



4Q21 Earnings Call

February 4, 2022

Key Messages

**Executing on plans
to reposition the
business**

**On track to achieve
\$750 million of cost
savings**

**Thoughtfully
deploying capital**

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



Executing on Plans to Reposition the Business

Divestitures

- Prudential of Korea
- Prudential of Taiwan
- Full Service Retirement business⁽¹⁾
- PALAC traditional Variable Annuity block⁽¹⁾

- Programmatic acquisitions and investments in asset management and emerging markets:
 - Montana Capital Partners
 - Green Harvest Asset Management
 - ICEA LION Holdings

Acquisitions

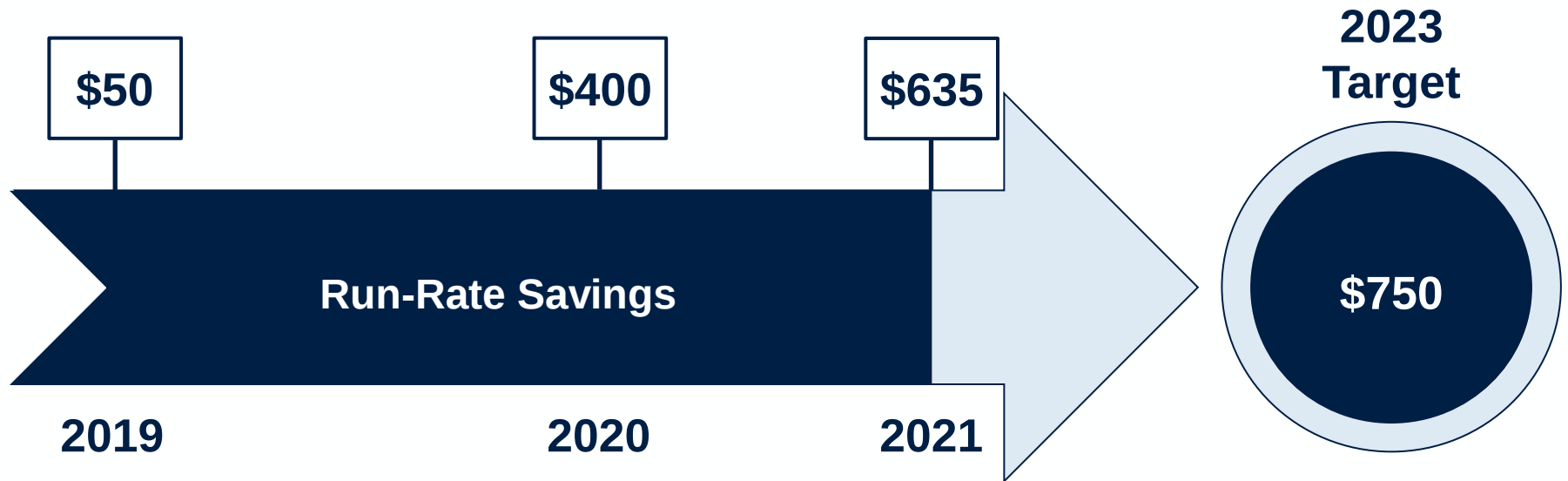
Becoming a higher growth, less market sensitive company

⁽¹⁾ Each of the planned sales of the Full Service Retirement business and the PALAC traditional Variable Annuity block is expected to be completed during the first half of 2022.



On Track to Achieve \$750 Million of Cost Savings

(\$ in millions)

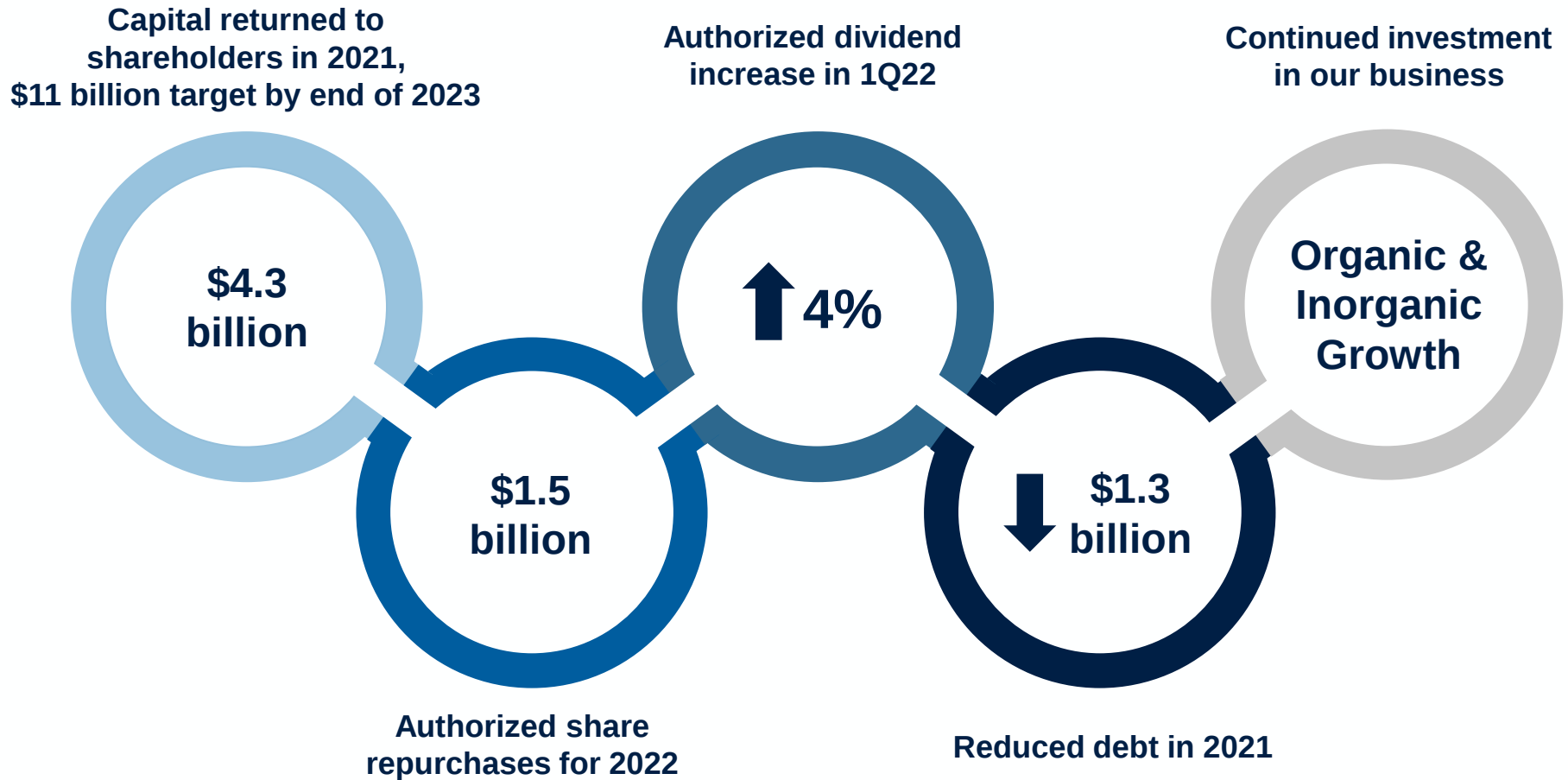


Exceeded run-rate savings target of \$500 million for 2021

Note: Realized cost savings of ~\$155 million in 4Q21 for a total of ~\$540 million year-to-date.



Thoughtfully Deploying Capital



Supported by our rock solid balance sheet

Note: Capital returned to shareholders in the fourth quarter of \$818 million includes share repurchases of \$375 million and dividends of \$443 million.



Continued Commitment to Long-Term Sustainability

ENVIRONMENTAL	SOCIAL	GOVERNANCE
• Net Zero emissions across primary home office facilities by 2050⁽¹⁾ • Interim target to become carbon neutral across home office facilities by 2040⁽¹⁾ • Restriction on new investments in thermal coal⁽²⁾	• \$1B invested by The Prudential Foundation • Progress on nine commitments to advance racial equity	• 82% of independent directors are diverse • Enhanced diversity disclosures including EEO-1 data and pay equity analyses • Expanded policy tying senior executive compensation to workforce diversity targets

Fulfilling our purpose of solving the financial challenges of our changing world

(1) Relates to Scope 1 and Scope 2 emissions. Scope 1 results from "direct" GHG emissions that occur from sources that are controlled or owned by an organization. Scope 2 results from "indirect" GHG emissions associated with the purchase of electricity, steam, heat, or cooling.

(2) Restrictions relate to new direct investments in mining or utility companies that derive a material portion of their revenues from thermal coal. Exceptions may apply for issuers with a low carbon transition strategy and green bonds of restricted issuers.



Full Year & Fourth Quarter 2021 Highlights

Financial Highlights

(\$ millions, except per share amounts)

	<u>2021</u>	<u>4Q21</u>
Pre-Tax Adjusted Operating Income⁽¹⁾	\$7,301	\$1,585
Adjusted Operating Income Per Share⁽¹⁾	\$14.58	\$3.18
GAAP Net Income Per Share⁽²⁾	\$19.51	\$3.13
Adjusted Operating ROE⁽³⁾	14.3%	
Adjusted Book Value Per Share⁽¹⁾	\$108.72	

Earnings Drivers

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

	<u>PGIM</u>	<u>U.S. Businesses</u>	<u>International Businesses</u>
	+ Higher asset management fees – Lower Other Related Revenues – Higher expenses	+ Higher spread income + Higher fee income – Higher expenses – Less favorable underwriting driven by COVID-19	+ Business growth + Lower expenses + Higher spread income

Note: See Appendix for segment results. Prior period restated for reclassification of results of Full Service Retirement. Adjusted operating income reflects the reclassification of results of Full Service Retirement from the Retirement business to Divested and Run-off Businesses in Corporate & Other. Full Service results are excluded from adjusted operating income as a result of the operation being held-for-sale.

(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 gains, favorable market experience updates, and earnings from divested and run-off businesses, which are offset by a goodwill impairment that resulted in a charge of \$837 million after-tax.

(3) Based on 2021 after-tax Adjusted Operating Income and average Adjusted Book Value. See Appendix for more information.

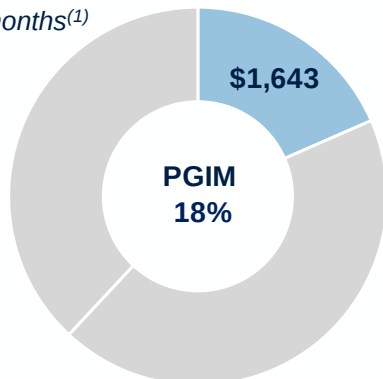


PGIM

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

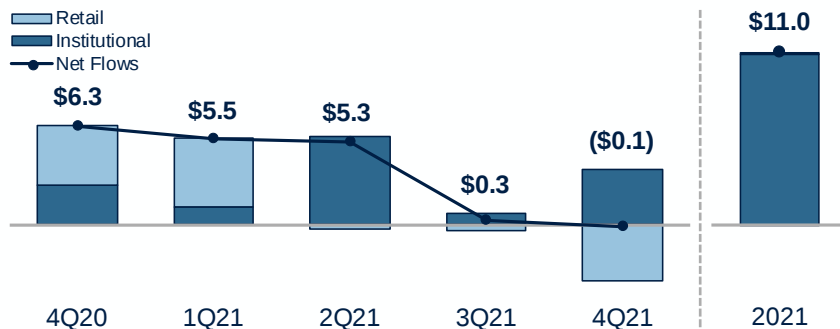
Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
(\$ millions)



3rd Party Net Flows

(\$ billions)

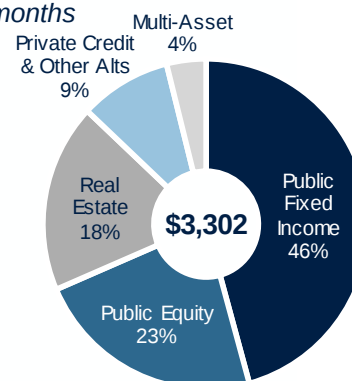


Key Priorities

- Maintain strong investment performance⁽²⁾
 - Percentage of AUM⁽³⁾ outperforming public benchmarks: 3 Year: 95%, 5 Year: 97%, 10 Year: 96%
- Capture synergies with broader Prudential enterprise and leverage scale to drive operating leverage
- Globalize the product and client footprint and continue to add capabilities and grow in alternatives 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 December 31, 2021 for \$873 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 (78% of total third-party AUM is benchmarked over 3 years, 71% 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, PGIM Global Partners, and PGIM Real Estate Finance. Due to timing, performance for some real estate funds is preliminary.

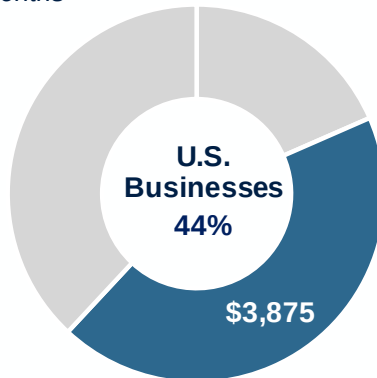


U.S. Businesses

Diversified Portfolio with Expanding Market Opportunities and Improving Risk Profile

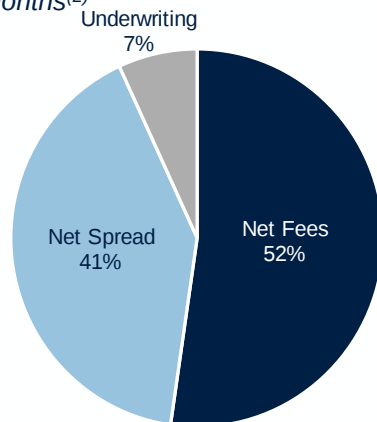
Earnings Contribution to Prudential

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 through product pivots and de-risking actions
- Deliver on savings commitments while transforming our capabilities to improve customer experiences
- Leverage the capabilities of Prudential and Assurance IQ to expand our addressable market

Full Year Performance Highlights

- Continued success of Annuities FlexGuard products, representing 87% of sales
- Favorable Individual Life sales mix, with variable products representing 71% of sales
- Account value growth in Retirement reflects strong Funded PRT and International Re sales
- Strong persistency and revenue growth across all segments in Group Insurance
- Assurance IQ revenue growth of 43% over prior year
- On track to deliver targeted efficiencies

Note: See Appendix for segment results. Prior periods restated for reclassification of results of Full Service Retirement from the Retirement business to Divested and Run-off Businesses in Corporate & Other.

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

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



International Businesses

Market Leader in Japan with Expanding Presence in Growth Markets

Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
(\$ millions)

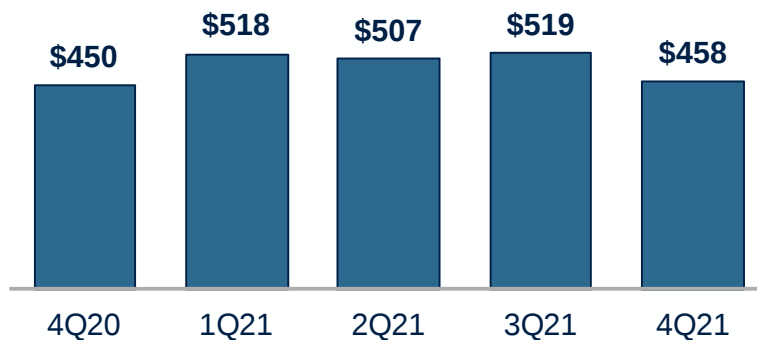


Key Priorities

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

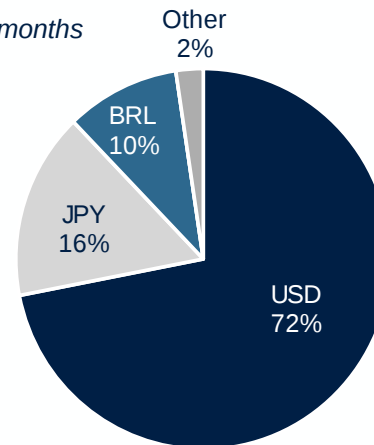
Sales⁽²⁾

(\$ millions)



Sales – Currency Mix⁽²⁾

Trailing twelve months



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

(2) Constant exchange rate basis. Foreign denominated activity translated to U.S. Dollars (USD) at uniform exchange rates for all periods presented, including Japanese Yen (JPY) 103 per USD and Brazilian Real (BRL) 4.1 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
4Q21 Reported⁽¹⁾		\$1,585	\$3.18
Variable Investment Income	Assumes a normalized level	(440)	(0.88)
Underwriting	4Q21 normalized and 1Q22 adjusted for seasonal and estimated COVID-19 impacts	90	0.18
Expenses & Other	Net earnings impacts from certain segments	105	0.21
Interest Rates⁽²⁾	1Q22 quarterly reduction in net investment income from portfolio reinvestment	(10)	(0.02)
Tax Rate	Normalized for 4Q21 items	0	0.06
1Q22 Baseline⁽³⁾		\$1,330	\$2.73

1Q22 baseline includes items specific to the first quarter that reduce EPS by \$0.44⁽⁴⁾

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

(3) EPS rollforward list of considerations not intended to be exhaustive and rollforward is not a projection of 1Q22 results. Does not consider future items such as share repurchases, business growth, and certain market impacts.

(4) Items specific to the first quarter include seasonality and estimated COVID-19 impacts. See Appendix for details.



Robust Capital Position Supports Increased Shareholder Distributions

Capital Position

- Parent company liquid assets within \$3 to \$5 billion liquidity target range
- PICA RBC ratio > 400%
- Japan solvency margin ratios > 700%

Sources of Funding

- Parent company highly liquid assets of \$3.6 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	November 2023 May 2030
Prudential Holdings of Japan Facility	¥100 billion	September 2024

As of December 31, 2021.

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

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



Key Messages

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to reposition the
business**

**On track to achieve
\$750 million of cost
savings**

**Thoughtfully
deploying capital**

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





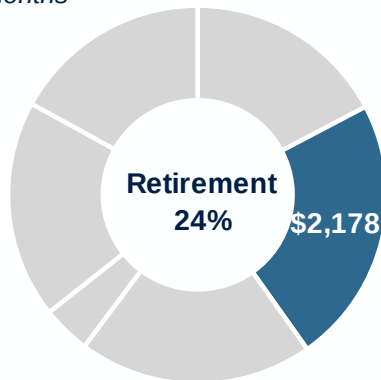
Appendix

Retirement

Differentiated Capabilities Drive Growth in PRT and International Reinsurance

Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
(\$ millions)

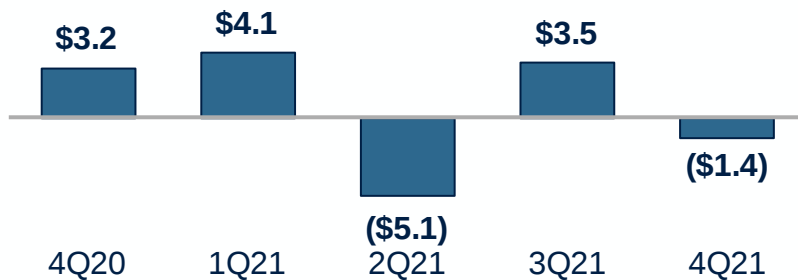


Key Priorities

- Leverage world class talent and market leading capabilities to deliver differentiated product solutions
- Continue to grow profitably through innovation and expansion into adjacent markets and products
- Deploy technology to enhance operating efficiencies and support business growth

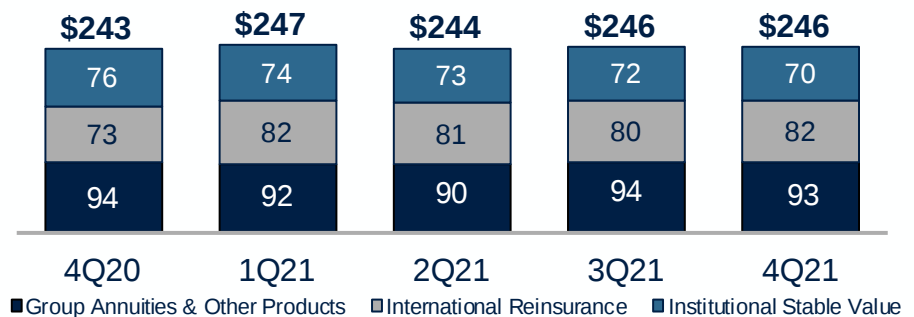
Net Flows

(\$ billions)



Account Value – Product Mix

(\$ millions)



Note: Prior periods restated for reclassification of results of Full Service Retirement from the Retirement business to Divested and Run-off Businesses in Corporate & Other.

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



Group Insurance

Leading Group Benefits Provider with Opportunity to Further Diversify

Earnings Contribution to Prudential

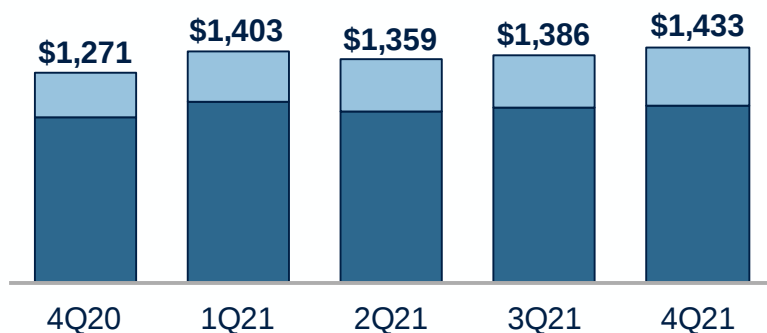
Trailing twelve months⁽¹⁾
(\$ millions)



Earned Premiums & Fees

(\$ millions)

■ Group Life ■ Group Disability

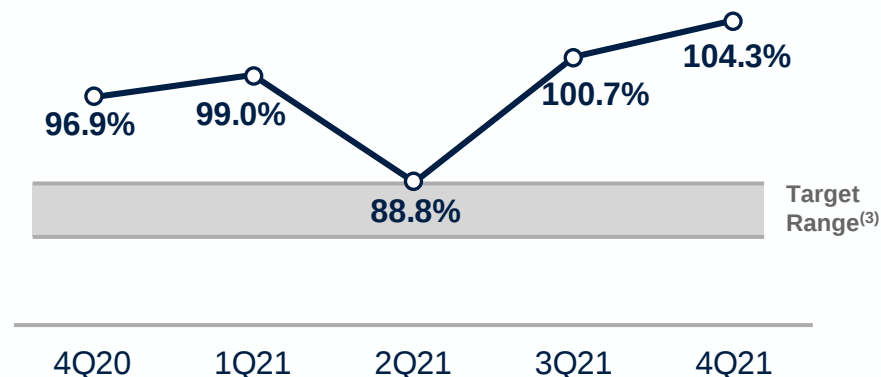


- (1) Based on pre-tax adjusted operating income excluding Corporate & Other operations.
 (2) Benefits ratios excluding the impact of assumption updates and other refinements.
 (3) Targeted total benefit ratio range of 85% - 89%.

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 Group Disability and Voluntary products
- Deepen employer and participant relationships with Financial Wellness programs
- Improve organizational and process efficiencies

Total Group Insurance Benefits Ratio⁽²⁾

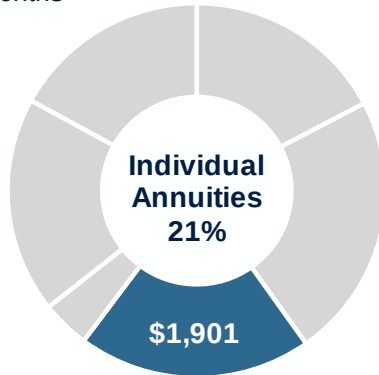


Individual Annuities

Creating Shareholder Value by Protecting Customer Outcomes

Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
(\$ millions)



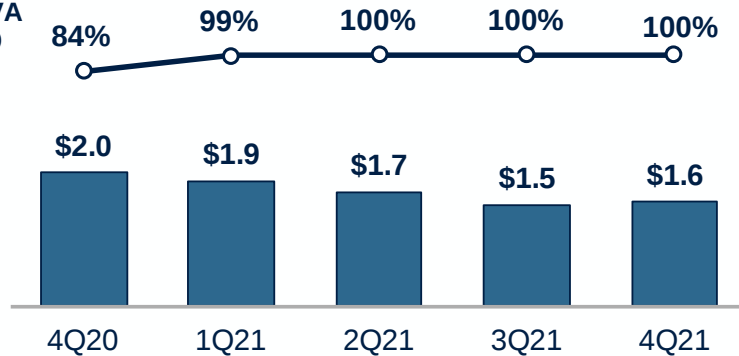
Key Priorities

- Deliver investment strategies and income solutions for growth and protection that create stakeholder value across all economic environments
- Transform the customer experience using technology to improve ease of doing business
- Broaden distribution, eliminating barriers to market adoption and expanding our reach through new platforms and advisors

Sales

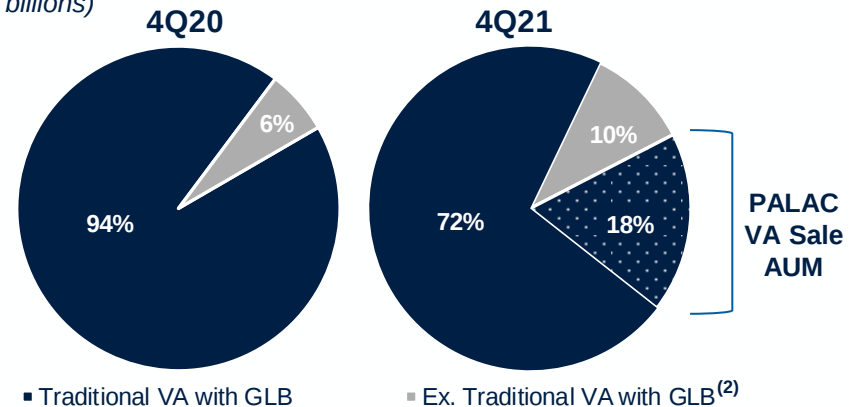
Sales ex.
Traditional VA
with GLB⁽²⁾

Sales
(\$ billions)



Assets Under Management

(\$ billions)



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

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

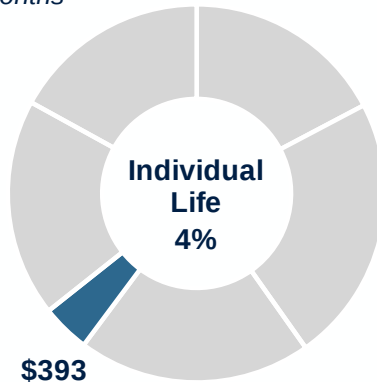


Individual Life

Broad Product Portfolio and Multi-Channel Distribution

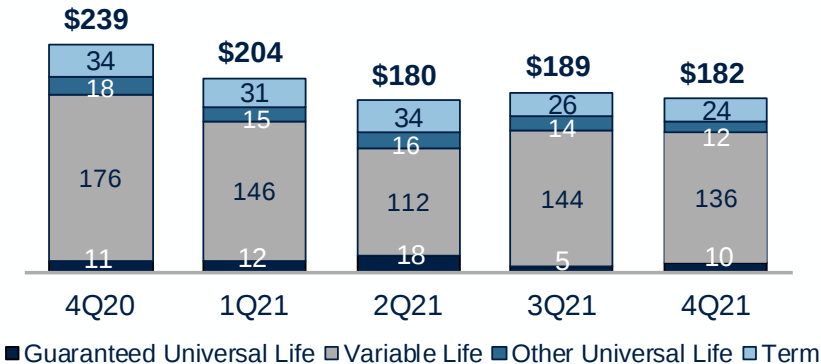
Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
(\$ millions)



Sales⁽²⁾ – Product Mix

(\$ millions)

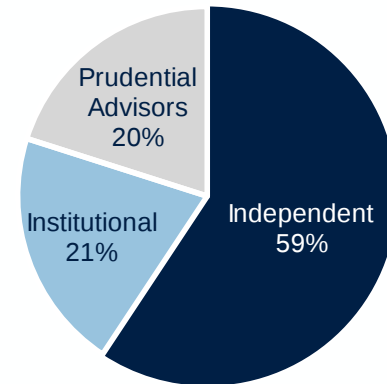


Key Priorities

- Improve profitability through operating model transformation, expense management, and pricing discipline
- Continue growth of simplified protection solutions that expand our addressable market and achieve lower risk financial profiles
- Expand digital capabilities to drive operating efficiencies and deepen distribution relationships, including leveraging the Assurance IQ platform

Sales⁽²⁾ – Distribution Mix

Trailing twelve months



(1) Based on pre-tax adjusted operating income excluding Corporate & Other operations.
(2) Sales represented by annualized new business premiums.

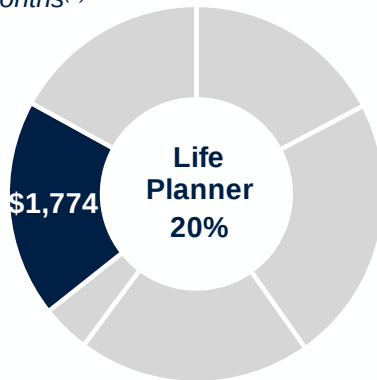


Life Planner

Highly Productive Proprietary Distribution with Steady Long-Term Growth Potential

Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
(\$ millions)

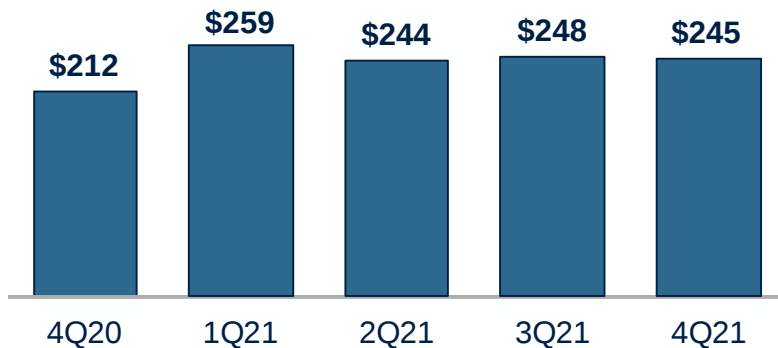


Key Priorities

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

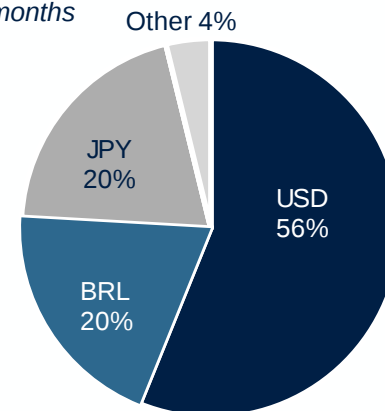
Sales⁽²⁾

(\$ millions)



Sales – Currency Mix⁽²⁾

Trailing twelve months



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

(2) Constant exchange rate basis. Foreign denominated activity translated to U.S. Dollars (USD) at uniform exchange rates for all periods presented, including Japanese Yen (JPY) 103 per USD and Brazilian Real (BRL) 4.1 per USD. USD-denominated activity is included based on the amounts as transacted in USD. Sales represented by annualized new business premiums.

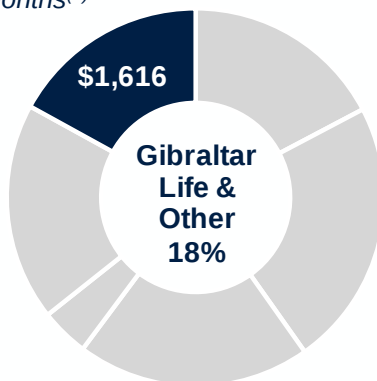


Gibraltar Life and Other

Meeting Client Needs Via Multiple Channels

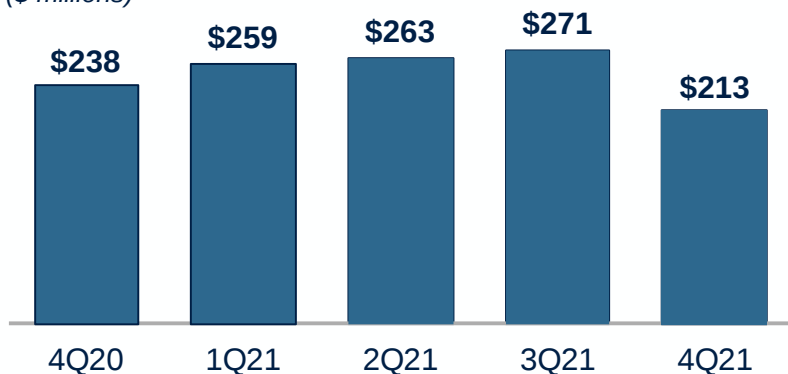
Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
(\$ millions)



Sales⁽²⁾

(\$ millions)

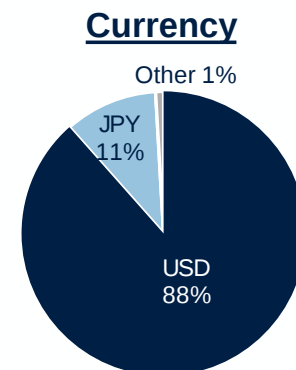
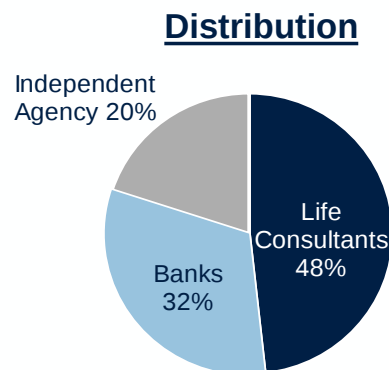


Key Priorities

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

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) 103 per USD. USD-denominated activity is included based on the amounts as transacted in USD. Sales represented by annualized new business premiums.



Adjusted Operating Income Rollforward by Business

(\$ millions, pre-tax)

	4Q21 Reported	4Q21			1Q22			1Q22 Baseline ⁽⁶⁾
		VII	Underwriting	Expenses & Other ⁽²⁾	Underwriting ⁽³⁾	Expenses & Other ⁽⁴⁾	Interest Rates ⁽⁵⁾	
PGIM	\$350	-	-	(35)	-	(40)	-	\$275
Retirement	\$543	(205)	(50)	(20)	80	-	(3)	\$345
Group Insurance	(\$205)	(25)	270	5	(170)	-	(1)	(\$126)
Individual Annuities	\$486	(20)	-	-	-	-	-	\$466
Individual Life	\$81	(70)	45	50	(75)	-	(1)	\$30
Assurance IQ	(\$10)	-	-	(20)	-	-	-	(\$30)
Life Planner	\$428	(50)	(5)	15	(15)	25	(2)	\$396
Gibraltar Life & Other	\$401	(45)	15	15	(5)	10	(3)	\$388
Corporate & Other	(\$489)	(25)	-	130	-	(30)	-	(\$414)
Prudential Financial, Inc.⁽¹⁾	\$1,585	(\$440)	\$275	\$140	(\$185)	(\$35)	(\$10)	\$1,330

Items specific to the first quarter totaling
(\$220 million) or (\$0.44)

(1) See reconciliation for non-GAAP measures Adjusted Operating Income on slide 28.

(2) Includes seasonal and higher than typical expenses. PGIM reflects Other Related Revenues above a normalized quarterly level. Retirement reflects favorable one-time items. Assurance IQ reflects seasonally higher revenues due to annual Medicare enrollment.

(3) Includes placeholder of 75,000 U.S. fatalities due to COVID-19 and other seasonal impacts.

(4) PGIM and Corporate & Other reflect expected long-term compensation expense for retiree eligible employees. Life Planner and Gibraltar Life & Other expect seasonally higher annual premiums.

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

(6) EPS rollforward list of considerations not intended to be exhaustive and rollforward is not a projection of 1Q22 results. Does not consider future items such as share repurchases, business growth, and certain market impacts.



Seasonality of Key Financial Items

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

	1Q22	2Q22	3Q22	4Q22
PGIM	(\$40) Higher compensation expense ⁽¹⁾	(\$5) Reduction from sale of Full Service business ⁽²⁾		Other Related Revenues tend to be higher driven by Incentive & Agency Fees
Retirement	\$40 Higher reserve gains	\$20 Higher reserve gains	(\$30) Lower reserve gains	(\$30) Lower reserve gains
Individual Life	(\$30) Lowest underwriting gains		\$20 Highest underwriting gains	
Assurance IQ			Higher expenses ahead of annual Medicare enrollment	Higher revenue (annual Medicare enrollment)
Life Planner	\$25 Highest premiums	(\$25) Lowest premiums		
Gibraltar Life & Other	\$10 Highest premiums	(\$10) Lowest premiums		
Corporate & Other	(\$30) Higher compensation expense ⁽¹⁾			(\$75) Higher expenses ⁽³⁾

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

(2) Represents the ongoing impact to PGIM's adjusted operating income subsequent to the termination of Full Service Retirement fees effective 4/1/2022.

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



Other 2022 Earnings Considerations

- Corporate & Other estimated annual operating loss of \$1.65 billion
- PGIM quarterly Other Related Revenues, net of related expenses, expected to range from \$55 million to \$65 million; expect elevated level in 4Q
- Hedge rate: U.S. Dollar @ 104 Yen
- Effective tax rate: 20-21%



Diverse Businesses Create Complementary Exposures to Mortality and Longevity

(0.40)%

Cumulative Net
Mortality⁽¹⁾ as % of AOI
(2013 – 2021)

- Net mortality was a positive contributor to AOI in six out of last nine years

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



Forward-Looking Statements

Certain of the statements included in this presentation, including those regarding our plans to reposition our business and become a higher growth, less market sensitive company, expected cost savings, the planned sales of our Full Service Retirement business and PALAC traditional Variable Annuity block and the receipt of proceeds therefrom, our plans relating to share repurchases and dividends, our environmental sustainability initiatives and climate change commitments, and those under the headings “Key Priorities”, “Adjusted Operating Income & EPS Considerations”, “Adjusted Operating Income Rollforward by Business,” “Seasonality of Key Financial Items” and “Other 2022 Earnings Considerations” constitute forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Words such as “expects”, “believes”, “anticipates”, “includes”, “plans”, “assumes”, “estimates”, “projects”, “intends”, “should”, “will”, “shall”, or variations of such words are generally part of forward-looking statements. Forward-looking statements are made based on management’s current expectations and beliefs concerning future developments and their potential effects upon Prudential Financial, Inc. and its subsidiaries. Prudential Financial, Inc.’s actual results may differ, possibly materially, from expectations or estimates reflected in such forward-looking statements. Certain important factors that could cause actual results to differ, possibly materially, from expectations or estimates reflected in such forward-looking statements can be found in the “Risk Factors” and “Forward-Looking Statements” sections included in Prudential Financial, Inc.’s Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q. 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, including the ongoing impact of the COVID-19 pandemic. 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 www.investor.prudential.com. Reconciliations are also included as part of this presentation.

Our 1Q22 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.

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.



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 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, as well as changes in the fair value of contingent consideration. 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)

	Fourth Quarter		Year-to-Date	
	2021	2020	2021	2020
Net income (loss) attributable to Prudential Financial, Inc.	\$ 1,208	\$ 819	\$ 7,724	\$ (374)
Income attributable to noncontrolling interests	34	203	70	228
Net income (loss)	1,242	1,022	7,794	(146)
Less: Earnings attributable to noncontrolling interests	34	203	70	228
Income (loss) attributable to Prudential Financial, Inc.	1,208	819	7,724	(374)
Less: Equity in earnings of operating joint ventures, net of taxes and earnings attributable to noncontrolling interests	(10)	(169)	17	(132)
Income (loss) (after-tax) before equity in earnings of operating joint ventures	1,218	988	7,707	(242)
Less: Reconciling Items:				
Realized investment gains (losses), net, and related charges and adjustments	116	(1,189)	1,627	(4,300)
Market experience updates	420	376	750	(640)
Divested and Run-off Businesses:				
Closed Block Division	48	(9)	140	(24)
Other Divested and Run-off Businesses	284	117	716	(450)
Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests	12	152	(41)	90
Other adjustments ⁽¹⁾	(1,077)	(14)	(1,112)	51
Total reconciling items, before income taxes	(197)	(567)	2,080	(5,273)
Less: Income taxes, not applicable to adjusted operating income	(188)	(425)	145	(1,118)
Total reconciling items, after income taxes	(9)	(142)	1,935	(4,155)
After-tax adjusted operating income	1,227	1,130	5,772	3,913
Income taxes, applicable to adjusted operating income	358	337	1,529	1,037
Adjusted operating income before income taxes	\$ 1,585	\$ 1,467	\$ 7,301	\$ 4,950
Net Income Return on Equity	7.8%	4.9%	12.4%	-0.6%
Adjusted Operating Return on Equity ⁽²⁾	11.8%	11.9%	14.3%	10.1%

Note: Prior period restated for reclassification of results of Full Service Retirement. Adjusted operating income reflects the reclassification of results of Full Service Retirement from the Retirement business to Divested and Run-off Businesses in Corporate & Other. Full Service results are excluded from adjusted operating income as a result of the operation being held-for-sale.

- (1) Represents adjustments not included in the above reconciling items, including a goodwill impairment that resulted in a charge of \$837 million after-tax, \$1,060 million pre-tax, in fourth quarter of 2021 related to Assurance IQ. Also includes certain components of consideration for business acquisitions, which are recognized as compensation expense over the requisite service periods, as well as changes in the fair value of the associated contingent consideration.
- (2) Represents adjusted operating income after-tax, annualized for interim periods, divided by average Prudential Financial, Inc. equity excluding accumulated other comprehensive income and adjusted to remove amounts included for foreign currency exchange rate remeasurement.



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

	Fourth Quarter		Year-to-Date	
	2021	2020	2021	2020
Net income (loss) per share attributable to Prudential Financial, Inc.	\$ 3.13	\$ 2.03	\$ 19.51	\$ (1.00)
Less: Reconciling Items:				
Realized investment gains (losses), net, and related charges and adjustments	0.30	(2.99)	4.17	(10.81)
Market experience updates	1.10	0.94	1.92	(1.61)
Divested and Run-off Businesses:				
Closed Block Division	0.13	(0.02)	0.36	(0.06)
Other Divested and Run-off Businesses	0.75	0.29	1.84	(1.13)
Difference in earnings allocated to participating unvested share-based payment awards	-	0.01	(0.07)	0.07
Other adjustments ⁽¹⁾	(2.83)	(0.04)	(2.85)	0.13
Total reconciling items, before income taxes	(0.55)	(1.81)	5.37	(13.41)
Less: Income taxes, not applicable to adjusted operating income	(0.50)	(1.04)	0.44	(2.69)
Total reconciling items, after income taxes	(0.05)	(0.77)	4.93	(10.72)
After-tax adjusted operating income per share	\$ 3.18	\$ 2.80	\$ 14.58	\$ 9.72

Note: Prior period restated for reclassification of results of Full Service Retirement. Adjusted operating income reflects the reclassification of results of Full Service Retirement from the Retirement business to Divested and Run-off Businesses in Corporate & Other. Full Service results are excluded from adjusted operating income as a result of the operation being held-for-sale.

(1) Represents adjustments not included in the above reconciling items, including a goodwill impairment that resulted in a charge of \$837 million after-tax, \$1,060 million pre-tax, in fourth quarter of 2021 related to Assurance IQ. Also includes certain components of consideration for business acquisitions, which are recognized as compensation expense over the requisite service periods, as well as changes in the fair value of the associated contingent consideration.



Reconciliations between Adjusted Book Value and the Comparable GAAP Measure

(\$ millions, except per share data)

	<u>December 31, 2021</u>
GAAP book value	\$ 61,876
Less: Accumulated other comprehensive income (AOCI)	<u>21,324</u>
GAAP book value excluding AOCI	40,552
Less: Cumulative effect of remeasurement of foreign currency	<u>(1,164)</u>
Adjusted book value	<u><u>\$ 41,716</u></u>
 Number of diluted shares	 <u>383.7</u>
 GAAP book value per Common share - diluted	 \$ 161.26
GAAP book value excluding AOCI per Common share - diluted	\$ 105.69
Adjusted book value per Common share - diluted	\$ 108.72

