



# **PRUDENTIAL FINANCIAL, INC. DEBT INVESTORS UPDATE**

NOVEMBER 2018



# AGENDA



- ❑ Enterprise Overview
- ❑ U.S. and International Businesses
- ❑ Capital & Liquidity
- ❑ Investment Portfolio



# ENTERPRISE OVERVIEW



# 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.

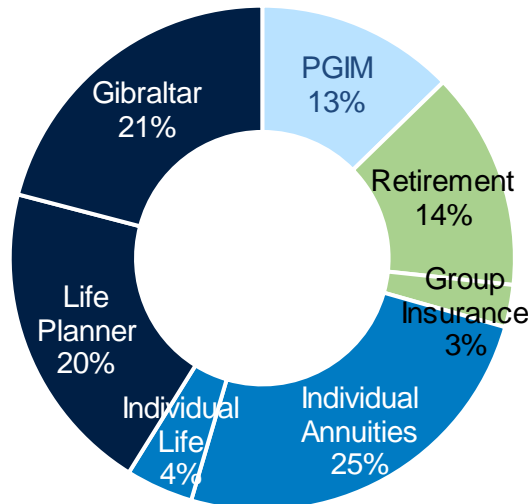
3) Year-to-date as of 3Q18; based on annualized after-tax Adjusted Operating Income and average Adjusted Book Value. See disclosures for more information.

# LEADING GLOBAL FINANCIAL SERVICES COMPANY



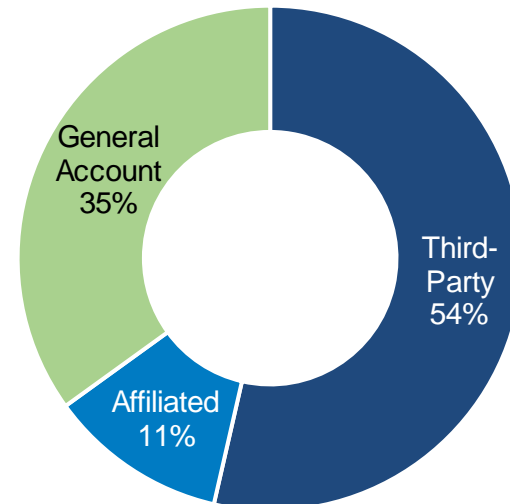
- Fortune 50 global financial services firm
- ~50,000 employees serving customers in more than 40 countries
- ~\$40 billion market cap<sup>(1)</sup>

## 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.

# LEADERSHIP SUCCESSION



## CURRENT

John Strangfeld  
*Chairman & CEO*

Mark Grier  
*Vice Chairman*

Charles Lowrey  
*EVP - International*

Robert Falzon  
*EVP – Chief Financial Officer*

Ken Tanji  
*SVP – Treasurer*

Scott Sleyster  
*SVP – Chief Investment Officer*



## SUCCESSOR

Charles Lowrey  
*Chairman & CEO*

Robert Falzon  
*Vice Chairman*

Scott Sleyster  
*EVP - International*

Ken Tanji  
*EVP – Chief Financial Officer*

Nandini Mongia  
*SVP – Treasurer*

Tim Schmidt  
*SVP – Chief Investment Officer*

# 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

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### 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

# FINANCIAL WELLNESS – MOMENTUM CONTINUES TO BUILD WITH CUSTOMERS



- ✓ Dramatically enhances and scales our ability to bring financial security within reach for existing and new customers
- ✓ Distinctively leverages all parts of our business system
  - Hybrid digital/human capabilities
  - Solutions across income, investments, and protection
  - Personalized, needs-based engagement powered by investments in digital and data analytics
- ✓ Expands access through workplace and digital channels
  - Over 20 million worksite customers
  - Launched digital financial wellness platform in 2017

## *Resonating value proposition among employers*

**Over 350 employers** have adopted Prudential Pathways representing **over 4 million employees**

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**Several** marquee wins directly tied to financial wellness capabilities

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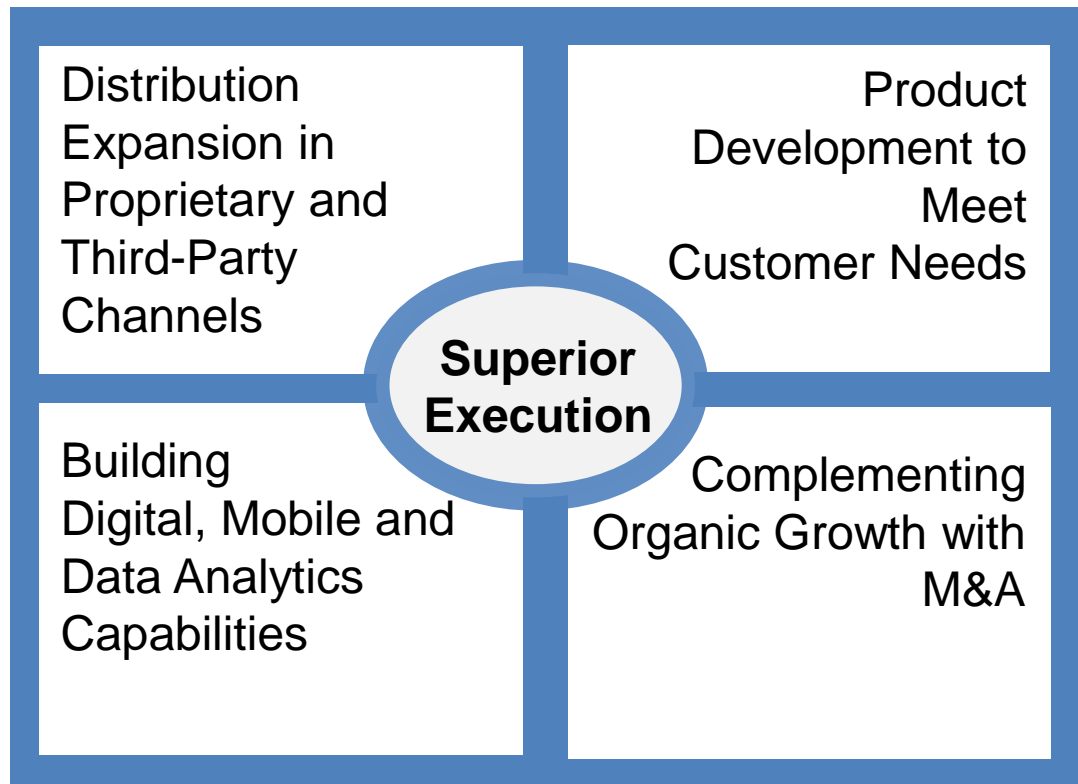
**~200 employers** on digital financial wellness platform



*Prudential Pathways, our cornerstone solution launched in 2015, leverages our customer-centric business model to provide financial wellness education to Prudential's extensive U.S. customer base*



# PROVIDE INTERNATIONAL CUSTOMERS WITH PROTECTION AND RETIREMENT SOLUTIONS



# HIGHLIGHTS OF CAPITAL STRENGTH



## Conservative Balance Sheet

- Significant adverse experience absorption capacity in statutory and GAAP reserves
- High quality investment portfolio and strong regulatory capital ratios

## Solid Capital Generation

- Deployable cash flow expected to be ~65% of after-tax adjusted operating income<sup>(1)</sup> 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

## 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

1) Excludes notable items

# ROBUST CAPITAL POSITION SUPPORTS STRONG DISTRIBUTIONS TO SHAREHOLDERS



## Capital Position

### Capital Deployment

- \$375 million of remaining share repurchase authorization for 2018

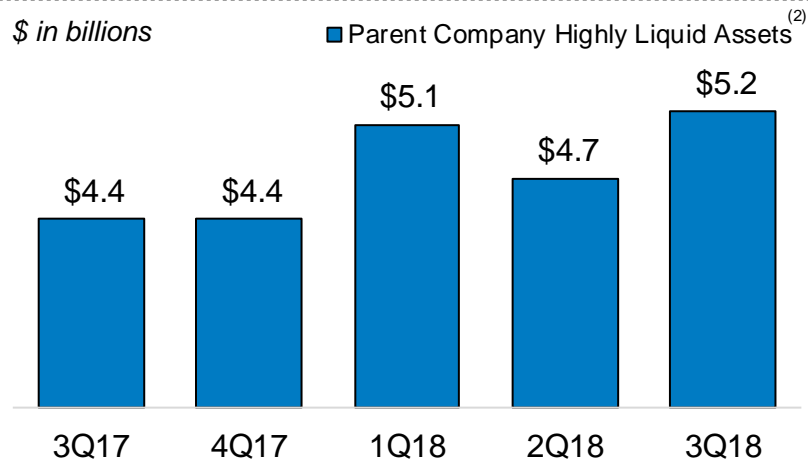
### Capital Level

- Continue to hold capital above our AA financial strength levels

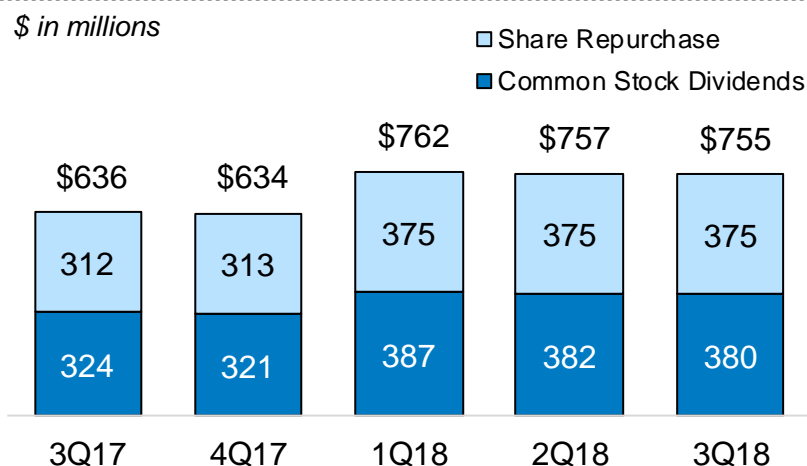
### Leverage<sup>(1)</sup>

- 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.

# KEY TAKEAWAYS



- Financial Strength a key value proposition
- Attractive and balanced portfolio of businesses that produce superior returns
- Steady growth prospects with continued initiative spending to capture longer term opportunities
- Diversified source of earnings mitigate impacts of market headwinds
- Balance sheet strength, capital position and cash generation support disciplined shareholder return and financial flexibility
- Continue to navigate the evolving regulatory environment
- Focus on talent and leadership enables execution, fosters innovation and builds long-term success



# U.S. AND INTERNATIONAL BUSINESSES

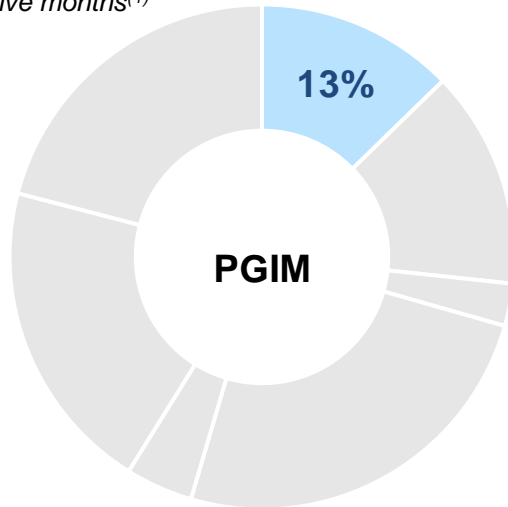


# PGIM - DIVERSIFIED GLOBAL ACTIVE ASSET MANAGER WITH A MULTI-MANAGER MODEL



## Earnings Contribution to Prudential

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

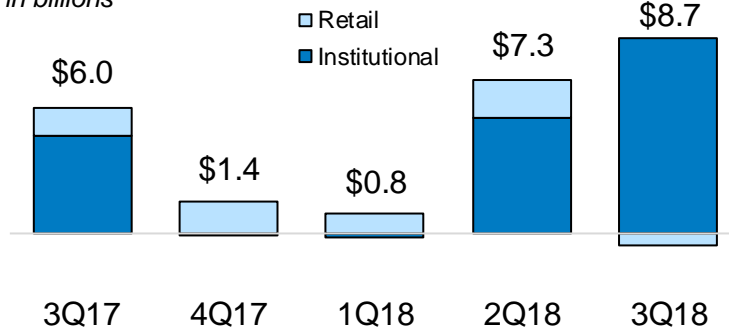


## Key Priorities to Grow Earnings

- 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

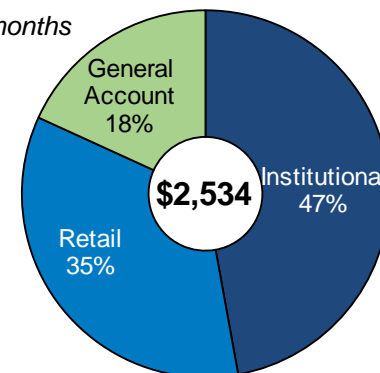
## 3<sup>rd</sup> Party Net Flows

\$ 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.

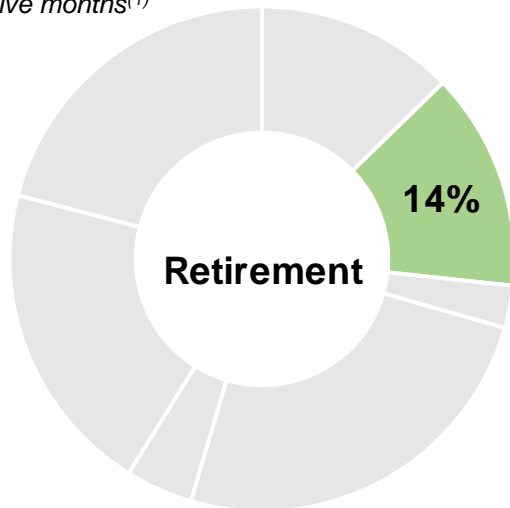
4) Performance as of September 30, 2018. Represents excess performance gross of fees, based on all actively managed Fixed Income and Equity AUM reported in eVestment for Jennison Associates, PGIM Fixed Income, Quantitative Management Associates, and PGIM Real Estate. Composite assets reported in eVestment 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>

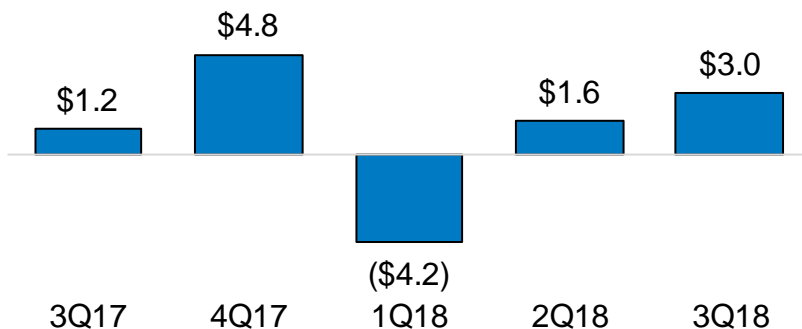


## Key Priorities to Grow Earnings

- 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

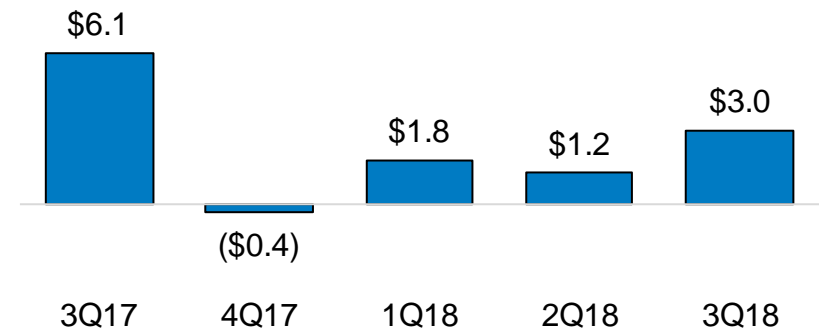
## Institutional Investment Products Net Flows

\$ in billions



## Full Service Net Flows

\$ in billions



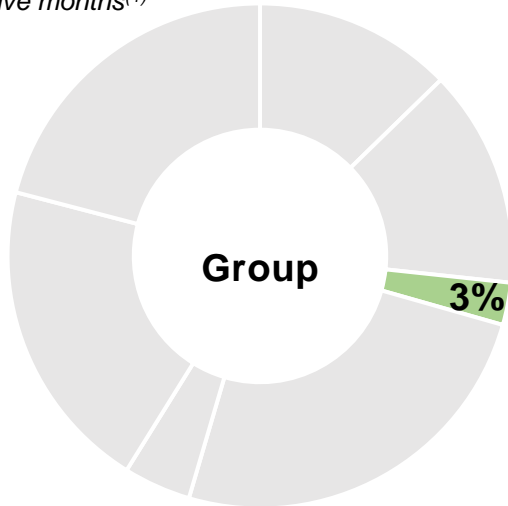
<sup>1)</sup> Based on pre-tax adjusted operating income excluding Corporate and Other Operations.

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



## Earnings Contribution to Prudential

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



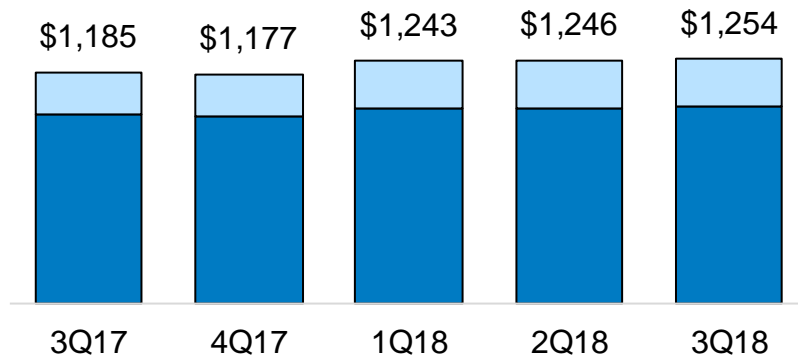
## Key Priorities to Grow Earnings

- 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

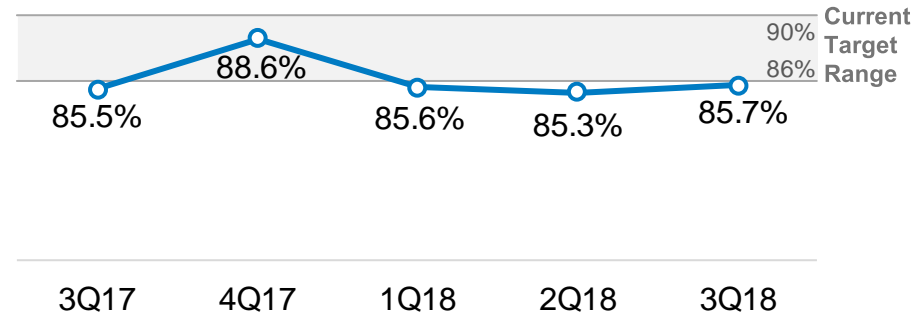
## Earned Premiums & Fees

\$ 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.

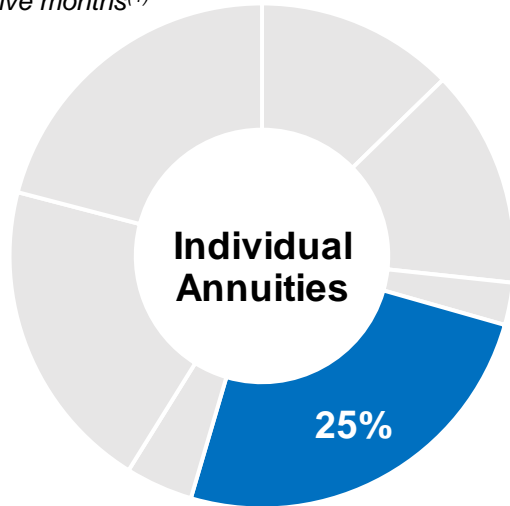


# INDIVIDUAL ANNUITIES - STEADY FREE CASH FLOW GENERATION AND ATTRACTIVE RETURNS



## Earnings Contribution to Prudential

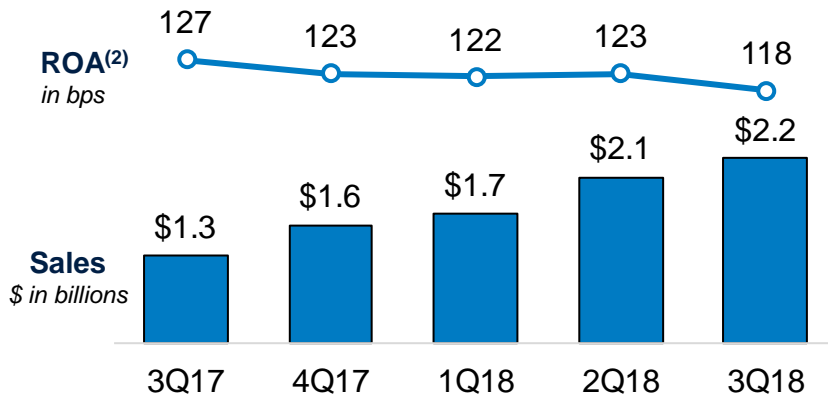
Trailing twelve months<sup>(1)</sup>



## Key Priorities to Grow Earnings

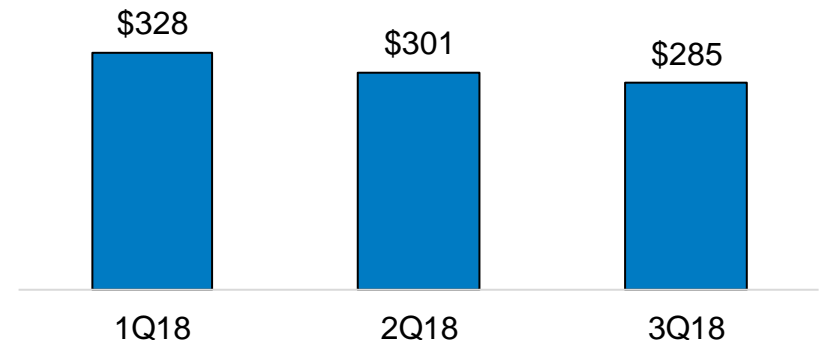
- Generate steady free cash flow and attractive returns
- Continue to grow sales and diversify mix
- Engage a larger addressable market via additional distribution channels
- Extend secure retirement income to workplace relationships

## Sales & Return on Assets (ROA)



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

\$ in millions



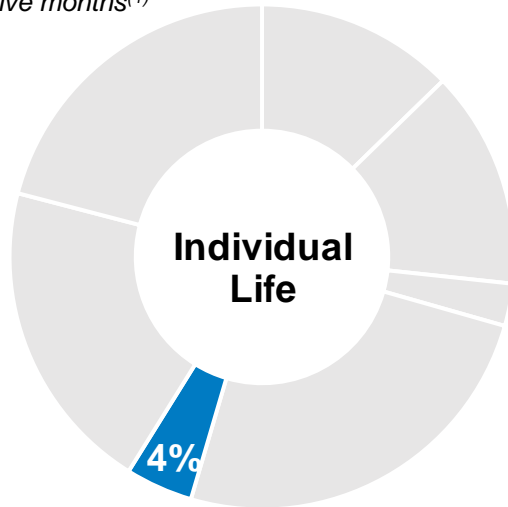
1) Based on pre-tax adjusted operating income excluding Corporate and Other Operations.  
 2) Annualized pre-tax AOI excluding notable items divided by average daily separate account values.  
 3) Dividends include Prudential Annuities Holding Co.

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



## Earnings Contribution to Prudential

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



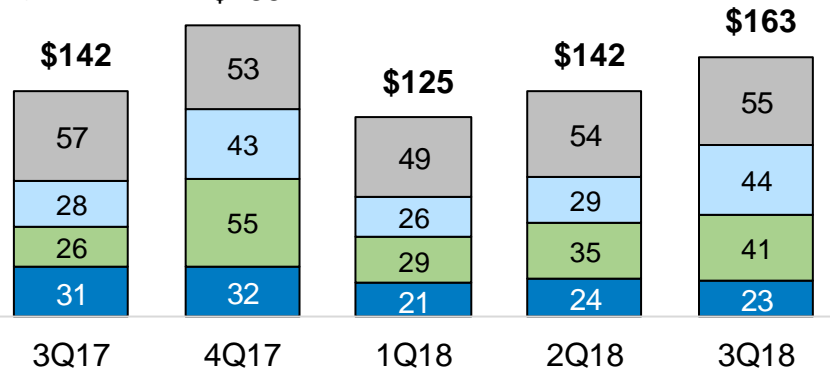
## Key Priorities to Grow Earnings

- 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

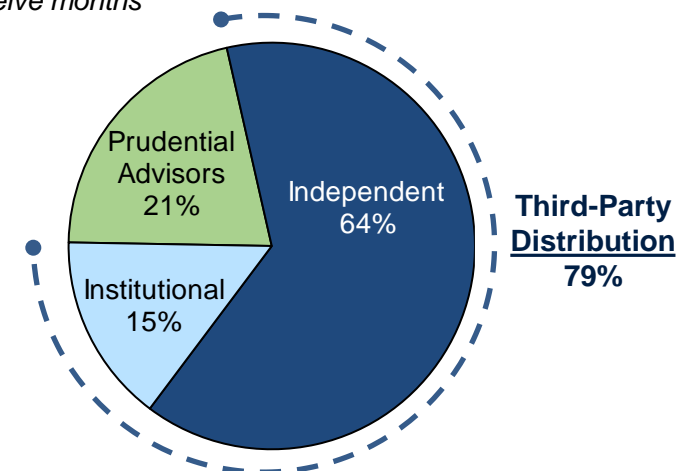
\$183



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

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

Trailing twelve months



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

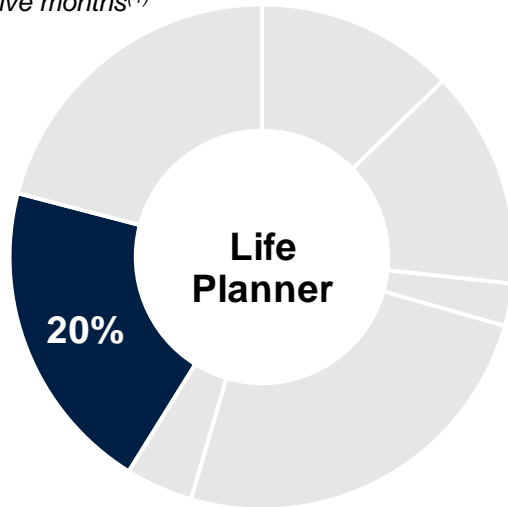
<sup>2)</sup> Sales represented by annualized new business premiums.

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



## Earnings Contribution to Prudential

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

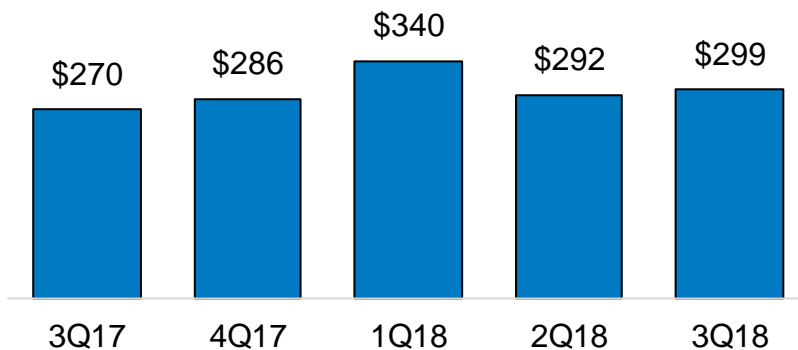


## Key Priorities to Grow Earnings

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

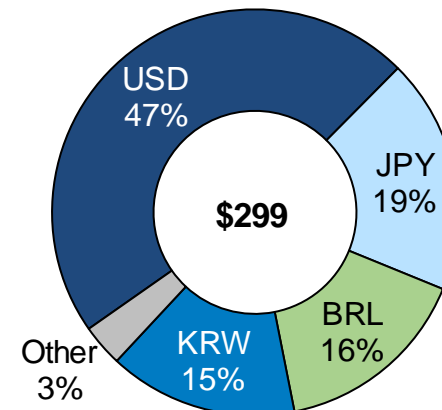
## Sales<sup>(2)</sup>

\$ 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.

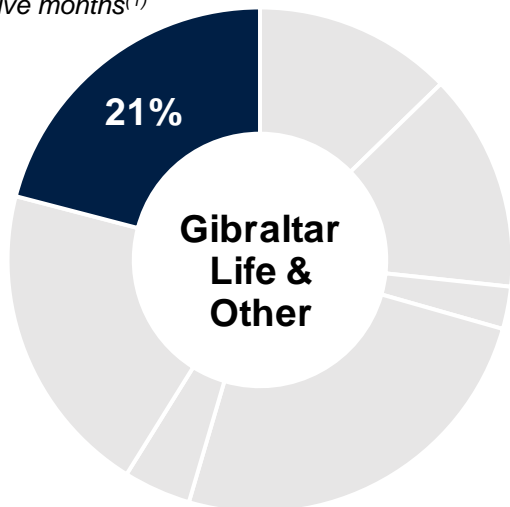
2) Constant exchange rate basis. Foreign denominated activity translated to U.S. Dollars (USD) at uniform exchange rates for all periods presented, including Japanese Yen (JPY) 111 per U.S. Dollar and Korean Won (KRW) 1,150 per U.S. Dollar. U.S. Dollar-denominated activity is included based on the amounts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

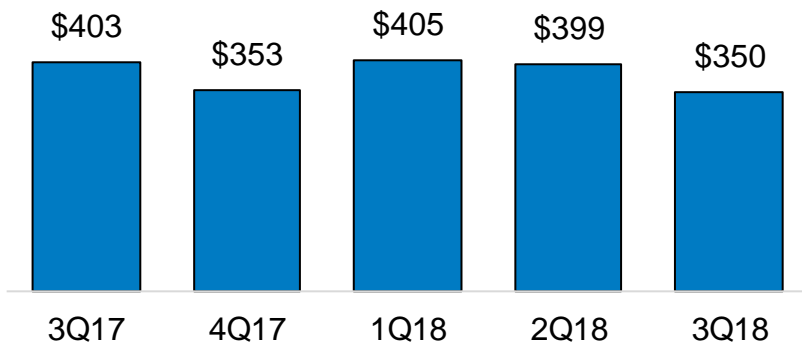


## Key Priorities to Grow Earnings

- 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

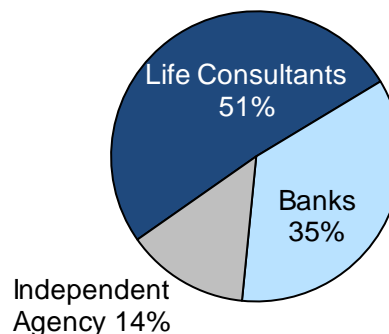
## Sales<sup>(2)</sup>

\$ in millions

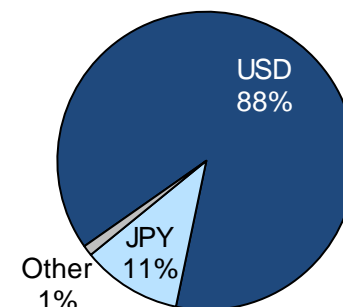


## Sales Mix<sup>(2)</sup> – 3Q18

### 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.



# CAPITAL & LIQUIDITY





## Financial Strength

“AA” Standards for capital and leverage

## Liquidity

Diverse sources provide significant financial flexibility

## Capital Protection Framework

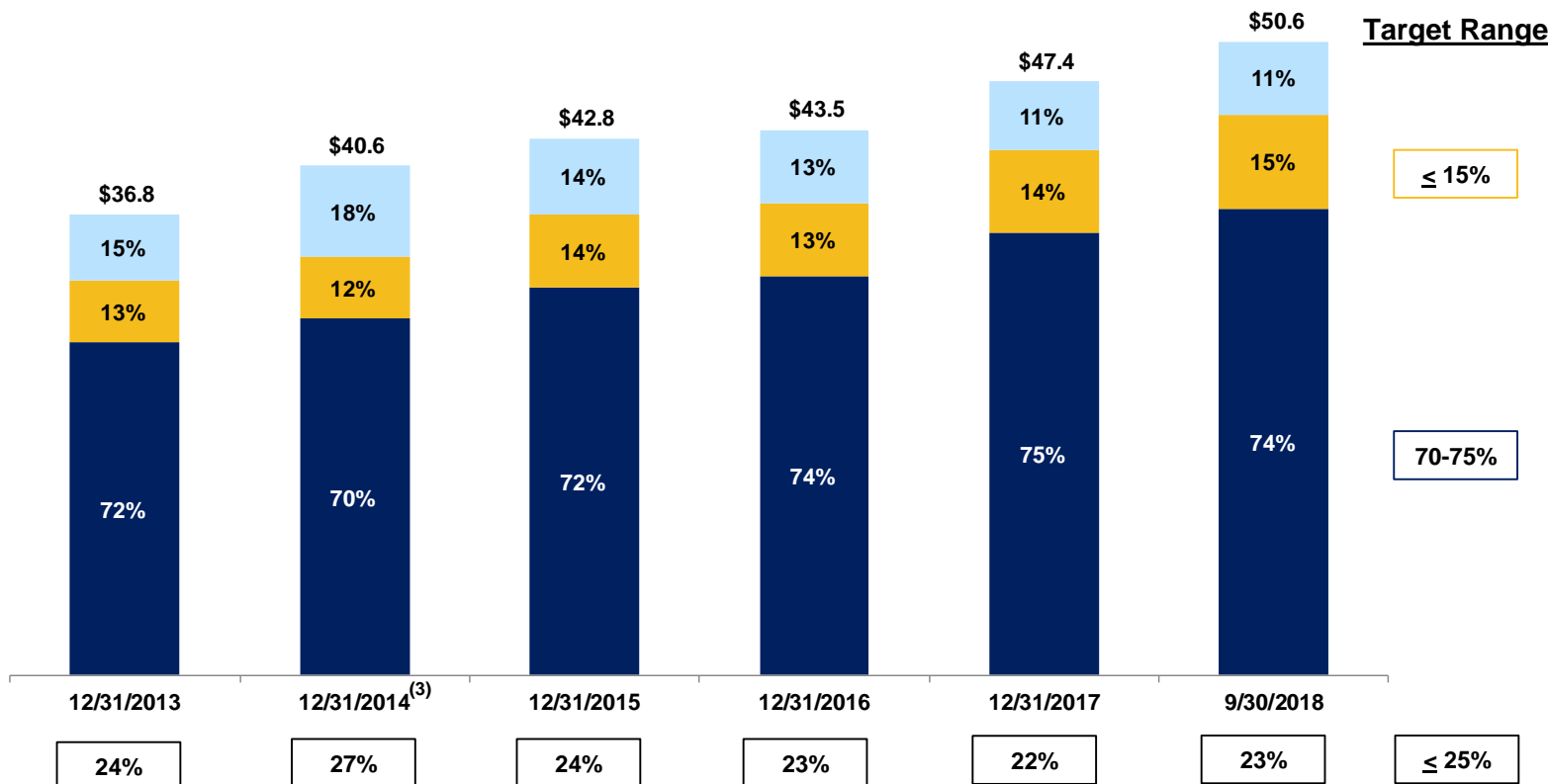
Competitive levels of capital under stress scenarios

# FINANCIAL LEVERAGE BELOW 25%



## Composition of Outstanding Capital <sup>(1)</sup>

(\$ in billions)



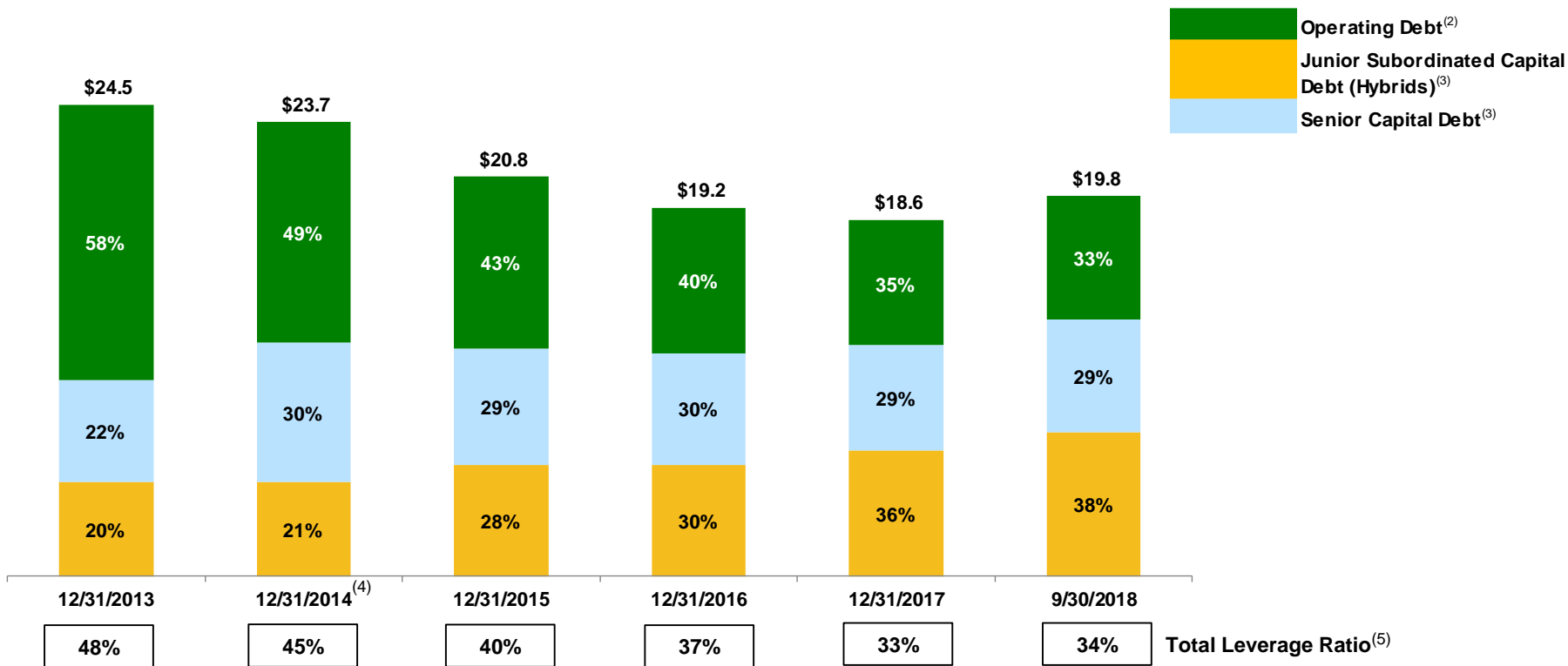
1) Represents the former Financial Services Business for periods prior to 2015.  
 2) Represents total equity excluding the impact of non-controlling interests, foreign exchange re-measurement, and accumulated other comprehensive income (except for pension and post retirement unrecognized costs).  
 3) December 31, 2014 results include the pro-forma impact of the Closed Block restructuring.  
 4) Financial leverage ratio represents capital debt divided by sum of capital debt and equity excluding items described in Note 2. Junior subordinated debt treated as 25% equity, 75% capital debt for purposes of calculation.

# SIGNIFICANT REDUCTION IN TOTAL LEVERAGE



## Composition of Outstanding Debt <sup>(1)</sup>

(\$ in billions)



1) Represents the former Financial Services Businesses for periods prior to 2015.

2) Operating debt is utilized to support the operating needs of the Prudential businesses, and includes recourse and non-recourse debt.

3) Senior capital debt and junior subordinated capital debt support the capital needs of the Prudential businesses.

4) December 31, 2014 results include the pro-forma impact of the Closed Block restructuring.

5) Total Leverage Ratio is defined as total debt excluding non-recourse debt divided by sum of total such debt and equity excluding the impact of non-controlling interests, foreign exchange re-measurement, and accumulated other comprehensive income (except for pension and post retirement unrecognized costs). Additionally, the target for the Total Leverage Ratio was updated to 40% from 45% in 2016.



# ROBUST CAPITAL RATIOS



<b>Risk Based Capital Ratios (RBC)<sup>(4)</sup></b>	<b>December 31, 2017</b>	<b>Solvency Margin Ratios<sup>(3)</sup></b>	<b>December 31, 2017</b>
Prudential Insurance	410%	Prudential of Japan	919%
PALAC <sup>(1)</sup>	1034%	Gibraltar Life	965%
Composite Major U.S. Insurance Subsidiaries <sup>(2)</sup>	529%	Prudential Holdings of Japan	1006%

1) Prudential Annuities Life Assurance Corporation.

2) 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.

3) Based on Japanese statutory accounting and risk measurement standards applicable to regulatory filings. On a consolidated basis.

4) 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.

# SOLID FINANCIAL STRENGTH AND CREDIT RATINGS<sup>(1)</sup>



	Prudential Financial, Inc.		Prudential Insurance Company of America	
	Long-Term Senior Debt	Short-Term Debt	Financial Strength	Short-Term Debt <sup>(2)</sup>
<b>S&amp;P</b>	A	A-1	AA-	A-1+
<b>Moody's</b>	Baa1	P-2	A1	P-1
<b>Fitch</b>	A-	F1	AA-	F1+
<b>A.M. Best</b>	a-	AMB-1	A+	AMB-1

Note: As of November 14, 2018

- 1) Financial strength ratings represent the opinions of rating agencies regarding the financial ability of an insurance company to meet its obligations under an insurance policy. Credit ratings represent the opinions of rating agencies regarding an entity's ability to repay its indebtedness. The ratings set forth above reflect current opinions of each rating agency. Each rating should be evaluated independently of any other rating. These ratings are reviewed periodically and may be changed at any time by the rating agencies. As a result, there can be no assurance that we will maintain our current ratings in the future.
- 2) Ratings for Prudential Funding, LLC (PFLLC), a wholly owned subsidiary of The Prudential Insurance Company of America (PICA).

# PRESERVING BALANCE SHEET STRENGTH



## Stress Parameters<sup>(1)</sup>

Equity Market  
Decline

Interest Rate  
Shock

Credit Shock

Currency Shock

## Our Toolbox

On Balance Sheet  
Capital Capacity

Credit Facilities

Contingent  
Capital

## Expected Outcome

- Maintain adequate and competitive regulatory capital position at insurance companies
- Temporary increase in Financial Leverage Ratio
- Maintain adequate cash position at parent company

1) Stress parameters assume immediate shock.

# MULTIPLE SOURCES OF LIQUIDITY

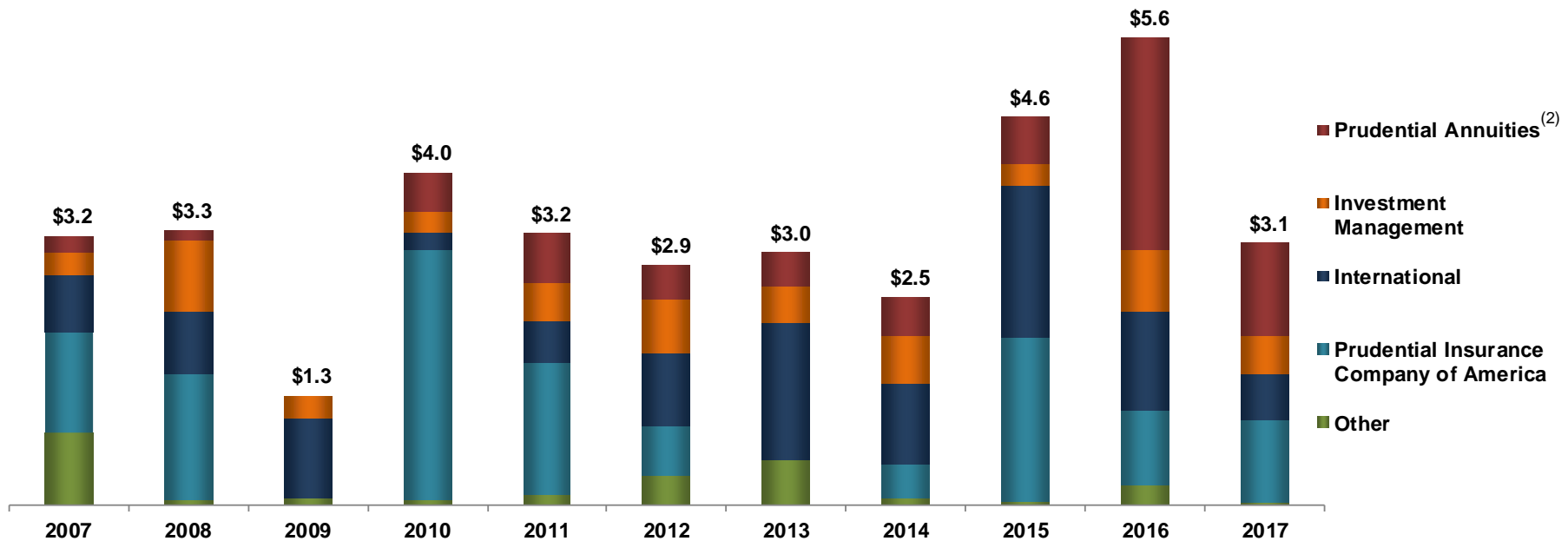


- ❑ Liquidity is managed for significant legal entities separately with a robust asset/liability management discipline
- ❑ We manage holding company highly liquid assets to a Board-approved minimum balance of \$1.3 billion, and also have a targeted operating range of \$3 billion to \$5 billion
- ❑ We have access to significant alternative liquidity sources
- ❑ We strive to maintain commercial paper issuance at modest levels
- ❑ We seek to opportunistically pre-fund our debt maturities

# DIVERSIFIED BUSINESSES GENERATING CASH FLOWS<sup>(1)</sup>



(\$ billions)

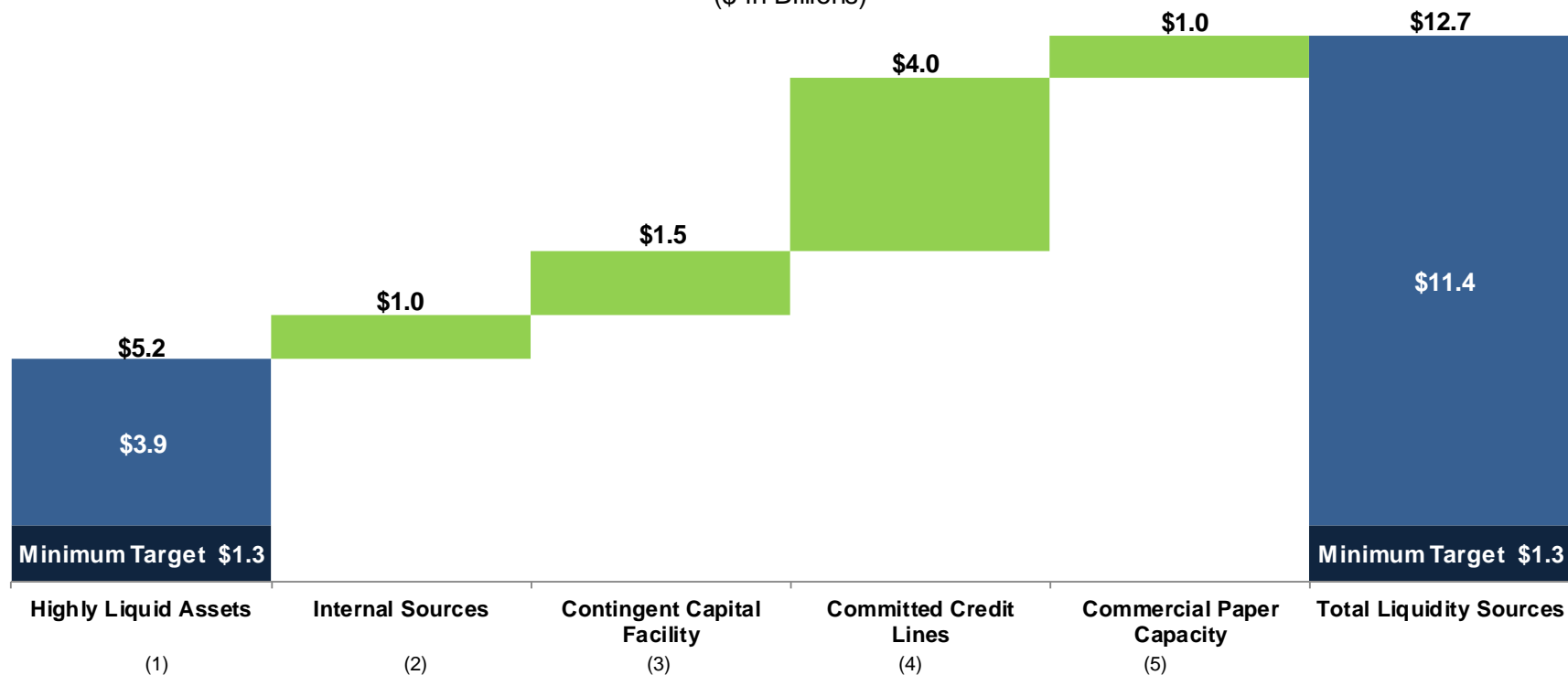


1) Reflects dividends and/or returns of capital to PFI.

2) Includes Pruco Reinsurance (only pre-2016), Prudential Annuities Holding Company, and Prudential Annuities Life Assurance Company.



## PFI Sources of Liquidity As of September 30, 2018 (\$ in Billions)

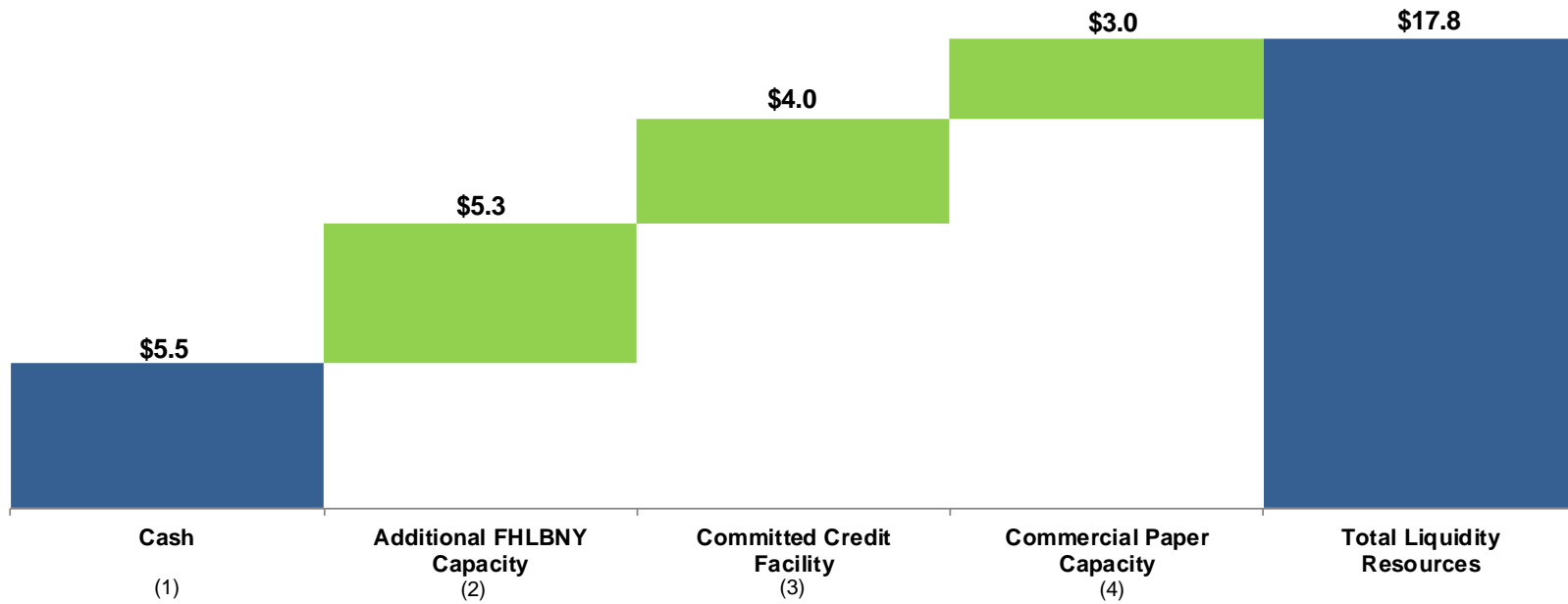


- 1) Highly liquid assets predominantly include cash, short-term investments, U.S. Treasury securities, obligations of other U.S. government authorities and agencies, and/or foreign government bonds. Excludes cash related to the Enterprise Liquidity Account (ELA).
- 2) Sources include cash held in the ELA.
- 3) PFI has access to liquid assets through a 10-year contingent funding facility, established in November 2013, that can be used to meet liquidity needs and/or to downstream as capital to operating subsidiaries.
- 4) Represents a \$4 billion 5-year committed credit facility shared by Prudential Financials, Inc. (PFI) and PFLCC.
- 5) Represents estimated total capacity. \$25 million of PFI commercial paper was outstanding as of September 30, 2018.



## PICA Sources of Liquidity As of September 30, 2018

(\$ in Billions)



1) Represents cash, cash equivalents and short-term investments.

2) Represents estimated incremental capacity from the Federal Home Loan Bank of New York (FHLBNY) based on regulatory limitation. As of September 30, 2018, \$75 million of advances and funding agreements were outstanding with the FHLB. Borrowings are subject to the availability of qualifying assets at PICA.

3) Represents a \$4 billion 5-year committed credit facility shared by PFI and PFLCC.

4) Represents estimated total capacity. \$719 million of PFLCC commercial paper was outstanding as of September 30, 2018.



# INVESTMENT PORTFOLIO





# OUR APPROACH TO PORTFOLIO MANAGEMENT



**HIGH QUALITY,  
WELL MATCHED  
INVESTMENT PORTFOLIO**

## Fundamental Understanding of Liabilities

- Disciplined, liability-driven investing
- First line of defense against key investment and market risks
- Participation in product design and pricing committees

## Disciplined Interest Rate Risk Management:

- Strong asset-liability management (ALM)
- Cash flows are well matched within investable horizon
- Interest rate risk is managed through Key Rate Duration targets

## Broad Diversification:

- General Account portfolio is well-diversified across asset classes
- High quality portfolio
- Portfolio mix has remained relatively consistent

## Rigorous Security Selection:

- Value creation from close collaboration with PGIM Asset Managers
  - Top 10 Asset Manager<sup>(1)</sup>; seasoned talent
  - Outstanding Private asset and loan origination capabilities

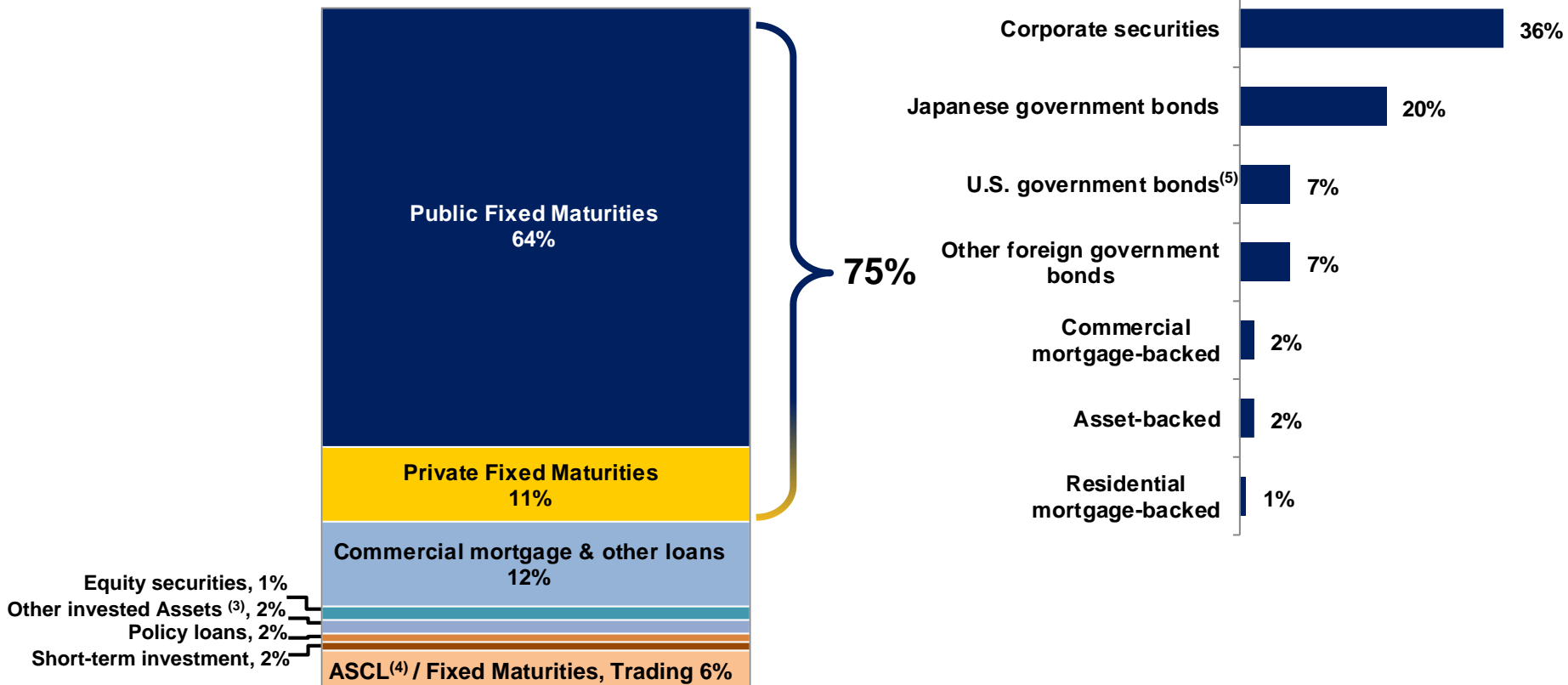
1) Source: Pensions & Investments, May 28, 2018; based on PGIM's total worldwide assets under management as of December 31, 2017.

# HIGH QUALITY, DIVERSIFIED INVESTMENT PORTFOLIO



**PFI GA ex. CBD<sup>(1)</sup>  
Investment Portfolio  
\$402 billion<sup>(2)</sup>**

**PFI GA ex. CBD<sup>(1)</sup>  
Fixed Maturities  
\$304 billion<sup>(2)</sup>**



1) Represents the General Account (GA) for Prudential Financial, Inc. (PFI) excluding the Closed Block Division (CBD).

2) September 30, 2018 balance sheet carrying amount.

3) Real estate and non-real estate related investments in JVs/partnerships, investment real estate held through direct ownership and other miscellaneous investments.

4) Assets supporting experience-rated contractholder liabilities, (ASCL) (investment results expected to ultimately accrue to contract holders).

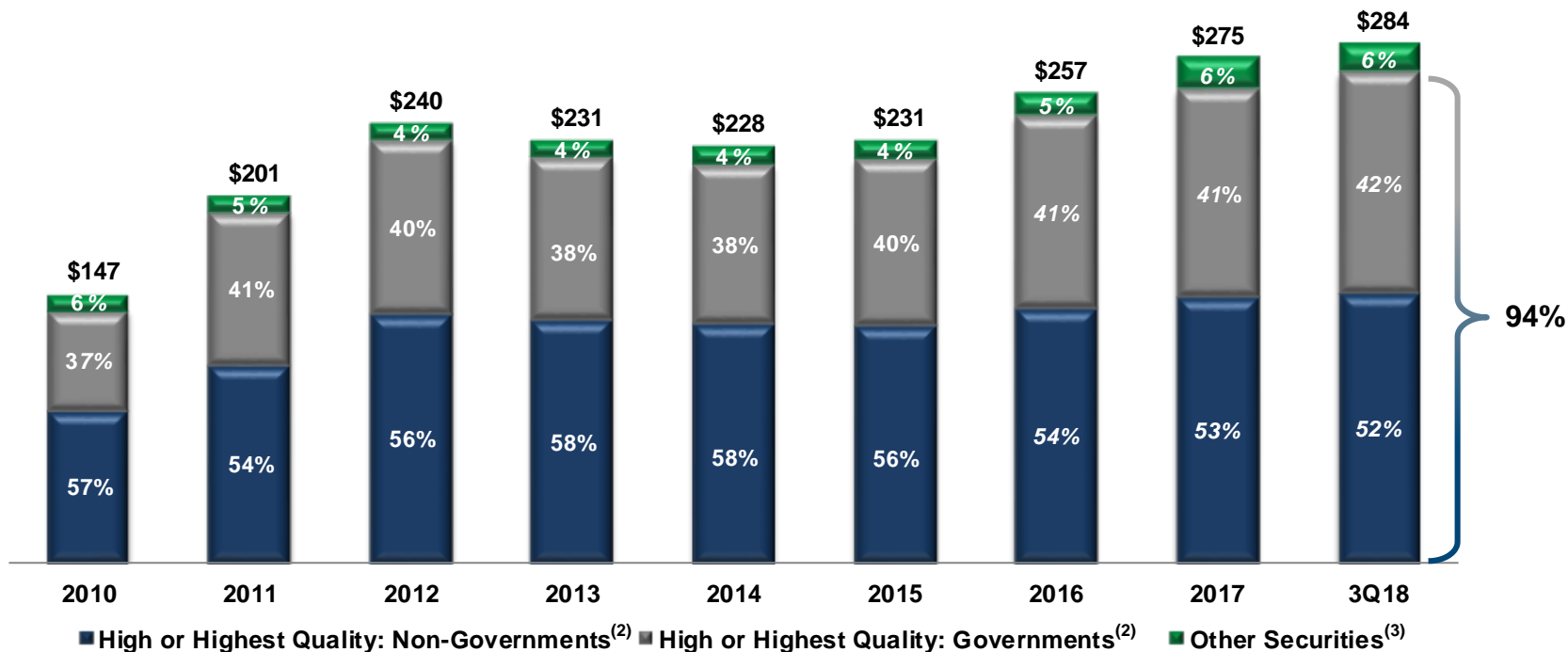
5) Includes state and municipal securities, and securities related to the Build America Bonds program.

# ASSET SELECTION – FOCUS ON QUALITY



## PFI GA ex. CBD – Fixed Maturity Portfolio<sup>(1)</sup>

(in billions)



1) As of 9/30/2018 at amortized cost. Reflects equivalent ratings for investments in international insurance operations.

2) NAIC 1-2.

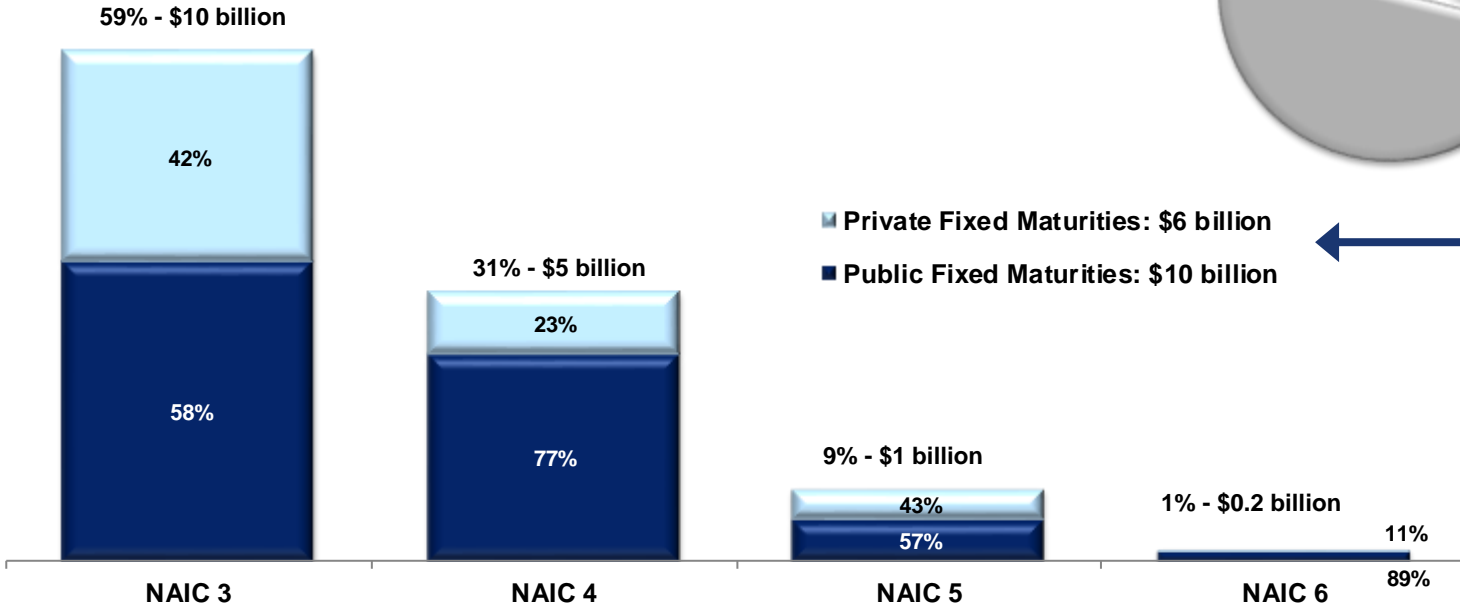
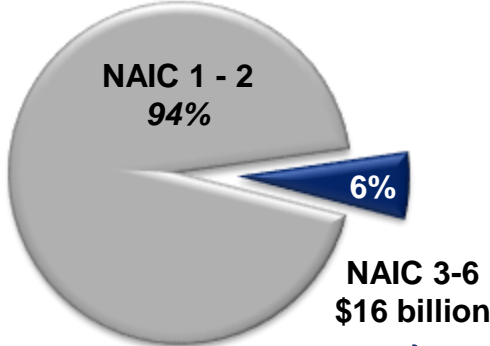
3) NAIC 3-6.

# MODEST EXPOSURE TO NAIC 3-6



- High Yield exposure<sup>(1)</sup> comprises 6% of the PFI GA ex. CBD Fixed Maturity Portfolio:
  - Weighted towards higher quality (NAIC 3).
  - Significant allocations to Private Placements with strong covenant packages and ability to restructure.

**Fixed Maturity Portfolio**  
100% = \$284 billion<sup>(2)</sup>



1) High Yield exposure reflects securities with NAIC ratings 3-6.  
 2) As of 9/30/18 at amortized cost. Reflects equivalent ratings for investments in international insurance operations.



# DISCLOSURES



# 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.

# 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	33	(29)	24	(75)
Total reconciling items, before income taxes	243	(3,383)	(1,725)	(1,269)
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. Represents results of FSB for 2012.

# RECONCILIATIONS BETWEEN ADJUSTED BOOK VALUE AND THE COMPARABLE GAAP MEASURE



*\$ in millions, except per share values*

	<u>September 30, 2018</u>	<u>September 30, 2017</u>
<b>GAAP book value</b>	\$ 46,725	\$ 50,540
Less: Accumulated other comprehensive income (AOCI)	9,150	16,598
<b>GAAP book value excluding AOCI</b>	37,575	33,942
Less: Cumulative effect of remeasurement of foreign currency	(2,509)	(2,758)
<b>Adjusted book value</b>	<u>\$ 40,084</u>	<u>\$ 36,700</u>
Number of diluted shares	<u>426.3</u>	<u>431.6</u>
GAAP book value per Common share - diluted <sup>(1)</sup>	\$ 110.78	\$ 116.70
GAAP book value excluding AOCI per Common share - diluted <sup>(1)</sup>	\$ 89.32	\$ 78.64
Adjusted book value per Common share - diluted <sup>(1)</sup>	\$ 95.20	\$ 85.03

1) As of the third quarter of 2018, 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).  
As of the third quarter of 2017, exchangeable surplus notes are dilutive when book value per share is greater than \$86.92 (equivalent to an additional 5.75 million in diluted shares and an increase of \$500 million in equity).



# EXECUTIVE BIOGRAPHY



**Charles Lowrey**, currently executive vice president and chief operating officer of International Businesses, will become the next CEO of Prudential and a member of our Board of Directors, effective December 1, 2018. In his more than 17 years with Prudential, Charlie has successfully led the asset management, U.S. and International Businesses, and will bring a broad perspective of Prudential's global operations to the role of CEO.

**Robert Falzon**, currently executive vice president and chief financial officer, will succeed Mark Grier as vice chairman, effective December 1, 2018. Rob will join Charlie to serve in Prudential's Office of the Chairman and help in overseeing the continued successful execution of Prudential's strategy, and will also become a member of the Board of Directors in August 2019. Rob brings a unique perspective of Prudential, having served as chief financial officer for the past five years and across a variety of roles at Prudential's corporate finance and investment management organizations over the past 35 years.

**Scott Sleyster**, currently chief investment officer of Prudential, will be elevated to executive vice president and chief operating officer of the International Businesses and will report to Charlie Lowrey. Since joining Prudential, Scott has served in a variety of leadership positions, including head of the Full-Service Retirement business, president of the Guaranteed Products business and chief financial officer for the Employee Benefits Division. Additionally, Scott has held roles in Prudential's Treasury, Derivatives and Investment Management units.

**Ken Tanji**, currently treasurer of Prudential, will be elevated to executive vice president and chief financial officer of Prudential and will report to Rob Falzon. Prior to his current role as the treasurer of Prudential, Ken served as chief financial officer of Prudential's International Businesses, and also for the Annuities business. Ken also served as vice president of Finance for Prudential's asset management businesses, and has also held various positions with Prudential Securities' Private Client and Debt Capital Markets Groups.

**Nandini Mongia**, currently chief financial officer of Prudential Retirement, will be elevated to Prudential's treasurer and will report to Ken Tanji. Nandini has more than 15 years of experience providing strategic advisory and investment banking services to insurance industry clients in the U.S. Prior to joining Prudential in 2017, Nandini worked in investment banking at Deutsche Bank, Credit Suisse and Lehman Brothers, in business planning at Goldman Sachs and as a strategy management consultant at Gemini Consulting.

**Tim Schmidt**, currently Prudential's head of Global Portfolio Management, will be elevated to chief investment officer and will report to Rob Falzon. Prior to his current role, Tim was the ALM Institutional Business Lead, responsible for the overall asset/liability management for Prudential's Retirement and Group Insurance businesses. Prior to joining Prudential in July 2010, Tim served as chief financial officer for MetLife's Individual Business, which included the individual life and annuities businesses and MetLife's Affiliated Distribution Group.