



# PRUDENTIAL FINANCIAL, INC.

THIRD QUARTER 2018



## FORWARD-LOOKING STATEMENTS AND NON-GAAP MEASURES



Certain of the statements included in this presentation, including those under the headings “Key Priorities to Grow Earnings” 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.

This presentation also 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 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.

## TRACK RECORD OF DELIVERING SUPERIOR VALUE



- Leader in financial wellness
- Positioned for organic business growth and acquisition opportunities
- Robust record of sustained buybacks and a decade of dividend growth

**11%**

5-yr EPS  
CAGR<sup>(1)</sup>

**9%**

5-yr Adjusted  
BVPS  
CAGR<sup>(2)</sup>

**13.5%**

Adjusted  
Operating  
ROE<sup>(3)</sup>

1) From 2012 to 2017; based on after-tax Adjusted Operating Income.

2) From 2012 to 2017; based on Adjusted Book Value.

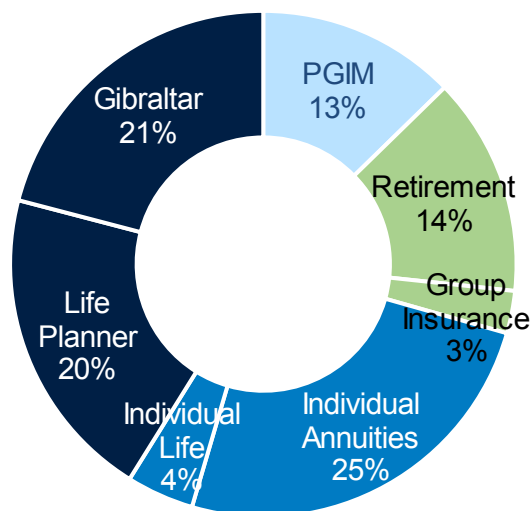
3) Year-to-date as of 3Q18; based on annualized after-tax Adjusted Operating Income and average Adjusted Book Value. See appendix for more information.

# LEADING GLOBAL FINANCIAL SERVICES COMPANY



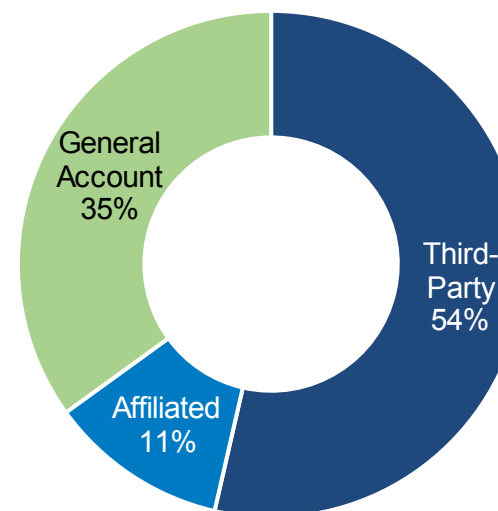
- Fortune 50 global financial services firm
- ~50,000 employees serving customers in more than 40 countries
- ~\$40 billion market cap<sup>(1)</sup>

## Attractive Mix of Businesses



Pre-tax Adjusted Operating Income<sup>(2)</sup>  
\$6.6 billion

## Leading Global Asset Manager



3Q18 PGIM Assets Under Management  
\$1,175 billion

1) As of November 6, 2018.

2) Based on last twelve months of adjusted operating income through 3Q18. Pie chart excludes Corporate and Other operations loss of \$1,417 million.

# STABILITY, SECURITY, AND SUSTAINABILITY UNDERPIN OUR BUSINESS MODEL



- 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

<p><b>Forbes &amp; JUST Capital</b></p> <p>2017 America's JUST 100 Companies</p> <p><i>Industry Leader: Insurance</i></p>	<p><b>DiversityInc</b></p> <p>Top 50 Companies for Diversity 2017</p> <p><i>16 Years Running</i></p>	<p><b>ISS</b> </p> <p><i>Superior QualityScore Ratings in Governance, Environmental and Social Categories</i></p> <p><b>#1 Governance</b></p>	<p><b>Barron's</b></p> <p>Top 100 Most Sustainable Companies for 2017</p>	<p><b>FTSE4Good</b></p> <p><b>#1</b></p> <p><i>Best Overall Risk Governance Score (Lowest Risk) by ISS</i></p>
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# OUR VALUES INSPIRE OUR SUCCESSFUL STRATEGY EXECUTION



## Values

- Worthy of trust
- Customer-focused
- Respect for each other
- Winning with integrity

## Current Strategy

- Cross business collaboration
- Customer centricity
- Digital and data analytics
- Omni-channel distribution with workplace emphasis

# CONTINUE TO ATTRACT U.S. CUSTOMERS TO OUR INTEGRATED SOLUTIONS, INCLUDING FINANCIAL WELLNESS



- Deepen customer relationships and become the leading provider of integrated financial wellness solutions
- Be widely regarded as a premier active global investment manager

## Value Proposition



### Individual Solutions

- Retail income and protection products
- Financial wellness through workplace channel



### Workplace Solutions

- Financial wellness and advice platform
- Superior pension and other risk transfer solutions



### PGIM

- Active global investment products and solutions
- Retail solutions through Prudential Advisors and third-party distribution partners

# EXTENSION OF OUR FINANCIAL WELLNESS INITIATIVE

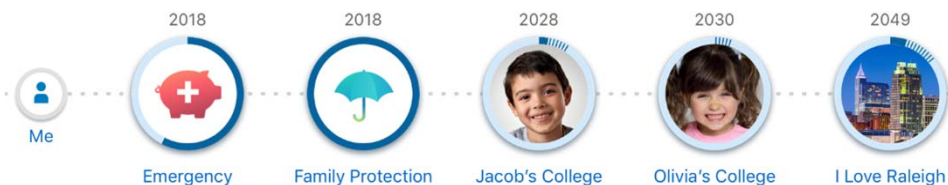


Connecting societal need and market opportunity with Prudential's unique mix of capabilities

FORTUNE®  
Named to 2018 Change The World® List



## Timeline: My Goals



- Digital platform that learns about what's important to customers and connects them to solutions and financial professionals to help them achieve their goals
- Available via multiple channels including our worksite financial wellness platform

- Launch of brand campaign to further differentiate Prudential as the leading financial wellness company
- The State of US journeys across the country to communities which embody relatable and pressing financial challenges impacting financial wellness today

Note: From FORTUNE, September 1, 2018 ©2018 Time Inc. Used under license. FORTUNE and Time Inc. are not affiliated with, and do not endorse products or services of Prudential Financial



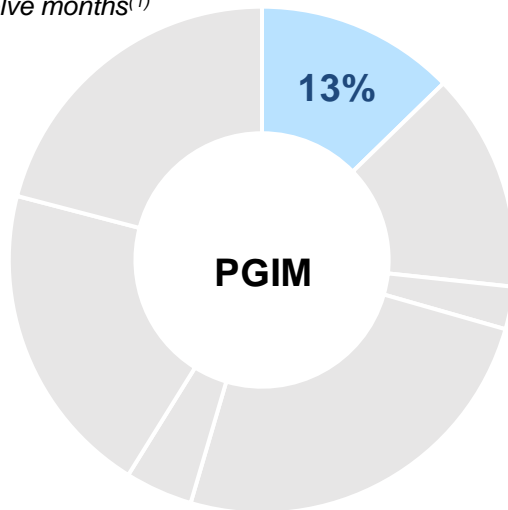


# PGIM - DIVERSIFIED GLOBAL ACTIVE ASSET MANAGER WITH A MULTI-MANAGER MODEL



## Earnings Contribution to Prudential

Trailing twelve months<sup>(1)</sup>

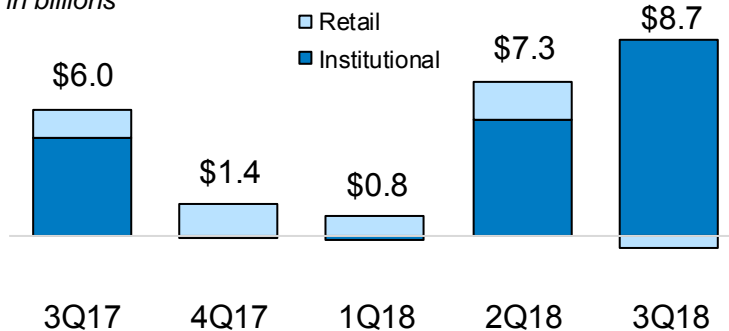


## Key Priorities to Grow Earnings

- Maintain strong investment performance<sup>(2)</sup>
  - Percentage of AUM<sup>(3)</sup> outperforming benchmark<sup>(4)</sup>:  
3 Year: 91%, 5 Year: 97%, 10 Year: 96%
- Leverage scale of \$1+ trillion multi-manager model and Prudential enterprise relationship
- Expand global footprint
- Continue to diversify products into higher margin areas
- Selectively acquire new capabilities

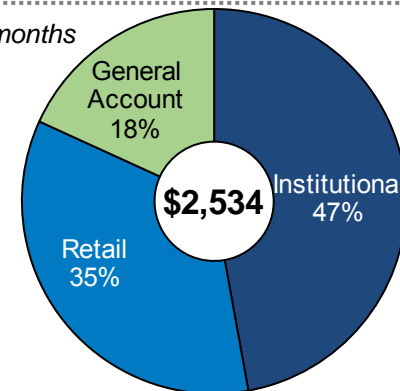
## 3<sup>rd</sup> Party Net Flows

\$ in billions



## Asset Management Fees

Trailing twelve months  
\$ in millions



1) Based on pre-tax adjusted operating income excluding Corporate and Other Operations.

2) Performance shown represents each individual AUMs respective fund or strategies benchmark as reported in eVestment. Past performance is not a guarantee or reliable indicator of future results.

3) Represents PGIM's benchmarked AUM as listed in eVestment (data provided by PGIM). 92% of total third-party AUM is benchmarked over 3 years, 90% over 5 years, and 67% over 10 years. This calculation does not include private assets that are not benchmarked or general account assets.

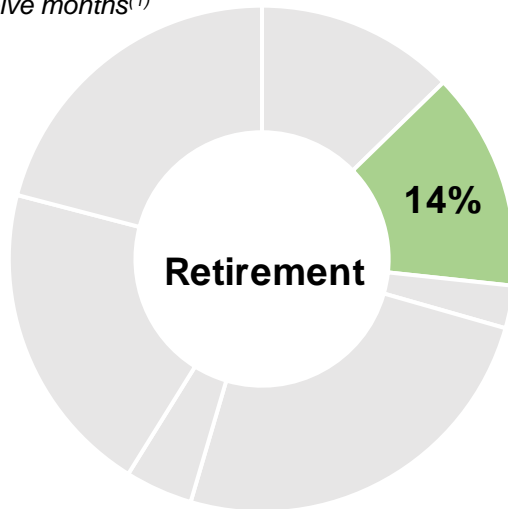
4) Performance as of September 30, 2018. Represents excess performance gross of fees, based on all actively managed Fixed Income and Equity AUM reported in eVestment for Jennison Associates, PGIM Fixed Income, Quantitative Management Associates, and PGIM Real Estate. Composite assets reported in eVestment assumed to represent full strategy AUM. Based on performance, net of fees, the percentage of AUM outperforming benchmarks would be 82%, 93%, and 92% over 3, 5, and 10 years respectively.

# RETIREMENT - DIFFERENTIATED CAPABILITIES TO DRIVE GROWTH IN PENSION RISK TRANSFER, FULL SERVICE, AND STABLE VALUE MARKETS



## Earnings Contribution to Prudential

Trailing twelve months<sup>(1)</sup>

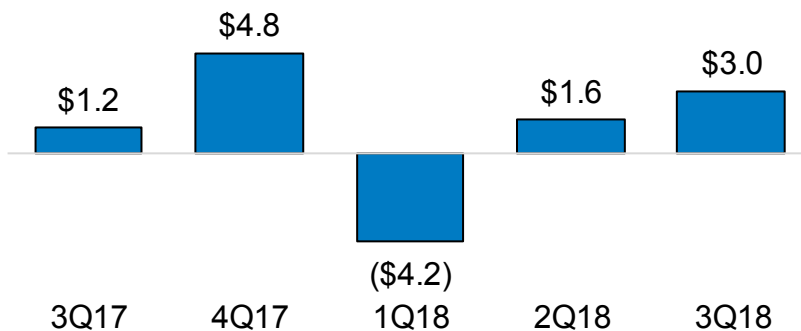


## Key Priorities to Grow Earnings

- 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

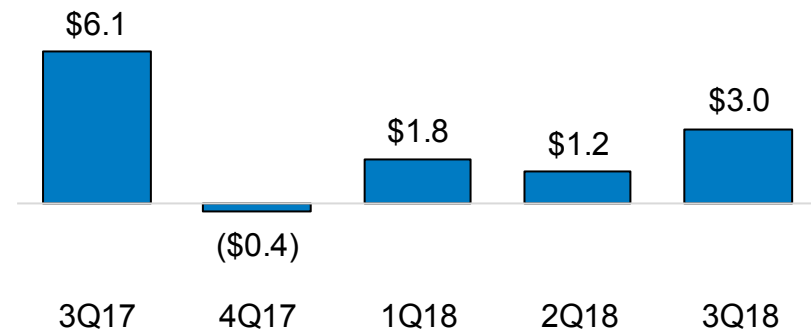
## Institutional Investment Products Net Flows

\$ in billions



## Full Service Net Flows

\$ in billions



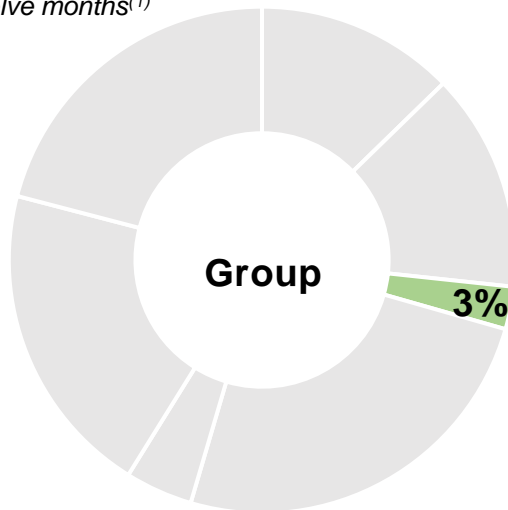
<sup>1)</sup> Based on pre-tax adjusted operating income excluding Corporate and Other Operations.

# GROUP INSURANCE - LEADING GROUP BENEFITS PROVIDER WITH SUCCESS IN FINANCIAL WELLNESS



## Earnings Contribution to Prudential

Trailing twelve months<sup>(1)</sup>



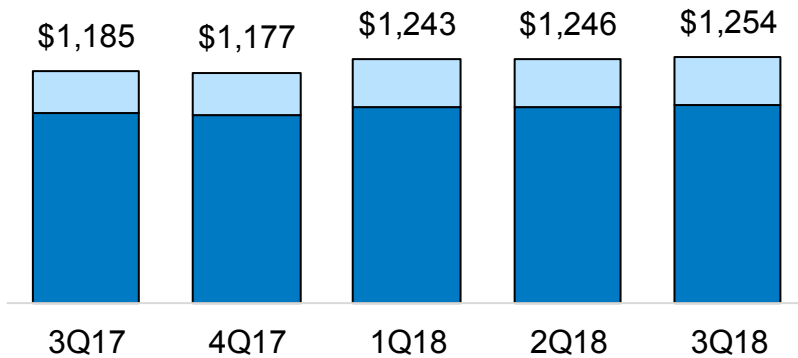
## Key Priorities to Grow Earnings

- 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 Premier segment (100 to 5,000 employees)
  - Diversify further into Group Disability
- Improve organizational and process efficiencies

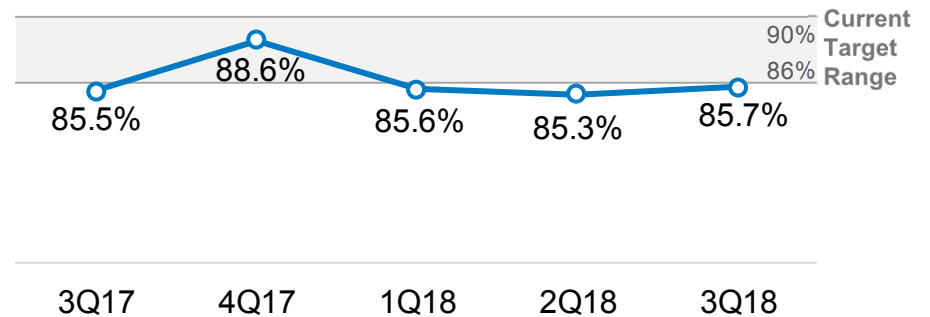
## Earned Premiums & Fees

\$ in millions

■ Group Life □ Group Disability



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



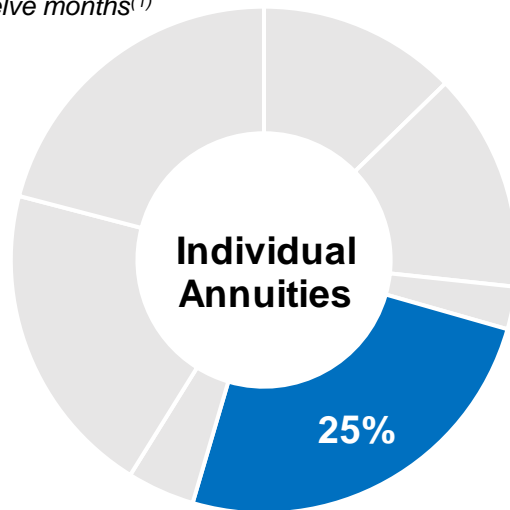
1) Based on pre-tax adjusted operating income excluding Corporate and Other Operations.  
 2) Benefits ratios excluding the impact of the annual assumption update and other refinements.

# INDIVIDUAL ANNUITIES - STEADY FREE CASH FLOW GENERATION AND ATTRACTIVE RETURNS



## Earnings Contribution to Prudential

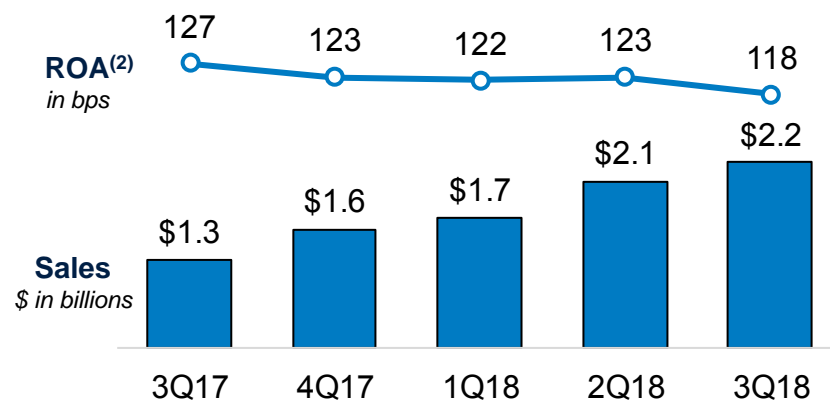
Trailing twelve months<sup>(1)</sup>



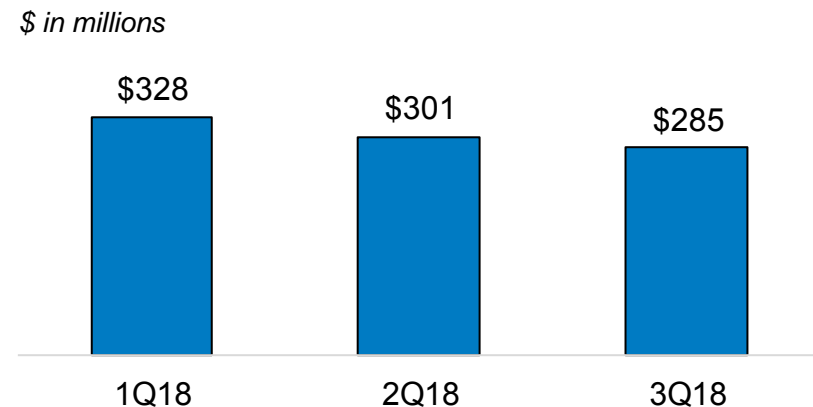
## Key Priorities to Grow Earnings

- Generate steady free cash flow and attractive returns
- Continue to grow sales and diversify mix
- Engage a larger addressable market via additional distribution channels
- Extend secure retirement income to workplace relationships

## Sales & Return on Assets (ROA)



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



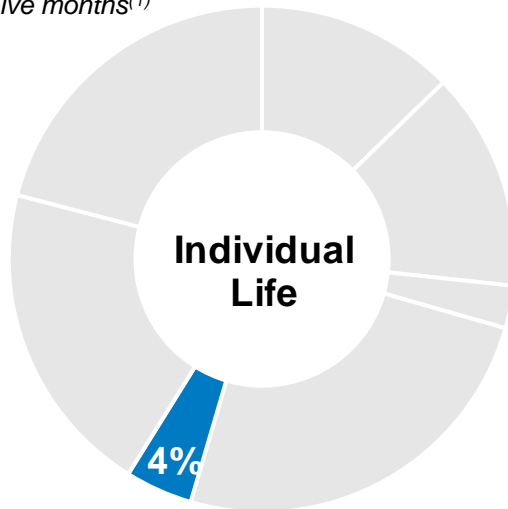
1) Based on pre-tax adjusted operating income excluding Corporate and Other Operations.  
 2) Annualized pre-tax AOI excluding notable items divided by average daily separate account values.  
 3) Dividends include Prudential Annuities Holding Co.

# INDIVIDUAL LIFE - BROAD PRODUCT PORTFOLIO AND MULTI-CHANNEL DISTRIBUTION



## Earnings Contribution to Prudential

Trailing twelve months<sup>(1)</sup>

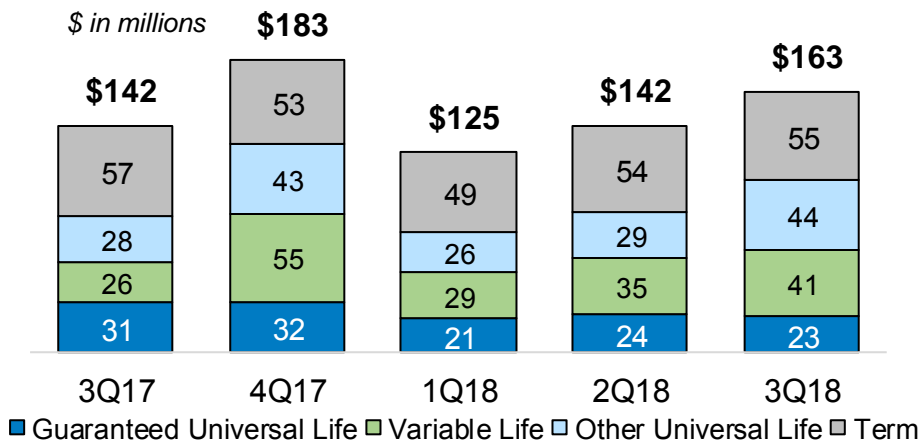


## Key Priorities to Grow Earnings

- Deepen existing distribution relationships and add new relationships
- Streamline underwriting process and enhance customer experience
- Extend retail education and solutions to workplace relationships

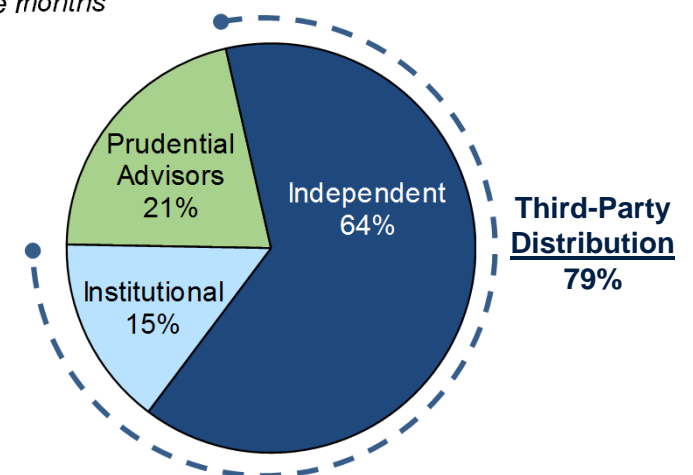
## Sales<sup>(2)</sup> – Product Mix

\$ in millions



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

Trailing twelve months

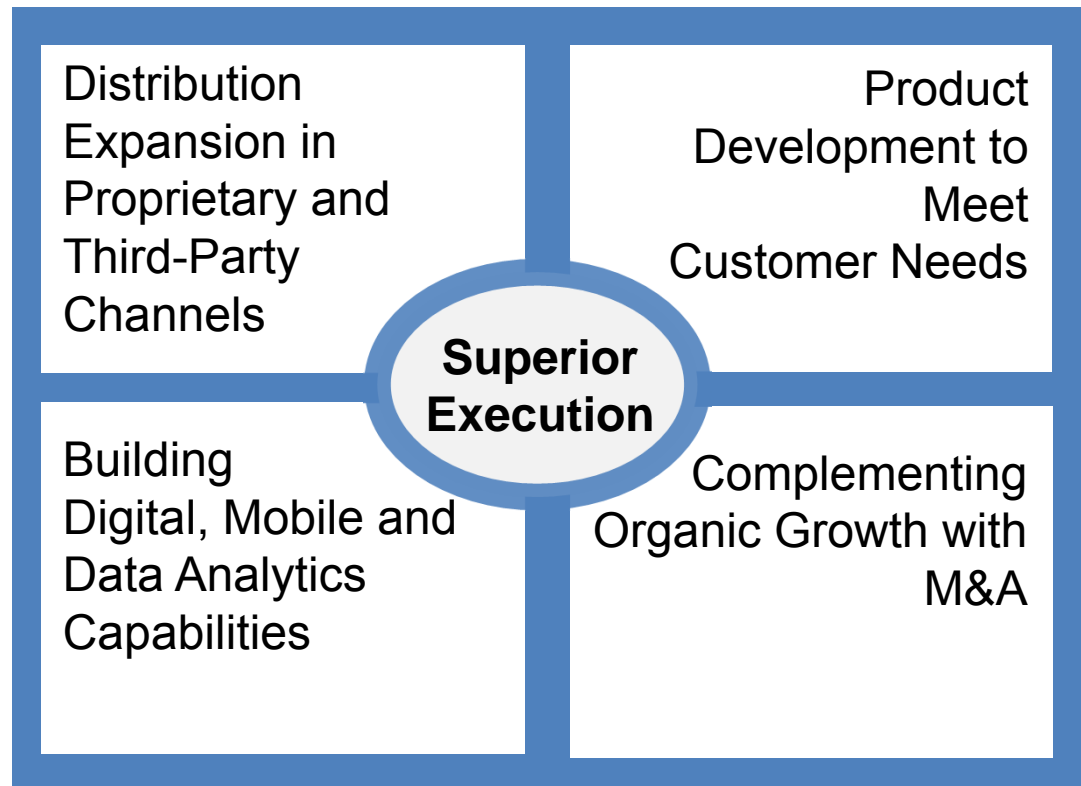


1) Based on pre-tax adjusted operating income excluding Corporate and Other Operations.

2) Sales represented by annualized new business premiums.



# PROVIDE INTERNATIONAL CUSTOMERS WITH PROTECTION AND RETIREMENT SOLUTIONS

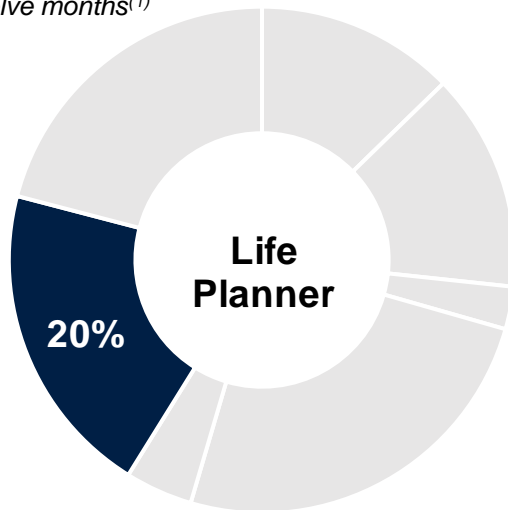


# LIFE PLANNER OPERATIONS - DIFFERENTIATED DISTRIBUTION WITH STEADY LONG-TERM GROWTH POTENTIAL



## Earnings Contribution to Prudential

Trailing twelve months<sup>(1)</sup>

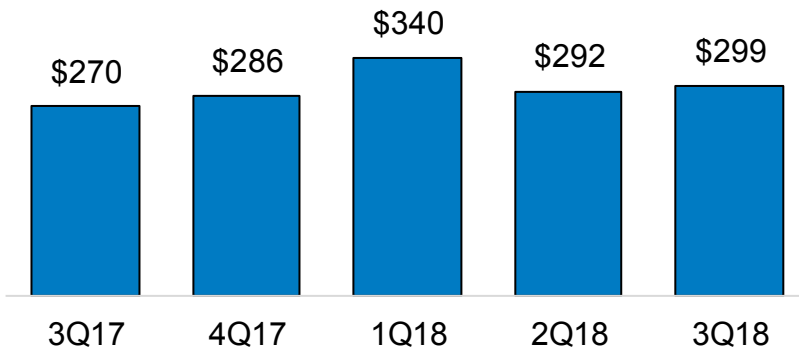


## Key Priorities to Grow Earnings

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

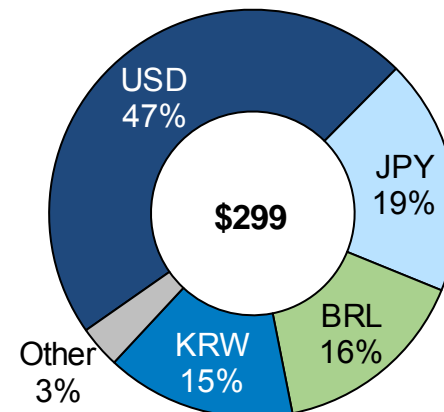
## Sales<sup>(2)</sup>

\$ in millions



## Sales Mix by Currency<sup>(2)</sup> – 3Q18

\$ in millions



1) Based on pre-tax adjusted operating income excluding Corporate and Other Operations.

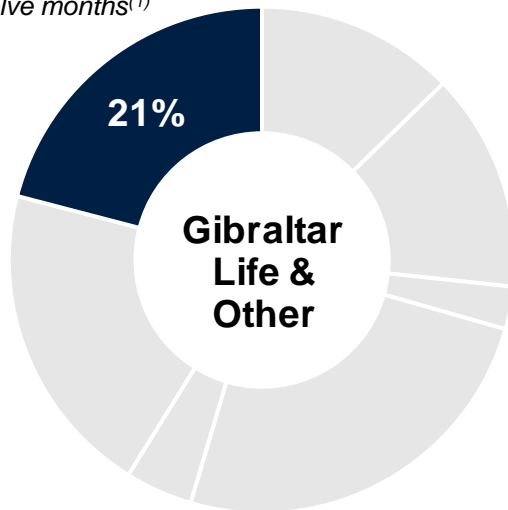
2) Constant exchange rate basis. Foreign denominated activity translated to U.S. Dollars (USD) at uniform exchange rates for all periods presented, including Japanese Yen (JPY) 111 per U.S. Dollar and Korean Won (KRW) 1,150 per U.S. Dollar. U.S. Dollar-denominated activity is included based on the amounts as transacted in U.S. Dollars. BRL = Brazilian Real. 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>

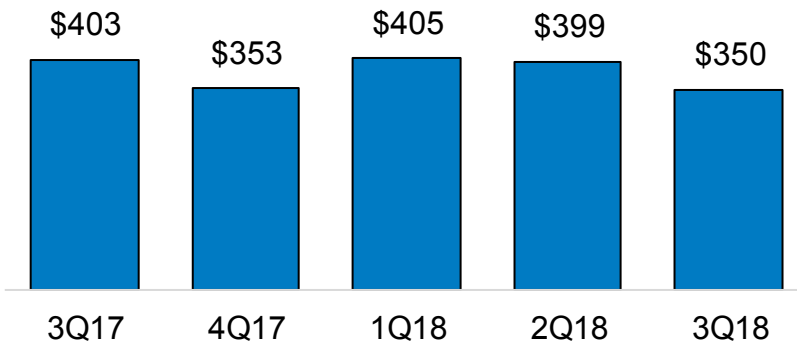


## Key Priorities to Grow Earnings

- Lead with protection solutions and innovate as client needs evolve
- Optimize Life Consultant force through quality and productivity
- Strategically expand in Bank and Independent Agency channels
- Build digital, mobile, and data analytics capabilities

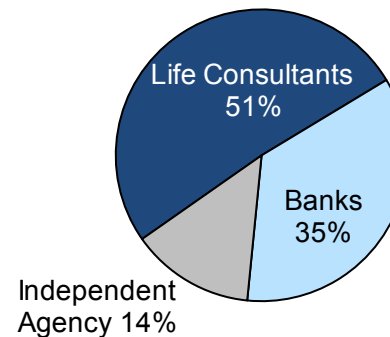
## Sales<sup>(2)</sup>

\$ in millions

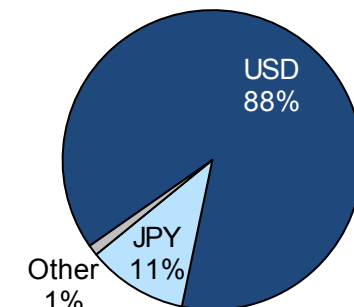


## Sales Mix<sup>(2)</sup> – 3Q18

### Distribution



### Currency



1) Based on pre-tax adjusted operating income excluding Corporate and 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) 111 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.



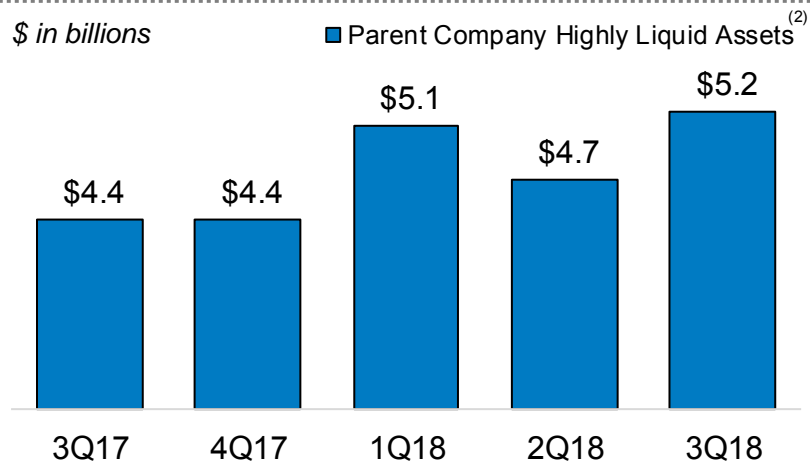
# ROBUST CAPITAL POSITION SUPPORTS STRONG DISTRIBUTIONS TO SHAREHOLDERS



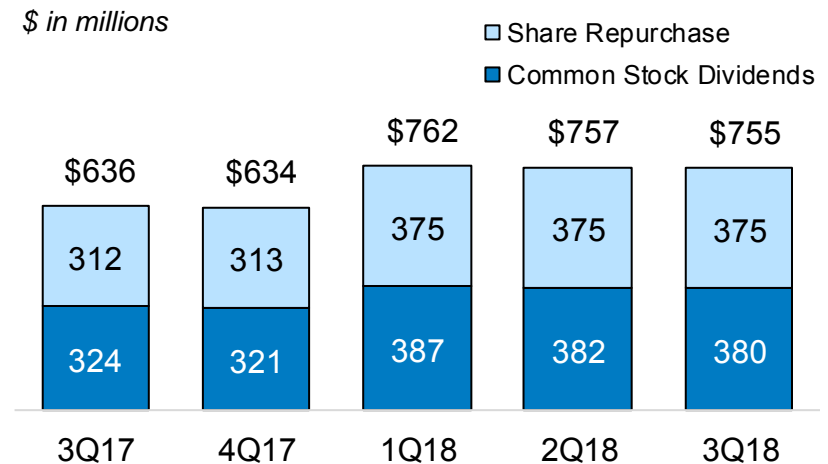
## Capital Position

- Capital Deployment**
  - \$375 million of remaining share repurchase authorization for 2018
- Capital Level**
  - Continue to hold capital above our AA financial strength levels
- Leverage<sup>(1)</sup>**
  - Financial leverage ratio less than 25%
  - Total leverage ratio less than 40%

## Liquidity Position



## Shareholder Distributions



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. 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), 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.

## TRACK RECORD OF DELIVERING SUPERIOR VALUE



- Leader in financial wellness
- Positioned for organic business growth and acquisition opportunities
- Robust record of sustained buybacks and a decade of dividend growth

**11%**

5-yr EPS  
CAGR<sup>(1)</sup>

**9%**

5-yr Adjusted  
BVPS  
CAGR<sup>(2)</sup>

**13.5%**

Adjusted  
Operating  
ROE<sup>(3)</sup>

1) From 2012 to 2017; based on after-tax Adjusted Operating Income.

2) From 2012 to 2017; based on Adjusted Book Value.

3) Year-to-date as of 3Q18; based on annualized after-tax Adjusted Operating Income and average Adjusted Book Value. See appendix for more information.



# Appendix

# BUSINESSES BRIEFS



Business	Market Position	Description / Offerings	Primary Competitors
<b>PGIM</b>	Top 10 Global AUM <sup>(1)</sup>	<ul style="list-style-type: none"> <li>Manages over \$1 trillion in AUM, with more than a decade of positive third-party net flows</li> <li>Continuity of teams and consistency of performance which have produced 15 consecutive years of positive third-party institutional net inflows</li> <li>Multi-asset manager model with strengths in Fixed Income, Real Estate Equity and Debt, Private Placements, and active and quantitative Equities                             <ul style="list-style-type: none"> <li>Provides a broad array of investment management and advisory services by means of institutional portfolio management, mutual funds, asset securitization activity and other structured products and strategic investments. These capabilities are provided to the public and private marketplace, as well as other segments of the company</li> </ul> </li> <li>Expanding our international and retail distribution capabilities as well as filling in targeted investment strategies</li> </ul>	<ul style="list-style-type: none"> <li>BlackRock, Bank of New York Mellon, JP Morgan Chase, UBS, Principal</li> </ul>
<b>Retirement Full Service</b>	Top 10 DC Manager <sup>(2)</sup> Top 5 DB Manager <sup>(3)</sup>	<ul style="list-style-type: none"> <li>Leading provider in Full Service retirement market</li> <li>Expanding and deepening relationships with workplace consumers</li> </ul>	<ul style="list-style-type: none"> <li>Principal, Lincoln, Voya</li> </ul>
<b>Retirement Institutional Investment Products</b>	#1 PRT Assets <sup>(4)</sup>  #1 Stable Value Assets <sup>(5)</sup>	<ul style="list-style-type: none"> <li>Global leader and best in class PRT capabilities gaining momentum with both funded and longevity reinsurance                             <ul style="list-style-type: none"> <li>Including investment-only stable value products, guaranteed investment contracts, funding agreements, institutional and retail notes, structured settlement annuities and other group annuities, and administrative services for qualified and non-qualified retirement plans</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>MetLife, Athene, Principal</li> </ul>
<b>Group Insurance</b>	Top 5 Premiums Group Life <sup>(6)</sup>  Top 10 Premiums Group Disability <sup>(6)</sup>	<ul style="list-style-type: none"> <li>Leading U.S. provider of group life and disability insurance</li> <li>Steady growth prospects through diversified portfolio and financial wellness offerings                             <ul style="list-style-type: none"> <li>Includes a full range of group life, long-term and short-term group disability, and group corporate-, bank- and trust-owned life insurance, primarily to institutional clients for use in connection with employee and membership benefits plans</li> <li>Sells accidental death and dismemberment and other ancillary coverages, and provides plan administrative services in connection with its insurance coverages</li> </ul> </li> <li>Broad product portfolio providing coverage to over 15 million U.S. workers</li> <li>Deepening customer relationships through Financial Wellness platforms</li> </ul>	<ul style="list-style-type: none"> <li>Lincoln, Unum, Principal, MetLife, Hartford, Voya</li> </ul>

1) Based on Pensions & Investments Largest Money Managers, May 28, 2018. AUM as of December 31, 2017.  
 2) Based on DC Recordkeeping Assets, Pension & Investments, May 2018.  
 3) Based on DB Recordkeeping Assets, Pension & Investments, May 2018.  
 4) Based on Total Assets, LIMRA 1Q 2018 U.S. Group Annuity Risk Transfer Survey.  
 5) Based on Total Assets, Pension & Investments, May 2018.  
 6) Based on inforce premiums, 2017 LIMRA Studies.

## BUSINESSES BRIEFS (CONTINUED)



Business	Market Position	Description / Offerings	Primary Competitors
<b>Individual Annuities</b>	#3 VA Sales <sup>(1)</sup> #2 VA Assets <sup>(2)</sup>	<ul style="list-style-type: none"> <li>• Among industry's largest with a wide distribution platform</li> <li>• Product diversification reduces risk profile and expanding portfolio of solutions includes simplified and lower cost products</li> <li>• Broadening buyer universe, including worksite access</li> </ul>	<ul style="list-style-type: none"> <li>• Brighthouse, Lincoln, Ameriprise</li> </ul>
<b>Individual Life</b>	Top 5 Premiums <sup>(3)</sup>	<ul style="list-style-type: none"> <li>• Leadership positions across products support strong sales as marketplace demands pivot</li> <li>• Multi-channel distribution network and distinctive product portfolio provide broad market access and risk diversification</li> </ul>	<ul style="list-style-type: none"> <li>• MetLife, Lincoln, Voya, RGA, Principal</li> </ul>
<b>International Insurance</b>	#1 Market Rank New Business Face Amount in Japan <sup>(4)</sup>	<ul style="list-style-type: none"> <li>• Industry's highest quality captive agency force – leads in retention, productivity and persistency</li> <li>• Offers individual life insurance, retirement and related products to the mass affluent and affluent markets in Japan, Korea and other foreign countries through its Life Planner operations</li> <li>• Offers similar products to the broad middle-income market across Japan through Life Consultants, our Gibraltar Life proprietary distribution channel, as well as other channels, including banks and independent agencies</li> <li>• Differentiated business model with high returns and solid growth prospects</li> <li>• Long-term association relationships including Japan Teachers Association</li> <li>• Multi-channel including captive, independent distribution and unique secondment model for bank distribution</li> </ul>	<ul style="list-style-type: none"> <li>• Aflac, Dai-ichi</li> </ul>
<b>Closed Block</b>	n/a	<ul style="list-style-type: none"> <li>• Treated as a divested business under our definition of adjusted operating income and reported separately from the other divested businesses included in our Corporate and Other operations</li> </ul>	
<b>Corporate &amp; Other</b>	n/a	<ul style="list-style-type: none"> <li>• Includes corporate items, initiatives not allocated to business segments, and businesses that have been or will be divested</li> </ul>	

1) Based on U.S. Variable Annuity advisor-sold sales as of 3/31/2018. Source: VARDS.

2) Based on U.S. Variable Annuity advisor-sold assets as of 3/31/2018. Source: VARDS.

3) Based on statutory net written premiums and recurring premiums, as of December 31, 2017, ranking for Prudential Financial through its life insurance companies according to A.M. Best.

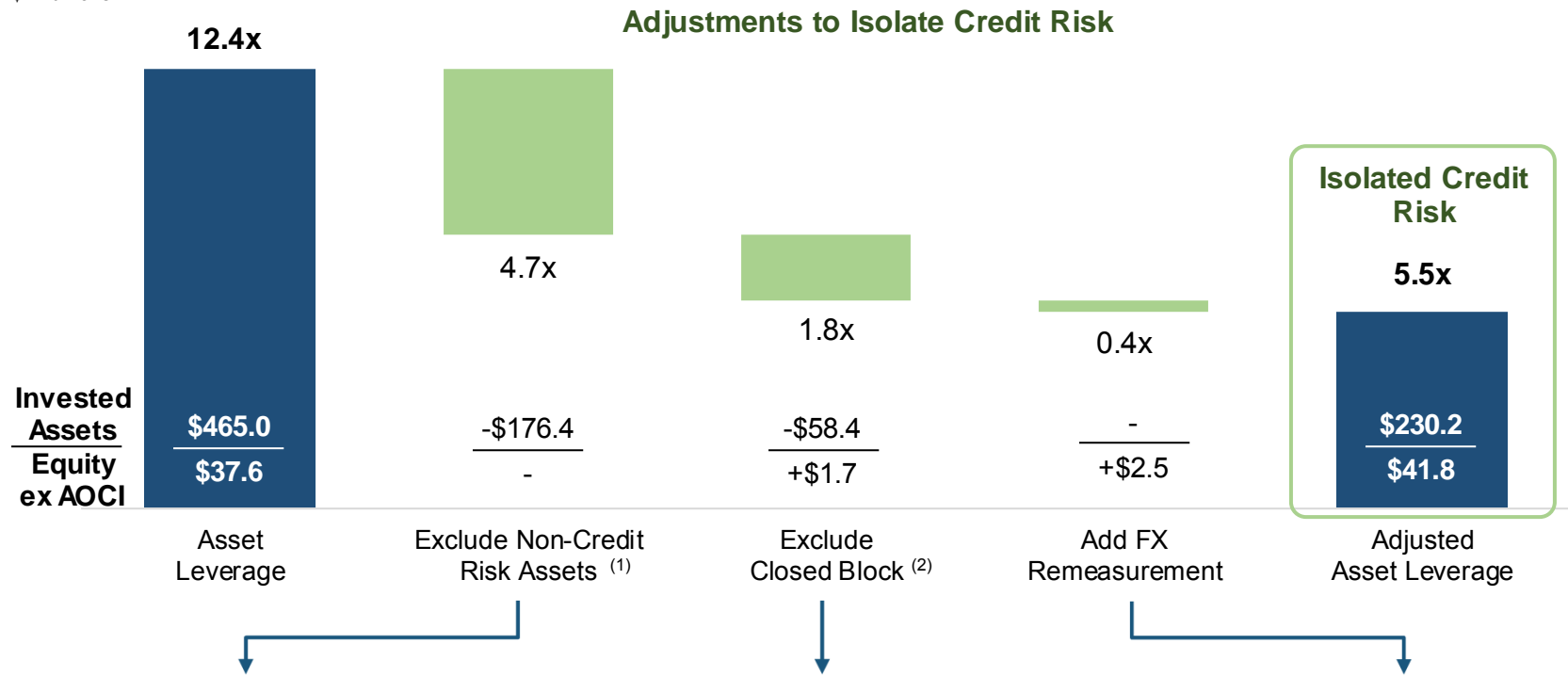
4) Market share data is based on Prudential estimates developed from publicly available data of Japanese insurance companies, excluding Japan post. Source: Life Insurance Association of Japan (LIAJ) Insurance Business in 2017 for the fiscal year ended March 31, 2018.

# ASSET LEVERAGE IS LOWER WHEN ISOLATING FOR CREDIT RISK



- A lower asset leverage ratio implies credit losses would have a smaller impact on equity

\$ in billions



- For example: equities, government bonds and assets supporting experience-rated contractholder liabilities, etc.
- Risks are expected to be borne by contract holders
- Historical non-economic accounting mismatch

Data as of 9/30/2018. Sourced from 3Q18 10-Q and QFS

1) Equity securities, USD and foreign government bonds, assets supporting experience-rated contractholder liabilities, policy loans, other invested assets, and short-term investments

2) If assets supporting experience-rated contractholder liabilities, or assets supporting the closed block, are insufficient to make guaranteed benefits payments, such payments must be made by the relevant insurance company



# Reconciliations

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



(\$ millions)

	Year Ended		Trailing	9 Months
	2017	2012	Twelve Months 9/30/2018	Ended 2018
<b>Net income attributable to Prudential Financial, Inc.</b>	\$ 7,863	\$ 479	\$ 6,997	\$ 3,232
Income attributable to noncontrolling interests	111	50	107	7
<b>Net income</b>	<u>7,974</u>	<u>529</u>	<u>7,104</u>	<u>3,239</u>
Less: Income from discontinued operations, net of taxes	-	17	-	-
<b>Income (loss) from continuing operations (after-tax)</b>	<u>7,974</u>	<u>512</u>	<u>7,104</u>	<u>3,239</u>
Less: Earnings attributable to noncontrolling interests	111	50	107	7
<b>Income attributable to Prudential Financial, Inc.</b>	<u>7,863</u>	<u>462</u>	<u>6,997</u>	<u>3,232</u>
Less: Equity in earnings of operating joint ventures, net of taxes and earnings attributable to noncontrolling interests	(62)	10	(54)	55
<b>Income (after-tax) before equity in earnings of operating joint ventures</b>	<u>7,925</u>	<u>452</u>	<u>7,051</u>	<u>3,177</u>
Less: Reconciling Items:				
Realized investment gains (losses), net, and related charges and adjustments	(58)	(2,809)	(63)	518
Investment gains (losses) on assets supporting experience rated contractholders liabilities, net	336	610	(580)	(586)
Change in experience-rated contractholder liabilities due to asset value changes	(151)	(540)	519	482
Divested businesses:				
Closed Block division	45	-	(26)	(22)
Other divested businesses	38	(615)	(1,599)	(1,586)
Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests	<u>33</u>	<u>(29)</u>	<u>24</u>	<u>(75)</u>
Total reconciling items, before income taxes	<u>243</u>	<u>(3,383)</u>	<u>(1,725)</u>	<u>(1,269)</u>
Less: Income taxes, not applicable to adjusted operating income	(3,030)	(816)	(3,619)	(462)
Total reconciling items, after income taxes	<u>3,273</u>	<u>(2,567)</u>	<u>1,894</u>	<u>(807)</u>
<b>After-tax adjusted operating income</b>	<u>4,652</u>	<u>3,019</u>	<u>5,157</u>	<u>3,984</u>
Income taxes, applicable to adjusted operating income	1,592	1,008	1,465	1,066
<b>Adjusted operating income before income taxes</b>	<u>\$ 6,244</u>	<u>\$ 4,027</u>	<u>\$ 6,622</u>	<u>\$ 5,050</u>
<b>After-tax adjusted operating income per share</b>	\$ 10.58	\$ 6.40	\$ 11.93	\$ 9.24
Net Income Return on Equity <sup>(1)</sup>				8.6%
Adjusted Operating Return on Equity <sup>(1)</sup>				13.5%

1) Net income return on equity based on year-to-date annualized after-tax net income and average GAAP equity of \$50,202. Adjusted operating return on equity based on year-to-date annualized after-tax adjusted operating income and average adjusted book value of \$39,351



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



(\$ millions, except per share data)

	December 31,	
	2017	2012
<b>GAAP book value</b>	\$ 54,236	\$ 37,006
Less: Accumulated other comprehensive income (AOCI)	17,074	9,990
<b>GAAP book value excluding AOCI</b>	37,162	27,016
Less: Cumulative effect of remeasurement of foreign currency and certain deferred taxes <sup>(2)</sup>	(969)	(179)
<b>Adjusted book value</b>	\$ 38,131	27,195
Number of diluted shares	435.7	468.2
GAAP book value per Common share - diluted	\$ 125.63	\$ 79.04
GAAP book value excluding AOCI per Common share - diluted	\$ 86.44	\$ 57.70
Adjusted book value per Common share - diluted	\$ 88.67	\$ 58.08

1) Represents results of FSB for 2012. 2017 amounts have been revised resulting from the elimination of Gibraltar Life's one-month reporting lag. 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.

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 accumulated other comprehensive income, related to the enactment of the Tax Cuts and Jobs Act on December 22, 2017.