – 1,441 million), of which approximately 850 million acres (December 31, 2011 – 849 million) were classified as mature and available for harvest.

The following table presents the change in the balance of standing timber and other agricultural assets:

(MILLIONS)	2012	2011
Balance at beginning of year	**$ 3,155**	$ 2,834
Additions, net of disposals	**12**	54
Fair value adjustments	**352**	527
Decrease due to harvest	**(220)**	(235)
Foreign currency changes	**(16)**	(25)
Balance at end of year	**$ 3,283**	$ 3,155

The carrying values are based on external appraisals that are completed annually. Key valuation assumptions include a weighted average discount and terminal capitalization rate of 6.2% (2011 – 6.6%) and an average terminal valuation date of 90 years (2011 – 75 years). Timber prices were based on a combination of forward prices available in the market and the price forecasts.

12. INTANGIBLE ASSETS

(MILLIONS)	Dec. 31, 2012	Dec. 31, 2011
Cost	**$ 6,109**	$ 4,210
Accumulated amortization and impairment losses	**(345)**	(242)
Total	**$ 5,764**	$ 3,968

Intangible assets are allocated to the following cash generating units:

(MILLIONS)	Dec. 31, 2012	Dec. 31, 2011
Property – Opportunity and finance	**$ 460**	$ 180
Renewable power	**106**	115
Utilities – Australian Coal Terminal	**2,592**	2,555
Transport and energy – Chilean toll road	**1,421**	—
Transport and energy – UK port operations	**348**	330
Private equity	**280**	282
Construction	**371**	386
Other	**186**	120
Net intangible assets	**$ 5,764**	$ 3,968

The following table presents the changes to the cost of the company's intangible assets:

(MILLIONS)	2012	2011
Cost at beginning of year	**$ 4,210**	$ 3,969
Additions, net of disposals	**(3)**	60
Acquisitions through business combinations	**1,916**	204
Foreign currency translation	**(14)**	(23)
Cost at end of year	**$ 6,109**	$ 4,210

The following table presents the changes in the accumulated amortization and accumulated impairment losses of the company's intangible assets:

(MILLIONS)	2012	2011
Accumulated amortization at beginning of year	**$ (242)**	$ (164)
Amortization	**(124)**	(82)
Foreign currency translation	**21**	4
Accumulated amortization at end of year	**$ (345)**	$ (242)

The following table presents intangible assets by geography:

(MILLIONS)	2012	2011
United States	**$ 614**	$ 349
Canada	**286**	311
Australia	**2,963**	2,941
Brazil	**32**	35
Europe	**448**	332
Chile	**1,421**	—
	$ 5,764	$ 3,968

13. GOODWILL

(MILLIONS)	Dec. 31, 2012	Dec. 31, 2011
Cost	**$ 2,540**	$ 2,652
Accumulated impairment losses	**(50)**	(45)
Total	**$ 2,490**	$ 2,607

Goodwill is allocated to the following cash generating units:

(MILLIONS)	Dec. 31, 2012	Dec. 31, 2011
Construction	**$ 840**	$ 860
Sustainable resources – Western North America	**591**	591
Residential development – Brazil	**373**	420
Retail property – Brazil	**138**	150
Property services	**102**	142
Asset management	**205**	194
Other	**241**	250
Total	**$ 2,490**	$ 2,607

The following table presents the change in the balance of goodwill:

(MILLIONS)	2012	2011
Cost at beginning of year	**$ 2,652**	$ 2,561
Acquisitions through business combinations	**60**	144
Foreign currency translation and other	**(172)**	(53)
Cost at end of year	**$ 2,540**	$ 2,652

The following table reconciles accumulated impairment losses:

(MILLIONS)	2012	2011
Accumulated impairment at beginning of year	**$ (45)**	$ (15)
Impairment losses	**(5)**	(30)
Accumulated impairment at end of year	**$ (50)**	$ (45)

The following table presents goodwill by geography:

(MILLIONS)	2012	2011
United States	**$ 819**	$ 848
Canada	**57**	144
Australia	**1,052**	1,037
Brazil	**518**	578
Europe	**28**	—
Other	**16**	—
	$ 2,490	$ 2,607

14. INCOME TAXES

The major components of income tax expense for the years ended December 31, 2012 and December 31, 2011 are set out below:

(MILLIONS)	2012	2011
Total current income tax	**$ 135**	$ 97
Deferred income tax expense/(recovery)		
Origination and reversal of temporary differences	**476**	409
Recovery arising from previously unrecognized tax assets	**(93)**	(19)
Change of tax rates and imposition of new legislation	**(2)**	21
Total deferred income tax	**381**	411
Income taxes	**$ 516**	$ 508

The company's Canadian domestic statutory income tax rate has decreased from 28% in 2011 to 26% in 2012 because of the decrease in Canadian tax rates. The company's effective tax rate is different from the company's domestic statutory income tax rate due to the differences set out below:

	2012	2011
Statutory income tax rate	**26%**	28%
Increase (reduction) in rate resulting from:		
Portion of income not subject to tax	**(1)**	(6)
International operations subject to different tax rates	**(9)**	(11)
Change in tax rates on temporary differences	**—**	2
Recognition of deferred tax assets	**(1)**	(4)
Non-recognition of the benefit of current year's tax losses	**3**	4
Other	**(2)**	—
Effective income tax rate	**16%**	13%

Deferred income tax assets and liabilities as at December 31, 2012 and December 31, 2011 relate to the following:

(MILLIONS)	Dec. 31, 2012	Dec. 31, 2011
Non-capital losses (Canada)	**$ 834**	$ 771
Capital losses (Canada)	**166**	174
Losses (U.S.)	**408**	316
Losses (International)	**705**	493
Difference in basis	**(6,868)**	(5,461)
Total net deferred tax liability	**$ (4,755)**	$ (3,707)

(MILLIONS)	Dec. 31, 2012	Dec. 31, 2011
Deferred income tax assets	**$ 1,664**	$ 2,110
Deferred income tax liabilities	**(6,419)**	(5,817)
Total net deferred tax liabilities	**$ (4,755)**	$ (3,707)

The aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized as at December 31, 2012 is approximately $7 billion (December 31, 2011 – approximately $6 billion).

The company regularly assesses the status of open tax examinations and its historical tax filing positions for the potential for adverse outcomes to determine the adequacy of the provision for income and other taxes. The company believes that it has adequately provided for any tax adjustments that are more likely than not to occur as a result of ongoing tax examinations or historical filing positions.

The dividend payment on certain preferred shares of the company results in the payment of cash taxes and the company obtaining a deduction based on the amount of these taxes.

The following table details the expiry date, if applicable, of the unrecognized deferred tax assets:

(MILLIONS)	Dec. 31, 2012	Dec. 31, 2011
2013	**$ 2**	$ 4
2014	**1**	2
2015	**2**	17
After 2021	**311**	302
Do not expire	**589**	591
Total	**$ 905**	$ 916

The components of the income taxes in other comprehensive income for the years ended December 31, 2012 and December 31, 2011 are set out below:

	2012	2011
Revaluation of property, plant and equipment	**$ 433**	$ 283
Financial contracts and power sale agreements	**5**	(169)
Available-for-sale securities	**10**	(6)
Equity accounted investments	**(10)**	40
Foreign currency translation	**(4)**	(1)
Total deferred tax in other comprehensive income	**$ 434**	$ 147

15. ACCOUNTS PAYABLE AND OTHER

(MILLIONS)	Dec. 31, 2012	Dec. 31, 2011
Accounts payable	**$ 7,183**	$ 5,342
Other liabilities	**4,416**	3,924
Total	**$ 11,599**	$ 9,266

The current and non-current balances of accounts payable and other liabilities are as follows:

(MILLIONS)	Dec. 31, 2012	Dec. 31, 2011
Current	**$ 6,192**	$ 5,495
Non-current	**5,407**	3,771
Total	**$ 11,599**	$ 9,266

Included in accounts payable and other liabilities are $2,388 million (2011 – $2,020 million) of accounts payable and other liabilities related to the company's residential development operations. Accounts payable and other liabilities also includes $418 million (2011 – $539 million) of insurance deposits, claims and other liabilities incurred by the company's insurance subsidiaries.

16. CORPORATE BORROWINGS

(MILLIONS)	Maturity	Annual Rate	Currency	Dec. 31, 2012	Dec. 31, 2011
Term debt					
Public – U.S.	Jun. 15, 2012	7.13%	US$	**$ —**	$ 350
Private – U.S.	Oct. 23, 2012	6.40%	US$	**—**	75
Private – U.S.	Oct. 23, 2013	6.65%	US$	**75**	75
Private – Canadian	Apr. 30, 2014	6.26%	C$	**27**	29
Private – Canadian	Jun. 2, 2014	8.95%	C$	**151**	489
Public – Canadian	Sept. 8, 2016	5.20%	C$	**302**	294
Public – U.S.	Apr. 25, 2017	5.80%	US$	**239**	240
Public – Canadian	Apr. 25, 2017	5.29%	C$	**252**	245
Public – Canadian	Apr. 9, 2019	3.95%	C$	**428**	—
Public – Canadian	Mar. 1, 2021	5.30%	C$	**353**	343
Public – Canadian	Mar. 31, 2023	4.54%	C$	**428**	—
Public – U.S.	Mar. 1, 2033	7.38%	US$	**250**	250
Public – Canadian	Jun. 14, 2035	5.95%	C$	**302**	293
				2,807	2,683
Commercial paper and bank borrowings		1.34%	US$/C$/£	**744**	1,042
Deferred financing costs[1]				**(25)**	(24)
Total				**$ 3,526**	$ 3,701

1. Deferred financing costs are amortized to interest expense over the term of the borrowing following the effective interest method

Corporate borrowings have a weighted average interest rate of 4.7% (2011 – 5.2%), and include $2,679 million (2011 – $2,142 million) repayable in Canadian dollars of C$2,658 million (2011 – C$2,187 million) and $165 million (2011 – $158 million) repayable in British pounds of £102 million (2011 – £102 million).

17. NON-RECOURSE BORROWINGS

a) Property-Specific Mortgages

Principal repayments on property-specific mortgages due over the next five calendar years and thereafter are as follows:

(MILLIONS)	Asset Management and Other Services	Property	Renewable Power	Infrastructure	Private Equity and Residential Development	Corporate/ Unallocated	Total
2013	$ 27	$ 2,279	$ 532	$ 668	$ 903	$ 10	$ 4,419
2014	30	5,763	536	1,898	642	—	8,869
2015	294	1,060	110	410	401	—	2,275
2016	—	2,229	132	493	941	—	3,795
2017	—	2,674	497	23	30	—	3,224
Thereafter	—	4,704	2,540	3,529	293	—	11,066
Total – Dec. 31, 2012	**$ 351**	**$ 18,709**	**$ 4,347**	**$ 7,021**	**$ 3,210**	**$ 10**	**$33,648**
Total – Dec. 31, 2011	$ 439	$ 15,696	$ 4,197	$ 4,802	$ 3,174	$ 107	$28,415

The current and non-current balances of property-specific mortgages are as follows:

(MILLIONS)	Dec. 31, 2012	Dec. 31, 2011
Current	**$ 4,419**	$ 3,292
Non-current	**29,229**	25,123
Total	**$ 33,648**	$ 28,415

Property-specific mortgages by currency include the following:

(MILLIONS)	Dec. 31, 2012	Local Currency		Dec. 31, 2011	Local Currency	
U.S. dollars	**$ 17,783**	**US$**	**17,783**	$ 14,211	US$	14,211
Australian dollars	**4,939**	**A$**	**4,751**	5,406	A$	5,297
Canadian dollars	**4,552**	**C$**	**4,517**	4,148	C$	4,236
Brazilian reais	**3,232**	**R$**	**6,604**	3,445	R$	6,419
British pounds	**2,093**	**£**	**1,288**	1,198	£	770
Chilean unidad de fomento	**754**	**CLF$**	**16**	—	CLF$	—
Colombian pesos	**179**	**COP$**	**316,127**	—	COP$	—
New Zealand dollars	**109**	**N$**	**131**	—	N$	—
European Union euros	**7**	**€$**	**4**	7	€$	5
Total	**$ 33,648**			$ 28,415		

b) Subsidiary Borrowings

Principal repayments on subsidiary borrowings due over the next five calendar years and thereafter are as follows:

(MILLIONS)	Property	Renewable Power	Infrastructure	Private Equity and Residential Development	Corporate/ Unallocated	Total
2013	$ 874	$ —	$ 10	$ 155	$ —	$1,039
2014	574	268	4	181	—	1,027
2015	25	—	—	233	1,130	1,388
2016	—	302	544	60	—	906
2017	200	—	406	528	—	1,134
Thereafter	223	1,202	3	663	—	2,091
Total – Dec. 31, 2012	**$ 1,896**	**$ 1,772**	**$ 967**	**$ 1,820**	**$ 1,130**	**$7,585**
Total – Dec. 31, 2011	$ 743	$ 1,323	$ 116	$ 1,271	$ 988	$4,441

The current and non-current balances of subsidiary borrowings are as follows:

(MILLIONS)	Dec. 31, 2012	Dec. 31, 2011
Current	**$ 1,039**	$ 499
Non-current	**6,546**	3,942
Total	**$ 7,585**	$ 4,441

Subsidiary borrowings by currency include:

(MILLIONS)	Dec. 31, 2012	Local Currency		Dec. 31, 2011	Local Currency	
U.S. dollars	**$ 4,113**	**US$**	**4,113**	$ 2,475	US$	2,475
Canadian dollars	**2,569**	**C$**	**2,549**	1,492	C$	1,524
Australian dollars	**882**	**A$**	**849**	359	A$	352
Brazilian reais	**21**	**R$**	**43**	2	R$	4
New Zealand dollars	**—**	**N$**	**—**	113	N$	145
Total	**$ 7,585**			$ 4,441		

18. CAPITAL SECURITIES

Capital securities are preferred shares that are classified as liabilities and consist of the following:

(MILLIONS)	Note	Dec. 31, 2012	Dec. 31, 2011
Corporate preferred shares	(a)	**$ 325**	$ 656
Subsidiary preferred shares	(b)	**866**	994
Total		**$ 1,191**	$ 1,650

a) Corporate Preferred Shares

Corporate preferred shares consist of the company's Class A Preferred Shares as follows:

(MILLIONS, EXCEPT SHARE INFORMATION)	Shares Outstanding	Cumulative Dividend Rate	Currency	Dec. 31, 2012	Dec. 31, 2011
Class A preferred shares					
Series 10	—	5.75%	C$	**$ —**	$ 245
Series 11	—	5.50%	C$	**—**	99
Series 12	7,000,000	5.40%	C$	**176**	171
Series 21	6,000,000	5.00%	C$	**151**	147
Deferred financing costs				**(2)**	(6)
Total				**$ 325**	$ 656

Subject to approval of the Toronto Stock Exchange, the Class A, Series 12 and 21 preferred shares, unless redeemed by the company for cash, are convertible into Class A Limited Voting Shares at a price equal to the greater of 95% of the market price at the time of conversion and C$2.00, at the option of either the company or the holder, at any time after the following dates:

	Earliest Permitted Redemption Date	Company's Conversion Option	Holder's Conversion Option
Class A preferred shares			
Series 12	Mar. 31, 2014	Mar. 31, 2014	Mar. 31, 2018
Series 21	Jun. 30, 2013	Jun. 30, 2013	Jun. 30, 2013

b) Subsidiary Preferred Shares

Subsidiary preferred shares are composed of Brookfield Office Properties Class AAA preferred shares as follows:

(MILLIONS, EXCEPT SHARE INFORMATION)	Shares Outstanding	Cumulative Dividend Rate	Currency	Dec. 31, 2012	Dec. 31, 2011
Class AAA preferred shares					
Series F	8,000,000	6.00%	C$	**$ 202**	$ 196
Series G	4,400,000	5.25%	US$	**110**	110
Series H	8,000,000	5.75%	C$	**202**	196
Series I	—	5.20%	C$	**—**	150
Series J	8,000,000	5.00%	C$	**202**	196
Series K	6,000,000	5.20%	C$	**151**	148
Deferred financing costs				**(1)**	(2)
Total				**$ 866**	$ 994

The subsidiary preferred shares are redeemable at the option of either the issuer or the holder, at any time after the following dates:

	Earliest Permitted Redemption Date	Company's Conversion Option	Holder's Conversion Option
Class AAA preferred shares			
Series F	Sept. 30, 2009	Sept. 30, 2009	Mar. 31, 2013
Series G	Jun. 30, 2011	Jun. 30, 2011	Sept. 30, 2015
Series H	Dec. 31, 2011	Dec. 31, 2011	Dec. 31, 2015
Series J	Jun. 30, 2010	Jun. 30, 2010	Dec. 31, 2014
Series K	Dec. 31, 2012	Dec. 31, 2012	Dec. 31, 2016

19. INTERESTS OF OTHERS IN CONSOLIDATED FUNDS

Interests of others in consolidated funds is classified outside of equity and is comprised of the following:

(MILLIONS)	Dec. 31, 2012	Dec. 31, 2011
Limited life funds	**$ 352**	$ 273
Redeemable fund units	**73**	60
	$ 425	$ 333

20. EQUITY

Equity is comprised of the following:

(MILLIONS)	Dec. 31, 2012	Dec. 31, 2011
Preferred equity	**$ 2,901**	$ 2,140
Non-controlling interests	**23,190**	18,516
Common equity	**18,160**	16,743
	$ 44,251	$ 37,399

a) Preferred Equity

Preferred equity represents perpetual preferred shares and consists of the following:

		Issued and Outstanding			
(MILLIONS, EXCEPT SHARE INFORMATION)	Rate	**2012**	2011	**Dec. 31, 2012**	Dec. 31, 2011
Class A preferred shares					
Series 2	70% P	**10,465,100**	10,465,100	**$ 169**	$ 169
Series 4	70% P/8.5%	**2,800,000**	2,800,000	**45**	45
Series 8	Variable up to P	**1,652,394**	1,652,394	**29**	29
Series 9	3.80%	**2,347,606**	2,347,606	**35**	35
Series 13	70% P	**9,297,700**	9,297,700	**195**	195
Series 15	B.A. + 40 b.p.[1]	**2,000,000**	2,000,000	**42**	42
Series 17	4.75%	**8,000,000**	8,000,000	**174**	174
Series 18	4.75%	**8,000,000**	8,000,000	**181**	181
Series 22	7.00%	**12,000,000**	12,000,000	**274**	274
Series 24	5.40%	**11,000,000**	11,000,000	**269**	269
Series 26	4.50%	**10,000,000**	10,000,000	**245**	245
Series 28	4.60%	**9,400,000**	9,400,000	**235**	235
Series 30	4.80%	**10,000,000**	10,000,000	**247**	247
Series 32	4.50%	**12,000,000**	—	**304**	—
Series 34	4.20%	**10,000,000**	—	**256**	—
Series 36	4.85%	**8,000,000**	—	**201**	—
Total				**$ 2,901**	$ 2,140

1. Rate determined in a quarterly auction

P – Prime Rate, B.A. – Bankers' Acceptance Rate, b.p. – Basis Points

The company is authorized to issue an unlimited number of Class A preferred shares and an unlimited number of Class AA preferred shares, issuable in series. No Class AA preferred shares have been issued.

The Class A preferred shares have preference over the Class AA preferred shares, which in turn are entitled to preference over the Class A and Class B Limited Voting Shares on the declaration of dividends and other distributions to shareholders. All series of the outstanding preferred shares have a par value of C$25 per share.

b) Non-controlling interests

Non-controlling interests represent the common and preferred equity in consolidated entities that are owned by other shareholders.

(MILLIONS)	Dec. 31, 2012	Dec. 31, 2011
Common equity	**$ 20,836**	$ 16,689
Preferred equity	**2,354**	1,827
Total	**$ 23,190**	$ 18,516

c) Common Equity

The company's common equity is comprised of the following:

(MILLIONS)	Dec. 31, 2012	Dec. 31, 2011
Common shares	**$ 2,855**	$ 2,816
Contributed surplus	**149**	125
Retained earnings	**6,807**	5,982
Ownership changes	**487**	475
Accumulated other comprehensive income	**7,862**	7,345
Common equity	**$ 18,160**	$ 16,743

The company is authorized to issue an unlimited number of Class A Limited Voting Shares and 85,120 Class B Limited Voting Shares, together referred to as common shares. The company's common shares have no stated par value. The holders of Class A Limited Voting Shares and Class B Limited Voting Shares rank on parity with each other with respect to the payment of dividends and the return of capital on the liquidation, dissolution or winding up of the company or any other distribution of the assets of the company among its shareholders for the purpose of winding up its affairs. Holders of the Class A Limited Voting Common Shares are entitled to elect one-half of the Board of Directors of the company and holders of the Class B Limited Voting Common Shares are entitled to elect the other one-half of the Board of Directors. With respect to the Class A and Class B Limited Voting Shares, there are no dilutive factors, material or otherwise, that would result in different diluted earnings per share between the classes. This relationship holds true irrespective of the number of dilutive instruments issued in either one of the respective classes of common stock, as both classes of Limited Voting shares participate equally, on a pro rata basis, in the dividends, earnings and net assets of the company, whether taken before or after dilutive instruments, regardless of which class of Limited Voting shares are diluted.

The holders of Class A Limited Voting Shares received dividends of $0.55 per share (2011 – $0.52 per share) and holders of Class B shares received dividends of $0.55 per share (2011 – $0.52 per share).

The number of shares issued and outstanding and unexercised options at December 31, 2012 and December 31, 2011 are as follows:

	Dec. 31, 2012	Dec. 31, 2011
Class A Limited Voting Shares	**619,514,229**	619,203,649
Class B Limited Voting Shares	**85,120**	85,120
Shares outstanding[1]	**619,599,349**	619,288,769
Unexercised options[2]	**38,402,078**	37,873,841
Total diluted Limited Voting shares	**658,001,427**	657,162,610

1. Net of 5,450,000 (2011 – 3,200,000) Class A Limited Voting Shares held by the company to satisfy long-term compensation agreements
2. Includes management share option plan and escrowed stock plan

The authorized common share capital consists of an unlimited number of Limited Voting shares. Limited Voting shares issued and outstanding changed as follows:

	Dec. 31, 2012	Dec. 31, 2011
Outstanding at beginning of year	**619,288,769**	577,663,693
Shares issued (repurchased)		
Dividend reinvestment plan	**230,916**	128,600
Management share option plan[1]	**2,507,639**	2,545,776
Repurchases	**(2,569,272)**	(6,144,300)
Issuances	**141,297**	45,095,000
Outstanding at end of year[2]	**619,599,349**	619,288,769

1. Includes management share option plan and restricted stock plan
2. Net of 5,450,000 (2011 – 3,200,000) Class A Limited Voting Shares held by the company to satisfy long-term compensation agreements

i. Earnings Per Share

The components of basic and diluted earnings per share are summarized in the following table:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	2012	2011
Net income attributable to shareholders	**$ 1,380**	$ 1,957
Preferred share dividends	**(129)**	(106)
Net income available to shareholders – basic	**1,251**	1,851
Capital securities dividends[1]	**25**	38
Net income available for shareholders – diluted	**$ 1,276**	$ 1,889
Weighted average – common shares	**618.9**	616.2
Dilutive effect of the conversion of options using treasury stock method	**12.1**	10.8
Dilutive effect of the conversion of capital securities [1,2]	**18.0**	26.0
Common shares and common share equivalents	**649.0**	653.0

1. Subject to the approval of the Toronto Stock Exchange, the Series 12 and 21 shares, unless redeemed by the company for cash, are convertible into Class A Limited Voting shares at a price equal to the greater of 95% at the market price at the time of conversion and C$2.00, at the option of either the company or the holder. The Series 10 and 11 shares were redeemed by the company during 2012
2. The number of shares is based on 95% of the quoted market price at year-end

ii. Stock-Based Compensation

The expense recognized for stock-based compensation is summarized in the following table:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	2012	2011
Expense arising from equity-settled share-based payment transactions	**$ 59**	$ 46
Expense (income) arising from cash-settled share-based payment transactions	**144**	(54)
Total expense/(income) arising from share-based payment transactions	**203**	(8)
Effect of hedging program	**(136)**	75
Total expense included in consolidated results	**$ 67**	$ 67

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2012 or 2011.

Management Share Option Plan

Options issued under the company's Management Share Option Plan ("MSOP") vest over a period of up to five years, expire 10 years after the grant date, and are settled through issuance of Class A Limited Voting Shares. The exercise price is equal to the market price at the grant date.

The changes in the number of options during 2012 and 2011 were as follows:

	Number of Options (000's)[1]	Weighted Average Exercise Price	Number of Options (000's)[2]	Weighted Average Exercise Price
Outstanding at January 1, 2012	26,995	C$ 21.31	10,879	US$ 25.45
Granted	—	—	3,615	31.35
Exercised	(2,380)	14.97	(128)	24.80
Cancelled	(96)	30.28	(238)	29.24
Converted[3]	(944)	9.37	—	—
Outstanding at December 31, 2012	23,575	C$ 22.40	14,128	US$ 26.90

1. Options to acquire TSX listed Class A Limited Voting Shares
2. Options to acquire NYSE listed Class A Limited Voting Shares
3. Options converted into restricted shares at maturity

	Number of Options (000's)[1]	Weighted Average Exercise Price	Number of Options (000's)[2]	Weighted Average Exercise Price
Outstanding at January 1, 2011	29,636	C$ 20.48	8,765	US$ 23.39
Granted	—	—	2,727	32.38
Exercised	(2,520)	11.39	(37)	23.18
Cancelled	(121)	23.18	(576)	27.02
Outstanding at December 31, 2011	26,995	C$ 21.31	10,879	US$ 25.45

1. Options to acquire TSX listed Class A Limited Voting Shares
2. Options to acquire NYSE listed Class A Limited Voting Shares

The cost of the options granted during the year was determined using the Black-Scholes model of valuation, with inputs to the model as follows:

	Unit	**2012**	2011
Weighted average share price	US$	**31.35**	32.38
Weighted average fair value per share	US$	**6.54**	7.92
Average term to exercise	Years	**7.5**	7.5
Share price volatility[1]	%	**32.6**	33.8
Liquidity discount	%	**25.0**	25.0
Weighted average annual dividend yield	%	**1.8**	1.6
Risk-free rate	%	**1.4**	2.8

1. Share price volatility was determined based on historical share prices over a similar period to the average term to exercise

At December 31, 2012, the following options to purchase Class A Limited Voting Shares were outstanding:

		Options Outstanding (000's)		
Exercise Price	Weighted Average Remaining Life	Vested	Unvested	**Total**
C$8.72 – C$8.83	0.1 years	1,071	—	**1,071**
C$13.37 – C$19.03	5.2 years	7,043	3,768	**10,811**
C$20.21 – C$30.22	2.7 years	6,252	129	**6,381**
C$31.62 – C$46.59	4.7 years	4,771	541	**5,312**
US$23.18 – US$35.06	7.9 years	3,713	10,415	**14,128**
		22,850	14,853	**37,703**

At December 31, 2011, the following options to purchase Class A Limited Voting shares were outstanding:

		Options Outstanding (000's)		
Exercise Price	Weighted Average Remaining Life	Vested	Unvested	Total
C$8.51 – C$9.76	0.7 years	3,120	—	3,120
C$13.37 – C$19.03	6.2 years	5,679	5,706	11,385
C$20.21 – C$30.22	3.7 years	6,919	158	7,077
C$31.62 – C$46.59	5.7 years	3,751	1,662	5,413
US$23.18 – US$32.61	8.4 years	1,636	9,243	10,879
		21,105	16,769	37,874

Restricted Share Unit Plan

The Restricted Share Unit Plan provides for the issuance of the Deferred Share Units ("DSUs"), as well as Restricted Share Units ("RSUs"). Under this plan, qualifying employees and directors receive varying percentages of their annual incentive bonus or directors' fees in the form of DSUs. The DSUs and RSUs vest over periods of up to five years, and DSUs accumulate additional DSUs at the same rate as dividends on common shares based on the market value of the common shares at the time of the dividend. Participants are not allowed to convert DSUs and RSUs into cash until retirement or cessation of employment. The value of the DSUs, when converted to cash, will be equivalent to the market value of the common shares at the time the conversion takes place. The value of the RSUs, when converted into cash, will be equivalent to the difference between

the market price of equivalent number of common shares at the time the conversion takes place and the market price on the date the RSUs are granted. The company uses equity derivative contracts to offset its exposure to the change in share prices in respect of vested and unvested DSUs and RSUs. The fair value of the vested DSUs and RSUs as at December 31, 2012 was $436 million (December 31, 2011 – $295 million).

Employee compensation expense for these plans is charged against income over the vesting period of the DSUs and RSUs. The amount payable by the company in respect of vested DSUs and RSUs changes as a result of dividends and share price movements. All of the amounts attributable to changes in the amounts payable by the company are recorded as employee compensation expense in the period of the change, and for the year ended December 31, 2012, including those of operating subsidiaries, totalled $8 million (2011 – $21 million), net of the impact of hedging arrangements.

The change in the number of DSUs and RSUs during 2012 and 2011 was as follows:

	DSUs	RSUs	
	Number of Units (000's)	Number of Units (000's)	Weighted Average Exercise Price
Outstanding at January 1, 2012	7,255	8,030	C$ 13.56
Granted and reinvested	430	—	—
Exercised and cancelled	(238)	—	—
Outstanding at December 31, 2012	7,447	8,030	C$ 13.56

	DSUs	RSUs	
	Number of Units (000's)	Number of Units (000's)	Weighted Average Exercise Price
Outstanding at January 1, 2011	6,531	8,030	C$ 13.56
Granted and reinvested	834	—	—
Exercised	(110)	—	—
Outstanding at December 31, 2011	7,255	8,030	C$ 13.56

The fair value of DSUs is equal to the traded price of the company's common shares.

The fair value of RSUs was determined using the Black-Scholes model of valuation with inputs to the model as follows:

	Unit	**Dec. 31, 2012**	Dec. 31, 2011
Share price on date of measurement	C$	**36.44**	28.04
Weighted average exercise price	C$	**13.56**	13.56
Term to exercise	Years	**9.2**	10.2
Share price volatility	%	**24.11**	23.93
Weighted average of expected annual dividend yield	%	**1.4**	1.9
Risk-free rate	%	**2.2**	2.3
Weighted average fair value of a unit	C$	**21.47**	13.64

Escrowed Stock Plan

The Escrowed Stock Plan (the "ES Plan") provides executives with increased indirect ownership of Class A Limited Voting Shares. Under the ES Plan, executives are granted common shares (the "ES Shares") in one or more private companies that own the company's Class A Limited Voting Shares. The Class A Limited Voting Shares are purchased on the open market with the purchase cost funded with the proceeds from preferred shares issued to the company. The ES shares vest on, and must be held until, the fifth anniversary of the grant date. At a date no less than five years, and no more than ten years, from the grant date, all outstanding ES Shares will be exchanged for Class A Limited Voting Shares issued by the company, based on the market value of Class A Limited Voting Shares at the time of the exchange.

During 2012, 2.25 million Class A Limited Voting Shares were purchased in respect of ES Shares granted to executives under the ES Plan (2011 – 2.4 million Class A Limited Voting Shares). For the year ended December 31, 2012, the total expense incurred with respect to the ES Plan totalled $6.3 million (December 31, 2011 – $3.5 million).

The cost of the escrowed shares granted during the year was determined using the Black-Scholes model of valuation with inputs to the model as follows:

	Unit	**2012**	2011
Weighted average share price	US$	**31.35**	32.38
Weighted average fair value per share	US$	**6.05**	7.35
Average term to exercise	Years	**7.5**	7.5
Share price volatility[1]	%	**32.6**	33.8
Liquidity discount	%	**30.0**	30.0
Weighted average annual dividend yield	%	**1.8**	1.6
Risk-free rate	%	**1.4**	2.8

1. Share price volatility was determined based on historical share prices over a similar period to the term exercise

Restricted Stock Plan

The Restricted Stock Plan awards executives with Class A Limited Voting Shares purchased on the open market ("Restricted Shares"). Under the Restricted Stock Plan, Restricted Shares awarded vest over a period of up to five years, except for Restricted Shares awarded in lieu of a cash bonus which may vest immediately. Vested and unvested Restricted Shares must be held until the fifth anniversary of the award date. Holders of vested Restricted Shares are entitled to vote Restricted Shares and to receive associated dividends. Employee compensation expense for the Restricted Stock Plan is charged against income over the vesting period.

During 2012, Brookfield granted 456,497 Class A Limited Voting Shares pursuant to the terms and conditions of the Restricted Stock Plan, resulting in the recognition of $8.5 million (2011 – $nil) within compensation expense. In addition, Brookfield exchanged 943,625 fully vested, in-the-money options of certain executives for 676,600 Class A Limited Voting Shares under the Restricted Stock Plan.

21. DIRECT COSTS

Direct costs include all attributable expenses except interest, depreciation and amortization, taxes and fair value changes and are primarily related to cost of goods sold and compensation. The following table lists direct costs for 2012 and 2011 by nature:

(MILLIONS)	**2012**	2011
Cost of sales	**$ 10,996**	$ 9,663
Compensation	**822**	575
Selling, general and administrative expenses	**528**	456
Taxes and other	**1,563**	1,212
	$ 13,909	$ 11,906

22. FAIR VALUE CHANGES

Fair value changes recorded in net income represent gains or losses arising from changes in the fair value of assets and liabilities, including derivative financial instruments, accounted for using the fair value method and are comprised of the following:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2012**	2011
Investment property	**$ 1,276**	$ 1,477
Sustainable resources	**132**	292
Power contracts	**9**	54
Redeemable units	**(11)**	(376)
Interest rate contracts	**(81)**	(64)
Private equity	**(119)**	(74)
Other	**(56)**	77
	$ 1,150	$ 1,386

23. DERIVATIVE FINANCIAL INSTRUMENTS

The company's activities expose it to a variety of financial risks, including market risk (i.e., currency risk, interest rate risk, and other price risk), credit risk and liquidity risk. The company and its subsidiaries selectively use derivative financial instruments principally to manage these risks.

The aggregate notional amount of the company's derivative positions at December 31, 2012 and December 31, 2011 is as follows:

(MILLIONS)	Note	Dec. 31, 2012	Dec. 31, 2011
Foreign exchange	(a)	**$ 6,159**	$ 4,358
Interest rates	(b)	**18,671**	13,882
Credit default swaps	(c)	**865**	970
Equity derivatives	(d)	**1,112**	650
		$ 26,807	$ 19,860
Commodity instruments	(e)		
Energy (GWh)		**73,902**	77,553
Natural gas (MMBtu – 000's)		**41,922**	22,868

a) Foreign Exchange

The company held the following foreign exchange contracts with notional amounts at December 31, 2012 and December 31, 2011.

	Notional Amount (U.S. Dollars)		Average Exchange Rate	
(MILLIONS)	**Dec. 31, 2012**	Dec. 31, 2011	**Dec. 31, 2012**	Dec. 31, 2011
Foreign exchange contracts				
Canadian dollars	**$ 1,089**	$ 802	**$ 0.99**	1.02
British pounds	**752**	588	**1.60**	1.56
European Union euros	**199**	337	**1.28**	1.31
Australian dollars	**894**	276	**1.03**	1.01
New Zealand dollars	**321**	218	**0.77**	0.77
Japanese yen	**5**	53	**86.79**	81.05
Brazilian reais	**2**	183	**2.08**	1.84
Cross currency interest rate swaps				
Australian dollars	**895**	612	**1.00**	1.00
Canadian dollars	**655**	223	**0.89**	0.79
Japanese yen	**98**	98	**75.47**	75.47
Brazilian reais	**66**	73	**1.81**	1.81
Foreign exchange options				
Brazilian reais	**219**	322	**1.50**	1.51
Australian dollars	**416**	128	**1.05**	1.05
Japanese yen	**548**	—	**79.25**	—
Canadian dollars	**—**	441	**—**	1.13
Foreign currency futures				
U.S. dollars	**—**	2	**—**	1.01
European Union euros	**—**	2	**—**	1.31
	$ 6,159	$ 4,358		

Included in net income are unrealized net losses on foreign currency derivative balances amounting to $2 million (2011 – net loss of $32 million) and included in the cumulative translation adjustment account in other comprehensive income are losses in respect of foreign currency contracts entered into for hedging purposes amounting to $45 million (2011 – net gain of $133 million).

b) Interest Rates

At December 31, 2012, the company held interest rate swap contracts having an aggregate notional amount of $1,351 million (2011 – $1,098 million), bond forwards having an aggregate notional of $ nil (2011 – $295 million), and interest rate swaptions with an aggregate notional amount of $263 million (2011 – $211 million). The company's subsidiaries held interest rate swap contracts with an aggregate notional amount of $11,636 million (2011 – $9,780 million). The company's subsidiaries held interest rate cap contracts with an aggregate notional amount of $4,951 million (2011 – $2,374 million), bond forwards with an aggregate notional value of $471 million (2011 – $nil), and interest rate futures with an aggregate notional value of $nil (2011 – $124 million).

c) Credit Default Swaps

As at December 31, 2012, the company held credit default swap contracts with an aggregate notional amount of $865 million (2011 – $970 million). Credit default swaps are contracts which are designed to compensate the purchaser for any change in the value of an underlying reference asset, based on measurement in credit spreads, upon the occurrence of predetermined credit events. The company is entitled to receive payments in the event of a predetermined credit event for up to $815 million (2011 – $830 million) of the notional amount and could be required to make payments in respect of $50 million (2011 – $140 million) of the notional amount.

d) Equity Derivatives

At December 31, 2012, the company and its subsidiaries held equity derivatives with a notional amount of $1,112 million (2011 – $650 million) which includes $600 million (2011 – $463 million) notional amount that hedges long-term compensation arrangements. The balance represents common equity positions established in connection with the company's investment activities. The fair value of these instruments was reflected in the company's consolidated financial statements at year-end.

e) Commodity Instruments

The company has entered into energy derivative contracts primarily to hedge the sale of generated power. The company endeavours to link forward electricity sale derivatives to specific periods in which it expects to generate electricity for sale. All energy derivative contracts are recorded at an amount equal to fair value and are reflected in the company's consolidated financial statements.

Other Information Regarding Derivative Financial Instruments

The following table classifies derivatives elected for hedge accounting during the years ended December 31, 2012 and 2011 as either: cash flow hedges, net investment hedges or fair value hedges. Changes in the fair value of the effective portion of the hedge are recorded in either other comprehensive income or net income, depending on the hedge classification, whereas changes in the fair value of the ineffective portion of the hedge are recorded in net income:

	2012			2011		
YEARS ENDED DECEMBER 31 (MILLIONS)	**Notional**	**Effective Portion**	**Ineffective Portion**	Notional	Effective Portion	Ineffective Portion
Cash flow hedges[1]	**$ 14,872**	**$ (36)**	**$ (80)**	$10,598	$ (850)	$ 37
Net investment hedges	**1,787**	**(45)**	**—**	1,194	133	—
Fair value hedges	**—**	**—**	**—**	472	(6)	—
	$ 16,659	**$ (81)**	**$ (80)**	$12,264	$ (723)	$ 37

1. Notional amount does not include 41,732 GWh and 42,837 GWh of commodity derivatives at December 31, 2012 and December 31, 2011, respectively

The following table presents the change in fair values of the company's derivative positions during the years ended December 31, 2012 and 2011, for derivatives that are fair valued through profit or loss, and derivatives that qualify for hedge accounting:

(MILLIONS)	**Unrealized Gains During 2012**	**Unrealized Losses During 2012**	**Net Change During 2012**	Net Change During 2011
Foreign exchange derivatives	**$ 39**	**$ (85)**	**$ (46)**	$ 137
Interest rate derivatives				
Interest rate swaps	**69**	**(256)**	**(187)**	(636)
Bond forwards	**1**	**—**	**1**	(23)
Interest rate caps	**—**	**(1)**	**(1)**	—
Interest rate swaptions	**—**	**(5)**	**(5)**	2
	70	**(262)**	**(192)**	(657)
Credit default swaps	**—**	**(16)**	**(16)**	4
Equity derivatives	**223**	**—**	**223**	(88)
Commodity derivatives	**98**	**(116)**	**(18)**	(361)
	$ 430	**$ (479)**	**$ (49)**	$ (965)

The following table presents the notional amounts underlying the company's derivative instruments by term to maturity as at December 31, 2012 and the comparative notional amounts at December 31, 2011, for derivatives that are classified as fair value through profit or loss, and derivatives that qualify for hedge accounting:

	Dec. 31, 2012				Dec. 31, 2011
(MILLIONS)	**< 1 year**	**1 to 5 years**	**> 5 years**	**Total Notional Amount**	Total Notional Amount
Fair value through profit or loss					
Foreign exchange derivatives	**$ 2,584**	**$ 210**	**$ —**	**$ 2,794**	$ 2,254
Interest rate derivatives					
Interest rate swaps	**182**	**656**	**481**	**1,319**	1,076
Interest rate swaptions	**132**	**131**	**—**	**263**	211
Interest rate caps	**3,218**	**581**	**12**	**3,811**	2,325
Interest rate futures	**—**	**—**	**—**	**—**	124
	3,532	**1,368**	**493**	**5,393**	3,736
Credit default swaps	**—**	**865**	**—**	**865**	970
Equity derivatives	**227**	**357**	**512**	**1,096**	636
	$ 6,343	**$ 2,800**	**$ 1,005**	**$ 10,148**	$ 7,596
Commodity instruments					
Energy (GWh)	**20,313**	**9,491**	**2,367**	**32,171**	**34,716**
Natural gas (MMBtu – 000's)	**30,802**	**3,474**	**7,646**	**41,922**	**22,868**
Elected for hedge accounting					
Foreign exchange derivatives	**$ 1,815**	**$ 655**	**$ 895**	**$ 3,365**	$ 2,104
Interest rate derivatives					
Interest rate swaps	**3,265**	**7,370**	**1,032**	**11,667**	9,802
Bond forwards	**471**	**—**	**—**	**471**	295
Interest rate caps	**801**	**339**	**—**	**1,140**	49
	4,537	**7,709**	**1,032**	**13,278**	10,146
Equity derivatives	**—**	**16**	**—**	**16**	14
	$ 6,352	**$ 8,380**	**$ 1,927**	**$ 16,659**	$ 12,264
Commodity instruments					
Energy (GWh)	**3,233**	**10,185**	**28,313**	**41,731**	42,837

24. MANAGEMENT OF RISKS ARISING FROM HOLDING FINANCIAL INSTRUMENTS

The company is exposed to the following risks as a result of holding financial instruments: market risk (i.e., interest rate risk, currency risk and other price risk that impact the fair values of financial instruments); credit risk; and liquidity risk. The following is a description of these risks and how they are managed:

a) Market Risk

Market risk is defined for these purposes as the risk that the fair value or future cash flows of a financial instrument held by the company will fluctuate because of changes in market prices. Market risk includes the risk of changes in interest rates, currency exchange rates and changes in market prices due to factors other than interest rates or currency exchange rates, such as changes in equity prices, commodity prices or credit spreads.

The company manages market risk from foreign currency assets and liabilities and the impact of changes in currency exchange rates and interest rates, by funding assets with financial liabilities in the same currency and with similar interest rate characteristics, and holding financial contracts such as interest rate and foreign exchange derivatives to minimize residual exposures.

Financial instruments held by the company that are subject to market risk include other financial assets, borrowings, and derivative instruments such as interest rate, currency, equity and commodity contracts.

Interest Rate Risk

The observable impacts on the fair values and future cash flows of financial instruments that can be directly attributable to interest rate risk include changes in the net income from financial instruments whose cash flows are determined with reference to floating interest rates and changes in the value of financial instruments whose cash flows are fixed in nature.

The company's assets largely consist of long duration interest sensitive physical assets. Accordingly, the company's financial liabilities consist primarily of long-term fixed rate debt or floating rate debt that has been swapped with interest rate derivatives. These financial liabilities are, with few exceptions, recorded at their amortized cost. The company also holds interest rate caps to limit its exposure to increases in interest rates on floating rate debt that has not been swapped, and holds interest rate contracts to lock in fixed rates on anticipated future debt issuances and as an economic hedge against the values of long duration interest sensitive physical assets that have not been otherwise matched with fixed rate debt.

The result of a 50 basis-point increase in interest rates on the company's net floating rate financial assets and liabilities would have resulted in a corresponding decrease in net income before tax of $50 million (2011 – $33 million) on an annualized basis.

Changes in the value of fair value through profit or loss interest rate contracts are recorded in net income and changes in the value of contracts that are elected for hedge accounting together with changes in the value of available-for-sale financial instruments are recorded in other comprehensive income. The impact of a 10 basis-point parallel increase in the yield curve on the aforementioned financial instruments is estimated to result in a corresponding increase in net income of $12 million (2011 – $3 million) and an increase in other comprehensive income of $57 million (2011 – $52 million), before tax for the year ended December 31, 2012.

Currency Exchange Rate Risk

Changes in currency rates will impact the carrying value of financial instruments denominated in currencies other than the U.S. dollar.

The company holds financial instruments with net unmatched exposures in several currencies, changes in the translated value of which are recorded in net income. The impact of a 1% increase in the U.S. dollar against these currencies would have resulted in a $10 million (2011 – $3 million) increase in the value of these positions on a combined basis. The impact on cash flows from financial instruments would be insignificant. The company holds financial instruments to hedge the net investment in foreign operations whose functional and reporting currencies are other than the U.S. dollar. A 1% increase in the U.S. dollar would increase the value of these hedging instruments by $55 million (2011 – $42 million) as at December 31, 2012, which would be recorded in other comprehensive income and offset by changes in the U.S. dollar carrying value of the net investment being hedged.

Other Price Risk

Other price risk is the risk of variability in fair value due to movements in equity prices or other market prices such as commodity prices and credit spreads.

Financial instruments held by the company that are exposed to equity price risk include equity securities and equity derivatives. A 5% decrease in the market price of equity securities and equity derivatives held by the company, excluding equity derivatives that hedge of compensation arrangements, would have decreased net income by $90 million (2011 – $63 million) and decreased other comprehensive income by $7 million (2011 – $7 million), prior to taxes. The company's liability in respect of equity compensation arrangements is subject to variability based on changes in the company's underlying common share price. The company holds equity derivatives to hedge almost all of the variability. A 5% change in the common equity price of the company in respect of compensation agreements would increase the compensation liability and compensation expense by $30 million (2011 – $22 million). This increase would be offset by a $30 million (2011 – $23 million) change in value of the associated equity derivatives of which $29 million (2011 – $22 million) would offset the above mentioned increase in compensation expense and the remaining $1 million (2011 – $1 million) would be recorded in other comprehensive income.

The company sells power and generation capacity under long-term agreements and financial contracts to stabilize future revenues. Certain of the contracts are considered financial instruments and are recorded at fair value in the financial statements, with changes in value being recorded in either net income or other comprehensive income as applicable. A 5% increase in energy prices would have decreased net income for the year ended December 31, 2012 by approximately $70 million (2011 – decrease of $44 million) and decreased other comprehensive income by $21 million (2011 – $20 million), prior to taxes. The corresponding increase in the value of the revenue or capacity being contracted, however, is not recorded in net income until subsequent periods.

The company held credit default swap contracts with a total notional amount of $865 million (2011 – $970 million) at December 31, 2012. The company is exposed to changes in the credit spread of the contracts' underlying reference asset. A 10 basis-point increase in the credit spread of the underlying reference assets would have increased net income by $3 million (2011 – $3 million) for the year ended December 31, 2012, prior to taxes.

b) Credit Risk

Credit risk is the risk of loss due to the failure of a borrower or counterparty to fulfill its contractual obligations. The company's exposure to credit risk in respect of financial instruments relates primarily to counterparty obligations regarding derivative contracts, loans receivable and credit investments such as bonds and preferred shares.

The company assesses the credit worthiness of each counterparty before entering into contracts and ensures that counterparties meet minimum credit quality requirements. Management evaluates and monitors counterparty credit risk for derivative financial

instruments and endeavours to minimize counterparty credit risk through diversification, collateral arrangements, and other credit risk mitigation techniques. The credit risk of derivative financial instruments is generally limited to the positive fair value of the instruments, which, in general, tends to be a relatively small proportion of the notional value. Substantially all of the company's derivative financial instruments involve either counterparties that are banks or other financial institutions in North America, the United Kingdom and Australia, or arrangements that have embedded credit risk mitigation features. The company does not expect to incur credit losses in respect of any of these counterparties. The maximum exposure in respect of loans receivable and credit investments is equal to the carrying value.

c) Liquidity Risk

Liquidity risk is the risk that the company cannot meet a demand for cash or fund an obligation as it comes due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price.

To ensure the company is able to react to contingencies and investment opportunities quickly, the company maintains sources of liquidity at the corporate and subsidiary level. The primary source of liquidity consists of cash and other financial assets, net of deposits and other associated liabilities, and undrawn committed credit facilities.

The company is subject to the risks associated with debt financing, including the ability to refinance indebtedness at maturity. The company believes these risks are mitigated through the use of long-term debt secured by high quality assets, maintaining debt levels that are in management's opinion relatively conservative, and by diversifying maturities over an extended period of time. The company also seeks to include in its agreements terms that protect the company from liquidity issues of counterparties that might otherwise impact the company's liquidity.

25. CAPITAL MANAGEMENT

The capital of the company consists of the components of equity in the company's consolidated balance sheet (i.e., common and preferred equity) as well as the company's capital securities, which consist of corporate preferred shares that are convertible into common shares at the option of either the holder or the company. As at December 31, 2012, the recorded values of these items in the company's consolidated financial statements totalled $21.4 billion (2011 – $19.5 billion).

The company's objectives when managing this capital are to maintain an appropriate balance between holding a sufficient amount of capital to support its operations, which includes maintaining investment-grade ratings at the corporate level, and providing shareholders with a prudent amount of leverage to enhance returns. Corporate leverage, which consists of corporate debt as well as subsidiary obligations that are guaranteed by the company or are otherwise considered corporate in nature, totalled $4.7 billion based on carrying values at December 31, 2012 (2011 – $4.7 billion). The company monitors its capital base and leverage primarily in the context of its deconsolidated debt-to-total capitalization ratios. The ratio as at December 31, 2012 was 17% (2011 – 18%).

The consolidated capitalization of the company includes the capital and financial obligations of consolidated entities, including long-term property-specific financings, subsidiary borrowings, capital securities as well as common and preferred equity held by other investors in these entities. The capital in these entities is managed at the entity level with oversight by management of the company. The capital is managed with the objective of maintaining investment-grade levels in most circumstances and is, except in limited and carefully managed circumstances, without any recourse to the company. Management of the company also takes into consideration capital requirements of consolidated and non-consolidated entities that it has interests in when considering the appropriate level of capital and liquidity on a deconsolidated basis.

The company is subject to limited covenants in respect of its corporate debt and is in full compliance with all such covenants as at December 31, 2012 and 2011. The company and its consolidated entities are also in compliance with all covenants and other capital requirements related to regulatory or contractual obligations of material consequence to the company.

26. POST-EMPLOYMENT BENEFITS

The company offers pension and other post employment benefit plans to employees of certain of its subsidiaries. The company's obligations under its defined benefit pension plans are determined periodically through the preparation of actuarial valuations. The benefit plans' expense for 2012 was $23 million (2011 – $19 million). The discount rate used was 5% (2011 – 5%) with an increase in the rate of compensation of 3% (2011 – 3%) and an investment rate of 6% (2011 – 6%).

(MILLIONS)	**Dec. 31, 2012**	Dec. 31, 2011
Plan assets	**$ 1,141**	$ 1,093
Less accrued benefit obligation:		
Defined benefit pension plan	**(1,291)**	(1,123)
Other post-employment benefits	**(51)**	(24)
Net liability	**(201)**	(54)
Less: net actuarial losses	**39**	29
Accrued benefit liability	**$ (162)**	$ (25)

27. JOINT OPERATIONS

The following amounts represent the company's proportionate interest in jointly controlled assets that are proportionately consolidated in the company's accounts:

AS AT AND FOR THE YEARS ENDED (MILLIONS)	Dec. 31, 2012	Dec. 31, 2011
Current assets	**$ 56**	$ 60
Long-term assets	**3,057**	2,433
Total assets	**3,113**	2,493
Current liabilities	**315**	130
Long-term liabilities	**824**	697
Total liabilities	**1,139**	827
Net assets	**$ 1,974**	$ 1,666
Revenues	**$ 323**	$ 227
Expenses	**(202)**	(153)
Fair value changes	**216**	68
Net income	**$ 337**	$ 142

28. RELATED PARTY TRANSACTIONS

a) Related Parties

Related parties include subsidiaries, associates, joint arrangements, key management personnel, the Board of Directors (Directors), immediate family members of key management personnel and Directors, and entities which are, directly or indirectly, controlled by, jointly controlled by or significantly influenced by key management personnel, Directors or their close family members.

b) Key management personnel and Directors

Key management personnel are those individuals that have the authority and responsibility for planning, directing and controlling the company's activities, directly or indirectly and consist of the company's Senior Managing Partners. The company's Directors do not plan, direct, or control the activities the company directly, they provide oversight over the business.

The remuneration of Directors and other key management personnel of the company during the years ended December 31, 2012 and 2011 was as follows:

(MILLIONS)	2012	2011
Salaries, incentives and short-term benefits	**$ 21**	$ 15
Share-based payments	**29**	25
	$ 50	$ 40

The remuneration of Directors and key executives is determined by the Compensation Committee having regard to the performance of individuals and market funds.

c) Related Party Transactions

In the normal course of operations, the company executes transactions on market terms with related parties, which have been measured at exchange value and are recognized in the consolidated financial statements, including, but not limited to: base management fees, performance fees and incentive distributions; loans, interest and non-interest bearing deposits; power purchase and sale agreements; capital commitments to private funds; the acquisition and disposition of assets and businesses; derivative contracts; and the construction and development of assets.

In December 2012, Brookfield Residential Properties Inc. ("BRP"), the company's 69% owned North American land developer and homebuilder, repaid its C$480 million loan to Brookfield Office Properties Inc. ("BPO"), using the proceeds from the completion of an equity offering of approximately $233 million and a senior unsecured debt offering of $ 600 million. The company subscribed for $111 million of BRP's equity offering. BRP paid $35 million of interest to BPO during the year ended December 31, 2012 (2011 – $26 million). BPO sold its previously held Canadian residential land development operations to BRP in March 2011 for proceeds of $500 million and provided C$480 million of bridge financings as part of the transaction. The transaction was measured at exchange value.

In October 2012, the company agreed to sell its directly held 10% investment in its South American transmission operations to Brookfield Infrastructure Partners L.P for proceeds of $235 million, subject to satisfaction of customary conditions. The purchase was completed in January 2013 with an effective date of October 1, 2012. The transaction was measured at fair value, as determined by an external appraiser, which approximated the company's carrying value of the investment and, as a result, no gain or loss was recorded on the transaction.

In November 2011, the company completed the combination of its indirectly held wholly-owned renewable power assets and its 34% owned Brookfield Renewable Power Fund, to form Brookfield Renewable Energy Partners L.P. ("BREP"). As part of the combination, the company amended certain power purchase and sale agreements between a wholly-owned subsidiary and BREP to adjust the price of electricity purchased. Additionally, a wholly-owned subsidiary of the company entered into an Energy Revenue Agreement with BREP, whereby the company indirectly guarantees the price for energy delivered by certain power generating facilities in the United States at a price of $75 per MWh adjusted annually by an inflation factor.

The following table lists the related party balances included within the Consolidated Financial Statements as at and for the years ended December 31, 2012 and 2011:

(MILLIONS)	**2012**	2011
Financial assets	**$ 406**	$ 177
Investment and other income, net of interest expense	**111**	12
Management fees received	**20**	20

29. OTHER INFORMATION

a) Commitments, Guarantees and Contingencies

In the normal course of business, the company and its subsidiaries enter into contractual obligations which include commitments to provide bridge financing, letters of credit and guarantees provided in respect of power sales contracts and reinsurance obligations. At the end of 2012, the company and its subsidiaries had $2,731 million (2011 – $1,363 million) of such commitments outstanding of which $297 million (2011 – $300 million) is included in accounts payable and other liabilities in the consolidated balance sheets.

In addition, the company and its consolidated subsidiaries execute agreements that provide for indemnifications and guarantees to third parties in transactions or dealings such as business dispositions, business acquisitions, sales of assets, provision of services, securitization agreements, and underwriting and agency agreements. The company has also agreed to indemnify its directors and certain of its officers and employees. The nature of substantially all of the indemnification undertakings prevents the company from making a reasonable estimate of the maximum potential amount the company could be required to pay third parties, as in most cases, the agreements do not specify a maximum amount, and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Neither the company nor its consolidated subsidiaries have made significant payments in the past nor do they expect at this time to make any significant payments under such indemnification agreements in the future.

The company periodically enters into joint ventures, consortium or other arrangements that have contingent liquidity rights in favour of the company or its counterparties. These include buy-sell arrangements, registration rights and other customary arrangements. These agreements generally have embedded protective terms that mitigate the risk to us. The amount, timing and likelihood of any payments by the company under these arrangements is, in most cases, dependent on either further contingent events or circumstances applicable to the counterparty and therefore cannot be determined at this time.

The company and its subsidiaries are contingently liable with respect to litigation and claims that arise in the normal course of business.

The company has up to $4 billion of insurance for damage and business interruption costs sustained as a result of an act of terrorism. However, a terrorist act could have a material effect on the company's assets to the extent damages exceed the coverage.

The company, through its subsidiaries within the residential properties operations, is contingently liable for obligations of its associates in its land development joint ventures. In each case, all of the assets of the joint venture are available first for the purpose of satisfying these obligations, with the balance shared among the participants in accordance with predetermined joint venture arrangements.

b) Insurance

The company conducts insurance operations as part of its activities. As at December 31, 2012, the company held insurance assets of $206 million (2011 – $393 million) in respect of insurance contracts that are accounted for using the deposit method which were offset in each year by an equal amount of reserves and other liabilities. During 2012, net underwriting losses on reinsurance operations were $59 million (2011 – $7 million) representing $5 million (2010 – $22 million) of premium and other revenues offset by $64 million (2011 – $29 million) of reserves and other expenses.

c) Supplemental Cash Flow Information

Cash flow from operating activities includes cash taxes paid of $273 million (2011 – $282 million) and cash interest paid of $2,235 million (2011 – $1,798 million). Sustaining capital expenditures in the company's renewable power generating operations were $55 million (2011 – $66 million), in its property operations were $97 million (2011 – $106 million) and in its infrastructure operations were $79 million (2011 – $92 million).

Included in cash and cash equivalents is $2,096 million (December 31, 2011 – $1,396 million) of cash and $748 million of short-term deposits at December 31, 2012 (December 31, 2011 – $631 million).

d) Revenue

The company's revenues include $12,442 million (2011 – $10,909 million) from the sale of goods, $5,764 million (2011 – $4,674 million) from the rendering of services and $491 million (2011 – $338 million) from other activities.

e) Subsequent Event

On March 15, 2013, the company declared a special dividend of units of a newly created company, Brookfield Property Partners L.P. ("BPY"), to the holders of the company's Class A and Class B Limited Voting Shares. The special dividend will be payable on April 15, 2013 to the Class A and Class B Limited shareholders of record as of March 26, 2013 and will consist of 0.0574 units of BPY for each Class A or Class B Limited Voting Share of the company. BPY has an initial value of approximately $12 billion based on the IFRS carrying values of the assets and liabilities contributed by the company, and represent virtually all of the assets and liabilities within the company's property segment.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

This MD&A 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 regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Corporation and its subsidiaries, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods, and include words such as “expects,” “anticipates,” “plans,” “believes,” “estimates,” “seeks,” “intends,” “targets,” “projects,” “forecasts” or negative versions thereof and other similar expressions, or future or conditional verbs such as “may,” “will,” “should,” “would” and “could”.

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 the Corporation 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: the impact or unanticipated impact of general economic, political and market factors in the countries in which we do business; the behaviour of financial markets, including fluctuations in interest and foreign exchange rates; global equity and capital markets and the availability of equity and debt financing and refinancing within these markets; strategic actions including dispositions; the ability to complete and effectively integrate acquisitions into existing operations and the ability to attain expected benefits; changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates); the effect of applying future accounting changes; business competition; operational and reputational risks; technological change; changes in government regulation and legislation within the countries in which we operate; changes in tax laws, catastrophic events, such as earthquakes and hurricanes; the possible impact of international conflicts and other developments including terrorist acts; and other risks and 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. When relying on our forward-looking statements, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as required by law, the Corporation undertakes no obligation to publicly update or revise any forward-looking statements or information, whether written or oral, that may be as a result of new information, future events or otherwise.

Exhibit 99.3

CERTIFICATION

I, J. Bruce Flatt, certify that:

1. I have reviewed this annual report on Form 40-F of Brookfield Asset Management Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Dated: April 1, 2013

/s/ J. Bruce Flatt
J. Bruce Flatt
Chief Executive Officer
(Principal Executive Officer)

Exhibit 99.4

CERTIFICATION

I, Brian D. Lawson, certify that:

1. I have reviewed this annual report on Form 40-F of Brookfield Asset Management Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Dated: April 1, 2013

/s/ Brian D. Lawson
Brian D. Lawson
Chief Financial Officer
(Principal Financial Officer)

Exhibit 99.5

**CERTIFICATION PURSUANT TO RULE 13A-14(B)
OR RULE 15D-14 (B) OF THE SECURITIES EXCHANGE
ACT OF 1934 AND SECTION 1350 OF CHAPTER 63 OF TITLE 18
OF THE UNITED STATES CODE**

In connection with the Annual Report of Brookfield Asset Management Inc. (the "Company") on Form 40-F for the year ended December 31, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, J. Bruce Flatt, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: */s/ J. Bruce Flatt*
J. Bruce Flatt
Chief Executive Officer

April 1, 2013

Exhibit 99.6

**CERTIFICATION PURSUANT TO RULE 13A-14(B)
OR RULE 15D-14 (B) OF THE SECURITIES EXCHANGE
ACT OF 1934 AND SECTION 1350 OF CHAPTER 63 OF TITLE 18
OF THE UNITED STATES CODE**

In connection with the Annual Report of Brookfield Asset Management Inc. (the "Company") on Form 40-F for the year ended December 31, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian D. Lawson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: */s/ Brian D. Lawson*
Brian D. Lawson
Chief Financial Officer

April 1, 2013

Exhibit 99.7

Consent of Independent Registered Chartered Accountants

We consent to the incorporation by reference in Registration Statement No(s). 333-184108, 333-178260 and 333-129631 on Form S-8, 333-185459, 333-182092 and 333-173794 on Form F-10 and 333-182656 on Form F-3 and to the use of our reports dated March 28, 2013 relating to the consolidated financial statements of Brookfield Asset Management Inc. and subsidiaries (the "Company") and the effectiveness of the Company's internal control over financial reporting appearing in this Annual Report on Form 40-F of the Company for the year ended December 31, 2012.

/s/ Deloitte LLP
Independent Registered Chartered Accountants
Licensed Public Accountants
Toronto, Canada
April 1, 2013