

Prudential Financial, Inc. (PRU)



Quarterly Financial Supplement

Fourth Quarter 2017

Reference is made to Prudential Financial, Inc.'s (PFI) filings with the Securities and Exchange Commission for general information, and consolidated financial information. All financial information in this document is unaudited.



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Net income for the fourth quarter and full year 2017, and book value per share and adjusted book value per share as of December 31, 2017, include the estimated impact of the enactment of the Tax Cuts and Jobs Act (Tax Act), which was signed into law on December 22, 2017. The final impact of the Tax Act may differ from these estimates, due to, among other things, changes in interpretations and assumptions made by the Company, additional guidance that may be issued by the U.S. Department of Treasury and actions that the Company may take. Information herein regarding the impact of the Tax Act on Prudential Financial, Inc.'s results of operations and financial condition consists of estimates. These estimates are forward-looking statements based on current interpretations and expectations and may change, possibly materially.

Prudential Financial, Inc.

This quarterly financial supplement reflects, for all periods presented, the new organizational structure of our U.S. businesses. The structure better reflects our focus on leveraging our mix of businesses and our digital and customer engagement capabilities to expand our value proposition for the benefit of customers and stakeholders. Under the new structure, our principal operations are comprised of five divisions, which together encompass seven segments, and our Corporate and Other operations as illustrated below. There are no changes to our reporting segments nor to our measure of segment profitability as a result of the new organizational structure.

New Financial Reporting Structure

| | | | | | |
|--|---|---|--|--|---|
| U.S. Individual Solutions Division <i>Individual Annuities Segment</i> <i>Individual Life Segment</i> | U.S. Workplace Solutions Division <i>Retirement Segment</i> <i>Group Insurance Segment</i> | Investment Management Division <i>Investment Management Segment</i> | International Insurance Division <i>International Insurance Segment</i> <i>Life Planner Operations</i> <i>Gibraltar and Other Operations</i> | Corporate and Other Operations <i>Corporate</i> <i>Non-Closed Block divested businesses</i> | Closed Block Division <i>Closed Block Segment</i> |
|--|---|---|--|--|---|

Former Financial Reporting Structure

| | | | | |
|--|--|--|--|---|
| U.S. Retirement & Investment Management Division <i>Individual Annuities Segment</i> <i>Retirement Segment</i> <i>Asset Management Segment</i> | U.S. Individual Life & Group Insurance Division <i>Individual Life Segment</i> <i>Group Insurance Segment</i> | International Insurance Division <i>International Insurance Segment</i> <i>Life Planner Operations</i> <i>Gibraltar and Other Operations</i> | Corporate and Other Operations <i>Corporate</i> <i>Non-Closed Block divested businesses</i> | Closed Block Division <i>Closed Block Segment</i> |
|--|--|--|--|---|

FINANCIAL HIGHLIGHTS
(in millions, except per share data)

| Year-to-date | | % | | 2016 | 2017 | | | | |
|--------------|------|---|--|--------------|--------------|------------|--------------|--------------|----|
| 2017 | 2016 | | | Change | 4Q | 1Q | 2Q | 3Q | 4Q |
| | | | Pre-tax adjusted operating income (loss) by division: | | | | | | |
| | | | U.S. Individual Solutions Division | 560 | 586 | 55 | 727 | 639 | |
| | | | U.S. Workplace Solutions Division | 361 | 431 | 444 | 309 | 313 | |
| | | | Investment Management Division | 224 | 196 | 218 | 259 | 306 | |
| | | | International Insurance Division | 755 | 799 | 823 | 799 | 777 | |
| | | | Corporate and other operations | (441) | (352) | (312) | (310) | (463) | |
| | | | Total pre-tax adjusted operating income | 1,459 | 1,660 | 1,228 | 1,784 | 1,572 | |
| | | | Income taxes, applicable to adjusted operating income | 369 | 423 | 309 | 461 | 399 | |
| | | | After-tax adjusted operating income | 1,090 | 1,237 | 919 | 1,323 | 1,173 | |
| | | | Reconciling items: | | | | | | |
| | | | Realized investment gains (losses), net, and related charges and adjustments | (824) | 38 | (679) | 1,164 | (581) | |
| | | | Investment gains (losses) on trading account assets supporting insurance liabilities, net | (378) | 44 | 201 | 85 | 6 | |
| | | | Change in experience-rated contractholder liabilities due to asset value changes | 283 | (12) | (145) | (31) | 37 | |
| | | | Divested businesses: | | | | | | |
| | | | Closed Block Division | (58) | 34 | (18) | 33 | (4) | |
| | | | Other divested businesses | (160) | 6 | 35 | 10 | (13) | |
| | | | Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests | (5) | (28) | (14) | (24) | 99 | |
| | | | Total reconciling items, before income taxes | (1,142) | 82 | (620) | 1,237 | (456) | |
| | | | Income taxes, not applicable to adjusted operating income | (334) | (28) | (184) | 339 | (3,157) | |
| | | | Total reconciling items, after income taxes | (808) | 110 | (436) | 898 | 2,701 | |
| | | | Income (after-tax) before equity in earnings of operating joint ventures | 282 | 1,347 | 483 | 2,221 | 3,874 | |
| | | | Equity in earnings of operating joint ventures, net of taxes and earnings attributable to noncontrolling interests | 2 | 22 | 8 | 17 | (109) | |
| | | | Income attributable to Prudential Financial, Inc. | 284 | 1,369 | 491 | 2,238 | 3,765 | |
| | | | Earnings attributable to noncontrolling interests | 9 | 3 | 5 | 3 | 100 | |
| | | | Net income | 293 | 1,372 | 496 | 2,241 | 3,865 | |
| | | | Less: Income attributable to noncontrolling interests | 9 | 3 | 5 | 3 | 100 | |
| | | | Net income attributable to Prudential Financial, Inc. | 284 | 1,369 | 491 | 2,238 | 3,765 | |
| | | | Operating Return on Average Equity (based on adjusted operating income) (1) | 12.6% | 14.2% | 10.5% | 14.8% | 12.6% | |

(1) Operating Return on Average Equity (based on adjusted operating income) is a non-GAAP measure and 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 and certain deferred taxes as described on page 3. The comparable GAAP measure to operating return on average equity (based on adjusted operating income) is return on average equity (based on net income). Return on average equity (based on net income) represents income after-tax, attributable to consolidated Prudential Financial, Inc., as determined in accordance with U.S. GAAP, annualized for interim periods, divided by average total Prudential Financial, Inc. equity. Return on average equity (based on net income) is 28.8%, 18.1%, 4.1%, 11.8%, and 2.2% for the three months ended December 31, 2017, September 30, 2017, June 30, 2017, March 31, 2017, and December 31, 2016, respectively, and 16.0% and 8.8% for years ended December 31, 2017, and December 31, 2016, respectively.

FINANCIAL HIGHLIGHTS
(in millions, except per share data)

| Year-to-date | |
|--------------|-------------|
| 2017 | 2016 |
| 10.58 | 9.13 |
| (0.13) | 1.17 |
| 0.77 | (0.04) |
| (0.35) | 0.05 |
| 0.10 | (0.30) |
| 0.09 | (0.19) |
| (0.09) | - |
| 0.39 | 0.69 |
| (6.89) | 0.11 |
| 7.28 | 0.58 |
| <u>17.86</u> | <u>9.71</u> |
| 427.0 | 438.2 |
| 436.0 | 446.6 |
| 17 | 17 |
| 56 | 47 |
| 94 | 49 |

Earnings per share of Common Stock (diluted):

After-tax adjusted operating income

Reconciling items:

Realized investment gains (losses), net, and related charges and adjustments
Investment gains (losses) on trading account assets supporting insurance liabilities, net
Change in experience-rated contractholder liabilities due to asset value changes
Divested businesses:
 Closed Block Division
 Other divested businesses
Difference in earnings allocated to participating unvested share-based payment awards
Total reconciling items, before income taxes
Income taxes, not applicable to adjusted operating income
Total reconciling items, after income taxes

Net income attributable to Prudential Financial, Inc.

Weighted average number of outstanding Common shares (basic)
Weighted average number of outstanding Common shares (diluted)

Earnings related to interest, net of tax, on exchangeable surplus notes

Earnings allocated to participating unvested share-based payment awards for earnings per share calculation

After-tax adjusted operating income
Net income

| 2016 | 2017 | | | |
|-------------|-------------|-------------|-------------|-------------|
| | 4Q | 1Q | 2Q | 3Q |
| 2.46 | 2.79 | 2.09 | 3.01 | 2.69 |
| (1.87) | 0.09 | (1.55) | 2.68 | (1.34) |
| (0.86) | 0.10 | 0.46 | 0.20 | 0.01 |
| 0.64 | (0.03) | (0.33) | (0.07) | 0.09 |
| (0.13) | 0.08 | (0.04) | 0.08 | (0.01) |
| (0.36) | 0.01 | 0.08 | 0.02 | (0.03) |
| 0.02 | - | 0.01 | (0.03) | (0.07) |
| (2.56) | 0.25 | (1.37) | 2.88 | (1.35) |
| (0.75) | (0.05) | (0.40) | 0.80 | (7.27) |
| (1.81) | 0.30 | (0.97) | 2.08 | 5.92 |
| <u>0.65</u> | <u>3.09</u> | <u>1.12</u> | <u>5.09</u> | <u>8.61</u> |
| 430.7 | 429.9 | 428.3 | 426.2 | 423.7 |
| 439.8 | 439.1 | 437.2 | 435.0 | 432.7 |
| 4 | 4 | 5 | 4 | 4 |
| 12 | 15 | 11 | 16 | 14 |
| 3 | 16 | 7 | 27 | 44 |

FINANCIAL HIGHLIGHTS
(in millions, except per share data)

| Year-to-date | | | | | | |
|---|--------|---------|---------|---------|---------|--------|
| 2017 | 2016 | 2016 | 2017 | | | |
| | | 4Q | 1Q | 2Q | 3Q | 4Q |
| Capitalization Data (1): | | | | | | |
| Senior Debt: | | | | | | |
| | | 1,133 | 1,415 | 1,779 | 2,358 | 1,380 |
| | | 12,224 | 12,074 | 11,806 | 10,532 | 10,550 |
| | | 5,817 | 5,819 | 5,820 | 6,621 | 6,622 |
| Junior Subordinated Long-Term Debt | | | | | | |
| Prudential Financial Inc. Equity: | | | | | | |
| | | 45,863 | 46,784 | 48,444 | 50,373 | 54,069 |
| | | | | | | |
| | | 31,242 | 32,141 | 32,082 | 33,775 | 36,995 |
| | | (3,199) | (3,060) | (2,889) | (2,758) | (969) |
| | | 34,441 | 35,201 | 34,971 | 36,533 | 37,964 |
| Book value per share of Common Stock: | | | | | | |
| | | 104.91 | 107.09 | 111.35 | 116.32 | 125.24 |
| | | | | | | |
| | | 71.62 | 73.75 | 73.96 | 78.26 | 86.06 |
| | | (7.33) | (7.02) | (6.66) | (6.39) | (2.22) |
| | | 78.95 | 80.77 | 80.62 | 84.65 | 88.28 |
| Number of diluted shares at end of period (5) | | | | | | |
| | | 436.2 | 435.8 | 433.8 | 431.6 | 435.7 |
| Common Stock Price Range (based on closing price): | | | | | | |
| 117.15 | 107.10 | 107.10 | 113.82 | 109.13 | 115.23 | 117.15 |
| 98.65 | 58.00 | 81.43 | 103.92 | 102.92 | 98.65 | 107.28 |
| 114.98 | 104.06 | 104.06 | 106.68 | 108.14 | 106.32 | 114.98 |
| Common Stock market capitalization (1) | | | | | | |
| | | 44,704 | 45,798 | 46,176 | 45,154 | 48,591 |

(1) As of end of period.

(2) Foreign currency translation adjustments and the cumulative impact of foreign currency exchange rate remeasurement, except for those items remeasured through net income (loss), are a component of accumulated other comprehensive income.

(3) Includes the cumulative impact of net gains and losses resulting from foreign currency exchange rate remeasurement and associated realized investment gains and losses included in net income (loss) and currency translation adjustments corresponding to realized investment gains and losses.

(4) Includes \$1,678 million impact reported in net income for the fourth quarter of 2017 from the remeasurement of deferred tax assets and liabilities originally established through accumulated other comprehensive income, related to enactment of the Tax Cuts and Jobs Act on December 22, 2017.

(5) As of the fourth quarter of 2017, exchangeable surplus notes are dilutive when book value per share is greater than \$85.00 (equivalent to an additional 5.88 million in diluted shares and an increase of \$500 million in equity). As of the fourth quarter of 2016 and first, second and third quarters of 2017, exchangeable surplus notes are dilutive when book value per share is greater than \$86.92 (equivalent to an additional 5.75 million in diluted shares and an increase of \$500 million in equity). See page 41 for more information.

OPERATIONS HIGHLIGHTS

| Year-to-date | | 2016 | 2017 | | | |
|--|------|---------|---------|---------|---------|---------|
| 2017 | 2016 | 4Q | 1Q | 2Q | 3Q | 4Q |
| Assets Under Management and Administration (\$ billions) (1) (2): | | | | | | |
| Assets Under Management : | | | | | | |
| Investment Management Division: | | | | | | |
| | | 431.5 | 445.2 | 461.2 | 478.3 | 489.5 |
| | | 209.2 | 217.6 | 231.2 | 239.9 | 245.6 |
| | | 399.4 | 406.1 | 412.3 | 415.7 | 420.2 |
| | | 1,040.1 | 1,068.9 | 1,104.7 | 1,133.9 | 1,155.3 |
| | | 114.6 | 119.1 | 114.4 | 116.7 | 119.8 |
| | | 82.9 | 84.3 | 85.8 | 86.9 | 88.5 |
| | | 26.2 | 26.5 | 28.7 | 28.7 | 30.0 |
| | | 1,263.8 | 1,298.8 | 1,333.6 | 1,366.2 | 1,393.6 |
| | | 177.3 | 185.2 | 188.3 | 202.4 | 213.6 |
| | | 1,441.1 | 1,484.0 | 1,521.9 | 1,568.6 | 1,607.2 |
| | | 311.1 | 326.6 | 341.1 | 350.5 | 358.0 |
| Distribution Representatives (1): | | | | | | |
| | | 2,937 | 2,922 | 2,921 | 2,937 | 2,882 |
| | | 7,680 | 7,819 | 7,735 | 7,831 | 7,831 |
| | | 8,884 | 8,752 | 8,509 | 8,327 | 8,326 |
| 56 | 56 | 67 | 47 | 51 | 53 | 72 |
| Prudential Advisor productivity (\$ thousands) | | | | | | |

(1) As of end of period.

(2) At fair market value.

COMBINED STATEMENTS OF OPERATIONS
(in millions)

| Year-to-date | | % Change | | | | | |
|-----------------------------------|---------------|-------------|----------------|---------------|---------------|---------------|---------------|
| 2017 | 2016 | | 2016 | 2017 | | | |
| | | | 4Q | 1Q | 2Q | 3Q | 4Q |
| Revenues (1): | | | | | | | |
| 29,162 | 27,953 | 4% | 7,296 | 5,774 | 7,557 | 7,111 | 8,720 |
| 5,518 | 5,887 | -6% | 1,529 | 1,555 | 794 | 1,565 | 1,604 |
| 13,499 | 12,695 | 6% | 3,299 | 3,354 | 3,335 | 3,345 | 3,465 |
| 5,467 | 5,039 | 8% | 1,296 | 1,324 | 1,342 | 1,340 | 1,461 |
| <u>53,646</u> | <u>51,574</u> | 4% | <u>13,420</u> | <u>12,007</u> | <u>13,028</u> | <u>13,361</u> | <u>15,250</u> |
| Benefits and Expenses (1): | | | | | | | |
| 30,071 | 29,709 | 1% | 7,658 | 6,146 | 7,386 | 7,376 | 9,163 |
| 3,729 | 3,698 | 1% | 945 | 920 | 953 | 927 | 929 |
| 1,322 | 1,315 | 1% | 319 | 322 | 326 | 330 | 344 |
| (2,818) | (2,845) | 1% | (711) | (724) | (755) | (653) | (686) |
| 2,093 | 1,672 | 25% | 468 | 481 | 662 | 470 | 480 |
| 13,005 | 12,626 | 3% | 3,282 | 3,202 | 3,228 | 3,127 | 3,448 |
| <u>47,402</u> | <u>46,175</u> | 3% | <u>11,961</u> | <u>10,347</u> | <u>11,800</u> | <u>11,577</u> | <u>13,678</u> |
| 6,244 | 5,399 | 16% | 1,459 | 1,660 | 1,228 | 1,784 | 1,572 |
| Reconciling items: | | | | | | | |
| (602) | 989 | -161% | (1,454) | (66) | (1,377) | 1,395 | (554) |
| 544 | (466) | 217% | 630 | 104 | 698 | (231) | (27) |
| <u>(58)</u> | <u>523</u> | -111% | <u>(824)</u> | <u>38</u> | <u>(679)</u> | <u>1,164</u> | <u>(581)</u> |
| 336 | (17) | 2076% | (378) | 44 | 201 | 85 | 6 |
| (151) | 21 | -819% | 283 | (12) | (145) | (31) | 37 |
| Divested businesses: | | | | | | | |
| 45 | (132) | 134% | (58) | 34 | (18) | 33 | (4) |
| 38 | (84) | 145% | (160) | 6 | 35 | 10 | (13) |
| 33 | (5) | 760% | (5) | (28) | (14) | (24) | 99 |
| <u>243</u> | <u>306</u> | -21% | <u>(1,142)</u> | <u>82</u> | <u>(620)</u> | <u>1,237</u> | <u>(456)</u> |
| 6,487 | 5,705 | 14% | 317 | 1,742 | 608 | 3,021 | 1,116 |
| (1,438) | 1,335 | -208% | 35 | 395 | 125 | 800 | (2,758) |
| <u>7,925</u> | <u>4,370</u> | 81% | <u>282</u> | <u>1,347</u> | <u>483</u> | <u>2,221</u> | <u>3,874</u> |

(1) Revenues exclude realized investment gains, net of losses and related charges and adjustments; investment gains, net of losses, on trading account assets supporting insurance liabilities; and revenues of divested businesses, and include revenues representing equity in earnings of operating joint ventures other than those classified as divested businesses. Benefits and expenses exclude charges related to realized investment gains, net of losses; change in experience-rated contractholder liabilities due to asset value changes; and benefits and expenses of divested businesses and include charges for income attributable to noncontrolling interests. See pages 36 and 37 for reconciliation.



COMBINING STATEMENTS OF OPERATIONS
(in millions)

| | Quarter Ended December 31, 2017 | | | | | |
|--|--|--|---|--|--|--------------------------------------|
| | Total | U.S. Individual Solutions Division | U.S. Workplace Solutions Division | Investment Management Division | International Insurance Division | Corporate and Other Operations |
| Revenues (1) : | | | | | | |
| Premiums | 8,720 | 253 | 4,651 | - | 3,822 | (6) |
| Policy charges and fee income | 1,604 | 1,286 | 199 | - | 129 | (10) |
| Net investment income | 3,465 | 685 | 1,323 | 46 | 1,284 | 127 |
| Asset management fees, commissions and other income | 1,461 | 525 | 230 | 939 | 57 | (290) |
| Total revenues | <u>15,250</u> | <u>2,749</u> | <u>6,403</u> | <u>985</u> | <u>5,292</u> | <u>(179)</u> |
| Benefits and Expenses (1): | | | | | | |
| Insurance and annuity benefits | 9,163 | 722 | 5,134 | - | 3,291 | 16 |
| Interest credited to policyholders' account balances | 929 | 268 | 440 | - | 221 | - |
| Interest expense | 344 | 186 | 9 | 8 | 3 | 138 |
| Deferral of acquisition costs | (686) | (265) | (11) | (1) | (418) | 9 |
| Amortization of acquisition costs | 480 | 201 | 12 | 3 | 274 | (10) |
| General and administrative expenses | 3,448 | 998 | 506 | 669 | 1,144 | 131 |
| Total benefits and expenses | <u>13,678</u> | <u>2,110</u> | <u>6,090</u> | <u>679</u> | <u>4,515</u> | <u>284</u> |
| Adjusted operating income (loss) before income taxes | <u>1,572</u> | <u>639</u> | <u>313</u> | <u>306</u> | <u>777</u> | <u>(463)</u> |
| | | | | | | |
| | Quarter Ended December 31, 2016 | | | | | |
| Total | U.S. Individual Solutions Division | U.S. Workplace Solutions Division | Investment Management Division | International Insurance Division | Corporate and Other Operations | |
| Revenues (1): | | | | | | |
| Premiums | 7,296 | 262 | 3,227 | - | 3,814 | (7) |
| Policy charges and fee income | 1,529 | 1,217 | 194 | - | 129 | (11) |
| Net investment income | 3,299 | 656 | 1,278 | 20 | 1,206 | 139 |
| Asset management fees, commissions and other income | 1,296 | 482 | 235 | 753 | 89 | (263) |
| Total revenues | <u>13,420</u> | <u>2,617</u> | <u>4,934</u> | <u>773</u> | <u>5,238</u> | <u>(142)</u> |
| Benefits and Expenses (1): | | | | | | |
| Insurance and annuity benefits | 7,658 | 703 | 3,668 | - | 3,280 | 7 |
| Interest credited to policyholders' account balances | 945 | 268 | 451 | - | 226 | - |
| Interest expense | 319 | 165 | 7 | 4 | 3 | 140 |
| Deferral of acquisition costs | (711) | (290) | (6) | (2) | (426) | 13 |
| Amortization of acquisition costs | 468 | 203 | 10 | 4 | 264 | (13) |
| General and administrative expenses | 3,282 | 1,008 | 443 | 543 | 1,136 | 152 |
| Total benefits and expenses | <u>11,961</u> | <u>2,057</u> | <u>4,573</u> | <u>549</u> | <u>4,483</u> | <u>299</u> |
| Adjusted operating income (loss) before income taxes | <u>1,459</u> | <u>560</u> | <u>361</u> | <u>224</u> | <u>755</u> | <u>(441)</u> |

(1) Revenues exclude realized investment gains, net of losses and related charges and adjustments; investment gains, net of losses, on trading account assets supporting insurance liabilities; and revenues of divested businesses, and include revenues representing equity in earnings of operating joint ventures other than those classified as divested businesses. Benefits and expenses exclude charges related to realized investment gains, net of losses; change in experience-rated contractholder liabilities due to asset value changes; and benefits and expenses of divested businesses and include charges for income attributable to noncontrolling interests.

COMBINING STATEMENTS OF OPERATIONS
(in millions)

| | Twelve Months Ended December 31, 2017 | | | | | |
|--|---------------------------------------|--|---|--------------------------------------|--|--------------------------------------|
| | Total | U.S. Individual Solutions Division | U.S. Workplace Solutions Division | Investment Management Division | International Insurance Division | Corporate and Other Operations |
| Revenues (1): | | | | | | |
| Premiums | 29,162 | 1,043 | 12,436 | - | 15,707 | (24) |
| Policy charges and fee income | 5,518 | 4,235 | 828 | - | 503 | (48) |
| Net investment income | 13,499 | 2,690 | 5,119 | 170 | 5,027 | 493 |
| Asset management fees, commissions and other income | 5,467 | 2,116 | 931 | 3,185 | 323 | (1,088) |
| Total revenues | 53,646 | 10,084 | 19,314 | 3,355 | 21,560 | (667) |
| Benefits and Expenses (1): | | | | | | |
| Insurance and annuity benefits | 30,071 | 2,454 | 14,108 | - | 13,488 | 21 |
| Interest credited to policyholders' account balances | 3,729 | 1,049 | 1,781 | - | 899 | - |
| Interest expense | 1,322 | 718 | 31 | 27 | 13 | 533 |
| Deferral of acquisition costs | (2,818) | (1,005) | (36) | (6) | (1,807) | 36 |
| Amortization of acquisition costs | 2,093 | 947 | 40 | 11 | 1,138 | (43) |
| General and administrative expenses | 13,005 | 3,914 | 1,893 | 2,344 | 4,631 | 223 |
| Total benefits and expenses | 47,402 | 8,077 | 17,817 | 2,376 | 18,362 | 770 |
| Adjusted operating income (loss) before income taxes | 6,244 | 2,007 | 1,497 | 979 | 3,198 | (1,437) |

| | Twelve Months Ended December 31, 2016 | | | | | |
|--|---------------------------------------|--|---|--------------------------------------|--|--------------------------------------|
| | Total | U.S. Individual Solutions Division | U.S. Workplace Solutions Division | Investment Management Division | International Insurance Division | Corporate and Other Operations |
| Revenues (1): | | | | | | |
| Premiums | 27,953 | 1,019 | 11,613 | - | 15,348 | (27) |
| Policy charges and fee income | 5,887 | 4,589 | 844 | - | 499 | (45) |
| Net investment income | 12,695 | 2,520 | 4,871 | 80 | 4,759 | 465 |
| Asset management fees, commissions and other income | 5,039 | 1,893 | 891 | 2,881 | 403 | (1,029) |
| Total revenues | 51,574 | 10,021 | 18,219 | 2,961 | 21,009 | (636) |
| Benefits and Expenses (1): | | | | | | |
| Insurance and annuity benefits | 29,709 | 3,091 | 13,360 | - | 13,232 | 26 |
| Interest credited to policyholders' account balances | 3,698 | 1,042 | 1,736 | - | 920 | - |
| Interest expense | 1,315 | 654 | 24 | 15 | 8 | 614 |
| Deferral of acquisition costs | (2,845) | (1,114) | (31) | (10) | (1,750) | 60 |
| Amortization of acquisition costs | 1,672 | 599 | 39 | 15 | 1,068 | (49) |
| General and administrative expenses | 12,626 | 3,905 | 1,859 | 2,154 | 4,414 | 294 |
| Total benefits and expenses | 46,175 | 8,177 | 16,987 | 2,174 | 17,892 | 945 |
| Adjusted operating income (loss) before income taxes | 5,399 | 1,844 | 1,232 | 787 | 3,117 | (1,581) |

(1) Revenues exclude realized investment gains, net of losses and related charges and adjustments; investment gains, net of losses, on trading account assets supporting insurance liabilities; and revenues of divested businesses, and include revenues representing equity in earnings of operating joint ventures other than those classified as divested businesses. Benefits and expenses exclude charges related to realized investment gains, net of losses; change in experience-rated contractholder liabilities due to asset value changes; and benefits and expenses of divested businesses and include charges for income attributable to noncontrolling interests.



CONSOLIDATED BALANCE SHEETS
(in millions)

| | 12/31/2016 | 03/31/2017 | 06/30/2017 | 09/30/2017 | 12/31/2017 |
|---|------------|------------|------------|------------|------------|
| Assets: | | | | | |
| Investments: | | | | | |
| Fixed maturities, available for sale, at fair value (amortized cost \$292,581; \$300,437; \$303,287; \$307,527; \$312,385) | 321,419 | 328,717 | 335,254 | 340,100 | 346,780 |
| Fixed maturities, held to maturity, at amortized cost (fair value \$2,524; \$2,552; \$2,516; \$2,475; \$2,430) | 2,144 | 2,166 | 2,123 | 2,084 | 2,049 |
| Trading account assets supporting insurance liabilities, at fair value | 21,840 | 21,820 | 22,073 | 22,126 | 22,097 |
| Other trading account assets, at fair value | 5,764 | 5,863 | 6,773 | 6,210 | 5,752 |
| Equity securities, available for sale, at fair value (cost \$7,149; \$7,461; \$7,456; \$7,145; \$4,147) | 9,748 | 10,143 | 10,151 | 9,739 | 6,174 |
| Commercial mortgage and other loans | 52,779 | 53,660 | 54,915 | 55,373 | 56,045 |
| Policy loans | 11,755 | 11,893 | 11,719 | 11,765 | 11,891 |
| Other long-term investments | 11,283 | 11,450 | 11,777 | 11,986 | 12,308 |
| Short-term investments | 7,508 | 5,175 | 3,616 | 5,508 | 6,775 |
| Total investments | 444,240 | 450,887 | 458,401 | 464,891 | 469,871 |
| Cash and cash equivalents | 14,127 | 13,308 | 16,605 | 14,541 | 14,490 |
| Accrued investment income | 3,204 | 3,231 | 3,228 | 3,278 | 3,325 |
| Deferred policy acquisition costs | 17,661 | 18,197 | 18,715 | 18,724 | 18,992 |
| Value of business acquired | 2,314 | 2,266 | 1,897 | 1,817 | 1,591 |
| Other assets | 14,780 | 15,671 | 16,311 | 16,770 | 17,035 |
| Separate account assets | 287,636 | 293,805 | 297,433 | 301,110 | 306,617 |
| Total assets | 783,962 | 797,365 | 812,590 | 821,131 | 831,921 |
| Liabilities: | | | | | |
| Future policy benefits | 240,908 | 244,705 | 250,706 | 252,339 | 257,317 |
| Policyholders' account balances | 145,205 | 147,026 | 147,554 | 148,342 | 148,189 |
| Securities sold under agreements to repurchase | 7,606 | 8,535 | 8,817 | 8,145 | 8,400 |
| Cash collateral for loaned securities | 4,333 | 4,175 | 4,036 | 4,697 | 4,354 |
| Income taxes | 10,412 | 10,598 | 11,631 | 12,509 | 9,600 |
| Senior short-term debt | 1,133 | 1,415 | 1,779 | 2,358 | 1,380 |
| Senior long-term debt | 12,224 | 12,074 | 11,806 | 10,532 | 10,550 |
| Junior subordinated long-term debt | 5,817 | 5,819 | 5,820 | 6,621 | 6,622 |
| Notes issued by consolidated variable interest entities | 2,150 | 2,179 | 2,176 | 1,517 | 1,518 |
| Other liabilities | 20,450 | 20,060 | 22,192 | 22,396 | 23,030 |
| Separate account liabilities | 287,636 | 293,805 | 297,433 | 301,110 | 306,617 |
| Total liabilities | 737,874 | 750,391 | 763,950 | 770,566 | 777,577 |
| Equity: | | | | | |
| Accumulated other comprehensive income | 14,621 | 14,643 | 16,362 | 16,598 | 17,074 |
| Other equity | 31,242 | 32,141 | 32,082 | 33,775 | 36,995 |
| Total Prudential Financial, Inc. equity | 45,863 | 46,784 | 48,444 | 50,373 | 54,069 |
| Noncontrolling Interest | 225 | 190 | 196 | 192 | 275 |
| Total Equity | 46,088 | 46,974 | 48,640 | 50,565 | 54,344 |
| Total liabilities and equity | 783,962 | 797,365 | 812,590 | 821,131 | 831,921 |

COMBINING BALANCE SHEETS BY DIVISION
(in millions)

As of December 31, 2017

| | Consolidated PFI | Closed Block Division | PFI Excluding Closed Block Division | U.S. Individual Solutions Division | U.S. Workplace Solutions Division | Investment Management Division | International Insurance Division | Corporate and Other Operations |
|--|---------------------|--------------------------|---|--|---|--------------------------------------|--|--------------------------------------|
| Assets: | | | | | | | | |
| Total investments | 469,871 | 61,291 | 408,580 | 62,322 | 131,957 | 5,143 | 189,454 | 19,704 |
| Deferred policy acquisition costs | 18,992 | 299 | 18,693 | 10,535 | 308 | - | 8,214 | (364) |
| Other assets | 36,441 | 1,543 | 34,898 | 14,473 | 7,820 | 2,823 | 10,029 | (247) |
| Separate account assets | 306,617 | - | 306,617 | 180,321 | 85,120 | 41,978 | 3,735 | (4,537) |
| Total assets | 831,921 | 63,133 | 768,788 | 267,651 | 225,205 | 49,944 | 211,432 | 14,556 |
| Liabilities: | | | | | | | | |
| Future policy benefits | 257,317 | 48,870 | 208,447 | 24,446 | 64,246 | - | 114,515 | 5,240 |
| Policyholders' account balances | 148,189 | 5,147 | 143,042 | 34,429 | 58,252 | - | 50,353 | 8 |
| Debt | 18,552 | - | 18,552 | 7,970 | 845 | 1,936 | 120 | 7,681 |
| Other liabilities | 46,902 | 10,831 | 36,071 | 6,624 | 6,573 | 3,667 | 15,957 | 3,250 |
| Separate account liabilities | 306,617 | - | 306,617 | 180,321 | 85,120 | 41,978 | 3,735 | (4,537) |
| Total liabilities | 777,577 | 64,848 | 712,729 | 253,790 | 215,036 | 47,581 | 184,680 | 11,642 |
| Equity: | | | | | | | | |
| Accumulated other comprehensive income (loss) | 17,074 | (1) | 17,075 | 1,062 | 3,087 | (102) | 13,891 | (863) |
| Other equity (1) | 36,995 | (1,716) | 38,711 | 12,798 | 7,075 | 2,030 | 12,812 | 3,996 |
| Total Prudential Financial, Inc. equity | 54,069 | (1,717) | 55,786 | 13,860 | 10,162 | 1,928 | 26,703 | 3,133 |
| Noncontrolling Interest | 275 | 2 | 273 | 1 | 7 | 435 | 49 | (219) |
| Total Equity | 54,344 | (1,715) | 56,059 | 13,861 | 10,169 | 2,363 | 26,752 | 2,914 |
| Total liabilities and equity | 831,921 | 63,133 | 768,788 | 267,651 | 225,205 | 49,944 | 211,432 | 14,556 |

As of December 31, 2016

| | Consolidated PFI | Closed Block Division | PFI Excluding Closed Block Division | U.S. Individual Solutions Division | U.S. Workplace Solutions Division | Investment Management Division | International Insurance Division | Corporate and Other Operations |
|--|---------------------|--------------------------|---|--|---|--------------------------------------|--|--------------------------------------|
| Assets: | | | | | | | | |
| Total investments | 444,240 | 59,714 | 384,526 | 59,167 | 124,550 | 4,531 | 176,252 | 20,026 |
| Deferred policy acquisition costs | 17,661 | 336 | 17,325 | 10,149 | 308 | - | 7,208 | (340) |
| Other assets | 34,425 | 2,001 | 32,424 | 13,494 | 7,703 | 2,946 | 10,842 | (2,561) |
| Separate account assets | 287,636 | - | 287,636 | 165,574 | 81,590 | 41,779 | 2,817 | (4,124) |
| Total assets | 783,962 | 62,051 | 721,911 | 248,384 | 214,151 | 49,256 | 197,119 | 13,001 |
| Liabilities: | | | | | | | | |
| Future policy benefits | 240,908 | 49,281 | 191,627 | 22,368 | 60,591 | - | 103,930 | 4,738 |
| Policyholders' account balances | 145,205 | 5,204 | 140,001 | 33,615 | 58,628 | - | 47,747 | 11 |
| Debt | 19,174 | - | 19,174 | 8,153 | 795 | 1,481 | 87 | 8,658 |
| Other liabilities | 44,951 | 8,967 | 35,984 | 5,309 | 5,008 | 4,007 | 18,457 | 3,203 |
| Separate account liabilities | 287,636 | - | 287,636 | 165,574 | 81,590 | 41,779 | 2,817 | (4,124) |
| Total liabilities | 737,874 | 63,452 | 674,422 | 235,019 | 206,612 | 47,267 | 173,038 | 12,486 |
| Equity: | | | | | | | | |
| Accumulated other comprehensive income (loss) | 14,621 | (4) | 14,625 | 339 | 1,826 | (165) | 14,320 | (1,695) |
| Other equity | 31,242 | (1,399) | 32,641 | 13,026 | 5,709 | 1,884 | 9,716 | 2,306 |
| Total Prudential Financial, Inc. equity | 45,863 | (1,403) | 47,266 | 13,365 | 7,535 | 1,719 | 24,036 | 611 |
| Noncontrolling Interest | 225 | 2 | 223 | - | 4 | 270 | 45 | (96) |
| Total Equity | 46,088 | (1,401) | 47,489 | 13,365 | 7,539 | 1,989 | 24,081 | 515 |
| Total liabilities and equity | 783,962 | 62,051 | 721,911 | 248,384 | 214,151 | 49,256 | 197,119 | 13,001 |

(1) Other equity includes estimated impacts of enactment of the Tax Act, including \$1,678 million in Corporate and Other Operations related to the remeasurement of certain deferred tax assets and liabilities originally established through accumulated other comprehensive income.

SHORT-TERM AND LONG-TERM DEBT - UNAFFILIATED
(in millions)

| | As of December 31, 2017 | | | | As of December 31, 2016 | | | | | |
|---|----------------------------|----------------|--|------------------|-------------------------|----------------------------|------------------------------------|--|------------------|-------|
| | Senior debt | | Junior Subordinated Long-term Debt | Total Debt | Senior debt | | Junior Subordinated Long-term Debt | Total Debt | | |
| | Short-term Debt | Long-term Debt | | | Short-term Debt | Long-term Debt | | | | |
| Borrowings by use of proceeds: | | | | | | | | | | |
| Capital Debt | - | 5,402 | 6,622 | 12,024 | - | 5,822 | 5,817 | 11,639 | | |
| Operating Debt - Investment related | 676 | 3,306 | - | 3,982 | 477 | 4,901 | - | 5,378 | | |
| Operating Debt - Specified businesses | 704 | 1,043 | - | 1,747 | 584 | 914 | - | 1,498 | | |
| Limited recourse and non-recourse borrowing | - | 799 | - | 799 | 72 | 587 | - | 659 | | |
| Total debt | 1,380 | 10,550 | 6,622 | 18,552 | 1,133 | 12,224 | 5,817 | 19,174 | | |
| | | | | | | | | | | |
| | As of December 31, 2017 | | | | As of December 31, 2016 | | | | | |
| | Prudential Financial, Inc. | | The Prudential Insurance Co. of America (1)(2) | Other Affiliates | Total | Prudential Financial, Inc. | | The Prudential Insurance Co. of America (1)(2) | Other Affiliates | Total |
| | | | | | | | | | | |
| Borrowings by sources: | | | | | | | | | | |
| Capital Debt | 11,028 | 940 | 56 | 12,024 | 10,645 | 939 | 55 | 11,639 | | |
| Operating Debt - Investment related | 3,917 | 65 | - | 3,982 | 4,314 | 65 | 999 | 5,378 | | |
| Operating Debt - Specified businesses | 1,239 | 508 | - | 1,747 | 965 | 533 | - | 1,498 | | |
| Limited recourse and non-recourse borrowing | - | 799 | - | 799 | - | 659 | - | 659 | | |
| Total debt | 16,184 | 2,312 | 56 | 18,552 | 15,924 | 2,196 | 1,054 | 19,174 | | |

(1) Includes Prudential Funding, LLC.

(2) Capital debt at Prudential Insurance Co. of America includes \$840 million of surplus notes as of December 31, 2017 and \$839 million as of December 31, 2016.

COMBINED STATEMENTS OF OPERATIONS - U.S. INDIVIDUAL SOLUTIONS DIVISION
(in millions)

| Year-to-date | | % Change | | 2016 | 2017 | | | |
|-----------------------------------|---------------|-------------|--|--------------|--------------|--------------|--------------|--------------|
| 2017 | 2016 | | | 4Q | 1Q | 2Q | 3Q | 4Q |
| Revenues (1): | | | | | | | | |
| 1,043 | 1,019 | 2% | Premiums | 262 | 255 | 271 | 264 | 253 |
| 4,235 | 4,589 | -8% | Policy charges and fee income | 1,217 | 1,232 | 472 | 1,245 | 1,286 |
| 2,690 | 2,520 | 7% | Net investment income | 656 | 672 | 667 | 666 | 685 |
| 2,116 | 1,893 | 12% | Asset management fees, commissions and other income | 482 | 501 | 550 | 540 | 525 |
| <u>10,084</u> | <u>10,021</u> | 1% | Total revenues | <u>2,617</u> | <u>2,660</u> | <u>1,960</u> | <u>2,715</u> | <u>2,749</u> |
| Benefits and Expenses (1): | | | | | | | | |
| 2,454 | 3,091 | -21% | Insurance and annuity benefits | 703 | 730 | 360 | 642 | 722 |
| 1,049 | 1,042 | 1% | Interest credited to policyholders' account balances | 268 | 263 | 255 | 263 | 268 |
| 718 | 654 | 10% | Interest expense | 165 | 170 | 179 | 183 | 186 |
| (1,005) | (1,114) | 10% | Deferral of acquisition costs | (290) | (262) | (246) | (232) | (265) |
| 947 | 599 | 58% | Amortization of acquisition costs | 203 | 199 | 360 | 187 | 201 |
| 3,914 | 3,905 | 0% | General and administrative expenses | 1,008 | 974 | 997 | 945 | 998 |
| <u>8,077</u> | <u>8,177</u> | -1% | Total benefits and expenses | <u>2,057</u> | <u>2,074</u> | <u>1,905</u> | <u>1,988</u> | <u>2,110</u> |
| <u>2,007</u> | <u>1,844</u> | 9% | Adjusted operating income before income taxes | <u>560</u> | <u>586</u> | <u>55</u> | <u>727</u> | <u>639</u> |

(1) Revenues exclude realized investment gains, net of losses and related charges and adjustments. Benefits and expenses exclude charges related to realized investment gains, net of losses.



COMBINING STATEMENTS OF OPERATIONS - U.S. INDIVIDUAL SOLUTIONS DIVISION
(in millions)

| | Twelve Months Ended December 31, 2017 | | | Quarter Ended December 31, 2017 | | |
|---|---------------------------------------|--------------|--------------|------------------------------------|--------------|--------------|
| | Total | Individual | Individual | Total | Individual | Individual |
| | U.S. Individual Solutions Division | Annuities | Life | U.S. Individual Solutions Division | Annuities | Life |
| Revenues (1): | | | | | | |
| Premiums | 1,043 | 148 | 895 | 253 | 27 | 226 |
| Policy charges and fee income | 4,235 | 2,833 | 1,402 | 1,286 | 736 | 550 |
| Net investment income | 2,690 | 742 | 1,948 | 685 | 186 | 499 |
| Asset management fees, commissions and other income | 2,116 | 1,387 | 729 | 525 | 336 | 189 |
| Total revenues | 10,084 | 5,110 | 4,974 | 2,749 | 1,285 | 1,464 |
| Benefits and Expenses (1): | | | | | | |
| Insurance and annuity benefits | 2,454 | 318 | 2,136 | 722 | 72 | 650 |
| Interest credited to policyholders' account balances | 1,049 | 330 | 719 | 268 | 85 | 183 |
| Interest expense | 718 | 70 | 648 | 186 | 19 | 167 |
| Deferral of acquisition costs | (1,005) | (314) | (691) | (265) | (84) | (181) |
| Amortization of acquisition costs | 947 | 464 | 483 | 201 | 118 | 83 |
| General and administrative expenses | 3,914 | 2,044 | 1,870 | 998 | 534 | 464 |
| Total benefits and expenses | 8,077 | 2,912 | 5,165 | 2,110 | 744 | 1,366 |
| Adjusted operating income (loss) before income taxes | 2,007 | 2,198 | (191) | 639 | 541 | 98 |
| | | | | | | |
| | Twelve Months Ended December 31, 2016 | | | Quarter Ended December 31, 2016 | | |
| | Total | Individual | Individual | Total | Individual | Individual |
| | U.S. Individual Solutions Division | Annuities | Life | U.S. Individual Solutions Division | Annuities | Life |
| Revenues (1): | | | | | | |
| Premiums | 1,019 | 159 | 860 | 262 | 44 | 218 |
| Policy charges and fee income | 4,589 | 2,569 | 2,020 | 1,217 | 651 | 566 |
| Net investment income | 2,520 | 698 | 1,822 | 656 | 184 | 472 |
| Asset management fees, commissions and other income | 1,893 | 1,240 | 653 | 482 | 314 | 168 |
| Total revenues | 10,021 | 4,666 | 5,355 | 2,617 | 1,193 | 1,424 |
| Benefits and Expenses (1): | | | | | | |
| Insurance and annuity benefits | 3,091 | 306 | 2,785 | 703 | 100 | 603 |
| Interest credited to policyholders' account balances | 1,042 | 362 | 680 | 268 | 92 | 176 |
| Interest expense | 654 | 71 | 583 | 165 | 14 | 151 |
| Deferral of acquisition costs | (1,114) | (408) | (706) | (290) | (87) | (203) |
| Amortization of acquisition costs | 599 | 484 | 115 | 203 | 134 | 69 |
| General and administrative expenses | 3,905 | 2,086 | 1,819 | 1,008 | 518 | 490 |
| Total benefits and expenses | 8,177 | 2,901 | 5,276 | 2,057 | 771 | 1,286 |
| Adjusted operating income before income taxes | 1,844 | 1,765 | 79 | 560 | 422 | 138 |

(1) Revenues exclude realized investment gains, net of losses and related charges and adjustments. Benefits and expenses exclude charges related to realized investment gains, net of losses.

U.S. INDIVIDUAL SOLUTIONS DIVISION - INDIVIDUAL ANNUITIES SALES RESULTS AND ACCOUNT VALUES
(in millions)

| Year-to-date | | | 2016 | 2017 | | | |
|---|----------------|--|----------------|----------------|----------------|----------------|----------------|
| 2017 | 2016 | | 4Q | 1Q | 2Q | 3Q | 4Q |
| SALES AND ACCOUNT VALUES: | | | | | | | |
| Variable Annuities: | | | | | | | |
| 153,295 | 149,441 | Beginning total account value | 154,903 | 153,295 | 156,830 | 159,202 | 162,107 |
| 2,863 | 2,494 | Sales: Highest Daily Suite - risk retained by Prudential (1) | 558 | 782 | 688 | 576 | 817 |
| 27 | 1,367 | Highest Daily Suite - externally reinsured living benefits | 318 | 14 | 6 | 7 | - |
| 2,962 | 4,133 | Other variable annuities (2) | 762 | 632 | 799 | 735 | 796 |
| 5,852 | 7,994 | Total sales | 1,638 | 1,428 | 1,493 | 1,318 | 1,613 |
| (9,717) | (7,776) | Surrenders and withdrawals | (2,122) | (2,326) | (2,382) | (2,288) | (2,721) |
| (3,865) | 218 | Net sales (redemptions) | (484) | (898) | (889) | (970) | (1,108) |
| (1,558) | (1,450) | Benefit payments | (347) | (413) | (391) | (359) | (395) |
| (5,423) | (1,232) | Net flows | (831) | (1,311) | (1,280) | (1,329) | (1,503) |
| 20,993 | 8,638 | Change in market value, interest credited, and other | 124 | 5,751 | 4,578 | 5,170 | 5,494 |
| (3,712) | (3,552) | Policy charges | (901) | (905) | (926) | (936) | (945) |
| <u>165,153</u> | <u>153,295</u> | Ending total account value | <u>153,295</u> | <u>156,830</u> | <u>159,202</u> | <u>162,107</u> | <u>165,153</u> |
| <u>Variable Annuities Account Value by Product:</u> | | | | | | | |
| 121,150 | 112,543 | Highest Daily Suite - risk retained by Prudential (1) | 112,543 | 115,314 | 116,905 | 119,001 | 121,150 |
| 3,227 | 2,932 | Highest Daily Suite - externally reinsured living benefits | 2,932 | 3,025 | 3,084 | 3,153 | 3,227 |
| 40,776 | 37,820 | Other variable annuities (2) | 37,820 | 38,491 | 39,213 | 39,953 | 40,776 |
| <u>165,153</u> | <u>153,295</u> | Ending total account value | <u>153,295</u> | <u>156,830</u> | <u>159,202</u> | <u>162,107</u> | <u>165,153</u> |
| Fixed Annuities and other products (3): | | | | | | | |
| 3,488 | 3,504 | Beginning total account value | 3,485 | 3,488 | 3,489 | 3,492 | 3,493 |
| 42 | 60 | Sales | 18 | 12 | 14 | 11 | 5 |
| (104) | (105) | Surrenders and withdrawals | (27) | (27) | (25) | (21) | (31) |
| (62) | (45) | Net redemptions | (9) | (15) | (11) | (10) | (26) |
| (315) | (344) | Benefit payments | (75) | (84) | (82) | (72) | (77) |
| (377) | (389) | Net flows | (84) | (99) | (93) | (82) | (103) |
| 363 | 374 | Interest credited and other | 87 | 100 | 96 | 84 | 83 |
| (1) | (1) | Policy charges | - | - | - | (1) | - |
| <u>3,473</u> | <u>3,488</u> | Ending total account value | <u>3,488</u> | <u>3,489</u> | <u>3,492</u> | <u>3,493</u> | <u>3,473</u> |
| SALES BY DISTRIBUTION CHANNEL: | | | | | | | |
| <u>Variable and Fixed Annuities (4):</u> | | | | | | | |
| 1,904 | 2,353 | Insurance Agents | 550 | 507 | 490 | 418 | 489 |
| 979 | 1,492 | Wirehouses | 279 | 236 | 238 | 202 | 303 |
| 2,514 | 3,180 | Independent Financial Planners | 659 | 573 | 631 | 597 | 713 |
| 497 | 1,029 | Bank Distribution | 168 | 124 | 148 | 112 | 113 |
| <u>5,894</u> | <u>8,054</u> | Total | <u>1,656</u> | <u>1,440</u> | <u>1,507</u> | <u>1,329</u> | <u>1,618</u> |

(1) Includes variable annuities with "Highest Daily" optional living benefits retained by Prudential and predecessor "Lifetime Five" feature.
(2) Includes Prudential Defined Income (PDI), Legacy Protection Plus (LPP) death benefit and products without guaranteed minimum income and withdrawal benefits.
(3) Includes single premium immediate annuities.
(4) Amounts represent gross sales.

U.S. INDIVIDUAL SOLUTIONS DIVISION - INDIVIDUAL ANNUITIES ACCOUNT VALUE ACTIVITY
(in millions)

| Year-to-date | | | 2016 | 2017 | | | |
|--|----------------|---|----------------|----------------|----------------|----------------|----------------|
| 2017 | 2016 | | 4Q | 1Q | 2Q | 3Q | 4Q |
| INDIVIDUAL ANNUITIES: | | | | | | | |
| <i>Account Values in General Account (1):</i> | | | | | | | |
| 9,892 | 9,942 | Beginning balance | 9,863 | 9,892 | 9,810 | 9,804 | 9,816 |
| 650 | 868 | Premiums and deposits | 194 | 185 | 168 | 130 | 167 |
| (597) | (563) | Surrenders and withdrawals | (148) | (153) | (145) | (133) | (166) |
| 53 | 305 | Net sales (redemptions) | 46 | 32 | 23 | (3) | 1 |
| (380) | (411) | Benefit payments | (89) | (100) | (101) | (89) | (90) |
| (327) | (106) | Net flows | (43) | (68) | (78) | (92) | (89) |
| 248 | 241 | Interest credited and other | 57 | 58 | 56 | 63 | 71 |
| 80 | (184) | Net transfers (to) from separate account | 15 | (72) | 16 | 42 | 94 |
| (1) | (1) | Policy charges | - | - | - | (1) | - |
| <u>9,892</u> | <u>9,892</u> | Ending balance | <u>9,892</u> | <u>9,810</u> | <u>9,804</u> | <u>9,816</u> | <u>9,892</u> |
| <i>Account Values in Separate Account (1):</i> | | | | | | | |
| 146,891 | 143,003 | Beginning balance | 148,525 | 146,891 | 150,509 | 152,890 | 155,784 |
| 5,244 | 7,186 | Premiums and deposits | 1,462 | 1,255 | 1,339 | 1,199 | 1,451 |
| (9,224) | (7,318) | Surrenders and withdrawals | (2,001) | (2,200) | (2,262) | (2,176) | (2,586) |
| (3,980) | (132) | Net redemptions | (539) | (945) | (923) | (977) | (1,135) |
| (1,493) | (1,383) | Benefit payments | (333) | (397) | (372) | (342) | (382) |
| (5,473) | (1,515) | Net flows | (872) | (1,342) | (1,295) | (1,319) | (1,517) |
| 21,108 | 8,771 | Change in market value, interest credited and other | 154 | 5,793 | 4,618 | 5,191 | 5,506 |
| (80) | 184 | Net transfers (to) from general account | (15) | 72 | (16) | (42) | (94) |
| (3,712) | (3,552) | Policy charges | (901) | (905) | (926) | (936) | (945) |
| <u>158,734</u> | <u>146,891</u> | Ending balance | <u>146,891</u> | <u>150,509</u> | <u>152,890</u> | <u>155,784</u> | <u>158,734</u> |

(1) Premiums and deposits, and surrenders and withdrawals, are classified within the general account and separate account for purposes of this presentation based on the allocation of customer funds. For example, premiums allocated by customers to separate account investments at the time of sale, while remitted through the company's general account, are shown as separate account premium in this display, rather than as general account premium and transfers to the separate account.

U.S. INDIVIDUAL SOLUTIONS DIVISION - INDIVIDUAL ANNUITIES LIVING BENEFIT FEATURES
 (in millions)

| | 2016 | 2017 | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| | 4Q | 1Q | 2Q | 3Q | 4Q |
| LIVING BENEFIT FEATURES ACCOUNT VALUE AND NET AMOUNT AT RISK (1): | | | | | |
| <u>Variable Annuity Account Values with Living Benefit Features</u> | | | | | |
| Guaranteed minimum accumulation benefits | 4,104 | 3,879 | 3,661 | 3,530 | 3,380 |
| Guaranteed minimum withdrawal benefits | 514 | 509 | 494 | 483 | 477 |
| Guaranteed minimum income benefits | 2,730 | 2,761 | 2,755 | 2,772 | 2,791 |
| Guaranteed minimum withdrawal & income benefits - risk retained by Prudential | 120,468 | 123,609 | 125,869 | 128,465 | 131,146 |
| Guaranteed minimum withdrawal & income benefits - externally reinsured | 2,932 | 3,025 | 3,084 | 3,153 | 3,227 |
| Total | <u>130,748</u> | <u>133,783</u> | <u>135,863</u> | <u>138,403</u> | <u>141,021</u> |
| <u>Living Benefit Features Account Values by Product Design Type</u> | | | | | |
| Account Values with Auto-Rebalancing Feature - risk retained by Prudential | 107,752 | 110,286 | 111,750 | 113,691 | 115,690 |
| Account Values with Auto-Rebalancing Feature - externally reinsured | 2,932 | 3,025 | 3,084 | 3,153 | 3,227 |
| Account Values without Auto-Rebalancing Feature | 20,064 | 20,472 | 21,029 | 21,559 | 22,104 |
| Total | <u>130,748</u> | <u>133,783</u> | <u>135,863</u> | <u>138,403</u> | <u>141,021</u> |
| <u>Living Benefit Features Net Amount at Risk by Product Design Type</u> | | | | | |
| Net Amount at Risk with Auto-Rebalancing Feature - risk retained by Prudential | 4,494 | 3,872 | 3,594 | 3,250 | 2,928 |
| Net Amount at Risk with Auto-Rebalancing Feature - externally reinsured | - | - | - | - | - |
| Net Amount at Risk without Auto-Rebalancing Feature | 1,082 | 939 | 846 | 752 | 661 |
| Total | <u>5,576</u> | <u>4,811</u> | <u>4,440</u> | <u>4,002</u> | <u>3,589</u> |

(1) At end of period.

U.S. INDIVIDUAL SOLUTIONS DIVISION - INDIVIDUAL ANNUITIES DEATH BENEFIT FEATURES
 (in millions)

| | 2016 | 2017 | | | |
|---|----------------|----------------|----------------|----------------|----------------|
| | 4Q | 1Q | 2Q | 3Q | 4Q |
| DEATH BENEFIT FEATURES ACCOUNT VALUE AND NET AMOUNT AT RISK (1): | | | | | |
| <u>Variable Annuity Account Values by Death Benefit Features</u> | | | | | |
| <i>Return of net deposits:</i> | | | | | |
| Account value | 118,620 | 121,507 | 123,591 | 126,009 | 128,545 |
| Net amount at risk | 487 | 385 | 323 | 297 | 285 |
| <i>Minimum return, anniversary contract value, or maximum contract value:</i> | | | | | |
| Account value | 30,980 | 31,460 | 31,612 | 31,952 | 32,269 |
| Net amount at risk | 3,714 | 3,215 | 3,012 | 2,785 | 2,611 |
| <u>Death Benefit Features Account Values by Product Design Type</u> | | | | | |
| Account Values with Auto-Rebalancing Feature | 110,684 | 113,311 | 114,834 | 116,844 | 118,916 |
| Account Values without Auto-Rebalancing Feature | 38,916 | 39,656 | 40,369 | 41,117 | 41,898 |
| Total | <u>149,600</u> | <u>152,967</u> | <u>155,203</u> | <u>157,961</u> | <u>160,814</u> |
| <u>Death Benefit Features Net Amount at Risk by Product Design Type</u> | | | | | |
| Net Amount at Risk with Auto-Rebalancing Feature | 1,597 | 1,265 | 1,168 | 1,060 | 1,008 |
| Net Amount at Risk without Auto-Rebalancing Feature | 2,604 | 2,335 | 2,167 | 2,022 | 1,888 |
| Total | <u>4,201</u> | <u>3,600</u> | <u>3,335</u> | <u>3,082</u> | <u>2,896</u> |

(1) At end of period.

U.S. INDIVIDUAL SOLUTIONS DIVISION - SUPPLEMENTARY INFORMATION FOR INDIVIDUAL LIFE
(in millions)

| Year-to-date | | | 2016 | 2017 | | | |
|--|---------------|---|------------------|------------------|------------------|------------------|------------------|
| 2017 | 2016 | | 4Q | 1Q | 2Q | 3Q | 4Q |
| ANNUALIZED NEW BUSINESS PREMIUMS (1) : | | | | | | | |
| 213 | 200 | Term life | 50 | 49 | 54 | 57 | 53 |
| 156 | 243 | Guaranteed Universal life | 77 | 53 | 40 | 31 | 32 |
| 125 | 95 | Other Universal life | 31 | 21 | 33 | 28 | 43 |
| 130 | 92 | Variable life | 25 | 23 | 26 | 26 | 55 |
| <u>624</u> | <u>630</u> | Total | <u>183</u> | <u>146</u> | <u>153</u> | <u>142</u> | <u>183</u> |
| ANNUALIZED NEW BUSINESS PREMIUMS BY DISTRIBUTION CHANNEL (1): | | | | | | | |
| 118 | 116 | Prudential Advisors | 29 | 27 | 29 | 29 | 33 |
| 506 | 514 | Third party distribution | 154 | 119 | 124 | 113 | 150 |
| <u>624</u> | <u>630</u> | Total | <u>183</u> | <u>146</u> | <u>153</u> | <u>142</u> | <u>183</u> |
| ACCOUNT VALUE ACTIVITY: | | | | | | | |
| Policyholders' Account Balances (2): | | | | | | | |
| 26,041 | 24,487 | Beginning balance | 25,000 | 26,041 | 26,358 | 26,399 | 26,612 |
| 3,205 | 3,330 | Premiums and deposits | 949 | 804 | 832 | 738 | 831 |
| (1,031) | (988) | Surrenders and withdrawals | (240) | (233) | (289) | (228) | (281) |
| 2,174 | 2,342 | Net sales | 709 | 571 | 543 | 510 | 550 |
| (566) | (490) | Benefit payments | (106) | (182) | (123) | (121) | (140) |
| 1,608 | 1,852 | Net flows | 603 | 389 | 420 | 389 | 410 |
| 393 | 786 | Interest credited and other | 718 | 228 | (85) | 119 | 131 |
| 438 | 396 | Net transfers from separate account | 102 | 106 | 106 | 116 | 110 |
| (1,619) | (1,480) | Policy charges | (382) | (406) | (400) | (411) | (402) |
| - | - | Acquisition | - | - | - | - | - |
| <u>26,861</u> | <u>26,041</u> | Ending balance | <u>26,041</u> | <u>26,358</u> | <u>26,399</u> | <u>26,612</u> | <u>26,861</u> |
| Separate Account Liabilities: | | | | | | | |
| 28,455 | 27,027 | Beginning balance | 28,129 | 28,455 | 29,669 | 30,259 | 31,100 |
| 1,606 | 1,439 | Premiums and deposits | 359 | 442 | 343 | 330 | 491 |
| (1,249) | (852) | Surrenders and withdrawals | (201) | (220) | (227) | (338) | (464) |
| 357 | 587 | Net sales (redemptions) | 158 | 222 | 116 | (8) | 27 |
| (169) | (163) | Benefit payments | (33) | (46) | (44) | (32) | (47) |
| 188 | 424 | Net flows | 125 | 176 | 72 | (40) | (20) |
| 4,798 | 2,308 | Change in market value, interest credited and other | 532 | 1,373 | 851 | 1,227 | 1,347 |
| (438) | (396) | Net transfers to general account | (102) | (106) | (106) | (116) | (110) |
| (918) | (908) | Policy charges | (229) | (229) | (227) | (230) | (232) |
| - | - | Acquisition | - | - | - | - | - |
| <u>32,085</u> | <u>28,455</u> | Ending balance | <u>28,455</u> | <u>29,669</u> | <u>30,259</u> | <u>31,100</u> | <u>32,085</u> |
| FACE AMOUNT IN FORCE (3): | | | | | | | |
| | | Term life | 721,602 | 727,736 | 736,348 | 745,849 | 753,804 |
| | | Guaranteed Universal life | 134,973 | 137,801 | 139,663 | 141,031 | 142,546 |
| | | Other Universal life | 45,350 | 45,704 | 46,328 | 46,888 | 47,516 |
| | | Variable life | 162,574 | 162,611 | 162,452 | 162,660 | 163,174 |
| | | Total | <u>1,064,500</u> | <u>1,073,851</u> | <u>1,084,791</u> | <u>1,096,429</u> | <u>1,107,040</u> |

(1) Excludes corporate-owned life insurance.

(2) Includes fixed rate funds, alliance deposits, supplementary contracts and deferred revenues on variable products.

(3) At end of period; before reinsurance ceded.

COMBINED STATEMENTS OF OPERATIONS - U.S. WORKPLACE SOLUTIONS DIVISION
(in millions)

| Year-to-date | | % Change | | 2016 | 2017 | | | |
|-----------------------------------|---------------|-------------|--|--------------|--------------|--------------|--------------|--------------|
| 2017 | 2016 | | | 4Q | 1Q | 2Q | 3Q | 4Q |
| Revenues (1): | | | | | | | | |
| 12,436 | 11,613 | 7% | Premiums | 3,227 | 1,564 | 3,259 | 2,962 | 4,651 |
| 828 | 844 | -2% | Policy charges and fee income | 194 | 202 | 223 | 204 | 199 |
| 5,119 | 4,871 | 5% | Net investment income | 1,278 | 1,313 | 1,257 | 1,226 | 1,323 |
| 931 | 891 | 4% | Asset management fees, commissions and other income | 235 | 241 | 230 | 230 | 230 |
| <u>19,314</u> | <u>18,219</u> | 6% | Total revenues | <u>4,934</u> | <u>3,320</u> | <u>4,969</u> | <u>4,622</u> | <u>6,403</u> |
| Benefits and Expenses (1): | | | | | | | | |
| 14,108 | 13,360 | 6% | Insurance and annuity benefits | 3,668 | 1,982 | 3,601 | 3,391 | 5,134 |
| 1,781 | 1,736 | 3% | Interest credited to policyholders' account balances | 451 | 431 | 476 | 434 | 440 |
| 31 | 24 | 29% | Interest expense | 7 | 7 | 8 | 7 | 9 |
| (36) | (31) | -16% | Deferral of acquisition costs | (6) | (7) | (9) | (9) | (11) |
| 40 | 39 | 3% | Amortization of acquisition costs | 10 | 5 | 6 | 17 | 12 |
| 1,893 | 1,859 | 2% | General and administrative expenses | 443 | 471 | 443 | 473 | 506 |
| <u>17,817</u> | <u>16,987</u> | 5% | Total benefits and expenses | <u>4,573</u> | <u>2,889</u> | <u>4,525</u> | <u>4,313</u> | <u>6,090</u> |
| <u>1,497</u> | <u>1,232</u> | 22% | Adjusted operating income before income taxes | <u>361</u> | <u>431</u> | <u>444</u> | <u>309</u> | <u>313</u> |

(1) Revenues exclude realized investment gains, net of losses and related charges and adjustments, investment gains, net of losses, on trading account assets supporting insurance liabilities. Benefits and expenses exclude charges related to realized investment gains, net of losses and change in experience-rated contractholder liabilities due to asset value changes.

U.S. WORKPLACE SOLUTIONS - RETIREMENT SEGMENT SALES RESULTS AND ACCOUNT VALUES
(in millions)

| Year-to-date | | | 2016 | 2017 | | | |
|---|----------------|---|----------------|----------------|----------------|----------------|----------------|
| 2017 | 2016 | | 4Q | 1Q | 2Q | 3Q | 4Q |
| RETIREMENT SEGMENT SALES AND ACCOUNT VALUES | | | | | | | |
| Full Service: | | | | | | | |
| 202,802 | 188,961 | Beginning total account value | 200,476 | 202,802 | 210,400 | 214,731 | 227,438 |
| 29,527 | 21,928 | Deposits and sales | 5,168 | 6,736 | 4,771 | 11,188 | 6,832 |
| (24,811) | (20,127) | Withdrawals and benefits | (5,315) | (6,690) | (5,786) | (5,132) | (7,203) |
| 27,098 | 12,040 | Change in market value, interest credited, interest income and other activity | 2,473 | 7,552 | 5,346 | 6,651 | 7,549 |
| <u>234,616</u> | <u>202,802</u> | Ending total account value | <u>202,802</u> | <u>210,400</u> | <u>214,731</u> | <u>227,438</u> | <u>234,616</u> |
| <u>4,716</u> | <u>1,801</u> | Net additions (withdrawals) | <u>(147)</u> | <u>46</u> | <u>(1,015)</u> | <u>6,056</u> | <u>(371)</u> |
| Stable value account values included above | | | | | | | |
| | | | 48,725 | 48,737 | 48,829 | 48,834 | 48,667 |
| Institutional Investment Products: | | | | | | | |
| 183,376 | 179,964 | Beginning total account value | 186,224 | 183,376 | 185,115 | 186,610 | 188,399 |
| 21,630 | 16,140 | Additions | 3,751 | 4,042 | 2,557 | 4,764 | 10,267 |
| (17,406) | (12,161) | Withdrawals and benefits | (3,920) | (4,241) | (4,171) | (3,552) | (5,442) |
| 5,190 | 5,299 | Change in market value, interest credited and interest income | (905) | 1,229 | 1,673 | 1,341 | 947 |
| 1,702 | (5,866) | Other (1) | (1,774) | 709 | 1,436 | (764) | 321 |
| <u>194,492</u> | <u>183,376</u> | Ending total account value | <u>183,376</u> | <u>185,115</u> | <u>186,610</u> | <u>188,399</u> | <u>194,492</u> |
| <u>4,224</u> | <u>3,979</u> | Net additions (withdrawals) | <u>(169)</u> | <u>(199)</u> | <u>(1,614)</u> | <u>1,212</u> | <u>4,825</u> |
| Amounts included in ending total account value above: | | | | | | | |
| 69,239 | 70,196 | Investment-only stable value wraps | 70,196 | 70,576 | 69,808 | 69,637 | 69,239 |
| 40,072 | 29,959 | Longevity reinsurance (2) | 29,959 | 32,004 | 33,138 | 36,053 | 40,072 |
| 85,181 | 83,221 | Group annuities and other products | 83,221 | 82,535 | 83,664 | 82,709 | 85,181 |
| <u>194,492</u> | <u>183,376</u> | Ending total account value | <u>183,376</u> | <u>185,115</u> | <u>186,610</u> | <u>188,399</u> | <u>194,492</u> |

(1) "Other" activity includes the effect of foreign exchange rate changes associated with our United Kingdom longevity reinsurance business; net presentation of receipts and payments related to funding agreements backed commercial paper which typically have maturities of less than 90 days, and changes in asset balances for externally-managed accounts.

(2) Represents notional amounts based on present value of future benefits under longevity reinsurance contracts which have not been significantly pre-funded.



U.S. WORKPLACE SOLUTIONS DIVISION - SUPPLEMENTARY INFORMATION FOR GROUP INSURANCE
(dollar amounts in millions)

| Year-to-date | | | 2016 | 2017 | | | |
|--|------------|---|---------------|---------------|---------------|---------------|---------------|
| 2017 | 2016 | | 4Q | 1Q | 2Q | 3Q | 4Q |
| GROUP INSURANCE ANNUALIZED NEW BUSINESS PREMIUMS: | | | | | | | |
| 287 | 316 | Group life | 31 | 186 | 56 | 23 | 22 |
| 153 | 119 | Group disability | 6 | 115 | 14 | 12 | 12 |
| <u>440</u> | <u>435</u> | Total | <u>37</u> | <u>301</u> | <u>70</u> | <u>35</u> | <u>34</u> |
| Future Policy Benefits (1) (2): | | | | | | | |
| | | Group life | 2,238 | 2,166 | 2,139 | 2,087 | 2,286 |
| | | Group disability | 3 | 28 | 20 | 9 | 2 |
| | | Total | <u>2,241</u> | <u>2,194</u> | <u>2,159</u> | <u>2,096</u> | <u>2,288</u> |
| Policyholders' Account Balances (1): | | | | | | | |
| | | Group life | 8,634 | 8,614 | 8,516 | 8,599 | 8,737 |
| | | Group disability | 224 | 237 | 212 | 231 | 246 |
| | | Total | <u>8,858</u> | <u>8,851</u> | <u>8,728</u> | <u>8,830</u> | <u>8,983</u> |
| Separate Account Liabilities (1): | | | | | | | |
| | | Group life | 23,594 | 23,812 | 24,073 | 23,922 | 23,955 |
| | | Group disability | - | - | - | - | - |
| | | Total | <u>23,594</u> | <u>23,812</u> | <u>24,073</u> | <u>23,922</u> | <u>23,955</u> |
| Group Life Insurance: | | | | | | | |
| 4,124 | 4,095 | Gross premiums, policy charges and fee income (3) | 1,006 | 1,038 | 1,054 | 1,013 | 1,019 |
| 3,886 | 3,845 | Earned premiums, policy charges and fee income | 939 | 985 | 981 | 965 | 955 |
| 88.7% | 88.5% | Benefits ratio (4) | 87.3% | 92.2% | 86.3% | 87.0% | 89.3% |
| 11.2% | 10.6% | Administrative operating expense ratio | 10.7% | 10.8% | 10.5% | 11.2% | 12.5% |
| | | Persistency ratio | 95.2% | 94.9% | 94.6% | 93.9% | 93.8% |
| Group Disability Insurance: | | | | | | | |
| 953 | 880 | Gross premiums, policy charges and fee income (3) | 223 | 233 | 237 | 239 | 244 |
| 862 | 805 | Earned premiums, policy charges and fee income | 207 | 211 | 209 | 220 | 222 |
| 78.9% | 82.9% | Benefits ratio (5) | 91.3% | 74.3% | 76.7% | 78.7% | 85.6% |
| 29.4% | 31.4% | Administrative operating expense ratio | 31.0% | 29.4% | 29.0% | 29.2% | 29.8% |
| | | Persistency ratio | 91.7% | 93.7% | 93.4% | 91.7% | 91.4% |
| Total Group Insurance: | | | | | | | |
| 86.9% | 87.5% | Benefits ratio (6) | 88.0% | 89.1% | 84.5% | 85.5% | 88.6% |
| 14.6% | 14.3% | Administrative operating expense ratio | 14.4% | 14.2% | 13.9% | 14.6% | 15.8% |

(1) As of end of period.

(2) The amounts shown exclude liabilities for unpaid claims and claim adjustment expenses.

(3) Before returns of premiums to participating policyholders for favorable claims experience.

(4) Group Life Insurance benefit ratios excluding market driven and discrete items. Benefit ratios including market driven and discrete items are 89.3%, 87.0%, 86.9%, 92.2%, and 87.3% for the three months ended December 31, 2017, September 30, 2017, June 30, 2017, March 31, 2017, and December 31, 2016, respectively, and 88.9% and 89.1% for year-to-date December 2017 and 2016, respectively.

(5) Group Disability Insurance benefit ratios excluding market driven and discrete items. Benefits ratios including market driven and discrete items are 85.6%, 78.7%, 47.5%, 74.3%, and 91.3% for the three months ended December 31, 2017, September 30, 2017, June 30, 2017, March 31, 2017, and December 31, 2016, respectively, and 71.8% and 75.7% for year-to-date December 2017 and 2016, respectively.

(6) Group Insurance benefit ratios excluding market driven and discrete items. Benefits ratios including market driven and discrete items are 88.6%, 85.5%, 80.0%, 89.1%, and 88.0% for the three months ended December 31, 2017, September 30, 2017, June 30, 2017, March 31, 2017, and December 31, 2016, respectively, and 85.8% and 86.7% for year-to-date December 2017 and 2016, respectively.

STATEMENTS OF OPERATIONS - INVESTMENT MANAGEMENT DIVISION
(in millions)

| Year-to-date | | % Change | | 2016 | 2017 | | | |
|--------------|-------|-------------|--|------|------|-----|-----|-----|
| 2017 | 2016 | | | 4Q | 1Q | 2Q | 3Q | 4Q |
| - | - | - | Revenues (1): | - | - | - | - | - |
| - | - | - | Premiums | - | - | - | - | - |
| 170 | 80 | 113% | Policy charges and fee income | 20 | 32 | 37 | 55 | 46 |
| 3,185 | 2,881 | 11% | Net investment income | 753 | 724 | 750 | 772 | 939 |
| 3,355 | 2,961 | 13% | Asset management fees, commissions and other income | 773 | 756 | 787 | 827 | 985 |
| | | | Total revenues | | | | | |
| | | | Benefits and Expenses (1): | | | | | |
| - | - | - | Insurance and annuity benefits | - | - | - | - | - |
| - | - | - | Interest credited to policyholders' account balances | - | - | - | - | - |
| 27 | 15 | 80% | Interest expense | 4 | 5 | 7 | 7 | 8 |
| (6) | (10) | 40% | Deferral of acquisition costs | (2) | (2) | (1) | (2) | (1) |
| 11 | 15 | -27% | Amortization of acquisition costs | 4 | 4 | 2 | 2 | 3 |
| 2,344 | 2,154 | 9% | General and administrative expenses | 543 | 553 | 561 | 561 | 669 |
| 2,376 | 2,174 | 9% | Total benefits and expenses | 549 | 560 | 569 | 568 | 679 |
| 979 | 787 | 24% | Adjusted operating income before income taxes | 224 | 196 | 218 | 259 | 306 |

(1) Revenues exclude realized investment gains, net of losses. Benefits and expenses include charges for income attributable to noncontrolling interests.

INVESTMENT MANAGEMENT DIVISION - SUPPLEMENTARY REVENUE AND ASSETS UNDER MANAGEMENT INFORMATION

Supplementary Revenue Information (in millions):

| Year-to-date | | % Change | | 2016 | 2017 | | | |
|--|--------------|-------------|--|------------|------------|------------|------------|------------|
| 2017 | 2016 | | | 4Q | 1Q | 2Q | 3Q | 4Q |
| Analysis of revenues by type: | | | | | | | | |
| 2,417 | 2,227 | 9% | Asset management fees | 579 | 575 | 592 | 619 | 631 |
| 439 | 255 | 72% | Other related revenues (1) | 65 | 58 | 69 | 83 | 229 |
| 499 | 479 | 4% | Service, distribution and other revenues | 129 | 123 | 126 | 125 | 125 |
| <u>3,355</u> | <u>2,961</u> | 13% | Total Investment Management revenues | <u>773</u> | <u>756</u> | <u>787</u> | <u>827</u> | <u>985</u> |
| Analysis of asset management fees by source: | | | | | | | | |
| 1,147 | 1,046 | 10% | Institutional customers | 275 | 275 | 279 | 296 | 297 |
| 800 | 707 | 13% | Retail customers | 183 | 185 | 194 | 203 | 218 |
| 470 | 474 | -1% | General account | 121 | 115 | 119 | 120 | 116 |
| <u>2,417</u> | <u>2,227</u> | 9% | Total asset management fees | <u>579</u> | <u>575</u> | <u>592</u> | <u>619</u> | <u>631</u> |

Supplementary Assets Under Management Information (in billions):

| | December 31, 2017 | | | |
|-------------------------|-------------------|-----------------|----------------|----------------|
| | Equity | Fixed Income | Real Estate | Total |
| Institutional customers | 68.0 | 379.4 | 42.1 | 489.5 |
| Retail customers | 132.4 | 111.5 | 1.7 | 245.6 |
| General account | 5.8 | 412.5 | 1.9 | 420.2 |
| Total | <u>206.2</u> | <u>903.4</u> | <u>45.7</u> | <u>1,155.3</u> |
| | December 31, 2016 | | | |
| | Equity | Fixed Income | Real Estate | Total |
| Institutional customers | 59.3 | 332.2 | 40.0 | 431.5 |
| Retail customers | 112.4 | 94.5 | 2.3 | 209.2 |
| General account | 6.4 | 391.3 | 1.7 | 399.4 |
| Total | <u>178.1</u> | <u>818.0</u> | <u>44.0</u> | <u>1,040.1</u> |

(1) Other related revenues for 4Q17 include \$95 million of revenues associated with noncontrolling interests which are fully offset in general and administrative expenses.

INVESTMENT MANAGEMENT DIVISION - SUPPLEMENTARY ASSETS UNDER MANAGEMENT INFORMATION
(in billions)

| Year-to-date | | | 2016 | 2017 | | | |
|---|--------|--|--------|--------|--------|--------|--------|
| 2017 | 2016 | | 4Q | 1Q | 2Q | 3Q | 4Q |
| Institutional Customers - Assets Under Management: | | | | | | | |
| Assets gathered by Investment Management & Advisory Services sales force: | | | | | | | |
| 386.4 | 347.1 | Beginning assets under management | 398.9 | 386.4 | 399.1 | 414.6 | 431.0 |
| 65.2 | 59.4 | Additions | 15.7 | 15.9 | 17.2 | 15.9 | 16.2 |
| (53.6) | (54.1) | Withdrawals | (13.2) | (15.4) | (10.7) | (11.2) | (16.3) |
| 38.0 | 21.8 | Change in market value | (10.6) | 9.6 | 10.8 | 9.1 | 8.5 |
| 1.3 | 11.8 | Net money market flows | (1.1) | 2.0 | (1.7) | 2.6 | (1.6) |
| 0.6 | 0.4 | Other (1) | (3.3) | 0.6 | (0.1) | - | 0.1 |
| 437.9 | 386.4 | Ending assets under management | 386.4 | 399.1 | 414.6 | 431.0 | 437.9 |
| 51.6 | 45.1 | Affiliated institutional assets under management | 45.1 | 46.1 | 46.6 | 47.3 | 51.6 |
| 489.5 | 431.5 | Total assets managed for institutional customers at end of period | 431.5 | 445.2 | 461.2 | 478.3 | 489.5 |
| 11.6 | 5.3 | Net institutional additions (withdrawals), excluding money market activity | 2.5 | 0.5 | 6.5 | 4.7 | (0.1) |
| Retail Customers - Assets Under Management: | | | | | | | |
| Assets gathered by Investment Management & Advisory Services sales force: | | | | | | | |
| 136.6 | 128.9 | Beginning assets under management | 137.7 | 136.6 | 144.2 | 150.0 | 157.5 |
| 49.7 | 42.1 | Additions | 9.9 | 13.0 | 10.8 | 11.9 | 14.0 |
| (45.6) | (41.7) | Withdrawals | (11.5) | (12.9) | (9.6) | (10.6) | (12.5) |
| 23.5 | 4.5 | Change in market value | (1.7) | 7.4 | 4.6 | 6.2 | 5.3 |
| - | (0.1) | Net money market flows | - | - | - | - | - |
| 0.1 | 2.9 | Other (1) | 2.2 | 0.1 | - | - | - |
| 164.3 | 136.6 | Ending assets under management | 136.6 | 144.2 | 150.0 | 157.5 | 164.3 |
| 81.3 | 72.6 | Affiliated retail assets under management | 72.6 | 73.4 | 81.2 | 82.4 | 81.3 |
| 245.6 | 209.2 | Total assets managed for retail customers at end of period | 209.2 | 217.6 | 231.2 | 239.9 | 245.6 |
| 4.1 | 0.4 | Net retail additions (withdrawals), excluding money market activity | (1.6) | 0.1 | 1.2 | 1.3 | 1.5 |

(1) "Other" activity represents a \$2 billion reclassification of assets under management from institutional to retail in 4Q'16 and FX related to International assets under management.

DEFERRED POLICY ACQUISITION COSTS & DEFERRED SALES INDUCEMENTS - INDIVIDUAL ANNUITIES, INDIVIDUAL LIFE AND GROUP INSURANCE
(in millions)

| Year-to-date | | | 2016 | 2017 | | | |
|--|--------------|--|--------------|--------------|--------------|--------------|--------------|
| 2017 | 2016 | | 4Q | 1Q | 2Q | 3Q | 4Q |
| <i>DEFERRED POLICY ACQUISITION COSTS</i> | | | | | | | |
| INDIVIDUAL ANNUITIES: | | | | | | | |
| 4,871 | 4,916 | Beginning balance | 4,515 | 4,871 | 4,865 | 5,312 | 5,089 |
| 314 | 408 | Capitalization | 87 | 79 | 80 | 71 | 84 |
| (464) | (484) | Amortization - operating results | (134) | (128) | (102) | (116) | (118) |
| 464 | 21 | Amortization - realized investment gains and losses | 347 | 50 | 505 | (173) | 82 |
| (55) | 10 | Impact of unrealized (gains) or losses on AFS securities | 56 | (7) | (36) | (5) | (7) |
| - | - | Other | - | - | - | - | - |
| <u>5,130</u> | <u>4,871</u> | Ending balance | <u>4,871</u> | <u>4,865</u> | <u>5,312</u> | <u>5,089</u> | <u>5,130</u> |
| INDIVIDUAL LIFE INSURANCE: | | | | | | | |
| 5,278 | 4,883 | Beginning balance | 4,840 | 5,278 | 5,393 | 5,330 | 5,355 |
| 691 | 706 | Capitalization | 203 | 183 | 166 | 161 | 181 |
| (483) | (115) | Amortization - operating results | (69) | (71) | (258) | (71) | (83) |
| 101 | (100) | Amortization - realized investment gains and losses | 4 | 2 | 105 | (2) | (4) |
| (182) | (96) | Impact of unrealized (gains) or losses on AFS securities | 300 | 1 | (76) | (63) | (44) |
| <u>5,405</u> | <u>5,278</u> | Ending balance | <u>5,278</u> | <u>5,393</u> | <u>5,330</u> | <u>5,355</u> | <u>5,405</u> |
| GROUP INSURANCE: | | | | | | | |
| 176 | 182 | Beginning balance | 178 | 176 | 175 | 173 | 163 |
| - | - | Capitalization | - | - | - | - | - |
| (14) | (6) | Amortization - operating results | (2) | (1) | (2) | (10) | (1) |
| - | - | Amortization - realized investment gains and losses | - | - | - | - | - |
| - | - | Impact of unrealized losses on AFS securities | - | - | - | - | - |
| <u>162</u> | <u>176</u> | Ending balance | <u>176</u> | <u>175</u> | <u>173</u> | <u>163</u> | <u>162</u> |
| <i>DEFERRED SALES INDUCEMENTS</i> | | | | | | | |
| INDIVIDUAL ANNUITIES: | | | | | | | |
| 1,082 | 1,188 | Beginning balance | 1,012 | 1,082 | 1,064 | 1,211 | 1,133 |
| 2 | 3 | Capitalization | - | - | 1 | 1 | - |
| (141) | (168) | Amortization - operating results | (44) | (41) | (30) | (34) | (36) |
| 195 | 56 | Amortization - realized investment gains and losses | 103 | 25 | 184 | (43) | 29 |
| (13) | 3 | Impact of unrealized (gains) or losses on AFS securities | 11 | (2) | (8) | (2) | (1) |
| - | - | Other | - | - | - | - | - |
| <u>1,125</u> | <u>1,082</u> | Ending balance | <u>1,082</u> | <u>1,064</u> | <u>1,211</u> | <u>1,133</u> | <u>1,125</u> |

COMBINED STATEMENTS OF OPERATIONS - INTERNATIONAL INSURANCE DIVISION
(in millions)

| Year-to-date | | % Change | | 2016 | 2017 | | | |
|-----------------------------------|---------------|-------------|--|--------------|--------------|--------------|--------------|--------------|
| 2017 | 2016 | | | 4Q | 1Q | 2Q | 3Q | 4Q |
| Revenues (1): | | | | | | | | |
| 15,707 | 15,348 | 2% | Premiums | 3,814 | 3,962 | 4,032 | 3,891 | 3,822 |
| 503 | 499 | 1% | Policy charges and fee income | 129 | 134 | 112 | 128 | 129 |
| 5,027 | 4,759 | 6% | Net investment income | 1,206 | 1,205 | 1,260 | 1,278 | 1,284 |
| 323 | 403 | -20% | Asset management fees, commissions and other income | 89 | 108 | 79 | 79 | 57 |
| <u>21,560</u> | <u>21,009</u> | 3% | Total revenues | <u>5,238</u> | <u>5,409</u> | <u>5,483</u> | <u>5,376</u> | <u>5,292</u> |
| Benefits and Expenses (1): | | | | | | | | |
| 13,488 | 13,232 | 2% | Insurance and annuity benefits | 3,280 | 3,433 | 3,422 | 3,342 | 3,291 |
| 899 | 920 | -2% | Interest credited to policyholders' account balances | 226 | 226 | 222 | 230 | 221 |
| 13 | 8 | 63% | Interest expense | 3 | 3 | 3 | 4 | 3 |
| (1,807) | (1,750) | -3% | Deferral of acquisition costs | (426) | (465) | (507) | (417) | (418) |
| 1,138 | 1,068 | 7% | Amortization of acquisition costs | 264 | 285 | 304 | 275 | 274 |
| 4,631 | 4,414 | 5% | General and administrative expenses | 1,136 | 1,128 | 1,216 | 1,143 | 1,144 |
| <u>18,362</u> | <u>17,892</u> | 3% | Total benefits and expenses | <u>4,483</u> | <u>4,610</u> | <u>4,660</u> | <u>4,577</u> | <u>4,515</u> |
| <u>3,198</u> | <u>3,117</u> | 3% | Adjusted operating income before income taxes | <u>755</u> | <u>799</u> | <u>823</u> | <u>799</u> | <u>777</u> |

(1) Revenues exclude realized investment gains, net of losses and related charges and adjustments, investment gains, net of losses, on trading account assets supporting insurance liabilities and include revenues representing equity in earnings of operating joint ventures. Benefits and expenses exclude charges related to realized investment gains, net of losses and change in experience-rated contractholder liabilities due to asset value changes and include charges for income attributable to noncontrolling interests.



COMBINING STATEMENTS OF OPERATIONS - INTERNATIONAL INSURANCE DIVISION
(in millions)

| | Twelve Months Ended December 31, 2017 | | | Quarter Ended December 31, 2017 | | |
|--|--|---|---|--|---|---|
| | Total International Insurance Division | International Insurance - Life Planner Operations | International Insurance - Gibraltar Life & Other Operations | Total International Insurance Division | International Insurance - Life Planner Operations | International Insurance - Gibraltar Life & Other Operations |
| | Revenues (1): | | | | | |
| Premiums | 15,707 | 7,953 | 7,754 | 3,822 | 1,966 | 1,856 |
| Policy charges and fee income | 503 | 357 | 146 | 129 | 92 | 37 |
| Net investment income | 5,027 | 2,119 | 2,908 | 1,284 | 554 | 730 |
| Asset management fees, commissions and other income | 323 | 215 | 108 | 57 | 50 | 7 |
| Total revenues | <u>21,560</u> | <u>10,644</u> | <u>10,916</u> | <u>5,292</u> | <u>2,662</u> | <u>2,630</u> |
| Benefits and Expenses (1): | | | | | | |
| Insurance and annuity benefits | 13,488 | 7,019 | 6,469 | 3,291 | 1,741 | 1,550 |
| Interest credited to policyholders' account balances | 899 | 238 | 661 | 221 | 56 | 165 |
| Interest expense | 13 | 8 | 5 | 3 | 2 | 1 |
| Deferral of acquisition costs | (1,807) | (959) | (848) | (418) | (221) | (197) |
| Amortization of acquisition costs | 1,138 | 563 | 575 | 274 | 133 | 141 |
| General and administrative expenses | 4,631 | 2,282 | 2,349 | 1,144 | 568 | 576 |
| Total benefits and expenses | <u>18,362</u> | <u>9,151</u> | <u>9,211</u> | <u>4,515</u> | <u>2,279</u> | <u>2,236</u> |
| Adjusted operating income before income taxes | <u>3,198</u> | <u>1,493</u> | <u>1,705</u> | <u>777</u> | <u>383</u> | <u>394</u> |
| | Twelve Months Ended December 31, 2016 | | | Quarter Ended December 31, 2016 | | |
| | Total International Insurance Division | International Insurance - Life Planner Operations | International Insurance - Gibraltar Life & Other Operations | Total International Insurance Division | International Insurance - Life Planner Operations | International Insurance - Gibraltar Life & Other Operations |
| Revenues (1): | | | | | | |
| Premiums | 15,348 | 7,471 | 7,877 | 3,814 | 1,831 | 1,983 |
| Policy charges and fee income | 499 | 346 | 153 | 129 | 90 | 39 |
| Net investment income | 4,759 | 1,952 | 2,807 | 1,206 | 492 | 714 |
| Asset management fees, commissions and other income | 403 | 217 | 186 | 89 | 64 | 25 |
| Total revenues | <u>21,009</u> | <u>9,986</u> | <u>11,023</u> | <u>5,238</u> | <u>2,477</u> | <u>2,761</u> |
| Benefits and Expenses (1): | | | | | | |
| Insurance and annuity benefits | 13,232 | 6,607 | 6,625 | 3,280 | 1,608 | 1,672 |
| Interest credited to policyholders' account balances | 920 | 234 | 686 | 226 | 55 | 171 |
| Interest expense | 8 | 5 | 3 | 3 | 2 | 1 |
| Deferral of acquisition costs | (1,750) | (834) | (916) | (426) | (211) | (215) |
| Amortization of acquisition costs | 1,068 | 506 | 562 | 264 | 121 | 143 |
| General and administrative expenses | 4,414 | 1,929 | 2,485 | 1,136 | 507 | 629 |
| Total benefits and expenses | <u>17,892</u> | <u>8,447</u> | <u>9,445</u> | <u>4,483</u> | <u>2,082</u> | <u>2,401</u> |
| Adjusted operating income before income taxes | <u>3,117</u> | <u>1,539</u> | <u>1,578</u> | <u>755</u> | <u>395</u> | <u>360</u> |

(1) Revenues exclude realized investment gains, net of losses and related charges and adjustments, investment gains, net of losses, on trading account assets supporting insurance liabilities and include revenues representing equity in earnings of operating joint ventures. Benefits and expenses exclude charges related to realized investment gains, net of losses and change in experience-rated contractholder liabilities due to asset value changes and include charges for income attributable to noncontrolling interests.

INTERNATIONAL INSURANCE DIVISION - SALES RESULTS AND SUPPLEMENTARY INFORMATION
(in millions)

| Year-to-date | | 2016 | 2017 | | | |
|---|---------------|--------------|--------------|--------------|--------------|--------------|
| 2017 | 2016 | 4Q | 1Q | 2Q | 3Q | 4Q |
| INTERNATIONAL INSURANCE OPERATING DATA: | | | | | | |
| Actual exchange rate basis (1): | | | | | | |
| Net premiums, policy charges and fee income: | | | | | | |
| 6,056 | 5,875 | 1,386 | 1,691 | 1,467 | 1,459 | 1,439 |
| 7,900 | 8,030 | 2,022 | 1,884 | 2,134 | 1,989 | 1,893 |
| 2,254 | 1,942 | 535 | 521 | 543 | 571 | 619 |
| <u>16,210</u> | <u>15,847</u> | <u>3,943</u> | <u>4,096</u> | <u>4,144</u> | <u>4,019</u> | <u>3,951</u> |
| Annualized new business premiums: | | | | | | |
| 913 | 840 | 205 | 336 | 251 | 162 | 164 |
| 1,598 | 1,726 | 408 | 358 | 483 | 400 | 357 |
| 478 | 436 | 124 | 128 | 106 | 115 | 129 |
| <u>2,989</u> | <u>3,002</u> | <u>737</u> | <u>822</u> | <u>840</u> | <u>677</u> | <u>650</u> |
| Annualized new business premiums by distribution channel: | | | | | | |
| 1,391 | 1,276 | 329 | 464 | 357 | 277 | 293 |
| 740 | 740 | 175 | 167 | 230 | 180 | 163 |
| 612 | 716 | 158 | 132 | 161 | 171 | 148 |
| 246 | 270 | 75 | 59 | 92 | 49 | 46 |
| <u>2,989</u> | <u>3,002</u> | <u>737</u> | <u>822</u> | <u>840</u> | <u>677</u> | <u>650</u> |
| Constant exchange rate basis (3): | | | | | | |
| Net premiums, policy charges and fee income: | | | | | | |
| 6,061 | 5,752 | 1,365 | 1,707 | 1,457 | 1,449 | 1,448 |
| 7,917 | 7,898 | 1,946 | 1,912 | 2,134 | 1,977 | 1,894 |
| 2,194 | 1,971 | 542 | 512 | 532 | 551 | 599 |
| <u>16,172</u> | <u>15,621</u> | <u>3,853</u> | <u>4,131</u> | <u>4,123</u> | <u>3,977</u> | <u>3,941</u> |
| Annualized new business premiums: | | | | | | |
| 914 | 824 | 202 | 339 | 249 | 161 | 165 |
| 1,601 | 1,706 | 389 | 362 | 483 | 399 | 357 |
| 460 | 439 | 122 | 124 | 103 | 111 | 122 |
| <u>2,975</u> | <u>2,969</u> | <u>713</u> | <u>825</u> | <u>835</u> | <u>671</u> | <u>644</u> |
| Annualized new business premiums by distribution channel: | | | | | | |
| 1,374 | 1,263 | 324 | 463 | 352 | 272 | 287 |
| 741 | 733 | 170 | 169 | 230 | 179 | 163 |
| 614 | 716 | 157 | 133 | 162 | 171 | 148 |
| 246 | 257 | 62 | 60 | 91 | 49 | 46 |
| <u>2,975</u> | <u>2,969</u> | <u>713</u> | <u>825</u> | <u>835</u> | <u>671</u> | <u>644</u> |

(1) Translated based on applicable average exchange rates for the period shown.

(2) The amounts for the first quarter of 2017 have been revised to correct the previously reported amounts.

(3) 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.

INTERNATIONAL INSURANCE DIVISION - SALES RESULTS AND SUPPLEMENTARY INFORMATION

| | 2016 | 2017 | | | |
|---|---------------|---------------|---------------|---------------|---------------|
| | 4Q | 1Q | 2Q | 3Q | 4Q |
| Face amount of individual policies in force at end of period (in billions) (1) (2): (Constant exchange rate basis) | | | | | |
| Japan, excluding Gibraltar Life | 318 | 327 | 332 | 334 | 337 |
| Gibraltar Life | 327 | 330 | 333 | 336 | 337 |
| All other countries | 123 | 124 | 126 | 129 | 130 |
| Total | <u>768</u> | <u>781</u> | <u>791</u> | <u>799</u> | <u>804</u> |
| Number of individual policies in force at end of period (in thousands) (2): | | | | | |
| Japan, excluding Gibraltar Life | 3,488 | 3,581 | 3,632 | 3,674 | 3,714 |
| Gibraltar Life | 7,182 | 7,191 | 7,207 | 7,222 | 7,220 |
| All other countries | 2,076 | 2,105 | 2,122 | 2,146 | 2,169 |
| Total | <u>12,746</u> | <u>12,877</u> | <u>12,961</u> | <u>13,042</u> | <u>13,103</u> |
| International life insurance policy persistency: | | | | | |
| <u>Life Planner Operations:</u> | | | | | |
| 13 months | 93.0% | 93.0% | 93.0% | 92.9% | 92.9% |
| 25 months | 86.3% | 86.3% | 86.5% | 86.1% | 86.2% |
| <u>Gibraltar Life (3):</u> | | | | | |
| 13 months | 93.5% | 93.3% | 93.4% | 93.4% | 93.4% |
| 25 months | 86.2% | 86.7% | 86.9% | 87.2% | 87.2% |
| Number of Life Planners at end of period: | | | | | |
| Japan | 3,824 | 3,932 | 3,861 | 3,951 | 3,941 |
| All other countries | 3,856 | 3,887 | 3,874 | 3,880 | 3,890 |
| Total Life Planners | <u>7,680</u> | <u>7,819</u> | <u>7,735</u> | <u>7,831</u> | <u>7,831</u> |
| Gibraltar Life Consultants | 8,884 | 8,752 | 8,509 | 8,327 | 8,326 |

(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.

(2) Direct business only; policy count includes annuities.

(3) Reflects business sold by Life Consultants and Independent Agents.

INVESTMENT PORTFOLIO COMPOSITION
(in millions)

| | December 31, 2017 | | | | December 31, 2016 | | | |
|--|--------------------|-----------------------------|--|------------|--------------------|-----------------------------|--|------------|
| | Total Portfolio | Closed Block Division | PFI Excluding Closed Block Division | | Total Portfolio | Closed Block Division | PFI Excluding Closed Block Division | |
| | | | Amount | % of Total | | | Amount | % of Total |
| Fixed maturities: | | | | | | | | |
| Public, available-for-sale, at fair value | 287,878 | 27,448 | 260,430 | 64.7% | 268,118 | 24,917 | 243,201 | 64.2% |
| Public, held-to-maturity, at amortized cost | 1,747 | - | 1,747 | 0.4% | 1,772 | - | 1,772 | 0.5% |
| Private, available-for-sale, at fair value | 58,293 | 13,814 | 44,479 | 11.1% | 53,061 | 13,987 | 39,074 | 10.3% |
| Private, held-to-maturity, at amortized cost | 302 | - | 302 | 0.1% | 372 | - | 372 | 0.1% |
| Trading account assets supporting insurance liabilities, at fair value | 22,097 | - | 22,097 | 5.5% | 21,840 | - | 21,840 | 5.8% |
| Other trading account assets, at fair value | 2,383 | 339 | 2,044 | 0.5% | 1,805 | 284 | 1,521 | 0.4% |
| Equity securities, available-for-sale, at fair value | 6,166 | 2,340 | 3,826 | 1.0% | 9,735 | 2,572 | 7,163 | 1.9% |
| Commercial mortgage and other loans, at book value | 55,411 | 9,017 | 46,394 | 11.5% | 52,208 | 9,437 | 42,771 | 11.2% |
| Policy loans, at outstanding balance | 11,891 | 4,543 | 7,348 | 1.8% | 11,755 | 4,660 | 7,095 | 1.9% |
| Other long-term investments (1) | 10,664 | 3,159 | 7,505 | 1.9% | 10,251 | 3,020 | 7,231 | 1.9% |
| Short-term investments | 6,734 | 631 | 6,103 | 1.5% | 7,494 | 837 | 6,657 | 1.8% |
| Subtotal (2) | 463,566 | 61,291 | 402,275 | 100.0% | 438,411 | 59,714 | 378,697 | 100.0% |
| Invested assets of other entities and operations (3) | 6,305 | - | 6,305 | | 5,829 | - | 5,829 | |
| Total investments | 469,871 | 61,291 | 408,580 | | 444,240 | 59,714 | 384,526 | |

Fixed Maturities by Credit Quality (2):

| | December 31, 2017 | | | | | December 31, 2016 | | | | |
|---|-------------------------------------|------------------------------|-------------------------------|---------------|------------|-------------------------------------|------------------------------|-------------------------------|---------------|------------|
| | PFI Excluding Closed Block Division | | | | | PFI Excluding Closed Block Division | | | | |
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value | % of Total | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value | % of Total |
| Public Fixed Maturities: | | | | | | | | | | |
| NAIC Rating (4) | | | | | | | | | | |
| 1 | 195,968 | 26,830 | 872 | 221,926 | 84.4% | 184,831 | 26,239 | 2,261 | 208,809 | 85.1% |
| 2 | 26,795 | 3,040 | 142 | 29,693 | 11.3% | 26,922 | 2,479 | 454 | 28,947 | 11.8% |
| Subtotal - High or Highest Quality Securities | 222,763 | 29,870 | 1,014 | 251,619 | 95.7% | 211,753 | 28,718 | 2,715 | 237,756 | 96.9% |
| 3 | 5,541 | 442 | 44 | 5,939 | 2.3% | 4,837 | 323 | 90 | 5,070 | 2.1% |
| 4 | 3,457 | 467 | 77 | 3,847 | 1.5% | 1,951 | 178 | 52 | 2,077 | 0.8% |
| 5 | 781 | 179 | 32 | 928 | 0.4% | 230 | 43 | 6 | 267 | 0.1% |
| 6 | 196 | 10 | 3 | 203 | 0.1% | 152 | 4 | 1 | 155 | 0.1% |
| Subtotal - Other Securities | 9,975 | 1,098 | 156 | 10,917 | 4.3% | 7,170 | 548 | 149 | 7,569 | 3.1% |
| Total | 232,738 | 30,968 | 1,170 | 262,536 | 100.0% | 218,923 | 29,266 | 2,864 | 245,325 | 100.0% |
| Private Fixed Maturities: | | | | | | | | | | |
| NAIC Rating (4) | | | | | | | | | | |
| 1 | 11,823 | 720 | 53 | 12,490 | 27.9% | 10,448 | 647 | 164 | 10,931 | 27.7% |
| 2 | 23,956 | 1,520 | 193 | 25,283 | 56.5% | 22,364 | 1,249 | 627 | 22,986 | 58.2% |
| Subtotal - High or Highest Quality Securities | 35,779 | 2,240 | 246 | 37,773 | 84.4% | 32,812 | 1,896 | 791 | 33,917 | 85.9% |
| 3 | 4,660 | 228 | 35 | 4,853 | 10.8% | 3,709 | 131 | 92 | 3,748 | 9.5% |
| 4 | 1,224 | 34 | 28 | 1,230 | 2.7% | 927 | 22 | 30 | 919 | 2.3% |
| 5 | 885 | 46 | 25 | 906 | 2.0% | 649 | 30 | 22 | 657 | 1.7% |
| 6 | 40 | 4 | 3 | 41 | 0.1% | 194 | 49 | 10 | 233 | 0.6% |
| Subtotal - Other Securities | 6,809 | 312 | 91 | 7,030 | 15.6% | 5,479 | 232 | 154 | 5,557 | 14.1% |
| Total | 42,588 | 2,552 | 337 | 44,803 | 100.0% | 38,291 | 2,128 | 945 | 39,474 | 100.0% |

(1) Other long-term investments consist of investments in joint ventures and limited partnerships, investment real estate held through direct ownership, and other miscellaneous investments.

(2) Excludes (i) assets of our investment management operations, including assets managed for third parties, (ii) derivative operations and (iii) those assets classified as "Separate account assets" on our balance sheet.

(3) Includes invested assets of our investment management and derivative operations. Excludes assets of our investment management operations that are managed for third parties and those assets classified as "Separate account assets" on our balance sheet.

(4) Reflects equivalent ratings for investments of the international insurance operations. Includes, as of December 31, 2017 and December 31, 2016, 982 securities with amortized cost of \$6,022 million (fair value \$6,217 million) and 918 securities with amortized cost of \$4,634 million (fair value \$4,759 million), respectively, that have been categorized based on expected NAIC designations pending receipt of SVO ratings.

INVESTMENT PORTFOLIO COMPOSITION - JAPANESE INSURANCE OPERATIONS AND EXCLUDING JAPANESE INSURANCE OPERATIONS (1)

(in millions)

| | December 31, 2017 | | December 31, 2016 | |
|--|-------------------|------------|-------------------|------------|
| | Amount | % of Total | Amount | % of Total |
| Japanese Insurance Operations (2): | | | | |
| Fixed maturities: | | | | |
| Public, available-for-sale, at fair value | 128,332 | 76.0% | 123,285 | 77.9% |
| Public, held-to-maturity, at amortized cost | 1,747 | 1.0% | 1,772 | 1.1% |
| Private, available-for-sale, at fair value | 14,538 | 8.6% | 11,646 | 7.4% |
| Private, held-to-maturity, at amortized cost | 302 | 0.2% | 372 | 0.2% |
| Trading account assets supporting insurance liabilities, at fair value | 2,586 | 1.5% | 2,166 | 1.4% |
| Other trading account assets, at fair value | 492 | 0.3% | 434 | 0.3% |
| Equity securities, available-for-sale, at fair value | 1,916 | 1.1% | 2,654 | 1.7% |
| Commercial mortgage and other loans, at book value | 14,268 | 8.5% | 11,700 | 7.4% |
| Policy loans, at outstanding balance | 2,545 | 1.5% | 2,369 | 1.5% |
| Other long-term investments (3) | 2,021 | 1.2% | 1,186 | 0.8% |
| Short-term investments | 244 | 0.1% | 398 | 0.3% |
| Total | 168,991 | 100.0% | 157,982 | 100.0% |

| | December 31, 2017 | | December 31, 2016 | |
|--|-------------------|------------|-------------------|------------|
| | Amount | % of Total | Amount | % of Total |
| Excluding Japanese Insurance Operations (2): | | | | |
| Fixed maturities: | | | | |
| Public, available-for-sale, at fair value | 132,098 | 56.6% | 119,916 | 54.4% |
| Public, held-to-maturity, at amortized cost | - | 0.0% | - | 0.0% |
| Private, available-for-sale, at fair value | 29,941 | 12.8% | 27,428 | 12.4% |
| Private, held-to-maturity, at amortized cost | - | 0.0% | - | 0.0% |
| Trading account assets supporting insurance liabilities, at fair value | 19,511 | 8.3% | 19,674 | 9.0% |
| Other trading account assets, at fair value | 1,552 | 0.7% | 1,087 | 0.5% |
| Equity securities, available-for-sale, at fair value | 1,910 | 0.8% | 4,509 | 2.0% |
| Commercial mortgage and other loans, at book value | 32,126 | 13.8% | 31,071 | 14.1% |
| Policy loans, at outstanding balance | 4,803 | 2.1% | 4,726 | 2.1% |
| Other long-term investments (3) | 5,484 | 2.4% | 6,045 | 2.7% |
| Short-term investments | 5,859 | 2.5% | 6,259 | 2.8% |
| Total | 233,284 | 100.0% | 220,715 | 100.0% |

(1) Excludes Closed Block Division.

(2) Excludes assets classified as "Separate account assets" on our balance sheet.

(3) Other long-term investments consist of investments in joint ventures and limited partnerships, investment real estate held through direct ownership, derivatives and other miscellaneous investments.



INVESTMENT RESULTS (1)
(in millions)

| | Quarter Ended December 31 | | | | | |
|--|---------------------------|--------|------------------|-------------------|--------|------------------|
| | 2017 | | | 2016 | | |
| | Investment Income | | Realized | Investment Income | | Realized |
| | Yield (4) | Amount | Gains / (Losses) | Yield (4) | Amount | Gains / (Losses) |
| General Account (2) | | | | | | |
| Fixed maturities | 3.86% | 2,594 | (53) | 3.84% | 2,457 | (41) |
| Equity securities | 7.25% | 72 | 256 | 5.02% | 68 | 109 |
| Commercial mortgage and other loans | 4.09% | 413 | 3 | 4.22% | 389 | 1 |
| Policy loans | 4.86% | 88 | - | 4.89% | 88 | - |
| Short-term investments and cash equivalents | 1.54% | 55 | (3) | 0.86% | 35 | - |
| Other investments | 7.15% | 167 | (779) | 7.54% | 166 | (2,198) |
| Gross investment income before investment expenses | 3.96% | 3,389 | (576) | 3.89% | 3,203 | (2,129) |
| Investment expenses | -0.14% | (129) | - | -0.13% | (104) | - |
| Subtotal | 3.82% | 3,260 | (576) | 3.76% | 3,099 | (2,129) |
| Investment results of other entities and operations (3) | | 279 | (7) | | 264 | 22 |
| Less, investment income related to adjusted operating income reconciling items | | (74) | - | | (64) | - |
| Total | | 3,465 | (583) | | 3,299 | (2,107) |

| | Twelve Months Ended December 31 | | | | | |
|--|---------------------------------|--------|------------------|-------------------|--------|------------------|
| | 2017 | | | 2016 | | |
| | Investment Income | | Realized | Investment Income | | Realized |
| | Yield (4) | Amount | Gains / (Losses) | Yield (4) | Amount | Gains / (Losses) |
| General Account (2) | | | | | | |
| Fixed maturities | 3.90% | 10,088 | 412 | 3.95% | 9,515 | 605 |
| Equity securities | 6.80% | 326 | 565 | 5.97% | 307 | 128 |
| Commercial mortgage and other loans | 4.12% | 1,590 | (3) | 4.32% | 1,528 | 2 |
| Policy loans | 4.92% | 347 | - | 5.00% | 347 | - |
| Short-term investments and cash equivalents | 1.31% | 172 | (3) | 0.68% | 122 | 1 |
| Other investments | 7.24% | 630 | (1,063) | 5.67% | 473 | 970 |
| Gross investment income before investment expenses | 3.99% | 13,153 | (92) | 3.92% | 12,292 | 1,706 |
| Investment expenses | -0.15% | (490) | - | -0.14% | (413) | - |
| Subtotal | 3.84% | 12,663 | (92) | 3.78% | 11,879 | 1,706 |
| Investment results of other entities and operations (3) | | 1,119 | (10) | | 1,063 | 54 |
| Less, investment income related to adjusted operating income reconciling items | | (283) | - | | (247) | - |
| Total | | 13,499 | (102) | | 12,695 | 1,760 |

(1) Excludes Closed Block Division.

(2) Excludes commercial loans and trading account assets supporting insurance liabilities where the investment results generally accrue to contractholders, derivative operations, assets of our investment management operations, including assets that are managed for third parties, and those assets classified as "Separate account assets" on our balance sheet. Realized gains / (losses) for Other investments includes changes in fair value of product-related and other derivatives and embedded derivatives.

(3) Includes invested income of commercial loans, trading account assets supporting insurance liabilities where the investment results generally accrue to contractholders and our investment management and derivative operations.

(4) Yields are based on net investment income as reported under U.S. GAAP and as such do not include certain interest-related items, such as settlements of duration management swaps which are included in realized investment gains and losses and included in adjusted operating income. Yields are annualized, for interim periods, and are based on quarterly average carrying values except for fixed maturities, equity securities and securities lending activity. Yields for fixed maturities are based on quarterly average amortized cost. Yields for equity securities are based on quarterly average cost. Yields for fixed maturities, short-term investments and cash equivalents are calculated net of liabilities and rebate expenses corresponding to securities lending activity. Yields exclude investment income and assets related to commercial loans and trading account assets supporting insurance liabilities where the investment results generally accrue to contractholders and investment income on assets other than those included in invested assets.



INVESTMENT RESULTS - JAPANESE INSURANCE OPERATIONS

(in millions)

| | Quarter Ended December 31 | | | | | |
|--|---------------------------|--------|---------------------|-------------------|--------|---------------------|
| | 2017 | | | 2016 | | |
| | Investment Income | | Realized | Investment Income | | Realized |
| | Yield (1) | Amount | Gains / (Losses) | Yield (1) | Amount | Gains / (Losses) |
| Japanese Insurance Operations: | | | | | | |
| Fixed maturities | 3.00% | 920 | (39) | 3.06% | 896 | 85 |
| Equity securities | 6.55% | 20 | 245 | 4.57% | 19 | 54 |
| Commercial mortgage and other loans | 3.89% | 135 | - | 4.02% | 116 | - |
| Policy loans | 3.95% | 25 | - | 4.01% | 24 | - |
| Short-term investments and cash equivalents | 1.25% | 4 | - | 0.77% | 3 | - |
| Other investments (2) | 4.85% | 32 | (82) | 5.02% | 30 | (811) |
| Gross investment income before investment expenses | 3.15% | 1,136 | 124 | 3.19% | 1,088 | (672) |
| Investment expenses | -0.13% | (49) | - | -0.12% | (43) | - |
| Total | 3.02% | 1,087 | 124 | 3.07% | 1,045 | (672) |

| | Twelve Months Ended December 31 | | | | | |
|--|---------------------------------|--------|---------------------|-------------------|--------|---------------------|
| | 2017 | | | 2016 | | |
| | Investment Income | | Realized | Investment Income | | Realized |
| | Yield (1) | Amount | Gains / (Losses) | Yield (1) | Amount | Gains / (Losses) |
| Japanese Insurance Operations: | | | | | | |
| Fixed maturities | 3.06% | 3,624 | 466 | 3.14% | 3,472 | 797 |
| Equity securities | 5.66% | 79 | 511 | 4.80% | 75 | 114 |
| Commercial mortgage and other loans | 4.05% | 515 | - | 4.23% | 445 | 7 |
| Policy loans | 4.00% | 97 | - | 4.05% | 95 | - |
| Short-term investments and cash equivalents | 1.25% | 14 | - | 0.78% | 9 | - |
| Other investments (2) | 6.03% | 132 | 115 | 5.01% | 129 | 404 |
| Gross investment income before investment expenses | 3.23% | 4,461 | 1,092 | 3.29% | 4,225 | 1,322 |
| Investment expenses | -0.12% | (184) | - | -0.13% | (165) | - |
| Total | 3.11% | 4,277 | 1,092 | 3.16% | 4,060 | 1,322 |

(1) Yields are based on net investment income as reported under U.S. GAAP and as such do not include certain interest-related items, such as settlements of duration management swaps which are included in realized investment gains and losses and included in adjusted operating income. Yields are annualized, for interim periods, and are based on quarterly average carrying values except for fixed maturities, equity securities and securities lending activity. Yields for fixed maturities are based on quarterly average amortized cost. Yields for equity securities are based on quarterly average cost. Yields for fixed maturities, short-term investments and cash equivalents are calculated net of liabilities and rebate expenses corresponding to securities lending activity. Yields exclude investment income and assets related to commercial loans and trading account assets supporting insurance liabilities where the investment results generally accrue to contractholders and investment income on assets other than those included in invested assets.

(2) Realized gains / (losses) for Other investments includes changes in fair value of product-related and other derivatives and embedded derivatives.



INVESTMENT RESULTS - EXCLUDING JAPANESE INSURANCE OPERATIONS (1)
(in millions)

| | Quarter Ended December 31 | | | | | |
|--|---------------------------|--------|---------------------|-------------------|--------|---------------------|
| | 2017 | | | 2016 | | |
| | Investment Income | | Realized | Investment Income | | Realized |
| | Yield (3) | Amount | Gains / (Losses) | Yield (3) | Amount | Gains / (Losses) |
| Excluding Japanese Insurance Operations (2): | | | | | | |
| Fixed maturities | 4.59% | 1,674 | (14) | 4.51% | 1,561 | (126) |
| Equity securities | 7.55% | 52 | 11 | 5.21% | 49 | 55 |
| Commercial mortgage and other loans | 4.20% | 278 | 3 | 4.31% | 273 | 1 |
| Policy loans | 5.35% | 63 | - | 5.35% | 64 | - |
| Short-term investments and cash equivalents | 1.56% | 51 | (3) | 0.86% | 32 | - |
| Other investments | 8.00% | 135 | (697) | 8.49% | 136 | (1,387) |
| Gross investment income before investment expenses | 4.55% | 2,253 | (700) | 4.38% | 2,115 | (1,457) |
| Investment expenses | -0.15% | (80) | - | -0.14% | (61) | - |
| Total | 4.40% | 2,173 | (700) | 4.24% | 2,054 | (1,457) |

| | Twelve Months Ended December 31 | | | | | |
|--|---------------------------------|--------|---------------------|-------------------|--------|---------------------|
| | 2017 | | | 2016 | | |
| | Investment Income | | Realized | Investment Income | | Realized |
| | Yield (3) | Amount | Gains / (Losses) | Yield (3) | Amount | Gains / (Losses) |
| Excluding Japanese Insurance Operations (2): | | | | | | |
| Fixed maturities | 4.61% | 6,464 | (54) | 4.63% | 6,043 | (192) |
| Equity securities | 7.26% | 247 | 54 | 6.49% | 232 | 14 |
| Commercial mortgage and other loans | 4.16% | 1,075 | (3) | 4.36% | 1,083 | (5) |
| Policy loans | 5.41% | 250 | - | 5.49% | 252 | - |
| Short-term investments and cash equivalents | 1.31% | 158 | (3) | 0.67% | 113 | 1 |
| Other investments | 7.64% | 498 | (1,178) | 5.96% | 344 | 566 |
| Gross investment income before investment expenses | 4.54% | 8,692 | (1,184) | 4.36% | 8,067 | 384 |
| Investment expenses | -0.16% | (306) | - | -0.16% | (248) | - |
| Total | 4.38% | 8,386 | (1,184) | 4.20% | 7,819 | 384 |

(1) Excludes Closed Block Division.

(2) Excludes assets of commercial loans, trading account assets supporting insurance liabilities where the investment results generally accrue to contractholders, derivative operations, assets of our investment management operations, including assets that are managed for third parties, and those assets classified as "Separate account assets" on our balance sheet. Realized gains / (losses) for Other investments includes changes in fair value of product-related and other derivatives and embedded derivatives.

(3) Yields are based on net investment income as reported under U.S. GAAP and as such do not include certain interest-related items, such as settlements of duration management swaps which are included in realized investment gains and losses and included in adjusted operating income. Yields are annualized, for interim periods, and are based on quarterly average carrying values except for fixed maturities, equity securities and securities lending activity. Yields for fixed maturities are based on quarterly average amortized cost. Yields for equity securities are based on quarterly average cost. Yields for fixed maturities, short-term investments and cash equivalents are calculated net of liabilities and rebate expenses corresponding to securities lending activity. Yields exclude investment income and assets related to commercial loans and trading account assets supporting insurance liabilities where the investment results generally accrue to contractholders and investment income on assets other than those included in invested assets.

LINE ITEM IMPACT OF MARKET DRIVEN AND DISCRETE ITEMS - ADJUSTED OPERATING INCOME

(in millions)

| | Fourth Quarter 2017 | | | | | Fourth Quarter 2016 | | | | |
|--|---|--------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|---|--------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|
| | Asset Management Fees, Commissions and Other Income | Insurance and Annuity Benefits | Amortization of Acquisition Costs | General and Administrative Expenses | Pre-Tax Adjusted Operating Income | Asset Management Fees, Commissions and Other Income | Insurance and Annuity Benefits | Amortization of Acquisition Costs | General and Administrative Expenses | Pre-Tax Adjusted Operating Income |
| Individual Annuities: | | | | | | | | | | |
| Market performance and experience true-ups | 5 | (6) | (5) | - | 16 | (5) | (3) | (2) | - | - |
| Total of above items | 5 | (6) | (5) | - | 16 | (5) | (3) | (2) | - | - |
| Reported amount | 336 | 72 | 118 | - | | 314 | 100 | 134 | - | |
| Amount excluding impact of items indicated above | 331 | 78 | 123 | - | | 319 | 103 | 136 | - | |
| Retirement: | | | | | | | | | | |
| Settlement of legal matters | - | - | - | - | - | - | - | - | (20) | 20 |
| Total of above items | - | - | - | - | - | - | - | - | (20) | 20 |
| Reported amount | - | - | - | - | | | | | 242 | |
| Amount excluding impact of items indicated above | - | - | - | - | | - | - | - | 262 | |
| Corporate & Other: | | | | | | | | | | |
| Debt exchange costs | - | - | - | 12 | (12) | - | - | - | - | - |
| Total of above items | - | - | - | 12 | (12) | - | - | - | - | - |
| Reported amount | - | - | - | 131 | | - | - | - | - | |
| Amount excluding impact of items indicated above | - | - | - | 119 | | - | - | - | - | |

COMBINED STATEMENTS OF OPERATIONS - AOI TO U.S. GAAP RECONCILIATION OF REVENUES AND BENEFITS AND EXPENSES
(in millions)

| | Three Months Ended December 31, 2017 | | | | | | | Three Months Ended December 31, 2016 | | | | | | | | |
|--|---------------------------------------|--|---|--|-----------------------|---------------------------|--|---------------------------------------|-------------------------------------|--|---|--|-----------------------|---------------------------|--|---------------|
| | Reconciling Items | | | | | | | Reconciling Items | | | | | | | | |
| | Adjusted Operating Income basis (1) | Total realized investment gains (losses), net, and related charges and adjustments | Investment gains (losses) on trading account assets supporting insurance liabilities, net | Change in experience-rated contractholder liabilities due to asset value changes | Closed Block Division | Other divested businesses | Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests | U.S. GAAP (2) | Adjusted Operating Income basis (1) | Total realized investment gains (losses), net, and related charges and adjustments | Investment gains (losses) on trading account assets supporting insurance liabilities, net | Change in experience-rated contractholder liabilities due to asset value changes | Closed Block Division | Other divested businesses | Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests | U.S. GAAP (2) |
| Revenues : | | | | | | | | | | | | | | | | |
| Premiums | 8,720 | - | - | - | 674 | 95 | - | 9,489 | 7,296 | - | - | - | 707 | 94 | - | 8,097 |
| Policy charges and fee income | 1,604 | (61) | - | - | - | - | - | 1,543 | 1,529 | (38) | - | - | - | - | - | 1,491 |
| Net investment income | 3,465 | (12) | - | - | 670 | 86 | - | 4,209 | 3,299 | (8) | - | - | 625 | 72 | - | 3,988 |
| Realized investment gains (losses), net | 82 | (663) | - | - | 72 | (2) | - | (511) | 150 | (2,090) | - | - | 174 | (167) | - | (1,933) |
| Asset management fees, commissions and other income | 1,379 | 121 | 6 | - | 28 | 2 | (1) | 1,535 | 1,146 | 644 | (378) | - | 7 | 1 | (13) | 1,407 |
| Total revenues | 15,250 | (615) | 6 | - | 1,444 | 181 | (1) | 16,265 | 13,420 | (1,492) | (378) | - | 1,513 | - | (13) | 13,050 |
| Benefits and Expenses : | | | | | | | | | | | | | | | | |
| Insurance and annuity benefits | 9,163 | 85 | - | - | 1,311 | 174 | - | 10,733 | 7,658 | (174) | - | - | 1,429 | 136 | - | 9,049 |
| Interest credited to policyholders' account balances | 929 | (25) | - | (37) | 33 | - | - | 900 | 945 | (103) | - | (283) | 33 | 1 | - | 593 |
| Interest expense | 344 | - | - | - | - | 2 | - | 346 | 319 | - | - | - | - | 1 | - | 320 |
| Deferral of acquisition costs | (686) | - | - | - | - | - | - | (686) | (711) | - | - | - | - | - | - | (711) |
| Amortization of acquisition costs | 480 | (76) | - | - | 10 | - | - | 414 | 468 | (343) | - | - | 8 | - | - | 133 |
| General and administrative expenses | 3,448 | (18) | - | - | 94 | 18 | (100) | 3,442 | 3,282 | (48) | - | - | 101 | 22 | (8) | 3,349 |
| Total benefits and expenses | 13,678 | (34) | - | (37) | 1,448 | 194 | (100) | 15,149 | 11,961 | (668) | - | (283) | 1,571 | 160 | (8) | 12,733 |
| | | | | | | | | | | | | | | | | |
| | Twelve Months Ended December 31, 2017 | | | | | | | Twelve Months Ended December 31, 2016 | | | | | | | | |
| | Reconciling Items | | | | | | | Reconciling Items | | | | | | | | |
| | Adjusted Operating Income basis (1) | Total realized investment gains (losses), net, and related charges and adjustments | Investment gains (losses) on trading account assets supporting insurance liabilities, net | Change in experience-rated contractholder liabilities due to asset value changes | Closed Block Division | Other divested businesses | Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests | U.S. GAAP (2) | Adjusted Operating Income basis (1) | Total realized investment gains (losses), net, and related charges and adjustments | Investment gains (losses) on trading account assets supporting insurance liabilities, net | Change in experience-rated contractholder liabilities due to asset value changes | Closed Block Division | Other divested businesses | Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests | U.S. GAAP (2) |
| Revenues : | | | | | | | | | | | | | | | | |
| Premiums | 29,162 | - | - | - | 2,526 | 403 | - | 32,091 | 27,953 | - | - | - | 2,620 | 391 | - | 30,964 |
| Policy charges and fee income | 5,518 | (215) | - | - | - | - | - | 5,303 | 5,887 | 19 | - | - | - | - | - | 5,906 |
| Net investment income | 13,499 | (38) | - | - | 2,653 | 321 | - | 16,435 | 12,695 | (31) | - | - | 2,578 | 278 | - | 15,520 |
| Realized investment gains (losses), net | 486 | (631) | - | - | 534 | 43 | - | 432 | 577 | 1,256 | - | - | 434 | (73) | - | 2,194 |
| Asset management fees, commissions and other income | 4,981 | 67 | 336 | - | 113 | 8 | (77) | 5,428 | 4,462 | (236) | (17) | - | 37 | 6 | (57) | 4,195 |
| Total revenues | 53,646 | (817) | 336 | - | 5,826 | 775 | (77) | 59,689 | 51,574 | 1,008 | (17) | - | 5,669 | 602 | (57) | 58,779 |
| Benefits and Expenses : | | | | | | | | | | | | | | | | |
| Insurance and annuity benefits | 30,071 | (69) | - | - | 5,226 | 657 | - | 35,885 | 29,709 | 131 | - | - | 5,223 | 594 | - | 35,657 |
| Interest credited to policyholders' account balances | 3,729 | (191) | - | 151 | 133 | - | - | 3,822 | 3,698 | (50) | - | (21) | 134 | - | - | 3,761 |
| Interest expense | 1,322 | - | - | - | 1 | 4 | - | 1,327 | 1,315 | - | - | - | 2 | 3 | - | 1,320 |
| Deferral of acquisition costs | (2,818) | - | - | - | - | - | - | (2,818) | (2,845) | - | - | - | - | - | - | (2,845) |
| Amortization of acquisition costs | 2,093 | (550) | - | - | 37 | - | - | 1,580 | 1,672 | 168 | - | - | 37 | - | - | 1,877 |
| General and administrative expenses | 13,005 | 51 | - | - | 384 | 76 | (110) | 13,406 | 12,626 | 236 | - | - | 405 | 89 | (52) | 13,304 |
| Total benefits and expenses | 47,402 | (759) | - | 151 | 5,781 | 737 | (110) | 53,202 | 46,175 | 485 | - | (21) | 5,801 | 686 | (52) | 53,074 |

(1) See page 41 for a definition of AOI.
(2) U.S. generally accepted accounting principles

COMBINED STATEMENTS OF OPERATIONS - AOI TO U.S. GAAP RECONCILIATION OF REVENUES AND BENEFITS AND EXPENSES
(in millions)

| | Three Months Ended March 31, 2017 | | | | | | | Three Months Ended June 30, 2017 | | | | | | | | |
|--|-------------------------------------|--|---|--|-----------------------|---------------------------|--|----------------------------------|-------------------------------------|--|---|--|-----------------------|---------------------------|--|---------------|
| | Reconciling Items | | | | | | | Reconciling Items | | | | | | | | |
| | Adjusted Operating Income basis (1) | Total realized investment gains (losses), net, and related charges and adjustments | Investment gains (losses) on trading account assets supporting insurance liabilities, net | Change in experience-rated contractholder liabilities due to asset value changes | Closed Block Division | Other divested businesses | Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests | U.S. GAAP (2) | Adjusted Operating Income basis (1) | Total realized investment gains (losses), net, and related charges and adjustments | Investment gains (losses) on trading account assets supporting insurance liabilities, net | Change in experience-rated contractholder liabilities due to asset value changes | Closed Block Division | Other divested businesses | Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests | U.S. GAAP (2) |
| Revenues : | | | | | | | | | | | | | | | | |
| Premiums | 5,774 | - | - | - | 604 | 103 | - | 6,481 | 7,557 | - | - | - | 670 | 99 | - | 8,326 |
| Policy charges and fee income | 1,565 | (22) | - | - | - | - | - | 1,533 | 794 | (69) | - | - | - | - | - | 725 |
| Net investment income | 3,354 | (8) | - | - | 645 | 70 | - | 4,061 | 3,335 | (9) | - | - | 672 | 91 | - | 4,089 |
| Realized investment gains (losses), net | 122 | 27 | - | - | 273 | 5 | - | 427 | 161 | (1,372) | - | - | 82 | 37 | - | (1,092) |
| Asset management fees, commissions and other income | 1,202 | (85) | 44 | - | 35 | 3 | (31) | 1,168 | 1,181 | 4 | 201 | - | 25 | 1 | (19) | 1,393 |
| Total revenues | 12,007 | (88) | 44 | - | 1,557 | 181 | (31) | 13,670 | 13,028 | (1,446) | 201 | - | 1,449 | 228 | (19) | 13,441 |
| Benefits and Expenses : | | | | | | | | | | | | | | | | |
| Insurance and annuity benefits | 6,146 | (39) | - | - | 1,380 | 153 | - | 7,640 | 7,386 | (69) | - | - | 1,328 | 174 | - | 8,819 |
| Interest credited to policyholders' account balances | 920 | (25) | - | 12 | 33 | - | - | 940 | 953 | (184) | - | 145 | 33 | - | - | 947 |
| Interest expense | 322 | - | - | - | 1 | 1 | - | 324 | 326 | - | - | - | - | 1 | - | 327 |
| Deferral of acquisition costs | (724) | - | - | - | - | - | - | (724) | (755) | - | - | - | - | - | - | (755) |
| Amortization of acquisition costs | 481 | (53) | - | - | 11 | - | - | 439 | 662 | (586) | - | - | 8 | - | - | 84 |
| General and administrative expenses | 3,202 | (9) | - | - | 98 | 21 | (3) | 3,309 | 3,228 | 72 | - | - | 98 | 18 | (5) | 3,411 |
| Total benefits and expenses | 10,347 | (126) | - | 12 | 1,523 | 175 | (3) | 11,928 | 11,800 | (767) | - | 145 | 1,467 | 193 | (5) | 12,833 |
| Three Months Ended September 30, 2017 | | | | | | | | | | | | | | | | |
| Reconciling Items | | | | | | | | | | | | | | | | |
| | Adjusted Operating Income basis (1) | Total realized investment gains (losses), net, and related charges and adjustments | Investment gains (losses) on trading account assets supporting insurance liabilities, net | Change in experience-rated contractholder liabilities due to asset value changes | Closed Block Division | Other divested businesses | Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests | U.S. GAAP (2) | | | | | | | | |
| Revenues : | | | | | | | | | | | | | | | | |
| Premiums | 7,111 | - | - | - | 578 | 106 | - | 7,795 | | | | | | | | |
| Policy charges and fee income | 1,565 | (63) | - | - | - | - | - | 1,502 | | | | | | | | |
| Net investment income | 3,345 | (9) | - | - | 666 | 74 | - | 4,076 | | | | | | | | |
| Realized investment gains (losses), net | 121 | 1,377 | - | - | 107 | 3 | - | 1,608 | | | | | | | | |
| Asset management fees, commissions and other income | 1,219 | 27 | 85 | - | 25 | 2 | (26) | 1,332 | | | | | | | | |
| Total revenues | 13,361 | 1,332 | 85 | - | 1,376 | 185 | (26) | 16,313 | | | | | | | | |
| Benefits and Expenses : | | | | | | | | | | | | | | | | |
| Insurance and annuity benefits | 7,376 | (46) | - | - | 1,207 | 156 | - | 8,693 | | | | | | | | |
| Interest credited to policyholders' account balances | 927 | 43 | - | 31 | 34 | - | - | 1,035 | | | | | | | | |
| Interest expense | 330 | - | - | - | - | - | - | 330 | | | | | | | | |
| Deferral of acquisition costs | (653) | - | - | - | - | - | - | (653) | | | | | | | | |
| Amortization of acquisition costs | 470 | 165 | - | - | 8 | - | - | 643 | | | | | | | | |
| General and administrative expenses | 3,127 | 6 | - | - | 94 | 19 | (2) | 3,244 | | | | | | | | |
| Total benefits and expenses | 11,577 | 168 | - | 31 | 1,343 | 175 | (2) | 13,292 | | | | | | | | |

(1) See page 41 for a definition of AOI.
(2) U.S. generally accepted accounting principles

RECLASSIFIED COMBINED STATEMENTS OF OPERATIONS - U.S. INDIVIDUAL SOLUTIONS DIVISION
(in millions)

| Year Ended December 31 | | 2016 | | | | 2017 | | |
|------------------------|--------------|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 2015 | 2014 | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q |
| | | Revenues (1): | | | | | | |
| 1,013 | 953 | 242 | 260 | 255 | 262 | 255 | 271 | 264 |
| 4,722 | 4,792 | 1,190 | 960 | 1,222 | 1,217 | 1,232 | 472 | 1,245 |
| 2,272 | 2,250 | 597 | 606 | 661 | 656 | 672 | 667 | 666 |
| 1,921 | 1,941 | 446 | 472 | 493 | 482 | 501 | 550 | 540 |
| <u>9,928</u> | <u>9,936</u> | <u>2,475</u> | <u>2,298</u> | <u>2,631</u> | <u>2,617</u> | <u>2,660</u> | <u>1,960</u> | <u>2,715</u> |
| | | Benefits and Expenses (1): | | | | | | |
| 2,592 | 2,621 | 725 | 1,006 | 657 | 703 | 730 | 360 | 642 |
| 1,007 | 1,035 | 264 | 267 | 243 | 268 | 263 | 255 | 263 |
| 619 | 640 | 159 | 164 | 166 | 165 | 170 | 179 | 183 |
| (1,080) | (1,045) | (262) | (289) | (273) | (290) | (262) | (246) | (232) |
| 598 | 888 | 221 | 9 | 166 | 203 | 199 | 360 | 187 |
| 3,760 | 3,832 | 920 | 1,004 | 973 | 1,008 | 974 | 997 | 945 |
| <u>7,496</u> | <u>7,971</u> | <u>2,027</u> | <u>2,161</u> | <u>1,932</u> | <u>2,057</u> | <u>2,074</u> | <u>1,905</u> | <u>1,988</u> |
| <u>2,432</u> | <u>1,965</u> | <u>448</u> | <u>137</u> | <u>699</u> | <u>560</u> | <u>586</u> | <u>55</u> | <u>727</u> |

(1) Revenues exclude realized investment gains, net of losses and related charges and adjustments. Benefits and expenses exclude charges related to realized investment gains, net of losses.

RECLASSIFIED COMBINED STATEMENTS OF OPERATIONS - U.S. WORKPLACE SOLUTIONS DIVISION
(in millions)

| Year Ended December 31 | | 2016 | | | | 2017 | | |
|------------------------|---------------|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 2015 | 2014 | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q |
| | | Revenues (1): | | | | | | |
| 10,613 | 10,855 | 1,648 | 1,992 | 4,746 | 3,227 | 1,564 | 3,259 | 2,962 |
| 800 | 784 | 204 | 232 | 214 | 194 | 202 | 223 | 204 |
| 4,668 | 4,822 | 1,165 | 1,158 | 1,270 | 1,278 | 1,313 | 1,257 | 1,226 |
| 883 | 973 | 196 | 223 | 237 | 235 | 241 | 230 | 230 |
| <u>16,964</u> | <u>17,434</u> | <u>3,213</u> | <u>3,605</u> | <u>6,467</u> | <u>4,934</u> | <u>3,320</u> | <u>4,969</u> | <u>4,622</u> |
| | | Benefits and Expenses (1): | | | | | | |
| 12,218 | 12,551 | 2,080 | 2,404 | 5,208 | 3,668 | 1,982 | 3,601 | 3,391 |
| 1,698 | 1,724 | 416 | 417 | 452 | 451 | 431 | 476 | 434 |
| 33 | 34 | 5 | 6 | 6 | 7 | 7 | 8 | 7 |
| (56) | (52) | (7) | (8) | (10) | (6) | (7) | (9) | (9) |
| 72 | 39 | 8 | 7 | 14 | 10 | 5 | 6 | 17 |
| 1,892 | 1,900 | 466 | 454 | 496 | 443 | 471 | 443 | 473 |
| <u>15,857</u> | <u>16,196</u> | <u>2,968</u> | <u>3,280</u> | <u>6,166</u> | <u>4,573</u> | <u>2,889</u> | <u>4,525</u> | <u>4,313</u> |
| <u>1,107</u> | <u>1,238</u> | <u>245</u> | <u>325</u> | <u>301</u> | <u>361</u> | <u>431</u> | <u>444</u> | <u>309</u> |

(1) Revenues exclude realized investment gains, net of losses and related charges and adjustments, investment gains, net of losses, on trading account assets supporting insurance liabilities. Benefits and expenses exclude charges related to realized investment gains, net of losses and change in experience-rated contractholder liabilities due to asset value changes.

KEY DEFINITIONS AND FORMULAS

1. Adjusted operating income before income taxes:

Adjusted operating income is a non-GAAP measure of performance that excludes "Realized investment gains (losses), net," as adjusted, and related charges and adjustments. A significant element of realized investment gains and losses are impairments and credit-related and interest rate-related gains and losses. Impairments and losses from sales of credit-impaired securities, the timing of which depends largely on market credit cycles, can vary considerably across periods. The timing of other sales that would result in gains or losses, such as interest rate-related gains or losses, is largely subject to our discretion and influenced by market opportunities as well as our tax and capital profile.

Realized investment gains (losses) within certain of our businesses for which such gains (losses) are a principal source of earnings, and those associated with terminating hedges of foreign currency earnings and current period yield adjustments are included in adjusted operating income. Adjusted operating income generally excludes realized investment gains and losses from products that contain embedded derivatives, and from associated derivative portfolios that are part of an asset-liability management program related to the risk of those products. However, the effectiveness of our hedging program will ultimately be reflected in adjusted operating income over time. Adjusted operating income also excludes gains and losses from changes in value of certain assets and liabilities relating to foreign currency exchange movements that have been economically hedged or considered part of our capital funding strategies for our international subsidiaries, as well as gains and losses on certain investments that are classified as other trading account assets.

Adjusted operating income also excludes investment gains and losses on trading account assets supporting insurance liabilities and changes in experience-rated contractholder liabilities due to asset value changes, because these recorded changes in asset and liability values are expected to ultimately accrue to contractholders. In addition, adjusted operating income excludes the results of divested businesses, which are not relevant to our ongoing operations. Earnings attributable to noncontrolling interests is presented as a separate component of net income under GAAP and excluded from adjusted operating income.

Adjusted operating income does not equate to "Net income" as determined in accordance with U.S. GAAP but is the measure of profit or loss we use to evaluate segment performance. Adjusted operating income is not a substitute for income determined in accordance with U.S. GAAP, and our definition of adjusted operating income may differ from that used by other companies. The items above are important to an understanding of our overall results of operations. However, we believe that the presentation of adjusted operating income as we measure it for management purposes enhances the understanding of our results of operations by highlighting the results from ongoing operations and the underlying profitability of our businesses. Trends in the underlying profitability of our businesses can be more clearly identified without the fluctuating effects of the items described above.

2. After-tax adjusted operating income:

Adjusted operating income before taxes, as defined above, less the income tax effect applicable to adjusted operating income before taxes. The tax effect associated with pre-tax adjusted operating income is based on applicable IRS and foreign tax regulations inclusive of pertinent adjustments.

3. Annualized New Business Premiums:

Premiums from new sales that are expected to be collected over a one year period. Group insurance annualized new business premiums exclude new premiums resulting from rate changes on existing policies, from additional coverage issued under our Servicemembers' Group Life Insurance contract, and from excess premiums on group universal life insurance that build cash value but do not purchase face amounts. Group insurance annualized new business premiums include premiums from the takeover of claim liabilities. Excess (unscheduled) and single premium business for the company's domestic individual life and international insurance operations are included in annualized new business premiums based on a 10% credit. Amounts ascribed to Gibraltar Life Consultants include production by captive agents associated with consolidated joint venture of Gibraltar Life and Other Operations.

4. Assets Under Management:

Fair market value or account value of assets which Prudential manages directly in proprietary products, such as mutual funds and variable annuities, in separate accounts, wrap-fee products and the general account, and assets invested in investment options included in the Company's products that are managed by third party sub-managers (i.e., the non-proprietary investment options in the Company's products).

5. Prudential Financial, Inc. Equity:

Amount of capital assigned to each of the Company's segments for purposes of measuring segment adjusted operating income before income taxes, established at a level which management considers necessary to support the segment's risks. Equity represents all of Prudential Financial, Inc. equity that is not attributable to noncontrolling interests.

6. Book value per share of Common Stock:

Equity attributed to Prudential Financial, Inc. divided by the number of Common shares outstanding at end of period, on a diluted basis. Book value per share excluding accumulated other comprehensive income (loss) ("AOCI") and adjusted to remove amount included for remeasurement of foreign currency exchange rate and certain deferred taxes is a non-GAAP measure. These items are excluded in order to highlight the book value attributable to our core business operations. This non-GAAP measure augments the understanding of our financial position by providing a measure of net worth that is primarily attributable to our business operations separate from the portion that is affected by capital and currency market conditions and by isolating the accounting impact associated with insurance liabilities that are generally not marked to market and the supporting investments that are marked to market through AOCI under GAAP as well as remeasurement of deferred tax assets and liabilities originally established through AOCI, related to enactment of the Tax Cuts and Jobs Act on December 22, 2017. However, book value per share excluding both AOCI and adjusted to remove amount included for foreign currency exchange rate remeasurement and certain deferred taxes is not a substitute for book value per share including AOCI determined in accordance with GAAP, and the adjustments made to derive the measure are important to an understanding of our overall financial position.

Book value per share of Common Stock - including AOCI: As of the fourth quarter of 2016 and first, second and third quarters of 2017, book value including AOCI per share of common stock includes a \$500 million increase in equity and a 5.75 million increase in diluted shares, reflecting the dilutive impact of exchangeable surplus notes ("ESNs") when book value per share of common stock is greater than \$86.92. Reflecting the dilutive impact of ESNs when book value per share is greater than \$85.00, to calculate book value including AOCI per share of common stock as of December 31, 2017, equity is increased by \$500 million and diluted shares include 5.88 million shares.

Book value per share of Common Stock - excluding AOCI, and excluding AOCI and remeasurement of foreign currency and certain deferred taxes: The ESNs are subject to customary antidilution adjustments and the exchange rate is accordingly revalued in the fourth quarter of each year. As of the fourth quarter of 2016 and first, second and third quarters of 2017, the conversion of ESNs is antidilutive as book value excluding AOCI per share of common stock and book value excluding AOCI and remeasurement of foreign currency and certain deferred taxes per share of common stock is less than \$86.92. Reflecting the dilutive impact of ESNs when book value per share is greater than \$85.00, to calculate book value excluding AOCI per share of common stock and book value excluding AOCI and remeasurement of foreign currency and certain deferred taxes per share of common stock as of the fourth quarter of 2017, equity is increased by \$500 million and diluted shares include 5.88 million shares.

Diluted shares as of the fourth quarter of 2016 and first, second and third quarters of 2017 do not include shares related to ESNs due to the antidilutive impact of conversion of ESNs when book value per share of common stock (i.e., book value excluding AOCI per share of common stock and book value excluding AOCI and remeasurement of foreign currency and certain deferred taxes per share of common stock) is less than \$86.92. Diluted shares as of December 31, 2017 include 5.88 million shares due to the dilutive impact of conversion of ESNs when book value per share of common stock (i.e., book value excluding AOCI per share of common stock and book value excluding AOCI and remeasurement of foreign currency and certain deferred taxes per share of common stock) is greater than \$85.00.

KEY DEFINITIONS AND FORMULAS

7. Borrowings - Capital Debt:

Borrowings that are or will be used for capital requirements at Prudential Financial, Inc as well as borrowings invested in equity or debt securities of direct or indirect subsidiaries of Prudential Financial, Inc., and subsidiary borrowings, utilized for capital requirements.

8. Borrowings - Operating Debt - Investment Related:

Debt issued to finance specific investment assets or portfolios of investment assets, including institutional spread lending investment portfolios as well as institutional and insurance company portfolio cash flow timing differences.

9. Borrowings - Operating Debt - Specified Businesses:

Borrowings primarily associated with the investment management business.

10. Client Assets:

Fair market value of assets in client accounts of International brokerage operations, Prudential Bank and mortgage loan servicing business, that are not included in Assets Under Management. Prudential does not receive a management or administrative fee on these assets, but may receive a fee for executing trades, custody or recordkeeping services.

11. Divested Businesses:

Businesses that have been sold or exited, including businesses that have been placed in wind down, but that did not qualify for "discontinued operations" accounting treatment under U.S. GAAP.

12. Earned Premiums:

The portion of a premium, net of any amount ceded, that represents coverage already provided or that belongs to the insurer based on the part of the policy period that has passed.

13. Full Service Retirement:

The Full Service Retirement line of business provides retirement plan products and services to public, private and not-for-profit organizations. This business provides recordkeeping, plan administration, actuarial advisory services, participant education and communication services, trustee services and institutional and retail investment funds. This business mainly services defined contribution and defined benefit plans; non-qualified plans are also serviced. For clients with both defined contribution and defined benefit plans, integrated recordkeeping services are available.

14. Full Service Stable Value:

Our Full Service Stable Value products represent fixed rate options on investment funds offered to Retirement customers. These products contain an obligation to pay interest at a specified rate for a specific period of time. Upon termination these products repay account balances at market value immediately or may be liquidated at book value over time. Substantially all of these products are either fully or partially participating, with annual or semi-annual resets giving effect to previous investment experience. These products are issued through the general account, separate accounts or client-owned trusts. Profits from partially participating general account products result from the spread between the rate of return on investment assets and the interest rates credited to the customer, less expenses. For fully participating products, generally subject to a minimum interest rate guarantee, we earn fee income.

15. General Account:

Invested assets and policyholder liabilities and reserves for which the Company bears the investment risk. Excludes assets recognized for statutory purposes that are specifically allocated to a separate account. General account assets also include assets of the parent company, Prudential Financial, Inc.

16. Gibraltar Life:

Includes results from consolidated joint venture operation of Gibraltar Life and Other Operations.

17. Gibraltar Life Consultants:

Captive insurance agents for Gibraltar Life. Count and policy persistency do not include captive agents associated with consolidated joint venture of Gibraltar Life and Other Operations.

18. Group Life Insurance and Group Disability Insurance Administrative Operating Expense Ratios:

Ratio of administrative operating expenses (excluding commissions) to gross premiums, policy charges and fee income.

19. Group Insurance Benefits Ratios:

Ratio of policyholder benefits to earned premiums, policy charges and fee income.

20. Individual Annuity Account Values in General Account and Separate Account:

Amounts represent the breakdown of invested customer funds in annuities either written or reinsured by the Company.

21. Individual Annuities - Net Amounts at Risk:

Living Benefit Features - For guarantees of benefits that are payable at annuitization, the net amount at risk is generally defined as the present value of the minimum guaranteed annuity payments available to the contractholder determined in accordance with the terms of the contract in excess of the current account balance. For guarantees of benefits that are payable at withdrawal, the net amount at risk is generally defined as the present value of the minimum guaranteed withdrawal payments available to the contractholder determined in accordance with the terms of the contract in excess of the current account balance. For guarantees of accumulation balances, the net amount at risk is generally defined as the guaranteed minimum accumulation balance minus the current account balance.

Death Benefit Features - Net amount at risk is generally defined as the current guaranteed minimum death benefit in excess of the current account balance at the balance sheet date.

KEY DEFINITIONS AND FORMULAS

22. Insurance and Annuity Benefits:

Total death benefits, annuity benefits, disability benefits, other policy benefits, and losses paid or incurred, under insurance and annuity contracts, plus the change in reserves for future policy benefits, losses and loss adjustment expenses.

23. International Life Planners:

Captive insurance Advisors in our Life Planner Operations.

24. Non-recourse and Limited-recourse Debt:

Limited and non-recourse borrowing is where the holder is entitled to collect only against the assets pledged to the debt as collateral or has only very limited rights to collect against other assets.

25. Policy Persistency - Group Insurance:

Percentage of the premiums in force at the end of the prior year that are still in force at the end of the period (excluding Servicemembers' Group Life Insurance and Prudential Employee Benefit Plan).

26. Policy Persistency - International Insurance:

13 month persistency represents the percentage of policies issued that are still in force at the beginning of their second policy year. 25 month persistency represents the percentage of policies issued that are still in force at the beginning of their third policy year.

27. Prudential Advisors:

Captive financial professionals and field managers in our insurance operations in the United States.

28. Prudential Advisor productivity:

Commissions on new sales of all products by Prudential Advisors under contract for the entire period, divided by the number of those Prudential Advisors. Excludes commissions on new sales by Prudential Advisors hired or departed during the period. For interim reporting periods, the productivity measures are annualized.

29. Separate Accounts:

Assets of our insurance companies allocated under certain policies and contracts that are segregated from the general account and other separate accounts. The policyholder or contractholder predominantly bears the risk of investments held in a separate account.

30. Wrap-Fee Products:

Investment products generating asset-based fees in which the funds of the customer are generally invested in other investment products such as mutual funds.



RATINGS AND INVESTOR INFORMATION

FINANCIAL STRENGTH RATINGS

as of February 7, 2018

| | A.M. Best | Standard & Poor's | Moody's | Fitch Ratings |
|---|-----------|-------------------|---------|---------------|
| The Prudential Insurance Company of America | A+ | AA- | A1 | AA- |
| PRUCO Life Insurance Company | A+ | AA- | A1 | AA- |
| PRUCO Life Insurance Company of New Jersey | A+ | AA- | NR * | AA- |
| Prudential Annuities Life Assurance Corporation | A+ | AA- | NR | AA- |
| Prudential Retirement Insurance and Annuity Company | A+ | AA- | A1 | AA- |
| The Prudential Life Insurance Co., Ltd. (Prudential of Japan) | NR | A+ | NR | NR |
| Gibraltar Life Insurance Company, Ltd. | NR | A+ | NR | NR |
| The Prudential Gibraltar Financial Life Insurance Co. Ltd. | NR | A+ | NR | NR |
| Prudential Life Insurance Co. of Taiwan, Inc. | NR | twAA+ | NR | NR |

CREDIT RATINGS:

as of February 7, 2018

Prudential Financial, Inc.:

| | | | | |
|------------------------------------|-------|------|------|-----|
| Short-Term Borrowings | AMB-1 | A-1 | P-2 | F1 |
| Long-Term Senior Debt | a- | A | Baa1 | A- |
| Junior Subordinated Long-Term Debt | bbb | BBB+ | Baa2 | BBB |

The Prudential Insurance Company of America :

| | | | | |
|---------------------------|---|---|----|---|
| Capital and surplus notes | a | A | A3 | A |
|---------------------------|---|---|----|---|

Prudential Funding, LLC:

| | | | | |
|-----------------------|-------|------|-----|-----|
| Short-Term Debt | AMB-1 | A-1+ | P-1 | F1+ |
| Long-Term Senior Debt | a+ | AA- | A2 | A+ |

PRICOA Global Funding I

| | | | | |
|-----------------------|-----|-----|----|-----|
| Long-Term Senior Debt | aa- | AA- | A1 | AA- |
|-----------------------|-----|-----|----|-----|

* NR indicates not rated.

(1) Prudential Life Insurance Co. of Taiwan was assigned a financial strength rating by Taiwan Ratings Corporation, a partner of Standard and Poor's.

INVESTOR INFORMATION:

Corporate Offices:

Prudential Financial, Inc.
 751 Broad Street
 Newark, New Jersey 07102

Common Stock:

Common Stock of Prudential Financial, Inc. is traded on the New York Stock Exchange under the symbol PRU.

Investor Information Hotline:

Dial 877-998-ROCK for additional printed information or inquiries.

Web Site:

www.prudential.com