Long-Duration Targeted Improvements and Resegmentation Impact Summary

April 13, 2023

Expanding access to investing, insurance, and retirement security

Prudential

Background

Effective January 1, 2023, Prudential Financial, Inc. (the “Company”) adopted Accounting Standards Update 2018-12, Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts (LDTI), which provides new authoritative guidance impacting the accounting and disclosure requirements for long-duration insurance and investment contracts issued by the Company. This guidance was adopted using the modified retrospective transition method, where permitted, for changes to the liability for future policy benefits and deferred policy acquisition costs and related balances, and the retrospective transition method as required for market risk benefits. The Company applied this guidance as of the transition date of January 1, 2021, and retrospectively adjusted prior period amounts for years 2021 and 2022 to reflect the new guidance.

In addition, effective January 1, 2023, two segment reporting changes have been made by the Company for which retrospective adjustments have been made to years 2021 and 2022:

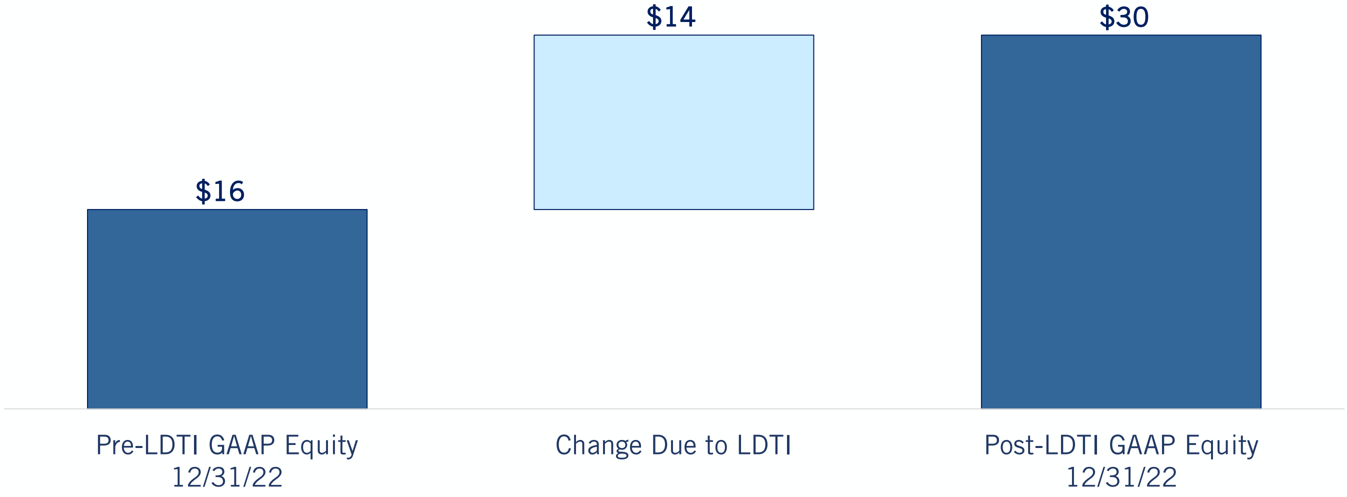
- Assurance IQ is no longer a separate reportable segment and is now included within the Company’s Corporate and Other operations.
- Prudential Advisors, the Company’s proprietary nationwide distribution business, which was previously included in the Company’s Individual Life segment, is now included within the Company’s Corporate and Other operations.

See the related Form 8-K, filed with the Securities and Exchange Commission, dated April 13, 2023, and available on the Company’s Investor Relations website at investor.prudential.com.

Long-Duration Targeted Improvements

GAAP Equity Impact

($ billions)



Key Takeaways

- **No direct economic effect**
  - LDTI does not impact statutory results or cash flows
- **GAAP Equity**[(1)] increased by $14 billion as of 12/31/22:
  - **AOCI** increased by $16 billion, primarily driven by the remeasurement of certain Japan business liabilities using higher discount rates
  - **Retained Earnings** decreased by $2 billion, reflecting the reclassification of non-performance risk gains from Retained Earnings to AOCI and other changes in reserves
- **GAAP Equity and Adjusted Book Value**[(2)]**,** which excludes AOCI, continue to exclude unrealized insurance margins of $52 billion[(3)] as of 12/31/22, primarily in our Japan business
  - These margins are an important factor in determining financial strength
- **Adjusted Book Value** remains a relevant measure as AOCI continues to lack symmetry in the valuation of assets and insurance liabilities
- **No significant impact on underlying earnings power**[(4)]

Note: U.S. GAAP LDTI is effective on January 1, 2023 with a transition date of January 1, 2021.
(1) GAAP Equity excludes the impact of noncontrolling interests.
(2) Adjusted Book Value represents GAAP Equity excluding Accumulated Other Comprehensive Income (AOCI) and the cumulative effect of foreign exchange rate remeasurement. See Non-GAAP Measures on slide 7.
(3) After-tax unrealized insurance margins represent the present value of gross premiums minus the present value of net premiums at current single-A rates plus deferred profit liabilities for product liabilities subject to remeasurement under LDTI.
(4) See definition of underlying earnings power in non-GAAP measures on slide 8.

Expected Change in Quarterly Underlying Earnings Power[1] by Business

($ millions, pre-tax underlying earnings power)	LDTI / Resegmentation Impact	Primary Drivers
PGIM	-	Not applicable
Institutional Retirement Strategies	$25	Accelerated recognition of unrealized margins
Individual Retirement Strategies	($55)	Decelerated revenue recognition, partially offset by decelerated DAC amortization
Group Insurance	-	Immaterial impact
Individual Life	($75)	Decelerated revenue recognition, accelerated reserve recognition, and resegmentation of Prudential Advisors to Corporate and Other
Life Planner	$85	Accelerated recognition of unrealized margins and decelerated DAC amortization
Gibraltar Life & Other	$25	Accelerated recognition of unrealized margins and decelerated DAC amortization
Corporate & Other	-	Impacts of resegmentation are not expected to change full year 2023 expected loss of $1.65 billion
Prudential Financial, Inc.	$5	**No significant impact on underlying earnings power**

(1) See Non-GAAP Measures on slide 8.

Updated Seasonality of Key Financial Items

($ millions, pre-tax adjusted operating income[1])	1Q23	2Q23	3Q23	4Q23
PGIM[2]	($40) Higher compensation expense[3]			Other Related Revenues tend to be higher driven by Incentive & Agency Fees
Institutional Retirement Strategies				
Individual Life	($25) Lowest underwriting gains		$20 Highest underwriting gains	
Life Planner	$60 Highest premiums	($30) Lowest premiums		($30) Lowest premiums
Gibraltar Life & Other	$25 Highest premiums	($15) Lowest premiums		($10) Lower premiums
Corporate & Other	($30) Higher compensation expense[3]			($75) Higher expenses[4] Higher Assurance IQ revenue (annual Medicare enrollment)

(1) See Non-GAAP Measures on slide 7.
(2) PGIM seasonality not impacted by LDTI.
(3) Long-term compensation expense for retiree eligible employees is recognized when awards are granted, typically in the first quarter of each year.
(4) Total company expenses are typically higher than the quarterly average in the fourth quarter by $125-175 million. Corporate and Other's expected annual operating loss for 2023 is $1.65 billion.

Forward-Looking Statements

Certain of the statements included in this presentation, including those relating to the expected impact of LDTI and the resegmentation discussed herein, and under the headings “Expected Change in Quarterly Underlying Earnings Power by Business” and “Updated Seasonality of Key Financial Items Post-LDTI Adoption,” constitute forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Words such as “expects”, “believes”, “anticipates”, “includes”, “plans”, “assumes”, “estimates”, “projects”, “intends”, “should”, “will”, “shall”, or variations of such words are generally part of forward-looking statements. Forward-looking statements are made based on management’s current expectations and beliefs concerning future developments and their potential effects upon Prudential Financial, Inc. and its subsidiaries. Prudential Financial, Inc.’s actual results may differ, possibly materially, from expectations or estimates reflected in such forward-looking statements. Certain important factors that could cause actual results to differ, possibly materially, from expectations or estimates reflected in such forward-looking statements can be found in the “Risk Factors” and “Forward-Looking Statements” sections included in Prudential Financial, Inc.’s Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q. Each of our forward-looking statements contained herein is subject to the risk that we will be unable to execute our strategy and other risks. In addition, the forward-looking projections herein are subject to the risk related to our adoption and implementation of LDTI accounting and that different earnings and expense patterns will emerge. Prudential Financial, Inc. does not undertake to update any particular forward-looking statement included in this presentation.

Non-GAAP Measures

This presentation includes references to and/or projections of adjusted book value, adjusted operating income, and underlying earnings power. Adjusted book value, adjusted operating income, and underlying earnings power are not calculated based on accounting principles generally accepted in the United States of America (GAAP). These non-GAAP measures are not substitutes for book value or net income determined in accordance with GAAP, and the adjustments made to derive these measures are important to an understanding of our overall results of operations and financial position. We believe that our use of these non-GAAP measures helps investors understand and evaluate the Company's projected performance and financial position.

Adjusted book value is calculated as total equity attributable to Prudential Financial, Inc. (GAAP book value) excluding accumulated other comprehensive income (loss) and the cumulative effect of foreign currency exchange rate remeasurements. Adjusted book value 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, including the removal of the associated accounting impacts of the remeasurement of certain insurance liabilities and investments that are marked to market through accumulated other comprehensive income under GAAP.

Adjusted operating income is a non-GAAP measure used by the Company to evaluate segment performance and to allocate resources. Adjusted operating income 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 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. 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 designated as trading. Adjusted operating income also excludes investment gains and losses on assets supporting experience-rated contractholder 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. Additionally, adjusted operating income excludes the changes in fair value of equity securities that are recorded in net income.

Non-GAAP Measures (Continued)

Adjusted operating income excludes "Change in value of market risk benefits, net of related hedging gains (losses)", which reflects the impact from changes in current market conditions, and market experience updates, reflecting the immediate impacts in current period results from changes in current market conditions on estimates of profitability, which we believe enhances the understanding of underlying performance trends. Additionally, adjusted operating income excludes other items, such as certain components of the consideration for acquisitions, which are recognized as compensation expense over the requisite service periods, as well as changes in the fair value of contingent consideration, and goodwill impairments. Earnings attributable to noncontrolling interests is presented as a separate component of net income under GAAP and excluded from adjusted operating income. The tax effect associated with pre-tax adjusted operating income is based on applicable IRS and foreign tax regulations inclusive of pertinent adjustments.

Adjusted operating income does not equate to "Net income" as determined in accordance with U.S. GAAP. Adjusted operating income is not a substitute for net 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.

Underlying earnings power is calculated as adjusted operating income excluding what we consider to be non-core items such as the following, to the extent they are higher or lower than is typical or expected: expenses, variable investment income, and underwriting experience. These items are excluded in order to highlight the earnings attributable to our core business operations separate from the portion attributable to external factors. We are presenting expected changes in quarterly underlying earnings power herein to help investors understand the potential impact to our results of the adoption of LDTI accounting and the resegmentation of Assurance IQ and Prudential Advisors, each to Corporate and Other operations. In this context, we believe underlying earnings power will help investors understand the expected earnings power of our businesses in future periods. We do not intend to present underlying earnings power in the future other than in the context of the transition period related to the adoption of LDTI accounting and the resegmentation.

The projections of adjusted operating income and underlying earnings power that are presented herein are forward-looking. Due to the inherent difficulty in reliably quantifying future realized investment gains/losses and changes in asset and liability values, as well as other non-core items, given their unknown timing and potential significance, we cannot, without unreasonable effort, provide reconciliations of projected adjusted operating income or underlying earnings power to the most comparable GAAP measure.