



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

**SEPTEMBER 2017**

# AGENDA



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

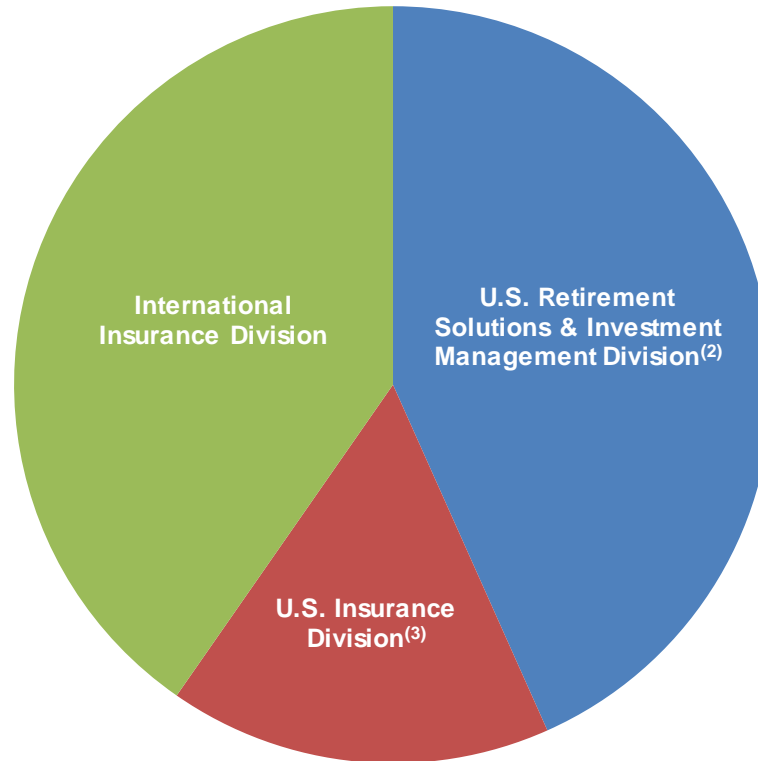


# ENTERPRISE OVERVIEW

# SUPERIOR MIX OF HIGH QUALITY BUSINESSES AND RISKS



June 30, 2017  
Adjusted Book Value  
\$35.0 Billion<sup>(1)</sup>

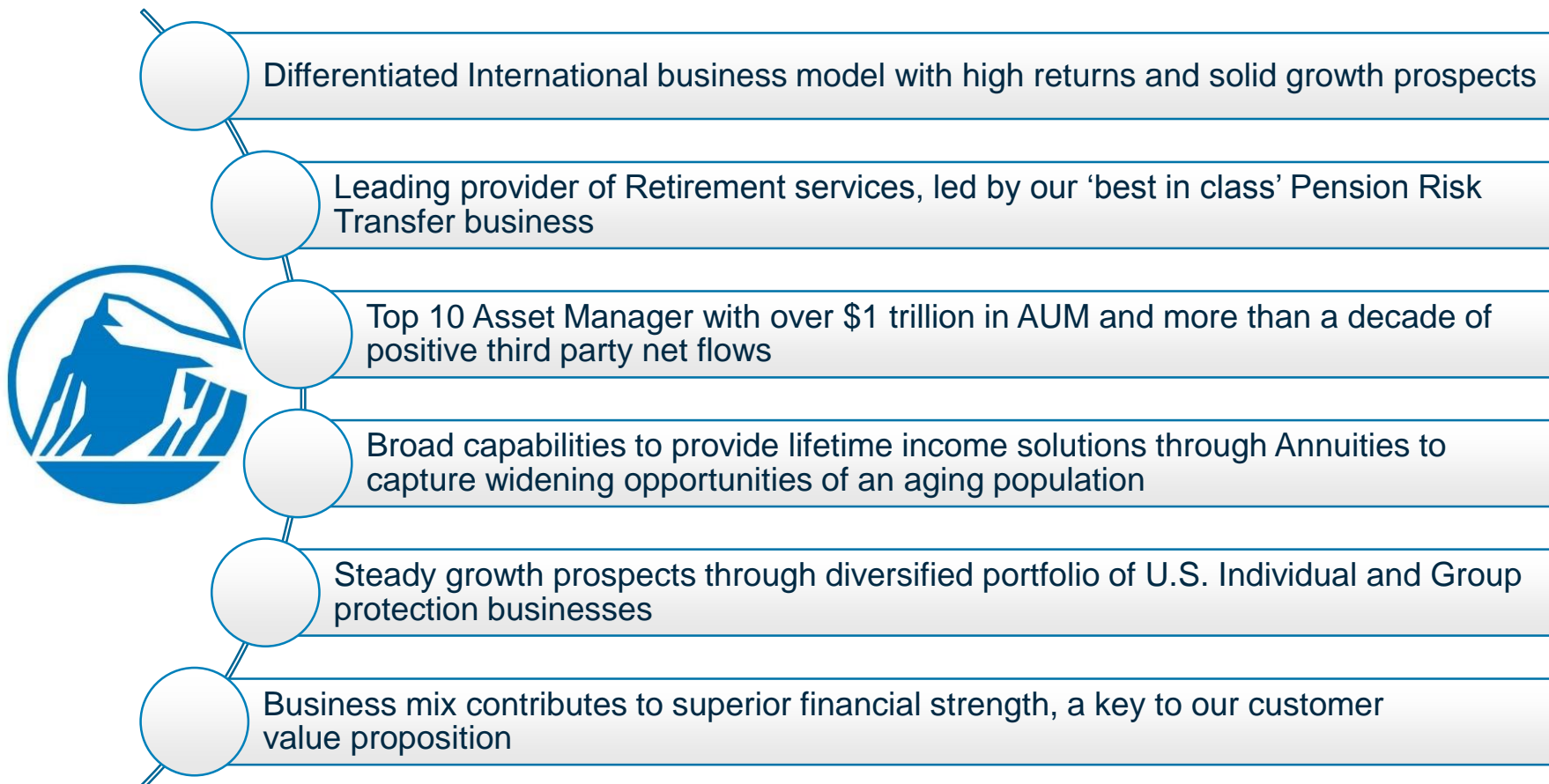


- 1) See reconciliation to GAAP book value on page 40; total includes attributed equity for Corporate and Other Operations of \$1,654 million and Closed Block Division of (\$1,370) million, which are excluded from pie chart.
- 2) Includes U.S. Individual Annuities, Asset Management and Retirement.
- 3) Includes U.S. Individual Life and Group Insurance.

# STRONG RETURNS AND CASH FLOWS DRIVEN BY HIGH QUALITY BUSINESSES



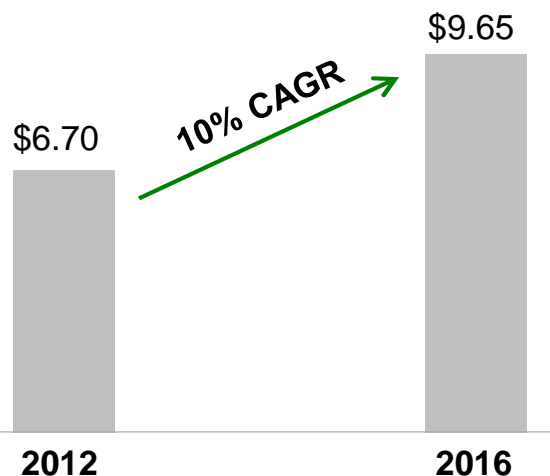
- A complementary mix of businesses with competitive advantages



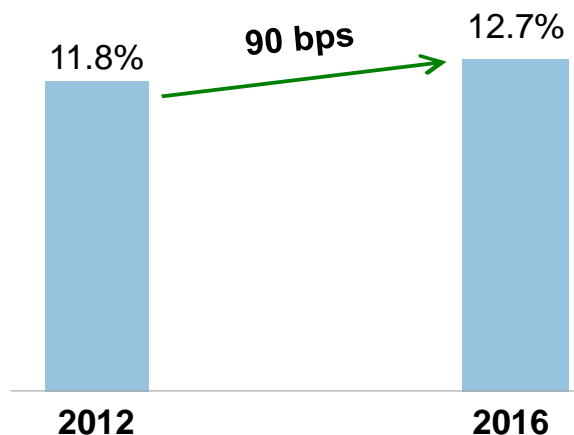
# TRACK RECORD OF FINANCIAL PERFORMANCE<sup>(1)</sup>



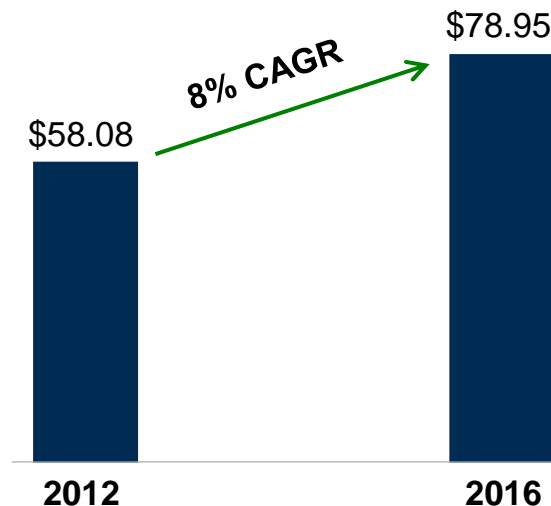
## Earnings Per Share<sup>(2)</sup>



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



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



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

- 1) Amounts attributable to Prudential Financial, Inc. (PFI); represents results of the former Financial Services Businesses (FSB) for periods prior to 2015. Per share data amounts on diluted basis.
- 2) Based on after-tax adjusted operating income (AOI), excluding market driven and discrete items as shown in the reconciliation section on page 39; based on application of 35% tax rate for earnings per share (EPS) and ROE calculations.
- 3) ROE gives effect to direct equity adjustment for EPS calculation for periods prior to 2015. Based on average attributed equity excluding accumulated other comprehensive income (AOCI) and adjusted to remove amount included for foreign currency exchange rate remeasurement.
- 4) See reconciliation on page 40.

# HIGHLIGHTS OF CAPITAL STRENGTH



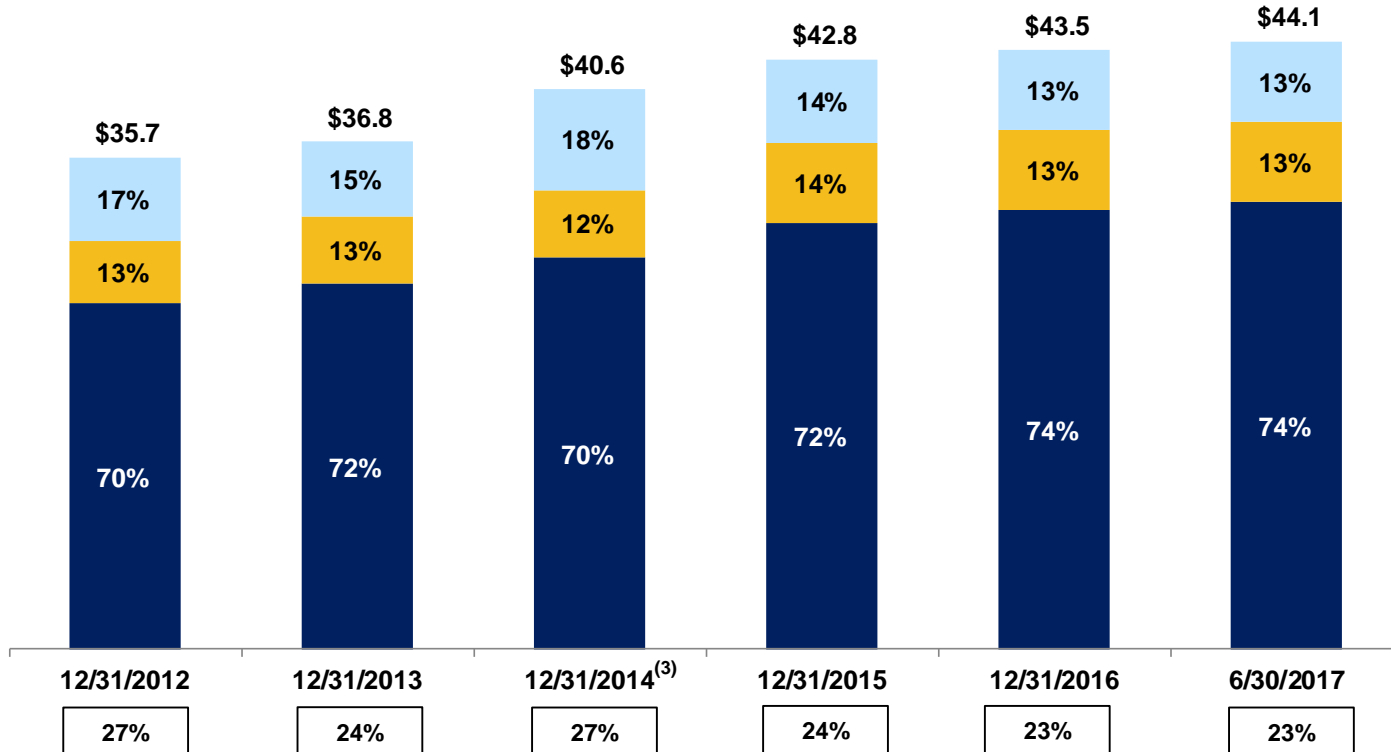
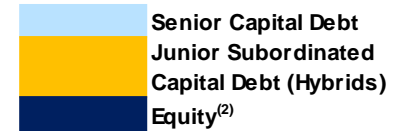
- Conservative balance sheet
  - Significant adverse experience absorption capacity in statutory and GAAP reserves
  - High quality investment portfolio and strong regulatory capital ratios
- Solid capital generation in ongoing businesses
  - Deployable cash flow expected to be ~60% of after-tax adjusted operating income over time
  - Japan equity hedge protects value of our largest international operation and contribution to overall returns and capital generation
- Effective capital deployment
  - Share repurchase authorization for 2017 of \$1.25 billion; increased quarterly dividend by 7% to \$0.75 per share of common stock in 1Q17
  - 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

# CAPITAL STRUCTURE



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

(\$ in billions)



### Target Range

≤ 15%

70-75%

≤ 25% Financial Leverage Ratio <sup>(4)</sup>

- 1) Represents the former Financial Services Business for periods prior to 2015.
- 2) Equity 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 is defined as senior capital debt plus 75% hybrids divided by the senior capital debt plus 100% hybrids plus total equity.

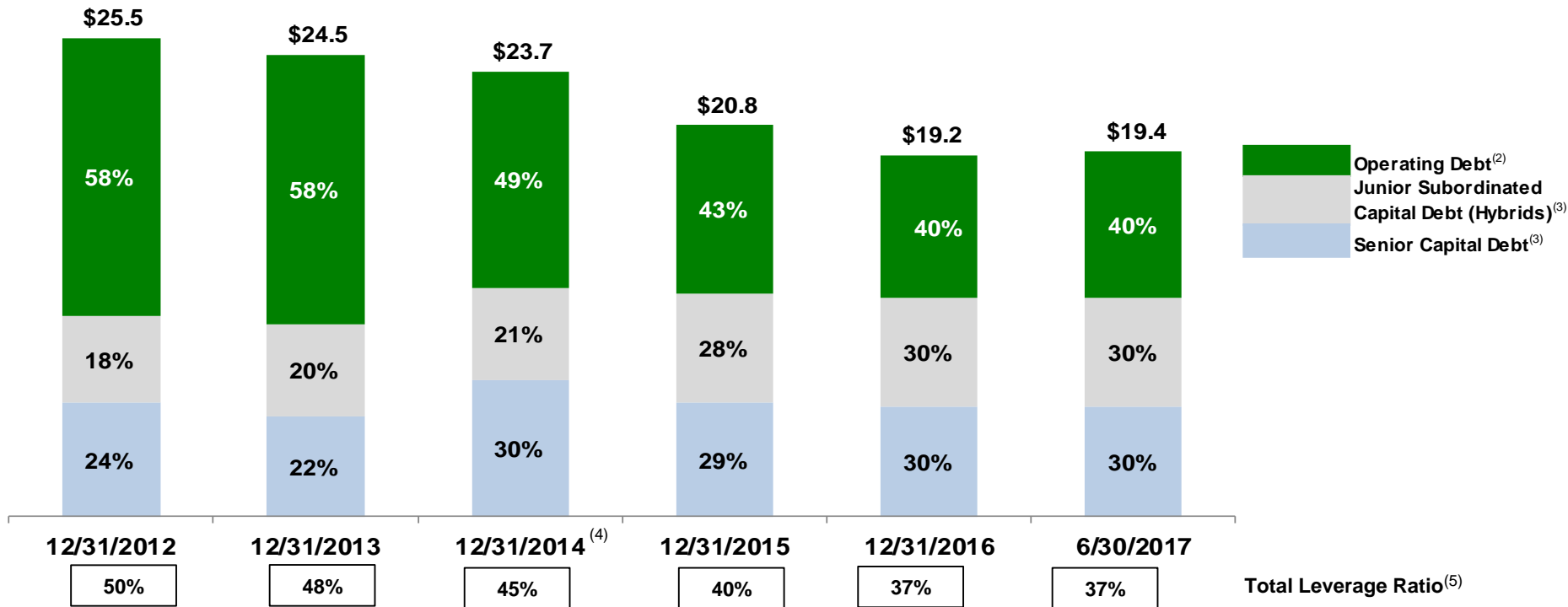


# REDUCTION IN TOTAL LEVERAGE



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

(\$ in billions)



- 1) Represents the former Financial Services Business 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.

# 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

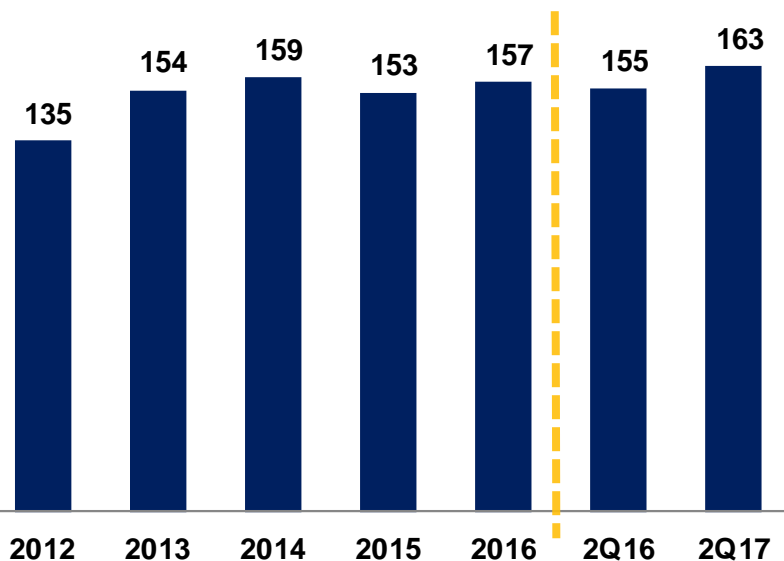


# U.S. AND INTERNATIONAL BUSINESSES

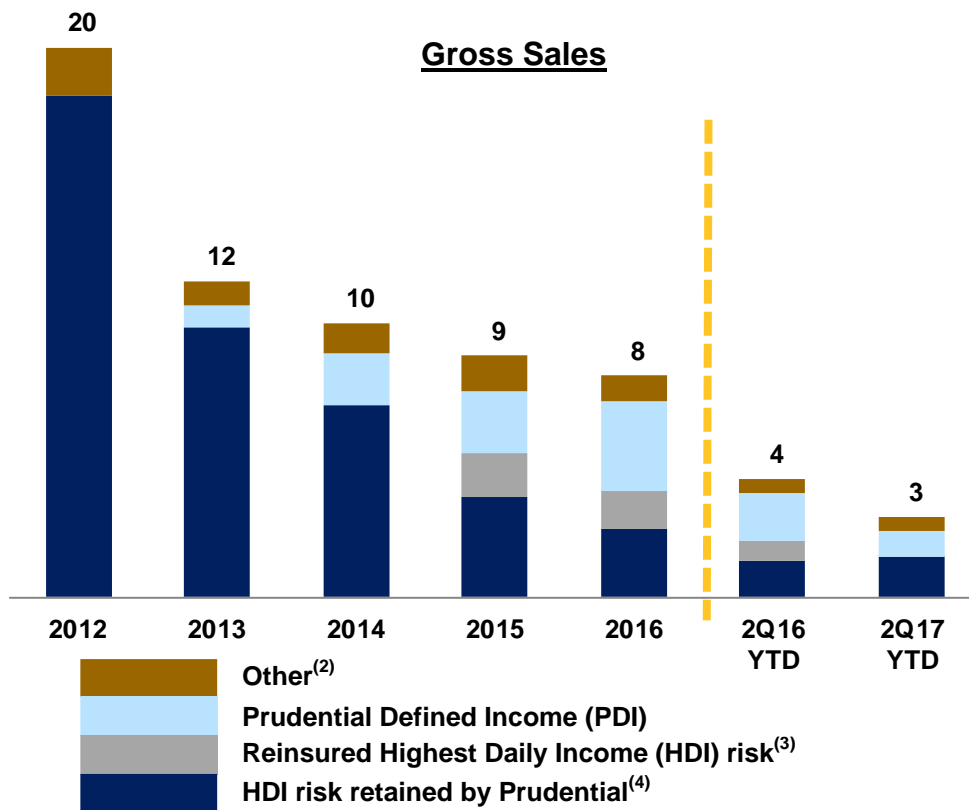
# INDIVIDUAL ANNUITIES – ACCOUNT VALUE AND SALES TREND

(\$ billions)

## Account Values<sup>(1)</sup>



## Gross Sales



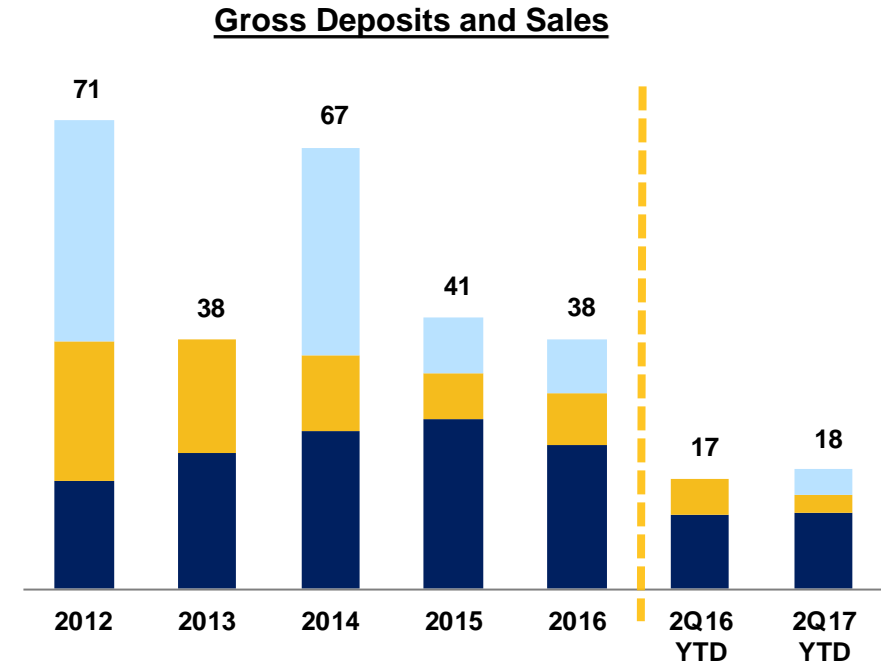
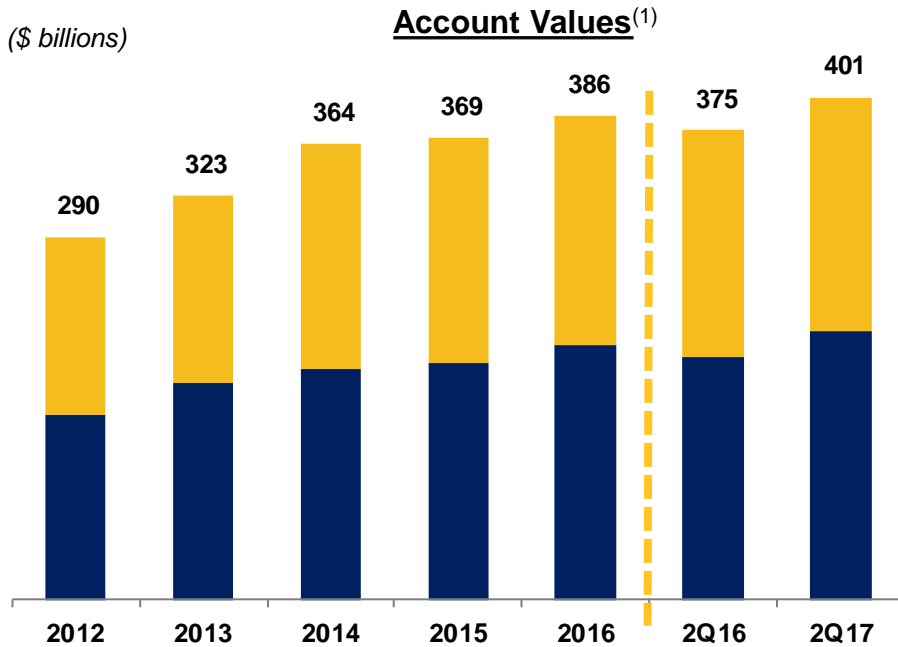
1) Represents Individual Annuities total account values at end of period.

2) Includes Prudential Premier Investment contracts, Legacy Protection Plus death benefits, and other annuities without optional living benefit guarantees.

3) Includes portion of account values for certain variable annuities for which living benefits are covered under an external reinsurance agreement, which covered new business from 4/1/2015 through 12/31/16.

4) Includes predecessor product optional living benefits.

# RETIREMENT – ACCOUNT VALUES AND SALES TREND



Institutional Investment Products  
 Full Service

Pension Risk Transfer (PRT)<sup>(2)</sup>  
 Other Institutional Investment Products (excl. PRT)  
 Full Service

1) At end of period.

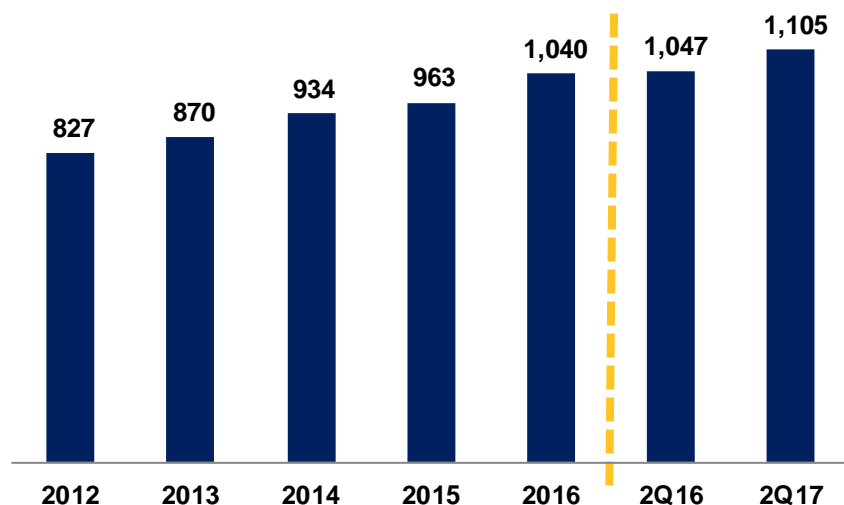
2) Represents significant PRT transactions.

# ASSET MANAGEMENT – AUM AND NET FLOWS

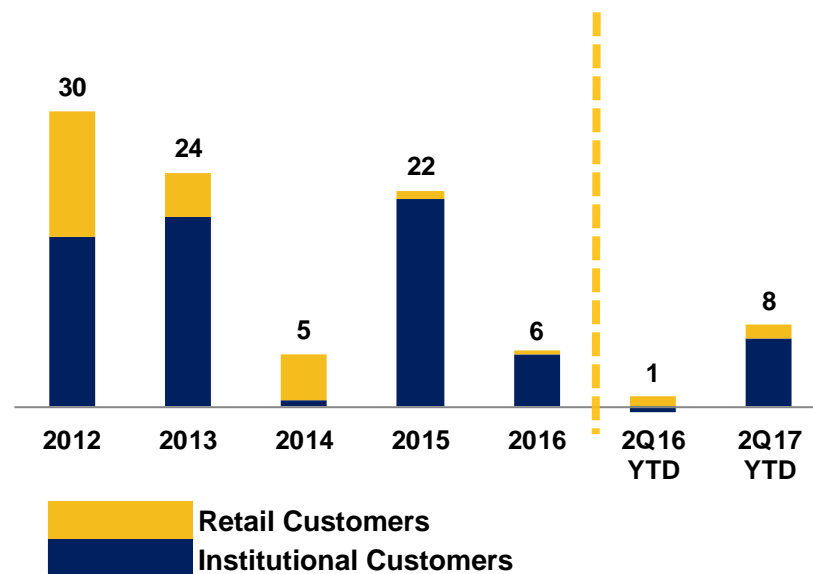


(\$ billions)

**Assets Under Management<sup>(1)</sup>**



**Institutional and Retail Customers Net Flows<sup>(2)</sup>**



1) At end of period, includes general account.

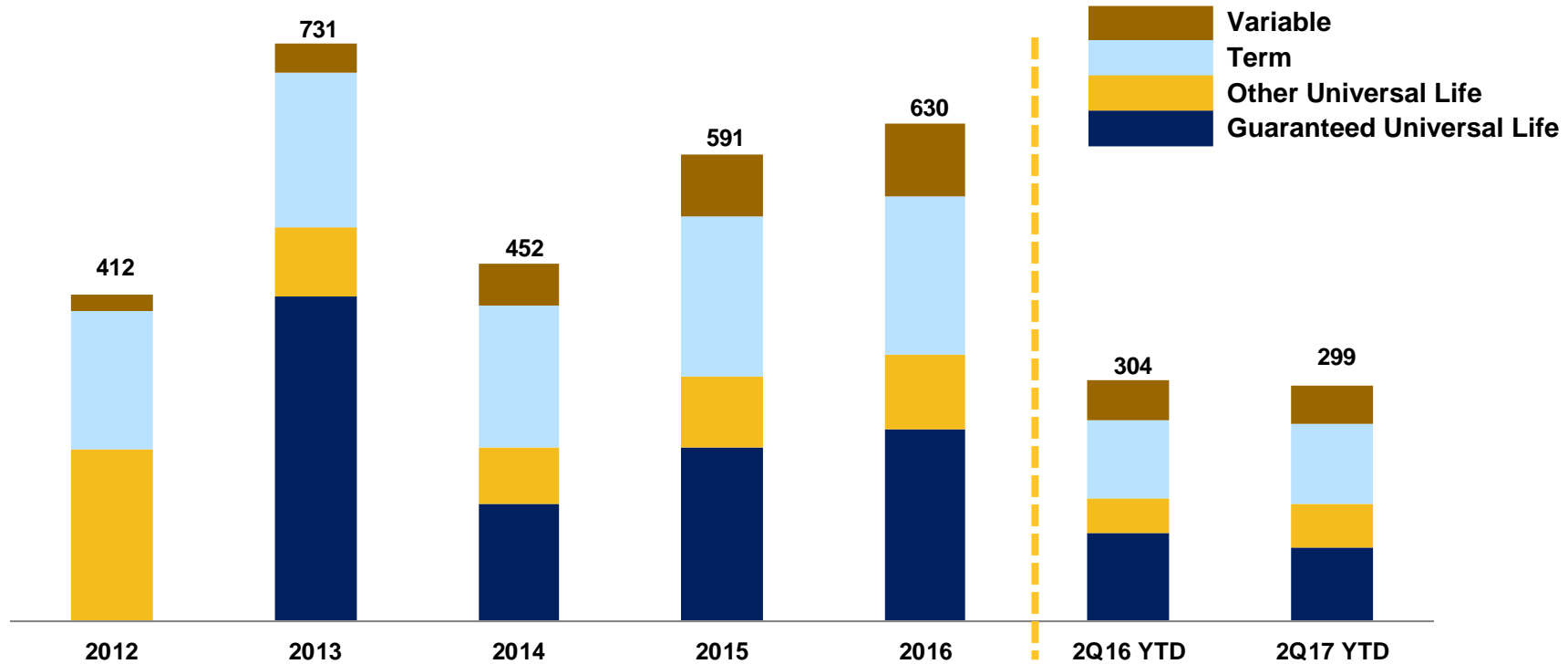
2) Excludes money market activity and affiliated net flows.

# INDIVIDUAL LIFE – SALES TREND



(\$ millions)

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



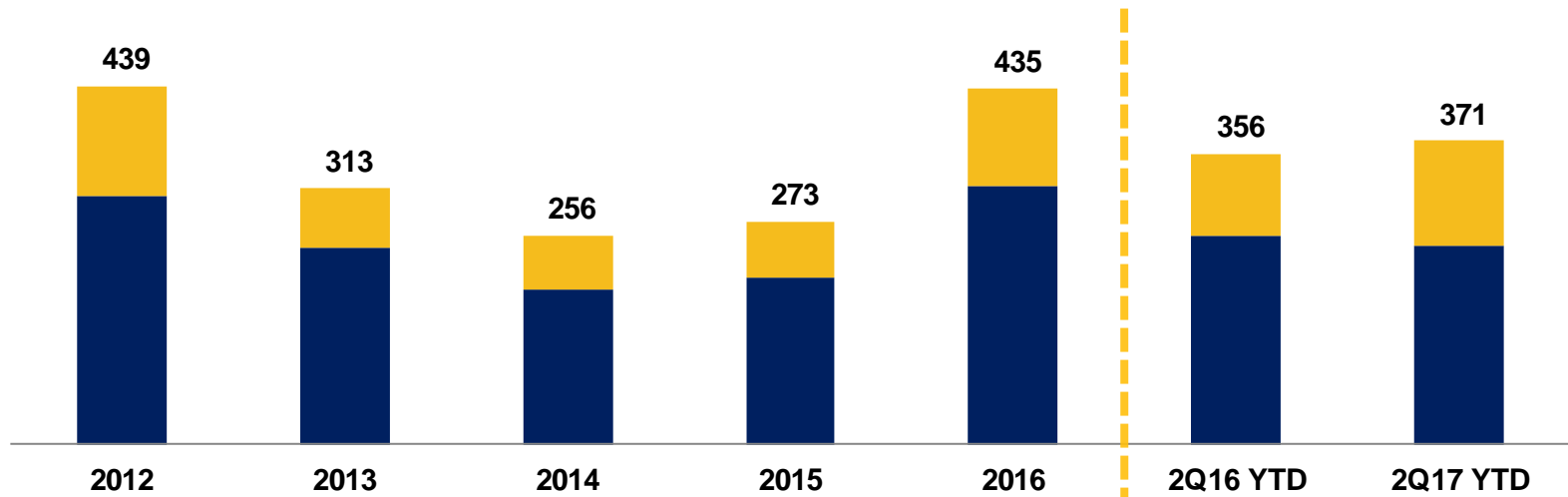
1) Excludes corporate-owned life insurance. Beginning in 2013, includes new business premiums from the Hartford acquisition as well as the portion of new business premiums attributable to guaranteed universal life products.

# GROUP INSURANCE – SALES TREND



(\$ millions)

## Annualized New Business Premiums



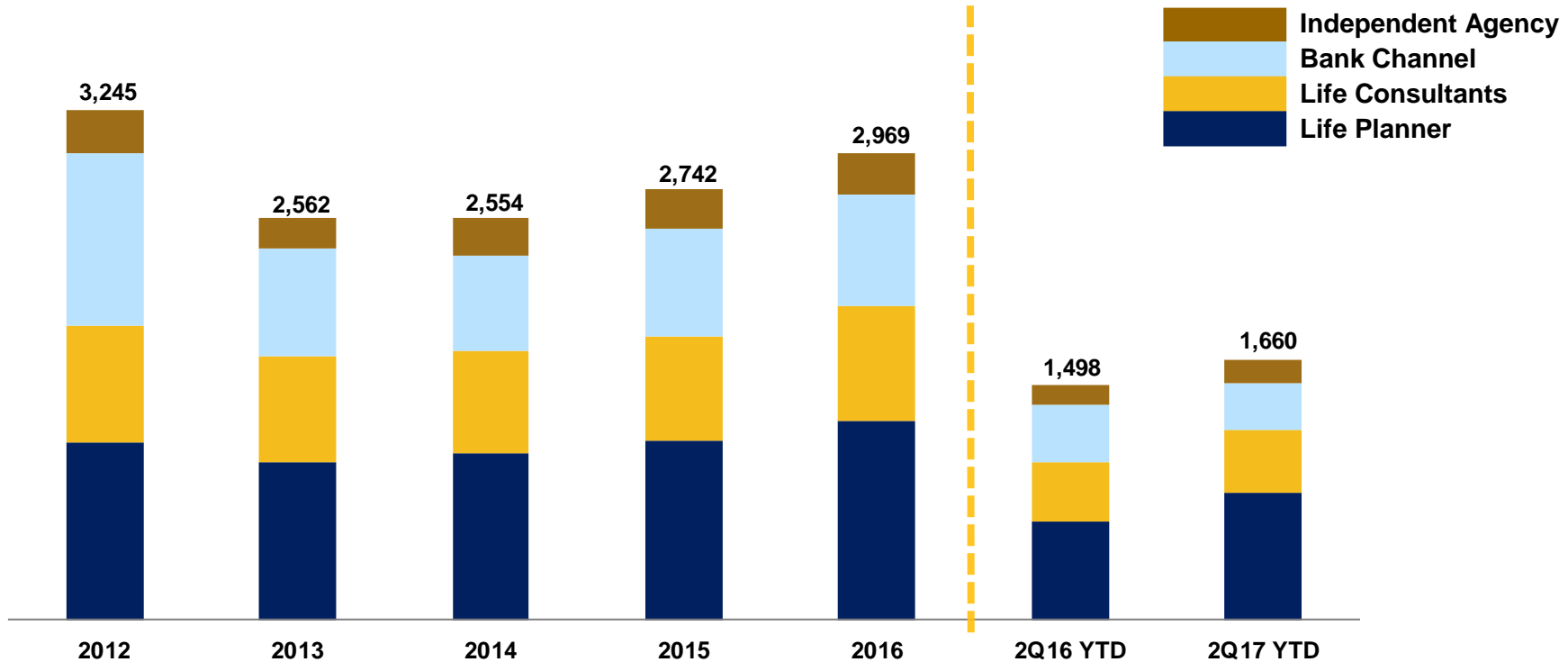


# INTERNATIONAL INSURANCE – SALES TREND



(\$ millions)

Annualized New Business Premiums by Distribution Channel<sup>(1)</sup>



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



# CAPITAL & LIQUIDITY

# APPROACH TO CAPITAL & LIQUIDITY MANAGEMENT



## 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 STRENGTH AND FLEXIBILITY HIGHLIGHTS

## INSURANCE OPERATIONS



Risk Based Capital Ratio (RBC) <sup>(1)</sup> December 31, 2016		Target	Estimated June 30, 2017
Prudential Insurance	457%		
PALAC <sup>(2)</sup>	867%		
Composite Major U.S. <sup>(3)</sup> Insurance Subsidiaries	527%	400%	Well Above Target

Solvency Margin Ratio	Target	June 30, 2017
Prudential of Japan <sup>(4)</sup>	700%	844%
Gibraltar Life <sup>(4)</sup>	700%	902%

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

# 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 August 2, 2017

- 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).

# LIQUIDITY, LEVERAGE, AND CAPITAL DEPLOYMENT



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

- Parent company highly liquid assets, \$3.7 billion<sup>(2)</sup>

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

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

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

- Quarterly common stock dividends, \$655 million
- Share repurchases, \$625 million

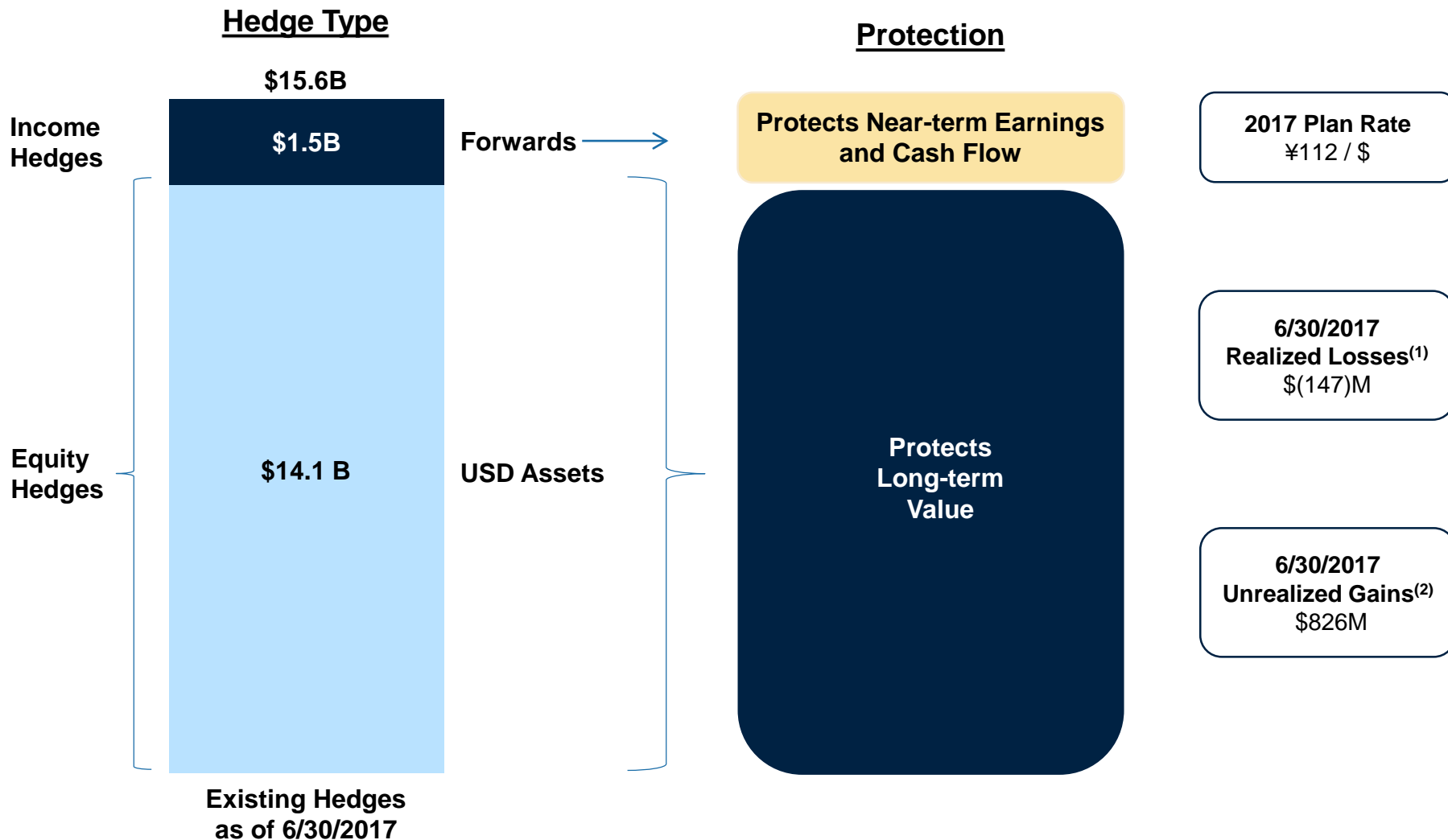
1) Liquidity position and leverage ratios as of June 30, 2017.

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

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

4) For the six months ended June 30, 2017.

# YEN HEDGING STRATEGY – MITIGATES ROE DILUTION



1) Represents cash settlements from equity hedges for the six months ended June 30, 2017.

2) Represents fair value of equity hedges as of June 30, 2017.

# CAPITAL PROTECTION FRAMEWORK



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

Equity Market  
Decline

Interest Rate  
Shock

Credit Shock

Currency Shock

## Our Toolbox

On Balance Sheet  
Capital Capacity

Derivatives /  
Hedging

Credit Facilities

Contingent  
Capital

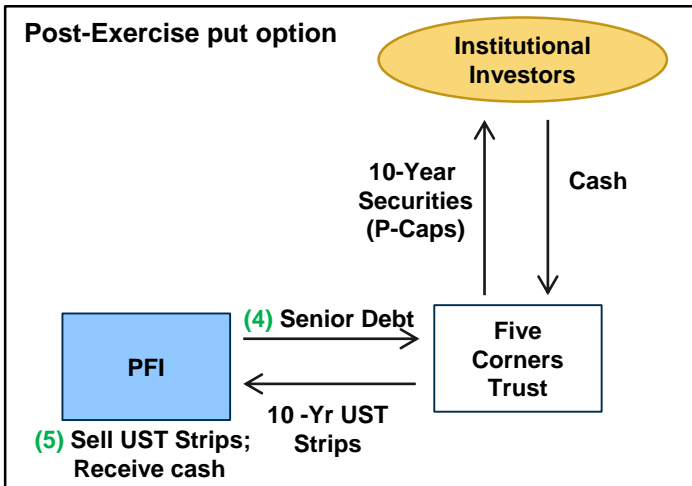
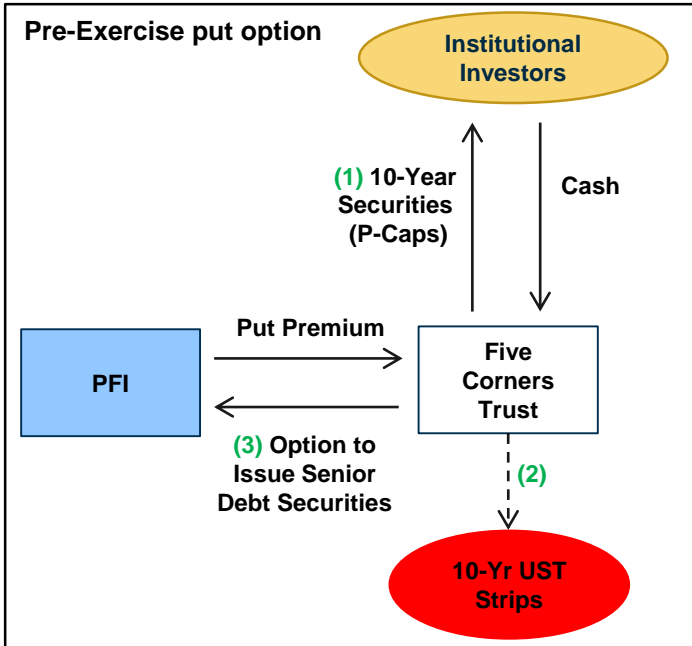
## Expected Outcome

- 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.



# CONTINGENT CAPITAL FACILITY



In November 2013, we created a \$1.5 billion fixed income contingent capital facility as part of our Capital Protection Framework

1. A Delaware trust issued 10-year 144A trust securities to Institutional investors
2. Proceeds from issuance are invested by Trust in Eligible Assets (10 year UST via Treasury Strips)
3. Trust grants a Put Option to PFI, giving PFI the right to deliver newly issued 10-year PFI senior debt securities at a rate preset upon inception to the Trust in exchange for Treasury Strips
  - a) Put is exercisable at any time by PFI
  - b) Also subject to certain mandatory draw requirements
4. Upon exercise of the option, PFI issues Senior Debt to the trust in exchange for Treasury Strips
5. Treasury Strips may be sold for cash proceeds

# LIQUIDITY MANAGEMENT PHILOSOPHY

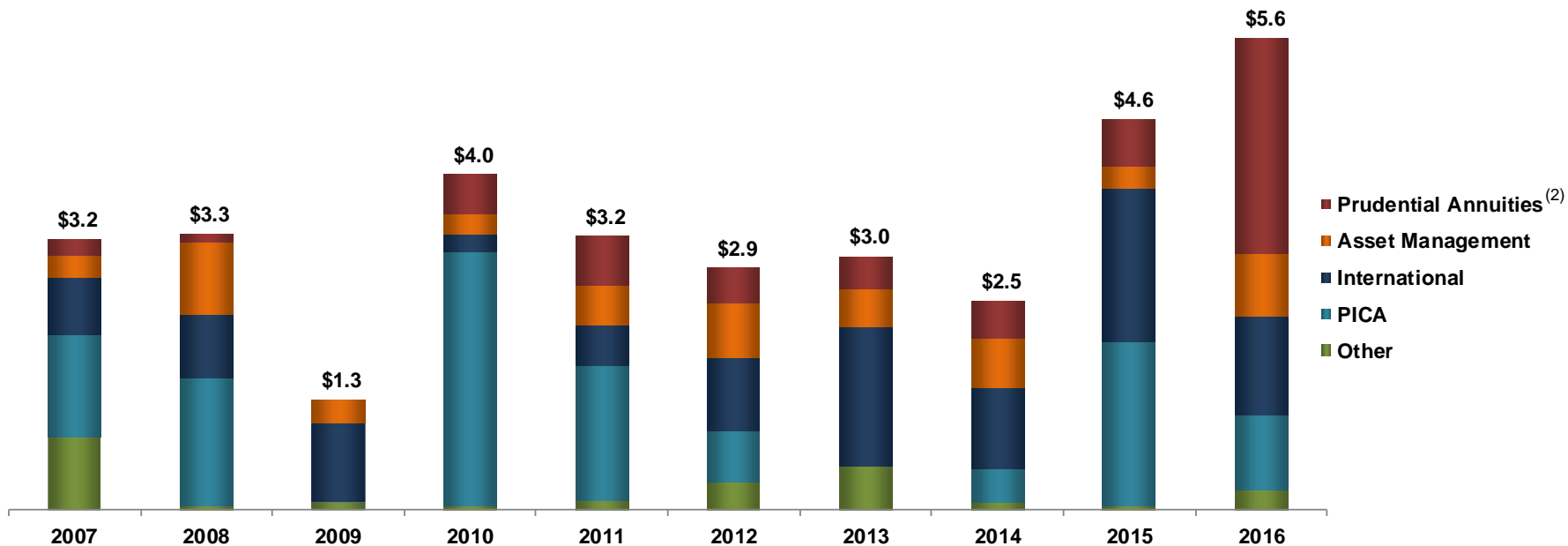


- ❑ Liquidity is managed for each legal entity separately with a robust asset/liability management discipline
- ❑ We manage holding company highly liquid assets to a Board-approved minimum balance of \$1.3 billion
- ❑ We have access to significant alternative liquidity sources
- ❑ We strive to maintain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

# CASH FLOWS FROM SUBSIDIARIES<sup>(1)</sup>



(\$ billions)



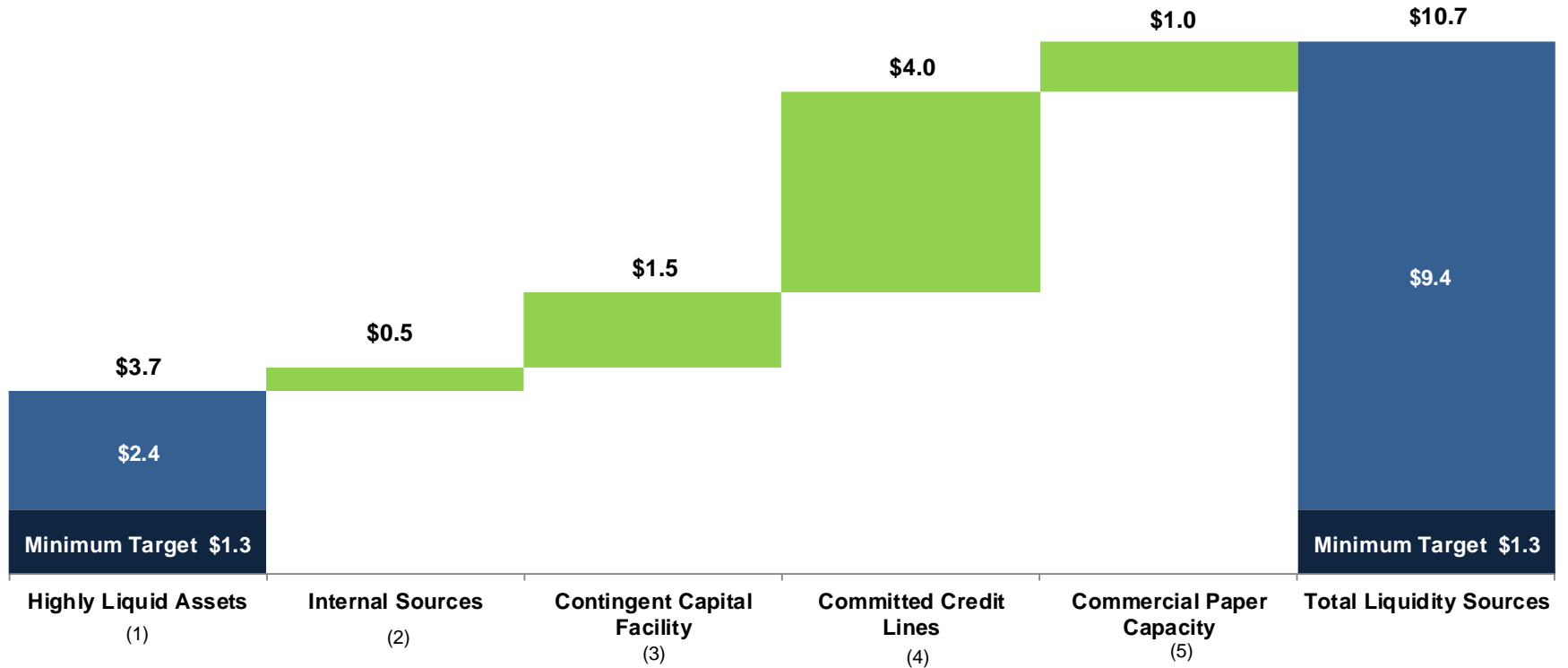
1) Reflects dividends and/or returns of capital to PFI.

2) Includes Pruco Reinsurance, Prudential Annuities Holding Company, and Prudential Annuities Life Assurance Company.

# HOLDING COMPANY LIQUIDITY



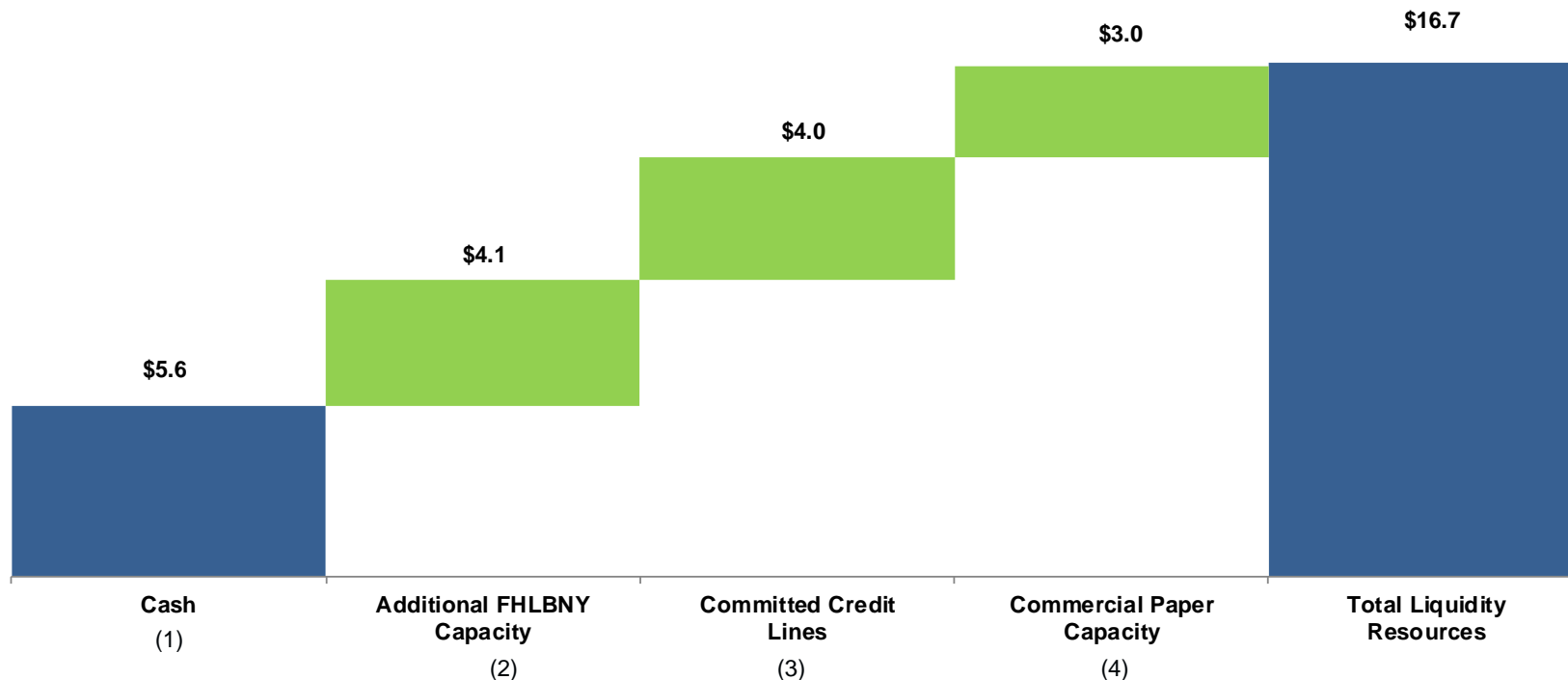
As of June 30, 2017  
(\$ in Billions)



- 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.
- 2) Primarily includes 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 PFI and PFLLC.
- 5) Represents estimated total capacity. \$50 million of PFI commercial paper was outstanding as of June 30, 2017.



## PICA Alternate Sources of Liquidity As of June 30, 2017 (\$ 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 June 30, 2017, \$1 billion of advances and funding agreements with the FHLB were outstanding. 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 PFLLC.

4) Represents estimated total capacity. \$817 million of PFLLC commercial paper was outstanding as of June 30, 2017.



# INVESTMENT PORTFOLIO

# WHAT DIFFERENTIATES PRUDENTIAL?



## *Investment Management is a Core Competency*

- Asset Management is a business within Prudential
- Over \$1 Trillion managed<sup>(1)</sup>
- Best in class Privates and Mortgages
- Dedicated teams allow us to underwrite much of our credit exposure – a competitive advantage

## *Distinct Asset-Liability Management Team*

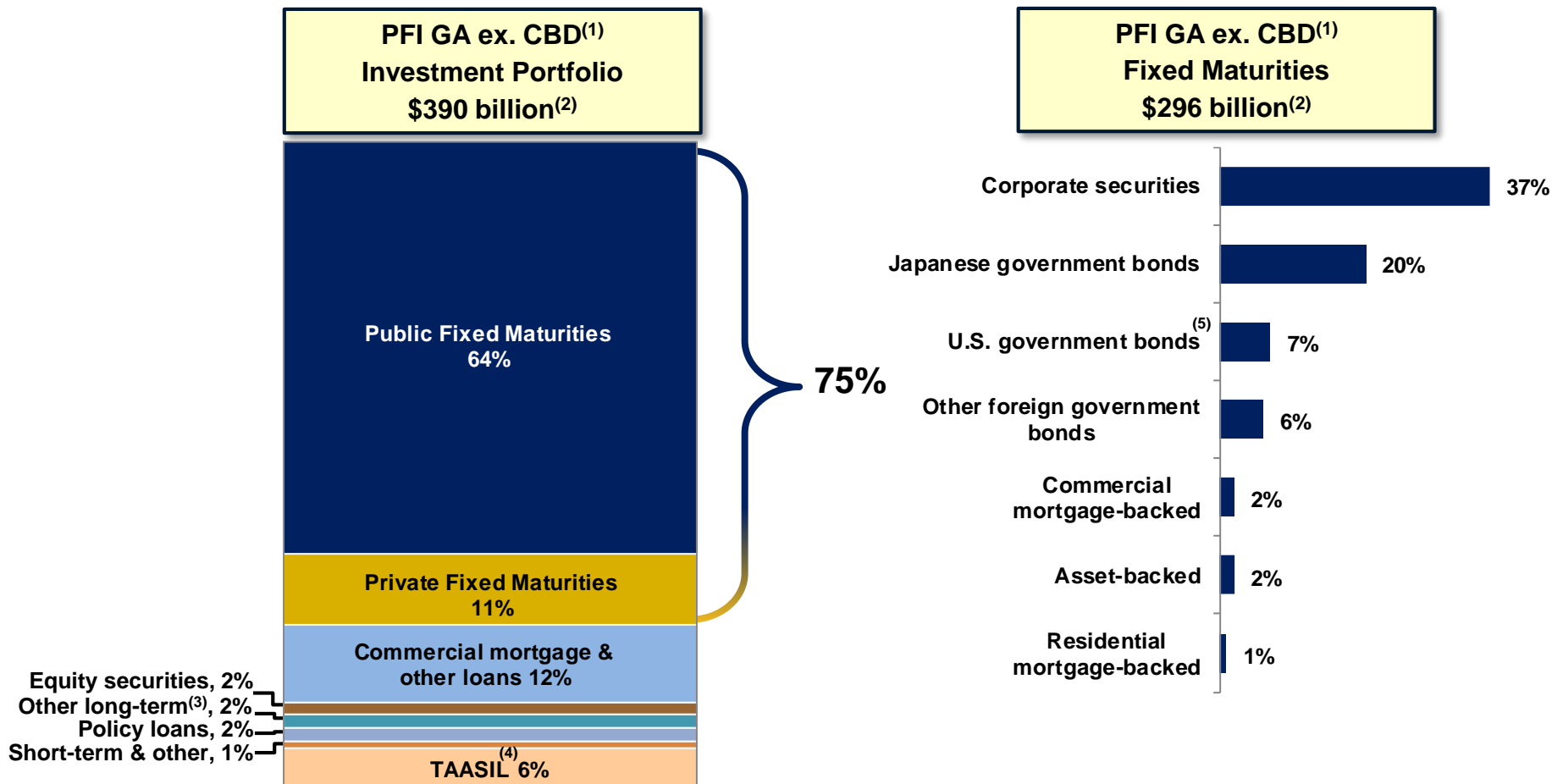
- Portfolio Managers work closely with the businesses to gain deep understanding of product liabilities
- Portfolio Managers located within business units

## *High Quality Well-Matched Portfolio*

- Liability driven
- Well-diversified by
  - Asset Class
  - Industry Sector
  - Geographic Region
  - Issuer
  - Maturity
- Key Rate Duration targets by sector

1) Assets managed by Investment Management and Advisory Services as of June 30, 2017.

# BROAD DIVERSIFICATION



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

2) As of 6/30/17 at 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) Trading Account Assets Supporting Insurance Liabilities (TAASIL) (investment results expected to ultimately accrue to contract holders).

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

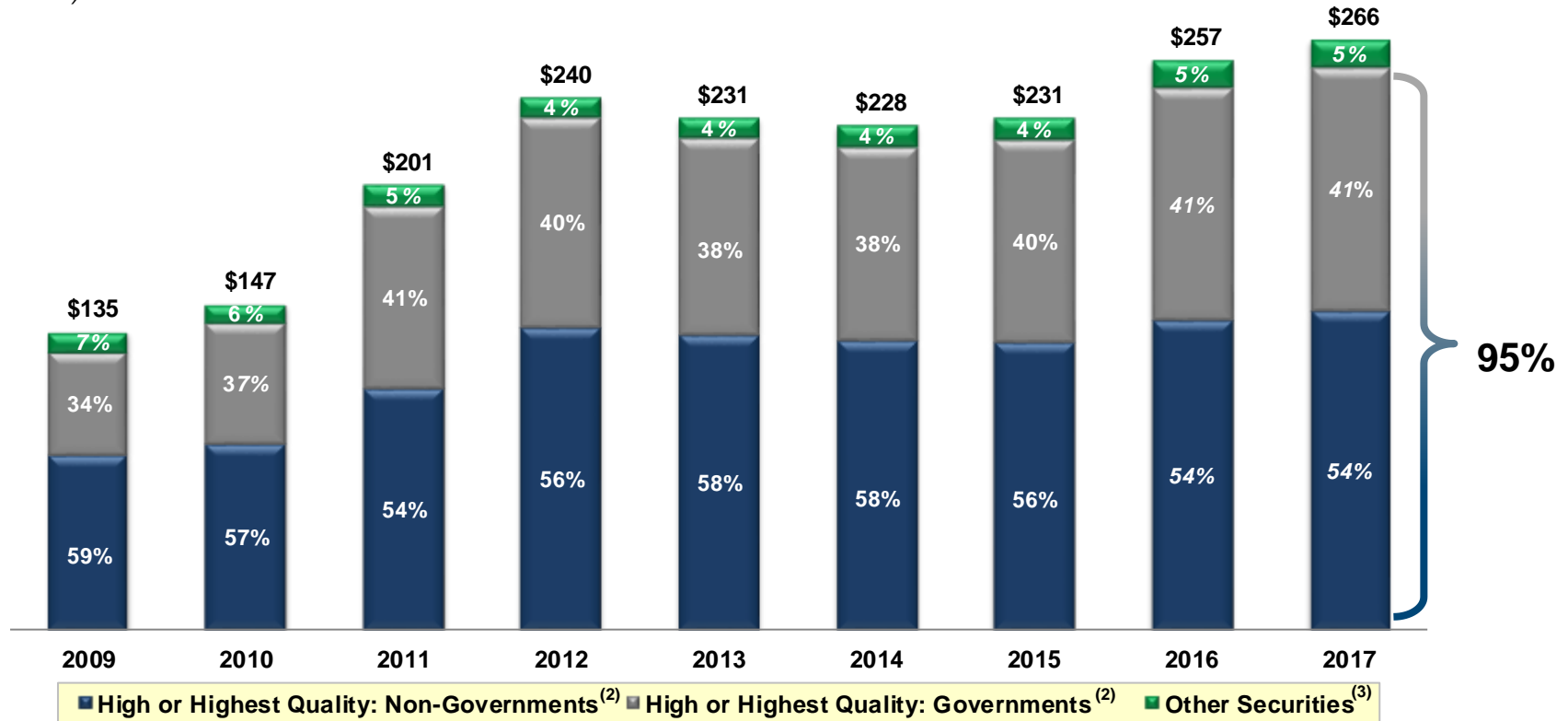


# ASSET SELECTION – FOCUS ON QUALITY



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

(in billions)



1) As of 6/30/2017 at amortized cost. Reflects equivalent ratings for investments in international insurance operations.

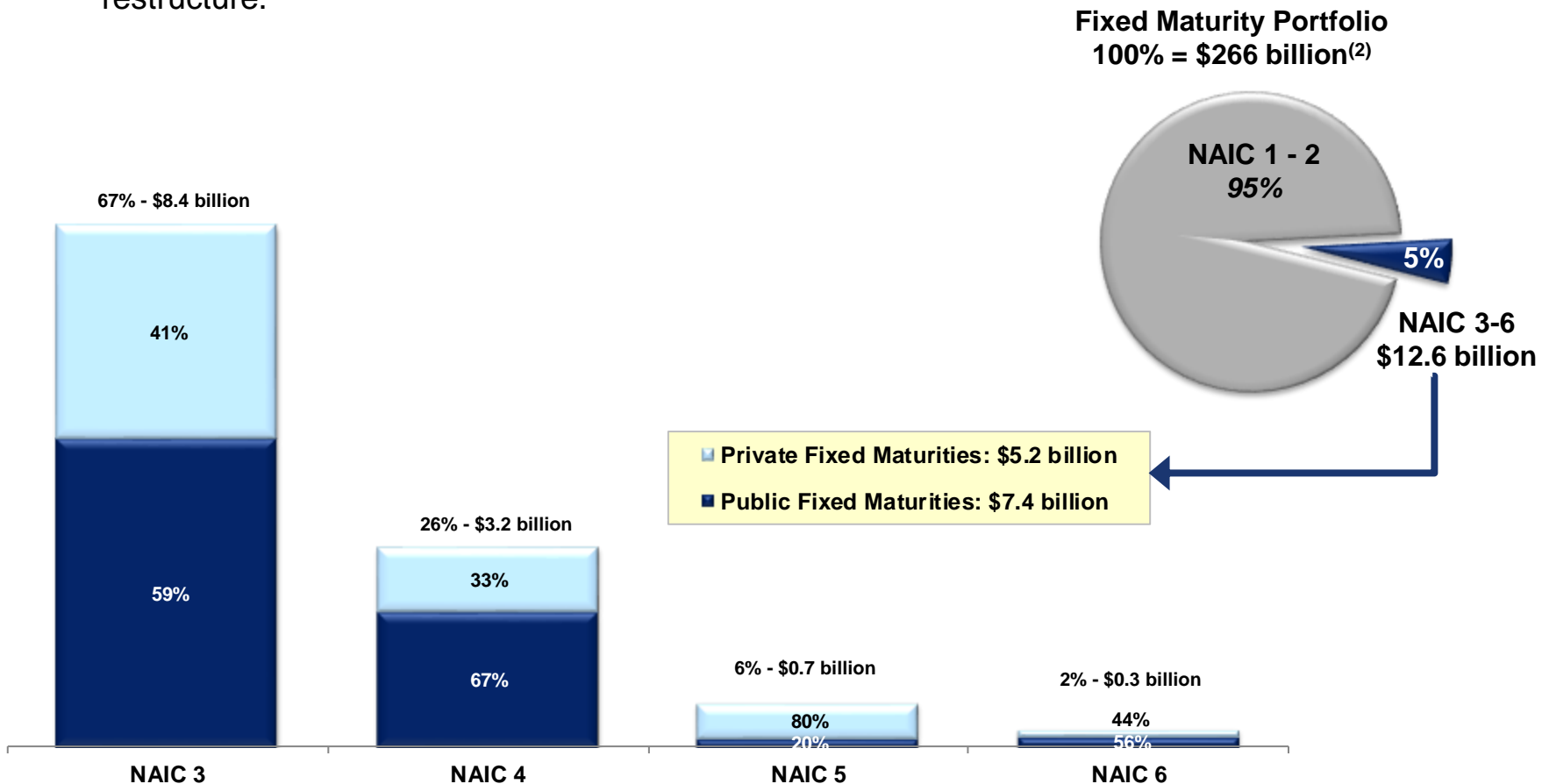
2) NAIC 1-2.

3) NAIC 3-6.

# MODEST EXPOSURE TO NAIC 3-6



- High Yield exposure<sup>(1)</sup> comprises 5% 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.



1) High Yield exposure reflects securities with NAIC ratings 3-6.

2) As of 6/30/17 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 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. There can be no assurance that future developments affecting Prudential Financial, Inc. and its subsidiaries will be those anticipated by management. These forward-looking statements are not a guarantee of future performance and involve risks and uncertainties. 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” section included in Prudential Financial, Inc.’s Annual Report on Form 10-K for the year ended December 31, 2016. Prudential Financial, Inc. does not intend, and is under no obligation, to update any particular forward-looking statement included in this presentation.

This presentation also includes references to adjusted operating income and adjusted book value, as well as 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 the comparable GAAP measures, including a reconciliation between the comparable measures, please refer to our Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q, 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.

---

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

# RECONCILIATION BETWEEN ADJUSTED OPERATING INCOME AND THE COMPARABLE GAAP MEASURE



(\$ millions)

	2012	2013	2014	2015	2016	YTD	
						2Q 2016	2Q 2017
<b>Net income (loss) attributable to Prudential Financial, Inc.</b>	\$ 479	\$ (713)	\$1,533	\$5,642	\$4,368	\$2,257	\$1,860
Income attributable to noncontrolling interests	50	107	57	70	51	37	8
<b>Net income (loss)</b>	529	(606)	1,590	5,712	4,419	2,294	1,868
Less: Income from discontinued operations, net of taxes	17	7	11	-	-	-	-
<b>Income (loss) from continuing operations (after-tax)</b>	512	(613)	1,579	5,712	4,419	2,294	1,868
Less: Income attributable to noncontrolling interests	50	107	57	70	51	37	8
<b>Income (loss) from continuing operations attributable to Prudential Financial, Inc.</b>	462	(720)	1,522	5,642	4,368	2,257	1,860
Equity in earnings of operating joint ventures, net of taxes and earnings attributable to noncontrolling interests	10	(48)	(41)	(55)	(2)	(17)	30
<b>Income (loss) from continuing operations (after-tax) before equity in earnings of operating joint ventures</b>	452	(672)	1,563	5,697	4,370	2,274	1,830
Reconciling items:							
Realized investment gains (losses), net, and related charges and adjustments	(2,809)	(8,149)	(4,130)	1,579	523	698	(641)
Investment gains (losses) on trading account assets supporting insurance liabilities, net	610	(250)	339	(524)	(17)	324	245
Change in experience-rated contractholder liabilities due to asset value changes	(540)	227	(294)	433	21	(263)	(157)
Divested businesses:							
Closed Block division	-	-	-	58	(132)	(105)	16
Other divested businesses	(615)	29	167	(66)	(84)	20	41
Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests	(29)	28	44	58	(5)	17	(42)
Total reconciling items, before income taxes	(3,383)	(8,115)	(3,874)	1,538	306	691	(538)
Income taxes, not applicable to adjusted operating income	(816)	(2,857)	(1,082)	490	43	243	(212)
Total reconciling items, after income taxes	(2,567)	(5,258)	(2,792)	1,048	263	448	(326)
<b>After-tax adjusted operating income</b>	3,019	4,586	4,355	4,649	4,107	1,826	2,156
Income taxes, applicable to adjusted operating income	1,008	1,783	1,537	1,582	1,292	556	732
<b>Adjusted operating income before income taxes</b>	\$4,027	\$6,369	\$5,892	\$6,231	\$5,399	\$2,382	\$2,888

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

# RECONCILIATION FOR EARNINGS PER SHARE EXCLUDING MARKET DRIVEN AND DISCRETE ITEMS<sup>(1)</sup>



After-tax adjusted operating income basis:	2012	2013	2014	2015	2016
<b>Earnings Per Share<sup>(2)</sup></b>	\$ 6.40	\$ 9.67	\$ 9.21	\$ 10.04	\$ 9.13
Reconciling items:					
Unlockings and experience true-ups <sup>(3)</sup>	(0.03)	0.77	(0.59)	0.31	(0.45)
Gains on sale of businesses/investments <sup>(4)</sup>	0.15	0.09	-	-	-
Integration costs <sup>(5)</sup>	(0.21)	(0.09)	(0.04)	(0.02)	-
Write off of bond issues costs	(0.04)	(0.03)	-	-	-
Other <sup>(6)</sup>	(0.17)	-	-	(0.11)	(0.07)
Sub-total	(0.30)	0.74	(0.63)	0.18	(0.52)
<b>Earnings Per Share - excluding market driven and discrete items</b>	<b>\$ 6.70</b>	<b>\$ 8.93</b>	<b>\$ 9.84</b>	<b>\$ 9.86</b>	<b>\$ 9.65</b>

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

2) Diluted; tax effect for market driven and discrete items at 35%. Represents results of the former FSB for periods prior to 2015.

3) Includes adjustments to reflect updated estimates of profitability based on market performance in relation to our assumptions in each period, as well as annual reviews of actuarial assumptions and refinements of reserves, and amortization of DAC and other costs. Includes charge for potential contract cancellations in 2015.

4) Includes gains on sales of investment in China Pacific, as well as impairments and gains on certain investments.

5) Includes acquisition and integration expenses related to Star and Edison, and the acquired in force from The Hartford Life.

6) Includes charge related to the administration of certain separate account investments, true ups for legal reserves, employee benefit accruals, impairments and write offs of intangible assets, contribution to insurance industry insolvency fund, costs relating to legal matters and early debt extinguishment costs.

# RECONCILIATION OF PRE-TAX ADJUSTED OPERATING INCOME EXCLUDING MARKET DRIVEN AND DISCRETE ITEMS<sup>(1)</sup>



	Year Ended December 31,			
	2016		2012	
	Pre-tax Adjusted Operating Income <sup>(1)</sup>	Earnings Per Share <sup>(2)</sup>	Pre-tax Adjusted Operating Income <sup>(1)</sup>	Earnings Per Share <sup>(2)</sup>
<b>Reported Results<sup>(3)</sup></b>	\$ 5,399	\$ 9.13	\$ 4,027	\$ 6.40
Market driven and discrete items:				
Unlockings and experience true-ups <sup>(4)</sup>	(310)	(0.45)	(10)	(0.02)
Integration costs for Hartford Life acquisition	-	-	(15)	(0.02)
Gains on sales of business/investments <sup>(5)</sup>	-	-	26	0.03
Early debt extinguishment costs	(36)	(0.05)	(31)	(0.04)
Integration costs for Star/Edison	-	-	(138)	(0.19)
Other <sup>(6)</sup>	(14)	(0.02)	(43)	(0.06)
<b>Subtotal</b>	<b>(360)</b>	<b>(0.52)</b>	<b>(211)</b>	<b>(0.30)</b>
<b>Results excluding market driven and discrete items</b>	<b>\$ 5,759</b>	<b>\$ 9.65</b>	<b>\$ 4,238</b>	<b>\$ 6.70</b>

1) In millions.

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

3) Represents results of FSB for periods prior to 2015.

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

5) Includes gain on sale of investment in Afore XXI, as well as an impairment and gains on certain other investments.

6) Includes charges related to the administration of certain separate account investments, and true-up of legal reserves and employee benefit accruals, and impairments and write offs of intangible assets.

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



(\$ millions, except per share data)

	2012	2016	2Q17
<b>GAAP book value</b>	\$37,006	\$45,863	\$ 48,444
Less: Accumulated other comprehensive income (AOCI)	9,990	14,621	16,362
<b>GAAP book value excluding AOCI</b>	27,016	31,242	32,082
Less: Cumulative effect of foreign exchange remeasurement and currency translation adjustments corresponding to realized gains/losses	(179)	(3,199)	(2,889)
<b>Adjusted book value</b>	27,195	34,441	34,971
Number of diluted share	468.2	436.2	433.8
GAAP book value per common share - diluted <sup>(2)</sup>	79.04	104.91	111.35
GAAP book value excluding AOCI per share - diluted	57.70	71.62	73.96
Adjusted book value per common share - diluted	58.08	78.95	80.62

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

2) Book value per share of Common Stock including AOCI as of December 31, 2012 excludes the impact of exchangeable surplus notes due to the anti-dilutive impact of conversion. Book value per share of Common Stock including accumulated other comprehensive income as of December 31, 2016 includes a \$500 million increase in equity and a 5.75 million increase in diluted shares reflecting the dilutive impact of exchangeable surplus notes when book value per share is greater than \$86.92, and as of June 30, 2017 includes a \$500 million increase in equity and a 5.75 million increase in diluted shares reflecting the dilutive impact of exchangeable surplus notes when book value per share is greater than \$86.92.