

# Reconciliations between Adjusted Operating Income and the Comparable GAAP Measure<sup>(1)</sup>

(\$ millions)

	Year Ended	
	2019	2014
<b>Net income attributable to Prudential Financial, Inc.</b>	\$ 4,186	\$ 1,533
Income attributable to noncontrolling interests	52	57
<b>Net income</b>	<u>4,238</u>	<u>1,590</u>
Less: Income from discontinued operations, net of taxes	-	11
<b>Income from continuing operations (after-tax)</b>	<u>4,238</u>	<u>1,579</u>
Less: Earnings attributable to noncontrolling interests	52	57
<b>Income attributable to Prudential Financial, Inc.</b>	<u>4,186</u>	<u>1,522</u>
Less: Equity in earnings of operating joint ventures, net of taxes and earnings attributable to noncontrolling interests	48	(41)
<b>Income (after-tax) before equity in earnings of operating joint ventures</b>	<u>4,138</u>	<u>1,563</u>
Less: Reconciling Items:		
Realized investment gains (losses), net, and related charges and adjustments <sup>(2)</sup>	(889)	(4,085)
Market experience updates <sup>(3)</sup>	(462)	-
Divested and Run-off Businesses:		
Closed Block division	36	-
Other Divested and Run-off Businesses	452	167
Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests	(103)	44
Other adjustments <sup>(4)</sup>	(47)	-
Total reconciling items, before income taxes	<u>(1,013)</u>	<u>(3,874)</u>
Less: Income taxes, not applicable to adjusted operating income	(306)	(1,082)
Total reconciling items, after income taxes	<u>(707)</u>	<u>(2,792)</u>
<b>After-tax adjusted operating income</b>	<u>4,845</u>	<u>4,355</u>
Income taxes, applicable to adjusted operating income	1,253	1,537
<b>Adjusted operating income before income taxes</b>	<u>\$ 6,098</u>	<u>\$ 5,892</u>
<b>After-tax adjusted operating income per share</b>	\$ 11.69	\$ 9.21
Net Income Return on Equity <sup>(1)</sup>	7.1%	4.0%
Adjusted Operating Return on Equity <sup>(1)</sup>	12.1%	14.8%

- (1) Represents results of Financial Services Businesses (FSB) for 2014. Net income return on equity based on year-to-date annualized after-tax net income and average GAAP equity of \$58,840 and \$38,300 as of year-end 2019 and 2014, respectively. Adjusted operating return on equity based on year-to-date annualized after-tax adjusted operating income and average adjusted book value excluding accumulated other comprehensive income and adjusted to remove amount included for remeasurement of foreign currency of \$40,167 and \$29,288 as of year-end 2019 and 2014, respectively.
- (2) Realized investment gains (losses), net, and related charges and adjustments now includes results previously disclosed as investment gains (losses) on assets supporting experience rated contractholder liabilities, net and change in experience rated contractholder liabilities due to asset value changes. Prior periods have been reclassified to conform to current period presentation.
- (3) 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.
- (4) Represents adjustments not included in the 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<sup>(1)</sup>

(\$ millions, except per share data)

	<b>December 31,</b>	
	<b>2019</b>	<b>2014</b>
<b>GAAP book value</b>	\$ 63,115	\$ 40,981
Less: Accumulated other comprehensive income (AOCI)	24,039	8,586
<b>GAAP book value excluding AOCI</b>	39,076	25,099
Less: Cumulative effect of remeasurement of foreign currency	(1,835)	(4,783)
<b>Adjusted book value</b>	<u>\$ 40,911</u>	<u>\$ 29,882</u>
Number of diluted shares	<u>404.9</u>	<u>461.5</u>
GAAP book value per Common share - diluted <sup>(1)</sup>	\$ 155.88	\$ 88.80
GAAP book value excluding AOCI per Common share - diluted <sup>(1)</sup>	\$ 96.51	\$ 54.39
Adjusted book value per Common share - diluted <sup>(1)</sup>	\$ 101.04	\$ 64.75

(1) Represents results of FSB for 2014. The \$500 million of exchangeable surplus notes were converted into 6.2 million shares of Common Stock in the third quarter of 2019. Book value per share as of December 31, 2014 excludes the impact of exchangeable surplus notes due to the anti-dilutive impact of conversion.

