



# PRUDENTIAL FINANCIAL, INC.

FEBRUARY 2018



# FORWARD-LOOKING STATEMENTS AND NON-GAAP MEASURES

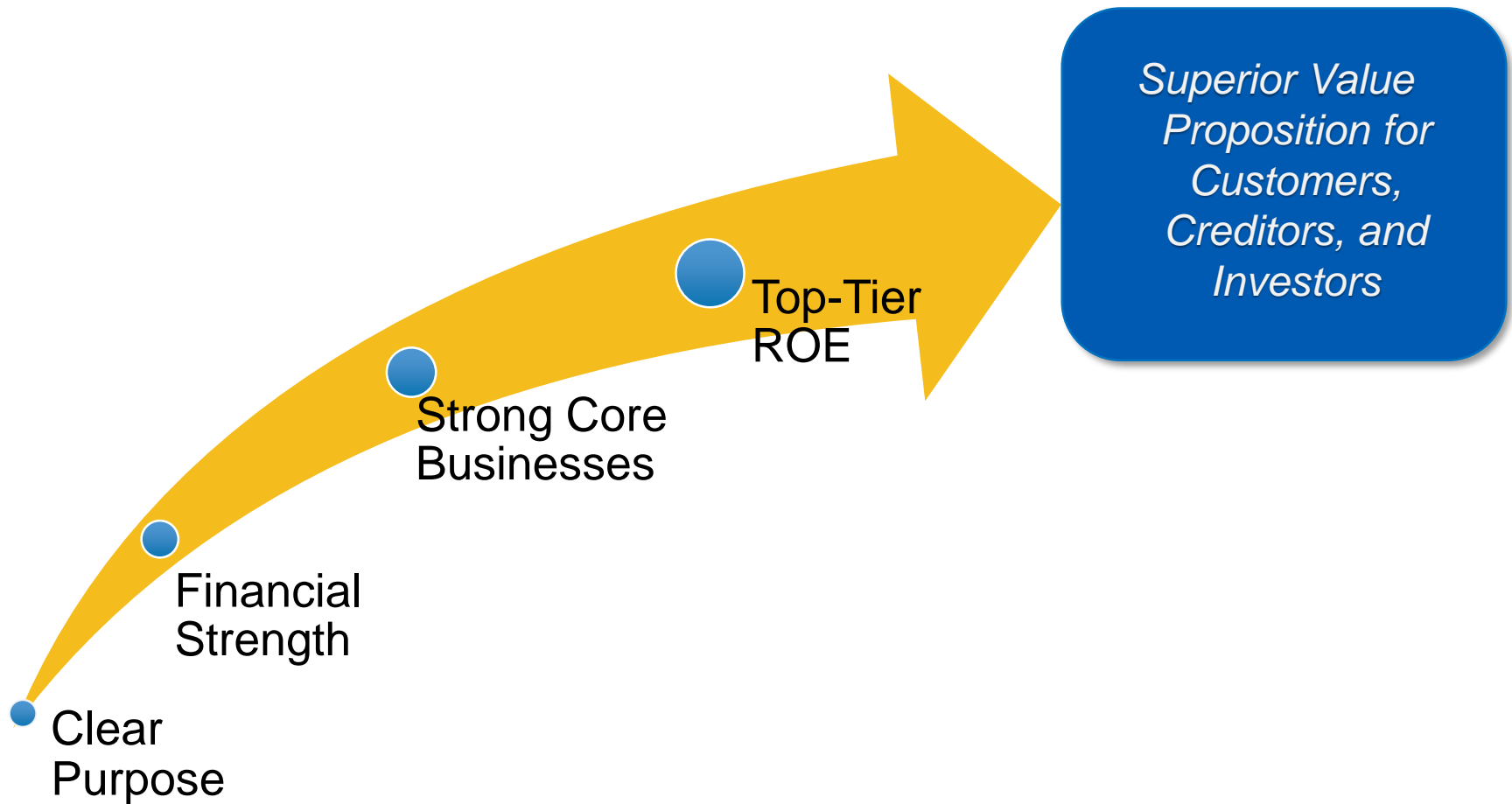


Certain of the statements included in this presentation constitute forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Words such as “expects,” “believes,” “anticipates,” “includes,” “plans,” “assumes,” “estimates,” “projects,” “intends,” “should,” “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. Prudential Financial, Inc. does not undertake to update any particular forward-looking statement included in this presentation. Information in this presentation regarding the impact of the Tax Act on Prudential Financial, Inc.’s results of operations and financial condition consists of estimates. These estimates are forward-looking statements based on current interpretations and expectations and may change, possibly materially, due to, among other things, changes in interpretations and assumptions made by Prudential Financial, Inc., additional guidance that may be issued by the U.S. Department of Treasury and actions that Prudential Financial, Inc. may take.

This presentation also includes references to adjusted operating income and adjusted book value, as well as operating return on average 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 the comparable GAAP measures, including a reconciliation between the comparable measures, please refer to our quarterly results news releases, which are available on our Web site at [www.investor.prudential.com](http://www.investor.prudential.com). Reconciliations are also included as part of this presentation.

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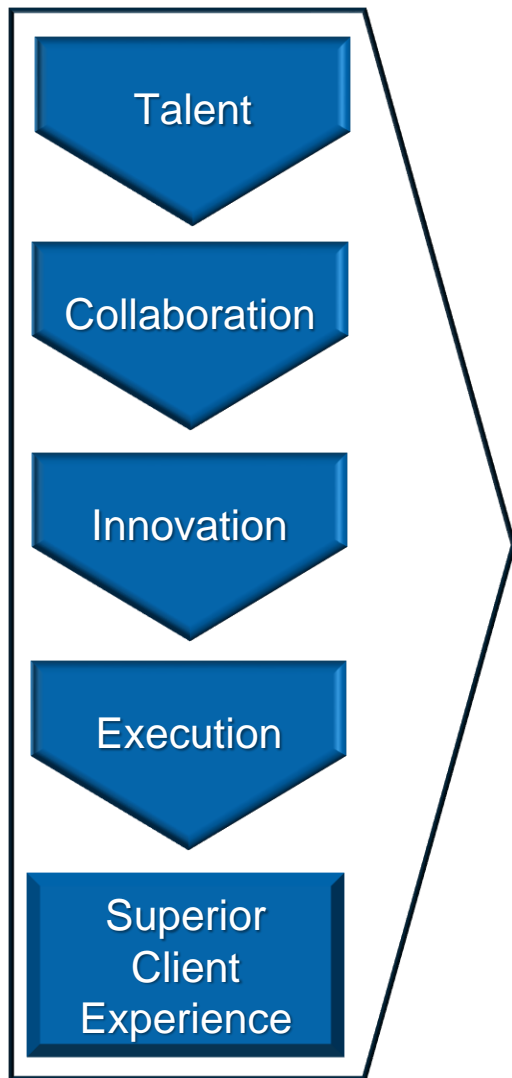
Prudential Financial, Inc. of the United States is not affiliated with Prudential plc which is headquartered in the United Kingdom.



# DEFINING SUCCESS



## Drivers



## Stakeholder Value Creation

### Business Focus

- Diversified and balanced mix of insurance and market risks

### Financial Strength

- “AA” standards for capital, leverage and liquidity
- Comprehensive risk management framework

### Balanced and Sustainable Sources of Earnings

- Targeted sustainable return on equity (ROE) of 12-13% over the near to intermediate term
- Growth in earnings and book value

### Consistency and Transparency of Earnings

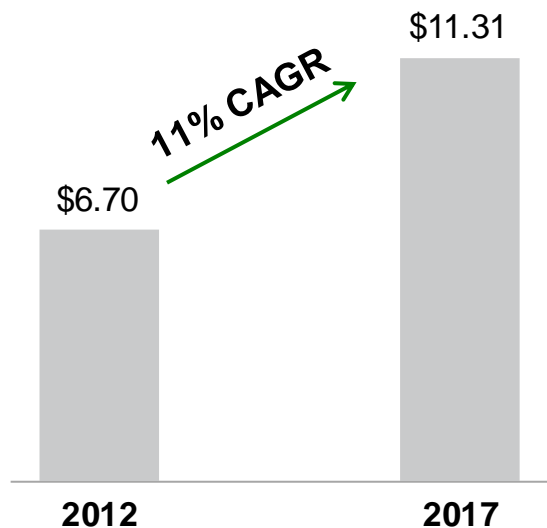
- Cash flow<sup>(1)</sup> ~65% of after-tax AOI over time
- Capital deployment, including growing shareholder dividend and a repurchase authorization of \$1.5 billion for 2018

1) Includes capital deployed in subsidiaries.

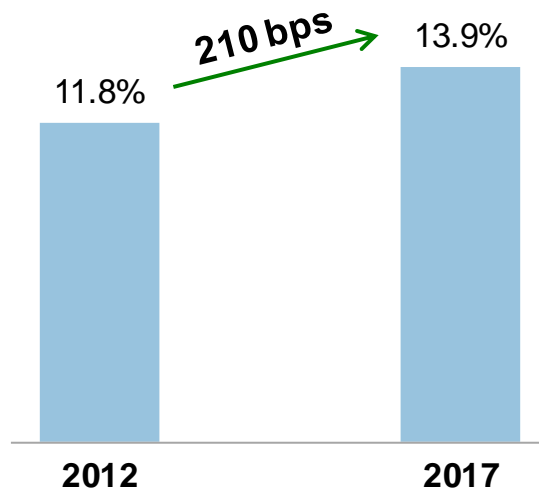
# TRACK RECORD OF FINANCIAL PERFORMANCE<sup>(1)</sup>



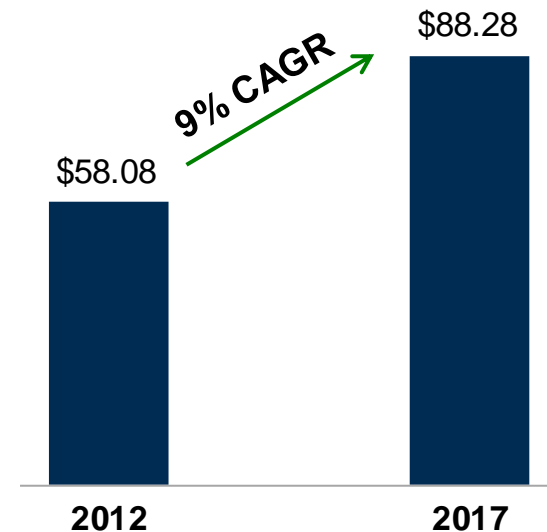
## Earnings Per Share<sup>(2)</sup>



## Return on Equity<sup>(2)(3)</sup>



## Adjusted Book Value Per Share<sup>(4)</sup>



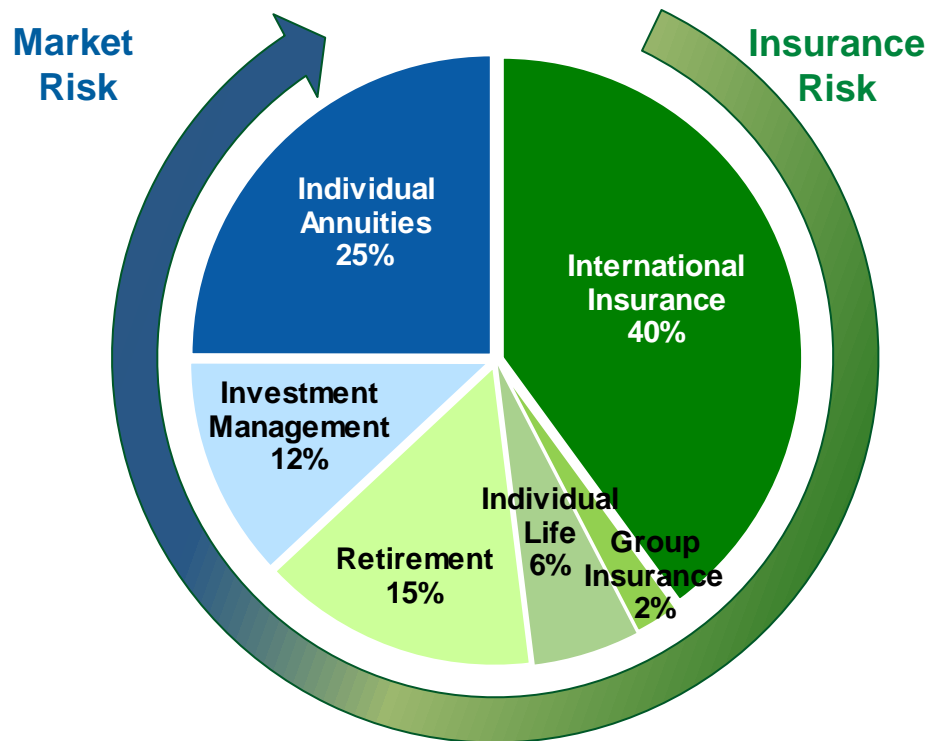
Near to Intermediate Term ROE Objective of 12% - 13%

- 1) Amounts attributable to Prudential Financial, Inc. (PFI); represents results of the former Financial Services Businesses (FSB) for periods prior to 2015. Per share data amounts on diluted basis.
- 2) Based on after-tax adjusted operating income (AOI), excluding market driven and discrete items as shown in the reconciliation section on page 35; based on application of 35% tax rate for earnings per share (EPS) and ROE calculations.
- 3) ROE gives effect to direct equity adjustment for EPS calculation for periods prior to 2015. Based on average adjusted book value.
- 4) See reconciliation on page 36.

# SUPERIOR MIX OF HIGH QUALITY BUSINESSES WITH BALANCED RISKS



**2017  
Pre-Tax AOI  
\$6.7 Billion<sup>(1)</sup>**



**December 31, 2017  
PFI Adjusted Book Value  
\$38.0 Billion<sup>(2)</sup>**

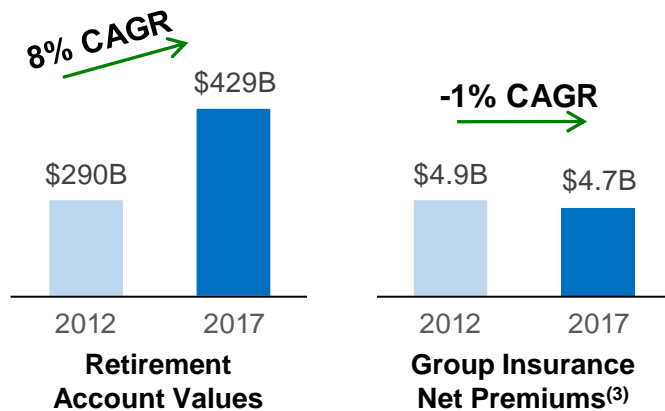


- 1) Pre-tax AOI excluding market driven and discrete items as shown in the reconciliation section; total operating earnings includes Corporate and Other operations loss of \$(1,421) million which is excluded from pie chart.
- 2) See reconciliation section on page 36; total includes Corporate and Other Operations of \$2,318 million and Closed Block Division of \$(1,716) million, which are excluded from pie chart.
- 3) Includes U.S. Individual Annuities and Individual Life.
- 4) Includes U.S. Retirement and Group Insurance.

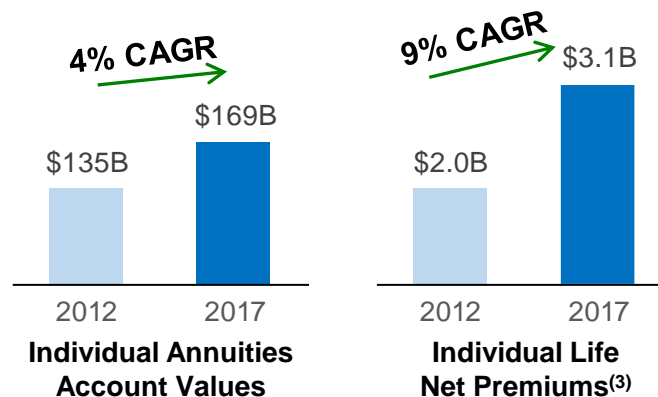
# STRONG BUSINESS FUNDAMENTALS DRIVE BUSINESS GROWTH<sup>(1)</sup>



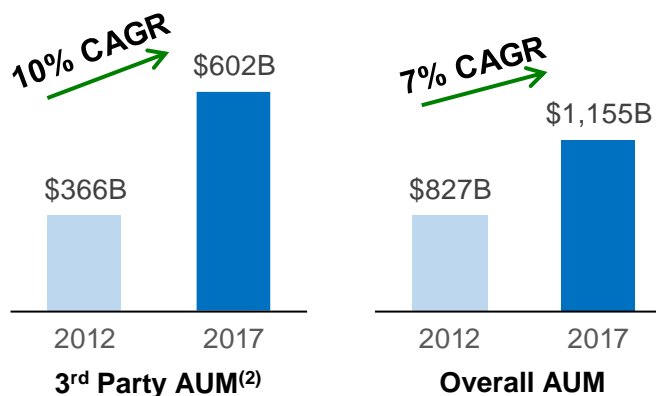
## U.S. Workplace Solutions



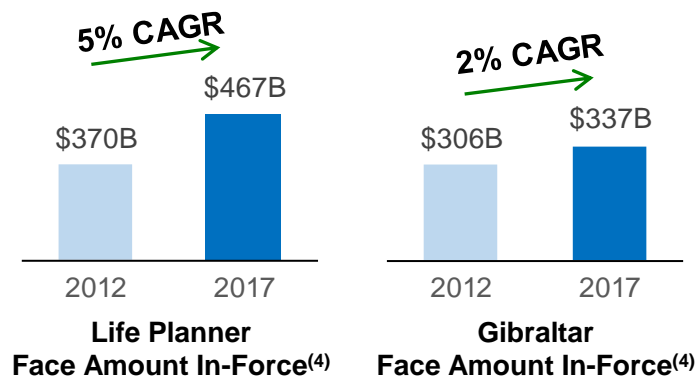
## U.S. Individual Solutions



## Investment Management



## International Insurance



1) Percentages represent compound annual growth rate from 2012-2017.

2) Represents unaffiliated third party assets under management.

3) Represents premiums, policy charges and fees income and excludes the impact of market driven and discrete items. Individual Life includes the impact of the 2013 acquisition of The Hartford Financial Services Group, Inc's individual life business.

4) International Insurance on a constant currency basis. February 2018

# U.S. BUSINESSES' STRATEGIC FOCUSES



- Focus on complementary mix of Protection, Retirement and Investment Management businesses with competitive advantages
- Deepen customer relationships and become the leading provider of integrated financial wellness solutions, leveraging:
  - Employer value propositions of our workplace businesses
  - Solution and advice capabilities in our individual and investment businesses
  - Customer engagement and personalization capabilities built through investments in digital and data analytics

Launched Prudential Pathways in 2015 to provide financial wellness education to Prudential's extensive U.S. customer base

- Adopted by over 300 employers, representing over 3 million employees
- Proving to be a differentiating capability
- Enhanced with a digital component in 2017

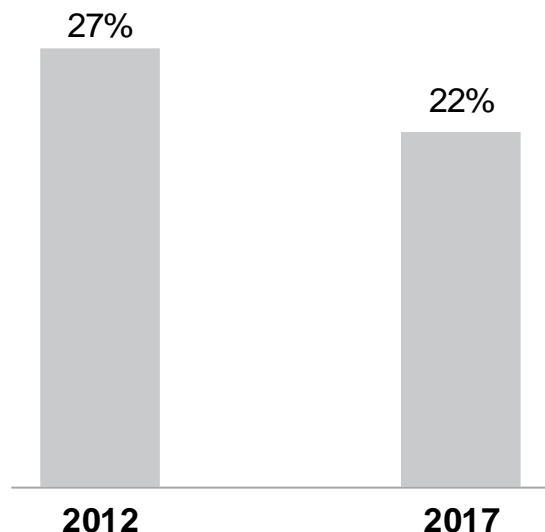


- Implemented new U.S. businesses' organizational structure in the fourth quarter of 2017 to align with our customer focus

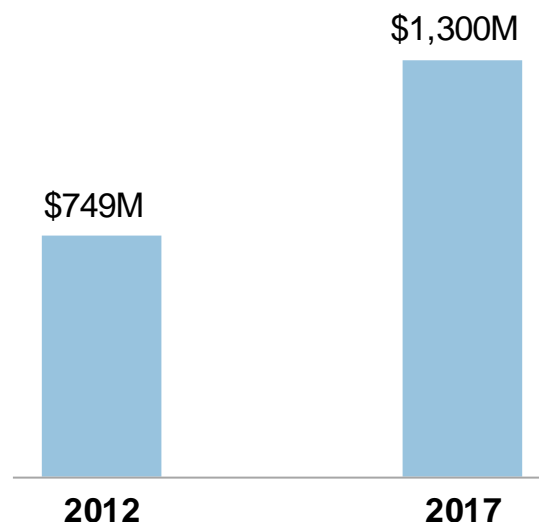
# FINANCIAL STRENGTH HIGHLIGHTS



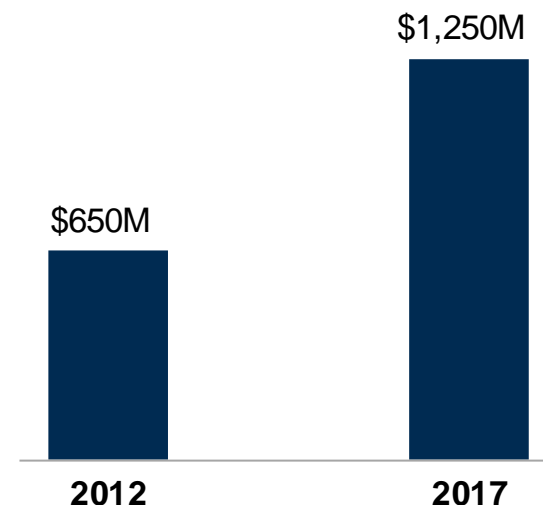
## Financial Leverage Ratio<sup>(1)</sup>



## Common Stock Dividends



## Share Repurchases



- Estimated composite U.S. RBC ratio<sup>(2,3)</sup> well above 400% target as of December 31, 2017
- Total capital returned to shareholders of \$12.9B between 2012 and 2017
  - \$6.2B common stock dividends
  - \$6.7B share repurchases

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), impact of foreign currency exchange rate remeasurement, and the impact from the remeasurement of deferred tax assets and liabilities originally established through AOCI related to the enactment of the Tax Cuts and Jobs Act.

2) The inclusion of Risk Based Capital (RBC) measures is intended solely for the information of investors and is not intended for the purpose of ranking any insurance company or for use in connection with any marketing, advertising or promotional activities. Indicated target is for purposes of evaluating on balance sheet capital capacity.

3) Includes Prudential Insurance and its subsidiaries (Pruco Life of Arizona, Pruco Life of New Jersey, Prudential Legacy Insurance Co., Prudential Retirement Insurance and Annuity Co.) and PALAC. Composite RBC is not reported to regulators and is based on summation of total adjusted capital and risk charges for the included companies as determined under statutory accounting and RBC guidance to calculate a composite numerator and denominator, respectively, for purposes of calculating the composite ratio.

# SUSTAINABILITY – ANTICIPATING RISK AND OPPORTUNITIES



- **Stability, security and sustainability** underpin Prudential's business model, ensuring that Prudential can continue to deliver on the long-term promises we make to our customers
  - Best overall governance risk score awarded by ISS – ISS QualityScores for compensation, audit and risk oversight, board structure = 1 (lowest risk)
- Four building blocks create consistency and enduring solutions
  - **Financial Strength** – Managing risk with integrity and time-tested discipline
  - **Customer Focus** – Innovating to drive success for customers and to advance society
  - **Responsible Impact** – Engaging with stakeholders to create shared success
  - **Talent** – Recruiting, engaging and retaining diverse talent today and tomorrow

## Sustainability Highlights

- Two-thirds of our Board is diverse (including ethnic, racial, LGBT and gender)
- Long-term approach to board refreshment with average director tenure of 6 years (compared to industry average of almost 8 years)
- \$237 million in impact investments committed during 2016 to non-profits and businesses that seek to create a financial and social return
- Renewable energy investments valued at more than \$3.8 billion<sup>(1)</sup>
- “Green” bonds totaling over \$380 million<sup>(1)</sup>
- Member of the FTSE4Good Index series since 2011
- Since 1976, Prudential's total investment in Newark is nearly \$1.175 billion<sup>(1)</sup>

1) As of December 31, 2016.



- Balanced portfolio of businesses with favorable long-term growth prospects and returns
- Risk management supports sustained financial strength
- Positioned for organic business growth and acquisition opportunities as well as distribution of capital to shareholders
- Superior ROE
- Strong capital and liquidity positions
- Focus on talent, leadership, and collaboration



# Appendix



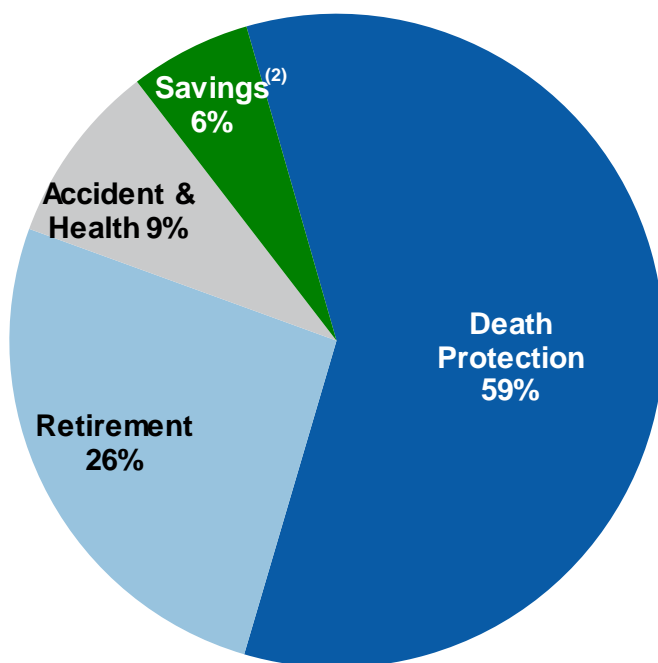
## International Businesses

# INTERNATIONAL INSURANCE EMPHASIS ON PROTECTION PRODUCTS

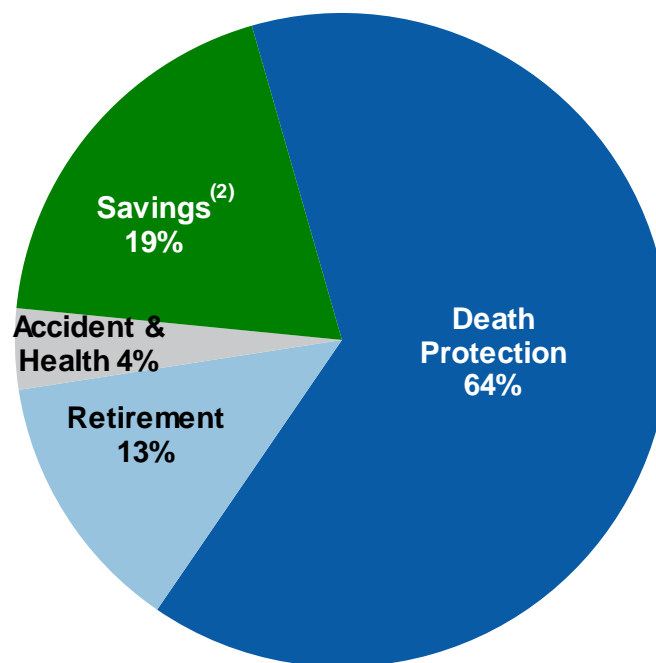


## 2017 Annualized New Business Premiums<sup>(1)</sup>

Life Planner  
\$1.4 billion



Gibraltar Life  
\$1.6 billion



- 1) Foreign-denominated activity translated to U.S. dollars at uniform exchange rates for all periods presented, including Japanese yen 112 per U.S. dollar and Korean won 1,130 per U.S. dollar. U.S. dollar-denominated activity is included based on the amounts as transacted in U.S. dollars.
- 2) Represents annuity products.

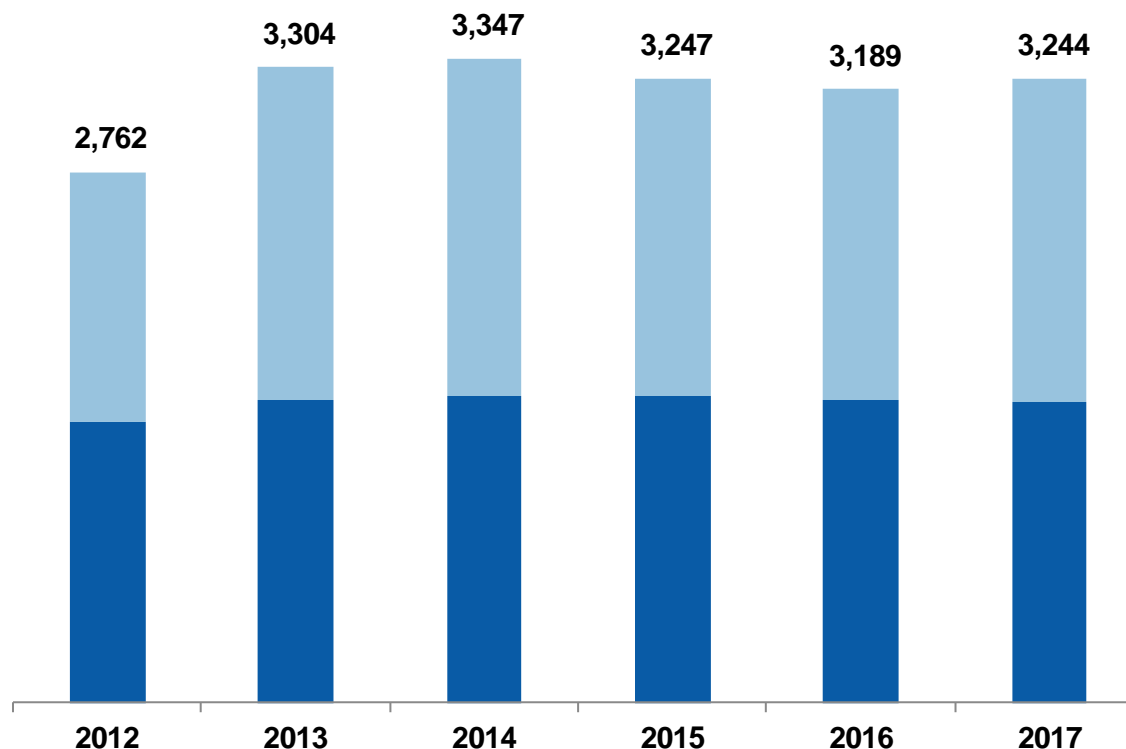
# INTERNATIONAL INSURANCE EARNINGS TREND



## Pre-Tax AOI<sup>(1)</sup>

(\$ millions)

Gibraltar Life & Other Operations  
Life Planner Operations



AOI FX Rate<sup>(2)</sup>

85

80

82

91

106

112

1) Pre-tax AOI excluding market driven and discrete items as shown in the reconciliation section.

2) Hedged foreign currency exchange rate for Japanese yen per U.S. dollar.

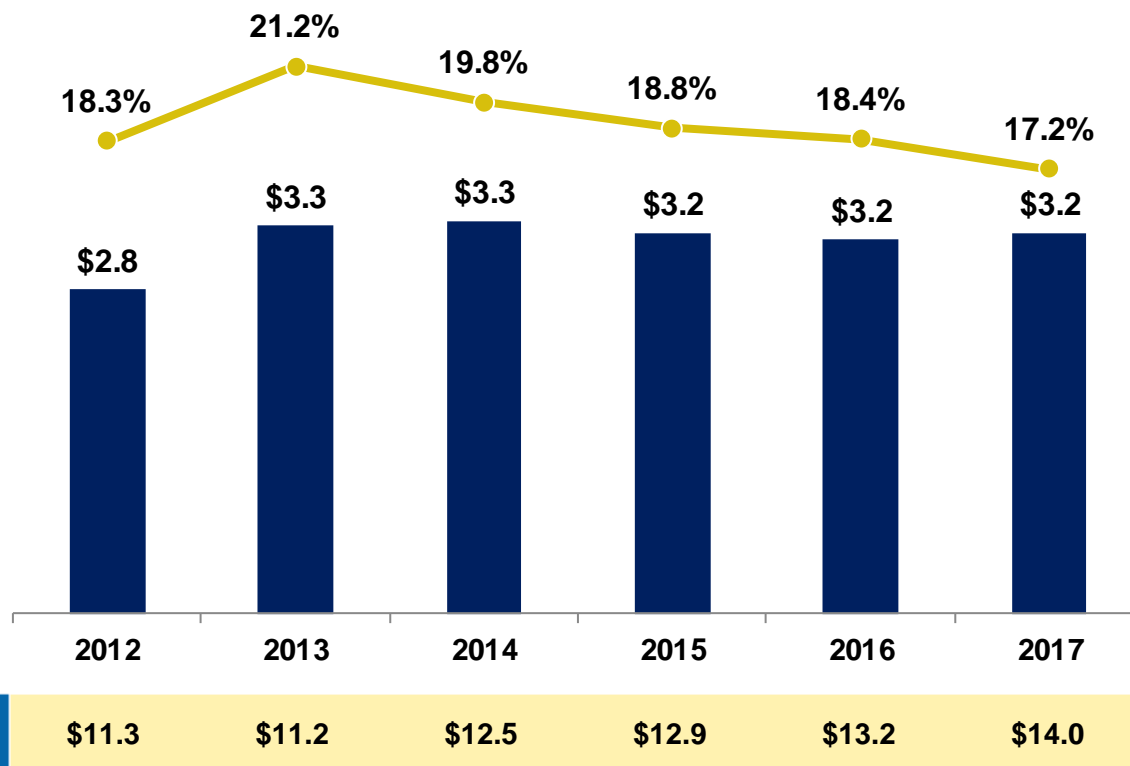
# INTERNATIONAL INSURANCE

## HIGH RETURN ON EQUITY DRIVEN BY FUNDAMENTALS



- International Insurance operations generate sustainable high ROE and strong earnings

**Historical Earnings<sup>(1)</sup> & ROE<sup>(2)</sup>**



- 1) Pre-tax AOI excluding market driven and discrete items as shown in the reconciliation section.
- 2) Based on after-tax AOI of our International Insurance operations, excluding market driven and discrete items shown in the reconciliation section, using an overall effective tax rate for PFI in 2015, 2016 and 2017 and for the former FSB for periods prior to 2015, and associated attributed equity excluding AOCI and the impact of remeasurement of foreign currency and certain deferred taxes.

# INTERNATIONAL INSURANCE DISTRIBUTION



- Life Planners offer proprietary distribution through selective, high-quality sales force; model exported to other countries
- Life Consultants expand proprietary distribution coverage to middle-market customers and have strong affinity group relationship
- Supplemental distribution through banks and independent agents expands access to investible wealth, geographical coverage and business market
- Strong asset liability management and broad offering with emphasis on protection-based products utilizing multi-currency products in Japan, help mitigate impact of low/negative interest rates
- Product diversification to meet clients' financial security needs over a lifetime
- Pursue opportunities in a select number of attractive countries outside Japan
- Maintain discipline, quality, and solid execution



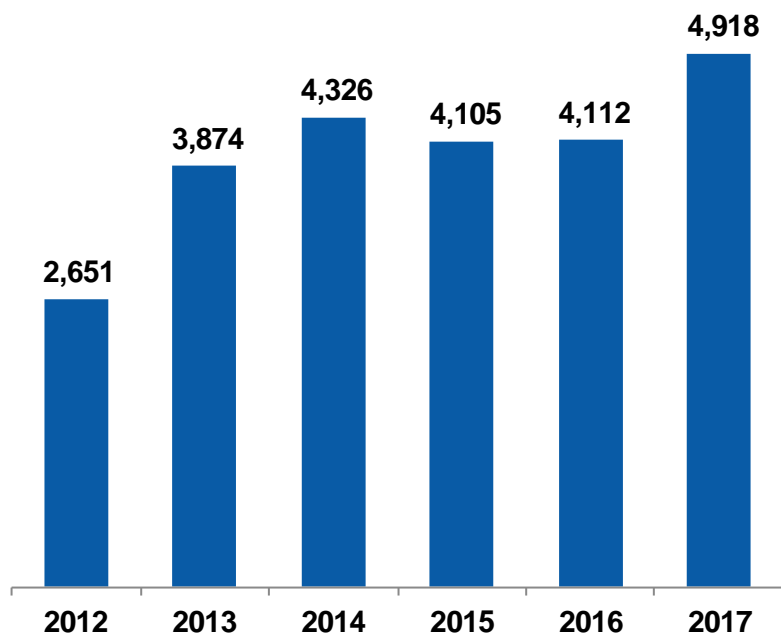
## U.S. Businesses

# PRUDENTIAL'S U.S. BUSINESS PORTFOLIO REPRESENTS AN ATTRACTIVE MIX OF BUSINESSES AND RISKS



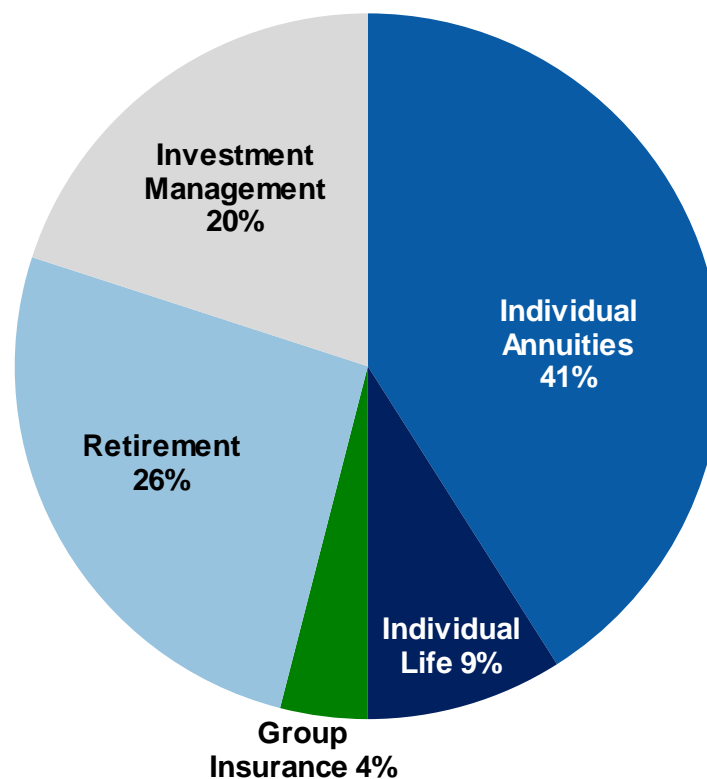
## Pre-Tax Earnings<sup>(1)</sup>

(\$ millions)



## 2017 Pre-Tax Earnings<sup>(1)</sup>

**\$4,918 Million**



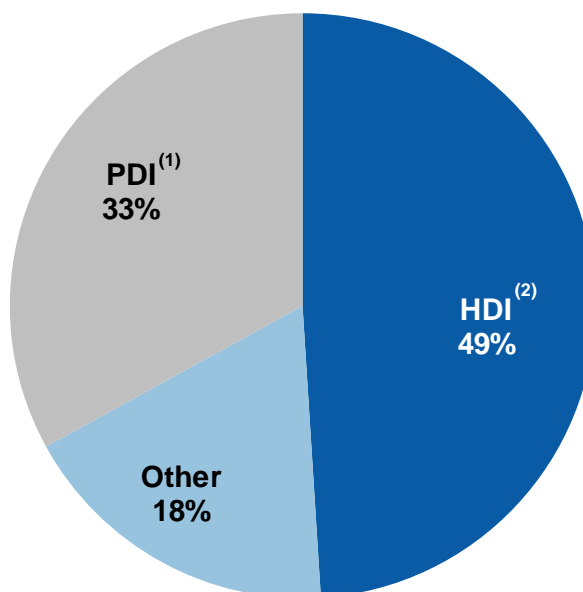
1) Pre-tax AOI of the U.S. Businesses excluding market driven and discrete items, as shown in the reconciliation section.

# INDIVIDUAL ANNUITIES SALES PRODUCT DIVERSIFICATION



## Gross Sales

2017  
\$5.9 billion



1) Prudential Defined Income (PDI).

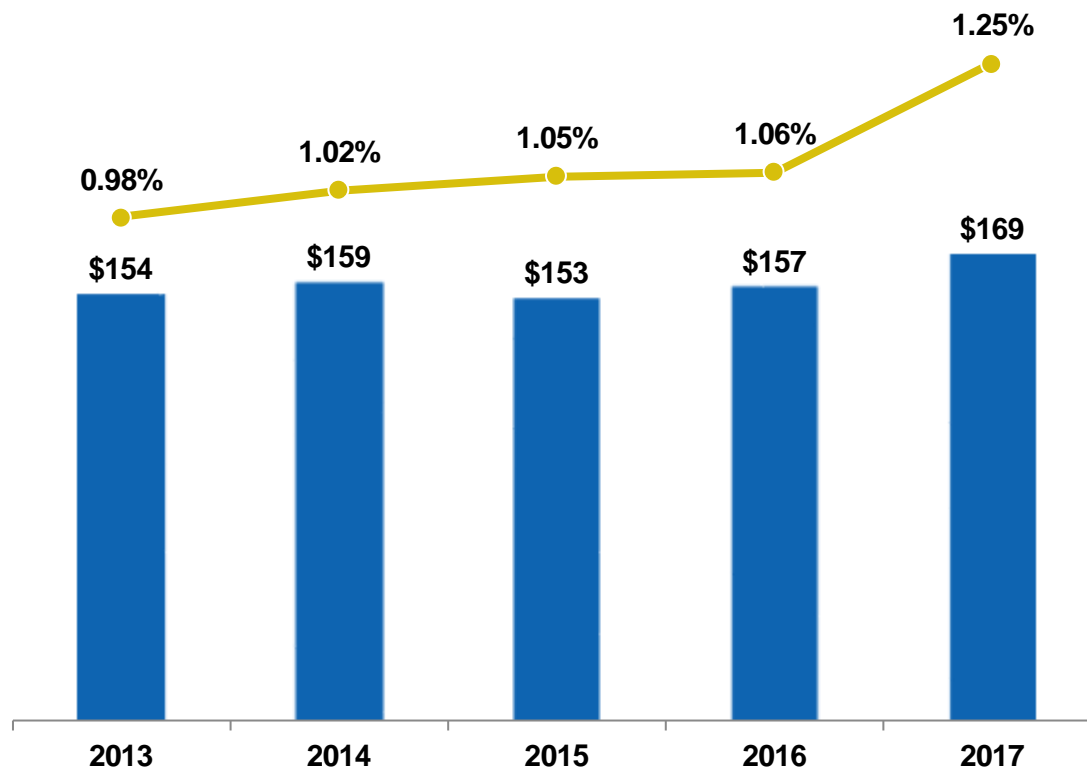
2) Highest Daily Income (HDI); includes variable annuities with "Highest Daily" optional living benefits retained by Prudential and predecessor "Lifetime Five" feature.

# INDIVIDUAL ANNUITIES: ACCOUNT VALUES



## Account Values<sup>(1)</sup> & ROA<sup>(2)</sup>

(\$ millions)



1) Account values at period end

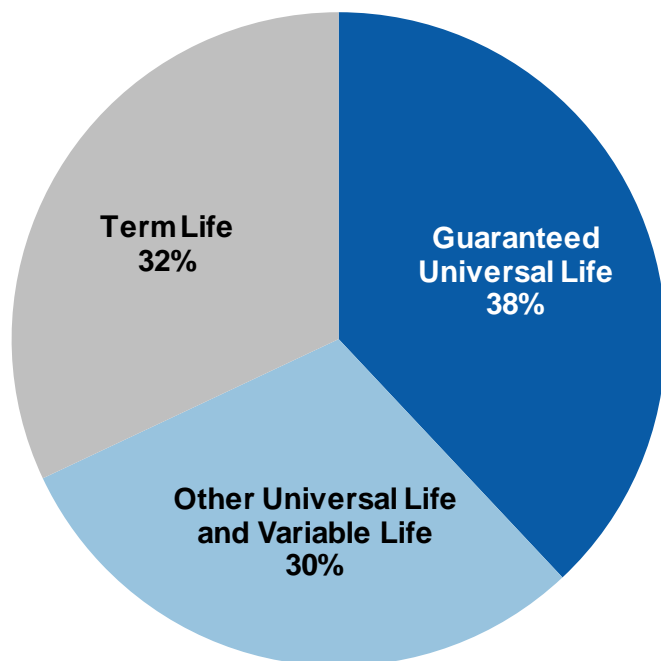
2) Return on average account values (assets) based on pre-tax AOI excluding market driven and discrete items, as shown in the reconciliation section.

# INDIVIDUAL LIFE: PRODUCT DIVERSIFICATION STRATEGY

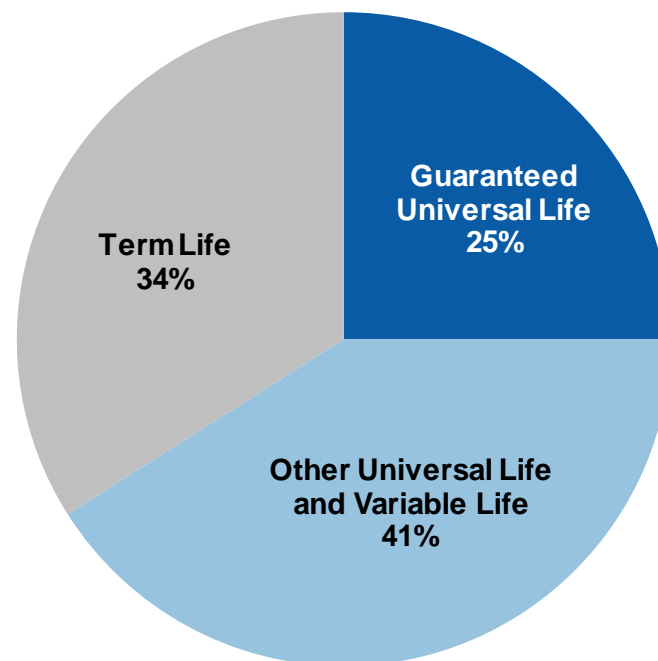


## Annualized New Business Premiums<sup>(1)</sup>

**2016**  
**\$630 million**



**2017**  
**\$624 million**



1) Excludes corporate-owned life insurance.



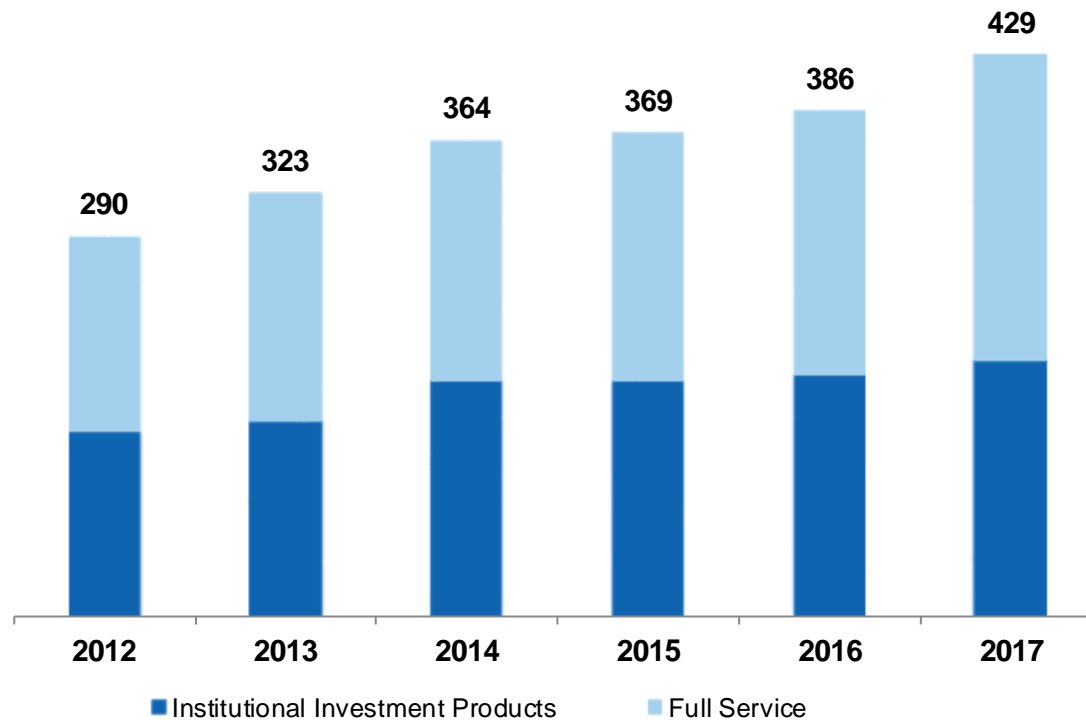
- Market leader in Pension Risk Transfer (PRT)
  - PRT pipeline and market remain strong; pace of transactions will be lumpy
- Investment-Only Stable Value (IOSV) book is \$69 billion<sup>(1)</sup>
  - Filled post-crisis vacuum
  - Favorable risk profile
  - Increasing competition in market
- Investment in the Full Service business
  - Improved cost efficiency and pipeline; strong persistency
  - Solid value proposition focused on mid to large case market

1) As of 12/31/17.



## Account Values at EOP

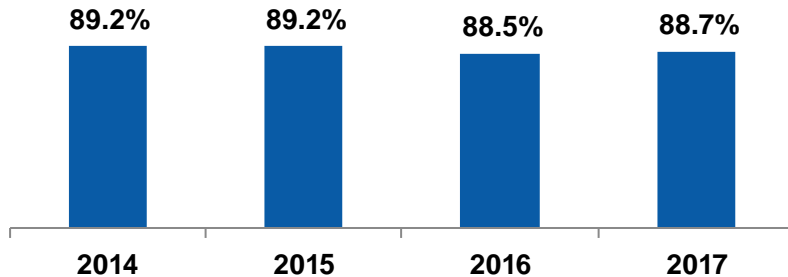
(\$ billions)



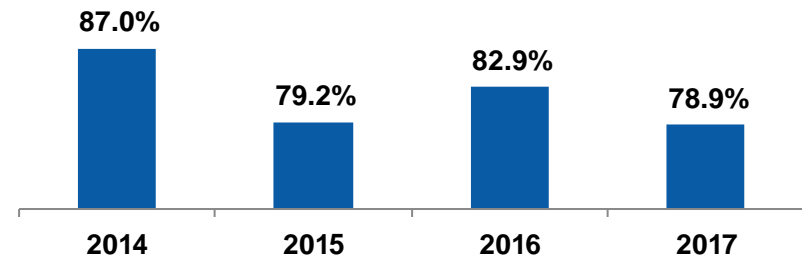
# GROUP INSURANCE: BENEFITS RATIO TRENDS<sup>(1)</sup>



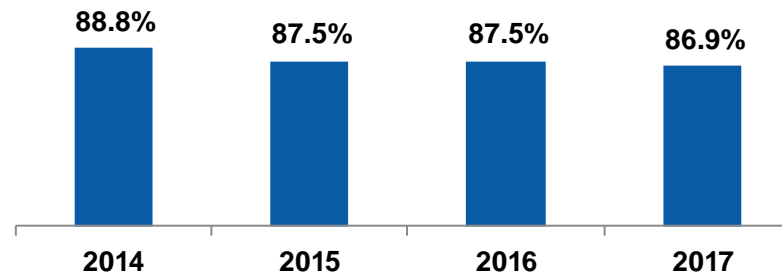
## Group Life



## Group Disability



## Total



- Long-term targeted range of 86% - 90%
- Segment dominated by Group Life block and includes strong demand for voluntary products
- Completed the multi-year process of re-pricing or allowing to lapse the disability book of business; significant investment in claims management

1) Benefits ratios exclude the impact of our annual review of actuarial assumptions and other refinements in each period.



- Leading global investment manager with a unique multi-manager model
  - Global top 10 asset manager<sup>(1)</sup> with over \$1.1 trillion of assets under management<sup>(2)</sup>
  - Broad client base including many of the world's most sophisticated clients
  - Diversified product suite and broad range of investment capabilities
  - \$602 billion of unaffiliated third party institutional and retail assets under management<sup>(2)</sup>
- Robust underlying fundamentals and attractive shareholder returns
  - Strong, consistent financial performance
  - Earnings driven primarily and increasingly by asset management fees
- Source of competitive advantage for the Prudential businesses
  - Culture of product innovation; collaborating with Annuities and Retirement to meet client needs
- Higher investment margins for the General Account
  - Unique sourcing capabilities with private securities and mortgages, in particular
- Continuing to invest in the business and in its people to drive further growth

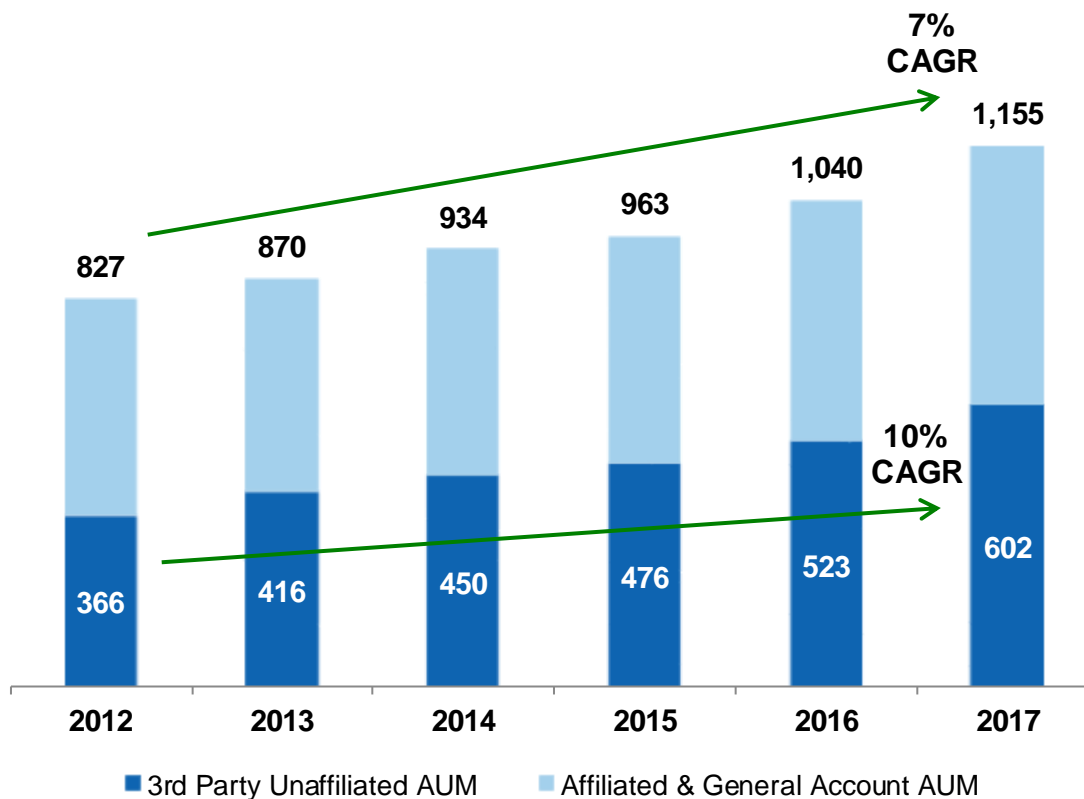
1) Based on *Pensions & Investments* Top Money Managers list for 2016 assets. Assets represent institutional assets managed by Prudential Financial.

2) Asset Management segment AUM as of 12/31/2017.



## Total Assets Under Management

(\$ billions)



# PFI EXCLUDING CLOSED BLOCK DIVISION/BUSINESS FINANCIAL PERFORMANCE<sup>(1)</sup>



(\$ in millions)	2013	2014	2015	2016	2017
Individual Annuities	\$2,085	\$1,467	\$1,797	\$1,765	\$2,198
Individual Life	583	498	635	79	(191)
<b>U.S. Individual Solutions Division</b>	<b>2,668</b>	<b>1,965</b>	<b>2,432</b>	<b>1,844</b>	<b>2,007</b>
Retirement	1039	1215	931	1012	1244
Group Insurance	157	23	176	220	253
<b>U.S. Workplace Solutions Division</b>	<b>1196</b>	<b>1238</b>	<b>1107</b>	<b>1232</b>	<b>1497</b>
Investment Management	723	785	779	787	979
<b>Investment Management Division</b>	<b>723</b>	<b>785</b>	<b>779</b>	<b>787</b>	<b>979</b>
Life Planners Operations	1,517	1,589	1,585	1,539	1,493
Gibraltar Life and Other Operations	1,635	1,663	1,641	1,578	1,705
<b>International Insurance Division</b>	<b>3,152</b>	<b>3,252</b>	<b>3,226</b>	<b>3,117</b>	<b>3,198</b>
Corporate and Other	(1,370)	(1,348)	(1,313)	(1,581)	(1,437)
<b>Total Pre-Tax AOI</b>	<b>6,369</b>	<b>5,892</b>	<b>6,231</b>	<b>5,399</b>	<b>6,244</b>
Income Taxes Applicable to AOI	1,783	1,537	1,582	1,292	1,592
<b>After-Tax AOI</b>	<b>\$4,586</b>	<b>\$4,355</b>	<b>\$4,649</b>	<b>\$4,107</b>	<b>\$4,652</b>

1) Represents results of the former FSB for periods prior to 2015.



## Balance Sheet & Financial Strength

# FINANCIAL STRENGTH HIGHLIGHTS

## INSURANCE OPERATIONS



Risk Based Capital Ratio (RBC) <sup>(1)</sup> December 31, 2016		Target	Estimated December 31, 2017
Prudential Insurance	457%		
PALAC <sup>(2)</sup>	867%		
Composite Major U.S. <sup>(3)</sup> Insurance Subsidiaries	527%	400%	Well Above Target

Solvency Margin Ratio	Target	September 30, 2017
Prudential of Japan <sup>(4)</sup>	700%	893%
Gibraltar Life <sup>(4)</sup>	700%	935%

- 1) The inclusion of RBC measures is intended solely for the information of investors and is not intended for the purpose of ranking any insurance company or for use in connection with any marketing, advertising or promotional activities. Indicated target is for purposes of evaluating on balance sheet capital capacity.
- 2) Prudential Annuities Life Assurance Corporation.
- 3) Includes Prudential Insurance and its subsidiaries (Pruco Life of Arizona, Pruco Life of New Jersey, Prudential Legacy Insurance Co., Prudential Retirement Insurance and Annuity Co.) and PALAC. Composite RBC is not reported to regulators and is based on summation of total adjusted capital and risk charges for the included companies as determined under statutory accounting and RBC guidance to calculate a composite numerator and denominator, respectively, for purposes of calculating the composite ratio.
- 4) Based on Japanese statutory accounting and risk measurement standards applicable to regulatory filings. On a consolidated basis.

# LIQUIDITY, LEVERAGE, AND CAPITAL DEPLOYMENT



## Liquidity Position<sup>(1)</sup>

- Parent company highly liquid assets, \$4.4 billion<sup>(2)</sup>

## Leverage<sup>(1)</sup>

- Financial leverage ratio within our 25% target<sup>(3)</sup>
- Total leverage ratio within our 40% target<sup>(3)</sup>

## Capital Deployment Highlights<sup>(4)</sup>

- \$2.6 billion returned to shareholders through dividends and share repurchases in 2017
- Fourth quarter 2017 common stock dividends \$321 million, share repurchases, \$313 million
- Share repurchase authorization of \$1.5 billion for 2018
- Quarterly dividend increase of 20% in 1Q18<sup>(4)</sup>

1) Liquidity position and leverage ratios as of December 31, 2017.

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.

3) 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. Total leverage ratio represents total debt excluding non-recourse debt divided by sum of total such debt and equity. Equity in each calculation excludes non-controlling interest, AOCI (except for pension and postretirement unrecognized costs), impact of foreign currency exchange rate remeasurement, and the impact from the remeasurement of deferred tax assets and liabilities originally established through AOCI related to the enactment of the Tax Cuts and Jobs Act.

4) \$0.90 per share of Common Stock payable on March 15, 2018 to shareholders of record as of February 21, 2018.

# HIGHLIGHTS OF CAPITAL STRENGTH



- Capital protection framework
  - Comprehensive analysis of market and business risks at an enterprise level
  - Ability to sustain more severe scenarios with substantial resources on and off balance sheet
- Conservative balance sheet
  - Significant adverse experience absorption capacity in statutory and GAAP reserves
  - Annuities living benefits recapture in 2016 increases capital flexibility by reducing capital volatility
- Solid capital generation in ongoing businesses
  - Deployable cash flow expected to be ~65% of after-tax adjusted operating income over time
  - Japan equity hedge protects value of our largest international operation and contribution to overall returns and capital generation
- Effective capital deployment
  - Share repurchase authorization for 2018 of \$1.5 billion; increased quarterly dividend by 20% to \$0.90 per share of common stock in 1Q18
  - Strong recent track record of deploying capital to support outsized organic growth, M&A, dividends and share buybacks



## Reconciliations

# RECONCILIATIONS BETWEEN AOI AND THE COMPARABLE GAAP MEASURE<sup>(1)</sup>



(\$ millions)

## Net income (loss) attributable to Prudential Financial, Inc.

Income attributable to noncontrolling interests

## Net income (loss)

Less: Income from discontinued operations, net of taxes

## Income (loss) from continuing operations (after-tax)

Less: Income attributable to noncontrolling interests

## Income (loss) from continuing operations attributable to Prudential Financial, Inc.

Equity in earnings of operating joint ventures, net of taxes and earnings attributable to noncontrolling interests

## Income (loss) from continuing operations (after-tax) before equity in earnings of operating joint ventures

Reconciling items:

Realized investment gains (losses), net, and related charges and adjustments

Investment gains (losses) on trading account assets supporting insurance liabilities, net

Change in experience-rated contractholder liabilities due to asset value changes

Divested businesses:

Closed Block division

Other divested businesses

Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests

Total reconciling items, before income taxes

Income taxes, not applicable to adjusted operating income

Total reconciling items, after income taxes

## After-tax adjusted operating income

Income taxes, applicable to adjusted operating income

## Adjusted operating income before income taxes

2012	2013	2014	2015	2016	2017
\$ 479	\$ (713)	\$1,533	\$5,642	\$4,368	\$7,863
50	107	57	70	51	111
529	(606)	1,590	5,712	4,419	7,974
17	7	11	-	-	-
512	(613)	1,579	5,712	4,419	7,974
50	107	57	70	51	111
462	(720)	1,522	5,642	4,368	7,863
10	(48)	(41)	(55)	(2)	(62)
452	(672)	1,563	5,697	4,370	7,925
(2,809)	(8,149)	(4,130)	1,579	523	(58)
610	(250)	339	(524)	(17)	336
(540)	227	(294)	433	21	(151)
-	-	-	58	(132)	45
(615)	29	167	(66)	(84)	38
(29)	28	44	58	(5)	33
(3,383)	(8,115)	(3,874)	1,538	306	243
(816)	(2,857)	(1,082)	490	43	(3,030)
(2,567)	(5,258)	(2,792)	1,048	263	3,273
3,019	4,586	4,355	4,649	4,107	4,652
1,008	1,783	1,537	1,582	1,292	1,592
\$4,027	\$6,369	\$5,892	\$6,231	\$5,399	\$6,244

1) Represents results of the former Financial Services Business (FSB) for periods prior to 2015.

# RECONCILIATIONS FOR PRE-TAX AOI EXCLUDING MARKET DRIVEN AND DISCRETE ITEMS



	Year Ended December 31,			
	2017		2012	
	Pre-tax Adjusted Operating Income <sup>(1)</sup>	Earnings Per Share <sup>(2)</sup>	Pre-tax Adjusted Operating Income <sup>(1)</sup>	Earnings Per Share <sup>(2)</sup>
<b>Reported Results<sup>(3)</sup></b>	<b>\$ 6,244</b>	<b>\$ 10.58</b>	<b>\$ 4,027</b>	<b>\$ 6.40</b>
Market driven and discrete items:				
Unlockings and experience true-ups <sup>(4)</sup>	(485)	(0.72)	(10)	(0.02)
Integration costs for Hartford Life acquisition	-	-	(15)	(0.02)
Gains on sales of business/investments <sup>(5)</sup>	-	-	26	0.03
Debt extinguishment and debt exchange costs	(12)	(0.01)	(31)	(0.04)
Integration costs for Star/Edison	-	-	(138)	(0.19)
Other <sup>(6)</sup>	-	-	(43)	(0.06)
<b>Subtotal</b>	<b>(497)</b>	<b>(0.73)</b>	<b>(211)</b>	<b>(0.30)</b>
<b>Results excluding market driven and discrete items</b>	<b>\$ 6,741</b>	<b>\$ 11.31</b>	<b>\$ 4,238</b>	<b>\$ 6.70</b>

1) In millions.

2) Diluted; based on after-tax AOI; tax effect for market driven and discrete items at 35%.

3) Represents results of FSB for 2012.

4) Includes adjustments to reflect updated estimates of profitability based on market performance in relation to our assumptions in each period, as well as annual reviews of actuarial assumptions and refinements of reserves and amortization of deferred policy acquisition and other costs.

5) Includes impairment and gains on certain other investments.

6) Includes charges related to true-up of legal reserves and employee benefit accruals, and impairments and write offs of intangible assets.

# RECONCILIATIONS BETWEEN ADJUSTED BOOK VALUE AND THE COMPARABLE GAAP MEASURE<sup>(1)</sup>



(\$ millions, except per share data)

	<b>December 31,</b>	
	<b>2017</b>	<b>2012</b>
<b>GAAP book value</b>	\$ 54,069	\$ 37,006
Less: Accumulated other comprehensive income (AOCI)	17,074	9,990
<b>GAAP book value excluding AOCI</b>	36,995	27,016
Less: Cumulative effect of remeasurement of foreign currency and certain deferred taxes <sup>(2)</sup>	(969)	(179)
<b>Adjusted book value</b>	37,964	27,195
 Number of diluted shares	 435.7	 468.2
 GAAP book value per common share - diluted <sup>(3)</sup>	 125.24	 79.04
GAAP book value excluding AOCI per share - diluted <sup>(3)</sup>	86.06	57.70
Adjusted book value per common share - diluted <sup>(3)</sup>	88.28	58.08

1) Represents results of FSB for 2012.

2) Includes \$1,678 million impact reported in net income for the fourth quarter of 2017 from the remeasurement of deferred tax assets and liabilities originally established through AOCI, related to a change in the U.S. tax rate enacted with the Tax Cuts and Jobs Act on December 22, 2017.

3) As of the fourth quarter of 2017, exchangeable surplus notes are dilutive when book value per share is greater than \$85.00 (equivalent to an additional 5.88 million in diluted shares and an increase of \$500 million in equity). Book value per share as of December 31, 2012 excludes the impact of exchangeable surplus notes due to the anti-dilutive impact of conversion.

# RECONCILIATIONS FOR INDIVIDUAL ANNUITIES PRE-TAX AOI EXCLUDING MARKET DRIVEN AND DISCRETE ITEMS<sup>(1)</sup>



(\$ millions)

	4Q16	1Q17	2Q17	3Q17	4Q17
<b>Individual Annuities pre-tax AOI</b>	\$ 422	\$ 468	\$ 612	\$ 577	\$ 541
Reconciling items:					
Annual review of actuarial assumptions and reserve refinements <sup>(2)</sup>	-	-	46	-	-
Market unlockings and experience true-ups <sup>(3)</sup>	-	19	54	48	16
Subtotal	\$ -	\$ 19	\$ 100	\$ 48	\$ 16
<b>Individual Annuities pre-tax AOI excluding market driven and discrete items</b>	<b>\$ 422</b>	<b>\$ 449</b>	<b>\$ 512</b>	<b>\$ 529</b>	<b>\$ 525</b>

1) As disclosed in company earnings conference call presentations available at [www.investor.prudential.com](http://www.investor.prudential.com).

2) Includes updates and refinements of reserves and amortization of deferred policy acquisition and other costs.

3) Includes adjustments to reflect updated estimates of profitability based on market performance in relation to our assumptions.

# RECONCILIATIONS FOR U.S. BUSINESSES AND INTERNATIONAL INSURANCE PRE-TAX AOI EXCLUDING MARKET DRIVEN AND DISCRETE ITEMS<sup>(1)</sup>



(\$ millions)

	2012	2013	2014	2015	2016	2017
<b>International Insurance pre-tax AOI</b>	\$ 2,704	\$ 3,152	\$ 3,252	\$ 3,226	\$ 3,117	\$ 3,198
Reconciling items:						
Annual review of actuarial assumptions and reserve refinements <sup>(2)</sup>	20	(190)	(95)	(21)	(72)	(46)
Gains on sales of indirect investment in China Pacific Group	60	66	-	-	-	-
Star/Edison integration costs	(138)	(28)	-	-	-	-
Subtotal	\$ (58)	\$ (152)	\$ (95)	\$ (21)	\$ (72)	\$ (46)
<b>International Insurance pre-tax AOI excluding market driven and discrete items</b>	\$ 2,762	\$ 3,304	\$ 3,347	\$ 3,247	\$ 3,189	\$ 3,244
	2012	2013	2014	2015	2016	2017
<b>U.S. Businesses pre-tax AOI</b>	\$ 2,661	\$ 4,587	\$ 3,988	\$ 4,318	\$ 3,863	\$ 4,483
Reconciling items:						
Annual review of actuarial assumptions and reserve refinements <sup>(2)</sup>	(139)	369	(163)	99	(369)	(572)
Individual Annuities - Market unlockings and experience true-ups <sup>(3)</sup>	187	395	(143)	131	134	137
Integration costs for Hartford Life	(15)	(51)	(32)	(17)	-	-
Other <sup>(4)</sup>	(23)	-	-	-	(14)	-
Subtotal	\$ 10	\$ 713	\$ (338)	\$ 213	\$ (249)	\$ (435)
<b>U.S. Businesses pre-tax AOI excluding market driven and discrete items</b>	\$ 2,651	\$ 3,874	\$ 4,326	\$ 4,105	\$ 4,112	\$ 4,918

1) As disclosed in company earnings conference call presentations available at [www.investor.prudential.com](http://www.investor.prudential.com).

2) Includes amortization of deferred policy acquisition and other costs.

3) Includes adjustments to reflect updated estimates of profitability based on market performance in relation to our assumptions.

4) Includes legal costs, impairments and write-offs of intangible assets and impairments on certain other investments.