

3Q23 Earnings Call

November 2, 2023

Expanding access to investing, insurance, and retirement security



Prudential

Key Messages

Transforming our business
for sustainable growth

Navigating the macro environment
with our rock solid balance sheet

Maintaining balanced and
disciplined capital deployment

WE MAKE LIVES BETTER *by*

SOLVING *the* FINANCIAL CHALLENGES

*of
our* CHANGING WORLD



Transforming Our Business for Sustainable Growth

Reducing market sensitivity and increasing capital efficiency

- Completed \$10B⁽¹⁾ structured settlement annuity reinsurance transaction to Prismic

Enhancing capabilities and increasing growth

- Launched Prismic to enhance our mutually reinforcing business system
- Continued sales mix shift to meet evolving customer needs
- Expanding third-party distribution in Latin America and strengthening U.S. proprietary distribution

Optimizing operating efficiency

- Improved customer experience through enhanced sales, service, and claims platforms
- Evolving operating model and simplifying organizational structure to drive efficiencies and fuel growth

(1) Represents reinsured statutory reserves as of transaction effective date of September 1, 2023.



Navigating the Macro Environment with our Rock Solid Balance Sheet

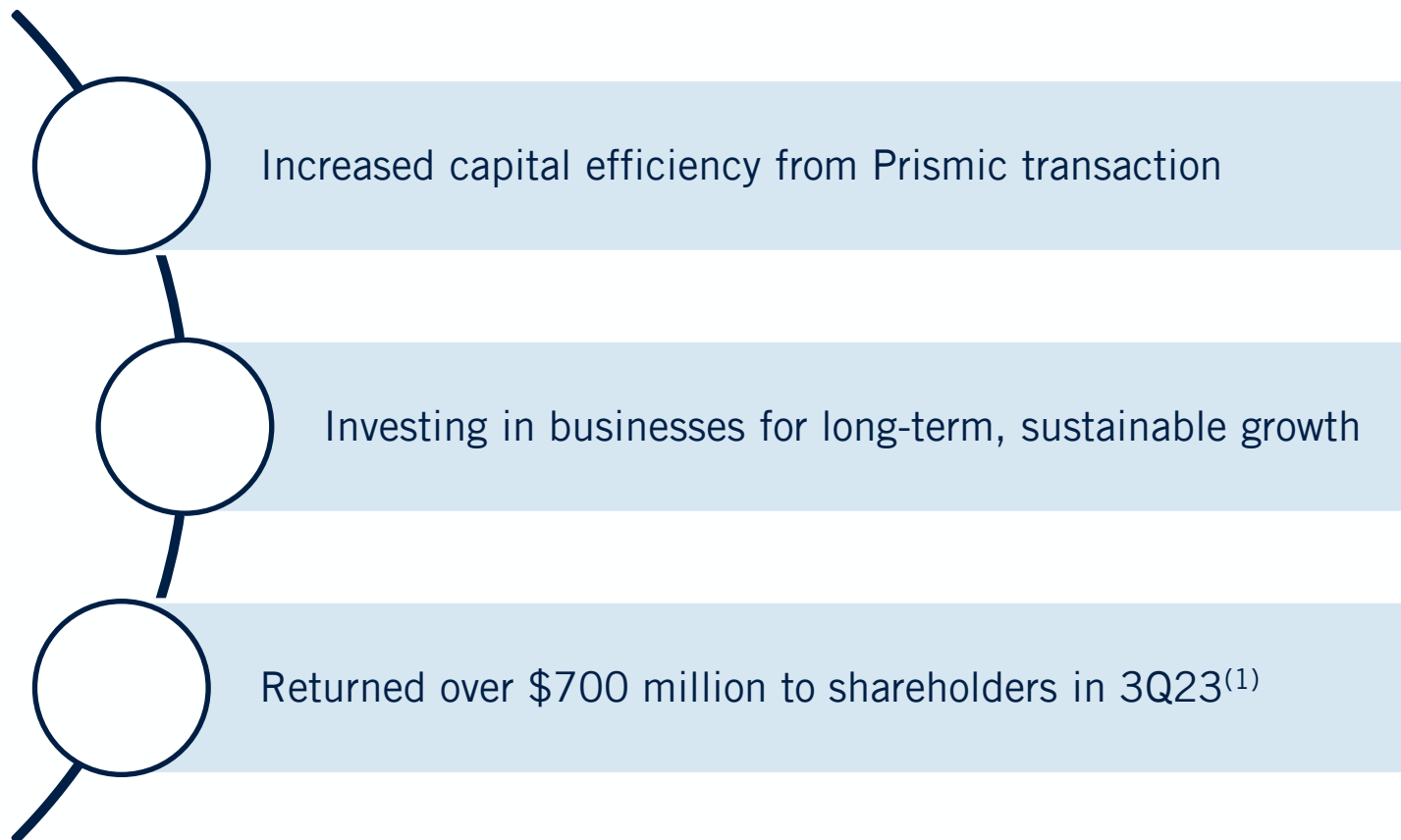


Executing robust capital and liquidity management

(1) Includes approximately \$48 billion of unrealized insurance margins.
(2) Parent company highly liquid assets predominantly include cash, short-term investments, U.S. Treasury securities, obligations of other U.S. government authorities and agencies, and/or foreign government bonds.



Maintaining Balanced and Disciplined Capital Deployment



Creating sustainable, profitable growth and shareholder returns

(1) Capital returned to shareholders in the third quarter of \$711 million includes share repurchases of \$250 million and dividends of \$461 million.



Third Quarter 2023 Highlights

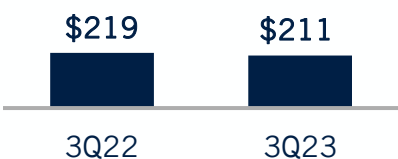
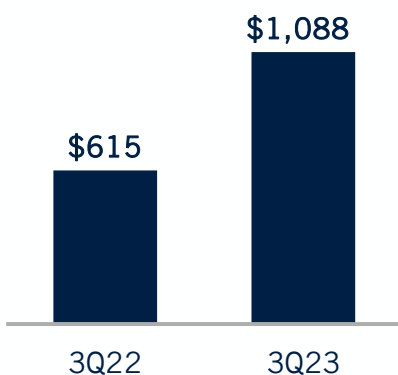
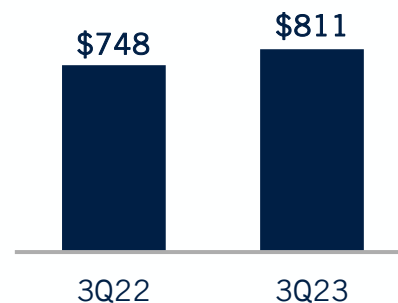
Financial Highlights

(\$ millions, except per share amounts)

	<u>YTD 2023</u>	<u>3Q23</u>
Pre-Tax Adjusted Operating Income ⁽¹⁾	\$4,264	\$1,606
Adjusted Operating Income Per Share ⁽¹⁾	\$9.03	\$3.44
GAAP Net Income Per Share ⁽²⁾	\$3.15	(\$2.23)
Adjusted Operating ROE ⁽³⁾	12.7%	
Adjusted Book Value Per Share ⁽¹⁾	\$94.19	

Earnings Drivers

(\$ millions, pre-tax adjusted operating income)

<u>PGIM</u>	<u>U.S. Businesses</u>	<u>International Businesses</u>
– Lower Other Related Revenues – Higher expenses	+ Higher spread income + Lower expenses – Lower fee income	+ Higher spread income
		

Note: See Appendix for segment results.

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

(2) Includes impacts of realized investment losses, earnings from divested and run-off businesses, and impacts related to net change in value of market risk benefits and market experience updates.

(3) Based on year-to-date 2023 after-tax Adjusted Operating Income and average Adjusted Book Value. See Appendix for more information.

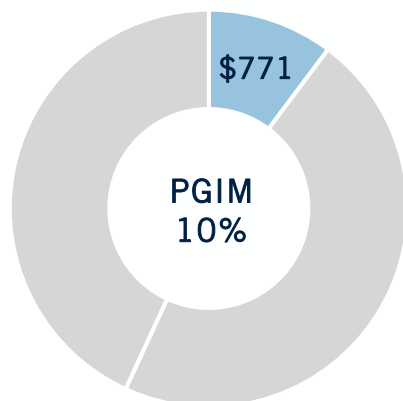


PGIM

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

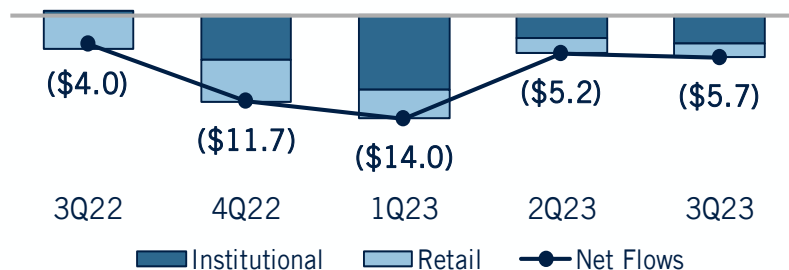
Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
(\$ millions)



3rd Party Net Flows

(\$ billions)

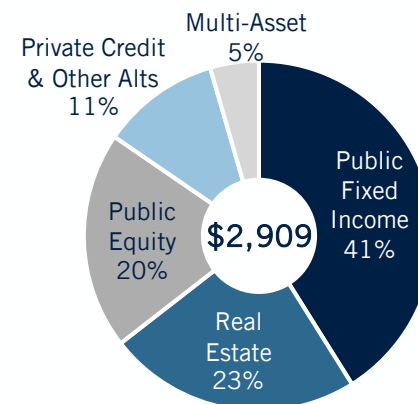


Key Priorities

- Maintain strong investment performance⁽²⁾
 - Percentage of AUM⁽³⁾ outperforming public benchmarks:
3 Year: 69%, 5 Year: 80%, 10 Year: 86%
- Leverage leading asset management capabilities to grow our mutually reinforcing business system
- Globalize both product and client footprint and continue to add capabilities
- Grow in alternatives, including private credit, and other high margin areas
- Selectively acquire new capabilities through programmatic M&A

Asset Management Fees

Trailing twelve months
(\$ millions)



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

(2) PGIM calculations as of September 30, 2023 for \$725 billion of third-party AUM managed against public benchmarks. Past performance is not a guarantee or reliable indicator of future results. All investments involve risk, including the possible loss of capital. Performance is defined as outperformance (gross of fees) relative to each individual strategy's respective benchmark(s).

(3) Represents PGIM's benchmarked AUM (76% of total third-party AUM is benchmarked over 3 years, 68% over 5 years, and 48% over 10 years). This calculation does not include non-benchmarked assets (including general account assets and assets not managed by PGIM). Returns are calculated gross of investment management fees, which would reduce an investor's net return. Excess performance is based on all actively managed Fixed Income, Equity, and Real Estate AUM for Jennison Associates, PGIM Fixed Income, PGIM Quantitative Solutions, PGIM Real Estate, PGIM Private Capital, and PGIM Investments.

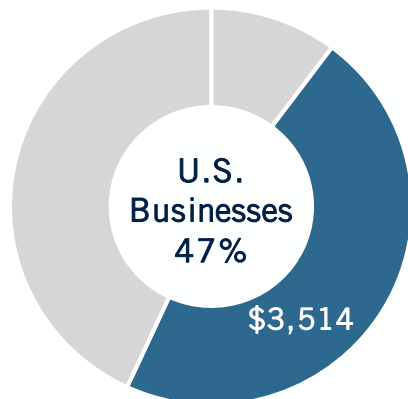


U.S. Businesses

Diversified Portfolio with Expanding Market Opportunities and Improving Risk Profile

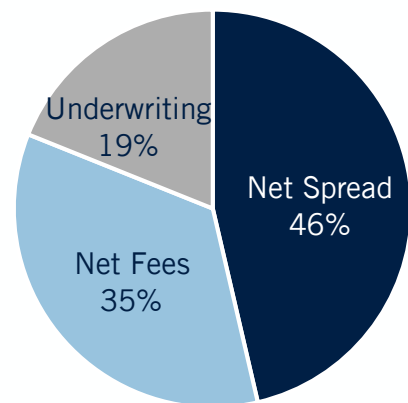
Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
(\$ millions)



Diversified Sources of Earnings

Trailing twelve months⁽²⁾



Key Priorities

- Create higher value, higher growth, and less market sensitive sources of earnings
- Transform our capabilities to improve customer experiences
- Expand our addressable market with new financial solutions leveraging the capabilities across Prudential

Quarterly Performance Highlights

- Strong Institutional Retirement Strategies sales, including a significant level of Funded PRT and Stable Value sales
- Continued success of Individual Retirement Strategies' FlexGuard products, representing approximately 66% of sales, and increased fixed annuity sales representing approximately 32% of sales
- Favorable Individual Life sales mix, reflecting pivot towards less market sensitive products
- Strong Group Insurance earnings with a favorable benefits ratio of 82.4%⁽³⁾

Note: See Appendix for segment results.

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

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

(3) Benefits ratio excluding the impact of assumption updates and other refinements.

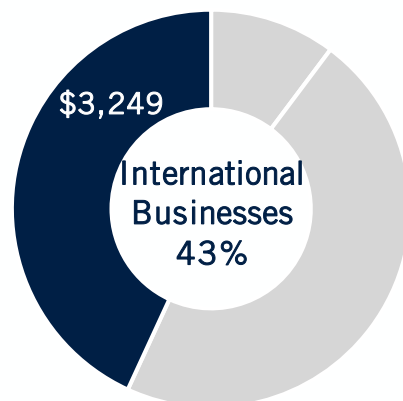


International Businesses

Market Leader in Japan with Expanding Presence in Growth Markets

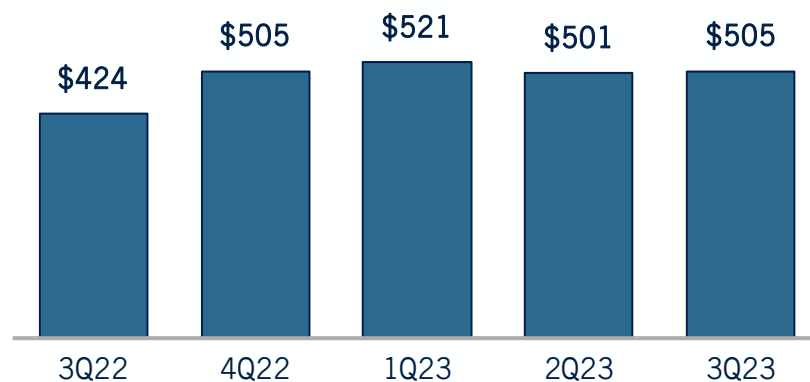
Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
(\$ millions)



Sales⁽²⁾

(\$ millions)

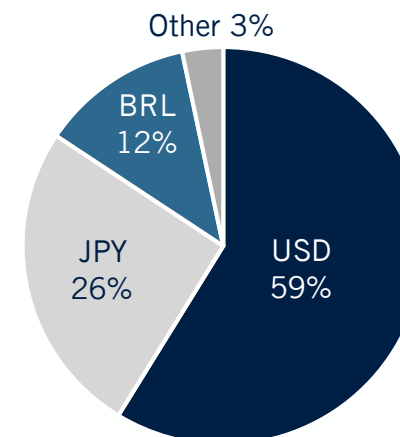


Key Priorities

- Continue to address the insurance and retirement security needs of customers through differentiated distribution and operational efficiency
- Enhance customer experience and distribution through digital tools
- Expand in select high growth emerging markets through investments in organic growth and programmatic M&A

Sales – Currency Mix⁽²⁾

Trailing twelve months



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

(2) Constant exchange rate basis. Foreign denominated activity translated to U.S. Dollars (USD) at uniform exchange rates for all periods presented, including Japanese Yen (JPY) 110 per USD and Brazilian Real (BRL) 6.1 per USD. USD-denominated activity is included based on the amounts as transacted in USD. Sales represented by annualized new business premiums.



Adjusted Operating Income & EPS Considerations

(\$ millions, except per share amounts)

		Adjusted Operating Income Pre-Tax	Adjusted Operating Income Per Share After-Tax
3Q23 Reported⁽¹⁾		\$1,606	\$3.44
Variable Investment Income	Assumes a normalized level	25	0.05
Underwriting	Normalized for 3Q23 experience	10	0.02
Expenses & Other	Primarily reflects estimated restructuring charge and expected seasonal items in 4Q23	(350)	(0.76)
4Q23 Baseline⁽²⁾		\$1,291	\$2.75

4Q23 baseline includes items specific to the fourth quarter that decrease EPS by \$0.73⁽³⁾

Note: See Appendix for segment detail.

(1) See reconciliation in Appendix for non-GAAP measures, Adjusted Operating Income, and Adjusted Operating Income Per Share.

(2) EPS rollforward list of considerations not intended to be exhaustive and rollforward is not a projection of 4Q23 results. Does not consider future items such as, among other things, share repurchases, business growth, and market impacts.

(3) Items specific to the fourth quarter include expense and seasonality impacts. See Appendix for details.



Significant Capital Position

Capital Position

- Parent company liquid assets within \$3 to \$5 billion liquidity target range
- PICA RBC ratio > 375%
- Japan solvency margin ratios > 700%

Sources of Funding

- Parent company highly liquid assets of \$4.3 billion⁽¹⁾
- Free cash flow⁽²⁾ ~65% of earnings over time

Off-Balance Sheet Resources

Resource	Capacity	Maturity Date
Sustainability-Linked Credit Facility	\$4.0 billion	July 2026
Contingent Capital	\$1.5 billion \$1.5 billion \$1.5 billion	November 2023 May 2030 February 2033 and 2053
Prudential Holdings of Japan Facility	¥100 billion	September 2024

As of September 30, 2023.

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

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



Key Messages

Transforming our business
for sustainable growth

Navigating the macro environment
with our rock solid balance sheet

Maintaining balanced and
disciplined capital deployment

WE MAKE LIVES BETTER *by*

SOLVING *the* FINANCIAL CHALLENGES

*of
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Appendix

Expanding access to investing, insurance, and retirement security



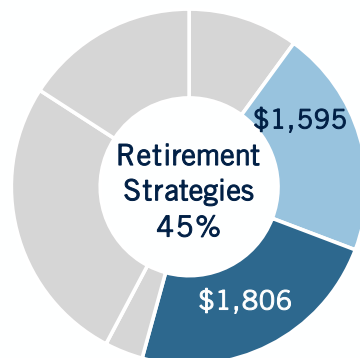
Prudential

Retirement Strategies

Delivering Value by Protecting Customer and Client Outcomes

Earnings Contribution to Prudential

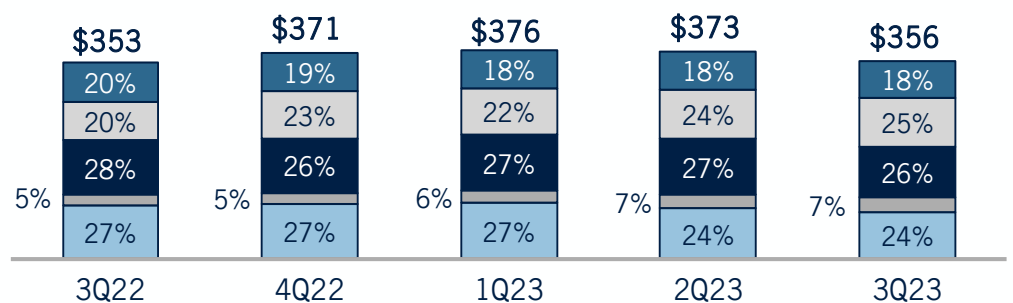
Trailing twelve months⁽¹⁾
(\$ millions)



■ Institutional Retirement Strategies ■ Individual Retirement Strategies

Account Value⁽²⁾ – Product Mix

(\$ billions)



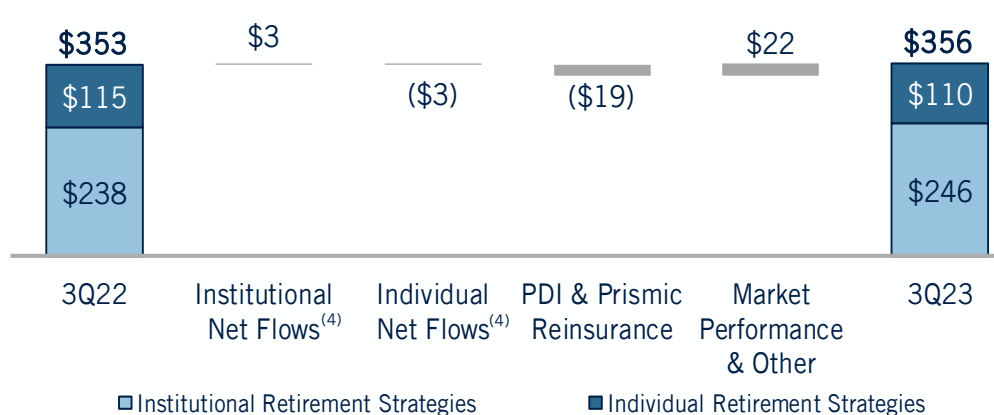
■ Institutional - Stable Value ■ Institutional - Group Annuities & Other Products
■ Institutional - International Reinsurance ■ Individual - Protected Investment & Income⁽³⁾
■ Individual - Discontinued VA & GLB Block

Key Priorities

- Expand access to retirement security, broadening distribution through new relationships, platforms, and advisors
- Deliver industry-leading strategies for growth and protection that create stakeholder value across all economic environments
- Simplify the customer and advisor experience using technology to improve ease of doing business

Account Value⁽²⁾ and Trailing 12 Month Net Flows

(\$ billions)



■ Institutional Retirement Strategies ■ Individual Retirement Strategies

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

(2) Represents account values net of reinsurance ceded.

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

(4) Institutional net flows include sales of \$26 billion and outflows of (\$23 billion). Individual net flows include Protected Investment and Income inflows of \$6 billion offset by outflows of (\$9 billion) from Discontinued VA & GLB Block.

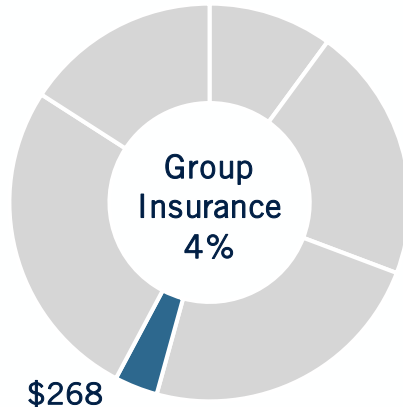


Group Insurance

Leading Group Benefits Provider with Opportunity to Further Diversify

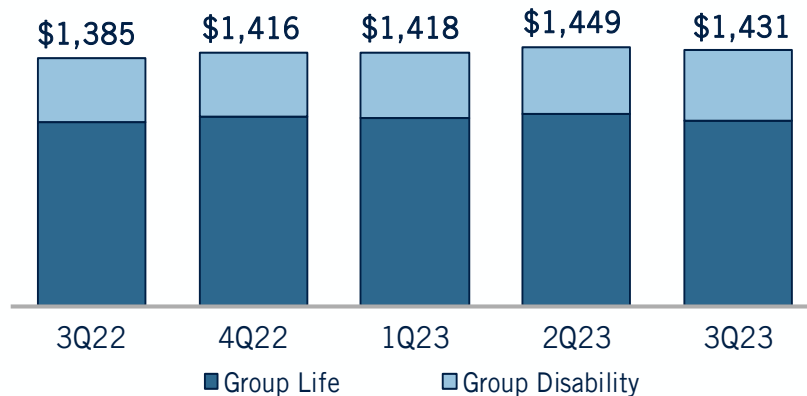
Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
(\$ millions)



Earned Premiums & Fees

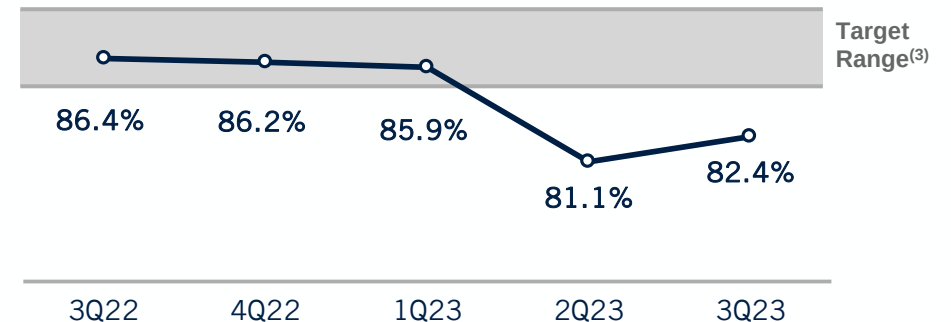
(\$ millions)



Key Priorities

- Execute on diversification strategy while maintaining pricing discipline
 - Maintain National segment share (>5,000 lives) and grow both Premier segment (100 to 5,000 lives) and Association
 - Diversify further into voluntary products
- Deepen employer and participant relationships with holistic wellness programs
- Improve organizational and process efficiencies

Total Group Insurance Benefits Ratio⁽²⁾



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

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

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

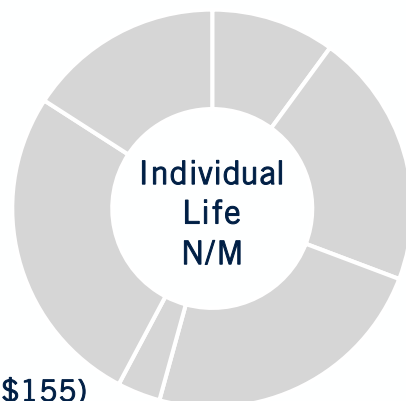


Individual Life

Broad Product Portfolio and Multi-Channel Distribution

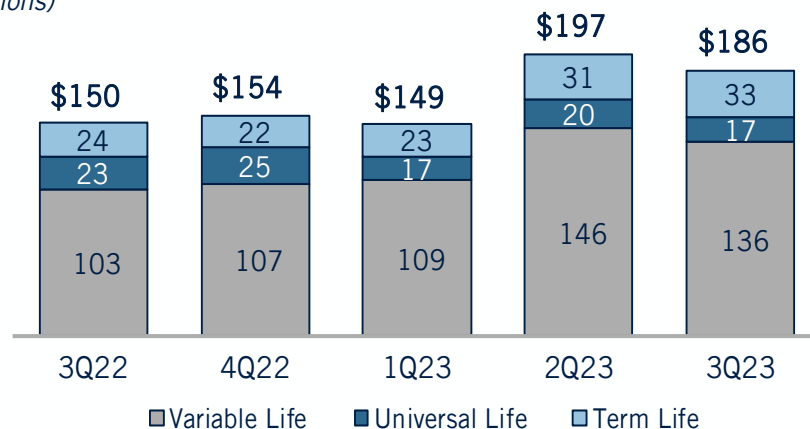
Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
(\$ millions)



Sales⁽²⁾ – Product Mix

(\$ millions)

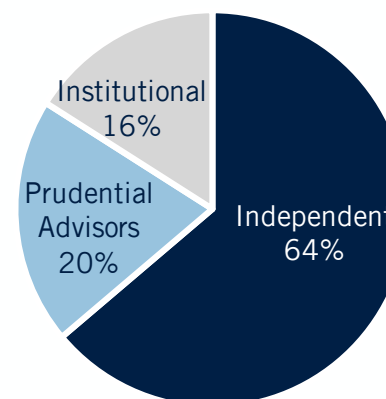


Key Priorities

- Improve profitability through disciplined pricing and expense management
- Expand digital capabilities to drive operating efficiencies and deepen distribution relationships
- Continue growth of simplified term protection solutions that expand our addressable market and achieve lower risk financial profiles

Sales⁽²⁾ – Distribution Mix

Trailing twelve months



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

(2) Sales represented by annualized new business premiums.

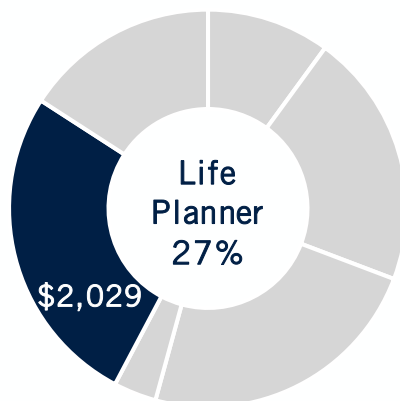


Life Planner

Highly Productive Proprietary Distribution with Steady Long-Term Growth Potential

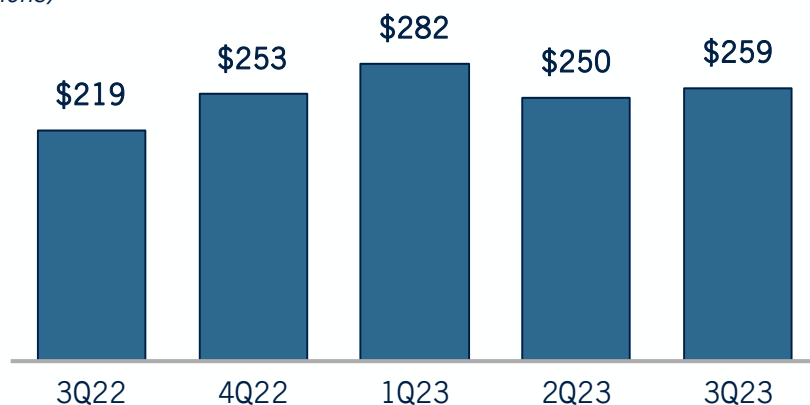
Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
(\$ millions)



Sales⁽²⁾

(\$ millions)

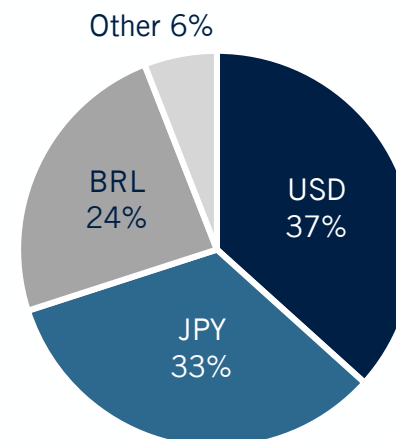


Key Priorities

- Lead with protection solutions while expanding product and business capabilities to meet customers' evolving needs
- Nurture and grow Life Planners
- Enhance client experience and distribution support through digital tools
- Expand existing emerging market platforms including through selective programmatic M&A opportunities

Sales – Currency Mix⁽²⁾

Trailing twelve months



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

(2) Constant exchange rate basis. Foreign denominated activity translated to U.S. Dollars (USD) at uniform exchange rates for all periods presented, including Japanese Yen (JPY) 110 per USD and Brazilian Real (BRL) 6.1 per USD. USD-denominated activity is included based on the amounts as transacted in USD. Sales represented by annualized new business premiums.

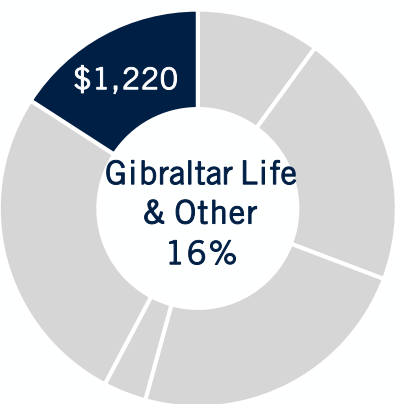


Gibraltar Life & Other

Meeting Client Needs via Multiple Channels

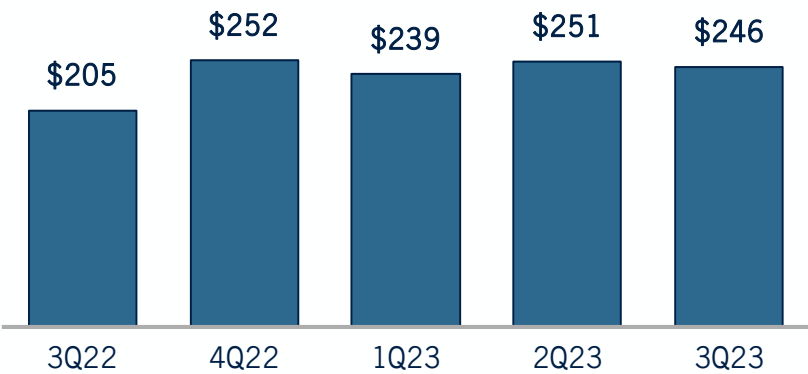
Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
(\$ millions)



Sales⁽²⁾

(\$ millions)

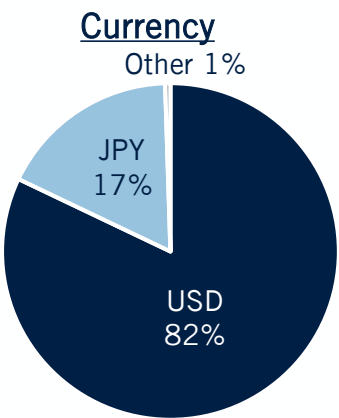
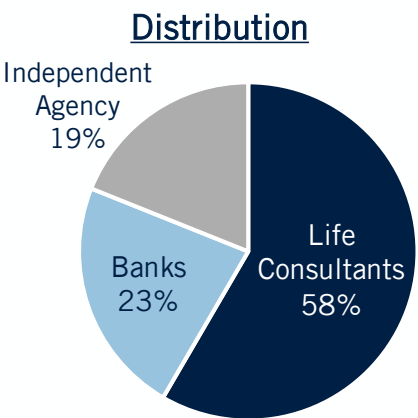


Key Priorities

- Lead with protection solutions while expanding product and business capabilities to meet customers' evolving needs
- Optimize Life Consultants and strategically expand in third-party channels
- Enhance client experience and distribution support through digital tools
- Expand existing emerging market platforms including through selective programmatic M&A opportunities

Sales Mix⁽²⁾

Trailing twelve months



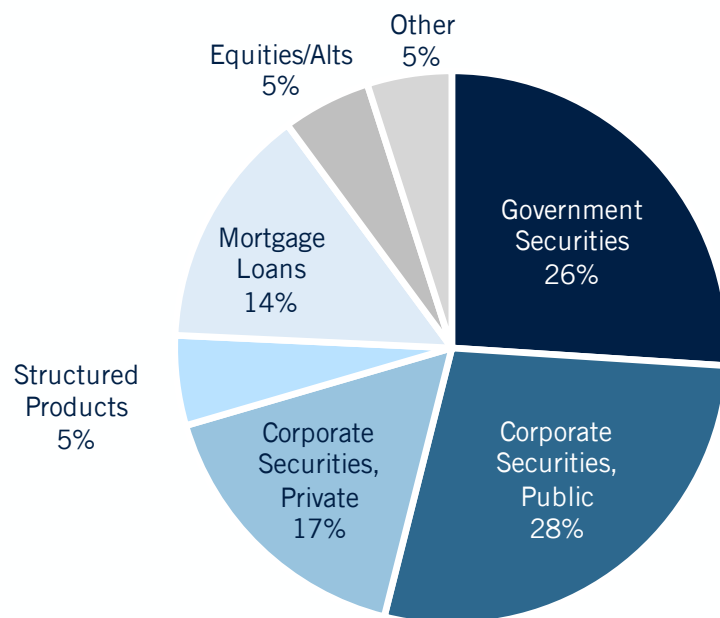
(1) Based on pre-tax adjusted operating income excluding Corporate & Other operations.
(2) Constant exchange rate basis. Foreign denominated activity translated to U.S. Dollars (USD) at uniform exchange rates for all periods presented, including Japanese Yen (JPY) 110 per USD. USD-denominated activity is included based on the amounts as transacted in USD. Sales represented by annualized new business premiums.



Investment Portfolio

Portfolio Composition⁽¹⁾

\$351 billion



Highlights

- Broadly diversified, high quality portfolio with strong Asset Liability Management
 - High allocation to government securities (mostly U.S. and Japan)
 - Significant protections with private credit
- Benefits from PGIM's expertise and direct origination capabilities
- Disciplined framework for credit management

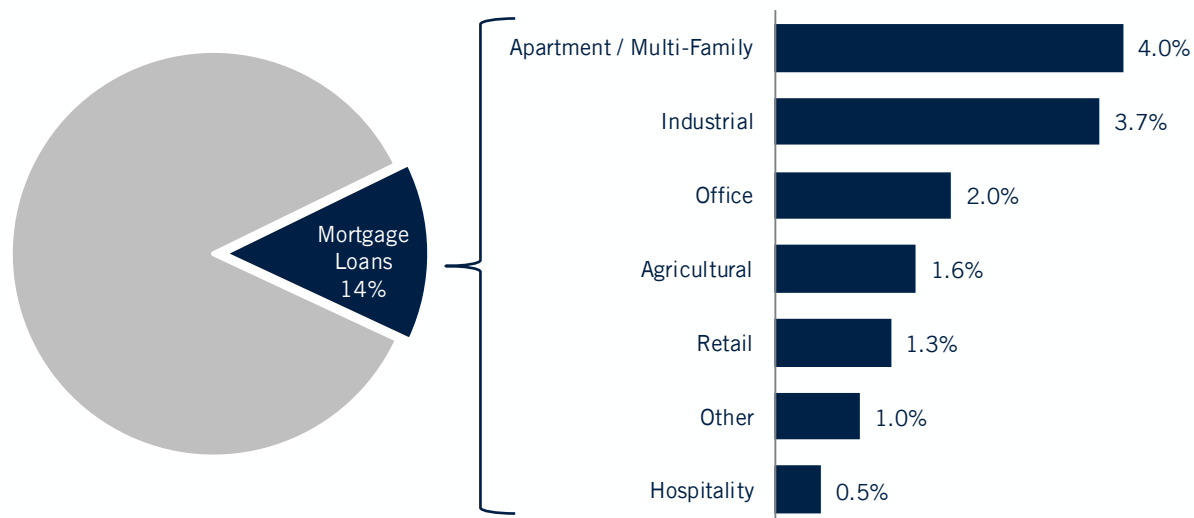
(1) General Account excluding the Closed Block Division and assets supporting experience-related contractholder liabilities (ASCL) as of September 30, 2023, on a U.S. GAAP carrying value basis. Mortgage loans include commercial, agricultural, residential, and other loans. Structured products include commercial and residential mortgage-backed securities, collateralized loan obligations, and other asset-backed securities. Alts include investments in LPs/LLCs, and real estate held through direct ownership. Other includes policy loans, fixed maturities - trading, short-term investments, derivatives, and other miscellaneous assets.



Mortgage Loan Portfolio

- Conservative underwriting with a weighted average loan-to-value (LTV) of 59% and debt service coverage ratio (DSCR) of 2.48x as well as a prudent loan monitoring process with loan evaluations occurring at least annually
 - 60% rated CM1 and 30% rated CM2
- Office represents 2% of invested assets
 - Approximately three-quarters of office properties are Class A

\$50 billion or 14% of Invested Assets⁽¹⁾



		Debt Service Coverage Ratio			
(\$ millions)		≥ 1.2x	1.0x to < 1.2x	< 1.0x	Total
Loan-to-Value	0% - 59.99%	\$ 28,308	\$ 574	\$ 145	\$ 29,027
	60% - 69.99%	11,797	699	272	12,768
	70% - 79.99%	3,897	330	671	4,898
	80% or greater	1,219	706	809	2,734
	Total ⁽²⁾	\$ 45,221	\$ 2,309	\$ 1,897	\$ 49,427

Loans with LTV ≥ 70% and DSCR < 1.2x are 5% of the mortgage portfolio

Note: See Appendix for Additional Commercial Real Estate Details.

(1) General Account excluding the Closed Block Division and assets supporting experience-related contractholder liabilities (ASCL) as of September 30, 2023, on a U.S. GAAP carrying value basis.

(2) On a U.S. GAAP carrying value basis gross of allowance for credit losses. Excludes \$536M of uncollateralized, residential, and other collateralized loans.



Adjusted Operating Income Rollforward by Business

(\$ millions, pre-tax)

	3Q23 Reported	3Q23			4Q23	4Q23 Baseline ⁽⁴⁾
		VII	Underwriting	Expenses & Other ⁽²⁾	Expenses & Other ⁽³⁾	
PGIM	\$211	-	-	(10)	-	\$201
Institutional Retirement Strategies	\$439	(5)	5	10	-	\$449
Individual Retirement Strategies	\$502	10	-	-	-	\$512
Group Insurance	\$89	-	(25)	-	(5)	\$59
Individual Life	\$58	(5)	20	(60)	-	\$13
Life Planner	\$527	(10)	5	(25)	(55)	\$442
Gibraltar Life & Other	\$284	25	5	(5)	(20)	\$289
Corporate & Other	(\$504)	10	-	85	(265)	(\$674)
Prudential Financial, Inc.⁽¹⁾	\$1,606	\$25	\$10	(\$5)	(\$345)	\$1,291

Includes items specific to the fourth quarter totaling (\$0.73)

(1) See reconciliation for non-GAAP measures Adjusted Operating Income in Appendix

(2) Primarily reflects lower than typical expenses and other one-off items. PGIM quarterly Other Related Revenues, net of related expenses, expected to range from \$35 to \$45 million, \$10 million lower than prior run-rate level. Corporate & Other reflects higher than typical expenses and other items.

(3) Includes seasonal expenses. Life Planner and Gibraltar Life & Other also include seasonally low annual premiums. Corporate & Other also includes estimated restructuring charge of approximately \$200 million.

(4) List of considerations not intended to be exhaustive and rollforward is not a projection of 4Q23 results. Does not consider future items such as, among other things, share repurchases, business growth, and market impacts.



Seasonality of Key Financial Items

(\$ millions, pre-tax adjusted operating income)	4Q23	1Q24	2Q24	3Q24
PGIM		(\$45) Higher compensation expense ⁽²⁾		
Individual Life		(\$30) Lowest underwriting gains		\$25 Highest underwriting gains
Life Planner	(\$40) Lowest premiums	\$60 Highest premiums	(\$20) Lower premiums	
Gibraltar Life & Other	(\$10) Lower premiums	\$25 Highest premiums	(\$15) Lowest premiums	
Corporate & Other	(\$65) Higher expenses ⁽¹⁾	(\$35) Higher compensation expense ⁽²⁾	Lower Assurance IQ revenue	Lower Assurance IQ revenue
	Higher Assurance IQ revenue (annual Medicare enrollment)	Lower Assurance IQ revenue		

(1) Total company expenses are expected to be higher than the quarterly average in the fourth quarter by \$75-125 million.

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



Forward-Looking Statements

Certain of the statements included in this presentation, including those regarding our plans to transform our business for sustainable growth, our capital and liquidity management strategies, and those under the headings “Key Priorities,” “Adjusted Operating Income & EPS Considerations,” “Adjusted Operating Income Rollforward by Business,” including the expected restructuring charge, and “Seasonality of Key Financial Items,” 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, our statements under the heading “Seasonality of Key Financial Items” are subject to the risk 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.

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



Non-GAAP Measures

This presentation includes references to adjusted operating income, adjusted book value, and adjusted operating return on equity, which is based on adjusted operating income and adjusted book value. Consolidated adjusted operating income, adjusted book value, and adjusted operating return on equity are not calculated based on accounting principles generally accepted in the United States of America (GAAP). For additional information about adjusted operating income, adjusted book value, and adjusted operating return on equity and the comparable GAAP measures, including reconciliations between the comparable measures, please refer to our quarterly results news releases, which are available on our website at investor.prudential.com. Reconciliations are also included as part of this presentation.

Our 4Q23 earnings rollforward is based on adjusted operating income. Due to the inherent difficulty in reliably quantifying future realized investment gains/losses and changes in asset and liability values given their unknown timing and potential significance, we cannot, without unreasonable effort, provide rollforward based on income from continuing operations, which is the GAAP measure most comparable to adjusted operating income.

We believe that our use of these non-GAAP measures helps investors understand and evaluate the Company's performance and financial position. The presentation of adjusted operating income as we measure it for management purposes enhances the understanding of the 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 below. 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, 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 accumulated other comprehensive income under GAAP. However, these non-GAAP measures are not substitutes for income and equity 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. The schedules accompanying this release provide reconciliations of non-GAAP measures with the corresponding measures calculated using GAAP. Additional historic information relating to our financial performance is located on our website at investor.prudential.com.

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, 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.



Non-GAAP Measures (Continued)

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.

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. Adjusted operating income also excludes the results of Divested and Run-off Businesses, which are not relevant to our ongoing operations, and discontinued operations and earnings attributable to noncontrolling interests, each of which is presented as a separate component of net income under GAAP. 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, 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 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.

Adjusted book value is calculated as total equity (GAAP book value) excluding accumulated other comprehensive income (loss) and the cumulative effect of foreign currency exchange rate remeasurements and currency translation adjustments corresponding to realized investment gains and losses. These items are excluded in order to highlight the book value attributable to our core business operations separate from the portion attributable to external and potentially volatile capital and currency market conditions.



Reconciliations between Adjusted Operating Income and the Comparable GAAP Measure

(\$ millions)

Net income (loss) attributable to Prudential Financial, Inc.

Income (loss) attributable to noncontrolling interests

Net income (loss)

Less: Earnings attributable to noncontrolling interests

Income (loss) attributable to Prudential Financial, Inc.

Less: Equity in earnings of operating joint ventures, net of taxes and earnings attributable to noncontrolling interests

Income (loss) (after-tax) before equity in earnings of operating joint ventures

Less: Reconciling Items:

Realized investment losses, net, and related charges and adjustments

Change in value of market risk benefits, net of related hedging gains (losses)

Market experience updates

Divested and Run-off Businesses:

Closed Block Division

Other Divested and Run-off Businesses

Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests

Other adjustments⁽¹⁾

Total reconciling items, before income taxes

Less: Income taxes, not applicable to adjusted operating income

Total reconciling items, after income taxes

After-tax adjusted operating income

Income taxes, applicable to adjusted operating income

Adjusted operating income before income taxes

Net Income (loss) Return on Equity

Adjusted Operating Return on Equity⁽²⁾

Third Quarter		
2023	2022	
\$ (802)	\$ (92)	
11	(16)	
(791)	(108)	
11	(16)	
(802)	(92)	
5	23	
(807)	(115)	
\$ (2,491)	\$ (1,243)	
(251)	(58)	
143	125	
2	(21)	
(46)	(53)	
(11)	(33)	
(10)	(10)	
(2,664)	(1,293)	
(591)	(282)	
(2,073)	(1,011)	
1,266	896	
340	271	
\$ 1,606	\$ 1,167	
-11.8%	-1.2%	
14.5%	9.8%	

(1) Represents adjustments not included in the above reconciling items, including certain components of consideration for business acquisitions, which are recognized as compensation expense over the requisite service periods.

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



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

	Third Quarter	
	2023	2022
Net income (loss) per share attributable to Prudential Financial, Inc.	\$ (2.23)	\$ (0.26)
Less: Reconciling Items:		
Realized investment losses, net, and related charges and adjustments	(6.85)	(3.33)
Change in value of market risk benefits, net of related hedging gains (losses)	(0.69)	(0.16)
Market experience updates	0.39	0.34
Divested and Run-off Businesses:		
Closed Block Division	0.01	(0.06)
Other Divested and Run-off Businesses	(0.13)	(0.14)
Difference in earnings allocated to participating unvested share-based payment awards	0.02	0.02
Other adjustments ⁽¹⁾	(0.03)	(0.03)
Total reconciling items, before income taxes	(7.28)	(3.36)
Less: Income taxes, not applicable to adjusted operating income	(1.61)	(0.73)
Total reconciling items, after income taxes	(5.67)	(2.63)
After-tax adjusted operating income per share	\$ 3.44	\$ 2.37

(1) Represents adjustments not included in the above reconciling items, including certain components of consideration for business acquisitions, which are recognized as compensation expense over the requisite service periods.



Reconciliation between Adjusted Book Value and the Comparable GAAP Measure

(\$ millions, except per share data)

	September 30, 2023
GAAP book value	\$ 25,814
Less: Accumulated other comprehensive income (AOCI)	(7,831)
GAAP book value excluding AOCI	33,645
Less: Cumulative effect of foreign exchange rate remeasurement and currency translation adjustments corresponding to realized gains (losses)	(687)
Adjusted book value	<u>\$ 34,332</u>
 Number of diluted shares	 <u>364.5</u>
 GAAP book value per Common share - diluted	 \$ 70.82
GAAP book value excluding AOCI per Common share - diluted	\$ 92.30
Adjusted book value per Common share - diluted	\$ 94.19

