



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

**NOVEMBER 2015**

# AGENDA



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

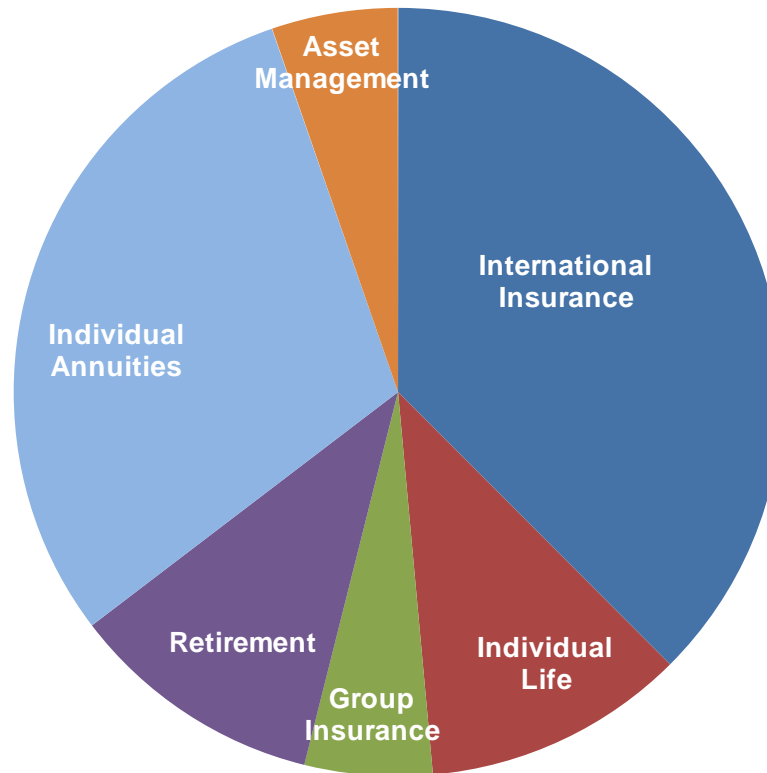


# ENTERPRISE OVERVIEW

# SUPERIOR MIX OF HIGH QUALITY BUSINESSES AND RISKS

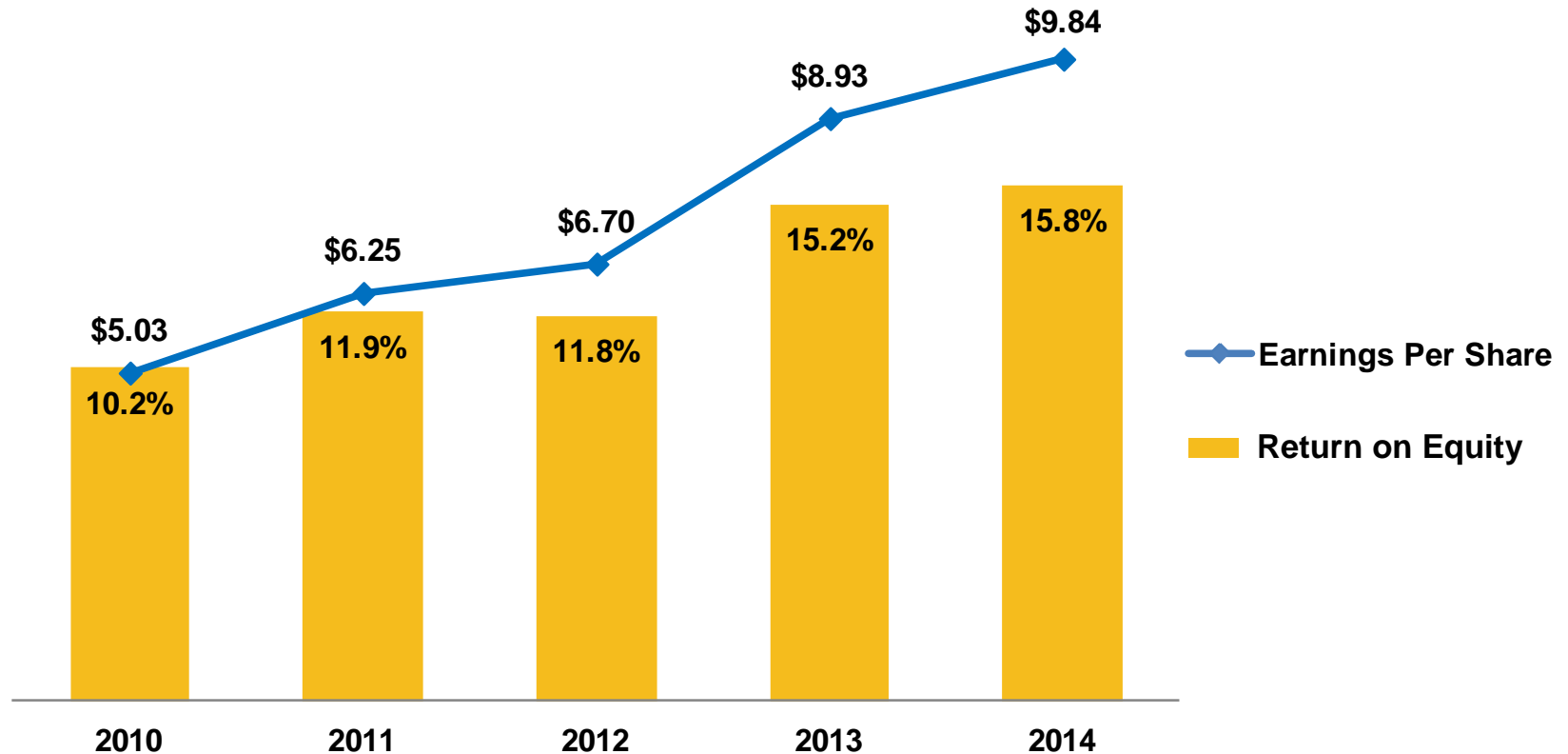


September 30, 2015  
Attributed Equity  
\$33.3 Billion<sup>(1)</sup>



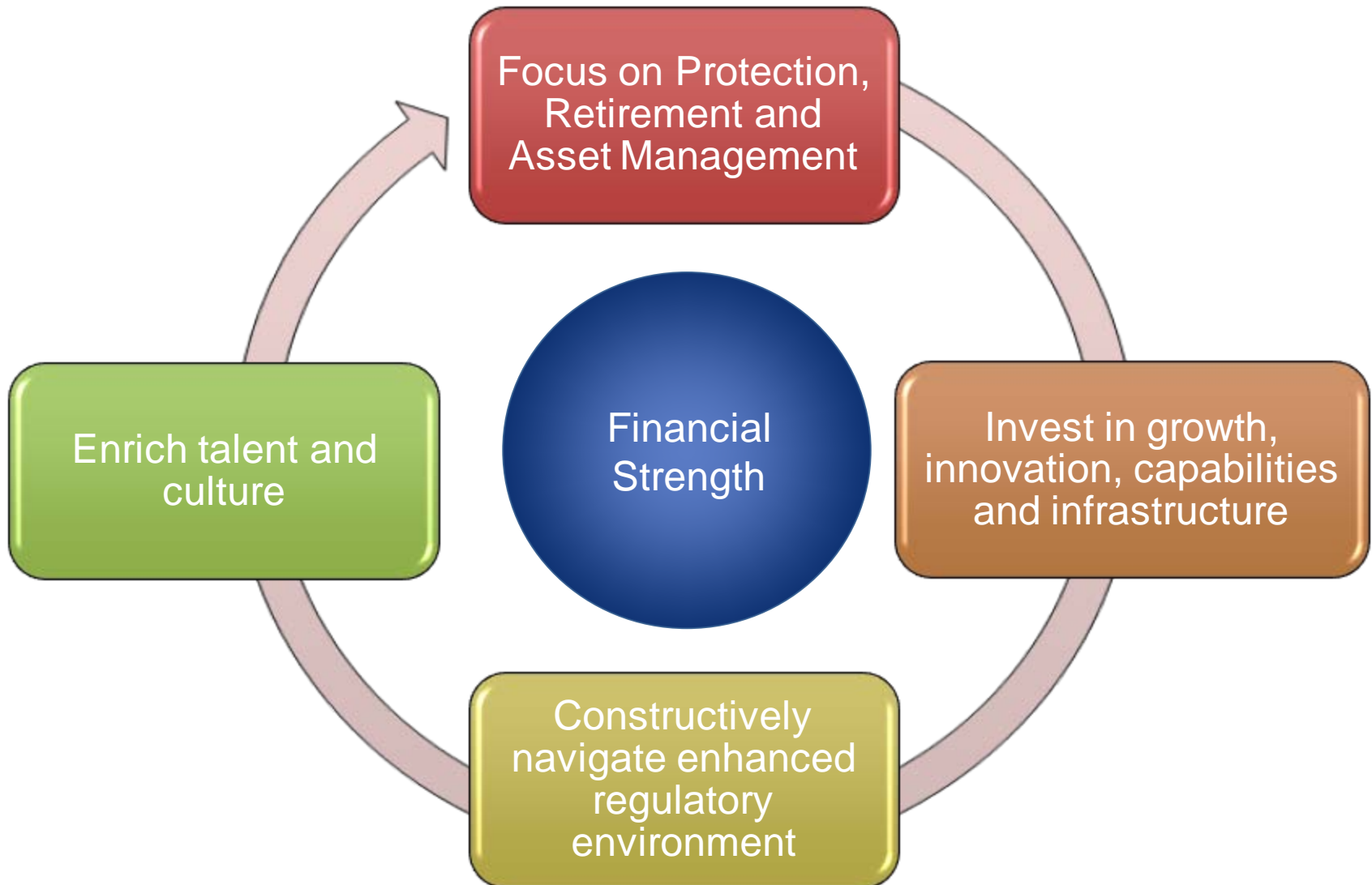
1) Attributed equity excluding accumulated other comprehensive income (AOCI) and impact of foreign currency exchange rate remeasurement, which is attributed to International Insurance; total includes attributed equity for Corporate and Other Operations of \$598 million and Closed Block Division of \$(1,424) million, which are excluded from pie chart.

# ROE AND EPS GROWTH<sup>(1)(2)</sup>



- 1) EPS based on after-tax adjusted operating income (AOI) of the former Financial Services Businesses (FSB) excluding market driven and discrete items as disclosed on page 43.
- 2) ROE based on after-tax AOI excluding market driven and discrete items as disclosed in company earnings conference call presentations and earnings releases available at [www.investor.prudential.com](http://www.investor.prudential.com); gives effect to direct equity adjustment for earnings per share calculation. Based on average attributed equity of the former FSB excluding AOCI and adjusted to remove amount included for foreign currency exchange rate remeasurement.

# 2015 AND BEYOND: FORTIFY LEADERSHIP POSITION



# FINANCIAL STRENGTH



- ❑ Diversified and complementary mix of insurance and market risks
- ❑ Strong balance sheet - capital, liquidity and leverage
- ❑ Target sustainable ROE of 13-14% over a market cycle
- ❑ Consistent cash flows from earnings supporting balanced capital deployment
- ❑ Growth in earnings and book value with reduced volatility

# FINANCIAL PERFORMANCE



<b>Pre-Tax Reported AOI</b> <b>(\$ in millions)</b>	<b>Full Year</b>				<b>Year To Date</b>	
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>3Q 2014</b>	<b>3Q 2015</b>
Individual Annuities	\$ 662	\$ 1,039	\$ 2,085	\$ 1,467	\$ 1,145	\$ 1,387
Retirement	594	638	1,039	1,215	906	763
Asset Management	888	584	723	785	593	581
<b>U.S. Retirement Solutions and Investment Management</b>	<b>2,144</b>	<b>2,261</b>	<b>3,847</b>	<b>3,467</b>	<b>2,644</b>	<b>2,731</b>
Individual Life	482	384	583	498	380	536
Group Insurance	163	16	157	23	(21)	149
<b>U.S. Individual Life and Group Insurance Division</b>	<b>645</b>	<b>400</b>	<b>740</b>	<b>521</b>	<b>359</b>	<b>685</b>
Life Planner Operations	1,246	1,481	1,517	1,589	1,215	1,218
Gibraltar Life and Other Operations	1,017	1,223	1,635	1,663	1,351	1,270
<b>International Insurance Division</b>	<b>2,263</b>	<b>2,704</b>	<b>3,152</b>	<b>3,252</b>	<b>2,566</b>	<b>2,488</b>
Corporate and Other	(1,112)	(1,338)	(1,370)	(1,348)	(1,022)	(855)
<b>Total AOI</b>	<b>3,940</b>	<b>4,027</b>	<b>6,369</b>	<b>5,892</b>	<b>4,547</b>	<b>5,049</b>
Market driven and discrete items <sup>(1)</sup>	(209)	(211)	534	(452)	(301)	216
<b>Results excluding market driven and discrete items</b>	<b>\$ 4,149</b>	<b>\$ 4,238</b>	<b>\$ 5,835</b>	<b>\$ 6,344</b>	<b>\$ 4,848</b>	<b>\$ 4,833</b>

1) As disclosed on page 44.

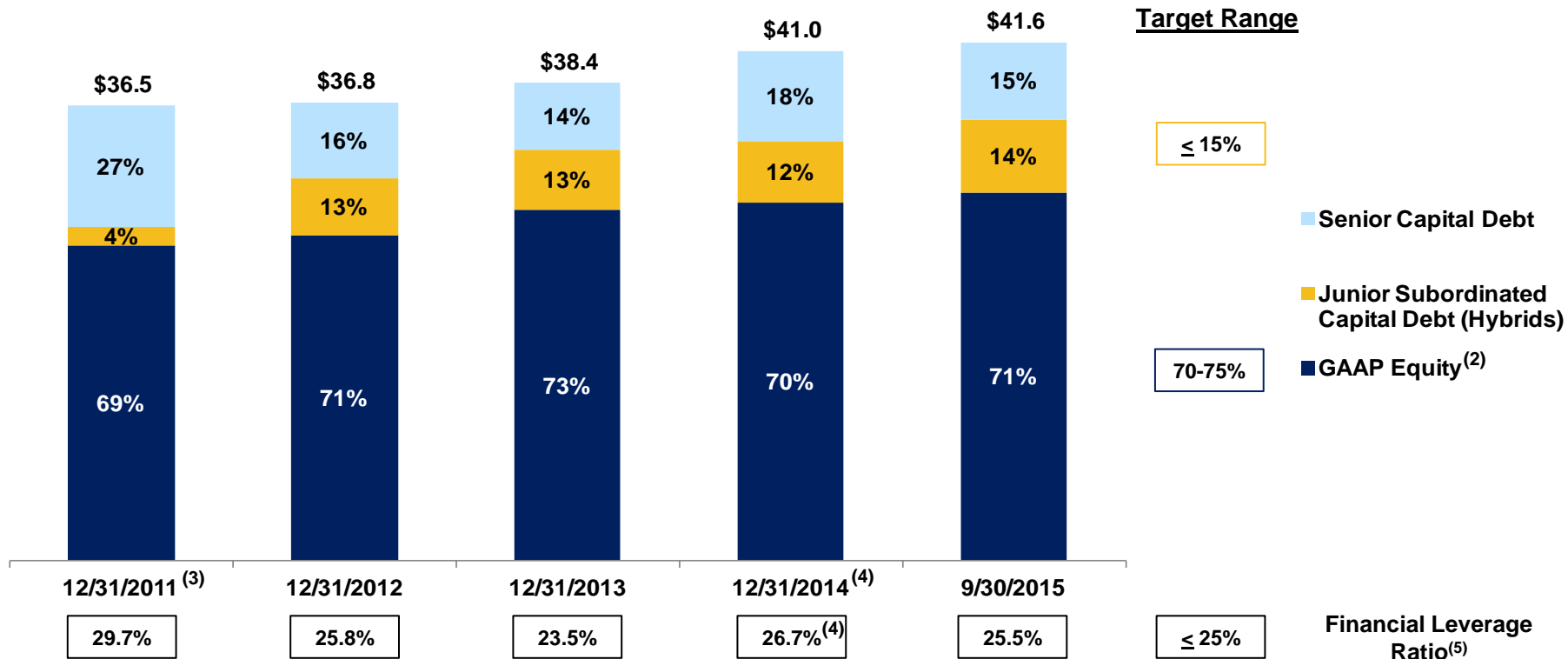


# CAPITAL STRUCTURE



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

(\$ billions)



1) Represents the former FSB for periods prior to 3/31/15.

2) GAAP Equity represents total equity including non-controlling interest adjusted to exclude the impact of foreign currency exchange rate remeasurement, non-performance risk (net of deferred policy acquisition costs), and AOCI totaling \$7.9 billion, \$11.5 billion, \$6.3 billion, \$13.6 billion, and \$13.2 billion as of 12/31/2011, 2012, 2013, 2014, and 9/30/15, respectively.

3) Reflects the retrospective adoption of amended accounting guidance for deferred policy acquisition costs effective 1/1/12, which reduced GAAP equity by \$2.8 billion. Also reflects a discretionary change in accounting principle related to the Company's pension plans.

4) 12/31/14 gives pro-forma effect to ultimate impact of Closed Block restructuring.

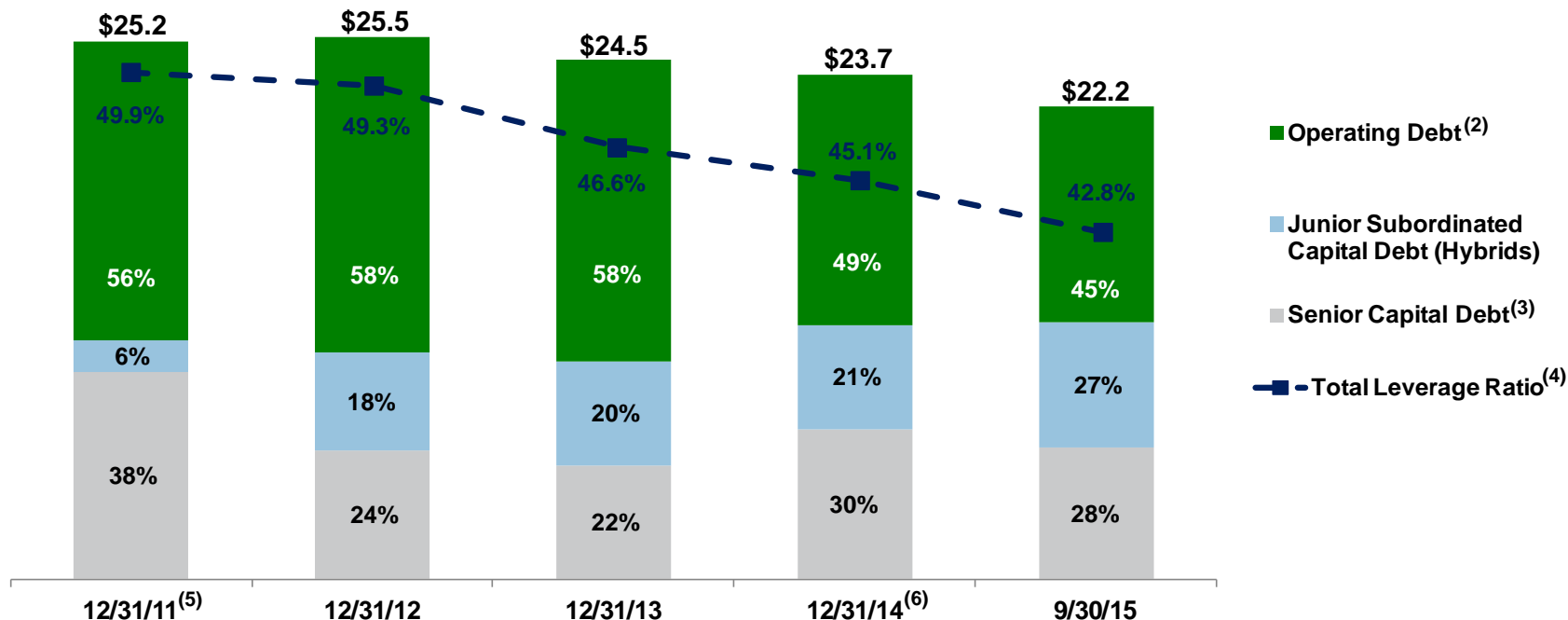
5) Defined as senior capital debt plus 75% hybrids divided by the senior capital debt plus 100% hybrids plus GAAP Equity as defined above.

# REDUCTION IN TOTAL LEVERAGE



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

(\$ billions)



1) Represents the former FSB for periods prior to 3/31/15.

2) Operating debt is utilized to finance business funding needs to meet specific purposes tied to assets or revenue sources as well to finance invested assets or portfolios of invested assets, proceeds of which will service the debt.

3) Senior capital debt is utilized to meet capital requirements of the Prudential businesses.

4) Defined as total debt divided by total debt plus total equity including non-controlling interest adjusted to exclude the impact of foreign currency exchange rate remeasurement, non-performance risk (net of deferred policy acquisition costs), and AOCI totaling \$7.9 billion, \$11.5 billion, \$6.3 billion, \$13.6 billion, and \$13.2 billion as of 12/31/2011, 2012, 2013, 2014, and 9/30/15, respectively.

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6) 12/31/14 gives pro-forma effect to ultimate impact of Closed Block restructuring.

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



	Prudential Financial, Inc.		Prudential Insurance Company of America		
	Senior Debt	Short-Term Debt	Financial Strength	Short-Term Debt <sup>(2)</sup>	Outlook
<b>S&amp;P</b>	A	A-1	AA-	A-1+	Stable
<b>Moody's</b>	Baa1	P-2	A1	P-1	Stable
<b>Fitch</b>	BBB+	F2	A+	F1	Positive
<b>A.M. Best</b>	a-	AMB-1	A+	AMB-1	Stable

Note: As of November 4, 2015

- 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).

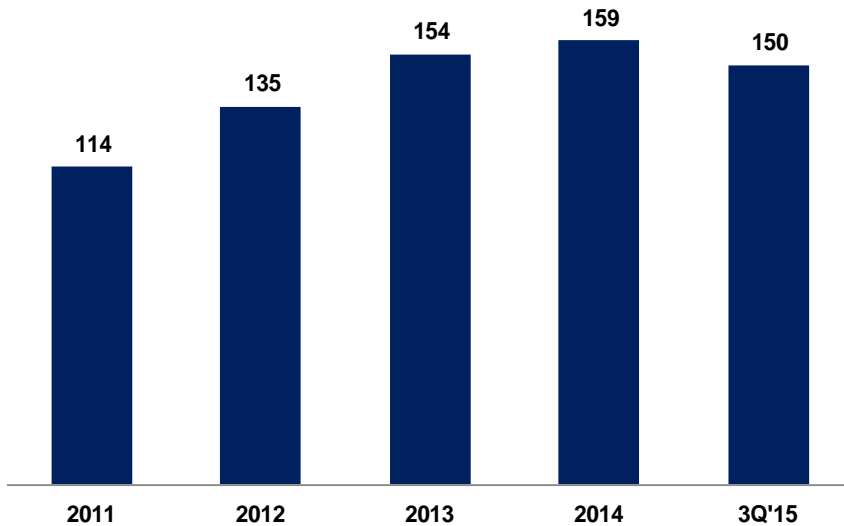


# **U.S. AND INTERNATIONAL BUSINESSES RESULTS AND KEY DRIVERS**

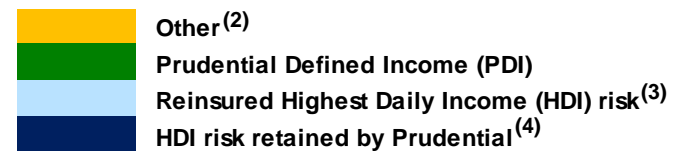
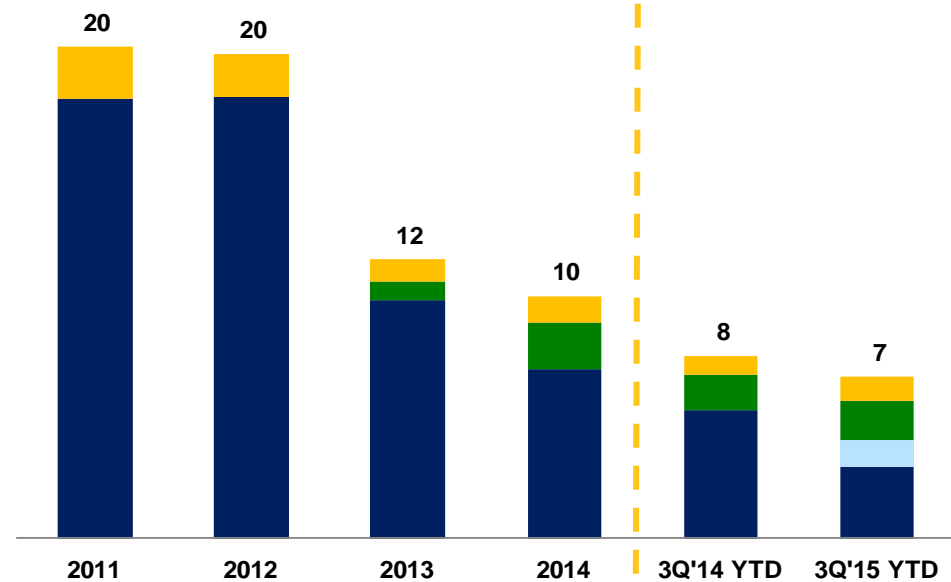
# INDIVIDUAL ANNUITIES – ACCOUNT VALUE AND SALES TREND

(\$ billions)

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

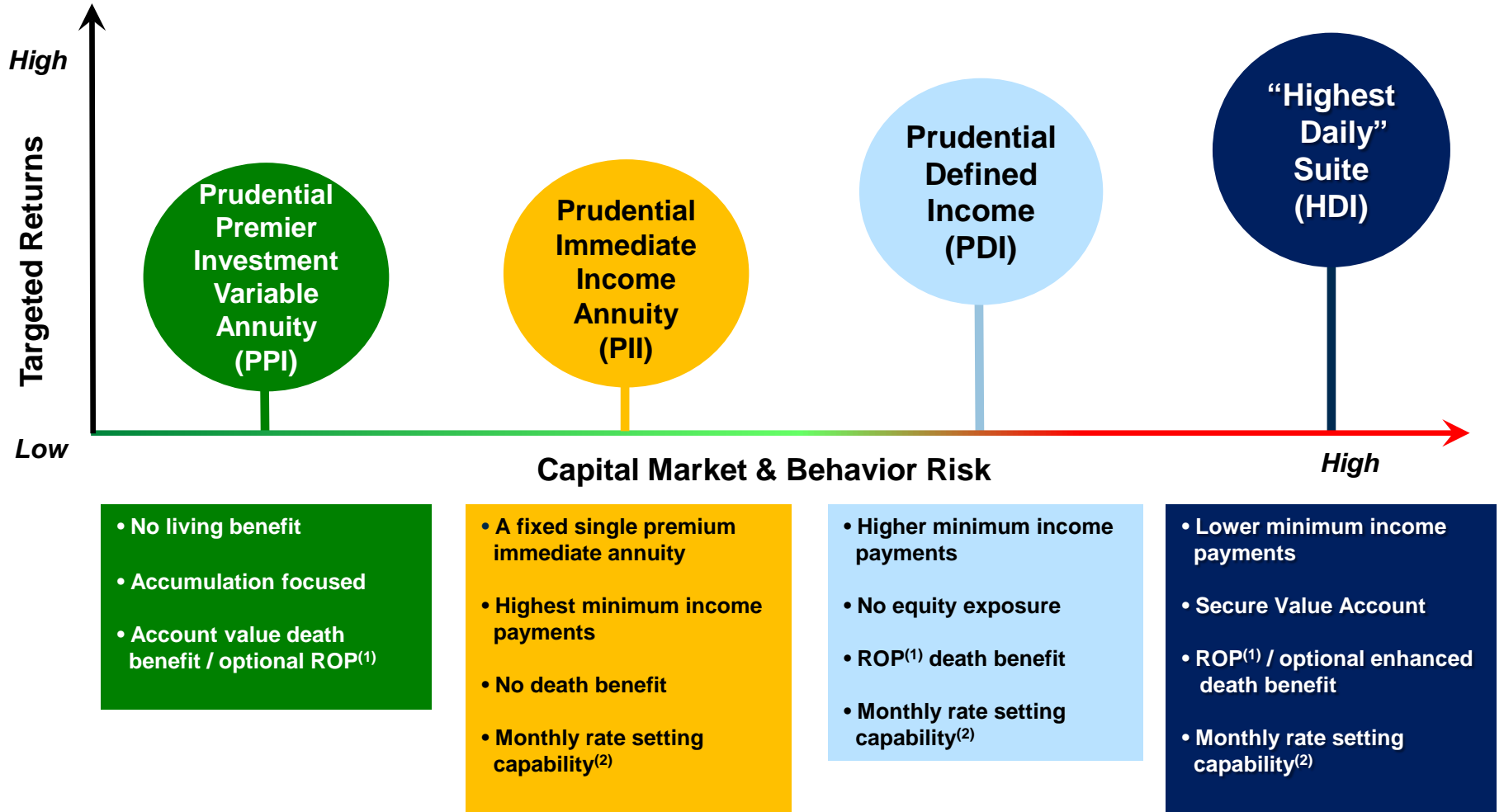


## Gross Sales



- 1) Represents Individual Annuities total account values at end of period.
- 2) Includes Prudential Premier Investment contracts, 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.
- 4) Includes predecessor product optional living benefits.

# PRODUCT PORTFOLIO – DIVERSIFYING RISK



1) Return of Premium (ROP) is a standard death benefit on variable annuity contracts. Optional ROP is available on PPI contracts for an extra charge.

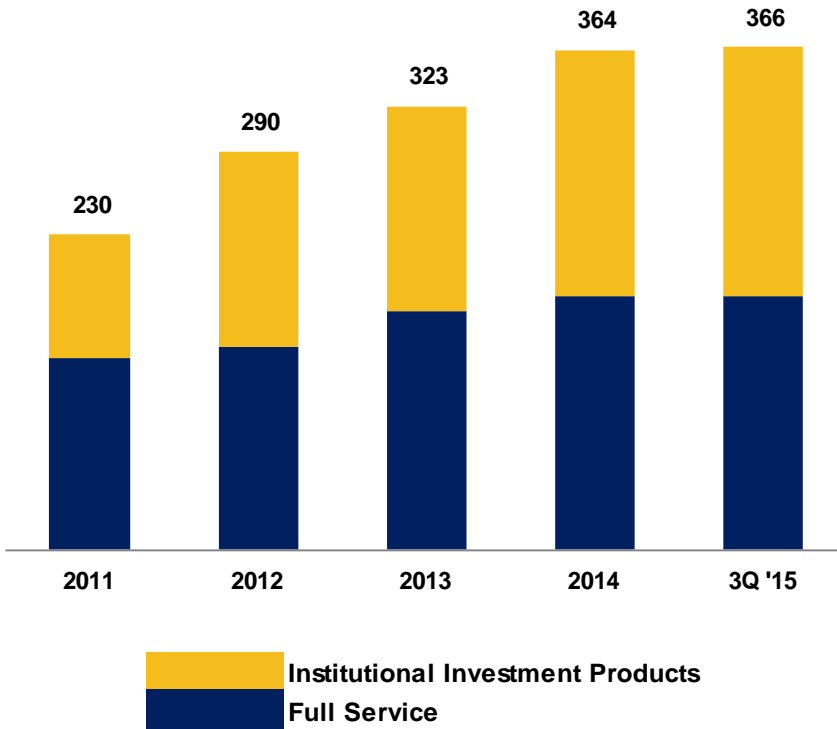
2) For new business.

# RETIREMENT – ACCOUNT VALUES AND SALES TREND

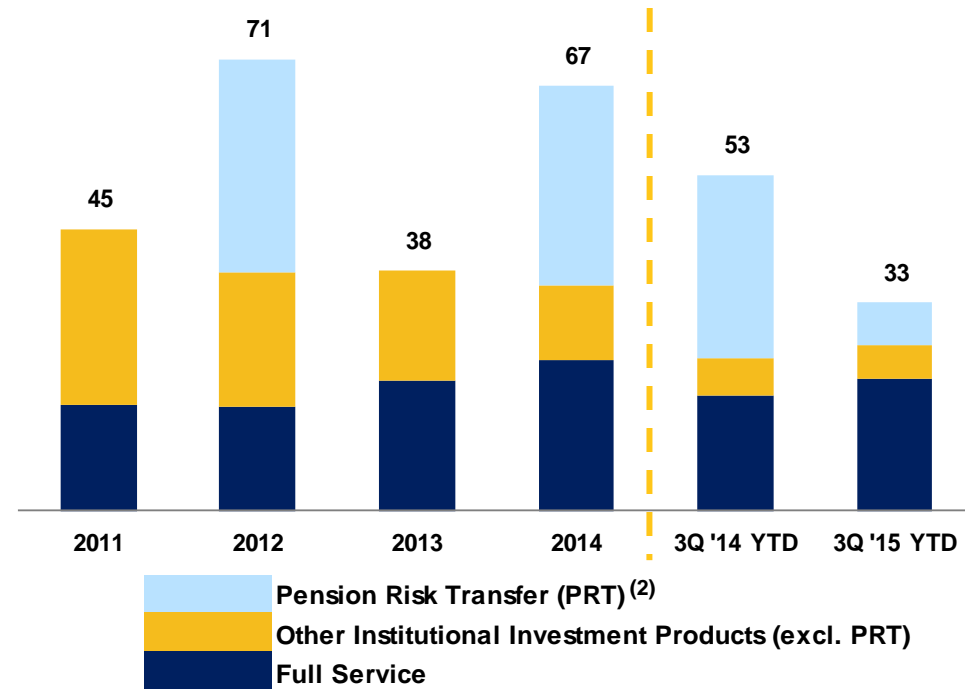


(\$ billions)

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



**Gross Deposits and Sales**







1) At end of period.

2) Represents significant PRT transactions recorded in the fourth quarter of 2012, third and fourth quarters of 2014, and second quarter of 2015.

# PRT MARKET IS LARGE AND GROWING



	U.K.	U.S.	Canada	World
				
Pension Assets	\$1.9 trillion <sup>(1)</sup>	\$3.0 trillion <sup>(2)</sup>	\$1.5 trillion <sup>(3)</sup>	>\$6.4 trillion
Number of Transactions Over \$1 billion	38	6	1	45
PRT Transactions Since 2007 <sup>(4)</sup>	\$180 billion	\$67 billion	\$16 billion	>\$260 billion

1) Pension Protection Fund, estimated in U.S. dollars, as of 12/31/14.

2) Investment Company Institute, revised estimate as of 12/31/14.

3) Towers Watson Global Pension Assets Study 2015.

4) Through 9/30/15.



# PRUDENTIAL'S PRT BUSINESS HAS EXPERIENCED SIGNIFICANT GROWTH OVER THE PAST FOUR YEARS<sup>(1)</sup>



**\$75 billion<sup>(2)</sup>**

PENSION ACCOUNT VALUES

**550,000**

RETIREES

**130+**

PLANS IN U.S. & U.K.

**GM**

**Verizon**

**Motorola**

**Bristol-Myers  
Squibb**

**Rothesay Life**

**Timken**

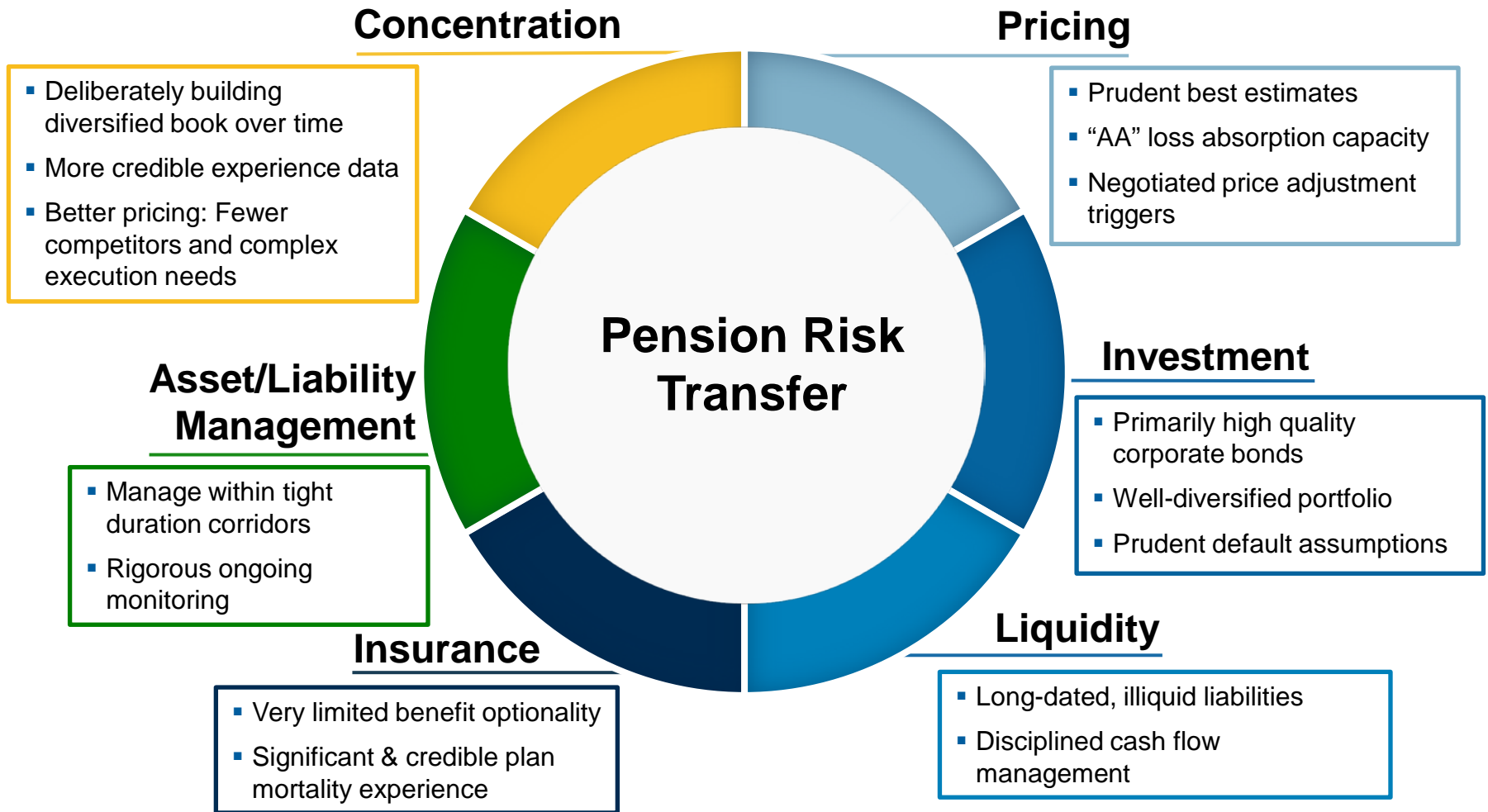
**BT Pension  
Scheme**

**Kimberly-Clark**

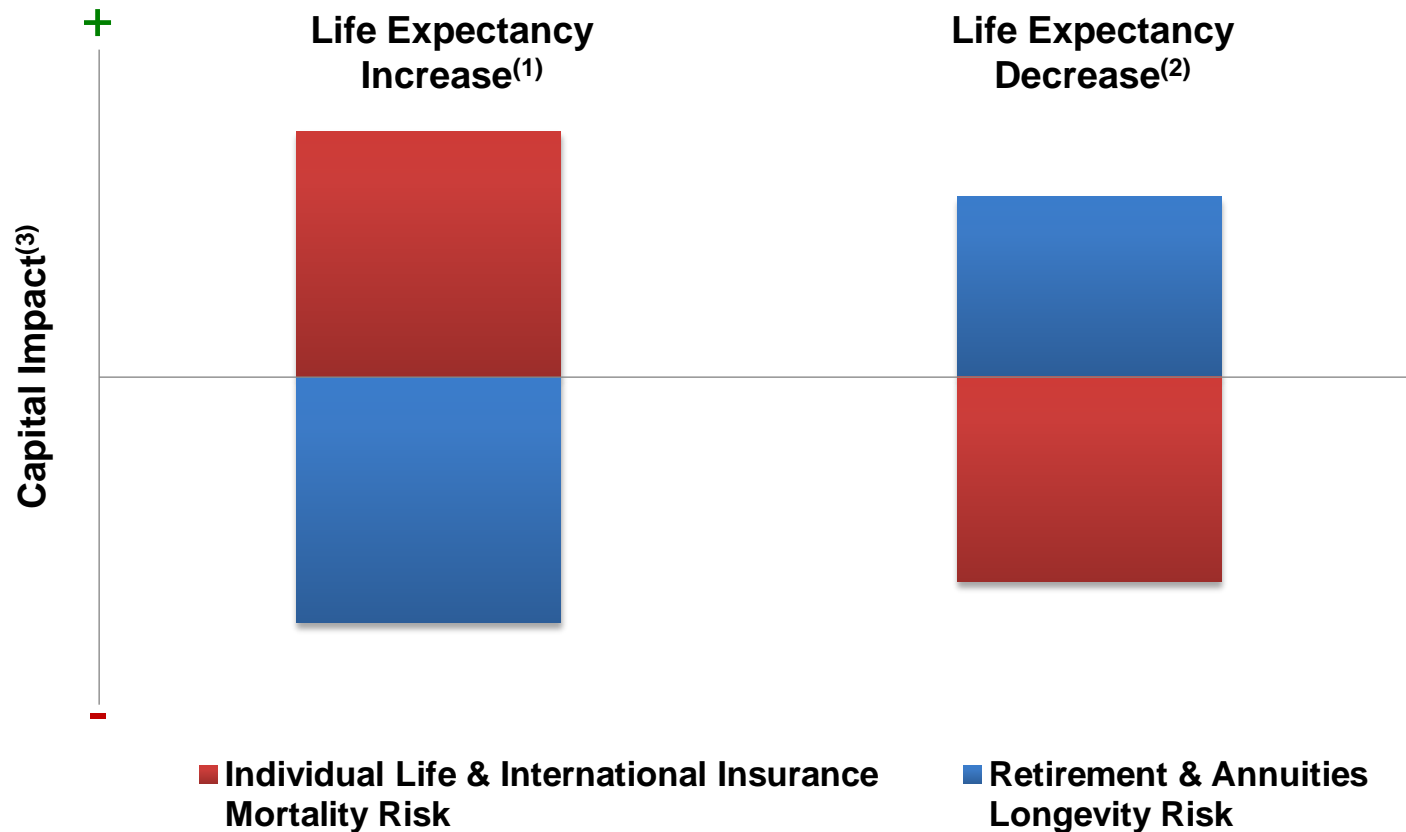
1) Through 3/31/15.

2) Includes ~\$35 billion of longevity reinsurance.

# CRITICAL SUCCESS FACTORS



# MORTALITY AND LONGEVITY RISK EXPOSURE: BUSINESS MIX PRODUCES OFFSETTING IMPACTS



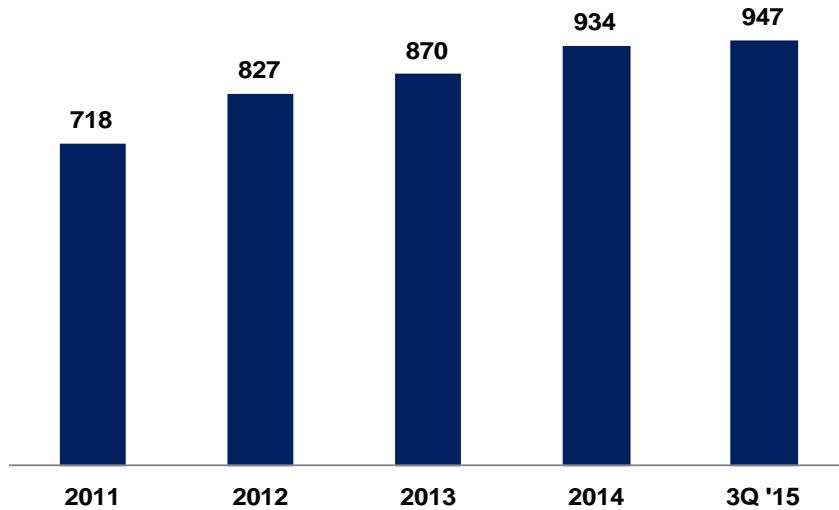
- 1) Increase based on longevity improvement greater than base improvement assumptions.
- 2) Decrease based on longevity improvement less than base improvement assumptions.
- 3) Based on business in force as of 12/31/14.

# ASSET MANAGEMENT – AUM AND NET FLOWS

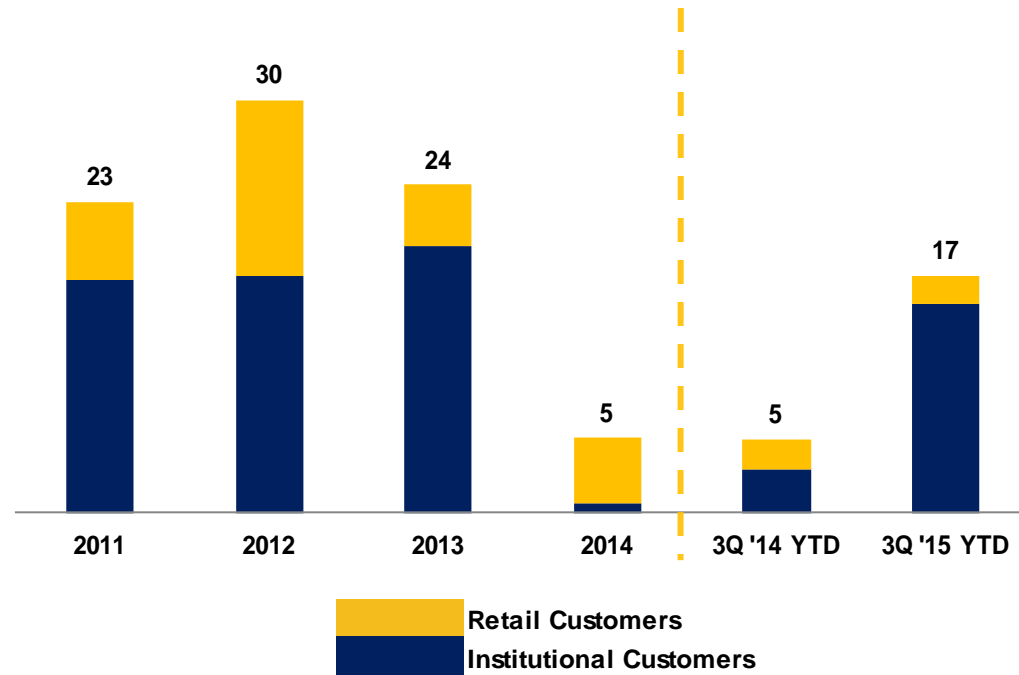


(\$ billions)

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



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



1) At end of period, includes general account.

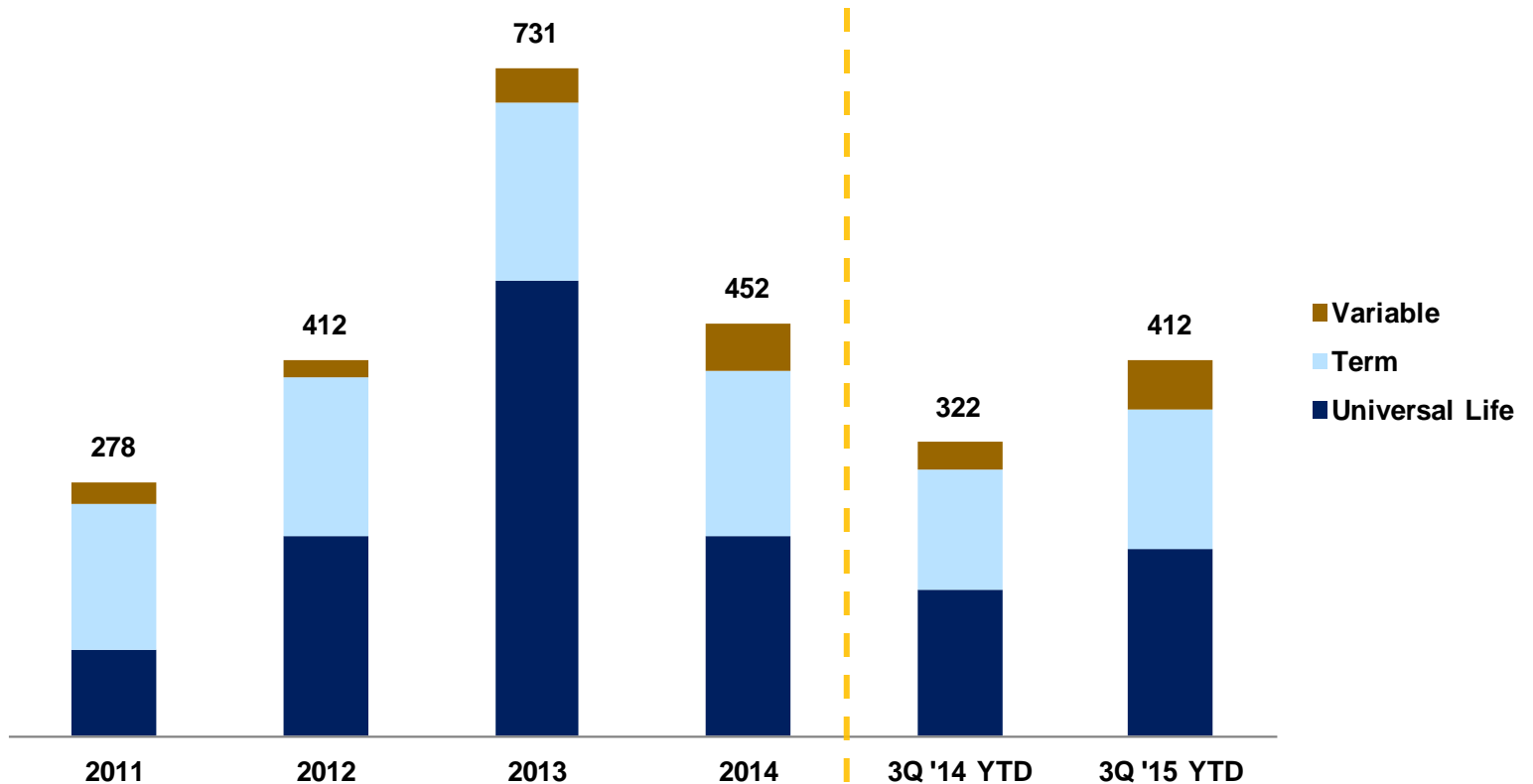
2) Excludes money market activity and affiliated net flows.

# INDIVIDUAL LIFE – SALES TREND



(\$ millions)

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



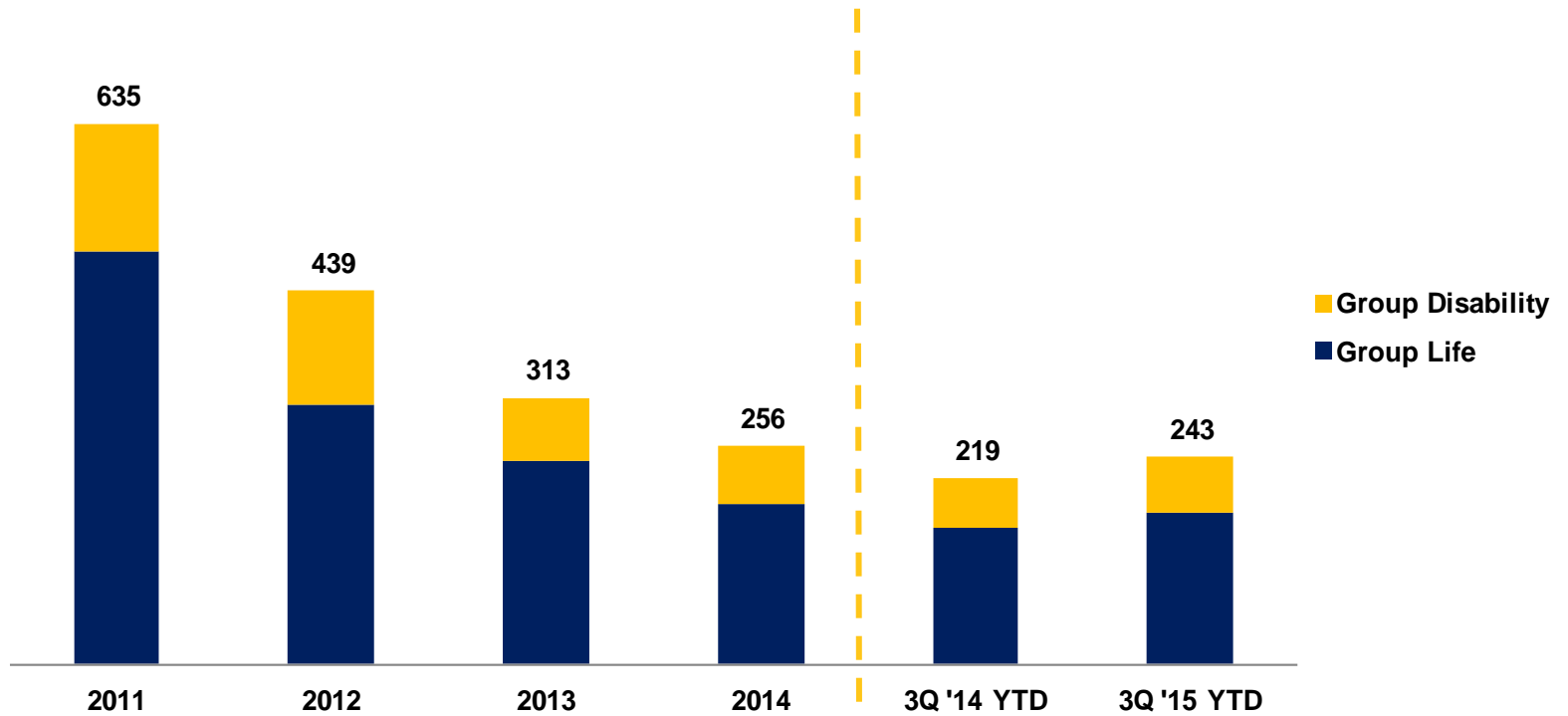
1) Excludes corporate-owned life insurance. Beginning in 2013, new business premiums from the Hartford acquisition are included.

# GROUP INSURANCE – SALES TREND



(\$ millions)

## Annualized New Business Premiums

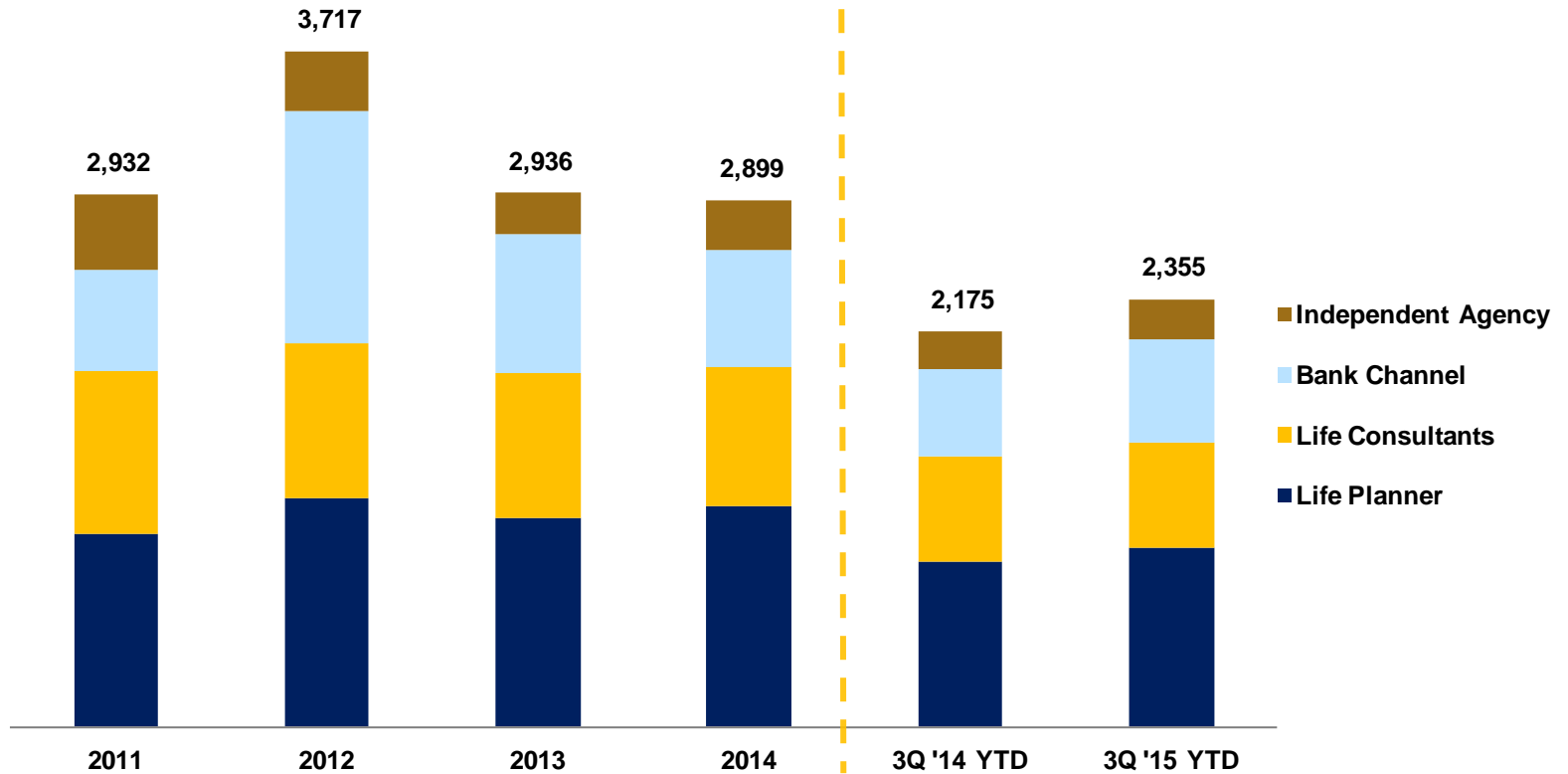


# INTERNATIONAL INSURANCE – SALES TREND



(\$ 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 91 per U.S. dollar and Korean won 1,120 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>	Target	December 31, 2014
		498%
Prudential Insurance	400%	Estimated September 30, 2015
		Well Above Target

Solvency Margin Ratio	Target	June 30, 2015
Prudential of Japan <sup>(2)</sup>	600% - 700%	853%
Gibraltar Life <sup>(2)(3)</sup>	600% - 700%	927%

- 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.*
- 2) *Based on Japanese statutory accounting and risk measurement standards applicable to regulatory filings.*
- 3) *Gibraltar consolidated basis.*

# FINANCIAL STRENGTH AND FLEXIBILITY HIGHLIGHTS

## CAPITAL CAPACITY AND LIQUIDITY POSITION



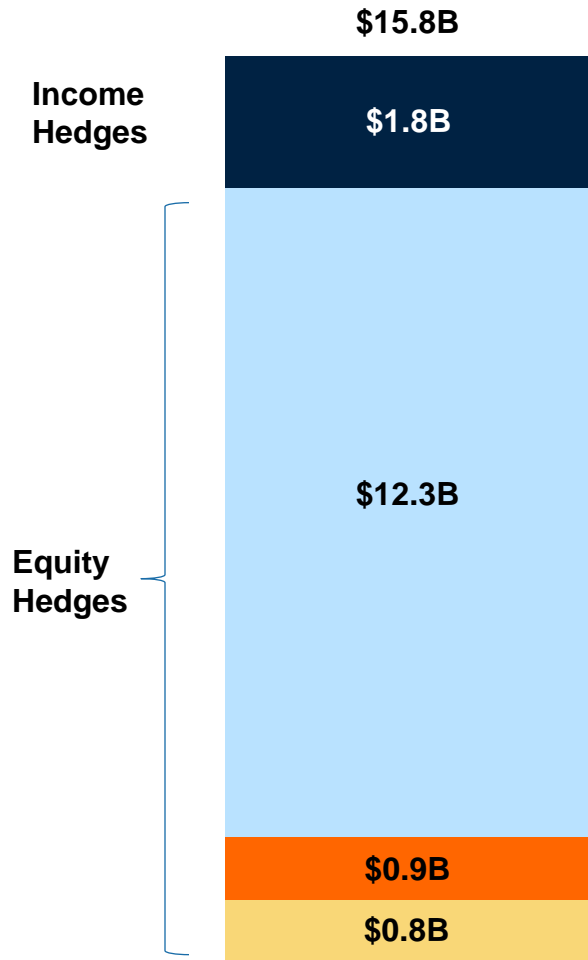
<b>\$ in Billions</b>	<b>September 30, 2015</b>
GAAP Equity <sup>(1)</sup>	\$33.3
Capital Debt	\$12.1
<b>Total Available Capital</b>	<b>\$45.4</b>
<b>Estimated On Balance Sheet Capital Capacity<sup>(2)</sup></b>	<b>&gt;\$3.0</b>
<b>Parent Company Cash and Short Term Investments<sup>(3)</sup></b>	<b>\$4.2</b>

- 1) GAAP equity excluding non-controlling interests, AOCI and the impact of foreign currency exchange rate remeasurement. This measure of equity includes the non-economic impact of non-performance risk (net of deferred policy acquisition costs).
- 2) Based on targeted RBC ratio of 400% for Prudential Insurance and equivalent levels of capital at other insurance operating entities. Gives pro-forma effect to a targeted 25% financial leverage ratio.
- 3) Net of outstanding commercial paper and cash held in an intra-company liquidity account at Prudential Financial, Inc. (PFI).

# YEN HEDGING STRATEGY – MITIGATES ROE DILUTION



## Hedge Type



Existing Hedges as of 9/30/2015

Forwards



USD Assets

Yen Debt

Dual Currency Bonds

## Protection

Protects Near-term Earnings and Cash Flow

Protects Long-term Value

# CAPITAL PROTECTION FRAMEWORK



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

### Equity Market Decline

50%-60% varying by country

### Interest Rate Shock

	<u>Up</u>	<u>Down</u>
U.S.	325 bps	100 bps
Japan	150 bps	50 bps

### Credit Shock

Great Depression

### Currency Shock

Yen appreciates to ~80/USD

## Our Toolbox

### On Balance Sheet Capital Capacity

### Derivatives / Hedging

### Credit Facilities

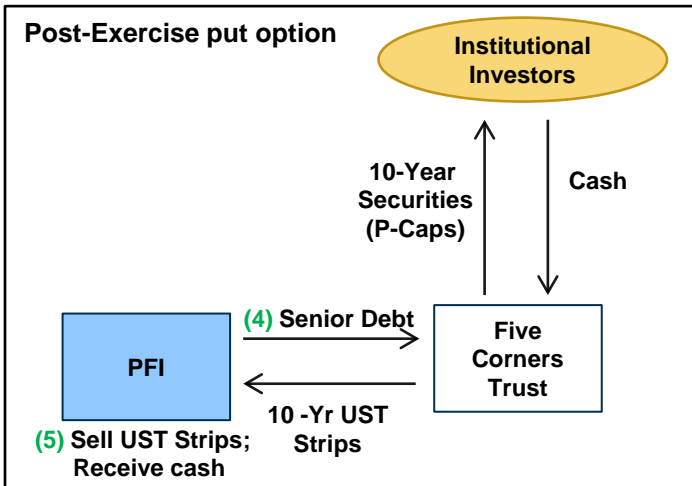
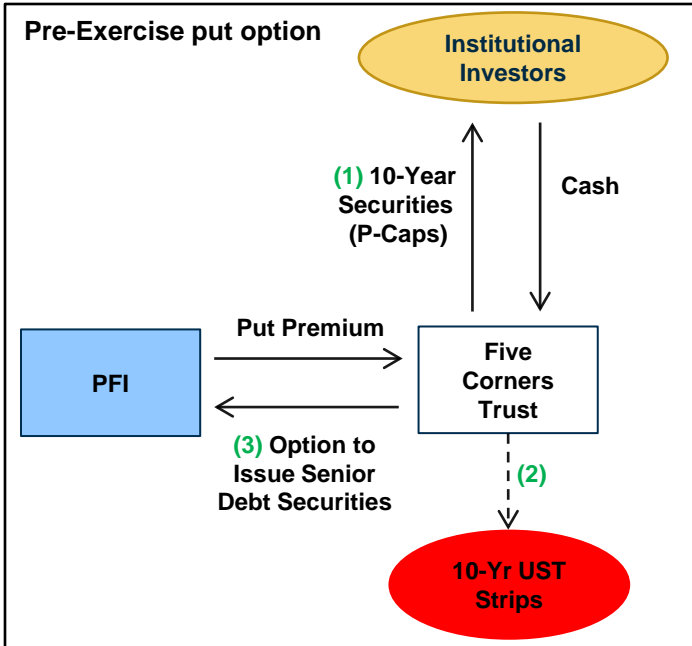
### Contingent Capital

## 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) Tail event 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 newly created Delaware trust issues 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

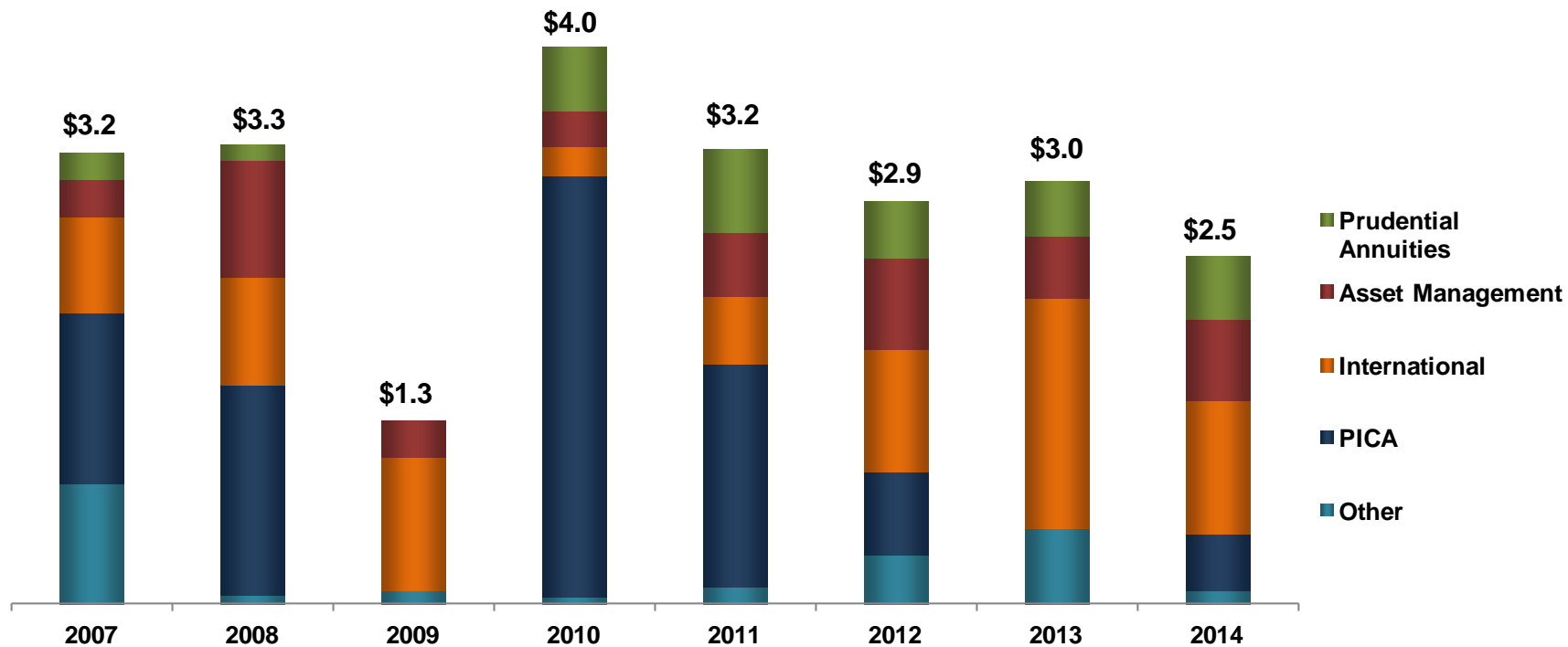


- ❑ Liquidity is managed for each legal entity separately with a robust asset/liability management discipline
- ❑ We manage holding company cash to a Board-approved minimum balance of \$1.3 billion
- ❑ We have access to significant alternative liquidity sources
- ❑ We strive to maintain commercial paper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

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



(\$ billions)



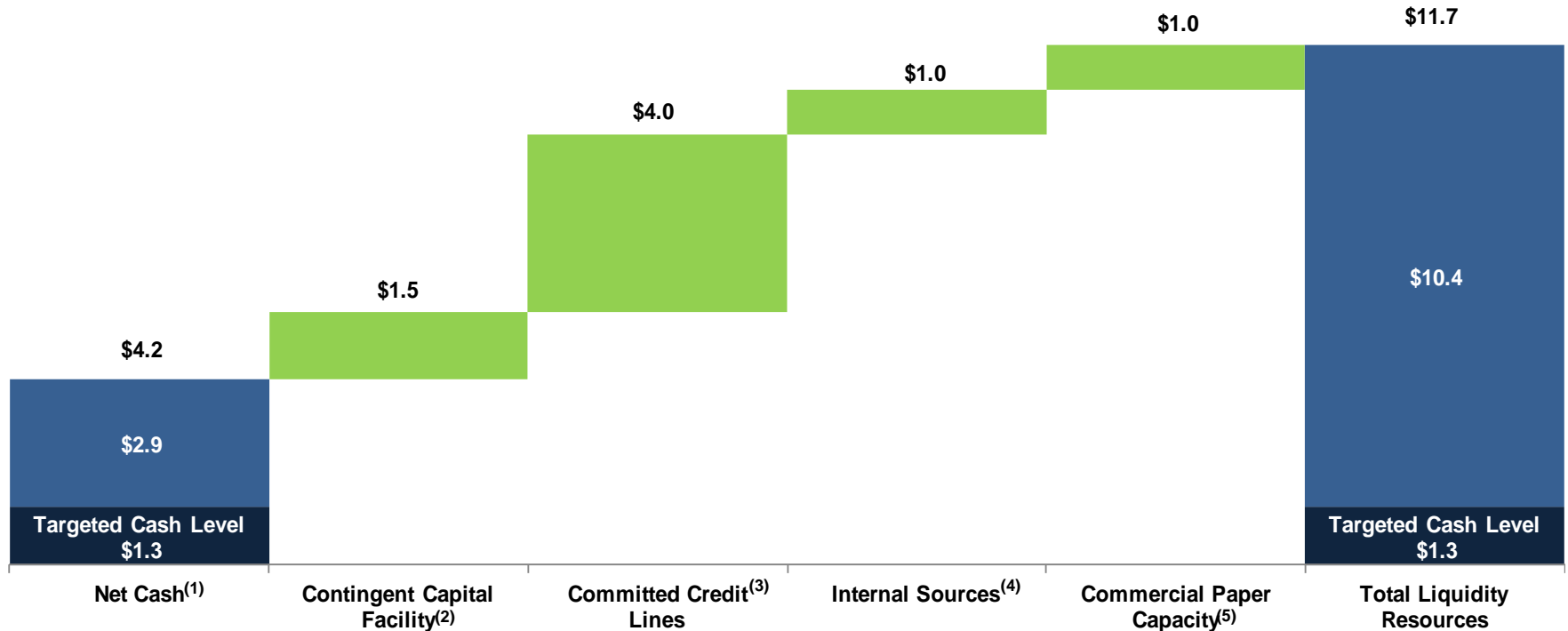
1) Reflects dividends and/or returns of capital to PFI.



# HOLDING COMPANY LIQUIDITY



## PFI Alternate Sources of Liquidity As of September 30, 2015 (\$ billions)



1) PFI cash, cash equivalents and short-term investments, less short-term intercompany borrowings and commercial paper.

2) 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.

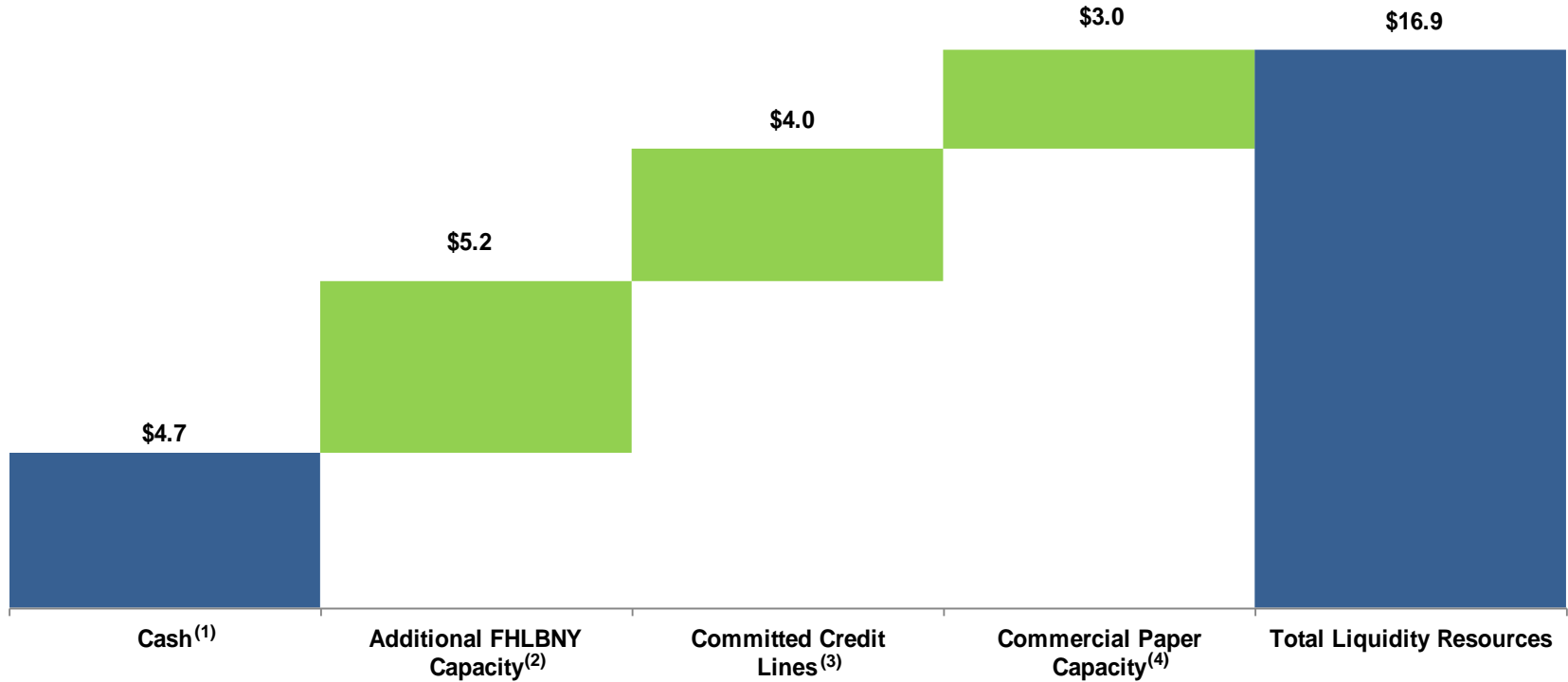
3) Represents a \$4 billion 5-year committed credit facility shared by PFI and PFLLC.

4) Primarily includes Enterprise Liquidity Account.

5) Represents estimated total capacity. \$169 million of PFI commercial paper was outstanding as of September 30, 2015.



**PICA Alternate Sources of Liquidity  
As of September 30, 2015  
(\$ billions)**



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

2) Represents estimated incremental capacity from the Federal Home Loan Bank of New York (FHLBNY) based on regulatory limitation. As of September 30, 2015, \$2 billion of advances and funding agreements with the FHLBNY 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. \$620 million of PFLLC commercial paper was outstanding as of September 30, 2015.



# INVESTMENT PORTFOLIO

# WHAT DIFFERENTIATES PRUDENTIAL?



## *Investment Management is a Core Competency*

- Asset Management is a business within Prudential
- \$947 billion 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 (KRD) targets by sector

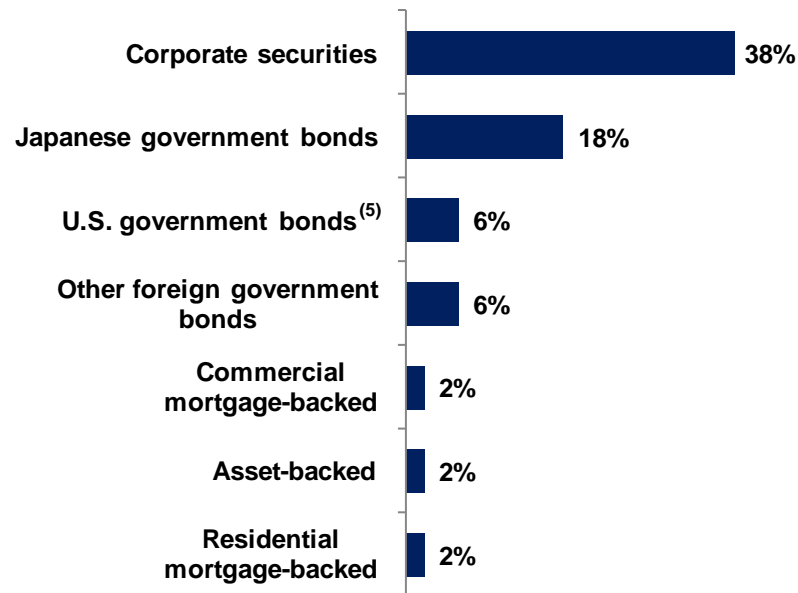
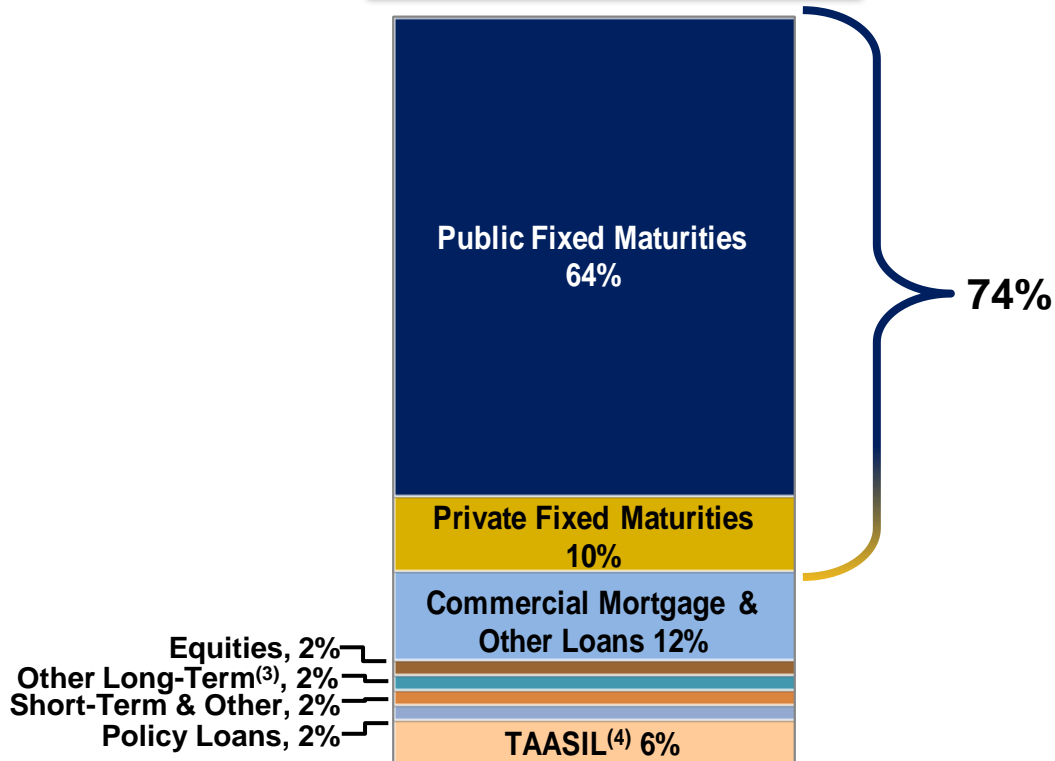
1) Assets managed by Investment Management and Advisory Services as of September 30, 2015.

# BROAD DIVERSIFICATION



**PFI GA ex. CBD<sup>(1)</sup>  
Investment Portfolio  
\$342 Billion<sup>(2)</sup>**

**PFI GA ex. CBD<sup>(1)</sup>  
Fixed Maturities  
\$254 Billion<sup>(2)</sup>**



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

2) As of 9/30/15 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 (investment results expected to ultimately accrue to contract holders).

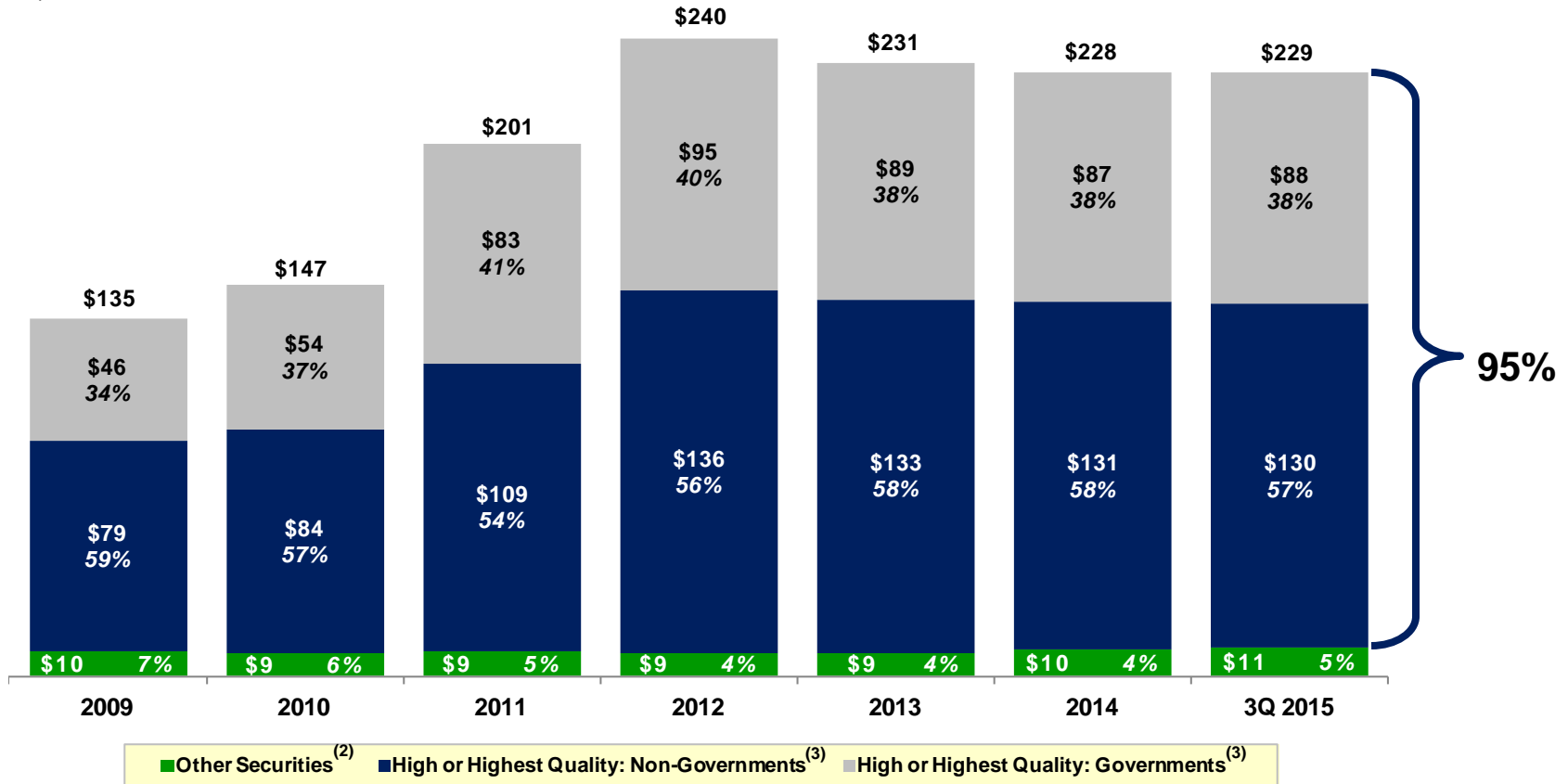
5) Includes state and municipal securities, and securities related to the Build America Bonds program.

# ASSET SELECTION – FOCUS ON QUALITY



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

(\$ billions)



1) As of 9/30/2015 at amortized cost. Reflects equivalent ratings for investments in international insurance operations.

2) NAIC 3-6.

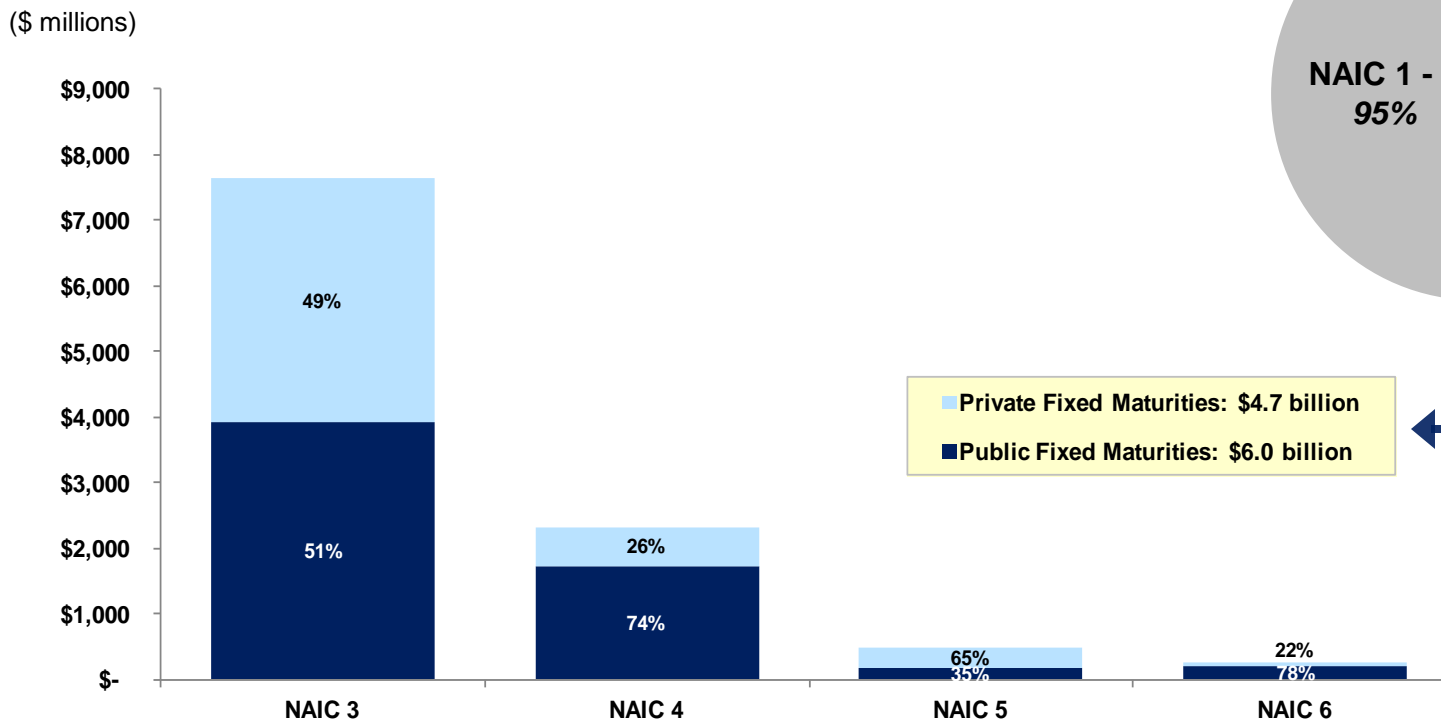
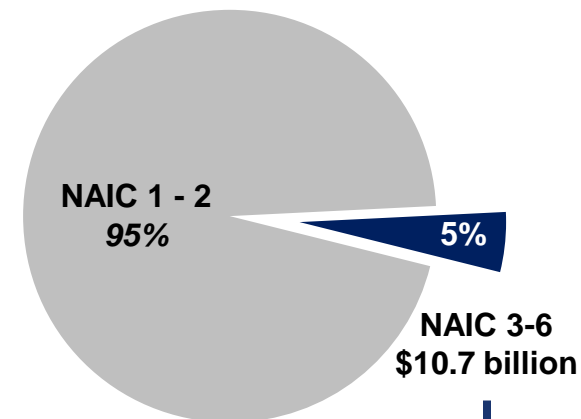
3) NAIC 1-2.

# 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

**PFI GA ex. CBD  
Fixed Maturity Portfolio  
100% = \$229 billion<sup>(2)</sup>**



■ Private Fixed Maturities: \$4.7 billion  
■ Public Fixed Maturities: \$6.0 billion

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

2) As of 9/30/15 at amortized cost. Reflects equivalent ratings for investments in international insurance operations.



## DISCLOSURES



# FORWARD-LOOKING STATEMENTS AND NON-GAAP MEASURE



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, 2014. 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 return on equity, which is based on adjusted operating income. Adjusted operating income is a measure of performance that is not calculated based on accounting principles generally accepted in the United States of America (GAAP). For additional information about adjusted operating income and the comparable GAAP measure, including a reconciliation between the two, 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). A reconciliation is also included as part of this presentation.

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

# RECONCILIATION BETWEEN ADJUSTED OPERATING INCOME AND THE COMPARABLE GAAP MEASURE



(\$ millions)

	2010	2011	2012	2013	2014	YTD	
						3Q' 14	3Q' 15
<b>After-tax adjusted operating income<sup>(1)</sup></b>	\$2,664	\$2,917	\$3,019	\$4,586	\$4,355	\$3,347	\$3,758
Reconciling items:							
Realized investment gains (losses), net, and related charges and adjustments	(27)	847	(2,809)	(8,149)	(4,130)	(1,413)	1,775
Investment gains (losses) on trading account assets supporting insurance liabilities, net	501	223	610	(250)	339	195	(365)
Change in experience-rated contractholder liabilities due to asset value changes	(631)	(123)	(540)	227	(294)	(139)	295
Divested businesses:							
Closed Block division	-	-	-	-	-	-	138
Other divested businesses	1	90	(615)	29	167	113	(26)
Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests	(87)	(227)	(29)	28	44	37	60
Total reconciling items, before income taxes	(243)	810	(3,383)	(8,115)	(3,874)	(1,207)	1,877
Income taxes, not applicable to adjusted operating income	35	424	(816)	(2,857)	(1,082)	(625)	671
Total reconciling items, after income taxes	(278)	386	(2,567)	(5,258)	(2,792)	(582)	1,206
<b>Income (loss) from continuing operations (after-tax)</b>							
before equity in earnings of operating joint ventures <sup>(1)</sup>	2,386	3,303	452	(672)	1,563	2,765	4,964
Equity in earnings of operating joint ventures, net of taxes and earnings attributable to noncontrolling interests	63	148	10	(48)	(41)	(34)	(57)
<b>Income (loss) from continuing operations attributable to Prudential Financial, Inc.<sup>(1)</sup></b>	2,449	3,451	462	(720)	1,522	2,731	4,907
Earnings attributable to noncontrolling interests	19	34	50	107	57	45	65
<b>Income (loss) from continuing operations (after-tax)<sup>(1)</sup></b>	2,468	3,485	512	(613)	1,579	2,776	4,972
Income (loss) from discontinued operations, net of taxes	32	35	17	7	11	8	-
<b>Net income (loss)<sup>(1)</sup></b>	2,500	3,520	529	(606)	1,590	2,784	4,972
Less: Income attributable to noncontrolling interests	19	34	50	107	57	45	65
<b>Net income (loss) attributable to Prudential Financial, Inc.<sup>(1)</sup></b>	\$2,481	\$3,486	\$479	\$ (713)	\$1,533	\$2,739	\$4,907

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

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



After-tax adjusted operating income basis: Earnings Per Share	2010	2011	2012	2013	2014
	\$ 5.64	\$ 5.97	\$ 6.40	\$ 9.67	\$ 9.21
Reconciling items:					
Unlockings and experience true-ups <sup>(2)</sup>	0.52	(0.27)	(0.03)	0.77	(0.59)
Gains on sale of businesses\investments <sup>(3)</sup>	0.09	0.53	0.15	0.09	-
Integration costs <sup>(4)</sup>	-	(0.29)	(0.21)	(0.09)	(0.04)
Write off of bond issues costs	-	-	(0.04)	(0.03)	-
Impact of earthquake in Japan	-	(0.09)	-	-	-
Other <sup>(5)</sup>	-	(0.16)	(0.17)	-	-
Sub-total	0.61	(0.28)	(0.30)	0.74	(0.63)
<b>Earnings Per Share - excluding market driven and discrete items</b>	<b>\$ 5.03</b>	<b>\$ 6.25</b>	<b>\$ 6.70</b>	<b>\$ 8.93</b>	<b>\$ 9.84</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) Includes adjustments to reflect updated estimates of profitability based on market performance in relation to our assumptions in each period and charge for potential contract cancellations in 2015, as well as annual reviews of actuarial assumptions and refinements of reserves, deferred policy acquisition and other costs.

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

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

5) Includes true ups for legal reserves, and employee benefit accruals, and impairments and write offs of intangible assets.

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



(\$ millions)

	2011	2012	2013	2014	YTD	
					3Q' 14	3Q' 15
<b>Pre-tax adjusted operating income</b>	\$3,940	\$4,027	\$6,369	\$5,892	\$4,547	\$5,049
Reconciling items:						
Unlockings and experience true-ups <sup>(2)</sup>	(202)	(10)	574	(420)	(277)	233
Gains on sales of businesses/investments <sup>(3)</sup>	394	26	66	-	-	-
Integration costs <sup>(4)</sup>	(213)	(153)	(79)	(32)	(24)	(17)
Write off of bond issue costs	-	(31)	(27)	-	-	-
Impact of earthquake in Japan	(69)	-	-	-	-	-
Other <sup>(5)</sup>	(119)	(43)	-	-	-	-
Sub-total	(209)	(211)	534	(452)	(301)	216
<b>Pre-tax adjusted operating income excluding market driven and discrete items</b>	<b>\$4,149</b>	<b>\$4,238</b>	<b>\$5,835</b>	<b>\$6,344</b>	<b>\$4,848</b>	<b>\$4,833</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) Includes adjustments to reflect updated estimates of profitability based on market performance in relation to our assumptions in each period and charge for potential contract cancellations in 2015, as well as annual reviews of actuarial assumptions and refinements of reserves, deferred policy acquisition and other costs.

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

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

5) Includes true ups for legal reserves, and employee benefit accruals, and impairments and write offs of intangible assets.