



4Q20 Earnings Call

February 5, 2021

Key Messages

**Successfully
executed 2020
initiatives**

**Significant
transformation over
next three years**

**Supported by our
rock solid balance
sheet**

WE MAKE LIVES BETTER *by*
SOLVING *the* FINANCIAL CHALLENGES
***of* our CHANGING WORLD**



Successfully Executed 2020 Initiatives

2020 Initiatives	Commentary	Status
Cost Savings Program	<ul style="list-style-type: none">• Realized ~\$215 million of cost savings, exceeding the full year target of \$140 million• Increased cost savings target to \$750 million by year-end 2023	
Rotate International Earnings Mix	<ul style="list-style-type: none">• Closed sale of Prudential of Korea in August• Announced sale of Prudential of Taiwan	
Actions to Mitigate Low Interest Rates	<ul style="list-style-type: none">• Repriced products more quickly• Pivoted to less interest rate sensitive solutions	



Significant Transformation Over the Next Three Years

Leverage our Strengths

- Global Asset Manager
- Omni-Distribution
- Risk Management
- Prudential Brand & Scale
- Cross-Business Synergies

Execute on Transformation

- Reallocate \$5-\$10 billion of capital
- Return \$10 billion to shareholders
- Complete \$750 million cost savings program

Generate Value

- Emerge as a higher growth, less market sensitive, more nimble business
- Deliver attractive returns to shareholders

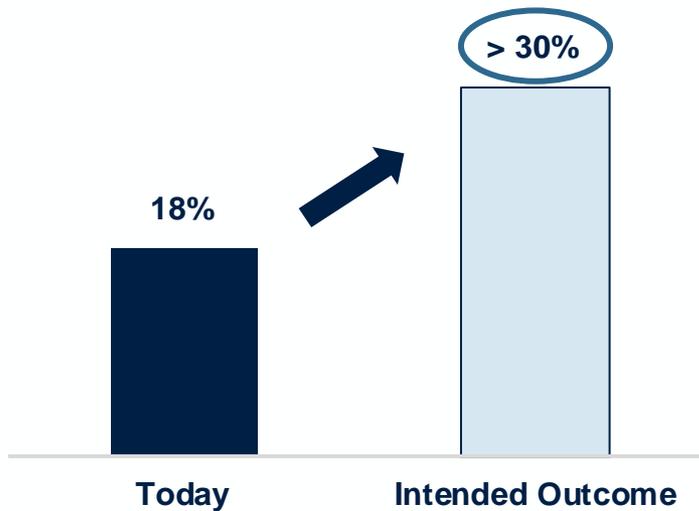
Make a more meaningful difference in the financial lives of more people around the world



Becoming a Higher Growth, Less Market Sensitive Business

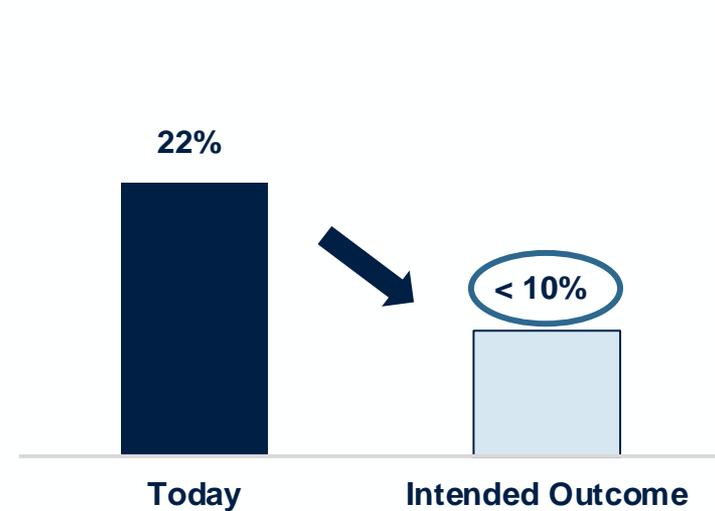
Earnings Contribution⁽¹⁾

Double Growth Markets⁽²⁾



Organic growth and programmatic acquisitions in PGIM and Emerging Markets⁽³⁾

Halve Individual Annuities



Run-off, reinsurance, and block sales⁽⁴⁾

(1) Earnings represent 2020 pre-tax Adjusted Operating Income normalizing for certain items and excluding Corporate & Other operations.

(2) Growth markets include PGIM, Assurance IQ, and Emerging Markets.

(3) Acquisitions expected to be funded by proceeds from the sale of Prudential of Korea as well as the run-off, reinsurance, and block sales of Individual Annuities and other businesses.

(4) Assumes run-off accounts for 40-45% of the change in the contribution to earnings.



Supported by our Rock Solid Balance Sheet

- Capital continues to support AA rating level as of December 31, 2020
- Conservative investment portfolio

- Highly liquid assets of \$5.6 billion
- Significant additional resources available

- Committed to returning \$10 billion of capital to shareholders over next three years
- Resuming share repurchases with \$1.5 billion authorization for 2021



Continued Commitment to Long-term Sustainability



Purpose Driven

- We make lives better by solving the financial challenges of our changing world



Multi-Stakeholder

- Shareholders
- Employees
- Customers
- Society



Environmental

- First U.S. insurer to issue a green bond
- Received 'A-' on CDP's 2020 Climate Change Survey
- Included in FTSE4Good Index Series for 10th year



Social

- Introduced nine commitments to advance racial equity
- Renewing and expanding our executive compensation plan's Diversity and Inclusion Performance Modifier for 2021 – 2023



Governance

- Welcomed new independent board member
- Prudential's 13-member board is 85% independent and 82% of independent directors are diverse



Full Year & Fourth Quarter 2020 Highlights

(\$ millions, except per share amounts)

Financial Highlights

	<u>2020</u>	<u>4Q20</u>
Pre-Tax Adjusted Operating Income⁽¹⁾	\$5,144	\$1,515
Adjusted Operating Income Per Share⁽¹⁾	\$10.21	\$2.93
GAAP Net Income Per Share	(\$1.00)	\$2.03
Adjusted Operating ROE⁽²⁾	10.7%	12.5%
Adjusted Book Value Per Share⁽¹⁾	\$94.79	

Earnings Drivers

U.S. Businesses

- Less favorable underwriting
- Lower fee income
- + Higher spread income
- + Lower expenses

PGIM

- + Higher asset management fees
- + Higher Other Related Revenues
- Higher expenses

International Businesses

- + Business growth
- + Lower expenses
- + More favorable underwriting
- Lower spread income



Note: See Appendix for segment results.

(1) See reconciliation in Appendix for Adjusted Operating Income, Adjusted Operating Income Per Share, and Adjusted Book Value Per Share.

(2) Based on 2020 after-tax Adjusted Operating Income and average Adjusted Book Value. See Appendix for more information.



U.S. Businesses

Diversified Portfolio with Expanding Market Opportunities and Improving Risk Profile

Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
(\$ millions)

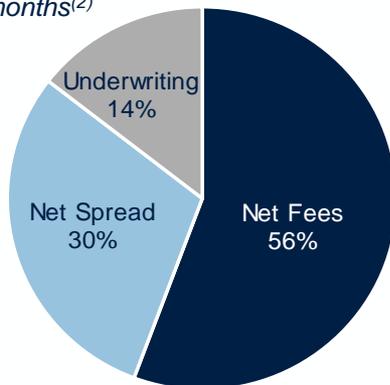


Key Priorities

- Continue de-risking actions and maintain pricing discipline to generate appropriate returns for the current market environment
- Deliver on savings commitments while transforming our capabilities to improve customer experiences
- Leverage the capabilities of Prudential and Assurance IQ to expand our addressable market and drive growth in less market sensitive sources of earnings

Diversified Sources of Earnings

Trailing twelve months⁽²⁾



Key Performance Indicators

- Continued success of Annuities FlexGuard product, representing 63% of 4Q20 sales
- Third consecutive year of record Full Service plan sales, with strong Full Service and Group Life persistency
- Individual Life sales growth of 14% over prior year quarter driven by higher variable life sales
- Assurance IQ sales growth of 94% over prior year quarter driven by higher Medicare sales
- On track to deliver targeted efficiencies

Note: See Appendix for segment results.

(1) Based on pre-tax adjusted operating income excluding Corporate & Other operations. U.S. Businesses include Retirement, Group Insurance, Individual Annuities, Individual Life, and Assurance IQ.

(2) Based on net fee income, net spread income, and underwriting margin and claims experience gross of expenses. Excludes assumption updates and other refinements and market experience updates.

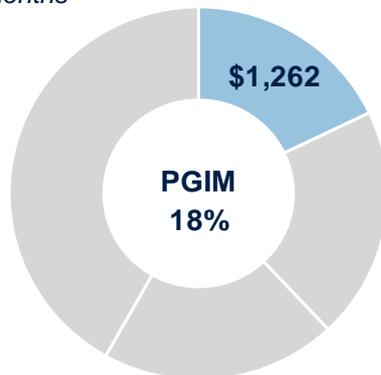


PGIM

Active Global Investment Manager Across a Broad Range of Private and Public Asset Classes

Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
(\$ millions)



3rd Party Net Flows

(\$ billions)

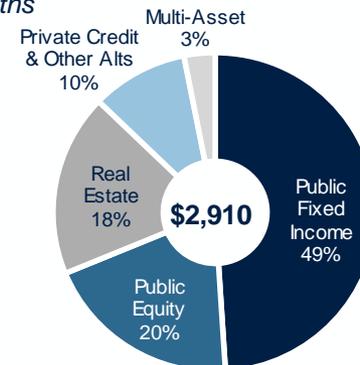


Key Priorities

- Maintain strong investment performance⁽²⁾
 - Percentage of AUM⁽³⁾ outperforming public benchmarks: 3 Year: 90%, 5 Year: 93%, 10 Year: 95%
- Capture synergies with broader Prudential enterprise and leverage scale to drive operating leverage
- Globalize the product and client footprint and continue to diversify into alternatives and other high margin areas
- Selectively acquire new capabilities

Asset Management Fees

Trailing twelve months
(\$ millions)



(1) Based on pre-tax adjusted operating income excluding Corporate & Other operations.

(2) PGIM calculations as of December 31, 2020 for \$871 billion of third-party AUM managed against public benchmarks. 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 (79% of total third-party AUM is benchmarked over 3 years, 71% over 5 years, and 47% 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 (QMA), PGIM Real Estate, PGIM Private Capital, and PGIM Global Partners.



International Businesses

Market Leader in Japan with Expanding Presence in Growth Markets

Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
(\$ millions)



Key Priorities

- Continue to leverage our unique distribution model to capture market share and expand product offerings to meet customers' evolving needs
- Expand existing emerging market platforms including through selective programmatic M&A opportunities
- Optimize operating model and seek efficiencies
- Leverage and expand virtual capabilities

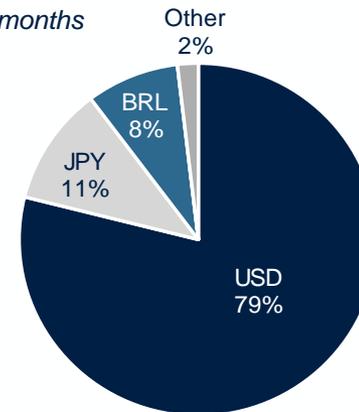
Sales⁽²⁾

(\$ millions)



Sales – Currency Mix⁽²⁾

Trailing twelve months



(1) Based on pre-tax adjusted operating income excluding Corporate & 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) 104 per USD and Brazilian Real (BRL) 3.9 per USD. USD-denominated activity is included based on the amounts as transacted in USD. Sales represented by annualized new business premiums.



Adjusted Operating Income & EPS Considerations

(\$ millions, except per share amounts)

		Adjusted Operating Income Pre-Tax	Adjusted Operating Income Per Share After-Tax
4Q20 Reported⁽¹⁾		\$1,515	\$2.93
Variable Investment Income	<ul style="list-style-type: none"> Assumes a normalized level 	(360)	(0.70)
Underwriting	<ul style="list-style-type: none"> 4Q20 normalized and 1Q21 adjusted for seasonal and estimated COVID-19 impacts 	(65)	(0.13)
Expenses	<ul style="list-style-type: none"> Lower seasonal and other expenses in 1Q21 	165	0.32
Other	<ul style="list-style-type: none"> Net earnings impacts from certain segments 	40	0.08
Interest Rates⁽²⁾	<ul style="list-style-type: none"> 1Q21 quarterly reduction in net investment income from portfolio reinvestment 	(15)	(0.03)
Tax Rate	<ul style="list-style-type: none"> Normalized for 4Q20 items 	0	0.07
1Q21 Baseline⁽³⁾		\$1,280	\$2.54

1Q21 baseline includes items specific to the first quarter that reduce EPS by \$0.36⁽⁴⁾

Note: See Appendix for segment detail.

(1) See reconciliation in Appendix for Adjusted Operating Income and Adjusted Operating Income Per Share.

(2) Impact of low interest rate environment may not be linear and may vary from indicated sensitivities at thresholds greater than those indicated.

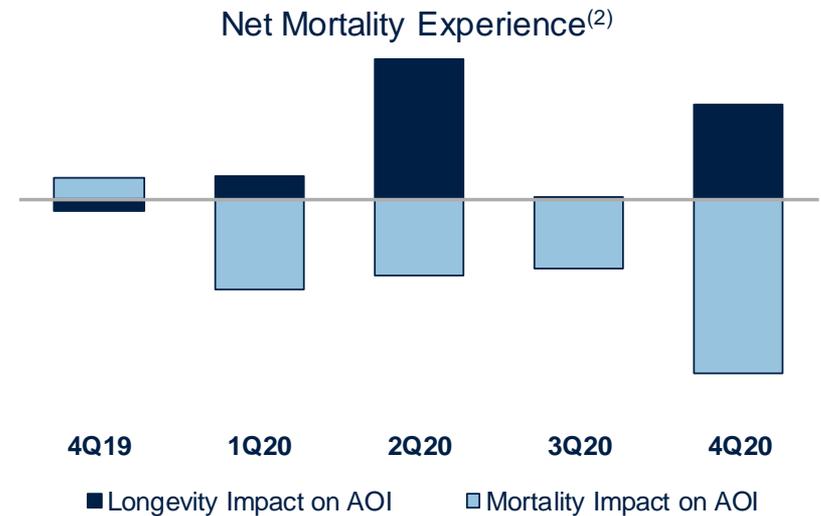
(3) EPS rollforward list of considerations not intended to be exhaustive and rollforward is not a projection of 1Q21 results. Does not consider future items such as share repurchases, business growth, and certain market impacts.

(4) Items specific to the first quarter include seasonal premiums, expenses, and underwriting seasonality and COVID-19 impacts. See Appendix for details.



COVID-19 Potential Net Mortality Sensitivity

- Mitigating mortality risk with longevity risk
- Compared to general population, impacts are mitigated by our younger age distribution, lower insured mortality reflecting impact of underwriting, and offsets associated with longevity businesses
- For every incremental 100,000 U.S. fatalities⁽¹⁾:
 - May result in ~\$85 million in reduced earnings
 - Impact depends on factors such as infection and fatality rates, geographic concentration, the insured vs. general population mortality, the speed and effectiveness of the vaccine rollout, and U.K. fatalities



(1) Sensitivity includes the impact of U.K. fatalities using the U.S. fatalities as a proxy.

(2) Mortality experience compared to expectations includes Individual Life, Group Life, and International Businesses. Longevity experience compared to expectations includes Retirement.



Robust Capital Position Creates Flexibility

Capital Position

- Parent company liquid assets > 3x annual fixed charges
- PICA RBC ratio > 375%
- Japan solvency margin ratios > 700%

Sources of Funding

- Parent company highly liquid assets of \$5.6 billion⁽¹⁾
- Free cash flow⁽²⁾ ~65% of earnings over time

Off-Balance Sheet Resources

Resource	Capacity	Maturity Date
Credit Facility	\$4.0 billion	July 2022
Contingent Capital	\$1.5 billion \$1.5 billion	November 2023 May 2030
Prudential Holdings of Japan Facility	¥100 billion	September 2024

As of December 31, 2020.

(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) Management view of free cash flow as a percentage of after-tax adjusted operating income includes dividends and returns of capital, net receipts from capital related intercompany loans, capital contributions to subsidiaries, and adjustments for M&A funding. Percentage is not intended to report results over any given time period.



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Appendix

Leverage our Partnerships with Market-Leading Companies for Future Growth in Emerging Markets

Significant Partnerships			Market Leadership
Latin America		Largest private sector bank in Brazil and a leading financial institution in Latin America	56 million customers
Latin America		Pension provider with business across Chile, Peru, and Colombia	#1 in Chile by AUM ⁽¹⁾ #2 in Latin America by AUM ⁽²⁾
China		Innovation-driven consumer group creating high-quality products and services in Health, Happiness, and Wealth sectors	Global ecosystem fulfilling the needs of one billion families
Indonesia		Indonesian holding company with businesses across several industries, including financial services	Over 200 million customers and users
West Africa		Financial services provider with multiline presence in Ghana, including life, general insurance, and pensions	#1 in total life ⁽³⁾ #1 in pensions ⁽⁴⁾

(1) Superintendencia de Pensiones (Chilean Pension Regulator). As of December 2020.
 (2) Superintendencia de Pensiones (Pension Regulator) of each country. As of June 30, 2020.
 (3) Ghanaian National Insurance Commission. Based on gross premiums as of 3Q20.
 (4) National Pensions Regulatory Authority (NPRA). Based on assets under management as of year-end 2018.



Retirement

Differentiated Capabilities Drive Growth in PRT, Full Service, and Stable Value

Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
(\$ millions)

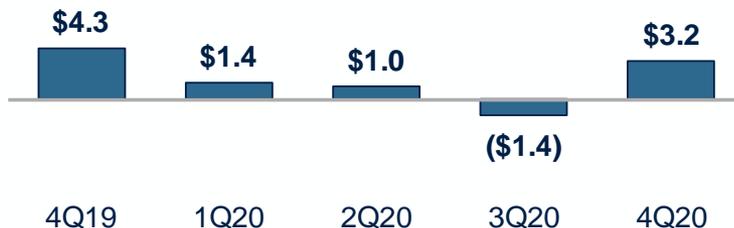


Key Priorities

- Leverage Prudential's broad capabilities to expand customer solutions, including Financial Wellness programs
- Profitably 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

(\$ billions)



Full Service Net Flows

(\$ billions)



(1) Based on pre-tax adjusted operating income excluding Corporate & Other operations.



Group Insurance

Leading Group Benefits Provider with Opportunity to Further Diversify

Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
(\$ millions)



Earned Premiums & Fees

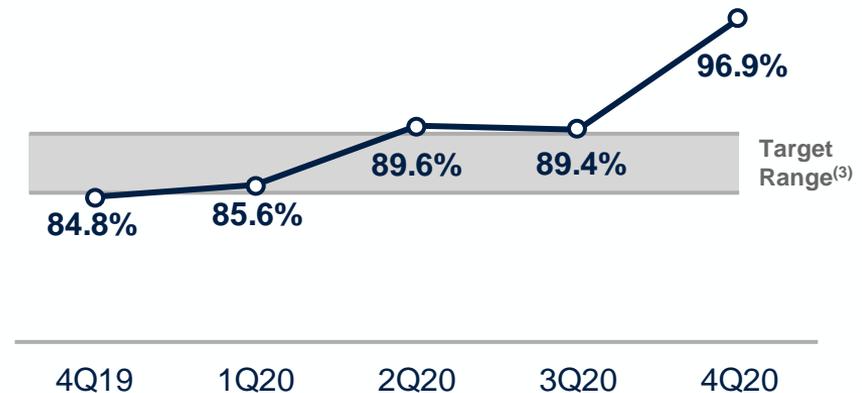
(\$ millions)



Key Priorities

- 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 both Premier segment (100 to 5,000 lives) and Association
 - Diversify further into Group Disability and Voluntary products
- Improve organizational and process efficiencies

Total Group Insurance Benefits Ratio⁽²⁾



(1) Based on pre-tax adjusted operating income excluding Corporate & Other operations.

(2) Benefits ratios excluding the impact of assumption updates and other refinements.

(3) Targeted total benefit ratio range of 85% - 89%.

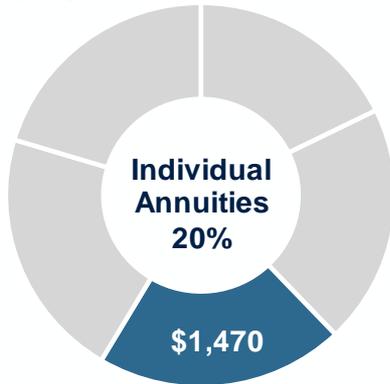


Individual Annuities

Creating Shareholder Value by Protecting Customer Outcomes

Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
(\$ millions)



Key Priorities

- Deliver protected outcome solutions that create stakeholder value across all economic environments
- Broaden distribution and transform customer experience
 - Eliminate barriers to market adoption and expand reach through new platforms and new advisors
- Pivot away from traditional variable annuities with guaranteed living benefits
 - Discontinued sales of Highest Daily Income and Prudential Defined Income

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

(\$ millions)



Sales



(1) Based on pre-tax adjusted operating income excluding Corporate & Other operations.

(2) Includes fixed annuities, our FlexGuard buffered annuity, and other variable annuities without guaranteed living benefits and excludes Highest Daily Suite and Prudential Defined Income.

(3) Dividends include Prudential Annuities Holding Co. but do not include The Prudential Insurance Company of America.

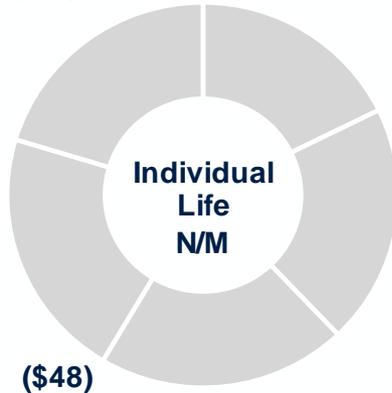


Individual Life

Broad Product Portfolio and Multi-Channel Distribution

Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
(\$ millions)



Sales⁽²⁾ – Product Mix

(\$ millions)



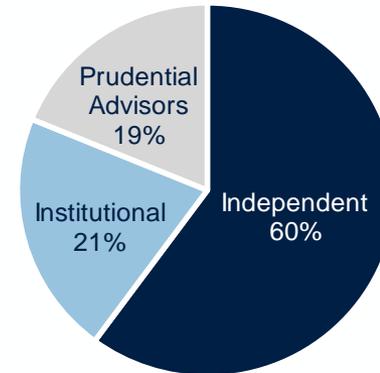
■ Guaranteed Universal Life ■ Variable Life ■ Other Universal Life ■ Term

Key Priorities

- Improve profitability through operating model transformation, expense management, and pricing discipline
- Expand digital capabilities to drive operating efficiencies and deepen distribution relationships, including leveraging the Assurance IQ platform
- Shift business mix to less interest rate sensitive customer solutions, including expansion of simplified protection solutions

Sales⁽²⁾ – Distribution Mix

Trailing twelve months



(1) Based on pre-tax adjusted operating income excluding Corporate & Other operations.

(2) Sales represented by annualized new business premiums.

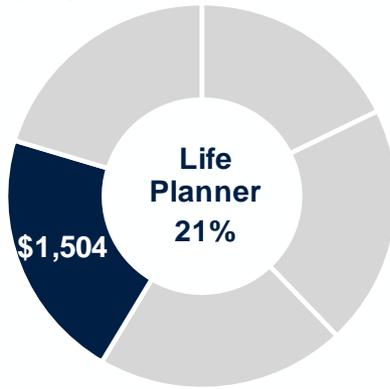


Life Planner

Highly Productive Proprietary Distribution with Steady Long-term Growth Potential

Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
(\$ millions)



Key Priorities

- Lead with protection solutions and expand product offerings to meet customers' evolving needs
- Nurture and grow Life Planners
- Expand existing emerging market platforms including through selective programmatic M&A opportunities
- Leverage and expand virtual capabilities

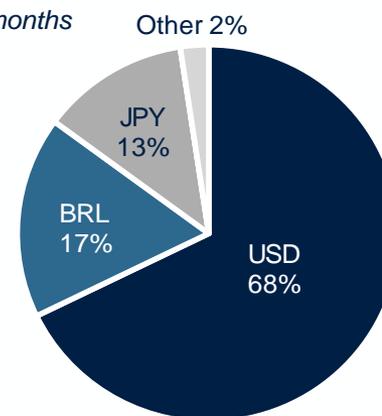
Sales⁽²⁾

(\$ millions)



Sales – Currency Mix⁽²⁾

Trailing twelve months



(1) Based on pre-tax adjusted operating income excluding Corporate & 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) 104 per USD and Brazilian Real (BRL) 3.9 per USD. USD-denominated activity is included based on the amounts as transacted in USD. Sales represented by annualized new business premiums.

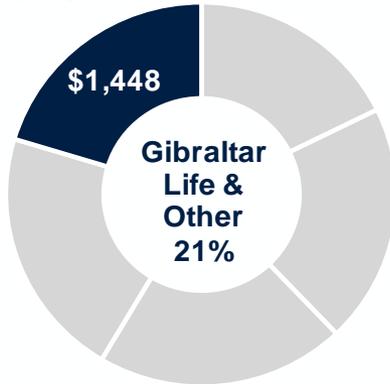


Gibraltar Life and Other

Meeting Client Needs Via Multiple Channels

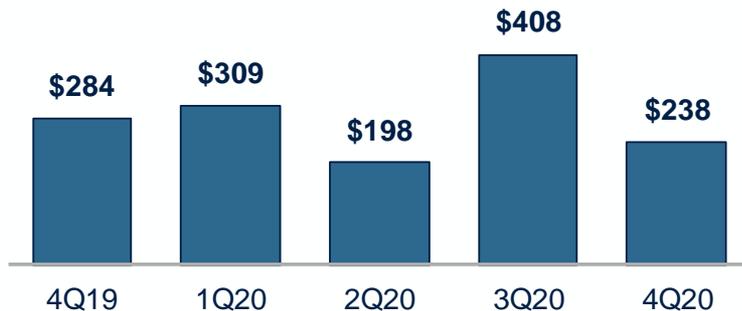
Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
(\$ millions)



Sales⁽²⁾

(\$ millions)

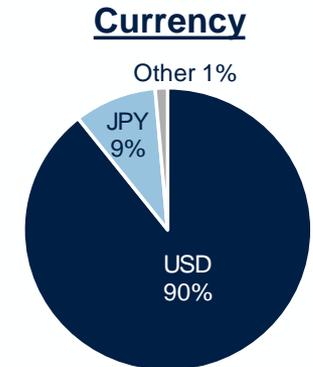
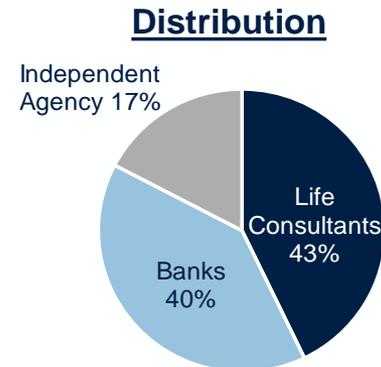


Key Priorities

- Lead with protection solutions and expand product offerings to meet customers' evolving needs
- Optimize Life Consultant force through quality and productivity
- Strategically expand in third-party channels
- Expand existing emerging market platforms including through selective programmatic M&A opportunities
- Leverage and expand virtual capabilities

Sales Mix⁽²⁾

Trailing twelve months



(1) Based on pre-tax adjusted operating income excluding Corporate & 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) 104 per USD. USD-denominated activity is included based on the amounts as transacted in USD. Sales represented by annualized new business premiums.



Adjusted Operating Income Rollforward by Business

(\$ millions, pre-tax)

	4Q20 Reported ⁽¹⁾	4Q20				1Q21				1Q21 Baseline ⁽⁸⁾
		VII	Underwriting	Expenses ⁽²⁾	Other ⁽³⁾	Underwriting ⁽⁴⁾	Expenses ⁽⁵⁾	Other ⁽⁶⁾	Interest Rates ⁽⁷⁾	
PGIM	\$404	-	-	20	(125)	-	(40)	-	-	\$259
Retirement	\$538	(190)	(105)	10	-	220	-	-	(7)	\$466
Group Insurance	(\$87)	(25)	150	5	-	(210)	-	-	(1)	(\$168)
Individual Annuities	\$440	(10)	-	-	-	-	-	-	-	\$430
Individual Life	(\$65)	(55)	70	(5)	130	(170)	-	-	(1)	(\$96)
Assurance IQ	(\$19)	-	-	-	-	-	-	-	-	(\$19)
Life Planner	\$426	(50)	(5)	20	(15)	(5)	-	20	(2)	\$389
Gibraltar Life & Other	\$364	(30)	(5)	30	15	(5)	-	15	(4)	\$380
Corporate & Other	(\$486)	-	-	135	-	-	(10)	-	-	(\$361)
Prudential Financial, Inc.	\$1,515	(\$360)	\$105	\$215	\$5	(\$170)	(\$50)	\$35	(\$15)	\$1,280

Items specific to the first quarter totaling (\$185 million) or (\$0.36)

- (1) See reconciliation for Adjusted Operating Income on slide 29.
- (2) Includes seasonal expenses. PGIM also includes higher than typical expenses of \$30 million and \$15 million of COVID-19 expense saves. Individual Life reflects lower than typical expenses of \$5 million. Gibraltar Life & Other also includes \$5 million of COVID-19 expenses. Corporate & Other also includes implementation costs \$55 million above a normalized quarterly level and \$5 million of COVID-19 expense saves.
- (3) PGIM reflects Other Related Revenues above a normalized quarterly level. Individual Life reflects a change in business practice which resulted in a refinement to reserves and related balances. Life Planner and Gibraltar Life & Other reflect policyholder experience.
- (4) Includes placeholder of 215,000 U.S. fatalities due to COVID-19.
- (5) Includes expected long-term compensation expense for retiree eligible employees. Corporate & Other also reflects \$20 million of lower than typical expenses.
- (6) Life Planner and Gibraltar Life & Other expect seasonally higher annual premiums.
- (7) Impact of low interest rate environment may not be linear and may vary from indicated sensitivities at thresholds greater than those indicated.
- (8) EPS rollforward list of considerations not intended to be exhaustive and rollforward is not a projection of 1Q21 results. Does not consider future items such as share repurchases, business growth, and certain market impacts.



Seasonality of Key Financial Items

(\$ millions, pre-tax)	1Q21	2Q21	3Q21	4Q21
PGIM	(\$40) Higher compensation expense ⁽¹⁾			Other Related Revenues tend to be higher driven by Incentive & Agency Fees
Retirement	\$40 Higher reserve gains	\$20 Higher reserve gains	(\$30) Lower reserve gains	(\$30) Lower reserve gains
Individual Life	(\$30) Lowest underwriting gains		\$20 Highest underwriting gains	
Assurance IQ	Lowest revenue			Higher revenue (annual Medicare enrollment)
Life Planner	\$20 Highest premiums	(\$20) Lowest premiums		
Gibraltar Life & Other	\$15 Highest premiums	(\$15) Lowest premiums		
Corporate & Other	(\$30) Higher compensation expense ⁽¹⁾			(\$75) Higher expenses ⁽²⁾

(1) Long-term compensation expense for retiree eligible employees is recognized when awards are granted, typically in the first quarter of each year.

(2) Total company expenses are typically higher than the quarterly average in the fourth quarter by \$125-\$175 million.



Other 2021 Earnings Considerations

- Cost savings benefits of \$215 million in 2020 expected to grow to \$400 million in 2021⁽¹⁾
- Corporate & Other estimated annual operating loss (including implementation costs) of \$1.5 billion
- PGIM quarterly Other Related Revenues, net of related expenses, expected to range from \$50 million to \$60 million; expect elevated level in 4Q
- Hedge rate: U.S. Dollar @ 103 Yen
- Effective tax rate: 20-21%

(1) Run-rate benefits of \$400 million at year-end 2020. Run-rate benefits expected to be ~\$500 million at year-end 2021.



Diverse Businesses Create Complementary Exposures to Mortality and Longevity

1.09%

Cumulative Net
Mortality⁽¹⁾ as % of AOI
(2013 – 2020)

- Annual net mortality impact on AOI is minimal, ranging from (3.2%) to 2.8%
- Net mortality was a positive contributor to AOI in six out of last eight years

(1) Mortality experience compared to expectations includes Individual Life, Group Life, and International Businesses. Longevity experience compared to expectations includes Retirement and Individual Annuities.



Forward-Looking Statements and Non-GAAP Measures

Certain of the statements included in this presentation, including those regarding our plans to transform our business over the next three years including our plan to reallocate capital and return money to shareholders, expected cost savings, international earnings mix, the sale of Prudential of Taiwan, actions to mitigate low rates, becoming a higher growth and less market sensitive business, the funding of potential acquisitions, share repurchases, and those under the headings “Key Priorities”, “Adjusted Operating Income & EPS Considerations”, “COVID-19 Potential Net Mortality Sensitivity”, “Adjusted Operating Income Rollforward by Business”, “Seasonality of Key Financial Items”, and “Other 2021 Earnings Considerations” 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. Our (i) plans to transform our business over the next three years including our plan to reallocate capital and return money to shareholders, expected cost savings, international earnings mix, sale of Prudential of Taiwan, actions to mitigate low rates, plans to become a higher growth and less market sensitive business, funding of potential acquisitions, share repurchases, “Key Priorities”, and “Adjusted Operating Income & EPS Considerations” are subject to the risk that we will be unable to execute our strategy, (ii) “Seasonality of Key Financial Items” is subject to the risk that different earnings and expense patterns will emerge, and (iii) “COVID-19 Potential Net Mortality Sensitivity” is subject to the risk that actual deaths, mortality/morbidity losses, and expenses will exceed, possibly materially, those indicated, in each case, because of economic, market or competitive conditions, or other factors, including the impact of the COVID-19 pandemic. Prudential Financial, Inc. does not undertake to update any particular forward-looking statement included in this presentation.

This presentation 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, adjusted book value, and adjusted operating return on equity 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 website at www.investor.prudential.com. Reconciliations are also included as part of this presentation.

Our 1Q21 earnings rollforward is based on adjusted operating income. Due to the inherent difficulty in reliably quantifying future realized investment gains/losses and changes in asset and liability values given their unknown timing and potential significance, we cannot, without unreasonable effort, provide rollforward based on income from continuing operations, which is the GAAP measure most comparable to adjusted operating income.

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



Reconciliations between Adjusted Operating Income and the Comparable GAAP Measure

(\$ millions)

	Fourth Quarter		Year to Date	
	2020	2019	2020	2019
Net income (loss) attributable to Prudential Financial, Inc.	\$ 819	\$ 1,128	\$ (374)	\$ 4,186
Income attributable to noncontrolling interests	203	10	228	52
Net income (loss)	1,022	1,138	(146)	4,238
Less: Earnings attributable to noncontrolling interests	203	10	228	52
Income (loss) attributable to Prudential Financial, Inc.	819	1,128	(374)	4,186
Less: Equity in earnings of operating joint ventures, net of taxes and earnings attributable to noncontrolling interests	(169)	5	(132)	48
Income (loss) (after-tax) before equity in earnings of operating joint ventures	988	1,123	(242)	4,138
Less: Reconciling Items:				
Realized investment gains (losses), net, and related charges and adjustments	(1,216)	73	(4,315)	(958)
Market experience updates	376	66	(640)	(449)
Divested and Run-off Businesses:				
Closed Block Division	(9)	31	(24)	36
Other Divested and Run-off Businesses	96	114	(629)	755
Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests	152	(32)	90	(103)
Other adjustments ⁽¹⁾	(14)	(47)	51	(47)
Total reconciling items, before income taxes	(615)	205	(5,467)	(766)
Less: Income taxes, not applicable to adjusted operating income	(420)	(3)	(1,114)	(248)
Total reconciling items, after income taxes	(195)	208	(4,353)	(518)
After-tax adjusted operating income	1,183	915	4,111	4,656
Income taxes, applicable to adjusted operating income	332	224	1,033	1,195
Adjusted operating income before income taxes	\$ 1,515	\$ 1,139	\$ 5,144	\$ 5,851
Net Income Return on Equity	4.9%	7.0%	-0.6%	7.1%
Adjusted Operating Return on Equity ⁽²⁾	12.5%	9.0%	10.7%	11.6%

(1) Represents adjustments not included in above reconciling items. "Other Adjustments" include certain components of the consideration for the Assurance IQ acquisition, which are recognized as compensation expense over the requisite service periods, as well as changes in the fair value of contingent consideration.

(2) Represents adjusted operating income after-tax, annualized for interim periods, divided by average Prudential Financial, Inc. equity excluding accumulated other comprehensive income and adjusted to remove amounts included for foreign currency exchange rate remeasurement.



Reconciliations between Adjusted Operating Income Per Share and the Comparable GAAP Measure

	Fourth Quarter		Year to Date	
	2020	2019	2020	2019
Net income (loss) per share attributable to Prudential Financial, Inc.	\$ 2.03	\$ 2.76	\$ (1.00)	\$ 10.11
Less: Reconciling Items:				
Realized investment gains (losses), net, and related charges and adjustments	(3.05)	0.18	(10.85)	(2.33)
Market experience updates	0.94	0.16	(1.61)	(1.09)
Divested and Run-off Businesses:				
Closed Block Division	(0.02)	0.08	(0.06)	0.09
Other Divested and Run-off Businesses	0.24	0.28	(1.58)	1.84
Difference in earnings allocated to participating unvested share-based payment awards	0.01	-	0.07	0.01
Other adjustments ⁽¹⁾	(0.04)	(0.12)	0.13	(0.11)
Total reconciling items, before income taxes	(1.92)	0.58	(13.90)	(1.59)
Less: Income taxes, not applicable to adjusted operating income	(1.02)	0.06	(2.69)	(0.46)
Total reconciling items, after income taxes	(0.90)	0.52	(11.21)	(1.13)
After-tax adjusted operating income per share	<u>\$ 2.93</u>	<u>\$ 2.24</u>	<u>\$ 10.21</u>	<u>\$ 11.24</u>

(1) Represents adjustments not included in the above reconciling items. "Other adjustments" include certain components of the consideration for the Assurance IQ acquisition, which are recognized as compensation expense over the requisite service periods, as well as changes in the fair value of contingent consideration.



Reconciliations between Adjusted Book Value and the Comparable GAAP Measure

(\$ millions, except per share data)

	<u>December 31, 2020</u>
GAAP book value	\$ 67,425
Less: Accumulated other comprehensive income (AOCI)	<u>30,738</u>
GAAP book value excluding AOCI	36,687
Less: Cumulative effect of remeasurement of foreign currency	<u>(1,399)</u>
Adjusted book value	<u><u>\$ 38,086</u></u>
Number of diluted shares	<u>401.8</u>
GAAP book value per Common share - diluted	\$ 167.81
GAAP book value excluding AOCI per Common share - diluted	\$ 91.31
Adjusted book value per Common share - diluted	\$ 94.79

