



# 4Q19 Earnings Call

February 5, 2020

# Key Messages

**Several accomplishments amidst challenges in 2019**

**Executing key initiatives in 2020**

**Leading to greater earnings lift in 2021**

## Accomplishments:

- Launched a process, talent, & technology transformation with expected \$500 million of cost savings
- Returned ~\$4 billion to shareholders
- Acquired Assurance IQ
- Reduced variability in our earnings pattern
- Enhancing customer experience to generate long-term sustainable growth and realize \$140 million of targeted cost savings
- Continue to increase percentage of earnings from growth markets in our International Businesses
- Take actions to mitigate impact from low interest rates
- Reduction in implementation costs
- Increase benefit from cost savings and growth initiatives

## Challenges:

- Low interest rates
- Individual Life assumption update
- Higher than typical expenses in International Businesses



# Fourth Quarter & Full Year 2019 Highlights

(\$ millions, except per share amounts)

## Financial Highlights

	<u>2019</u>	<u>4Q19</u>
<b>Pre-Tax Adjusted Operating Income<sup>(1)</sup></b>	\$6,098	\$1,188
<b>Adjusted Earnings Per Share<sup>(1)</sup></b>	\$11.69	\$2.33
<b>GAAP Net Income Per Share</b>	\$10.11	\$2.76
<b>Adjusted Operating ROE<sup>(2)</sup></b>	12.1%	
<b>Adjusted Book Value Per Share<sup>(1)</sup></b>	\$101.04	

## Earnings Drivers

### U.S. Businesses

- + Higher variable investment income
- Lower fee income
- Spread compression

### PGIM

- + Higher net fees from markets and flows
- + Higher incentive fees and strategic investment earnings

### International Businesses

- + Higher variable investment income
- + Inforce growth
- Higher than typical expenses
- Spread compression



4Q19 Corporate & Other operations include incremental expenses of \$365 million to support \$500 million of run-rate cost savings by the end of 2022

(1) See reconciliation in appendix for Adjusted Operating Income, Adjusted Earnings Per Share, and Adjusted Book Value Per Share.

(2) Based on 2019 annualized after-tax Adjusted Operating Income and average Adjusted Book Value. See appendix for more information.



# Committed to Promoting Long-Term Sustainability

## Purpose Driven

- We make lives better by solving the financial challenges of our changing world

## Multi-Stakeholder

- Shareholders
- Employees
- Customers
- Society

## Investment Strategy

- Global Environmental Commitment
- Investing to Mitigate Climate Change
- ESG-focused Investment Philosophy
- U.N. Principles for Responsible Investing

## Governance & Transparency

- Task Force on Climate-related Financial Disclosures
- Sustainability Accounting Standards Board

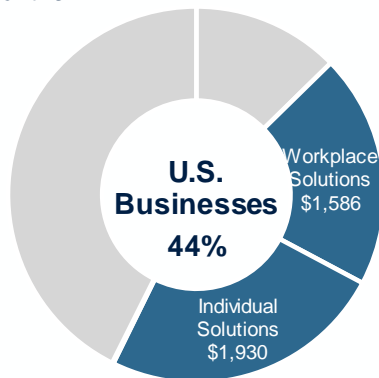


# U.S. Businesses

## Diversified Business Portfolio with Expanding Market Opportunities

### Earnings Contribution to Prudential

Trailing twelve months<sup>(1)</sup>  
(\$ millions)

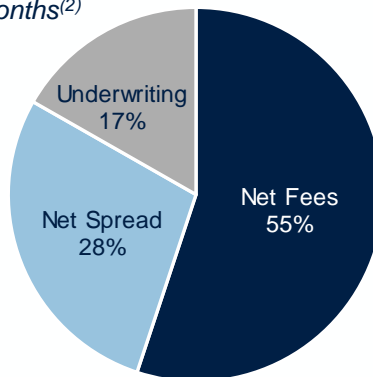


### Key Priorities to Grow Earnings

- Transform our capabilities to realize efficiencies and improve customer experiences
- Pursue targeted growth opportunities in our Workplace Solutions and Individual Solutions businesses
- Expand addressable market to improve the financial wellness of individuals through the combined capabilities of Prudential and Assurance IQ

### Diversified Sources of Earnings

Trailing twelve months<sup>(2)</sup>



### Key Performance Indicators

- Record Retirement account values of \$500 billion
- Group Insurance total benefit ratio of 84.8%, better than target range
- Record Individual Annuities account values and diversified sales mix
- Individual Life sales of \$209 million, highest since 2013
- Activated Financial Wellness platform and retail solutions for 9.5 million and 2.5 million individuals, respectively<sup>(3)</sup>

Note: See Appendix for segment results.

(1) Based on pre-tax adjusted operating income excluding Corporate & Other operations. U.S. Businesses include Retirement, Group Insurance, Individual Annuities, Individual Life, and Assurance IQ.

(2) Based on net fee income, net spread income, and underwriting margin and claims experience gross of expenses. Excludes actuarial assumptions and other refinements and market experience updates.

(3) Cumulative as of December 31, 2019.

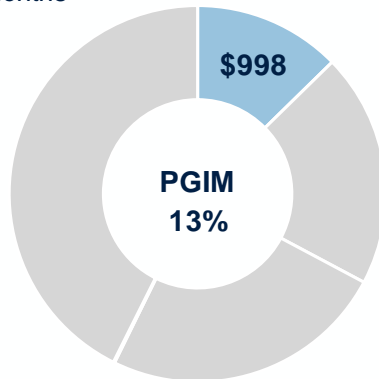


# PGIM

## Diversified Global Active Asset Manager with a Multi-Manager Model

### Earnings Contribution to Prudential

Trailing twelve months<sup>(1)</sup>  
(\$ millions)

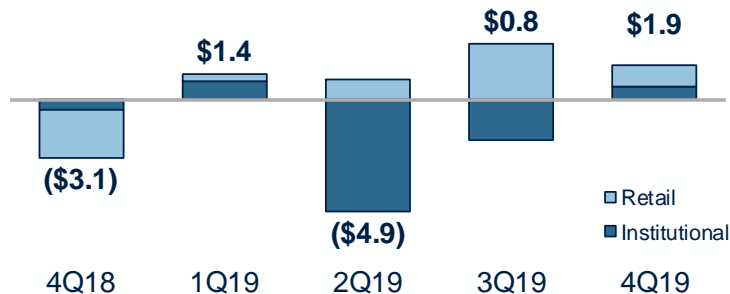


### Key Priorities to Grow Earnings

- Maintain strong investment performance<sup>(2)</sup>
  - Percentage of AUM<sup>(3)</sup> outperforming benchmark: 3 Year: 83%, 5 Year: 88%, 10 Year: 92%
- Leverage scale of record \$1.3 trillion AUM<sup>(4)</sup> through multi-manager model and Prudential enterprise relationship
- Expand addressable market through increasingly global footprint
- Continue to diversify products into high margin areas
- Selectively acquire new capabilities

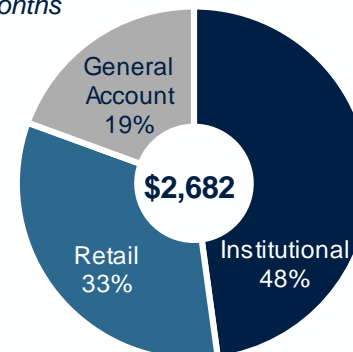
### 3<sup>rd</sup> Party Net Flows

(\$ billions)



### Asset Management Fees

Trailing twelve months  
(\$ millions)



(1) Based on pre-tax adjusted operating income excluding Corporate & Other operations.

(2) PGIM calculations as of December 31, 2019. Past performance is not a guarantee or reliable indicator of future results. All investments involve risk, including the possible loss of capital. Performance is defined as outperformance (gross of fees) relative to each individual strategy's respective benchmark(s).

(3) Represents PGIM's benchmarked AUM (77% of total third-party AUM is benchmarked over 3 years, 66% over 5 years, and 42% over 10 years respectively). This calculation does not include non-benchmarked assets (including general account assets and assets not managed by PGIM). Returns are calculated gross of investment management fees, which would reduce an investor's net return. Excess performance is based on all actively managed Fixed Income, Equity and Real Estate AUM for Jennison Associates, PGIM Fixed Income, Quantitative Management Associates, PGIM Real Estate, Prudential Private Capital, PGIM Global Partners and PGIM Real Estate Finance.

(4) Based on assets under management as of December 31, 2019.

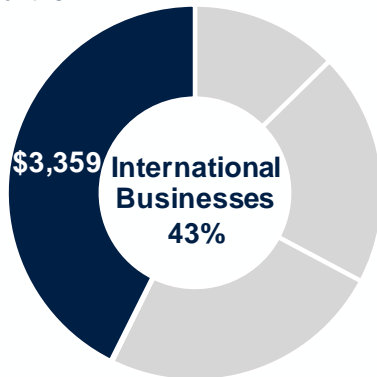


# International Businesses

## Highly Productive Proprietary Distribution and Expanding Presence in Growth Markets

### Earnings Contribution to Prudential

Trailing twelve months<sup>(1)</sup>  
(\$ millions)

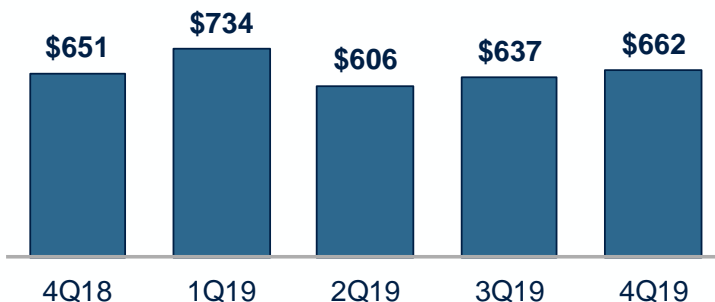


### Key Priorities to Grow Earnings

- Grow high quality proprietary distribution
- Lead with protection solutions and innovate as client needs evolve
- Expand third-party distribution channels
- Build digital, mobile, and data analytics capabilities
- Increase earnings from emerging growth markets and complement with selective M&A opportunities

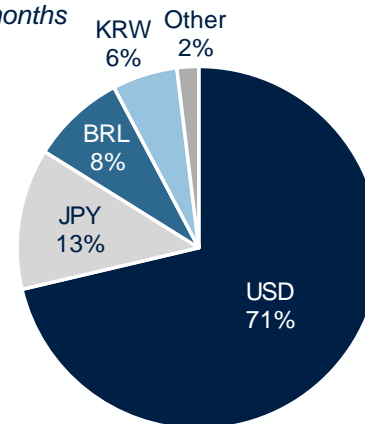
### Sales<sup>(2)</sup>

(\$ millions)



### Sales – Currency Mix<sup>(2)</sup>

Trailing twelve months



Note: See Appendix for Life Planner and Gibraltar Life and Other operating results.

(1) Based on pre-tax adjusted operating income excluding Corporate & Other operations.

(2) Constant exchange rate basis. Foreign denominated activity translated to U.S. Dollars (USD) at uniform exchange rates for all periods presented, including Japanese Yen (JPY) 105 per U.S. Dollar, Korean Won (KRW) 1,110 per U.S. Dollar, and Brazilian Real (BRL) 3.7 per U.S. Dollar. U.S. Dollar-denominated activity is included based on the amounts as transacted in U.S. Dollars. Sales represented by annualized new business premiums.



# Adjusted Operating Income & EPS Considerations

(\$ millions, except per share amounts)

		Adjusted Operating Income Pre-Tax	Adjusted Earnings Per Share After-Tax
<b>4Q19 Reported<sup>(1)</sup></b>		<b>\$1,188</b>	<b>\$2.33</b>
<b>Variable Investment Income</b>	<ul style="list-style-type: none"> <li>Assumes a normalized level</li> </ul>	(135)	(0.26)
<b>Seasonal Expenses and Implementation Costs</b>	<ul style="list-style-type: none"> <li>Lower expenses and implementation costs expected in 1Q20</li> </ul>	435	0.85
<b>Other</b>	<ul style="list-style-type: none"> <li>Net earnings impacts for certain segments</li> </ul>	25	0.05
<b>Interest Rates<sup>(2)</sup></b>	<ul style="list-style-type: none"> <li>1Q20 quarterly reduction in net investment income from portfolio reinvestment</li> </ul>	(10)	(0.02)
<b>1Q20 Baseline<sup>(3)</sup></b>		<b>\$1,503</b>	<b>\$2.95</b>

1Q20 baseline includes items specific to the first quarter that reduces EPS by \$0.15

Note: See Appendix for segment detail.

(1) See reconciliation in appendix for Adjusted Operating Income and Adjusted Earnings Per Share.

(2) Impact of low interest rate environment may not be linear and may vary from indicated sensitivities at thresholds greater than those indicated. Assumes 7% annual turnover on ~\$370 billion fixed income portfolio reinvested at new money yields consistent with 4Q19. The earnings impact is split approximately 50% to U.S. Businesses and 50% to International Businesses.

(3) EPS rollforward list of considerations not intended to be exhaustive and rollforward is not a projection of 1Q20 results. Does not consider future items such as share repurchases, business growth, and market impacts.





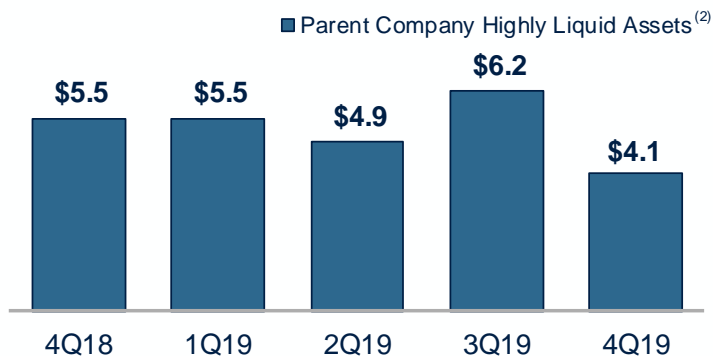
# Robust Capital Position Supports Strong Distributions to Shareholders

## Capital Position

Capital Deployment	<ul style="list-style-type: none"> <li>Capital returned: \$906 million (Share repurchases of \$500 million and dividends of \$406 million)</li> <li>Share repurchase authorization of \$2.0 billion for 2020</li> <li>Increased 1Q20 quarterly dividend 10% to \$1.10 per share, a 4.4% yield on adjusted book value</li> </ul>
Capital Level	<ul style="list-style-type: none"> <li>Continue to hold capital above our AA financial strength levels</li> </ul>
Leverage <sup>(1)</sup>	<ul style="list-style-type: none"> <li>Financial leverage ratio less than 25%</li> </ul>

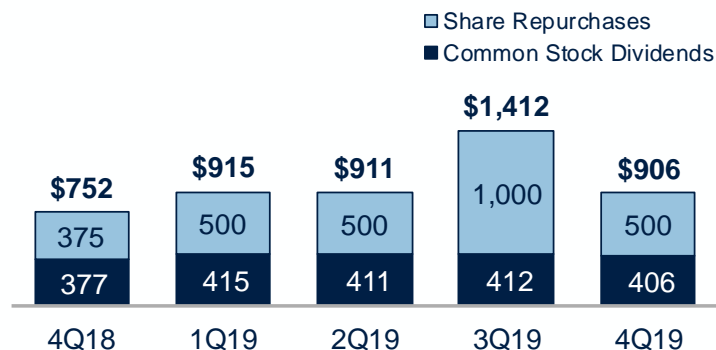
## Liquidity Position

(\$ billions)



## Shareholder Distributions

(\$ millions)



(1) Financial leverage ratio represents capital debt divided by sum of capital debt and equity. Junior subordinated debt treated as 25% equity, 75% capital debt for purposes of calculation. Equity excludes non-controlling interest, AOCI (except for pension and postretirement unrecognized costs), and the impact of foreign currency exchange rate remeasurement.

(2) Highly liquid assets predominantly include cash, short-term investments, U.S. Treasury securities, obligations of other U.S. government authorities and agencies, and/or foreign government bonds.



# Key Messages

**Several accomplishments amidst challenges in 2019**

**Executing key initiatives in 2020**

**Leading to greater earnings lift in 2021**

**WE MAKE LIVES BETTER *by***  
**SOLVING *the* FINANCIAL CHALLENGES**  
***of our* CHANGING WORLD**





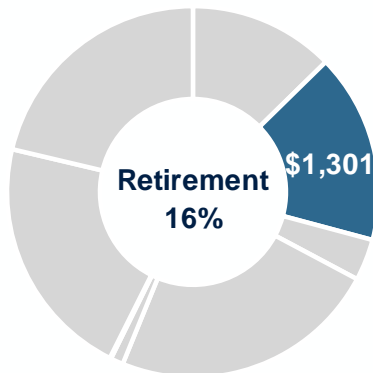
# Appendix

# Retirement

## Differentiated Capabilities Drive Growth in PRT, Full Service, and Stable Value

### Earnings Contribution to Prudential

Trailing twelve months<sup>(1)</sup>  
(\$ millions)

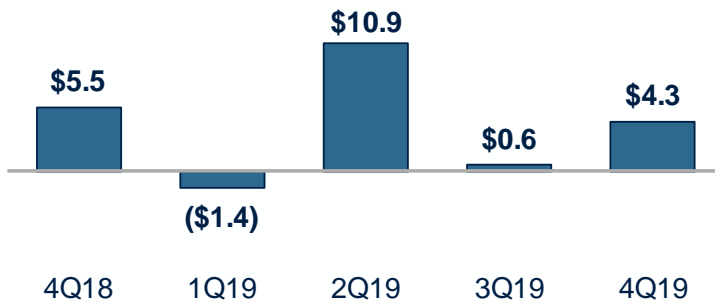


### Key Priorities to Grow Earnings

- Leverage Prudential's broad capabilities to expand customer solutions, including Financial Wellness programs
- Grow in targeted Full Service retirement markets
- Continue to grow Institutional Investment Products through market leadership, innovation, and expansion into adjacent products and markets

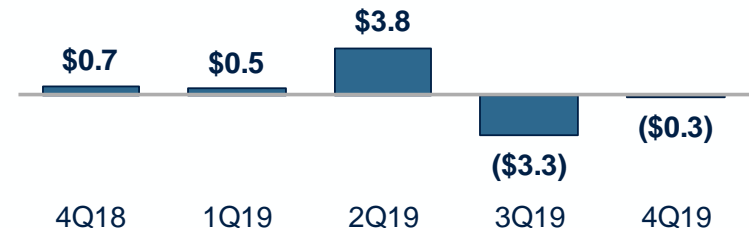
### Institutional Investment Products Net Flows

(\$ billions)



### Full Service Net Flows

(\$ billions)



(1) Based on pre-tax adjusted operating income excluding Corporate & Other operations.

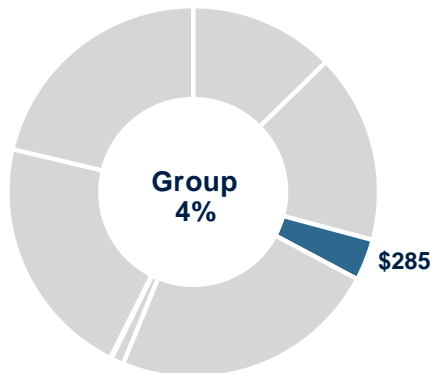


# Group Insurance

## Leading Group Benefits Provider with Opportunity to Further Diversify

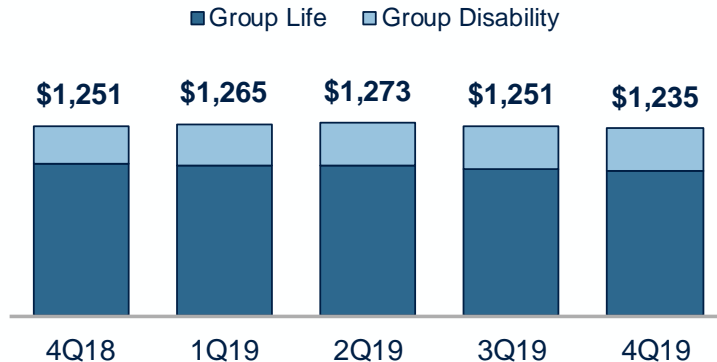
### Earnings Contribution to Prudential

Trailing twelve months<sup>(1)</sup>  
(\$ millions)



### Earned Premiums & Fees

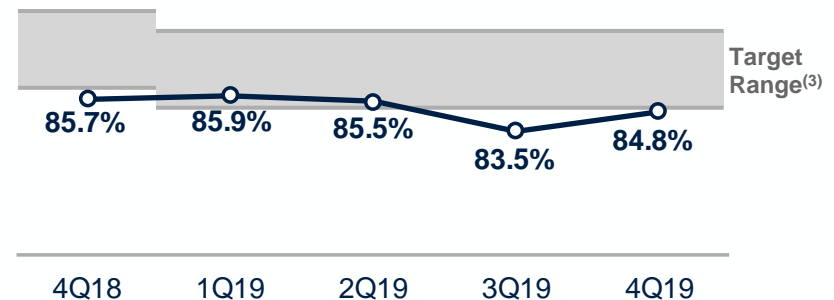
(\$ millions)



### Key Priorities to Grow Earnings

- Deepen employer and participant relationships with Financial Wellness programs
- Execute on diversification strategy while maintaining pricing discipline
  - Maintain National segment share (>5,000 lives) and grow in both Premier segment (100 to 5,000 employees) and Associations
  - Diversify further into Group Disability and Voluntary products
- Improve organizational and process efficiencies

### Total Group Insurance Benefits Ratio<sup>(2)</sup>



(1) Based on pre-tax adjusted operating income excluding Corporate & Other operations.  
 (2) Benefits ratios excluding the impact of the annual assumption update and other refinements.  
 (3) Lowered targeted total benefit ratio range from 86% - 90% to 85% - 89% in 1Q19.

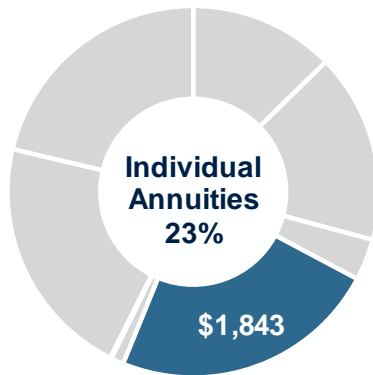


# Individual Annuities

## Steady Free Cash Flow Generation and Attractive Returns

### Earnings Contribution to Prudential

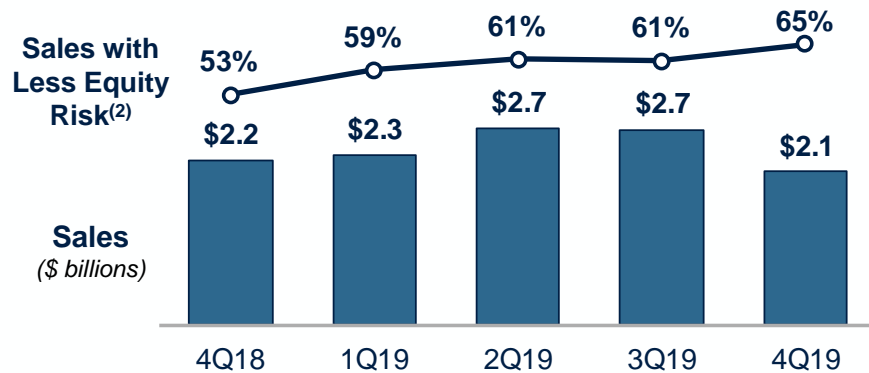
Trailing twelve months<sup>(1)</sup>  
(\$ millions)



### Key Priorities to Grow Earnings

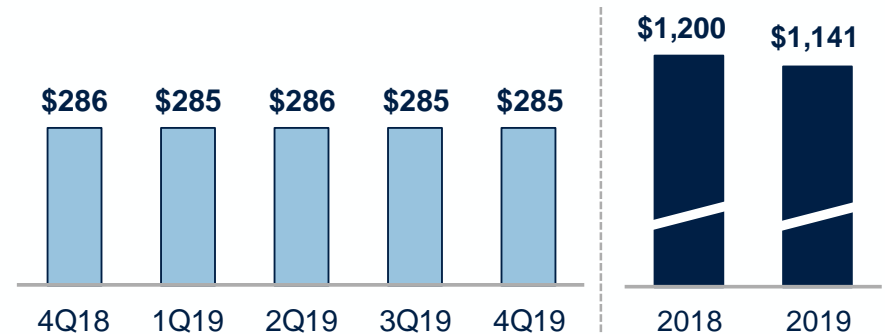
- Provide differentiated solutions with market-leading innovation
- Expand and deepen our reach through new and existing distribution channels
- Lead the conversation to increase consumer demand for income and protection solutions

### Sales



### Prudential Annuities Life Assurance Co. Dividends to PFI<sup>(3)</sup>

(\$ millions)



(1) Based on pre-tax adjusted operating income excluding Corporate & Other operations.  
 (2) Includes fixed annuities and other variable annuities. Excludes Highest Daily Suite.  
 (3) Dividends include Prudential Annuities Holding Co. but does not include Prudential Insurance Company of America.

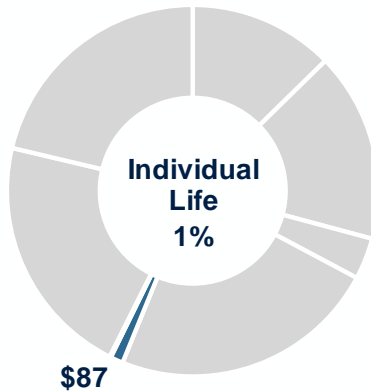


# Individual Life

## Broad Product Portfolio and Multi-Channel Distribution

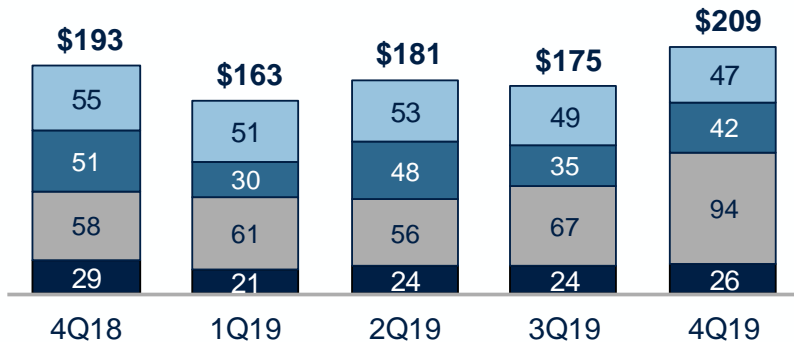
### Earnings Contribution to Prudential

Trailing twelve months<sup>(1)</sup>  
(\$ millions)



### Sales<sup>(2)</sup> – Product Mix

(\$ millions)



■ Guaranteed Universal Life ■ Variable Life ■ Other Universal Life ■ Term

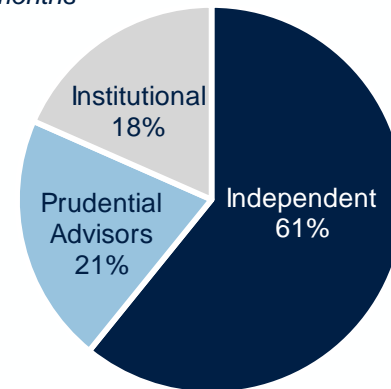
(1) Based on pre-tax adjusted operating income excluding Corporate & Other operations.  
(2) Sales represented by annualized new business premiums.

### Key Priorities to Grow Earnings

- Explore delivery through new channel development, including leveraging the Assurance IQ platform for additional distribution capabilities
- Improve profitability through operating model transformation and continued expense discipline
- Optimize new business and inforce reinsurance coverage, balancing profitability with volatility and risk
- Deepen customer and existing distribution relationships and deliver products to the marketplace in an innovative and cost efficient manner

### Sales<sup>(2)</sup> – Distribution Mix

Trailing twelve months

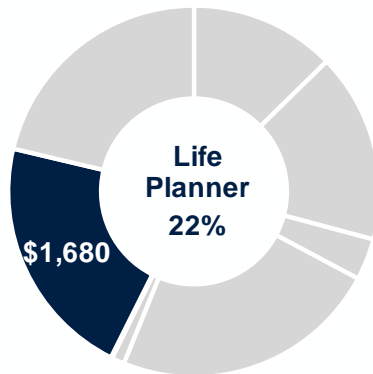


# Life Planner

## Highly Productive Proprietary Distribution with Steady Long-term Growth Potential

### Earnings Contribution to Prudential

Trailing twelve months<sup>(1)</sup>  
(\$ millions)

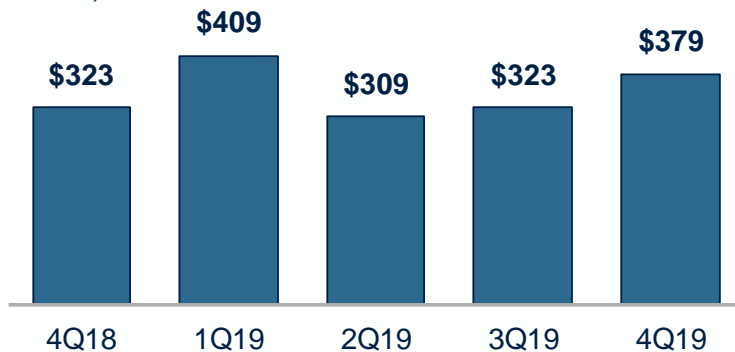


### Key Priorities to Grow Earnings

- Lead with protection solutions and innovate as client needs evolve
- Grow Life Planners
- Build digital, mobile, and data analytics capabilities

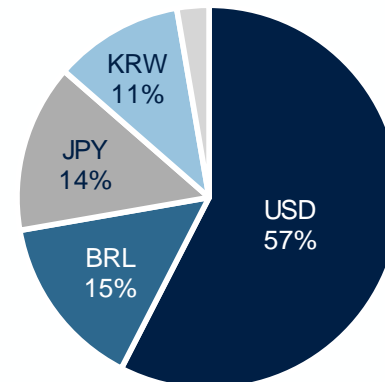
### Sales<sup>(2)</sup>

(\$ millions)



### Sales – Currency Mix<sup>(2)</sup>

Trailing twelve months



(1) Based on pre-tax adjusted operating income excluding Corporate & Other operations.

(2) Constant exchange rate basis. Foreign denominated activity translated to U.S. Dollars (USD) at uniform exchange rates for all periods presented, including Japanese Yen (JPY) 105 per U.S. Dollar, Korean Won (KRW) 1,110 per U.S. Dollar, and Brazilian Real (BRL) 3.7 per U.S. Dollar. U.S. Dollar-denominated activity is included based on the amounts as transacted in U.S. Dollars. Sales represented by annualized new business premiums.



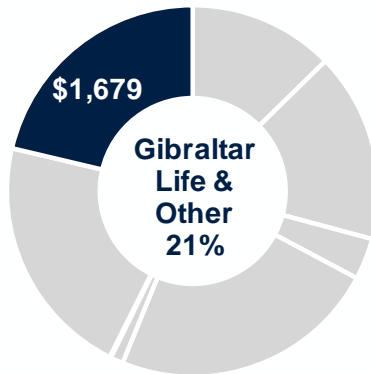


# Gibraltar Life and Other

## Meeting Client Needs Via Multiple Channels

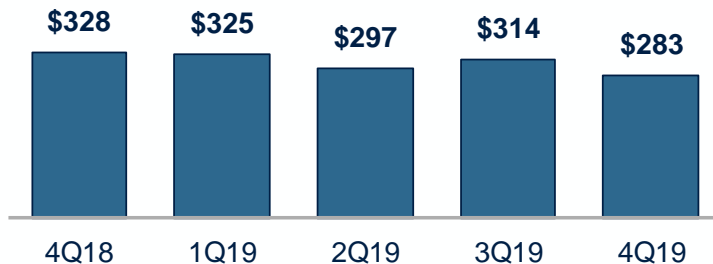
### Earnings Contribution to Prudential

Trailing twelve months<sup>(1)</sup>  
(\$ millions)



### Sales<sup>(2)</sup>

(\$ millions)

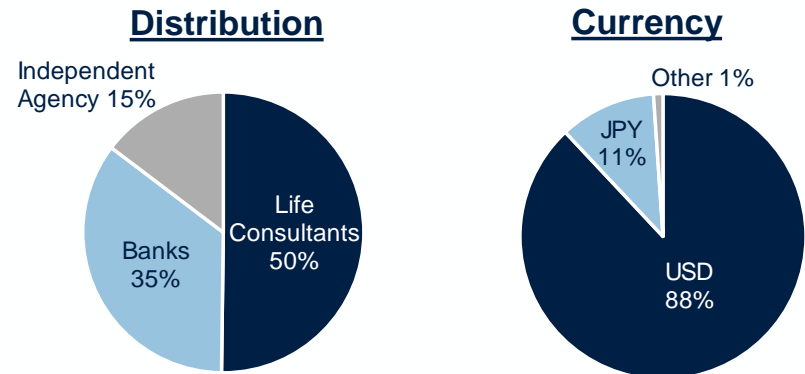


### Key Priorities to Grow Earnings

- Lead with protection solutions and innovate as client needs evolve
- Optimize Life Consultant force through quality and productivity
- Strategically expand in third-party channels
- Build digital, mobile, and data analytics capabilities
- Increase earnings from emerging growth markets and complement with selective M&A opportunities

### Sales Mix<sup>(2)</sup>

Trailing twelve months



(1) Based on pre-tax adjusted operating income excluding Corporate & Other operations.

(2) Constant exchange rate basis. Foreign denominated activity translated to U.S. Dollars (USD) at uniform exchange rates for all periods presented, including Japanese Yen (JPY) 105 per U.S. Dollar. U.S. Dollar-denominated activity is included based on the amounts as transacted in U.S. Dollars. Sales represented by annualized new business premiums.



# Adjusted Operating Income Rollforward by Business

(\$ millions, pre-tax)	4Q19 Reported <sup>(1)</sup>	Variable Investment Income <sup>(2)</sup>	Seasonal Expenses & Implementation Costs <sup>(3)</sup>	Other <sup>(4)</sup>	Interest Rates <sup>(5)</sup>	1Q20 Baseline <sup>(6)</sup>
<b>PGIM</b>	<b>288</b>	0	(35)	(40)	0	<b>213</b>
<b>Retirement</b>	<b>281</b>	(30)	5	40	(4)	<b>292</b>
<b>Group Insurance</b>	<b>61</b>	(10)	10	(20)	(1)	<b>40</b>
<b>Individual Annuities</b>	<b>450</b>	(10)	0	0	0	<b>440</b>
<b>Individual Life</b>	<b>58</b>	(20)	25	(15)	0	<b>48</b>
<b>Life Planner</b>	<b>394</b>	(20)	15	45	(1)	<b>433</b>
<b>Gibraltar Life &amp; Other</b>	<b>403</b>	(45)	30	15	(4)	<b>399</b>
<b>Corporate &amp; Other</b>	<b>(738)</b>	0	385	0	0	<b>(353)</b>

(1) See reconciliation for Adjusted Operating Income on slide 24.

(2) Reflects 4Q19 variable investment income of \$135 million above expectations.

(3) Includes expected 1Q20 long-term compensation expense for retiree eligible employees of \$35 million in both PGIM and Corporate & Other. 4Q19 seasonal expenses were \$160 million across business units and Corporate & Other, with roughly half in Corporate & Other. Corporate & Other also reflects \$345 million net benefit of lower implementation costs in 1Q20.

(4) Includes Other Related Revenues returning to a normalized quarterly level in PGIM, \$25 million lower than 4Q19, and the \$15 million decline in PGIM's adjusted operating income subsequent to the termination of Wells Fargo fees effective 1/1/2020. 4Q19 underwriting experience was above / (below) expectations by (\$10 million) in Retirement, \$5 million in Group Insurance, (\$15 million) in Individual Life, \$20 million in Life Planner, and (\$5 million) in Gibraltar Life & Other. 1Q20 seasonal underwriting experience above / (below) average expectations of \$30 million in Retirement, (\$15 million) in Group Insurance, and (\$30 million) in Individual Life. Life Planner and Gibraltar Life & Other expect seasonally higher annual premiums in 1Q20 of \$20 million and \$10 million, respectively. Life Planner had higher than typical expenses of \$45 million in 4Q19.

(5) Impact of low interest rate environment may not be linear and may vary from indicated sensitivities at thresholds greater than those indicated. Assumes 7% annual turnover on ~\$370 billion fixed income portfolio reinvested at new money yields consistent with 4Q19. The earnings impact is split approximately 50% to U.S. Businesses and 50% to International Businesses.

(6) EPS rollforward list of considerations not intended to be exhaustive and rollforward is not a projection of 1Q20 results. Does not consider future items such as share repurchases, business growth, and market impacts.



# Seasonality of Key Financial Items

(\$ millions) (pre-tax range)	1Q20	2Q20	3Q20	4Q20
<b>PGIM</b>	(\$35) Higher compensation expense <sup>(1)</sup> (\$15) Wells Fargo fees end (\$15M per quarter) <sup>(2)</sup>			Other Related Revenues tend to be higher driven by Incentive & Agency Fees
<b>Retirement</b>	\$30 Higher reserve gains	\$20 Higher reserve gains	(\$20) Lower reserve gains	(\$30) Lower reserve gains
<b>Group Insurance</b>	(\$15) Lowest underwriting gains			
<b>Individual Annuities</b>				
<b>Individual Life</b>	(\$30) Lowest underwriting gains		\$20 Highest underwriting gains	
<b>Assurance IQ</b>	Lowest revenue			Higher revenue (annual Medicare enrollment)
<b>Life Planner</b>	\$20 Highest premiums	Lowest premiums		
<b>Gibraltar Life &amp; Other</b>	\$10 Highest premiums	Lowest premiums		
<b>Corporate &amp; Other</b>	(\$35) Higher compensation expense <sup>(1)</sup>			(\$75) Higher expenses <sup>(3)</sup>

(1) Long-term compensation expense for retiree eligible employees is recognized when awards are granted, typically in the first quarter of each year.

(2) Represents the impact to PGIM's adjusted operating income subsequent to the termination of Wells Fargo fees effective 1/1/2020.

(3) Total company expenses are typically higher than the quarterly average in the fourth quarter by \$125 - \$175 million. Approximately 50% of these seasonally higher expenses occur in Corporate & Other with the remaining expenses incurred within the other business units.



# Adjusted Operating Income Outlook by Business

	Next 12-month Trend <sup>(1)</sup>	Business Drivers
PGIM	↑	<ul style="list-style-type: none"> <li>Higher asset management fees driven by net inflows and market appreciation</li> <li>Positive operating leverage</li> </ul>
Retirement	↑	<ul style="list-style-type: none"> <li>Account value growth from net inflows and market appreciation drives higher fee income, partially offset by spread compression</li> </ul>
Group Insurance	↑	<ul style="list-style-type: none"> <li>Modest in-force premium growth with solid benefit ratios (both Life &amp; Disability)</li> </ul>
Individual Annuities	↓	<ul style="list-style-type: none"> <li>Modest decline in Account Values driven by continued net outflows exceeding market appreciation</li> </ul>
Individual Life	↔	<ul style="list-style-type: none"> <li>Business growth offset by spread compression</li> </ul>
Assurance IQ	↑	<ul style="list-style-type: none"> <li>Growth primarily in 4Q in conjunction with Medicare open enrollment period</li> </ul>
Life Planner	↔	<ul style="list-style-type: none"> <li>Business growth offset by spread compression</li> </ul>
Gibraltar Life & Other	↔	<ul style="list-style-type: none"> <li>Business growth offset by spread compression</li> </ul>

(1) Trend based on expected underlying earnings growth compared to 4Q19 results, excluding elevated levels of variable investment income, expenses, and other seasonal items.



# Other 2020 Earnings Considerations

- PGIM quarterly Other Related Revenues, net of expenses, expected to range from \$50 million to \$60 million; expect elevated level in 4Q
- Corporate & Other estimated annual operating loss (excluding implementation costs) of \$1.2 billion
- Hedge rate: U.S. Dollar @ 104 Yen
- Effective tax rate ~21.5%



# Net Mortality is a Small Percentage of AOI

**1.61%**

Cumulative Net  
Mortality<sup>(1)</sup> as % of AOI  
(2013 – 2019)

- Annual net mortality impact on AOI is minimal, ranging from (0.2%) to 2.8%
- Net mortality was a positive contributor to AOI in six out of last seven years

(1) Mortality experience compared to expectations includes Individual Life, Group Life, and International Businesses. Longevity experience compared to expectations includes Retirement and Individual Annuities.



# Forward-Looking Statements and Non-GAAP Measures

Certain of the statements included in this presentation, including those regarding our 2020 key initiatives and 2021 earnings, and under the headings “Key Priorities to Grow Earnings”, “Adjusted Operating Income & EPS Considerations”, “Adjusted Operating Income Rollforward by Business”, “Seasonality of Key Financial Items”, “Adjusted Operating Income Outlook by Business”, and “Other 2020 Earnings Considerations” constitute forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Words such as “expects”, “believes”, “anticipates”, “includes”, “plans”, “assumes”, “estimates”, “projects”, “intends”, “should”, “will”, “shall”, or variations of such words are generally part of forward-looking statements. Forward-looking statements are made based on management’s current expectations and beliefs concerning future developments and their potential effects upon Prudential Financial, Inc. and its subsidiaries. Prudential Financial, Inc.’s actual results may differ, possibly materially, from expectations or estimates reflected in such forward-looking statements. Certain important factors that could cause actual results to differ, possibly materially, from expectations or estimates reflected in such forward-looking statements can be found in the “Risk Factors” and “Forward-Looking Statements” sections included in Prudential Financial, Inc.’s Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q. Our 2020 key initiatives and 2021 earnings, and “Key Priorities to Grow Earnings” and “Adjusted Operating Income & EPS Considerations” are subject to the risk that we will be unable to execute our strategy, and “Seasonality of Key Financial Items” are subject to the risk that different earnings and expense patterns will emerge, in each case, because of economic, market or competitive conditions or other factors. Prudential Financial, Inc. does not undertake to update any particular forward-looking statement included in this presentation.

This presentation includes references to adjusted operating income, adjusted book value, and adjusted operating return on equity, which is based on adjusted operating income and adjusted book value. Consolidated adjusted operating income and adjusted book value are not calculated based on accounting principles generally accepted in the United States of America (GAAP). For additional information about adjusted operating income, adjusted book value, and adjusted operating return on equity and the comparable GAAP measures, including reconciliations between the comparable measures, please refer to our quarterly results news releases, which are available on our website at [www.investor.prudential.com](http://www.investor.prudential.com). Reconciliations are also included as part of this presentation. Information regarding PGIM’s adjusted operating margin, which is also a non-GAAP measure, and a reconciliation are included in our quarterly financial supplements, which are also available on our website.

Our 1Q20 earnings rollforward is based on after-tax adjusted operating income. Due to the inherent difficulty in reliably quantifying future realized investment gains/losses and changes in asset and liability values given their unknown timing and potential significance, we cannot, without unreasonable effort, provide rollforward based on income from continuing operations, which is the GAAP measure most comparable to adjusted operating income.

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Prudential Financial, Inc. of the United States is not affiliated with Prudential plc which is headquartered in the United Kingdom.



# Reconciliations between Adjusted Operating Income and the Comparable GAAP Measure

(\$ millions)

	Fourth Quarter		Year to Date	
	2019	2018	2019	2018
<b>Net income attributable to Prudential Financial, Inc.</b>	\$ 1,128	\$ 842	\$ 4,186	\$ 4,074
Income attributable to noncontrolling interests	10	7	52	14
<b>Net income</b>	1,138	849	4,238	4,088
Less: Earnings attributable to noncontrolling interests	10	7	52	14
<b>Income attributable to Prudential Financial, Inc.</b>	1,128	842	4,186	4,074
Less: Equity in earnings of operating joint ventures, net of taxes and earnings attributable to noncontrolling interests	5	7	48	62
<b>Income (after-tax) before equity in earnings of operating joint ventures</b>	1,123	835	4,138	4,012
Less: Reconciling Items:				
Realized investment gains (losses), net, and related charges and adjustments <sup>(1)</sup>	133	(264)	(889)	150
Market experience updates	60	-	(462)	-
Divested and Run-off Businesses:				
Closed Block Division	31	(40)	36	(62)
Other Divested and Run-off Businesses	11	51	452	(1,535)
Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests	(32)	(12)	(103)	(87)
Other adjustments <sup>(2)</sup>	(47)	-	(47)	-
Total reconciling items, before income taxes	156	(265)	(1,013)	(1,534)
Less: Income taxes, not applicable to adjusted operating income	(17)	(65)	(306)	(527)
Total reconciling items, after income taxes	173	(200)	(707)	(1,007)
<b>After-tax adjusted operating income</b>	950	1,035	4,845	5,019
Income taxes, applicable to adjusted operating income	238	283	1,253	1,349
<b>Adjusted operating income before income taxes</b>	<b>\$ 1,188</b>	<b>\$ 1,318</b>	<b>\$ 6,098</b>	<b>\$ 6,368</b>
Net Income Return on Equity			7.1%	8.2%
Adjusted Operating Return on Equity <sup>(3)</sup>			12.1%	12.7%

(1) Prior period numbers have been reclassified to conform to current period presentation.

(2) Represents adjustments not included in above reconciling items. "Other Adjustments" include certain components of the consideration for the Assurance IQ acquisition, which are recognized as compensation expense over the requisite service periods, as well as changes in the fair value of contingent consideration.

(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 Operating Income Per Share and the Comparable GAAP Measure

	Fourth Quarter		Year to Date	
	2019	2018	2019	2018
<b>Net income per share attributable to Prudential Financial, Inc.</b>	\$ 2.76	\$ 1.99	\$ 10.11	\$ 9.50
Less: Reconciling Items:				
Realized investment gains (losses), net, and related charges and adjustments <sup>(1)</sup>	0.33	(0.63)	(2.16)	0.36
Market experience updates	0.15	-	(1.12)	-
Divested and Run-off Businesses:				
Closed Block Division	0.08	(0.09)	0.09	(0.15)
Other Divested and Run-off Businesses	0.03	0.12	1.10	(3.60)
Difference in earnings allocated to participating unvested share-based payment awards	-	0.01	0.02	0.03
Other adjustments <sup>(2)</sup>	(0.12)	-	(0.11)	-
Total reconciling items, before income taxes	0.47	(0.59)	(2.18)	(3.36)
Less: Income taxes, not applicable to adjusted operating income	0.04	(0.14)	(0.60)	(1.17)
Total reconciling items, after income taxes	0.43	(0.45)	(1.58)	(2.19)
<b>After-tax adjusted operating income per share</b>	<b>\$ 2.33</b>	<b>\$ 2.44</b>	<b>\$ 11.69</b>	<b>\$ 11.69</b>

(1) Prior period numbers have been reclassified to conform to current period presentation.

(2) Represents adjustments not included in above reconciling items. "Other Adjustments" include certain components of the consideration for the Assurance IQ acquisition, which are recognized as compensation expense over the requisite service periods, as well as changes in the fair value of contingent consideration.



# Reconciliations between Adjusted Book Value and the Comparable GAAP Measure

(\$ millions, except per share data)

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>GAAP book value</b>	\$ 63,115	\$ 48,617
Less: Accumulated other comprehensive income (AOCI)	<u>24,039</u>	<u>10,906</u>
<b>GAAP book value excluding AOCI</b>	39,076	37,711
Less: Cumulative effect of remeasurement of foreign currency	<u>(1,835)</u>	<u>(2,344)</u>
<b>Adjusted book value</b>	<u>\$ 40,911</u>	<u>\$ 40,055</u>
Number of diluted shares	<u>404.9</u>	<u>422.2</u>
GAAP book value per Common share - diluted <sup>(1)</sup>	\$ 155.88	\$ 116.34
GAAP book value excluding AOCI per Common share - diluted <sup>(1)</sup>	\$ 96.51	\$ 90.50
Adjusted book value per Common share - diluted <sup>(1)</sup>	\$ 101.04	\$ 96.06

(1) As of the fourth quarter of 2018, book value per share of Common Stock 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 is greater than \$82.16. The \$500 million of exchangeable surplus notes were converted into 6.2 million shares of Common Stock in the third quarter of 2019.

