

Reconciliations between Adjusted Operating Income and the Comparable GAAP Measure⁽¹⁾

(\$ millions)

	Year Ended		Year to Date
	2018	2013	2019
Net income (loss) attributable to Prudential Financial, Inc.	\$ 4,074	\$ (713)	\$ 1,640
Income attributable to noncontrolling interests	14	107	35
Net income (loss)	4,088	(606)	1,675
Less: Income (loss) from discontinued operations, net of taxes	-	7	-
Income (loss) from continuing operations (after-tax)	4,088	(613)	1,675
Less: Earnings attributable to noncontrolling interests	14	107	35
Income (loss) attributable to Prudential Financial, Inc.	4,074	(720)	1,640
Less: Equity in earnings of operating joint ventures, net of taxes and earnings attributable to noncontrolling interests	62	(48)	18
Income (loss) (after-tax) before equity in earnings of operating joint ventures	4,012	(672)	1,622
Less: Reconciling Items:			
Realized investment gains (losses), net, and related charges and adjustments	303	(8,149)	(1,268)
Market experience updates ⁽²⁾	-	-	(208)
Investment gains (losses) on assets supporting experience-rated contractholder liabilities, net	(863)	(250)	741
Change in experience-rated contractholder liabilities due to asset value changes	710	227	(716)
Divested and Run-off Businesses:			
Closed Block Division	(62)	-	(40)
Other Divested and Run-off Businesses	(1,535)	29	286
Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests	(87)	28	(37)
Total reconciling items, before income taxes	(1,534)	(8,115)	(1,242)
Less: Income taxes, not applicable to adjusted operating income	(527)	(2,857)	(298)
Total reconciling items, after income taxes	(1,007)	(5,258)	(944)
After-tax adjusted operating income	5,019	4,586	2,566
Income taxes, applicable to adjusted operating income	1,349	1,783	692
Adjusted operating income before income taxes	\$ 6,368	\$ 6,369	\$ 3,258
After-tax adjusted operating income per share	\$ 11.69	\$ 9.67	\$ 6.13
Net Income Return on Equity	8.2%	-2.0%	6.0%
Adjusted Operating Return on Equity ⁽³⁾	12.7%	16.4%	12.9%

(1) Represents results of FSB for 2013.

(2) Represents the immediate impacts in current period results from changes in current market conditions on estimates of profitability, which are excluded from adjusted operating income beginning with the second quarter of 2019. The Company has historically recognized these impacts in adjusted operating income.

(3) Represents adjusted operating income after-tax, annualized for interim periods, divided by average Prudential Financial, Inc. equity excluding accumulated other comprehensive income and adjusted to remove amounts included for foreign currency exchange rate remeasurement.



Reconciliations between Adjusted Book Value and the Comparable GAAP Measure⁽¹⁾

(\$ millions, except per share data)

	December 31,		June 30,
	2018	2013	2019
GAAP book value	\$ 48,617	\$ 33,885	\$ 61,660
Less: Accumulated other comprehensive income (AOCI)	10,906	8,586	23,982
GAAP book value excluding AOCI	37,711	25,299	37,678
Less: Cumulative effect of remeasurement of foreign currency and certain deferred taxes	(2,344)	(2,818)	(2,070)
Adjusted book value	<u>\$ 40,055</u>	<u>\$ 28,117</u>	<u>\$ 39,748</u>
Number of diluted shares	422.2	468.7	414.3
GAAP book value per Common share - diluted ⁽²⁾	\$ 116.34	\$ 72.30	\$ 150.04
GAAP book value excluding AOCI per Common share - diluted ⁽²⁾	\$ 90.50	\$ 53.98	\$ 92.15
Adjusted book value per Common share - diluted ⁽²⁾	\$ 96.06	\$ 59.99	\$ 97.15

(1) Represents results of FSB for 2013.

(2) Book value per share of Common Stock (including AOCI, excluding AOCI, and excluding AOCI and remeasurement of foreign currency). As of December 31, 2018 includes a \$500 million increase in equity and a 6.1 million increase in diluted shares reflecting the dilutive impact of exchangeable surplus notes when book value per share of Common Stock is greater than \$82.16. As of December 31, 2013 excludes the impact of exchangeable surplus notes due to the anti-dilutive impact of conversion. As of June 30, 2019 includes a \$500 million increase in equity and a 6.2 million increase in diluted shares reflecting the dilutive impact of exchangeable surplus notes when book value per share of Common Stock is greater than \$80.73.

