



PRUDENTIAL FINANCIAL, INC.

FIRST QUARTER 2019



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. “Key Priorities to Grow Earnings” are subject to the risk that we will be unable to execute our strategy because of market or competitive conditions or other factors. Prudential Financial, Inc. does not undertake to update any particular forward-looking statement included in this presentation.

This presentation 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. Reconciliations are also included as part of this presentation.

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

8%

5-yr EPS CAGR,
excluding notable
items⁽¹⁾

10%

5-yr Adjusted
BVPS CAGR⁽²⁾

12.7%

Adjusted
Operating ROE⁽³⁾

1) From 2013 to 2018; based on after-tax Adjusted Operating Income excluding notable items. See Reconciliations for more information.

2) From 2013 to 2018; based on Adjusted Book Value. See Reconciliations for more information.

3) Year-to-date as of 4Q18; based on annualized after-tax Adjusted Operating Income and average Adjusted Book Value. See Reconciliations for more information.

INTEGRATED ENVIRONMENT, SOCIAL, AND GOVERNANCE FRAMEWORK CREATES FINANCIAL OPPORTUNITIES AND SUSTAINABLE RETURNS



Social Capital

Commitment to community for over 140 years

- Corporate giving
- Impact Investing
- Affordable housing through PGIM Real Estate



Human Capital

Diversity

- Compensation tied to diversity targets

Employee turnover

- 11% industry's lowest



Business Model & Innovation

Solving financial challenges

- Products reach 50 million people in over 40 countries

Financial Wellness

- Platform helps customers achieve financial goals

Pension Risk Transfer

- Helping companies fulfill pension promises



Corporate Governance

Oversight

- Dedicated ESG oversight committee

Board leadership

- Majority Independents
- Strong Lead Independent
- Annual Director election
- Diverse Board



Environment

Global environmental commitment

- PGIM businesses support green investments
- Task Force on Climate-Related Financial Disclosures

Low-Risk
Sustainalytics
ESG Risk Rating

1 Environment, Social, and Governance
ISS QualityScore

A ESG Rating MSCI
B CDP Score

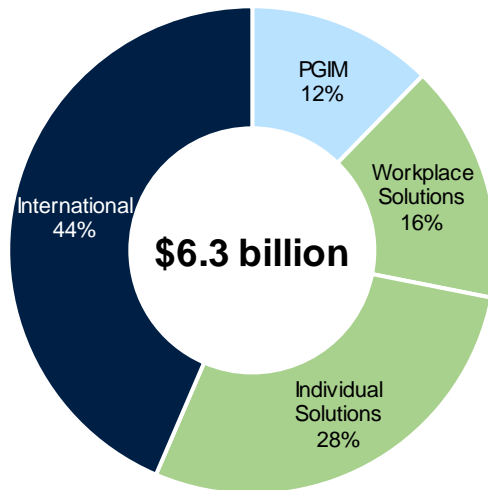
Note: Ratings from 2019 Proxy Statement

LEADING GLOBAL FINANCIAL SERVICES COMPANY



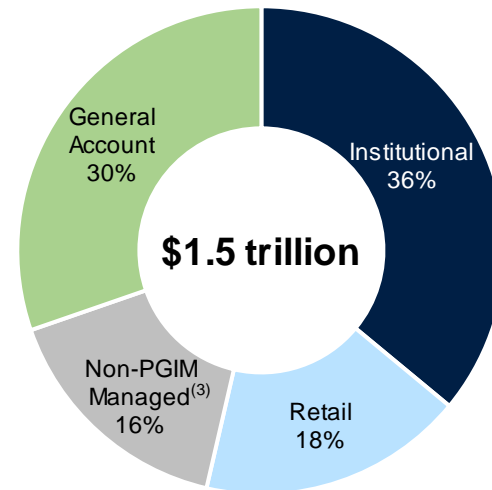
- Fortune 50 global financial services firm
- ~50,000 employees serving customers in more than 40 countries
- ~\$42 billion market cap⁽¹⁾

Attractive Mix of Businesses



Pre-tax Adjusted Operating Income⁽²⁾

Leading Global Asset Manager



1Q19 Assets Under Management
(Includes \$640B of Third-Party AUM)

Note: See Appendix for segment results

1) As of May 3, 2019.

2) Based on last twelve months of adjusted operating income through 1Q19. Pie chart excludes Corporate and Other Operations loss of \$1,401 million.

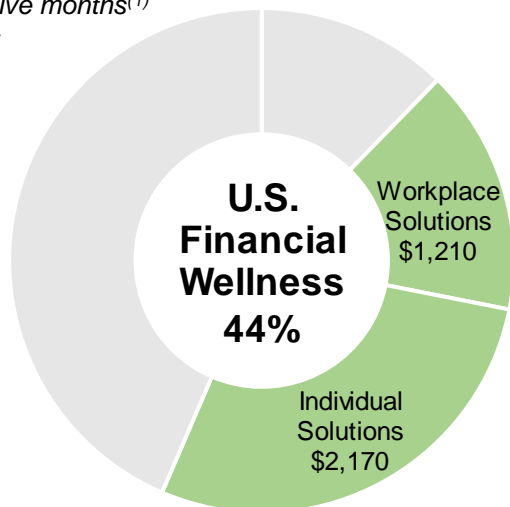
3) Includes assets under management in the U.S. Individual Solutions Division, U.S. Workplace Solutions Division, and International Insurance Division.

U.S. FINANCIAL WELLNESS – ENGAGING MILLIONS OF INDIVIDUALS WITH A MULTI-CHANNEL OFFERING



Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
\$ in millions

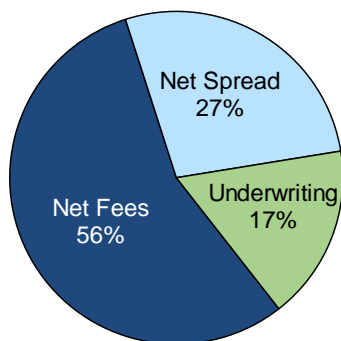


Key Priorities to Grow Earnings

- Continue to help employers understand our differentiated value proposition to increase workplace clients
- Engage and educate workers about their workplace solutions to increase utilization of existing benefits
- Address holistic financial needs of individuals with our broad set of capabilities and solutions
- Continue to execute initiatives specific to underlying businesses

Diversified Sources of Earnings

Trailing twelve months⁽²⁾



Prudential and the Wellness Effect

Nearly 600 employers have adopted



Digital Financial Wellness platform has been deployed to **nearly 3,100 employers** reaching **nearly 8 million individuals**

LINK by Prudential was deployed to **~190,000 participants** in Workplace Solutions



Note: See Appendix for segment results.

1) Trailing twelve months ended 1Q19. Based on pre-tax adjusted operating income excluding Corporate and Other Operations.

2) Trailing twelve months ended 1Q19. Based on net fee income, net spread income, and underwriting margin and claims experience gross of expenses; excludes notable items.



Digital Needs Based Solutions

to develop personalized financial roadmap

- LINK by Prudential in the workplace
- Financial coaching service



Manage Student Loan Debt

- Evaluate consolidation and repayment options
- Employer can make contributions



Navigate Job Changes

- Launched PruPassages SM
- Proactively engage and support individuals during a job transition, including maintaining life insurance coverage



Provide beneficiary services

- Making it easier for those who just lost a loved one
- Resources to plan a funeral and manage financial accounts

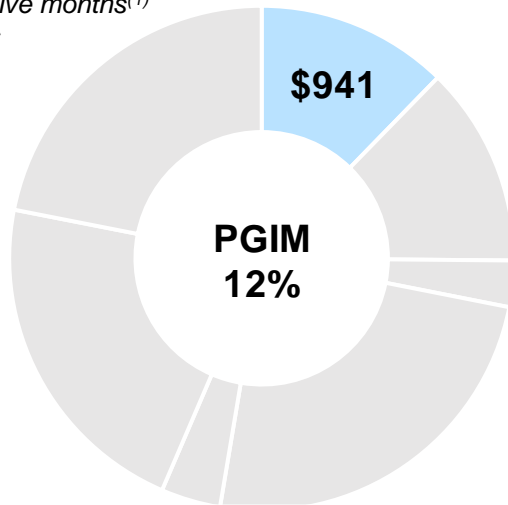
Note: Financial coaching service is being piloted with Workplace Solutions clients

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



Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
\$ in millions

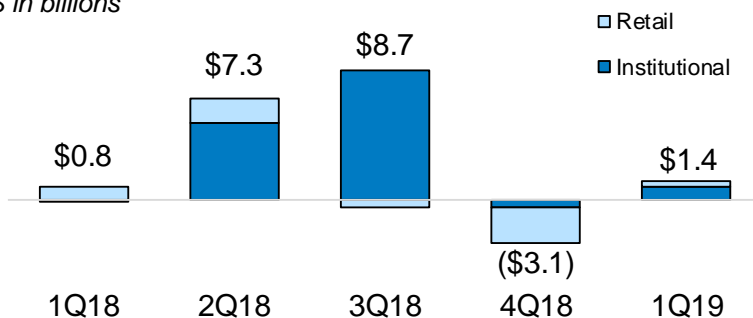


Key Priorities to Grow Earnings

- Maintain strong investment performance⁽²⁾
 - Percentage of AUM⁽³⁾ outperforming benchmark: 3 Year: 84%, 5 Year: 92%, 10 Year: 87%
- Leverage scale of \$1+ trillion multi-manager model and Prudential enterprise relationship
- Expand global footprint
- Continue to diversify products into high margin areas
- Selectively acquire new capabilities

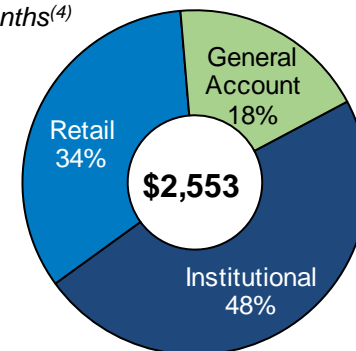
3rd Party Net Flows

\$ in billions



Asset Management Fees

Trailing twelve months⁽⁴⁾
\$ in millions



1) Trailing twelve months ended 1Q19. Based on pre-tax adjusted operating income excluding Corporate and Other Operations.

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

3) Represents PGIM's benchmarked AUM (83% of total third-party AUM is benchmarked over 3 years, 74% over 5 years, and 57% over 10 years respectively). This calculation does not include non-benchmarked assets (including general account assets and assets not managed by PGIM). Returns are calculated gross of investment management fees, which would reduce an investor's net return. Excess performance is based on all actively managed Fixed Income, Equity and Real Estate AUM for Jennison Associates, PGIM Fixed Income, Quantitative Management Associates, PGIM Real Estate, Prudential Capital Group, PGIM Global Partners and PGIM Real Estate Finance.

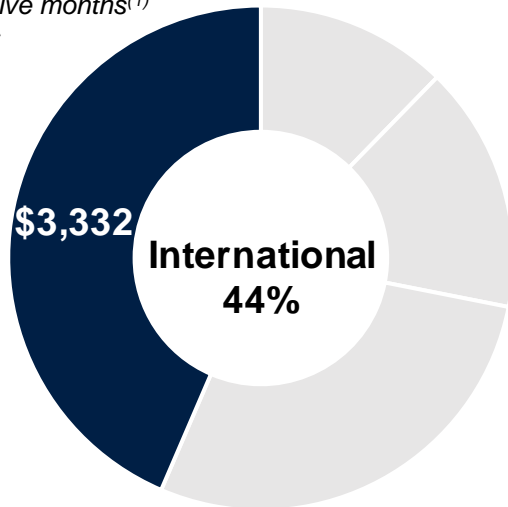
4) Trailing twelve months ended 1Q19.

INTERNATIONAL – DIFFERENTIATED BUSINESS LEADING TO STEADY GROWTH, ATTRACTIVE RETURNS, AND SIGNIFICANT CAPITAL GENERATION



Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
\$ in millions

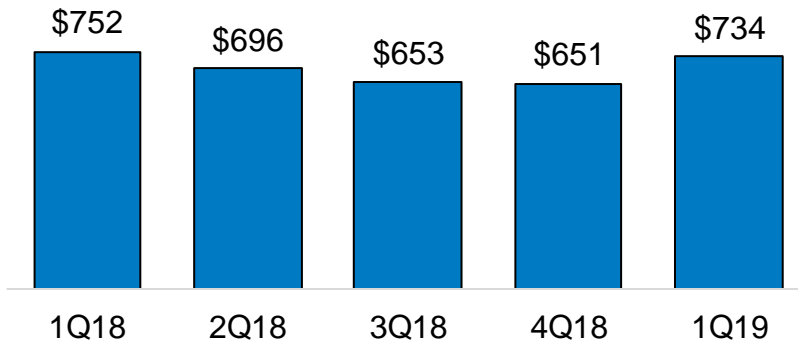


Key Priorities to Grow Earnings

- Lead with protection solutions and innovate as client needs evolve
- Expand third-party distribution channels
- Build digital, mobile, and data analytics capabilities
- Further penetrate existing markets and complement with selective M&A opportunities

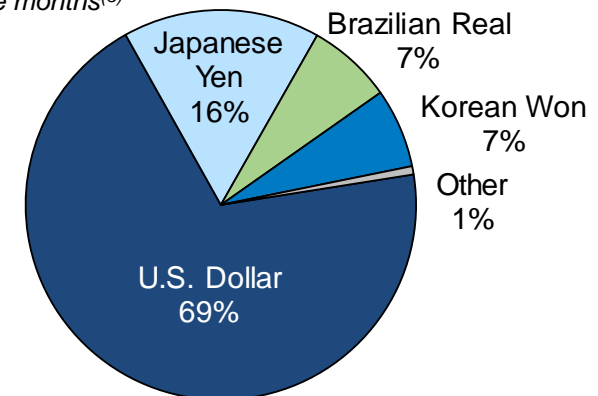
Sales⁽²⁾

\$ in millions



Sales Mix By Currency⁽²⁾

Trailing twelve months⁽³⁾



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

1) Trailing twelve months ended 1Q19. 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) 105 per USD, Korean Won (KRW) 1,110 per USD, and Brazilian Real (BRL) 3.7 per USD. USD-denominated activity is included based on the amounts as transacted in USD. Sales represented by annualized new business premiums.

3) Trailing twelve months ended 1Q19.

ROBUST CAPITAL POSITION SUPPORTS STRONG DISTRIBUTIONS TO SHAREHOLDERS



Capital Position

Capital Deployment

- Share repurchases of \$500 million
- Quarterly Common Stock Dividend per Share increase of 11%

Capital Level

- Continue to hold capital above our AA financial strength levels

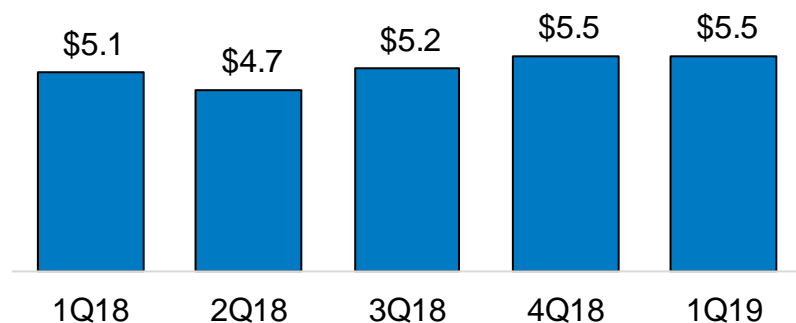
Leverage⁽¹⁾

- Financial leverage ratio less than 25%

Liquidity Position

\$ in billions

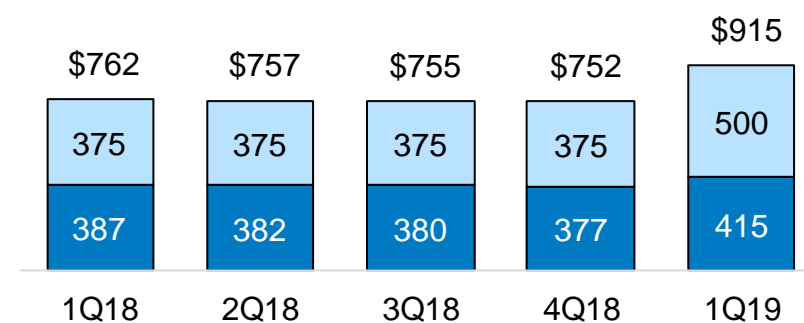
■ Parent Company Highly Liquid Assets⁽²⁾



Shareholder Distributions

\$ in millions

□ Share Repurchase
■ Common Stock Dividends



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

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

TRACK RECORD OF DELIVERING SUPERIOR VALUE



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- Positioned for organic business growth and acquisition opportunities
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8%

5-yr EPS CAGR,
excluding notable
items⁽¹⁾

10%

5-yr Adjusted
BVPS CAGR⁽²⁾

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Adjusted
Operating ROE⁽³⁾

1) From 2013 to 2018; based on after-tax Adjusted Operating Income excluding notable items. See Reconciliations for more information.

2) From 2013 to 2018; based on Adjusted Book Value. See Reconciliations for more information.

3) Year-to-date as of 4Q18; based on annualized after-tax Adjusted Operating Income and average Adjusted Book Value. See Reconciliations for more information.



APPENDIX



BUSINESSES BRIEFS



Business	Market Position	Description / Offerings	Select Public Competitors
PGIM	Top 10 Global AUM ⁽¹⁾	<ul style="list-style-type: none"> Globally active asset manager with over \$1 trillion in AUM managed through a distinct multi-asset manager model with broad capabilities Provides asset management services related to public and private fixed income, public equity and real estate, commercial mortgage origination and servicing, and mutual funds and other retail services to institutional, private, and sub-advisory clients (including mutual funds), insurance company separate accounts, government sponsored entities, and our general account Expanding our international and retail distribution capabilities as well as filling in targeted investment strategies 	<ul style="list-style-type: none"> BlackRock, Bank of New York Mellon, JP Morgan Chase, UBS, Principal
Retirement Full Service	Top 10 DC Manager ⁽²⁾ Top 5 DB Manager ⁽³⁾	<ul style="list-style-type: none"> Leading provider in Full Service retirement market Offers a broad range of products and services to assist in the design, delivery, and administration of defined contribution, defined benefit, and non-qualified retirement plans Expanding and deepening relationships with workplace consumers 	<ul style="list-style-type: none"> Principal, Lincoln, Voya
Retirement Institutional Investment Products	#1 PRT Assets ⁽⁴⁾ #1 Stable Value Assets ⁽⁵⁾	<ul style="list-style-type: none"> Global leader and best in class PRT capabilities gaining momentum with both funded and longevity reinsurance Offers investment-only stable value products, guaranteed investment contracts, funding agreements, general account and separate account stable value products, structured settlements, voluntary income products, and other group annuities Continuing to grow through marketplace leadership, innovation, and expansion into adjacent products and markets 	<ul style="list-style-type: none"> MetLife, Athene, Principal
Group Insurance	Top 5 Premiums Group Life ⁽⁶⁾ Top 10 Premiums Group Disability ⁽⁶⁾	<ul style="list-style-type: none"> Leading U.S. provider of group life and disability insurance Steady growth prospects through diversified portfolio and financial wellness offerings Offers a full range of group life, long-term, and short-term group disability, and group corporate-, bank- and trust-owned life insurance in the U.S. primarily to institutional clients for use in connection with employee plans and affinity groups Sells accidental death and dismemberment and other ancillary coverages, and provides plan administrative services in connection with its insurance coverages Broad product portfolio providing coverage to over 15 million U.S. workers Expanding margins through revenue growth and expense efficiencies Deepening employer and participant relationships through financial wellness programs 	<ul style="list-style-type: none"> Lincoln, Unum, Principal, MetLife, Hartford, Voya

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 4Q 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	Select Public Competitors
Individual Annuities	#3 VA Sales ⁽¹⁾ #2 VA Assets ⁽²⁾	<ul style="list-style-type: none"> • Among industry's largest providers of individual annuities with a wide distribution platform, offering steady free cash flow generation and attractive returns • Product diversification reduces risk profile and expanding portfolio of solutions includes simplified and lower cost products • Offers individual variable and fixed annuity products, primarily to the U.S. mass affluent and affluent markets with a focus on innovative product design and risk management strategies • Broadening buyer universe via additional distribution channels 	<ul style="list-style-type: none"> • Brighthouse, Lincoln, Ameriprise
Individual Life	Top 10 Sales ⁽³⁾	<ul style="list-style-type: none"> • Leadership positions across products support strong sales as marketplace demands pivot • Develops and distributes variable life, term life, and universal life insurance products, primarily to the U.S. mass middle, mass affluent, and affluent markets with a focus on providing life insurance solutions to protect individuals, families, and businesses and to support estate and wealth transfer planning • Multi-channel distribution network and distinctive product portfolio provide broad market access and risk diversification 	<ul style="list-style-type: none"> • MetLife, Lincoln, Voya, RGA, Principal
International Insurance	#1 Market Rank New Business Face Amount in Japan ⁽⁴⁾	<ul style="list-style-type: none"> • Industry's highest quality captive agency force, leading in retention, productivity and persistency • Offers life insurance, retirement products, and certain accident and health products with fixed benefits to the mass affluent and affluent markets through our Life Planner operations in Japan, Korea, Taiwan, Brazil, Argentina, and Mexico • Offers similar products to the broad middle-income and mass affluent markets across Japan and our joint ventures in Chile, Malaysia, India and Indonesia and our strategic investment in Ghana through multiple distribution channels including banks, independent agencies, and Life Consultants associated with our Gibraltar Life and Other operations • Differentiated business model with high returns and solid growth prospects • Long-term association relationships including Japan Teachers Association • Multi-channel including captive, independent distribution, and unique secondment model for bank distribution 	<ul style="list-style-type: none"> • Aflac, Dai-ichi
Closed Block	n/a	<ul style="list-style-type: none"> • Treated as a divested business under our definition of adjusted operating income and reported separately from the other divested and run-off businesses that are included in our Corporate and Other Operations 	
Corporate & Other	n/a	<ul style="list-style-type: none"> • Includes corporate items and initiatives that are not allocated to our business segments and businesses that have been or will be divested or placed in run-off 	

1) Based on U.S. Variable Annuity advisor-sold sales as of 9/30/2018. Source: Morningstar.

2) Based on U.S. Variable Annuity advisor-sold assets as of 9/30/2018. Source: Morningstar.

3) Based on new annualized premiums, LIMRA 4Q 2018 U.S. Individual Life Insurance Sales Survey.

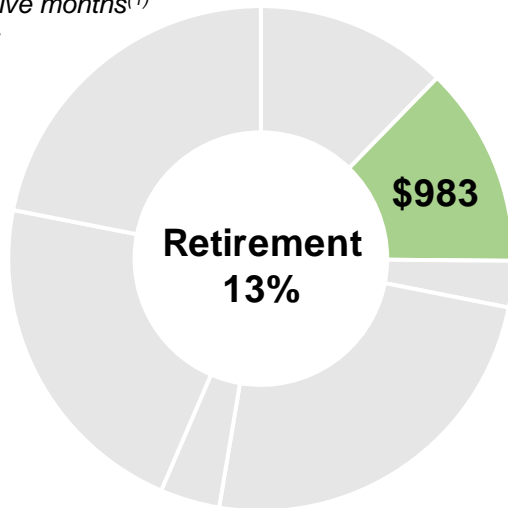
4) Market share data is based on Prudential estimates developed from publicly available data of Japanese insurance companies, excluding Japan post. Source: Life Insurance Association of Japan (LIAJ) Insurance Business in 2017 for the fiscal year ended March 31, 2018.

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



Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
\$ in millions

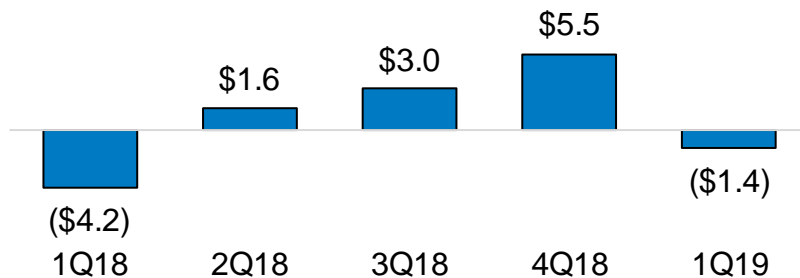


Key Priorities to Grow Earnings

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

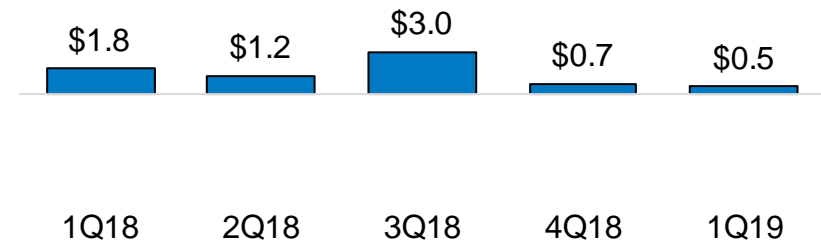
Institutional Investment Products Net Flows

\$ in billions



Full Service Net Flows

\$ in billions



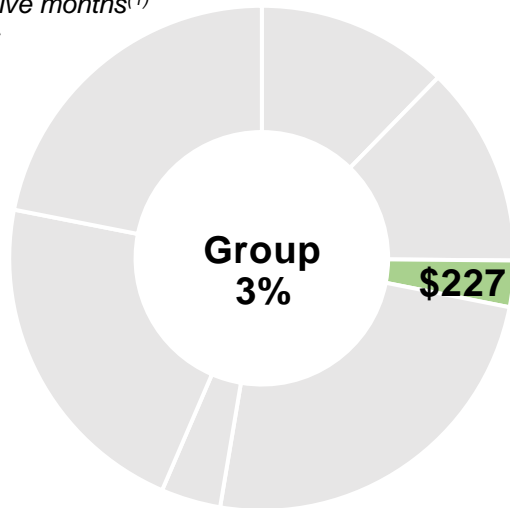
1) Trailing twelve months ended 1Q19. Based on pre-tax adjusted operating income excluding Corporate and Other Operations.

GROUP INSURANCE – LEADING GROUP BENEFITS PROVIDER WITH SUCCESS IN FINANCIAL WELLNESS



Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
\$ in millions

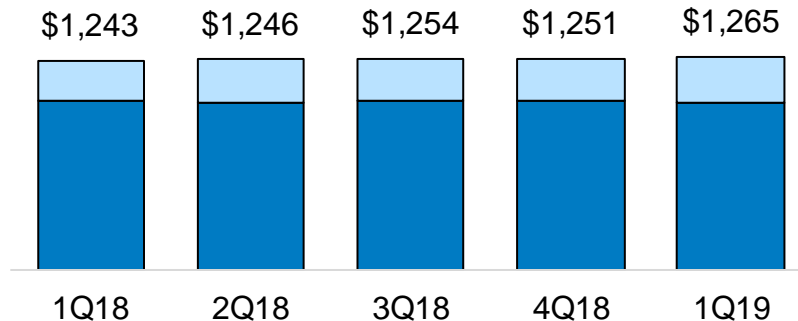


Key Priorities to Grow Earnings

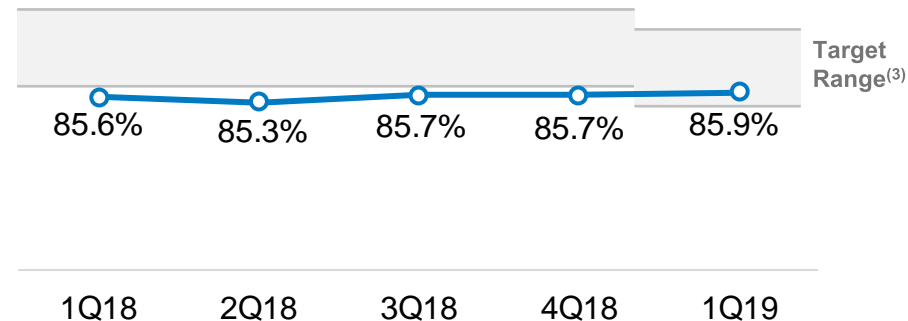
- Deepen employer and participant relationships with Financial Wellness programs
- Execute on diversification strategy while maintaining pricing discipline
 - Maintain National segment share (>5,000 lives) and grow in Premier segment (100 to 5,000 employees)
 - Diversify further into Group Disability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

Earned Premiums & Fees

\$ in millions ■ Group Life □ Group Disability



Total Group Insurance Benefits Ratio⁽²⁾



1) Trailing twelve months ended 1Q19. 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.

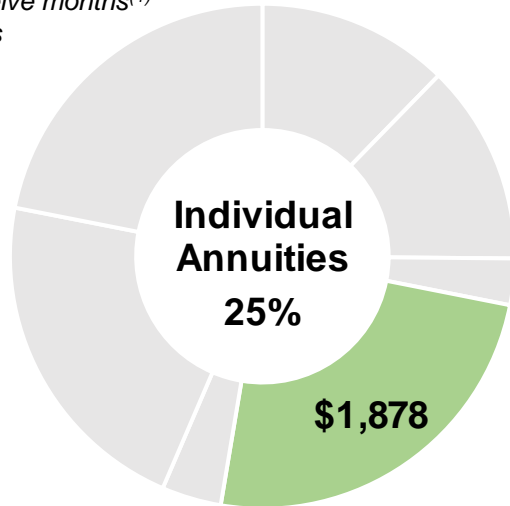
3) Lowered targeted total benefit ratio range from 86% - 90% to 85% - 89% in 1Q19.

INDIVIDUAL ANNUITIES – STEADY FREE CASH FLOW GENERATION AND ATTRACTIVE RETURNS



Earnings Contribution to Prudential

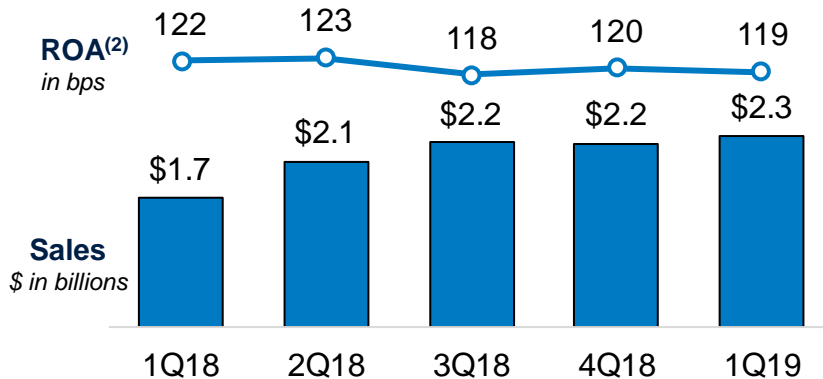
Trailing twelve months⁽¹⁾
\$ in millions



Key Priorities to Grow Earnings

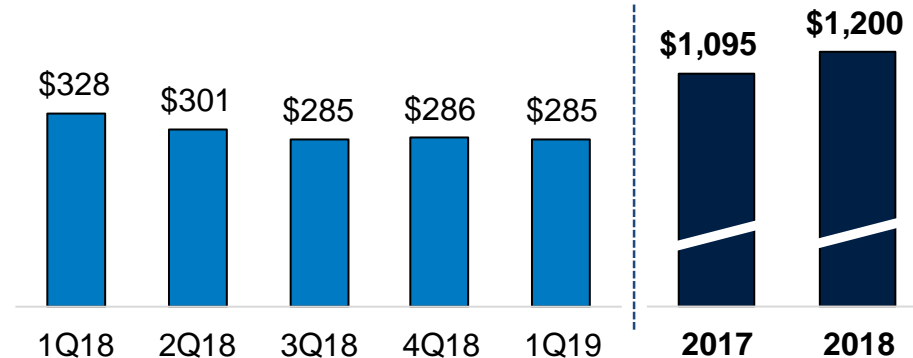
- Generate steady free cash flow and attractive returns
- Continue to grow sales and diversify mix
- Engage a larger addressable market via additional distribution channels
- Extend secure retirement income through Financial Wellness to workplace relationships

Sales & Return on Assets (ROA)



Prudential Annuities Life Assurance Co. Dividends to PFI⁽³⁾

\$ in millions



1) Trailing twelve months ended 1Q19. 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.

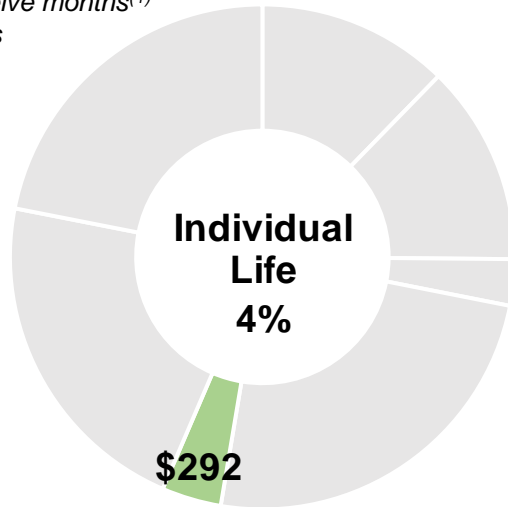
3) Dividends include Prudential Annuities Holding Co.

INDIVIDUAL LIFE – BROAD PRODUCT PORTFOLIO AND MULTI-CHANNEL DISTRIBUTION



Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
\$ in millions

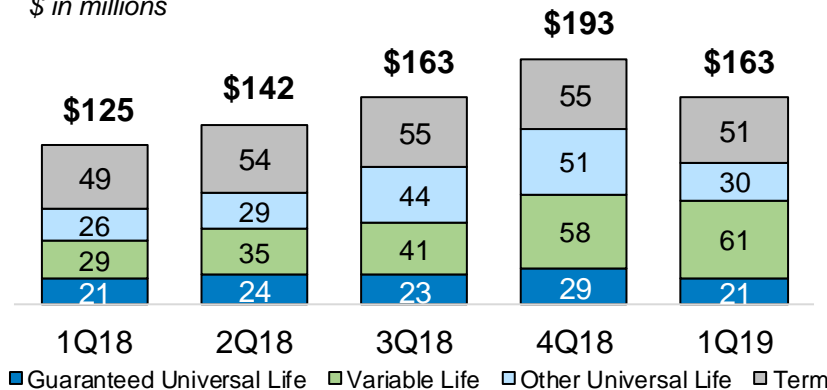


Key Priorities to Grow Earnings

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

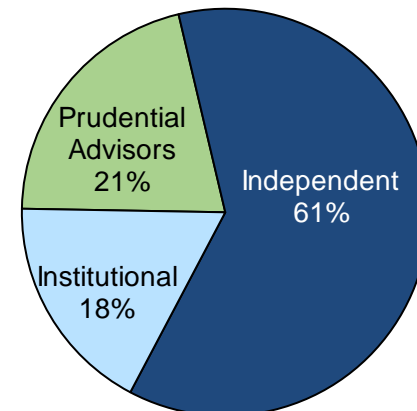
Sales⁽²⁾ – Product Mix

\$ in millions



Sales⁽²⁾ – Distribution Mix

Trailing twelve months⁽³⁾



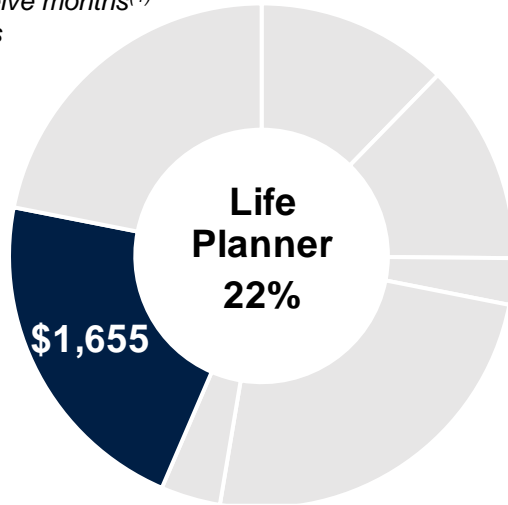
1) Trailing twelve months ended 1Q19. Based on pre-tax adjusted operating income excluding Corporate and Other Operations.
2) Sales represented by annualized new business premiums.
3) Trailing twelve months ended 1Q19.

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



Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
\$ in millions

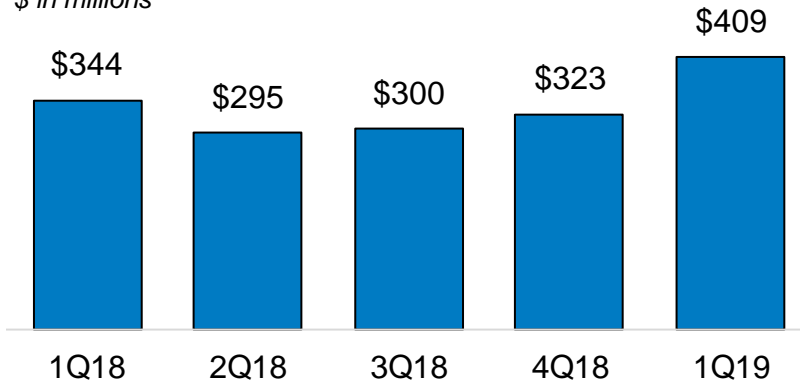


Key Priorities to Grow Earnings

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

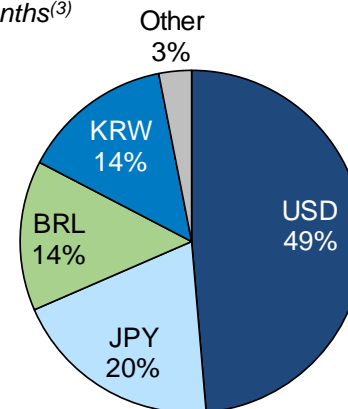
Sales⁽²⁾

\$ in millions



Sales Mix by Currency⁽²⁾

Trailing twelve months⁽³⁾



1) Trailing twelve months ended 1Q19. 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) 105 per USD, Korean Won (KRW) 1,110 per USD, and Brazilian Real (BRL) 3.7 per USD. USD-denominated activity is included based on the amounts as transacted in USD. Sales represented by annualized new business premiums.

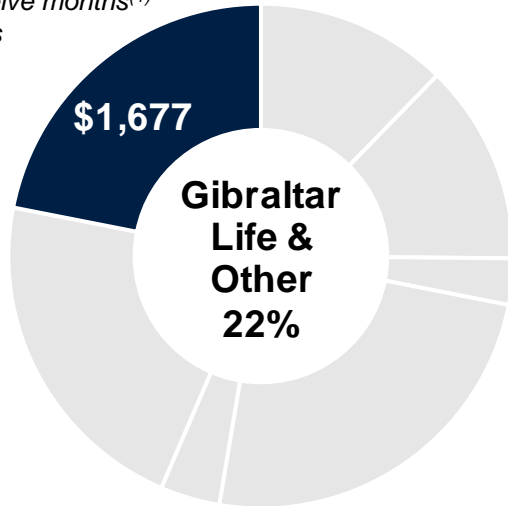
3) Trailing twelve months ended 1Q19.

GIBRALTAR LIFE AND OTHER – MEETING CLIENT NEEDS VIA MULTIPLE CHANNELS



Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
\$ in millions

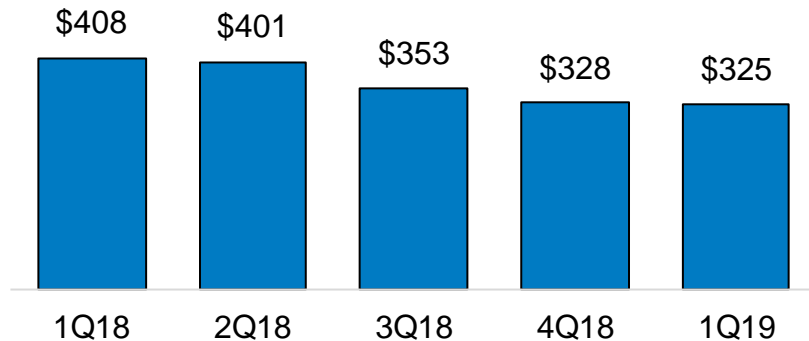


Key Priorities to Grow Earnings

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

Sales⁽²⁾

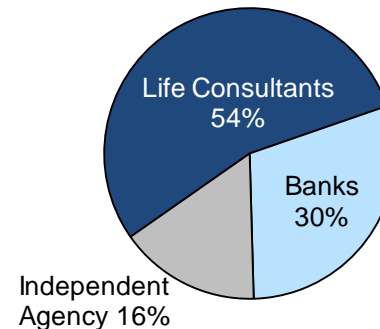
\$ in millions



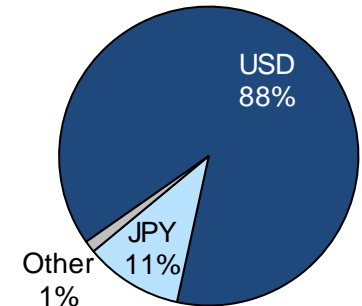
Sales Mix⁽²⁾

Trailing twelve months⁽³⁾

Distribution



Currency



1) Trailing twelve months ended 1Q19. 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) 105 per USD. USD-denominated activity is included based on the amounts as transacted in USD. Sales represented by annualized new business premiums.

3) Trailing twelve months ended 1Q19.



RECONCILIATIONS



RECONCILIATIONS BETWEEN AOI AND THE COMPARABLE GAAP MEASURE⁽¹⁾



(\$ millions)

	Year Ended	
	2018	2013
Net income (loss) attributable to Prudential Financial, Inc.	\$ 4,074	\$ (713)
Income attributable to noncontrolling interests	14	107
Net income (loss)	4,088	(606)
Less: Income (loss) from discontinued operations, net of taxes	-	7
Income (loss) from continuing operations (after-tax)	4,088	(613)
Less: Earnings attributable to noncontrolling interests	14	107
Income (loss) attributable to Prudential Financial, Inc.	4,074	(720)
Less: Equity in earnings of operating joint ventures, net of taxes and earnings attributable to noncontrolling interests	62	(48)
Income (loss) (after-tax) before equity in earnings of operating joint ventures	4,012	(672)
Less: Reconciling Items:		
Realized investment gains (losses), net, and related charges and adjustments	303	(8,149)
Investment gains (losses) on assets supporting experience-rated contractholder liabilities, net	(863)	(250)
Change in experience-rated contractholder liabilities due to asset value changes	710	227
Divested and Run-off Businesses:		
Closed Block Division	(62)	-
Other Divested and Run-off Businesses	(1,535)	29
Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests	(87)	28
Total reconciling items, before income taxes	(1,534)	(8,115)
Less: Income taxes, not applicable to adjusted operating income	(527)	(2,857)
Total reconciling items, after income taxes	(1,007)	(5,258)
After-tax adjusted operating income	5,019	4,586
Income taxes, applicable to adjusted operating income	1,349	1,783
Adjusted operating income before income taxes	\$ 6,368	\$ 6,369
After-tax adjusted operating income per share	\$ 11.69	\$ 9.67
Net Income Return on Equity ⁽¹⁾	8.2%	-2.0%
Adjusted Operating Return on Equity ⁽¹⁾	12.7%	16.4%

1) Represents results of Financial Services Businesses (FSB) for 2013. Net income return on equity based on year-to-date annualized after-tax net income and average GAAP equity of \$49,928 and \$35,154 as of year-end 2018 and 2013, respectively. Adjusted operating return on equity based on year-to-date annualized after-tax adjusted operating income and average adjusted book value excluding accumulated other comprehensive income and adjusted to remove amount included for remeasurement of foreign currency of \$39,492 and \$27,896 as of year-end 2018 and 2013, respectively.

RECONCILIATIONS BETWEEN ADJUSTED BOOK VALUE AND THE COMPARABLE GAAP MEASURE⁽¹⁾



(\$ millions, except per share data)

	December 31,	
	2018	2013
	<u> </u>	<u> </u>
GAAP book value	\$ 48,617	\$ 33,885
Less: Accumulated other comprehensive income (AOCI)	<u>10,906</u>	<u>8,586</u>
GAAP book value excluding AOCI	37,711	25,299
Less: Cumulative effect of remeasurement of foreign currency	<u>(2,344)</u>	<u>(2,818)</u>
Adjusted book value	<u>\$ 40,055</u>	<u>\$ 28,117</u>
Number of diluted shares	<u>422.2</u>	<u>468.7</u>
GAAP book value per Common share - diluted ⁽¹⁾	\$ 116.34	\$ 72.30
GAAP book value excluding AOCI per Common share - diluted ⁽¹⁾	\$ 90.50	\$ 53.98
Adjusted book value per Common share - diluted ⁽¹⁾	\$ 96.06	\$ 59.99

1) Represents results of FSB for 2013. As of December 31, 2018, exchangeable surplus notes are dilutive when book value per share is greater than \$82.16 (equivalent to an additional 6.09 million in diluted shares and an increase of \$500 million in equity). Book value per share as of December 31, 2013 excludes the impact of exchangeable surplus notes due to the anti-dilutive impact of conversion.

ADJUSTED OPERATING INCOME NOTABLE ITEMS



	Year Ended 2018 Per Share	Year Ended 2013 Per Share
After-tax Adjusted Operating Income	\$11.69	\$9.67
Notable Items⁽¹⁾		
• Annual review and update of actuarial assumptions and other refinements	(0.30)	0.24
• Updated estimates of profitability driven by market performance versus assumptions	(0.24)	0.53
• Returns on non-coupon investments and prepayment fees above / (below) average expectations	(0.44)	0.22
• Underwriting experience above / (below) average expected gains	0.22	0.09
• (Higher) / lower than typical expenses	(0.09)	(0.03)
• Integration costs from the Star/Edison and Hartford Life acquisitions	-	(0.09)
• Gain from sale of investment in China Pacific Group	-	0.09
Total Notable Items included in Adjusted Operating Income	\$(0.85)	\$1.05

1) Notable Items represent the impact on results from our annual reviews and update of assumptions and other refinements, the quarterly updated estimate of profitability driven by market performance versus assumptions, and the approximate impact attributable to variances from the Company's expectations. The Company chooses to highlight the impact of these items because it believes their contribution to results in a given period may not be indicative of future performance. These notable items do not include seasonality impacts on quarterly revenue or expense patterns and may not encompass all items that could affect earnings trends. Average expectations used for comparison herein are those in effect for the respective periods shown at the time of original reporting and are not adjusted for subsequent changes in the Company's expectations. These items, where significant, are individually identified for the respective periods in the Company's earnings releases, available at www.investor.prudential.com. Notable Items after-tax are based on application of tax rates of 21% in 2018 and 35% in 2013.