
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): August 3, 2016

PRUDENTIAL FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

New Jersey
(State or other jurisdiction
of incorporation)

001-16707
(Commission File
Number)

22-3703799
(I.R.S. Employer
Identification No.)

751 Broad Street
Newark, New Jersey 07102
(Address of principal executive offices and zip code)

(973) 802-6000
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 Results of Operations and Financial Condition.

Prudential Financial, Inc. (the “Company”) furnishes herewith, as Exhibit 99.1, a news release announcing second quarter 2016 results.

Item 7.01 Regulation FD Disclosure.

- A. Quarterly Financial Supplement. The Company furnishes herewith, as Exhibit 99.2, the Quarterly Financial Supplement for second quarter 2016.
- B. Conference Call and Related Materials. Members of the Company’s senior management will hold a conference call on Thursday, August 4, 2016 at 11:00 A.M. ET, to discuss the Company’s second quarter 2016 results. Related materials are available on the Company’s Investor Relations website at www.investor.prudential.com.

Item 8.01 Other Events.Increase to Share Repurchase Authorization

Today, the Company is announcing that its Board of Directors has authorized a \$500 million increase to the Company’s share repurchase authorization for calendar year 2016. As a result, the Company’s aggregate Common Stock share repurchase authorization for the full year 2016 is \$2.0 billion. As of June 30, 2016, the Company had repurchased \$750 million of shares of its Common Stock under this authorization.

The timing and amount of any future share repurchases under this share repurchase authorization will be determined by management based on market conditions and other considerations, and such repurchases may be effected in the open market, through derivative, accelerated repurchase and other negotiated transactions and through plans designed to comply with Rule 10b5-1(c) under the Securities Exchange Act of 1934, as amended.

Item 9.01 Financial Statements and Exhibits.**(d) Exhibits.**

- 99.1 News release of Prudential Financial, Inc., dated August 3, 2016, announcing second quarter 2016 results (furnished and not filed).
- 99.2 Quarterly Financial Supplement for Prudential Financial, Inc. for second quarter 2016 (furnished and not filed).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: August 3, 2016

PRUDENTIAL FINANCIAL, INC.

By: /s/ Robert D. Axel

Name: Robert D. Axel

Title: Senior Vice President and Principal Accounting Officer

Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
99.1	News release of Prudential Financial, Inc., dated August 3, 2016, announcing second quarter 2016 results (furnished and not filed).
99.2	Quarterly Financial Supplement for Prudential Financial, Inc. for second quarter 2016 (furnished and not filed).



August 3, 2016

Prudential Financial, Inc. announces second quarter 2016 results

- Net income attributable to Prudential Financial, Inc. for second quarter 2016 of \$921 million, or \$2.04 per Common share, compared to \$3.03 per Common share for year-ago quarter.
- After-tax adjusted operating income of \$829 million, or \$1.84 per Common share, compared to \$2.91 per Common share for year-ago quarter.

Significant items in the Quarter

- The Company completed its annual review of actuarial assumptions. Reflecting this review, net income included a pre-tax benefit from reserve updates and adjustments of amortization of deferred policy acquisition and related costs of \$590 million for ongoing businesses. This represents a pre-tax benefit to net realized investment gains and related charges and adjustments of \$1.034 billion, partially offset by \$444 million of charges to adjusted operating income.
- Net income and adjusted operating income each include a pre-tax benefit of \$48 million in Individual Annuities to reflect the impact of market performance on deferred policy acquisition and other costs and reserves for guaranteed minimum death benefits, and a pre-tax charge of \$36 million in Corporate and Other results for early debt extinguishment costs.
- As a result of these items, net income includes a net benefit of 88 cents per Common share, and adjusted operating income includes a net unfavorable impact of approximately 62 cents per Common share. In the year-ago quarter, net income included a net benefit of 25 cents per Common share and adjusted operating income included a net benefit of 29 cents per Common share from significant items reflecting an annual review, impact of market performance on Annuities results, and business integration costs.

“Prudential delivered solid core results in the second quarter, in line with our expectations after adjusting for significant items we identified, as we continue to benefit from our high quality and balanced collection of businesses and diverse sources of earnings and cash flow. We produced strong sales growth in our U.S. and International protection businesses, and solid net flows in Asset Management and Retirement. We are also pleased with the structural changes we made to manage the risks in our individual annuities business, which reduce complexity, enhance our overall capital flexibility, and facilitate an increase in our 2016 share repurchase authorization by the Board as a result of capital released from this strategic action. Overall, while market conditions continue to present challenges, we remain confident in our long term earnings outlook and ability to produce differentiated returns,” said Chairman and Chief Executive Officer John Strangfeld.

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Second Quarter highlights

- Individual Annuities current quarter gross sales of \$2.3 billion include \$1.6 billion of variable annuities without retained exposure to equity market related living benefit guarantees, reflecting our risk diversification strategies. Completed recapture of variable annuity living benefit risks from reinsurance captive on April 1.
- Retirement gross deposits and sales for the quarter of \$8.1 billion include two new longevity reinsurance cases totaling \$1.8 billion. Net sales of \$488 million reflect positive net flows in both Full Service and Institutional Investment Products.
- Asset Management segment assets under management of \$1.05 trillion include a record-high \$505 billion of unaffiliated third party institutional and retail assets under management at June 30, up 7% from a year earlier. Net inflows from both institutional and retail business, excluding money market, totaled \$3.6 billion for the quarter.
- U.S. Individual Life sales, based on annualized new business premiums, of \$159 million, up 22% from the year-ago quarter.
- Group insurance total benefits ratio, excluding impact of refinements and updates reflecting the annual review, was lower than the long term expected range in the quarter reflecting favorable disability underwriting results.
- International Insurance constant dollar basis sales of \$747 million for the current quarter, up 7% from the year-ago quarter, reflecting a 53% increase in sales of U.S. dollar denominated products in Japan.
- Returned approximately \$700 million to shareholders through Common stock repurchases and dividends. In addition, Prudential's Board of Directors authorized a \$500 million increase to the existing share repurchase authorization for calendar year 2016, bringing the remaining authorization for repurchases at management's discretion from July 1 through December 31, 2016, to \$1.25 billion.

Other financial highlights

- Excluding net changes in value relating to foreign currency exchange rate remeasurement reflected in net income or loss and currency translation adjustments corresponding to realized investment gains and losses, book value per Common share excluding total accumulated other comprehensive income amounted to \$76.55 at June 30, 2016, an increase of \$2.96 from December 31, 2015, after payment of two quarterly Common Stock dividends totaling \$1.40 per share.
- Excluding holdings of the Closed Block division, net unrealized gains on general account fixed maturity investments of \$43.3 billion at June 30, 2016 compared to \$23.7 billion at December 31, 2015; gross unrealized losses of \$1.4 billion at June 30, 2016, compared to \$3.4 billion at December 31, 2015.
- During the second quarter of 2016, the Company acquired 5.0 million shares of its Common Stock at a total cost of \$375 million, for an average price of \$75.38 per share. From the commencement of repurchases in July 2011, through June 30, 2016, the Company has acquired 75.4 million shares of its Common Stock at a total cost of \$5.1 billion, for an average price of \$68.29 per share.

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NEWARK, N.J., August 3, 2016—Prudential Financial, Inc., (NYSE:PRU) today reported second quarter results. Net income attributable to Prudential Financial, Inc., was \$921 million (\$2.04 per Common share) for the second quarter of 2016, compared to \$1.406 billion (\$3.03 per Common share) for the year-ago quarter. After-tax adjusted operating income was \$829 million (\$1.84 per Common share) for the second quarter of 2016, compared to \$1.350 billion (\$2.91 per Common share) for the year-ago quarter. Information regarding adjusted operating income, a non-GAAP measure, is provided below.

For the first half of 2016, net income attributable to Prudential Financial, Inc., was \$2.257 billion (\$4.97 per Common share), compared to \$3.442 billion (\$7.40 per Common share) for the first half of 2015. After-tax adjusted operating income was \$1.826 billion (\$4.02 per Common share) for the first half of 2016, compared to \$2.648 billion (\$5.69 per Common share) for the first half of 2015.

Adjusted operating income is not calculated under generally accepted accounting principles (GAAP). Information regarding adjusted operating income, a non-GAAP measure, is discussed later in this press release under “Forward-Looking Statements and Non-GAAP Measure,” and a reconciliation of adjusted operating income to the most comparable GAAP measure is provided in the tables that accompany this release.

Results of ongoing operations

The Company’s ongoing operations include the U.S. Retirement Solutions and Investment Management, U.S. Individual Life and Group Insurance, and International Insurance divisions, as well as Corporate and Other Operations. In the following business-level discussion, adjusted operating income refers to pre-tax results.

The **U.S. Retirement Solutions and Investment Management division** reported adjusted operating income of \$870 million for the second quarter of 2016, compared to \$981 million in the year-ago quarter.

The Individual Annuities segment reported adjusted operating income of \$427 million in the current quarter, compared to \$548 million in the year-ago quarter. Current quarter results include a net benefit of \$52 million from an updated estimate of profitability, including \$4 million reflecting updates of actuarial assumptions based on an annual review and \$48 million from the impact of market performance in relation to our assumptions. Results for the year-ago quarter included a net benefit of \$125 million to reflect an updated estimate of profitability, including \$31 million reflecting updates of actuarial assumptions based on an annual review and \$94 million from the impact of market performance in relation to our assumptions. Excluding the effect of the foregoing items, results for the Individual Annuities segment decreased \$48 million from the year-ago quarter. This decrease came primarily from lower asset-based fees driven by a decline in average variable annuity account values.

The Retirement segment reported adjusted operating income of \$236 million for the current quarter, compared to \$237 million in the year-ago quarter. Current quarter results include a net benefit of \$6 million primarily to adjust amortization of deferred policy acquisition and other costs reflecting an annual review of actuarial assumptions. Excluding this item, results for the Retirement segment decreased \$7 million from the year-ago quarter. This decrease reflected a less favorable contribution from pension risk transfer case experience and lower fees, partly offset by greater earnings from net investment results. The current quarter contribution to results from pension risk transfer case experience was approximately \$20 million greater than our average quarterly expectations. The current quarter contribution from net investment results, which reflected increased full service account values and higher net prepayment fee income, included returns on non-coupon investments about \$30 million below our average expectations.

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The Asset Management segment reported adjusted operating income of \$207 million for the current quarter, compared to \$196 million in the year-ago quarter. The increase reflected a \$9 million greater contribution from the segment's incentive, transaction, strategic investing and commercial mortgage activities, which amounted to \$33 million for the current quarter. Earnings driven by asset management fees were essentially unchanged from the year-ago quarter, as the impact of higher fees from management of third-party fixed income assets was largely offset by lower average equity assets under management.

The **U.S. Individual Life and Group Insurance division** reported a loss, on an adjusted operating income basis, of \$201 million for the second quarter of 2016, compared to adjusted operating income of \$312 million in the year-ago quarter.

The Individual Life segment reported a loss, on an adjusted operating income basis, of \$290 million for the current quarter, compared to adjusted operating income of \$237 million in the year-ago quarter. Current quarter results include a net charge of \$420 million from updates of reserves and related items including updated profitability estimates reflecting updates of actuarial assumptions based on an annual review. Results for the year-ago quarter included a net benefit of \$68 million from refinements and updates reflecting an annual review, and \$8 million of integration costs related to the Company's acquisition of The Hartford's individual life insurance business on January 2, 2013. Excluding these items, Individual Life results decreased \$47 million from the year-ago quarter, primarily reflecting less favorable claims experience. The net contribution to current quarter results from claims experience, inclusive of reinsurance, associated reserve updates and amortization was about \$20 million below our average expectations. A greater contribution from net investment results, including current quarter returns on non-coupon investments essentially unchanged from the year-ago quarter and slightly below our average expectations, was essentially offset by higher net ongoing amortization and expenses.

The Group Insurance segment reported adjusted operating income of \$89 million in the current quarter, compared to \$75 million in the year-ago quarter. Current quarter results include a net benefit of \$41 million from refinements of reserves and related items reflecting updates of actuarial assumptions based on an annual review, while results for the year-ago quarter included a net benefit of \$28 million from refinements and updates reflecting an annual review. Excluding these items, results were essentially unchanged from the year-ago quarter.

The **International Insurance segment** reported adjusted operating income of \$803 million for the second quarter of 2016, compared to \$842 million in the year-ago quarter.

Adjusted operating income of the segment's Life Planner operations was \$343 million for the current quarter, compared to \$381 million in the year-ago quarter. Current quarter results include a net charge of \$38 million from refinements of reserves and related items including updated profitability estimates reflecting updates of actuarial assumptions based on an annual review, while results for the year-ago quarter included a net charge of \$11 million from refinements and updates reflecting an annual review. Excluding these items, results decreased \$11 million from the year-ago quarter. Foreign currency exchange rates, including the impact of the Company's currency hedging programs, had an unfavorable impact of \$22 million in comparison to the year-ago quarter. In addition, the benefit to current quarter results from continued business growth was partly offset by a lower contribution from net investment results and higher expenses. Claims experience was essentially unchanged from the year-ago quarter but about \$10 million more favorable than our average expectations.

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The segment's Gibraltar Life and Other operations reported adjusted operating income of \$460 million for the current quarter, compared to \$461 million in the year-ago quarter. Current quarter results include a net charge of \$34 million from refinements of reserves and related items including updated profitability estimates reflecting updates of actuarial assumptions based on an annual review, while results for the year-ago quarter included a net charge of \$10 million from refinements and updates reflecting an annual review. Excluding these items, results increased \$23 million from the year-ago quarter. This increase reflected lower net expenses in the current quarter including income of approximately \$40 million from a fixed asset sale, business growth including a contribution from the Company's indirect investment acquired on March 2, 2016, in AFP Habitat, and a greater contribution from net investment results which included current quarter returns on non-coupon investments approximately \$35 million above our average expectations. In addition, foreign currency exchange rates, including the impact of the Company's currency hedging programs, had an unfavorable impact of \$36 million in comparison to the year-ago quarter.

Corporate and Other operations resulted in a loss, on an adjusted operating income basis, of \$415 million in the second quarter of 2016, compared to a loss of \$294 million in the year-ago quarter. Current quarter results include \$36 million of costs associated with an early debt extinguishment and a charge of \$3 million from adjustment of reserves relating to certain pre-demutualization policies based on an annual review of actuarial assumptions. Results for the year-ago quarter included a benefit of \$11 million from a similar adjustment of reserves based on an annual review. Excluding these items, the loss from Corporate and Other operations increased \$71 million, primarily reflecting higher expenses and lower investment income including charges of approximately \$40 million relating to a tax advantaged investment in the current quarter.

Assets under management amounted to \$1.268 trillion at June 30, 2016, compared to \$1.184 trillion at December 31, 2015.

Net income attributable to Prudential Financial, Inc., amounted to \$921 million for the second quarter of 2016, compared to \$1.406 billion for the year-ago quarter.

Current quarter net income includes \$360 million of pre-tax net realized investment gains and related charges and adjustments. The foregoing net gains include net pre-tax gains of \$574 million from products that contain embedded derivatives and associated derivative portfolios that are part of a hedging program related to the risks of these products, driven by a favorable impact from updated assumptions for variable annuity living benefits resulting from our annual actuarial review, and \$172 million from general portfolio and related activities. The foregoing gains were partially offset by pre-tax losses of \$335 million related to derivatives used in risk management activities including asset and liability duration management, also reflecting the impact of the annual review, and \$51 million from impairments and sales of credit-impaired investments.

Net income for the current quarter reflects pre-tax increases of \$108 million in recorded asset values and \$133 million in recorded liabilities representing changes in value which are expected to ultimately accrue to contractholders. These changes primarily represent mark-to-market adjustments.

Net income for the current quarter also reflects pre-tax losses of \$43 million from divested businesses, primarily reflecting results of the Closed Block division.

Net income for the year-ago quarter included \$286 million of pre-tax net realized investment gains and related charges and adjustments, including pre-tax gains of \$510 million from products that contain embedded derivatives and associated derivative portfolios that are part of a hedging program related to the risks of these products and \$538 million from the net impact of other portfolio and related activities. The foregoing gains were partly offset by pre-tax losses of \$728 million related to derivatives used in risk management activities including asset and liability duration management and \$34 million from impairments and sales of credit-impaired investments.

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Excluding holdings of the Closed Block division, gross unrealized losses on general account fixed maturity investments at June 30, 2016, amounted to \$1.415 billion, including \$978 million on high and highest quality securities based on NAIC or equivalent ratings, and amounted to \$3.398 billion at December 31, 2015. Net unrealized gains on these investments amounted to \$43.285 billion at June 30, 2016, compared to \$23.739 billion at December 31, 2015.

Forward-Looking Statements and Non-GAAP Measure

Certain of the statements included in this release constitute forward-looking statements within the meaning of the U. S. Private Securities Litigation Reform Act of 1995. Words such as “expects,” “believes,” “anticipates,” “includes,” “plans,” “assumes,” “estimates,” “projects,” “intends,” “should,” “will,” “shall,” or variations of such words are generally part of forward-looking statements. Forward-looking statements are made based on management’s current expectations and beliefs concerning future developments and their potential effects upon Prudential Financial, Inc. and its subsidiaries. There can be no assurance that future developments affecting Prudential Financial, Inc. and its subsidiaries will be those anticipated by management. These forward-looking statements are not a guarantee of future performance and involve risks and uncertainties, and there are certain important factors that could cause actual results to differ, possibly materially, from expectations or estimates reflected in such forward-looking statements, including, among others: (1) general economic, market and political conditions, including the performance and fluctuations of fixed income, equity, real estate and other financial markets; (2) the availability and cost of additional debt or equity capital or external financing for our operations; (3) interest rate fluctuations or prolonged periods of low interest rates; (4) the degree to which we choose not to hedge risks, or the potential ineffectiveness or insufficiency of hedging or risk management strategies we do implement; (5) any inability to access our credit facility; (6) reestimates of our reserves for future policy benefits and claims; (7) differences between actual experience regarding mortality, morbidity, persistency, utilization, interest rates or market returns and the assumptions we use in pricing our products, establishing liabilities and reserves or for other purposes; (8) changes in our assumptions related to deferred policy acquisition costs, value of business acquired or goodwill; (9) changes in assumptions for our pension and other postretirement benefit plans; (10) changes in our financial strength or credit ratings; (11) statutory reserve requirements associated with term and universal life insurance policies under Regulation XXX and Guideline AXXX; (12) investment losses, defaults and counterparty non-performance; (13) competition in our product lines and for personnel; (14) difficulties in marketing and distributing products through current or future distribution channels; (15) changes in tax law; (16) economic, political, currency and other risks relating to our international operations; (17) fluctuations in foreign currency exchange rates and foreign securities markets; (18) regulatory or legislative changes, including the Dodd-Frank Wall Street Reform and Consumer Protection Act and the U.S. Department of Labor’s fiduciary rules; (19) inability to protect our intellectual property rights or claims of infringement of the intellectual property rights of others; (20) adverse determinations in litigation or regulatory matters, and our exposure to contingent liabilities, including related to the remediation of certain securities lending activities administered by the Company; (21) domestic or international military actions, natural or man-made disasters including terrorist activities or pandemic disease, or other events resulting in catastrophic loss of life; (22) ineffectiveness of risk management policies and procedures in identifying, monitoring and managing risks; (23) possible difficulties in executing, integrating and realizing projected results of acquisitions, divestitures and restructurings; (24) interruption in telecommunication, information technology or other operational systems or failure to maintain the security, confidentiality or privacy of sensitive data on such systems; (25) changes in statutory or U.S. GAAP accounting principles, practices or policies; and (26) Prudential Financial, Inc.’s primary reliance, as a holding company, on dividends or distributions from its subsidiaries to meet debt payment obligations and the ability of the subsidiaries to pay such dividends or distributions in light of our ratings objectives and/or applicable regulatory restrictions. Prudential Financial, Inc., does not intend, and is under no obligation, to update any particular forward-looking statement included in this document.

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Adjusted operating income is a non-GAAP measure of performance. 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 of our businesses for which such gains (losses) are a principal source of earnings, and those associated with terminating hedges of foreign currency earnings and current period yield adjustments are included in adjusted operating income. Adjusted operating income excludes realized investment gains and losses from products that contain embedded derivatives, and from associated derivative portfolios that are part of a hedging 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 classified as other trading account assets.

Adjusted operating income also excludes investment gains and losses on trading account assets supporting insurance liabilities and changes in experience-rated contractholder liabilities due to asset value changes, because these recorded changes in asset and liability values are expected to ultimately accrue to contractholders. Trends in the underlying profitability of our businesses can be more clearly identified without the fluctuating effects of these transactions. In addition, adjusted operating income excludes the results of divested businesses, which are not relevant to our ongoing operations. Discontinued operations, which are presented as a separate component of net income under GAAP, are also excluded from adjusted operating income.

We believe that 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. However, adjusted operating income is not a substitute for income determined in accordance with GAAP, and the adjustments made to derive adjusted operating income are important to an understanding of our overall results of operations. The schedules accompanying this release provide a reconciliation of adjusted operating income to income from continuing operations in accordance with GAAP.

The information referred to above, as well as the risks of our businesses described in our Annual Report on Form 10-K for the year ended December 31, 2015 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, should be considered by readers when reviewing forward-looking statements contained in this release. Additional historic information relating to our financial performance is located on our Web site at www.investor.prudential.com.

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Earnings Conference Call

Members of Prudential's senior management will host a conference call on Thursday, August 4, 2016, at 11 a.m. ET, to discuss with the investment community the Company's second quarter results. The conference call and an accompanying slide presentation will be broadcast live over the Company's Investor Relations Web site at www.investor.prudential.com. Please log on 15 minutes early in the event necessary software needs to be downloaded. The call will remain on the Investor Relations Web site for replay through August 19. Institutional investors, analysts, and other members of the professional financial community are invited to listen to the call and participate in Q&A by dialing (877) 777-1971 (domestic callers) or (612) 332-0819 (international callers). All others are encouraged to dial into the conference call in listen-only mode, using the same numbers. To listen to a replay of the conference call starting at 2 p.m., August 4 through Thursday, August 11, dial (800) 475-6701 (domestic callers) or (320) 365-3844 (international callers). The access code for the replay is 383124.

Prudential Financial, Inc. (NYSE: PRU), a financial services leader with over \$1 trillion of assets under management as of June 30, 2016, has operations in the United States, Asia, Europe, and Latin America. Prudential's diverse and talented employees are committed to helping individual and institutional customers grow and protect their wealth through a variety of products and services, including life insurance, annuities, retirement-related services, mutual funds and investment management. In the U.S., Prudential's iconic Rock symbol has stood for strength, stability, expertise and innovation for more than a century. For more information, please visit www.news.prudential.com.

MEDIA CONTACT: Scot Hoffman
973-802-2824
scot.hoffman@prudential.com



Financial Highlights
(in millions, unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Income Statement Data:				
Adjusted operating income before income taxes (1)	1,057	1,841	2,382	3,586
Income taxes, applicable to adjusted operating income	228	491	556	938
After-tax adjusted operating income (1)	829	1,350	1,826	2,648
Reconciling Items:				
Realized investment gains, net, and related charges and adjustments	360	286	698	1,337
Investment gains (losses) on trading account assets supporting insurance liabilities, net	108	(220)	324	(137)
Change in experience-rated contractholder liabilities due to asset value changes	(133)	234	(263)	37
Divested businesses:				
Closed Block division	(32)	52	(105)	30
Other divested businesses	(11)	(109)	20	(34)
Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests	(8)	45	17	58
Total reconciling items, before income taxes	284	288	691	1,291
Income taxes, not applicable to adjusted operating income	203	188	243	440
Total reconciling items, after income taxes	81	100	448	851
Income from continuing operations (after-tax) before equity in earnings of operating joint ventures	910	1,450	2,274	3,499
Equity in earnings of operating joint ventures, net of taxes and earnings attributable to noncontrolling interests	11	(44)	(17)	(57)
Income from continuing operations attributable to Prudential Financial, Inc.	921	1,406	2,257	3,442
Earnings attributable to noncontrolling interests	4	53	37	63
Income from continuing operations (after-tax)	925	1,459	2,294	3,505
Income from discontinued operations, net of taxes	—	—	—	—
Net income	925	1,459	2,294	3,505
Less: Income attributable to noncontrolling interests	4	53	37	63
Net income attributable to Prudential Financial, Inc.	\$ 921	\$ 1,406	\$ 2,257	\$ 3,442

See footnotes on last page.

Financial Highlights
(in millions, except per share data, unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Earnings per share of Common Stock (diluted):				
After-tax adjusted operating income	\$ 1.84	\$ 2.91	\$ 4.02	\$ 5.69
Reconciling Items:				
Realized investment gains (losses), net, and related charges and adjustments	0.80	0.62	1.55	2.89
Investment gains (losses) on trading account assets supporting insurance liabilities, net	0.24	(0.48)	0.72	(0.30)
Change in experience-rated contractholder liabilities due to asset value changes	(0.30)	0.51	(0.58)	0.08
Divested businesses:				
Closed Block division	(0.07)	0.11	(0.23)	0.06
Other divested businesses	(0.02)	(0.24)	0.04	(0.07)
Difference in earnings allocated to participating unvested share-based payment awards	—	—	(0.01)	(0.02)
Total reconciling items, before income taxes	0.65	0.52	1.49	2.64
Income taxes, not applicable to adjusted operating income	0.45	0.40	0.54	0.93
Total reconciling items, after income taxes	0.20	0.12	0.95	1.71
Income from continuing operations (after-tax) attributable to Prudential Financial, Inc.	2.04	3.03	4.97	7.40
Income from discontinued operations, net of taxes	—	—	—	—
Net income attributable to Prudential Financial, Inc.	\$ 2.04	\$ 3.03	\$ 4.97	\$ 7.40
Weighted average number of outstanding Common shares (basic)	441.1	452.6	443.2	453.4
Weighted average number of outstanding Common shares (diluted)	449.3	461.4	451.3	462.2
Earnings related to interest, net of tax, on exchangeable surplus notes	\$ 5	\$ 5	\$ 9	\$ 9
Earnings allocated to participating unvested share-based payment awards for earnings per share calculation:				
After-tax adjusted operating income	\$ 9	\$ 13	\$ 20	\$ 25
Income from continuing operations (after-tax)	\$ 11	\$ 14	\$ 25	\$ 33
Prudential Financial, Inc. Equity (as of end of period):				
Total equity	\$55,149	\$41,723		
Per share of Common Stock - diluted (2)	123.77	91.17		
Equity excluding accumulated other comprehensive income	\$30,482	\$28,319		
Per share of Common Stock - diluted	68.65	61.89		
Number of diluted shares at end of period	444.0	457.6		
Adjusted operating income before income taxes, by Segment (1):				
Individual Annuities	\$ 427	\$ 548	\$ 755	\$1,077
Retirement	236	237	455	521
Asset Management	207	196	372	401
Total U.S. Retirement Solutions and Investment Management Division	870	981	1,582	1,999
Individual Life	(290)	237	(170)	353
Group Insurance	89	75	115	105
Total U.S. Individual Life and Group Insurance Division	(201)	312	(55)	458
International Insurance	803	842	1,582	1,676
Total International Insurance Division	803	842	1,582	1,676
Corporate and Other operations	(415)	(294)	(727)	(547)
Adjusted operating income before income taxes	1,057	1,841	2,382	3,586
Reconciling Items:				
Realized investment gains, net, and related charges and adjustments	360	286	698	1,337
Investment gains (losses) on trading account assets supporting insurance liabilities, net	108	(220)	324	(137)
Change in experience-rated contractholder liabilities due to asset value changes	(133)	234	(263)	37
Divested businesses:				
Closed Block division	(32)	52	(105)	30
Other divested businesses	(11)	(109)	20	(34)
Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests	(8)	45	17	58
Total reconciling items, before income taxes	284	288	691	1,291
Income from continuing operations before income taxes and equity in earnings of operating joint ventures for Prudential Financial, Inc.	\$ 1,341	\$ 2,129	\$3,073	\$4,877

See footnotes on last page.

Financial Highlights

(in millions, or as otherwise noted, unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
U.S. Retirement Solutions and Investment Management Division:				
Fixed and Variable Annuity Sales and Account Values:				
Gross sales	\$ 2,281	\$ 2,341	\$ 4,298	\$ 4,568
Net sales	\$ 341	\$ 138	\$ 579	\$ 169
Total account value at end of period	\$154,677	\$158,976		
Retirement Segment:				
Full Service:				
Deposits and sales	\$ 4,699	\$ 5,040	\$11,355	\$11,354
Net additions	\$ 186	\$ 357	\$ 1,556	\$ 442
Total account value at end of period	\$194,007	\$188,807		
Institutional Investment Products:				
Gross additions	\$ 3,421	\$ 9,147	\$ 5,482	\$10,116
Net additions (withdrawals)	\$ 302	\$ 5,339	\$ (420)	\$ 2,813
Total account value at end of period	\$180,882	\$183,798		
Asset Management Segment:				
Assets managed by Investment Management and Advisory Services (in billions, as of end of period):				
Institutional customers	\$ 418.8	\$ 380.6		
Retail customers	202.1	199.2		
General account	426.3	368.5		
Total Investment Management and Advisory Services	\$ 1,047.2	\$ 948.3		
Institutional Customers - Assets Under Management (in billions):				
Gross additions, other than money market	\$ 14.8	\$ 18.3	\$ 27.3	\$ 35.1
Net additions (withdrawals), other than money market	\$ 2.0	\$ 6.8	\$ (0.6)	\$ 10.5
Retail Customers - Assets Under Management (in billions):				
Gross additions, other than money market	\$ 11.5	\$ 10.3	\$ 21.7	\$ 23.4
Net additions (withdrawals), other than money market	\$ 1.6	\$ (0.4)	\$ 1.1	\$ 3.6
U.S. Individual Life and Group Insurance Division:				
Individual Life Insurance Annualized New Business Premiums (3):				
Term life	\$ 50	\$ 52	\$ 98	\$ 101
Guaranteed Universal life	61	48	112	88
Other Universal life	23	17	43	34
Variable life	25	13	51	31
Total	\$ 159	\$ 130	\$ 304	\$ 254
Group Insurance Annualized New Business Premiums (3):				
Group life	\$ 24	\$ 10	\$ 256	\$ 141
Group disability	21	14	100	45
Total	\$ 45	\$ 24	\$ 356	\$ 186
International Insurance Division:				
International Insurance Annualized New Business Premiums (3) (4):				
Actual exchange rate basis	\$ 738	\$ 671	\$ 1,482	\$ 1,344
Constant exchange rate basis	\$ 747	\$ 697	\$ 1,528	\$ 1,392

See footnotes on last page.

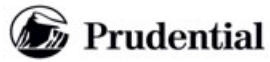
Financial Highlights
(in billions, as of end of period, unaudited)

	Three Months Ended June 30	
	2016	2015
Assets and Asset Management Information:		
Total assets	\$ 796.5	\$ 762.6
Assets under management (at fair market value):		
Managed by U.S. Retirement Solutions and Investment Management Division:		
Asset Management Segment - Investment Management and Advisory Services	\$1,047.2	\$ 948.3
Non-proprietary assets under management	169.8	191.5
Total managed by U.S. Retirement Solutions and Investment Management Division	1,217.0	1,139.8
Managed by U.S. Individual Life and Group Insurance Division	25.7	24.1
Managed by International Insurance Division	25.0	22.9
Total assets under management	1,267.7	1,186.8
Client assets under administration	171.7	165.7
Total assets under management and administration	<u>\$1,439.4</u>	<u>\$1,352.5</u>

See footnotes on last page.

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- (1) Adjusted operating income is a non-GAAP measure of performance that excludes “Realized investment gains (losses), net”, as adjusted, and related charges and adjustments; net investment gains and losses on trading account assets supporting insurance liabilities; change in experience-rated contractholder liabilities due to asset value changes; results of divested businesses and discontinued operations; earnings attributable to noncontrolling interests; and the related tax effects thereof. Adjusted operating income includes equity in earnings of operating joint ventures and the related tax effects thereof. Revenues and benefits and expenses shown as components of adjusted operating income, are presented on the same basis as pre-tax adjusted operating income and are adjusted for the items above as well. Realized investment gains (losses) within certain of our businesses for which such gains (losses) are a principal source of earnings, and those associated with terminating hedges of foreign currency earnings and current period yield adjustments are included in adjusted operating income. Adjusted operating income excludes realized investment gains and losses from products that contain embedded derivatives, and from associated derivative portfolios that are part of a hedging 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 classified as other trading account assets.
- Adjusted operating income does not equate to “Income from continuing operations” as determined in accordance with U.S. GAAP but is the measure of profit or loss we use to evaluate segment performance. Adjusted operating income is not a substitute for income determined in accordance with U.S. GAAP, and our definition of adjusted operating income may differ from that used by other companies. The items above are important to an understanding of our overall results of operations. However, we believe that the presentation of adjusted operating income as we measure it for management purposes enhances the understanding of our results of operations by highlighting the results from ongoing operations and the underlying profitability factors of our businesses.
- (2) Book value per share of Common Stock including accumulated other comprehensive income as of June 30, 2015 includes a \$500 million increase in equity and a 5.5 million increase in diluted shares reflecting the dilutive impact of exchangeable surplus notes when book value per share is greater than \$90.85, and as of June 30, 2016 includes a \$500 million increase in equity and a 5.6 million increase in diluted shares reflecting the dilutive impact of exchangeable surplus notes when book value per share is greater than \$88.90.
- (3) Premiums from new sales that are expected to be collected over a one year period. Group insurance annualized new business premiums exclude new premiums resulting from rate changes on existing policies, from additional coverage issued under our Servicemembers’ Group Life Insurance contract, and from excess premiums on group universal life insurance that build cash value but do not purchase face amounts. Group insurance annualized new business premiums include premiums from the takeover of claim liabilities. Excess (unscheduled) and single premium business for the company’s domestic individual life and international insurance operations are included in annualized new business premiums based on a 10% credit.
- (4) Actual amounts reflect the impact of currency fluctuations. Constant amounts reflect foreign denominated activity translated to U.S. dollars at uniform exchange rates for all periods presented, including Japanese yen 106 per U.S. dollar and Korean won 1100 per U.S. dollar. U.S. dollar-denominated activity is included based on the amounts as transacted in U.S. dollars.

Prudential Financial, Inc. (PRU)



Quarterly Financial Supplement

Second Quarter 2016

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

August 3, 2016

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This quarterly financial supplement reflects, for all periods presented, the retrospective adoption of a revised accounting standard related to the classification of certain debt issuance costs on Prudential Financial, Inc.'s consolidated balance sheet.

FINANCIAL HIGHLIGHTS
(in millions, except per share data)

Year-to-date		% Change						
2016	2015			2015		2016		
				2Q	3Q	4Q	1Q	2Q
			Pre-tax adjusted operating income (loss) by division:					
1,582	1,999	-21%	U.S. Retirement Solutions and Investment Management Division	981	732	776	712	870
(55)	458	-112%	U.S. Individual Life and Group Insurance Division	312	227	126	146	(201)
1,582	1,676	-6%	International Insurance Division	842	812	738	779	803
(727)	(547)	-33%	Corporate and other operations	(294)	(308)	(458)	(312)	(415)
2,382	3,586	-34%	Total pre-tax adjusted operating income	1,841	1,463	1,182	1,325	1,057
556	938	-41%	Income taxes, applicable to adjusted operating income	491	353	291	328	228
1,826	2,648	-31%	After-tax adjusted operating income	1,350	1,110	891	997	829
			Reconciling items:					
698	1,337	-48%	Realized investment gains (losses), net, and related charges and adjustments	286	438	(196)	338	360
324	(137)	336%	Investment gains (losses) on trading account assets supporting insurance liabilities, net	(220)	(228)	(159)	216	108
(263)	37	-811%	Change in experience-rated contractholder liabilities due to asset value changes	234	258	138	(130)	(133)
			Divested businesses:					
(105)	30	-450%	Closed Block division	52	108	(80)	(73)	(32)
20	(34)	159%	Other divested businesses	(109)	8	(40)	31	(11)
17	58	-71%	Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests	45	2	(2)	25	(8)
691	1,291	-46%	Total reconciling items, before income taxes	288	586	(339)	407	284
243	440	-45%	Income taxes, not applicable to adjusted operating income	188	231	(181)	40	203
448	851	-47%	Total reconciling items, after income taxes	100	355	(158)	367	81
2,274	3,499	-35%	Income from continuing operations (after-tax) before equity in earnings of operating joint ventures	1,450	1,465	733	1,364	910
(17)	(57)	70%	Equity in earnings of operating joint ventures, net of taxes and earnings attributable to noncontrolling interests	(44)	—	2	(28)	11
2,257	3,442	-34%	Income from continuing operations attributable to Prudential Financial, Inc.	1,406	1,465	735	1,336	921
37	63	-41%	Earnings attributable to noncontrolling interests	53	2	5	33	4
2,294	3,505	-35%	Income from continuing operations (after-tax)	1,459	1,467	740	1,369	925
—	—	—	Income from discontinued operations, net of taxes	—	—	—	—	—
2,294	3,505	-35%	Net income	1,459	1,467	740	1,369	925
37	63	-41%	Less: Income attributable to noncontrolling interests	53	2	5	33	4
2,257	3,442	-34%	Net income attributable to Prudential Financial, Inc.	1,406	1,465	735	1,336	921
10.8%	16.9%		Operating Return on Average Equity (based on adjusted operating income) (1)	16.8%	13.5%	10.7%	11.9%	9.8%

- (1) 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 amount included for foreign currency exchange rate remeasurement on page 3. An alternative measure to operating return on average equity (based on adjusted operating income) is return on average equity (based on income from continuing operations). Return on average equity (based on income from continuing operations) represents income from continuing operations after-tax, attributable to consolidated Prudential Financial, Inc., as determined in accordance with U.S. GAAP, annualized for interim periods, divided by average total Prudential Financial, Inc. equity. Return on average equity (based on income from continuing operations) is 7.1%, 11.7%, 6.9%, 13.9%, and 13.0% for the three months ended June, 30, 2016, March 31, 2016, December 31, 2015, September 30, 2015, and June 30, 2015, respectively.

FINANCIAL HIGHLIGHTS
(in millions, except per share data)

Year-to-date			2015		2016		
2016	2015		2Q	3Q	4Q	1Q	2Q
Earnings per share of Common Stock (diluted):							
4.02	5.69	After-tax adjusted operating income	2.91	2.40	1.94	2.18	1.84
Reconciling items:							
1.55	2.89	Realized investment gains (losses), net, and related charges and adjustments	0.62	0.95	(0.43)	0.75	0.80
0.72	(0.30)	Investment gains (losses) on trading account assets supporting insurance liabilities, net	(0.48)	(0.50)	(0.35)	0.48	0.24
(0.58)	0.08	Change in experience-rated contractholder liabilities due to asset value changes	0.51	0.56	0.30	(0.29)	(0.30)
Divested businesses:							
(0.23)	0.06	Closed Block division	0.11	0.23	(0.17)	(0.16)	(0.07)
0.04	(0.07)	Other divested businesses	(0.24)	0.02	(0.09)	0.07	(0.02)
(0.01)	(0.02)	Difference in earnings allocated to participating unvested share-based payment awards	—	(0.01)	—	(0.01)	—
1.49	2.64	Total reconciling items, before income taxes	0.52	1.25	(0.74)	0.84	0.65
0.54	0.93	Income taxes, not applicable to adjusted operating income	0.40	0.49	(0.40)	0.09	0.45
0.95	1.71	Total reconciling items, after income taxes	0.12	0.76	(0.34)	0.75	0.20
4.97	7.40	Income from continuing operations (after-tax) attributable to Prudential Financial, Inc.	3.03	3.16	1.60	2.93	2.04
—	—	Income from discontinued operations, net of taxes	—	—	—	—	—
4.97	7.40	Net income attributable to Prudential Financial, Inc.	3.03	3.16	1.60	2.93	2.04
443.2	453.4	Weighted average number of outstanding Common shares (basic)	452.6	451.0	448.7	445.3	441.1
451.3	462.2	Weighted average number of outstanding Common shares (diluted)	461.4	459.7	457.5	453.2	449.3
9	9	Earnings related to interest, net of tax, on exchangeable surplus notes	5	4	4	4	5
Earnings allocated to participating unvested share-based payment awards for earnings per share calculation							
20	25	After-tax adjusted operating income	13	12	8	11	9
25	33	Income from continuing operations (after-tax)	14	15	6	14	11

FINANCIAL HIGHLIGHTS
(in millions, except per share data)

Year-to-date			2015			2016	
2016	2015		2Q	3Q	4Q	1Q	2Q
Capitalization Data (1):							
Senior Debt:							
		Short-term debt	3,620	1,833	1,216	969	676
		Long-term debt	14,242	14,309	13,783	13,795	13,172
		Junior Subordinated Long-Term Debt	5,884	5,884	5,811	5,813	5,814
Prudential Financial, Inc. Equity:							
		Including accumulated other comprehensive income	41,723	42,720	41,890	49,242	55,149
		Excluding accumulated other comprehensive income (2)	28,319	29,257	29,605	30,176	30,482
		Amount included above for foreign currency exchange rate remeasurement (3)	(4,211)	(4,034)	(3,747)	(3,628)	(3,509)
		Excluding accumulated other comprehensive income and adjusted to remove amount included for foreign currency exchange rate remeasurement (3)	32,530	33,291	33,352	33,804	33,991
Book value per share of Common Stock:							
		Including accumulated other comprehensive income (4)	91.17	93.87	92.39	109.66	123.77
		Excluding accumulated other comprehensive income (2)	61.89	64.32	65.32	67.36	68.65
		Amount included above for foreign currency exchange rate remeasurement (3)	(9.20)	(8.87)	(8.27)	(8.10)	(7.90)
		Excluding accumulated other comprehensive income and adjusted to remove amount included for foreign currency exchange rate remeasurement (3)	71.09	73.19	73.59	75.46	76.55
		Number of diluted shares at end of period (5)	457.6	454.9	453.2	448.0	444.0
Common Stock Price Range (based on closing price):							
79.84	91.47	High	91.47	91.68	87.69	79.84	79.71
58.00	75.32	Low	79.13	74.22	75.40	58.00	66.93
71.34	87.52	Close	87.52	76.21	81.41	72.22	71.34
Common Stock market capitalization (1)			39,550	34,249	36,398	32,001	31,304

- (1) As of end of period.
- (2) Foreign currency translation adjustments and the cumulative impact of foreign currency exchange rate remeasurement, except for those items remeasured through net income (loss), are a component of accumulated other comprehensive income.
- (3) Represents cumulative impact of net gains and losses resulting from foreign currency exchange rate remeasurement and associated realized investment gains and losses included in net income (loss) and currency translation adjustments corresponding to realized investment gains and losses.
- (4) Book value per share of Common Stock including accumulated other comprehensive income as of June 30, and September 30, 2015 includes a \$500 million increase in equity and a 5.5 million increase in diluted shares reflecting the dilutive impact of exchangeable surplus notes when book value per share is greater than \$90.85, and as of December 31, 2015, March 31, and June 30, 2016 includes a \$500 million increase in equity and a 5.6 million increase in diluted shares reflecting the dilutive impact of exchangeable surplus notes when book value per share is greater than \$88.90.
- (5) The number of diluted shares at end of period excludes the impact of exchangeable surplus notes due to the antidilutive impact of conversion.

OPERATIONS HIGHLIGHTS

Year-to-date			2015			2016	
			2Q	3Q	4Q	1Q	2Q
Assets Under Management and Administration (\$ billions) (1) (2):							
Assets Under Management :							
Managed by U.S. Retirement Solutions and Investment Management Division:							
Asset Management Segment - Investment Management & Advisory Services							
Institutional customers			380.6	380.9	389.1	403.6	418.8
Retail customers			199.2	188.9	197.3	198.6	202.1
General account			368.5	376.7	376.7	400.8	426.3
Total Investment Management and Advisory Services			948.3	946.5	963.1	1,003.0	1,047.2
Non-proprietary assets under management			191.5	178.2	175.5	167.0	169.8
Total managed by U.S. Retirement Solutions and Investment Management Division			1,139.8	1,124.7	1,138.6	1,170.0	1,217.0
Managed by U.S. Individual Life and Group Insurance Division			24.1	24.2	24.1	25.1	25.7
Managed by International Insurance Division			22.9	22.2	21.0	22.8	25.0
Total assets under management			1,186.8	1,171.1	1,183.7	1,217.9	1,267.7
Client assets under administration			165.7	163.1	163.2	170.5	171.7
Total assets under management and administration			1,352.5	1,334.2	1,346.9	1,388.4	1,439.4
Assets managed or administered for customers outside of the United States at end of period			263.1	263.4	270.5	297.5	324.6
Distribution Representatives (1):							
Prudential Agents			2,866	2,922	2,903	2,969	2,987
International Life Planners			7,415	7,509	7,592	7,608	7,551
Gibraltar Life Consultants			8,565	8,593	8,805	8,781	8,734
25	50	Prudential Agent productivity (\$ thousands)	53	57	68	47	54

- (1) As of end of period.
(2) At fair market value.

COMBINED STATEMENTS OF OPERATIONS
(in millions)

Year-to-date		% Change		2015					2016	
2016	2015			2Q	3Q	4Q	1Q	2Q		
Revenues (1):										
11,723	12,695	-8%	Premiums	6,782	5,273	7,495	5,577	6,146		
2,799	2,937	-5%	Policy charges and fee income	1,383	1,552	1,514	1,511	1,288		
6,104	5,979	2%	Net investment income	2,974	3,015	2,964	3,017	3,087		
2,478	2,696	-8%	Asset management fees, commissions and other income	1,361	1,238	1,272	1,187	1,291		
23,104	24,307	-5%	Total revenues	12,500	11,078	13,245	11,292	11,812		
Benefits and Expenses (1):										
12,797	13,141	-3%	Insurance and annuity benefits	6,925	5,640	7,917	5,984	6,813		
1,821	1,791	2%	Interest credited to policyholders' account balances	907	915	879	907	914		
682	641	6%	Interest expense	324	339	322	325	357		
(1,403)	(1,311)	-7%	Deferral of acquisition costs	(664)	(650)	(691)	(685)	(718)		
760	679	12%	Amortization of acquisition costs	251	509	443	479	281		
6,065	5,780	5%	General and administrative expenses	2,916	2,862	3,193	2,957	3,108		
20,722	20,721	0%	Total benefits and expenses	10,659	9,615	12,063	9,967	10,755		
2,382	3,586	-34%	Adjusted operating income before income taxes	1,841	1,463	1,182	1,325	1,057		
Reconciling items:										
2,220	1,602	39%	Realized investment gains (losses), net, and related adjustments	(60)	1,117	(461)	1,418	802		
(1,522)	(265)	-474%	Related charges	346	(679)	265	(1,080)	(442)		
Total realized investment gains (losses), net, and related charges and adjustments				286	438	(196)	338	360		
324	(137)	336%	Investment gains (losses) on trading account assets supporting insurance liabilities, net	(220)	(228)	(159)	216	108		
(263)	37	-811%	Change in experience-rated contractholder liabilities due to asset value changes	234	258	138	(130)	(133)		
Divested businesses:										
(105)	30	-450%	Closed Block division	52	108	(80)	(73)	(32)		
20	(34)	159%	Other divested businesses	(109)	8	(40)	31	(11)		
Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests				45	2	(2)	25	(8)		
17	58	-71%		45	2	(2)	25	(8)		
691	1,291	-46%	Total reconciling items, before income taxes	288	586	(339)	407	284		
Income from continuing operations before income taxes and equity in earnings of operating joint ventures				2,129	2,049	843	1,732	1,341		
3,073	4,877	-37%		2,129	2,049	843	1,732	1,341		
799	1,378	-42%	Income tax expense	679	584	110	368	431		
2,274	3,499	-35%	Income from continuing operations before equity in earnings of operating joint ventures	1,450	1,465	733	1,364	910		

- (1) Revenues exclude realized investment gains, net of losses and related charges and adjustments; investment gains, net of losses, on trading account assets supporting insurance liabilities; and revenues of divested businesses, and include revenues representing equity in earnings of operating joint ventures other than those classified as divested businesses. Benefits and expenses exclude charges related to realized investment gains, net of losses; change in experience-rated contractholder liabilities due to asset value changes; and benefits and expenses of divested businesses and include charges for income attributable to non controlling interests. See pages 35 and 36 for reconciliation.

COMBINING STATEMENTS OF OPERATIONS
(in millions)

Quarter Ended June 30, 2016					
	Total	U.S. Retirement Solutions & Investment Management Division	U.S. Individual Life & Group Insurance Division	International Insurance Division	Corporate and Other Operations
Revenues (1) :					
Premiums	6,146	1,018	1,234	3,899	(5)
Policy charges and fee income	1,288	687	505	106	(10)
Net investment income	3,087	1,194	593	1,204	96
Asset management fees, commissions and other income	1,291	1,217	187	134	(247)
Total revenues	11,812	4,116	2,519	5,343	(166)
Benefits and Expenses (1):					
Insurance and annuity benefits	6,813	1,460	1,950	3,397	6
Interest credited to policyholders' account balances	914	451	233	230	—
Interest expense	357	28	146	1	182
Deferral of acquisition costs	(718)	(128)	(172)	(436)	18
Amortization of acquisition costs	281	131	(111)	273	(12)
General and administrative expenses	3,108	1,304	674	1,075	55
Total benefits and expenses	10,755	3,246	2,720	4,540	249
Adjusted operating income (loss) before income taxes	1,057	870	(201)	803	(415)
Quarter Ended June 30, 2015					
	Total	U.S. Retirement Solutions & Investment Management Division	U.S. Individual Life & Group Insurance Division	International Insurance Division	Corporate and Other Operations
Revenues (1):					
Premiums	6,782	1,939	1,200	3,633	10
Policy charges and fee income	1,383	740	516	139	(12)
Net investment income	2,974	1,186	551	1,099	138
Asset management fees, commissions and other income	1,361	1,291	184	166	(280)
Total revenues	12,500	5,156	2,451	5,037	(144)
Benefits and Expenses (1):					
Insurance and annuity benefits	6,925	2,330	1,471	3,133	(9)
Interest credited to policyholders' account balances	907	446	237	224	—
Interest expense	324	24	140	1	159
Deferral of acquisition costs	(664)	(128)	(157)	(395)	16
Amortization of acquisition costs	251	132	(127)	255	(9)
General and administrative expenses	2,916	1,371	575	977	(7)
Total benefits and expenses	10,659	4,175	2,139	4,195	150
Adjusted operating income (loss) before income taxes	1,841	981	312	842	(294)

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

COMBINING STATEMENTS OF OPERATIONS
(in millions)

Six Months Ended June 30, 2016					
	Total	U.S. Retirement Solutions & Investment Management Division	U.S. Individual Life & Group Insurance Division	International Insurance Division	Corporate and Other Operations
Revenues (1) :					
Premiums	11,723	1,689	2,453	7,595	(14)
Policy charges and fee income	2,799	1,362	1,224	236	(23)
Net investment income	6,104	2,392	1,175	2,324	213
Asset management fees, commissions and other income	2,478	2,381	353	232	(488)
Total revenues	23,104	7,824	5,205	10,387	(312)
Benefits and Expenses (1):					
Insurance and annuity benefits	12,797	2,631	3,584	6,570	12
Interest credited to policyholders' account balances	1,821	904	460	457	—
Interest expense	682	53	288	3	338
Deferral of acquisition costs	(1,403)	(238)	(334)	(862)	31
Amortization of acquisition costs	760	286	(33)	533	(26)
General and administrative expenses	6,065	2,606	1,295	2,104	60
Total benefits and expenses	20,722	6,242	5,260	8,805	415
Adjusted operating income (loss) before income taxes	2,382	1,582	(55)	1,582	(727)
Six Months Ended June 30, 2015					
	Total	U.S. Retirement Solutions & Investment Management Division	U.S. Individual Life & Group Insurance Division	International Insurance Division	Corporate and Other Operations
Revenues (1):					
Premiums	12,695	3,152	2,388	7,152	3
Policy charges and fee income	2,937	1,460	1,221	279	(23)
Net investment income	5,979	2,403	1,100	2,198	278
Asset management fees, commissions and other income	2,696	2,539	370	314	(527)
Total revenues	24,307	9,554	5,079	9,943	(269)
Benefits and Expenses (1):					
Insurance and annuity benefits	13,141	3,946	3,069	6,135	(9)
Interest credited to policyholders' account balances	1,791	896	447	448	—
Interest expense	641	58	276	2	305
Deferral of acquisition costs	(1,311)	(248)	(296)	(796)	29
Amortization of acquisition costs	679	231	(39)	507	(20)
General and administrative expenses	5,780	2,672	1,164	1,971	(27)
Total benefits and expenses	20,721	7,555	4,621	8,267	278
Adjusted operating income (loss) before income taxes	3,586	1,999	458	1,676	(547)

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

CONSOLIDATED BALANCE SHEETS
(in millions)

	06/30/2015	09/30/2015	12/31/2015	03/31/2016	06/30/2016
Assets:					
Investments:					
Fixed maturities, available for sale, at fair value (amortized cost \$262,820; \$263,281; \$265,416; \$278,000; \$286,066)	290,063	290,778	290,323	314,529	332,270
Fixed maturities, held to maturity, at amortized cost (fair value \$2,674; \$2,669; \$2,624; \$2,841; \$3,026)	2,396	2,380	2,308	2,411	2,485
Trading account assets supporting insurance liabilities, at fair value	20,267	20,408	20,522	21,447	21,702
Other trading account assets, at fair value	12,749	14,075	14,458	8,052	7,268
Equity securities, available for sale, at fair value (cost \$6,870; \$6,755; \$6,847; \$7,026; \$7,088)	9,901	9,109	9,274	9,400	9,496
Commercial mortgage and other loans	48,569	50,048	50,559	50,798	51,447
Policy loans	11,652	11,624	11,657	11,805	11,930
Other long-term investments	10,678	10,591	9,986	10,281	10,247
Short-term investments	5,669	7,937	8,105	3,697	5,035
Total investments	411,944	416,950	417,192	432,420	451,880
Cash and cash equivalents	17,038	20,207	17,612	22,492	24,142
Accrued investment income	3,117	3,156	3,110	3,180	3,211
Deferred policy acquisition costs	16,569	16,206	16,718	15,998	16,152
Value of business acquired	2,994	2,847	2,828	2,582	1,951
Other assets	14,589	14,409	14,225	14,822	14,322
Separate account assets	296,341	280,616	285,570	281,501	284,832
Total assets	<u>762,592</u>	<u>754,391</u>	<u>757,255</u>	<u>772,995</u>	<u>796,490</u>
Liabilities:					
Future policy benefits	216,555	222,220	224,384	234,728	242,950
Policyholders' account balances	135,630	136,620	136,784	139,745	142,716
Securities sold under agreements to repurchase	7,863	8,107	7,882	8,357	7,335
Cash collateral for loaned securities	3,808	4,241	3,496	4,052	4,643
Income taxes	9,239	9,644	8,714	12,128	15,140
Senior short-term debt	3,620	1,833	1,216	969	676
Senior long-term debt	14,242	14,309	13,783	13,795	13,172
Junior subordinated long-term debt	5,884	5,884	5,811	5,813	5,814
Notes issued by consolidated variable interest entities	7,455	8,370	8,597	2,946	2,094
Other liabilities	19,663	19,777	19,095	19,696	21,940
Separate account liabilities	296,341	280,616	285,570	281,501	284,832
Total liabilities	<u>720,300</u>	<u>711,621</u>	<u>715,332</u>	<u>723,730</u>	<u>741,312</u>
Equity:					
Accumulated other comprehensive income	13,404	13,463	12,285	19,066	24,667
Other equity	28,319	29,257	29,605	30,176	30,482
Total Prudential Financial, Inc. equity	<u>41,723</u>	<u>42,720</u>	<u>41,890</u>	<u>49,242</u>	<u>55,149</u>
Noncontrolling Interest	569	50	33	23	29
Total Equity	<u>42,292</u>	<u>42,770</u>	<u>41,923</u>	<u>49,265</u>	<u>55,178</u>
Total liabilities and equity	<u>762,592</u>	<u>754,391</u>	<u>757,255</u>	<u>772,995</u>	<u>796,490</u>

COMBINING BALANCE SHEETS BY DIVISION
(in millions)

As of June 30, 2016							
	Consolidated PFI	Closed Block Division	PFI Excluding Closed Block Division	U.S. Retirement Solutions & Investment Management Division	U.S. Individual Life & Group Insurance Division	International Insurance Division	Corporate and Other Operations
Assets:							
Total investments	451,880	61,274	390,606	130,889	56,784	186,515	16,418
Deferred policy acquisition costs	16,152	354	15,798	4,248	4,952	6,896	(298)
Other assets	43,626	2,080	41,546	21,088	10,781	10,163	(486)
Separate account assets	284,832	—	284,832	240,637	45,276	2,778	(3,859)
Total assets	<u>796,490</u>	<u>63,708</u>	<u>732,782</u>	<u>396,862</u>	<u>117,793</u>	<u>206,352</u>	<u>11,775</u>
Liabilities:							
Future policy benefits	242,950	49,361	193,589	67,812	16,235	105,016	4,526
Policyholders' account balances	142,716	5,221	137,495	57,513	32,308	47,680	(6)
Debt	19,662	—	19,662	3,011	7,595	53	9,003
Other liabilities	51,152	10,537	40,615	7,394	7,767	20,298	5,156
Separate account liabilities	284,832	—	284,832	240,637	45,276	2,778	(3,859)
Total liabilities	<u>741,312</u>	<u>65,119</u>	<u>676,193</u>	<u>376,367</u>	<u>109,181</u>	<u>175,825</u>	<u>14,820</u>
Equity:							
Accumulated other comprehensive income (loss)	24,667	21	24,646	3,275	1,676	20,510	(815)
Other equity	30,482	(1,433)	31,915	17,186	6,936	9,969	(2,176)
Total Prudential Financial, Inc. equity	<u>55,149</u>	<u>(1,412)</u>	<u>56,561</u>	<u>20,461</u>	<u>8,612</u>	<u>30,479</u>	<u>(2,991)</u>
Noncontrolling Interest	29	1	28	34	—	48	(54)
Total Equity	<u>55,178</u>	<u>(1,411)</u>	<u>56,589</u>	<u>20,495</u>	<u>8,612</u>	<u>30,527</u>	<u>(3,045)</u>
Total liabilities and equity	<u>796,490</u>	<u>63,708</u>	<u>732,782</u>	<u>396,862</u>	<u>117,793</u>	<u>206,352</u>	<u>11,775</u>

As of December 31, 2015							
	Consolidated PFI	Closed Block Division	PFI Excluding Closed Block Division	U.S. Retirement Solutions & Investment Management Division	U.S. Individual Life & Group Insurance Division	International Insurance Division	Corporate and Other Operations
Assets:							
Total investments	417,192	59,758	357,434	132,934	50,547	157,800	16,153
Deferred policy acquisition costs	16,718	373	16,345	5,048	5,064	6,554	(321)
Other assets	37,775	1,996	35,779	15,081	11,143	8,246	1,309
Separate account assets	285,570	—	285,570	242,058	44,446	2,553	(3,487)
Total assets	<u>757,255</u>	<u>62,127</u>	<u>695,128</u>	<u>395,121</u>	<u>111,200</u>	<u>175,153</u>	<u>13,654</u>
Liabilities:							
Future policy benefits	224,384	49,539	174,845	63,585	15,053	91,931	4,276
Policyholders' account balances	136,784	5,250	131,534	55,833	31,987	43,711	3
Debt	20,810	—	20,810	2,846	7,251	29	10,684
Other liabilities	47,784	8,747	39,037	15,524	6,633	14,865	2,015
Separate account liabilities	285,570	—	285,570	242,058	44,446	2,553	(3,487)
Total liabilities	<u>715,332</u>	<u>63,536</u>	<u>651,796</u>	<u>379,846</u>	<u>105,370</u>	<u>153,089</u>	<u>13,491</u>
Equity:							
Accumulated other comprehensive income (loss)	12,285	2	12,283	576	504	12,897	(1,694)
Other equity	29,605	(1,411)	31,016	14,686	5,326	9,119	1,885
Total Prudential Financial, Inc. equity	<u>41,890</u>	<u>(1,409)</u>	<u>43,299</u>	<u>15,262</u>	<u>5,830</u>	<u>22,016</u>	<u>191</u>
Noncontrolling Interest	33	—	33	13	—	48	(28)
Total Equity	<u>41,923</u>	<u>(1,409)</u>	<u>43,332</u>	<u>15,275</u>	<u>5,830</u>	<u>22,064</u>	<u>163</u>
Total liabilities and equity	<u>757,255</u>	<u>62,127</u>	<u>695,128</u>	<u>395,121</u>	<u>111,200</u>	<u>175,153</u>	<u>13,654</u>

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

	As of June 30, 2016				As of December 31, 2015			
	Senior debt		Junior Subordinated Long-term Debt	Total Debt	Senior debt		Junior Subordinated Long-term Debt	Total Debt
	Short-term Debt	Long-term Debt			Short-term Debt	Long-term Debt		
<i>Borrowings by use of proceeds:</i>								
Capital Debt	—	5,822	5,814	11,636	194	5,875	5,811	11,880
Operating Debt - Investment related	379	5,643	—	6,022	438	6,573	—	7,011
Operating Debt - Specified businesses	224	1,132	—	1,356	584	770	—	1,354
Limited recourse and non-recourse borrowing	73	575	—	648	—	565	—	565
Total debt	676	13,172	5,814	19,662	1,216	13,783	5,811	20,810

	As of June 30, 2016				As of December 31, 2015			
	Prudential Financial, Inc.	The Prudential Insurance Co. of America (1)(2)	Other Affiliates	Total	Prudential Financial, Inc.	The Prudential Insurance Co. of America (1)(2)	Other Affiliates	Total
<i>Borrowings by sources:</i>								
Capital Debt	10,641	939	56	11,636	10,888	941	51	11,880
Operating Debt - Investment related	4,094	328	1,599	6,021	5,328	72	1,611	7,011
Operating Debt - Specified businesses	1,179	178	—	1,357	970	384	—	1,354
Limited recourse and non-recourse borrowing	—	648	—	648	—	565	—	565
Total debt	15,914	2,093	1,655	19,662	17,186	1,962	1,662	20,810

(1) Includes Prudential Funding, LLC.

(2) Capital debt at Prudential Insurance Co. of America includes \$839 million and \$841 million of surplus notes as of June 30, 2016 and December 31, 2015, respectively.

COMBINED STATEMENTS OF OPERATIONS - U.S. RETIREMENT SOLUTIONS AND INVESTMENT MANAGEMENT DIVISION
(in millions)

Year-to-date		% Change						
2016	2015			2015		2016		
				2Q	3Q	4Q	1Q	2Q
Revenues (1):								
1,689	3,152	-46%	Premiums	1,939	688	3,005	671	1,018
1,362	1,460	-7%	Policy charges and fee income	740	718	707	675	687
2,392	2,403	0%	Net investment income	1,186	1,205	1,188	1,198	1,194
2,381	2,539	-6%	Asset management fees, commissions and other income	1,291	1,197	1,198	1,164	1,217
<u>7,824</u>	<u>9,554</u>	-18%	Total revenues	<u>5,156</u>	<u>3,808</u>	<u>6,098</u>	<u>3,708</u>	<u>4,116</u>
Benefits and Expenses (1):								
2,631	3,946	-33%	Insurance and annuity benefits	2,330	1,216	3,502	1,171	1,460
904	896	1%	Interest credited to policyholders' account balances	446	468	440	453	451
53	58	-9%	Interest expense	24	25	21	25	28
(238)	(248)	4%	Deferral of acquisition costs	(128)	(117)	(122)	(110)	(128)
286	231	24%	Amortization of acquisition costs	132	179	140	155	131
<u>2,606</u>	<u>2,672</u>	-2%	General and administrative expenses	<u>1,371</u>	<u>1,305</u>	<u>1,341</u>	<u>1,302</u>	<u>1,304</u>
<u>6,242</u>	<u>7,555</u>	-17%	Total benefits and expenses	<u>4,175</u>	<u>3,076</u>	<u>5,322</u>	<u>2,996</u>	<u>3,246</u>
<u>1,582</u>	<u>1,999</u>	-21%	Adjusted operating income before income taxes	<u>981</u>	<u>732</u>	<u>776</u>	<u>712</u>	<u>870</u>

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

COMBINING STATEMENTS OF OPERATIONS - U.S. RETIREMENT SOLUTIONS AND INVESTMENT MANAGEMENT DIVISION
(in millions)

	Six Months Ended June 30, 2016				Quarter Ended June 30, 2016			
	Total U.S. Retirement Solutions & Investment Management Division	Individual Annuities	Retirement	Asset Management	Total U.S. Retirement Solutions & Investment Management Division	Individual Annuities	Retirement	Asset Management
Revenues (1):								
Premiums	1,689	76	1,613	—	1,018	44	974	—
Policy charges and fee income	1,362	1,251	111	—	687	631	56	—
Net investment income	2,392	322	2,029	41	1,194	161	1,010	23
Asset management fees, commissions and other income	2,381	603	381	1,397	1,217	307	201	709
Total revenues	7,824	2,252	4,134	1,438	4,116	1,143	2,241	732
Benefits and Expenses (1):								
Insurance and annuity benefits	2,631	168	2,463	—	1,460	57	1,403	—
Interest credited to policyholders' account balances	904	198	706	—	451	98	353	—
Interest expense	53	37	9	7	28	19	5	4
Deferral of acquisition costs	(238)	(217)	(15)	(6)	(128)	(117)	(8)	(3)
Amortization of acquisition costs	286	266	12	8	131	122	5	4
General and administrative expenses	2,606	1,045	504	1,057	1,304	537	247	520
Total benefits and expenses	6,242	1,497	3,679	1,066	3,246	716	2,005	525
Adjusted operating income before income taxes	1,582	755	455	372	870	427	236	207

	Six Months Ended June 30, 2015				Quarter Ended June 30, 2015			
	Total U.S. Retirement Solutions & Investment Management Division	Individual Annuities	Retirement	Asset Management	Total U.S. Retirement Solutions & Investment Management Division	Individual Annuities	Retirement	Asset Management
Revenues (1):								
Premiums	3,152	60	3,092	—	1,939	31	1,908	—
Policy charges and fee income	1,460	1,351	109	—	740	682	58	—
Net investment income	2,403	294	2,048	61	1,186	143	1,007	36
Asset management fees, commissions and other income	2,539	682	409	1,448	1,291	344	207	740
Total revenues	9,554	2,387	5,658	1,509	5,156	1,200	3,180	776
Benefits and Expenses (1):								
Insurance and annuity benefits	3,946	81	3,865	—	2,330	33	2,297	—
Interest credited to policyholders' account balances	896	162	734	—	446	81	365	—
Interest expense	58	40	14	4	24	15	7	2
Deferral of acquisition costs	(248)	(221)	(21)	(6)	(128)	(112)	(13)	(3)
Amortization of acquisition costs	231	181	40	10	132	92	35	5
General and administrative expenses	2,672	1,067	505	1,100	1,371	543	252	576
Total benefits and expenses	7,555	1,310	5,137	1,108	4,175	652	2,943	580
Adjusted operating income before income taxes	1,999	1,077	521	401	981	548	237	196

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

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

Year-to-date			2015			2016	
2016	2015		2Q	3Q	4Q	1Q	2Q
SALES AND ACCOUNT VALUES:							
Variable Annuities:							
149,441	155,083	Beginning total account value	157,552	155,424	146,685	149,441	149,246
1,349	2,267	Sales: Highest Daily Suite - risk retained by Prudential (1)	846	735	680	683	666
728	559	Highest Daily Suite - externally reinsured living benefits	559	500	486	374	354
2,191	1,715	Other variable annuities (2)	921	880	910	944	1,247
4,268	4,541	Total sales	2,326	2,115	2,076	2,001	2,267
(3,662)	(4,337)	Surrenders and withdrawals	(2,170)	(1,965)	(1,989)	(1,748)	(1,914)
606	204	Net sales	156	150	87	253	353
(754)	(790)	Benefit payments	(390)	(400)	(351)	(355)	(399)
(148)	(586)	Net flows	(234)	(250)	(264)	(102)	(46)
3,637	2,730	Change in market value, interest credited, and other	(983)	(7,594)	3,909	764	2,873
(1,742)	(1,803)	Policy charges	(911)	(895)	(889)	(857)	(885)
151,188	155,424	Ending total account value	155,424	146,685	149,441	149,246	151,188
Variable Annuities Account Value by Product:							
111,820	117,723	Highest Daily Suite - risk retained by Prudential (1)	117,723	110,390	112,060	111,229	111,820
2,259	553	Highest Daily Suite - externally reinsured living benefits	553	1,011	1,513	1,893	2,259
37,109	37,148	Other variable annuities (2)	37,148	35,284	35,868	36,124	37,109
151,188	155,424	Ending total account value	155,424	146,685	149,441	149,246	151,188
Fixed Annuities and other products (3):							
3,504	3,581	Beginning total account value	3,575	3,552	3,532	3,504	3,487
30	27	Sales	15	8	13	16	14
(57)	(62)	Surrenders and withdrawals	(33)	(30)	(32)	(31)	(26)
(27)	(35)	Net redemptions	(18)	(22)	(19)	(15)	(12)
(178)	(187)	Benefit payments	(99)	(91)	(91)	(88)	(90)
(205)	(222)	Net flows	(117)	(113)	(110)	(103)	(102)
191	193	Interest credited and other	94	94	83	86	105
(1)	—	Policy charges	—	(1)	(1)	—	(1)
3,489	3,552	Ending total account value	3,552	3,532	3,504	3,487	3,489
SALES BY DISTRIBUTION CHANNEL:							
Variable and Fixed Annuities (4):							
1,205	1,311	Insurance Agents	673	611	627	580	625
837	837	Wirehouses	443	429	415	385	452
1,680	1,736	Independent Financial Planners	881	788	761	783	897
576	684	Bank Distribution	344	295	286	269	307
4,298	4,568	Total	2,341	2,123	2,089	2,017	2,281

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

U.S. RETIREMENT SOLUTIONS AND INVESTMENT MANAGEMENT DIVISION - INDIVIDUAL ANNUITIES ACCOUNT VALUE ACTIVITY
(in millions)

Year-to-date						
2016	2015		2015		2016	
			2Q	3Q	4Q	1Q
						2Q
INDIVIDUAL ANNUITIES:						
<i>Account Values in General Account (1):</i>						
9,942	9,852	Beginning balance	9,728	9,724	10,030	9,942
459	610	Premiums and deposits	302	276	279	238
(281)	(382)	Surrenders and withdrawals	(184)	(176)	(146)	(141)
178	228	Net sales	118	100	133	97
(215)	(228)	Benefit payments	(123)	(109)	(109)	(105)
(37)	—	Net flows	(5)	(9)	24	(8)
126	127	Interest credited and other	63	66	70	64
(53)	(254)	Net transfers (to) from separate account	(61)	249	(181)	19
(1)	(1)	Policy charges	(1)	—	(1)	—
9,977	9,724	Ending balance	9,724	10,030	9,942	10,017
<i>Account Values in Separate Account (1):</i>						
143,003	148,812	Beginning balance	151,399	149,252	140,187	143,003
3,839	3,958	Premiums and deposits	2,039	1,847	1,810	1,779
(3,438)	(4,017)	Surrenders and withdrawals	(2,019)	(1,819)	(1,875)	(1,638)
401	(59)	Net sales (redemptions)	20	28	(65)	141
(717)	(749)	Benefit payments	(366)	(382)	(333)	(338)
(316)	(808)	Net flows	(346)	(354)	(398)	(197)
3,702	2,796	Change in market value, interest credited and other	(952)	(7,566)	3,922	786
53	254	Net transfers (to) from general account	61	(249)	181	(19)
(1,742)	(1,802)	Policy charges	(910)	(896)	(889)	(857)
144,700	149,252	Ending balance	149,252	140,187	143,003	142,716

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

U.S. RETIREMENT SOLUTIONS AND INVESTMENT MANAGEMENT DIVISION - INDIVIDUAL ANNUITIES LIVING BENEFIT FEATURES
(in millions)

	2015			2016	
	2Q	3Q	4Q	1Q	2Q
LIVING BENEFIT FEATURES ACCOUNT VALUE AND NET AMOUNT AT RISK (1):					
<u>Variable Annuity Account Values with Living Benefit Features</u>					
Guaranteed minimum accumulation benefits	5,276	4,933	4,767	4,658	4,524
Guaranteed minimum withdrawal benefits	666	588	578	552	537
Guaranteed minimum income benefits	3,151	2,861	2,870	2,780	2,749
Guaranteed minimum withdrawal & income benefits - risk retained by Prudential	121,358	114,539	116,724	116,818	118,666
Guaranteed minimum withdrawal & income benefits - externally reinsured	553	1,011	1,513	1,893	2,259
Total	<u>131,004</u>	<u>123,932</u>	<u>126,452</u>	<u>126,701</u>	<u>128,735</u>
<u>Living Benefit Features Account Values by Product Design Type</u>					
Account Values with Auto-Rebalancing Feature - risk retained by Prudential	112,770	105,926	107,411	106,699	107,253
Account Values with Auto-Rebalancing Feature - externally reinsured	553	1,011	1,513	1,893	2,259
Account Values without Auto-Rebalancing Feature	17,681	16,995	17,528	18,109	19,223
Total	<u>131,004</u>	<u>123,932</u>	<u>126,452</u>	<u>126,701</u>	<u>128,735</u>
<u>Living Benefit Features Net Amount at Risk by Product Design Type</u>					
Net Amount at Risk with Auto-Rebalancing Feature - risk retained by Prudential	2,350	4,259	4,019	4,395	4,366
Net Amount at Risk with Auto-Rebalancing Feature - externally reinsured	—	—	—	—	—
Net Amount at Risk without Auto-Rebalancing Feature	905	1,296	1,194	1,225	1,179
Total	<u>3,255</u>	<u>5,555</u>	<u>5,213</u>	<u>5,620</u>	<u>5,545</u>

(1) At end of period.

U.S. RETIREMENT SOLUTIONS AND INVESTMENT MANAGEMENT DIVISION - INDIVIDUAL ANNUITIES DEATH BENEFIT FEATURES
(in millions)

	2Q	2015 3Q	4Q	2016 1Q	2Q
DEATH BENEFIT FEATURES ACCOUNT VALUE AND NET AMOUNT AT RISK (1):					
<u>Variable Annuity Account Values by Death Benefit Features</u>					
<i>Return of net deposits:</i>					
Account value	118,425	112,070	114,402	114,662	116,599
Net amount at risk	470	894	737	648	544
<i>Minimum return, anniversary contract value, or maximum contract value:</i>					
Account value	33,665	31,366	31,658	31,188	31,127
Net amount at risk	3,058	4,711	4,212	4,367	4,147
<u>Death Benefit Features Account Values by Product Design Type</u>					
Account Values with Auto-Rebalancing Feature	113,323	106,937	108,924	108,592	109,512
Account Values without Auto-Rebalancing Feature	38,767	36,499	37,136	37,258	38,214
Total	<u>152,090</u>	<u>143,436</u>	<u>146,060</u>	<u>145,850</u>	<u>147,726</u>
<u>Death Benefit Features Net Amount at Risk by Product Design Type</u>					
Net Amount at Risk with Auto-Rebalancing Feature	980	2,305	1,919	2,025	1,852
Net Amount at Risk without Auto-Rebalancing Feature	2,548	3,300	3,030	2,990	2,839
Total	<u>3,528</u>	<u>5,605</u>	<u>4,949</u>	<u>5,015</u>	<u>4,691</u>

(1) At end of period.

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

Year-to-date			2015			2016	
2016	2015		2Q	3Q	4Q	1Q	2Q
RETIREMENT SEGMENT SALES AND ACCOUNT VALUES							
Full Service:							
188,961	184,196	Beginning total account value	188,145	188,807	184,515	188,961	190,953
11,355	11,354	Deposits and sales	5,040	9,422	4,908	6,656	4,699
(9,799)	(10,912)	Withdrawals and benefits	(4,683)	(5,072)	(5,575)	(5,286)	(4,513)
3,490	4,169	Change in market value, interest credited, interest income and other activity	305	(8,642)	5,113	622	2,868
<u>194,007</u>	<u>188,807</u>	Ending total account value	<u>188,807</u>	<u>184,515</u>	<u>188,961</u>	<u>190,953</u>	<u>194,007</u>
<u>1,556</u>	<u>442</u>	Net additions (withdrawals)	<u>357</u>	<u>4,350</u>	<u>(667)</u>	<u>1,370</u>	<u>186</u>
Stable value account values included above			45,007	45,731	45,971	46,865	47,581
Institutional Investment Products:							
179,964	179,641	Beginning total account value	177,120	183,798	181,662	179,964	180,819
5,482	10,116	Additions	9,147	2,031	3,425	2,061	3,421
(5,902)	(7,303)	Withdrawals and benefits	(3,808)	(3,940)	(4,145)	(2,783)	(3,119)
4,251	1,712	Change in market value, interest credited and interest income	83	1,106	658	2,198	2,053
(2,913)	(368)	Other (1)	1,256	(1,333)	(1,636)	(621)	(2,292)
<u>180,882</u>	<u>183,798</u>	Ending total account value	<u>183,798</u>	<u>181,662</u>	<u>179,964</u>	<u>180,819</u>	<u>180,882</u>
<u>(420)</u>	<u>2,813</u>	Net additions (withdrawals)	<u>5,339</u>	<u>(1,909)</u>	<u>(720)</u>	<u>(722)</u>	<u>302</u>
Amounts included in ending total account value above:							
69,567	67,958	Investment-only stable value wraps	67,958	68,097	66,827	68,624	69,567
31,438	36,252	Longevity reinsurance (2)	36,252	34,628	33,453	32,364	31,438
79,877	79,588	Group annuities and other products	79,588	78,937	79,684	79,831	79,877
<u>180,882</u>	<u>183,798</u>	Ending total account value	<u>183,798</u>	<u>181,662</u>	<u>179,964</u>	<u>180,819</u>	<u>180,882</u>

(1) "Other" activity includes the effect of foreign exchange rate changes, as well as changes in asset balances for externally managed accounts.

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

U.S. RETIREMENT SOLUTIONS AND INVESTMENT MANAGEMENT DIVISION - SUPPLEMENTARY REVENUE AND ASSETS UNDER MANAGEMENT
INFORMATION FOR ASSET MANAGEMENT SEGMENT

Supplementary Revenue Information (in millions):

Year-to-date		% Change		2015			2016	
2016	2015			2Q	3Q	4Q	1Q	2Q
Analysis of revenues by type:								
1,071	1,070	0%	Asset management fees	540	536	529	524	547
138	124	11%	Other related revenues	52	49	68	71	67
229	315	-27%	Service, distribution and other revenues	184	119	134	111	118
<u>1,438</u>	<u>1,509</u>	-5%	Total Asset Management segment revenues	<u>776</u>	<u>704</u>	<u>731</u>	<u>706</u>	<u>732</u>
Analysis of asset management fees by source:								
498	458	9%	Institutional customers	230	234	231	242	256
342	386	-11%	Retail customers	197	191	187	169	173
231	226	2%	General account	113	111	111	113	118
<u>1,071</u>	<u>1,070</u>	0%	Total asset management fees	<u>540</u>	<u>536</u>	<u>529</u>	<u>524</u>	<u>547</u>

Supplementary Assets Under Management Information (in billions):

	June 30, 2016			
	Equity	Fixed Income	Real Estate	Total
Institutional customers	58.1	319.6	41.1	418.8
Retail customers	113.8	86.2	2.1	202.1
General account	6.3	418.2	1.8	426.3
Total	<u>178.2</u>	<u>824.0</u>	<u>45.0</u>	<u>1,047.2</u>
	June 30, 2015			
	Equity	Fixed Income	Real Estate	Total
Institutional customers	65.7	277.4	37.5	380.6
Retail customers	128.5	68.4	2.3	199.2
General account	7.7	359.0	1.8	368.5
Total	<u>201.9</u>	<u>704.8</u>	<u>41.6</u>	<u>948.3</u>

U.S. RETIREMENT SOLUTIONS AND INVESTMENT MANAGEMENT DIVISION - SUPPLEMENTARY ASSETS UNDER MANAGEMENT INFORMATION FOR ASSET
MANAGEMENT SEGMENT
(in billions)

Year-to-date			2015			2016	
2016	2015		2Q	3Q	4Q	1Q	2Q
Institutional Customers - Assets Under Management:							
Assets gathered by Investment Management & Advisory Services sales force:							
347.1	323.6	Beginning assets under management	334.1	335.9	338.6	347.1	359.3
27.3	35.1	Additions	18.3	15.5	16.3	12.5	14.8
(27.9)	(24.6)	Withdrawals	(11.5)	(10.8)	(10.3)	(15.1)	(12.8)
24.0	1.6	Change in market value	(5.0)	(1.7)	2.2	12.7	11.3
(0.6)	0.2	Net money market flows	—	(0.2)	0.3	(1.0)	0.4
3.5	—	Other (1)	—	(0.1)	—	3.1	0.4
373.4	335.9	Ending assets under management	335.9	338.6	347.1	359.3	373.4
45.4	44.7	Affiliated institutional assets under management	44.7	42.3	42.0	44.3	45.4
418.8	380.6	Total assets managed for institutional customers at end of period	380.6	380.9	389.1	403.6	418.8
(0.6)	10.5	Net institutional additions (withdrawals), excluding money market activity	6.8	4.7	6.0	(2.6)	2.0
Retail Customers - Assets Under Management:							
Assets gathered by Investment Management & Advisory Services sales force:							
128.9	126.8	Beginning assets under management	135.1	135.2	125.9	128.9	127.8
21.7	23.4	Additions	10.3	8.2	9.3	10.2	11.5
(20.6)	(19.8)	Withdrawals	(10.7)	(9.8)	(10.5)	(10.7)	(9.9)
0.7	4.8	Change in market value	0.5	(7.6)	4.2	(1.2)	1.9
(0.1)	—	Net money market flows	—	—	—	(0.1)	—
0.7	—	Other (1)	—	(0.1)	—	0.7	—
131.3	135.2	Ending assets under management	135.2	125.9	128.9	127.8	131.3
70.8	64.0	Affiliated retail assets under management	64.0	63.0	68.4	70.8	70.8
202.1	199.2	Total assets managed for retail customers at end of period	199.2	188.9	197.3	198.6	202.1
1.1	3.6	Net retail additions (withdrawals), excluding money market activity	(0.4)	(1.6)	(1.2)	(0.5)	1.6

(1) "Other" activity represents transfers from the Retirement Segment as a result of changes in the client contract form, impact of acquired business of \$3.4B as of March 4, 2016 and FX related to International assets under management.

COMBINED STATEMENTS OF OPERATIONS - U.S. INDIVIDUAL LIFE AND GROUP INSURANCE DIVISION
(in millions)

Year-to-date		% Change		2015			2016	
2016	2015			2Q	3Q	4Q	1Q	2Q
Revenues (1):								
2,453	2,388	3%	Premiums	1,200	1,203	1,190	1,219	1,234
1,224	1,221	0%	Policy charges and fee income	516	717	699	719	505
1,175	1,100	7%	Net investment income	551	593	562	582	593
353	370	-5%	Asset management fees, commissions and other income	184	156	177	166	187
5,205	5,079	2%	Total revenues	2,451	2,669	2,628	2,686	2,519
Benefits and Expenses (1):								
3,584	3,069	17%	Insurance and annuity benefits	1,471	1,507	1,570	1,634	1,950
460	447	3%	Interest credited to policyholders' account balances	237	228	226	227	233
288	276	4%	Interest expense	140	142	140	142	146
(334)	(296)	-13%	Deferral of acquisition costs	(157)	(166)	(198)	(162)	(172)
(33)	(39)	15%	Amortization of acquisition costs	(127)	98	80	78	(111)
1,295	1,164	11%	General and administrative expenses	575	633	684	621	674
5,260	4,621	14%	Total benefits and expenses	2,139	2,442	2,502	2,540	2,720
(55)	458	-112%	Adjusted operating income (loss) before income taxes	312	227	126	146	(201)

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

COMBINING STATEMENTS OF OPERATIONS - U.S. INDIVIDUAL LIFE AND GROUP INSURANCE DIVISION
(in millions)

	Six Months Ended June 30, 2016			Quarter Ended June 30, 2016		
	Total U.S. Individual Life & Group Insurance Division	Individual Life	Group Insurance	Total U.S. Individual Life & Group Insurance Division	Individual Life	Group Insurance
Revenues (1):						
Premiums	2,453	426	2,027	1,234	216	1,018
Policy charges and fee income	1,224	899	325	505	329	176
Net investment income	1,175	881	294	593	445	148
Asset management fees, commissions and other income	353	315	38	187	165	22
Total revenues	5,205	2,521	2,684	2,519	1,155	1,364
Benefits and Expenses (1):						
Insurance and annuity benefits	3,584	1,563	2,021	1,950	949	1,001
Interest credited to policyholders' account balances	460	333	127	233	169	64
Interest expense	288	286	2	146	145	1
Deferral of acquisition costs	(334)	(334)	—	(172)	(172)	—
Amortization of acquisition costs	(33)	(36)	3	(111)	(113)	2
General and administrative expenses	1,295	879	416	674	467	207
Total benefits and expenses	5,260	2,691	2,569	2,720	1,445	1,275
Adjusted operating income (loss) before income taxes	(55)	(170)	115	(201)	(290)	89
	Six Months Ended June 30, 2015			Quarter Ended June 30, 2015		
	Total U.S. Individual Life & Group Insurance Division	Individual Life	Group Insurance	Total U.S. Individual Life & Group Insurance Division	Individual Life	Group Insurance
Revenues (1):						
Premiums	2,388	461	1,927	1,200	229	971
Policy charges and fee income	1,221	923	298	516	360	156
Net investment income	1,100	812	288	551	409	142
Asset management fees, commissions and other income	370	315	55	184	162	22
Total revenues	5,079	2,511	2,568	2,451	1,160	1,291
Benefits and Expenses (1):						
Insurance and annuity benefits	3,069	1,155	1,914	1,471	540	931
Interest credited to policyholders' account balances	447	315	132	237	160	77
Interest expense	276	271	5	140	137	3
Deferral of acquisition costs	(296)	(287)	(9)	(157)	(148)	(9)
Amortization of acquisition costs	(39)	(42)	3	(127)	(128)	1
General and administrative expenses	1,164	746	418	575	362	213
Total benefits and expenses	4,621	2,158	2,463	2,139	923	1,216
Adjusted operating income before income taxes	458	353	105	312	237	75

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

U.S. INDIVIDUAL LIFE AND GROUP INSURANCE DIVISION - INDIVIDUAL LIFE ANNUALIZED NEW BUSINESS PREMIUMS, ACCOUNT VALUE ACTIVITY, AND
FACE AMOUNT IN FORCE
(in millions)

Year-to-date			2015			2016	
2016	2015		2Q	3Q	4Q	1Q	2Q
ANNUALIZED NEW BUSINESS PREMIUMS (1) :							
98	101	Term life	52	51	52	48	50
112	88	Guaranteed Universal life	48	59	73	51	61
43	34	Other Universal life	17	23	32	20	23
51	31	Variable life	13	25	22	26	25
<u>304</u>	<u>254</u>	Total	<u>130</u>	<u>158</u>	<u>179</u>	<u>145</u>	<u>159</u>
ANNUALIZED NEW BUSINESS PREMIUMS BY DISTRIBUTION CHANNEL (1):							
59	52	Prudential Agents	27	30	31	29	30
245	202	Third party distribution	103	128	148	116	129
<u>304</u>	<u>254</u>	Total	<u>130</u>	<u>158</u>	<u>179</u>	<u>145</u>	<u>159</u>
ACCOUNT VALUE ACTIVITY:							
Policyholders' Account Balances (2):							
24,487	22,526	Beginning balance	22,617	23,734	23,922	24,487	24,437
1,630	1,567	Premiums and deposits	830	762	890	809	821
(508)	(544)	Surrenders and withdrawals	(277)	(246)	(242)	(251)	(257)
1,122	1,023	Net sales	553	516	648	558	564
(246)	(265)	Benefit payments	(128)	(118)	(109)	(125)	(121)
876	758	Net flows	425	398	539	433	443
(87)	866	Interest credited and other	895	31	296	(224)	137
192	239	Net transfers from separate account	124	106	87	99	93
(721)	(652)	Policy charges	(324)	(350)	(357)	(358)	(363)
—	(3)	Acquisition	(3)	3	—	—	—
<u>24,747</u>	<u>23,734</u>	Ending balance	<u>23,734</u>	<u>23,922</u>	<u>24,487</u>	<u>24,437</u>	<u>24,747</u>
Separate Account Liabilities:							
27,027	27,888	Beginning balance	28,246	28,055	26,183	27,027	26,887
793	698	Premiums and deposits	307	291	420	456	337
(439)	(439)	Surrenders and withdrawals	(225)	(204)	(239)	(217)	(222)
354	259	Net sales	82	87	181	239	115
(91)	(76)	Benefit payments	(42)	(26)	(42)	(51)	(40)
263	183	Net flows	40	61	139	188	75
580	687	Change in market value, interest credited and other	124	(1,598)	1,020	(5)	585
(192)	(239)	Net transfers to general account	(124)	(106)	(87)	(99)	(93)
(451)	(464)	Policy charges	(231)	(229)	(228)	(224)	(227)
—	—	Acquisition	—	—	—	—	—
<u>27,227</u>	<u>28,055</u>	Ending balance	<u>28,055</u>	<u>26,183</u>	<u>27,027</u>	<u>26,887</u>	<u>27,227</u>
FACE AMOUNT IN FORCE (3):							
		Term life	670,043	679,979	689,527	697,687	706,636
		Guaranteed Universal life	114,212	117,360	121,290	124,061	127,453
		Other Universal life	43,213	43,469	44,051	44,203	44,505
		Variable life	166,490	164,363	164,020	162,960	162,416
		Total	<u>993,958</u>	<u>1,005,171</u>	<u>1,018,889</u>	<u>1,028,910</u>	<u>1,041,010</u>

(1) Excludes corporate-owned life insurance.

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

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

U.S. INDIVIDUAL LIFE AND GROUP INSURANCE DIVISION - SUPPLEMENTARY INFORMATION FOR GROUP INSURANCE
(dollar amounts in millions)

Year-to-date			2015			2016	
2016	2015		2Q	3Q	4Q	1Q	2Q
GROUP INSURANCE ANNUALIZED NEW BUSINESS PREMIUMS:							
256	141	Group life	10	38	25	232	24
100	45	Group disability	14	19	5	79	21
356	186	Total	24	57	30	311	45
Future Policy Benefits (1) (2):							
		Group life	2,083	1,994	2,185	2,103	2,124
		Group disability	21	11	3	29	21
		Total	2,104	2,005	2,188	2,132	2,145
Policyholders' Account Balances (1):							
		Group life	8,120	8,234	8,359	8,271	8,367
		Group disability	264	200	210	216	240
		Total	8,384	8,434	8,569	8,487	8,607
Separate Account Liabilities (1):							
		Group life	24,550	23,646	23,292	24,339	23,816
		Group disability	—	—	—	—	—
		Total	24,550	23,646	23,292	24,339	23,816
Group Life Insurance:							
2,073	1,984	Gross premiums, policy charges and fee income (3)	1,006	974	982	1,009	1,064
1,953	1,873	Earned premiums, policy charges and fee income	955	926	932	955	998
89.0%	90.5%	Benefits ratio (4)	88.3%	88.6%	87.1%	89.4%	88.6%
10.7%	10.6%	Administrative operating expense ratio	10.5%	10.8%	12.2%	10.8%	10.6%
		Persistency ratio	92.6%	92.0%	91.3%	96.1%	95.8%
Group Disability Insurance:							
438	404	Gross premiums, policy charges and fee income (3)	205	213	196	216	222
399	352	Earned premiums, policy charges and fee income	172	197	188	203	196
79.7%	74.2%	Benefits ratio (5)	76.3%	81.8%	85.3%	82.2%	77.5%
31.6%	33.4%	Administrative operating expense ratio	34.1%	32.7%	36.9%	31.9%	31.1%
		Persistency ratio	88.6%	87.7%	87.0%	94.9%	93.7%
Total Group Insurance (6):							
87.4%	87.9%	Benefits ratio	86.5%	87.4%	86.8%	88.1%	86.6%

(1) As of end of period.

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

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

(4) Group Life Insurance benefit ratios excluding market driven and discrete items. Benefit ratios including market driven and discrete items are 90.8%, 89.4%, 87.1%, 88.6%, and 86.5% for the three months ended June 30, 2016, March 31, 2016, December 31, 2015, September 30, 2015, and June 30, 2015, respectively, and 90.1%, and 89.6% for year-to-date June 2016 and 2015, respectively.

(5) Group Disability Insurance benefit ratios excluding market driven and discrete items. Benefits ratios including market driven and discrete items are 47.9%, 82.2%, 85.3%, 81.8%, and 61.6% for the three months ended June 30, 2016, March 31, 2016, December 31, 2015, September 30, 2015, and June 30, 2015, respectively, and 65.2%, and 67.0% for year-to-date June 2016 and 2015, respectively.

(6) Group Insurance benefit ratios excluding market driven and discrete items. Benefits ratios including market driven and discrete items are 83.8%, 88.1%, 86.8%, 87.4%, and 82.7% for the three months ended June 30, 2016, March 31, 2016, December 31, 2015, September 30, 2015, and June 30, 2015, respectively, and 85.9%, and 86.0% for year-to-date June 2016 and 2015, respectively.

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

Year-to-date			2015			2016	
2016	2015		2Q	3Q	4Q	1Q	2Q
<i>DEFERRED POLICY ACQUISITION COSTS</i>							
INDIVIDUAL ANNUITIES:							
4,916	5,376	Beginning balance	5,046	5,186	4,735	4,916	4,130
217	221	Capitalization	112	104	105	100	117
(266)	(181)	Amortization - operating results	(92)	(163)	(121)	(144)	(122)
(700)	(254)	Amortization - realized investment gains and losses	89	(399)	178	(717)	17
(48)	24	Impact of unrealized (gains) or losses on AFS securities	31	7	19	(25)	(23)
—	—	Other	—	—	—	—	—
<u>4,119</u>	<u>5,186</u>	Ending balance	<u>5,186</u>	<u>4,735</u>	<u>4,916</u>	<u>4,130</u>	<u>4,119</u>
INDIVIDUAL LIFE INSURANCE:							
4,883	4,056	Beginning balance	3,985	4,652	4,683	4,883	4,727
334	287	Capitalization	148	166	197	162	172
36	42	Amortization - operating results	128	(97)	(78)	(77)	113
(106)	14	Amortization - realized investment gains and losses	37	(22)	9	(26)	(80)
(374)	253	Impact of unrealized (gains) or losses on AFS securities	354	(16)	72	(215)	(159)
<u>4,773</u>	<u>4,652</u>	Ending balance	<u>4,652</u>	<u>4,683</u>	<u>4,883</u>	<u>4,727</u>	<u>4,773</u>
GROUP INSURANCE:							
182	177	Beginning balance	175	183	182	181	181
—	9	Capitalization	9	—	1	—	—
(3)	(3)	Amortization - operating results	(1)	(1)	(2)	(1)	(2)
—	—	Amortization - realized investment gains and losses	—	—	—	—	—
—	—	Impact of unrealized losses on AFS securities	—	—	—	—	—
<u>179</u>	<u>183</u>	Ending balance	<u>183</u>	<u>182</u>	<u>181</u>	<u>180</u>	<u>179</u>
<i>DEFERRED SALES INDUCEMENTS</i>							
INDIVIDUAL ANNUITIES:							
1,188	1,513	Beginning balance	1,367	1,377	1,176	1,188	916
2	5	Capitalization	2	1	2	1	1
(101)	(61)	Amortization - operating results	(30)	(56)	(45)	(51)	(50)
(187)	(89)	Amortization - realized investment gains and losses	29	(148)	50	(216)	29
(9)	9	Impact of unrealized (gains) or losses on AFS securities	9	2	5	(6)	(3)
—	—	Other	—	—	—	—	—
<u>893</u>	<u>1,377</u>	Ending balance	<u>1,377</u>	<u>1,176</u>	<u>1,188</u>	<u>916</u>	<u>893</u>

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

Year-to-date		% Change						
2016	2015			2015		2016		
				2Q	3Q	4Q	1Q	2Q
Revenues (1):								
7,595	7,152	6%	Premiums	3,633	3,385	3,307	3,696	3,899
236	279	-15%	Policy charges and fee income	139	129	122	130	106
2,324	2,198	6%	Net investment income	1,099	1,081	1,078	1,120	1,204
232	314	-26%	Asset management fees, commissions and other income	166	155	164	98	134
10,387	9,943	4%	Total revenues	5,037	4,750	4,671	5,044	5,343
Benefits and Expenses (1):								
6,570	6,135	7%	Insurance and annuity benefits	3,133	2,904	2,833	3,173	3,397
457	448	2%	Interest credited to policyholders' account balances	224	219	213	227	230
3	2	50%	Interest expense	1	2	1	2	1
(862)	(796)	-8%	Deferral of acquisition costs	(395)	(382)	(387)	(426)	(436)
533	507	5%	Amortization of acquisition costs	255	249	233	260	273
2,104	1,971	7%	General and administrative expenses	977	946	1,040	1,029	1,075
8,805	8,267	7%	Total benefits and expenses	4,195	3,938	3,933	4,265	4,540
1,582	1,676	-6%	Adjusted operating income before income taxes	842	812	738	779	803

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

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

	Six Months Ended June 30, 2016			Quarter Ended June 30, 2016		
	Total International Insurance Division	International Insurance - Life Planner Operations	International Insurance - Gibraltar Life & Other Operations	Total International Insurance Division	International Insurance - Life Planner Operations	International Insurance - Gibraltar Life & Other Operations
Revenues (1):						
Premiums	7,595	3,758	3,837	3,899	1,818	2,081
Policy charges and fee income	236	159	77	106	67	39
Net investment income	2,324	947	1,377	1,204	483	721
Asset management fees, commissions and other income	232	112	120	134	49	85
Total revenues	10,387	4,976	5,411	5,343	2,417	2,926
Benefits and Expenses (1):						
Insurance and annuity benefits	6,570	3,341	3,229	3,397	1,632	1,765
Interest credited to policyholders' account balances	457	115	342	230	56	174
Interest expense	3	2	1	1	1	—
Deferral of acquisition costs	(862)	(410)	(452)	(436)	(197)	(239)
Amortization of acquisition costs	533	258	275	273	127	146
General and administrative expenses	2,104	917	1,187	1,075	455	620
Total benefits and expenses	8,805	4,223	4,582	4,540	2,074	2,466
Adjusted operating income before income taxes	1,582	753	829	803	343	460
	Six Months Ended June 30, 2015			Quarter Ended June 30, 2015		
	Total International Insurance Division	International Insurance - Life Planner Operations	International Insurance - Gibraltar Life & Other Operations	Total International Insurance Division	International Insurance - Life Planner Operations	International Insurance - Gibraltar Life & Other Operations
Revenues (1):						
Premiums	7,152	3,457	3,695	3,633	1,627	2,006
Policy charges and fee income	279	172	107	139	85	54
Net investment income	2,198	869	1,329	1,099	435	664
Asset management fees, commissions and other income	314	175	139	166	84	82
Total revenues	9,943	4,673	5,270	5,037	2,231	2,806
Benefits and Expenses (1):						
Insurance and annuity benefits	6,135	3,041	3,094	3,133	1,450	1,683
Interest credited to policyholders' account balances	448	103	345	224	48	176
Interest expense	2	1	1	1	—	1
Deferral of acquisition costs	(796)	(388)	(408)	(395)	(179)	(216)
Amortization of acquisition costs	507	241	266	255	113	142
General and administrative expenses	1,971	855	1,116	977	418	559
Total benefits and expenses	8,267	3,853	4,414	4,195	1,850	2,345
Adjusted operating income before income taxes	1,676	820	856	842	381	461

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

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

Year-to-date			2015			2016	
2016	2015		2Q	3Q	4Q	1Q	2Q
INTERNATIONAL INSURANCE OPERATING DATA:							
Actual exchange rate basis (1):							
Net premiums, policy charges and fee income:							
3,017	2,727	Japan, excluding Gibraltar Life	1,257	1,285	1,239	1,583	1,434
3,914	3,802	Gibraltar Life	2,060	1,786	1,719	1,794	2,120
900	902	All other countries	455	443	471	449	451
<u>7,831</u>	<u>7,431</u>	Total	<u>3,772</u>	<u>3,514</u>	<u>3,429</u>	<u>3,826</u>	<u>4,005</u>
Annualized new business premiums:							
427	345	Japan, excluding Gibraltar Life	146	160	164	237	190
858	770	Gibraltar Life	413	408	370	409	449
197	229	All other countries	112	103	116	98	99
<u>1,482</u>	<u>1,344</u>	Total	<u>671</u>	<u>671</u>	<u>650</u>	<u>744</u>	<u>738</u>
Annualized new business premiums by distribution channel:							
624	574	Life Planner Operations	258	263	280	335	289
365	318	Gibraltar Life Consultants	172	162	150	161	204
370	327	Banks	174	186	166	194	176
123	125	Independent Agency	67	60	54	54	69
<u>1,482</u>	<u>1,344</u>	Total	<u>671</u>	<u>671</u>	<u>650</u>	<u>744</u>	<u>738</u>
Constant exchange rate basis (2):							
Net premiums, policy charges and fee income:							
3,128	2,983	Japan, excluding Gibraltar Life	1,380	1,425	1,364	1,677	1,451
4,096	4,117	Gibraltar Life	2,239	1,969	1,870	1,921	2,175
945	875	All other countries	441	461	492	480	465
<u>8,169</u>	<u>7,975</u>	Total	<u>4,060</u>	<u>3,855</u>	<u>3,726</u>	<u>4,078</u>	<u>4,091</u>
Annualized new business premiums:							
442	379	Japan, excluding Gibraltar Life	162	177	181	250	192
878	797	Gibraltar Life	428	432	390	425	453
208	216	All other countries	107	107	121	106	102
<u>1,528</u>	<u>1,392</u>	Total	<u>697</u>	<u>716</u>	<u>692</u>	<u>781</u>	<u>747</u>
Annualized new business premiums by distribution channel:							
650	595	Life Planner Operations	269	284	302	356	294
375	332	Gibraltar Life Consultants	179	175	161	169	206
376	335	Banks	178	194	172	199	177
127	130	Independent Agency	71	63	57	57	70
<u>1,528</u>	<u>1,392</u>	Total	<u>697</u>	<u>716</u>	<u>692</u>	<u>781</u>	<u>747</u>

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

(2) Foreign denominated activity translated to U.S. dollars at uniform exchange rates for all periods presented, including Japanese yen 106 per U.S. dollar and Korean won 1,100 per U.S. dollar. U.S. dollar-denominated activity is included based on the amounts as transacted in U.S. dollars.

INTERNATIONAL INSURANCE DIVISION - SALES RESULTS AND SUPPLEMENTARY INFORMATION

	2015			2016	
	2Q	3Q	4Q	1Q	2Q
Face amount of individual policies in force at end of period (in billions) (1) (2):					
(Constant exchange rate basis)					
Japan, excluding Gibraltar Life	310	313	316	321	324
Gibraltar Life	328	330	331	334	335
All other countries	114	115	118	119	120
Total	<u>752</u>	<u>758</u>	<u>765</u>	<u>774</u>	<u>779</u>
Number of individual policies in force at end of period (in thousands) (2):					
Japan, excluding Gibraltar Life	3,194	3,234	3,278	3,341	3,384
Gibraltar Life	7,149	7,146	7,146	7,150	7,141
All other countries	1,911	1,944	1,980	2,007	2,024
Total	<u>12,254</u>	<u>12,324</u>	<u>12,404</u>	<u>12,498</u>	<u>12,549</u>
International life insurance policy persistency:					
<u>Life Planner Operations:</u>					
13 months	92.0%	92.6%	92.8%	93.0%	93.1%
25 months	85.7%	85.5%	85.4%	85.6%	85.6%
<u>Gibraltar Life (3):</u>					
13 months	92.4%	92.6%	92.9%	93.2%	93.3%
25 months	82.8%	83.4%	84.0%	84.8%	85.3%
Number of Life Planners at end of period:					
Japan	3,385	3,478	3,528	3,650	3,653
All other countries	4,030	4,031	4,064	3,958	3,898
Total Life Planners	<u>7,415</u>	<u>7,509</u>	<u>7,592</u>	<u>7,608</u>	<u>7,551</u>
Gibraltar Life Consultants	8,565	8,593	8,805	8,781	8,734

(1) Foreign denominated activity translated to U.S. dollars at uniform exchange rates for all periods presented, including Japanese yen 106 per U.S. dollar and Korean won 1,100 per U.S. dollar. U.S. dollar-denominated activity is included based on the amounts as transacted in U.S. dollars.

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

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

INVESTMENT PORTFOLIO COMPOSITION
(in millions)

	June 30, 2016				December 31, 2015			
	Total Portfolio	Closed Block Division	PFI Excluding Closed Block Division		Total Portfolio	Closed Block Division	PFI Excluding Closed Block Division	
			Amount	% of Total			Amount	% of Total
Fixed maturities:								
Public, available-for-sale, at fair value	279,665	25,647	254,018	66.2%	240,133	23,505	216,628	63.1%
Public, held-to-maturity, at amortized cost	2,007	—	2,007	0.5%	1,834	—	1,834	0.5%
Private, available-for-sale, at fair value	52,400	14,602	37,798	9.8%	50,057	14,290	35,767	10.4%
Private, held-to-maturity, at amortized cost	478	—	478	0.1%	474	—	474	0.1%
Trading account assets supporting insurance liabilities, at fair value	21,702	—	21,702	5.7%	20,522	—	20,522	6.0%
Other trading account assets, at fair value	1,892	289	1,603	0.4%	1,849	288	1,561	0.5%
Equity securities, available-for-sale, at fair value	9,484	2,464	7,020	1.8%	9,263	2,726	6,537	1.9%
Commercial mortgage and other loans, at book value	50,805	9,747	41,058	10.7%	50,257	9,771	40,486	11.8%
Policy loans, at outstanding balance	11,930	4,729	7,201	1.9%	11,657	4,790	6,867	2.0%
Other long-term investments (1)	9,819	2,980	6,839	1.8%	9,470	2,921	6,549	1.9%
Short-term investments	4,866	816	4,050	1.1%	7,717	1,467	6,250	1.8%
Subtotal (2)	445,048	61,274	383,774	100.0%	403,233	59,758	343,475	100.0%
Invested assets of other entities and operations (3)	6,832	—	6,832		13,959	—	13,959	
Total investments	451,880	61,274	390,606		417,192	59,758	357,434	

Fixed Maturities by Credit Quality (2):

	June 30, 2016					December 31, 2015				
	PFI Excluding Gross Unrealized Gains		Closed Block Division			PFI Excluding Gross Unrealized Gains		Closed Block Division		
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	% of Total	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	% of Total
Public Fixed Maturities:										
NAIC Rating (4)										
1	181,138	38,520	246	219,412	85.5%	166,400	21,997	1,271	187,126	85.6%
2	26,909	3,072	300	29,681	11.6%	24,238	2,260	1,044	25,454	11.6%
Subtotal - High or Highest Quality Securities	208,047	41,592	546	249,093	97.1%	190,638	24,257	2,315	212,580	97.2%
3	4,941	274	143	5,072	2.0%	3,870	320	149	4,041	1.8%
4	1,916	145	76	1,985	0.7%	1,591	142	59	1,674	0.8%
5	119	21	11	129	0.1%	176	67	3	240	0.1%
6	227	18	1	244	0.1%	199	11	1	209	0.1%
Subtotal - Other Securities	7,203	458	231	7,430	2.9%	5,836	540	212	6,164	2.8%
Total	215,250	42,050	777	256,523	100.0%	196,474	24,797	2,527	218,744	100.0%

Private Fixed Maturities:

NAIC Rating (4)										
1	10,912	897	84	11,725	30.6%	10,950	786	174	11,562	31.9%
2	20,107	1,537	348	21,296	55.6%	19,493	1,438	501	20,430	56.3%
Subtotal - High or Highest Quality Securities	31,019	2,434	432	33,021	86.2%	30,443	2,224	675	31,992	88.2%
3	3,592	129	129	3,592	9.4%	3,215	88	143	3,160	8.7%
4	856	33	41	848	2.1%	741	8	41	708	2.0%
5	571	17	21	567	1.5%	239	11	9	241	0.7%
6	269	37	15	291	0.8%	168	9	3	174	0.4%
Subtotal - Other Securities	5,288	216	206	5,298	13.8%	4,363	116	196	4,283	11.8%
Total	36,307	2,650	638	38,319	100.0%	34,806	2,340	871	36,275	100.0%

- (1) Other long-term investments consist of real estate and non-real estate related investments in joint ventures and partnerships, investment real estate held through direct ownership, and other miscellaneous investments.
- (2) Excludes (i) assets of our asset management operations, including assets managed for third parties, (ii) derivative operations and (iii) those assets classified as "Separate account assets" on our balance sheet.
- (3) Includes invested assets of our asset management and derivative operations. Excludes assets of our asset management operations managed for third parties and those assets classified as "Separate account assets" on our balance sheet.
- (4) Reflects equivalent ratings for investments of the international insurance operations. Includes, as of June 30, 2016 and December 31, 2015, 688 securities with amortized cost of \$2,720 million (fair value \$2,820 million) and 938 securities with amortized cost of \$4,253 million (fair value \$4,325 million), respectively, that have been categorized based on expected NAIC designations pending receipt of SVO ratings.

INVESTMENT PORTFOLIO COMPOSITION (1)
(in millions)

	June 30, 2016		December 31, 2015	
	Amount	% of Total	Amount	% of Total
Japanese Insurance Operations (2):				
Fixed maturities:				
Public, available-for-sale, at fair value	133,008	79.3%	109,257	77.6%
Public, held-to-maturity, at amortized cost	2,007	1.2%	1,834	1.3%
Private, available-for-sale, at fair value	10,670	6.4%	9,747	6.9%
Private, held-to-maturity, at amortized cost	478	0.3%	474	0.3%
Trading account assets supporting insurance liabilities, at fair value	2,202	1.3%	2,020	1.4%
Other trading account assets, at fair value	587	0.4%	647	0.5%
Equity securities, available-for-sale, at fair value	2,811	1.7%	2,660	1.9%
Commercial mortgage and other loans, at book value	10,708	6.4%	9,756	6.9%
Policy loans, at outstanding balance	2,498	1.5%	2,208	1.6%
Other long-term investments (3)	2,094	1.3%	1,742	1.3%
Short-term investments	364	0.2%	417	0.3%
Total	<u>167,427</u>	<u>100.0%</u>	<u>140,762</u>	<u>100.0%</u>
Excluding Japanese Insurance Operations (2):				
Fixed maturities:				
Public, available-for-sale, at fair value	121,010	56.0%	107,371	53.0%
Public, held-to-maturity, at amortized cost	—	0.0%	—	0.0%
Private, available-for-sale, at fair value	27,128	12.5%	26,020	12.8%
Private, held-to-maturity, at amortized cost	—	0.0%	—	0.0%
Trading account assets supporting insurance liabilities, at fair value	19,500	9.0%	18,502	9.1%
Other trading account assets, at fair value	1,016	0.5%	914	0.4%
Equity securities, available-for-sale, at fair value	4,209	1.9%	3,877	1.9%
Commercial mortgage and other loans, at book value	30,350	14.0%	30,730	15.2%
Policy loans, at outstanding balance	4,703	2.2%	4,659	2.3%
Other long-term investments (3)	4,745	2.2%	4,807	2.4%
Short-term investments	3,686	1.7%	5,833	2.9%
Total	<u>216,347</u>	<u>100.0%</u>	<u>202,713</u>	<u>100.0%</u>

(1) Excludes Closed Block Division.

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

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

INVESTMENT RESULTS (1)
(in millions)

	Quarter Ended June 30					
	2016			2015		
	Investment Income	Realized		Investment Income	Realized	
	Yield (4)	Amount	Gains / (Losses)	Yield (4)	Amount	Gains / (Losses)
General Account (2)						
Fixed maturities	3.88%	2,353	379	4.01%	2,234	317
Equity securities	7.11%	93	(20)	6.31%	75	33
Commercial mortgage and other loans	4.32%	383	(6)	4.43%	364	6
Policy loans	4.88%	86	—	4.92%	83	—
Short-term investments and cash equivalents	0.55%	27	1	0.20%	8	1
Other investments	2.66%	57	867	4.20%	89	(412)
Gross investment income before investment expenses	3.78%	2,999	1,221	3.92%	2,853	(55)
Investment expenses	-0.15%	(107)	—	-0.15%	(97)	—
Subtotal	3.63%	2,892	1,221	3.77%	2,756	(55)
Investment results of other entities and operations (3)		258	7		276	19
Less, investment income related to adjusted operating income reconciling items		(63)			(58)	
Total		3,087	1,228		2,974	(36)

	Six Months Ended June 30					
	2016			2015		
	Investment Income	Realized		Investment Income	Realized	
	Yield (4)	Amount	Gains / (Losses)	Yield (4)	Amount	Gains / (Losses)
General Account (2)						
Fixed maturities	3.91%	4,621	342	4.00%	4,434	663
Equity securities	6.15%	157	(25)	5.80%	136	78
Commercial mortgage and other loans	4.33%	761	8	4.44%	716	11
Policy loans	4.90%	170	—	4.93%	166	—
Short-term investments and cash equivalents	0.56%	54	1	0.22%	17	1
Other investments	2.92%	122	2,853	6.10%	258	1,133
Gross investment income before investment expenses	3.79%	5,885	3,179	3.97%	5,727	1,886
Investment expenses	-0.14%	(203)	—	-0.15%	(190)	—
Subtotal	3.65%	5,682	3,179	3.82%	5,537	1,886
Investment results of other entities and operations (3)		526	28		555	66
Less, investment income related to adjusted operating income reconciling items		(104)			(113)	
Total		6,104	3,207		5,979	1,952

- (1) Excludes Closed Block Division.
- (2) Excludes commercial loans and trading account assets supporting insurance liabilities where the investment results generally accrue to contractholders, derivative operations, assets of our asset management operations, including assets managed for third parties, and those assets classified as "Separate account assets" on our balance sheet. Realized gains / (losses) for Other investments includes changes in fair value of product-related and other derivatives and embedded derivatives.
- (3) Includes invested income of commercial loans, trading account assets supporting insurance liabilities where the investment results generally accrue to contractholders and our asset management and derivative operations.
- (4) Yields are based on net investment income as reported under U.S. GAAP and as such do not include certain interest related items, such as settlements of duration management swaps which are reported in realized investment gains and losses and included in adjusted operating income. Yields are annualized, for interim periods, and are based on quarterly average carrying values except for fixed maturities, equity securities and securities lending activity. Yields for fixed maturities are based on amortized cost. Yields for equity securities are based on cost. Yields for fixed maturities and short-term investments and cash equivalents are calculated net of liabilities and rebate expenses corresponding to securities lending activity. Yields exclude investment income and assets related to commercial loans and trading account assets supporting insurance liabilities where the investment results generally accrue to contractholders and investment income on assets other than those included in invested assets.

INVESTMENT RESULTS - JAPANESE INSURANCE OPERATIONS
(in millions)

	Quarter Ended June 30					
	2016			2015		
	Investment Income		Realized	Investment Income		Realized
	Yield (1)	Amount	Gains / (Losses)	Yield (1)	Amount	Gains / (Losses)
Japanese Insurance Operations:						
Fixed maturities	3.09%	863	283	3.29%	811	279
Equity securities	5.17%	20	2	5.64%	20	26
Commercial mortgage and other loans	4.11%	106	1	4.54%	99	5
Policy loans	3.89%	23	—	3.87%	20	—
Short-term investments and cash equivalents	0.82%	2	—	0.26%	1	—
Other investments (2)	8.07%	58	276	5.19%	33	(377)
Gross investment income before investment expenses	3.30%	1,072	562	3.44%	984	(67)
Investment expenses	-0.12%	(40)	—	-0.14%	(41)	—
Total	3.18%	1,032	562	3.30%	943	(67)

	Six Months Ended June 30					
	2016			2015		
	Investment Income		Realized	Investment Income		Realized
	Yield (1)	Amount	Gains / (Losses)	Yield (1)	Amount	Gains / (Losses)
Japanese Insurance Operations:						
Fixed maturities	3.11%	1,678	468	3.23%	1,600	597
Equity securities	4.44%	34	7	4.67%	34	33
Commercial mortgage and other loans	4.26%	214	7	4.51%	191	6
Policy loans	3.90%	45	—	3.87%	41	—
Short-term investments and cash equivalents	0.81%	4	—	0.26%	2	—
Other investments (2)	5.37%	74	891	7.28%	88	(220)
Gross investment income before investment expenses	3.26%	2,049	1,373	3.41%	1,956	416
Investment expenses	-0.12%	(79)	—	-0.14%	(81)	—
Total	3.14%	1,970	1,373	3.27%	1,875	416

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

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

	Quarter Ended June 30					
	2016			2015		
	Investment Income Yield (3)	Amount	Realized Gains / (Losses)	Investment Income Yield (3)	Amount	Realized Gains / (Losses)
Excluding Japanese Insurance Operations (2):						
Fixed maturities	4.56%	1,490	96	4.57%	1,423	38
Equity securities	7.97%	73	(22)	6.60%	55	7
Commercial mortgage and other loans	4.40%	277	(7)	4.39%	265	1
Policy loans	5.40%	63	—	5.40%	63	—
Short-term investments and cash equivalents	0.54%	25	1	0.20%	7	1
Other investments	-0.02%	(1)	591	3.78%	56	(35)
Gross investment income before investment expenses	4.11%	1,927	659	4.24%	1,869	12
Investment expenses	-0.16%	(67)	—	-0.16%	(56)	—
Total	3.95%	1,860	659	4.08%	1,813	12

	Six Months Ended June 30					
	2016			2015		
	Investment Income Yield (3)	Amount	Realized Gains / (Losses)	Investment Income Yield (3)	Amount	Realized Gains / (Losses)
Excluding Japanese Insurance Operations (2):						
Fixed maturities	4.59%	2,943	(126)	4.62%	2,834	66
Equity securities	6.89%	123	(32)	6.31%	102	45
Commercial mortgage and other loans	4.36%	547	1	4.42%	525	5
Policy loans	5.40%	125	—	5.42%	125	—
Short-term investments and cash equivalents	0.55%	50	1	0.21%	15	1
Other investments	1.73%	48	1,962	5.62%	170	1,353
Gross investment income before investment expenses	4.16%	3,836	1,806	4.33%	3,771	1,470
Investment expenses	-0.16%	(124)	—	-0.16%	(109)	—
Total	4.00%	3,712	1,806	4.17%	3,662	1,470

- (1) Excludes Closed Block Division.
- (2) Excludes assets of commercial loans, trading account assets supporting insurance liabilities where the investment results generally accrue to contractholders, derivative operations, assets of our asset management operations, including assets managed for third parties, and those assets classified as "Separate account assets" on our balance sheet. Realized gains / (losses) for Other investments includes changes in fair value of product-related and other derivatives and embedded derivatives.
- (3) Yields are based on net investment income as reported under U.S. GAAP and as such do not include certain interest related items, such as settlements of duration management swaps which are reported in realized investment gains and losses and included in adjusted operating income. Yields are annualized, for interim periods, and are based on quarterly average carrying values except for fixed maturities, equity securities and securities lending activity. Yields for fixed maturities are based on amortized cost. Yields for equity securities are based on cost. Yields for fixed maturities and short-term investments and cash equivalents are calculated net of liabilities and rebate expenses corresponding to securities lending activity. Yields exclude investment income and assets related to commercial loans and trading account assets supporting insurance liabilities where the investment results generally accrue to contractholders and investment income on assets other than those included in invested assets.

LINE ITEM IMPACT OF MARKET DRIVEN AND DISCRETE ITEMS - ADJUSTED OPERATING INCOME
(in millions)

	Second Quarter 2016								Second Quarter 2015							
	Premiums	Policy Charges and Fee Income	Insurance and Annuity Benefits	Interest Credited to Policyholders' Account Balances	Interest Expense	Amortization of Acquisition Costs	General and Administrative Expenses	Pre-Tax Adjusted Operating Income	Premiums	Policy Charges and Fee Income	Insurance and Annuity Benefits	Interest Credited to Policyholders' Account Balances	Amortization of Acquisition Costs	General and Administrative Expenses	Pre-Tax Adjusted Operating Income	
Individual Annuities:																
Annual review of assumptions	—	—	(19)	8	—	7	—	4	—	—	(2)	(8)	(21)	—	31	
Market performance and experience true-ups	—	—	(35)	—	—	(12)	(1)	48	—	—	(60)	(10)	(23)	(1)	94	
Total of above items	—	—	(54)	8	—	(5)	(1)	52	—	—	(62)	(18)	(44)	(1)	125	
Reported amount	—	—	57	98	—	122	537	—	—	—	33	81	92	543	—	
Amount excluding impact of items indicated above	—	—	111	90	—	127	538	—	—	—	95	99	136	544	—	
Retirement:																
Annual review of assumptions	362	—	363	—	—	(1)	(6)	6	—	—	—	—	—	—	—	
Total of above items	362	—	363	—	—	(1)	(6)	6	—	—	—	—	—	—	—	
Reported amount	974	—	1,403	—	—	5	247	—	—	—	—	—	—	—	—	
Amount excluding impact of items indicated above	612	—	1,040	—	—	6	253	—	—	—	—	—	—	—	—	
Individual Life:																
Annual review of assumptions	—	(230)	347	—	—	(193)	36	(420)	—	(153)	1	—	(178)	(44)	68	
Business integration costs	—	—	—	—	—	—	—	—	—	—	—	—	—	8	(8)	
Total of above items	—	(230)	347	—	—	(193)	36	(420)	—	(153)	1	—	(178)	(36)	60	
Reported amount	—	329	949	—	—	(113)	467	—	—	360	540	—	(128)	362	—	
Amount excluding impact of items indicated above	—	559	602	—	—	80	431	—	—	513	539	—	50	398	—	
Group Insurance:																
Annual review of assumptions	14	33	6	—	—	—	—	41	—	5	(39)	16	—	—	28	
Total of above items	14	33	6	—	—	—	—	41	—	5	(39)	16	—	—	28	
Reported amount	1,018	176	1,001	—	—	—	—	—	—	156	931	77	—	—	—	
Amount excluding impact of items indicated above	1,004	143	995	—	—	—	—	—	—	151	970	61	—	—	—	
International Insurance - Life Planner operations:																
Annual review of assumptions	—	(22)	33	—	—	(7)	(10)	(38)	—	(6)	13	—	(8)	—	(11)	
Total of above items	—	(22)	33	—	—	(7)	(10)	(38)	—	(6)	13	—	(8)	—	(11)	
Reported amount	—	67	1,632	—	—	127	455	—	—	85	1,450	—	113	—	—	
Amount excluding impact of items indicated above	—	89	1,599	—	—	134	465	—	—	91	1,437	—	121	—	—	
International Insurance - Gibraltar Life & Other operations:																
Annual review of assumptions	—	—	33	—	—	1	—	(34)	—	—	11	—	(1)	—	(10)	
Total of above items	—	—	33	—	—	1	—	(34)	—	—	11	—	(1)	—	(10)	
Reported amount	—	—	1,765	—	—	146	—	—	—	—	1,684	—	142	—	—	
Amount excluding impact of items indicated above	—	—	1,732	—	—	145	—	—	—	—	1,673	—	143	—	—	
Corporate & Other:																
Annual review of assumptions	—	—	3	—	—	—	—	(3)	—	—	(11)	—	—	—	11	
Costs associated with debt tender offer	—	—	—	—	36	—	—	(36)	—	—	—	—	—	—	—	
Total of above items	—	—	3	—	36	—	—	(39)	—	—	(11)	—	—	—	11	
Reported amount	—	—	6	—	182	—	—	—	—	—	(9)	—	—	—	—	
Amount excluding impact of items indicated above	—	—	3	—	146	—	—	—	—	—	2	—	—	—	—	

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

	Three Months Ended June 30, 2016								Three Months Ended June 30, 2015								
	Reconciling Items								Reconciling Items								
	Adjusted Operating Income basis (1)	Total realized investment gains (losses), net, and related charges and adjustments	Investment gains (losses) on trading account assets supporting insurance liabilities, net	Change in experience-rated contract-holder liabilities due to asset value changes	Closed Block division	Other divested businesses	Equity in earnings of operating joint ventures and earnings attributable to non-controlling interests	U.S. GAAP (2)		Adjusted Operating Income basis (1)	Total realized investment gains (losses), net, and related charges and adjustments	Investment gains (losses) on trading account assets supporting insurance liabilities, net	Change in experience-rated contract-holder liabilities due to asset value changes	Closed Block division	Other divested businesses	Equity in earnings of operating joint ventures and earnings attributable to non-controlling interests	U.S. GAAP (2)
Revenues:																	
Premiums	6,146	—	—	—	693	96	—	6,935	6,782	—	—	—	—	702	98	—	7,582
Policy charges and fee income	1,288	(12)	—	—	—	—	—	1,276	1,383	(133)	—	—	—	—	—	—	1,250
Net investment income	3,087	(8)	—	—	639	71	—	3,789	2,974	—	—	—	—	639	58	—	3,671
Realized investment gains (losses), net	138	1,059	—	—	205	31	—	1,433	229	(217)	—	—	—	165	(48)	—	129
Asset management fees, commissions and other income	1,153	(249)	108	—	9	1	(16)	1,006	1,132	157	(220)	—	—	19	1	(9)	1,080
Total revenues	11,812	790	108	—	1,546	199	(16)	14,439	12,500	(193)	(220)	—	—	1,525	109	(9)	13,712
Benefits and Expenses:																	
Insurance and annuity benefits	6,813	153	—	—	1,433	188	—	8,587	6,925	(147)	—	—	—	1,320	191	—	8,289
Interest credited to policyholders' account balances	914	(23)	—	133	34	—	—	1,058	907	(30)	—	—	(234)	34	(1)	—	676
Interest expense	357	—	—	—	—	—	—	357	324	—	—	—	—	—	—	—	324
Deferral of acquisition costs	(718)	—	—	—	—	—	—	(718)	(664)	—	—	—	—	—	—	—	(664)
Amortization of acquisition costs	281	138	—	—	8	—	—	427	251	(125)	—	—	—	9	—	—	135
General and administrative expenses	3,108	162	—	—	103	22	(8)	3,387	2,916	(177)	—	—	—	110	28	(54)	2,823
Total benefits and expenses	10,755	430	—	133	1,578	210	(8)	13,098	10,659	(479)	—	—	(234)	1,473	218	(54)	11,583

Six Months Ended June 30, 2016

Six Months Ended June 30, 2015

Six Months Ended June 30, 2016									Six Months Ended June 30, 2015								
	Adjusted Operating Income basis (1)	Reconciling Items							Adjusted Operating Income basis (1)	Reconciling Items							
		Total realized invest- ment gains (losses), net, and related charges and adjust- ments	Invest- ment gains (losses) on trading account assets support- ing insur- ance liabi- lities, net	Change in experience- rated contract- holder liabilities due to asset value changes	Closed Block division	Other divested businesses	Equity in earnings of operating joint ventures and earnings attribu- table to non- controlling interests	U.S. GAAP (2)		related charges and adjust- ments	Invest- ment gains (losses) on trading account assets support- ing insur- ance liabi- lities, net	Change in experience- rated contract- holder liabi- lities due to asset value changes	Closed Block division	Other divested businesses	Equity in earnings of operating joint ventures and earnings attribu- table to non- controlling interests	U.S. GAAP (2)	
Revenues:																	
Premiums	11,723	—	—	—	1,315	194	—	13,232	12,695	—	—	—	1,336	198	—	14,229	
Policy charges and fee income	2,799	76	—	—	—	—	—	2,875	2,937	(79)	—	—	—	—	—	2,858	
Net investment income	6,104	(15)	—	—	1,251	119	—	7,459	5,979	—	—	—	1,348	113	—	7,440	
Realized investment gains (losses), net	312	2,817	—	—	107	78	—	3,314	458	1,475	—	—	538	19	—	2,490	
Asset management fees, commissions and other income	2,166	(582)	324	—	2	2	(24)	1,888	2,238	127	(137)	—	22	3	(6)	2,247	
Total revenues	23,104	2,296	324	—	2,675	393	(24)	28,768	24,307	1,523	(137)	—	3,244	333	(6)	29,264	
Benefits and Expenses:																	
Insurance and annuity benefits	12,797	272	—	—	2,487	328	—	15,884	13,141	(52)	—	—	2,904	316	—	16,309	
Interest credited to policyholders' account balances	1,821	193	—	263	67	—	—	2,344	1,791	89	—	(37)	67	(1)	—	1,909	
Interest expense	682	—	—	—	1	1	—	684	641	—	—	—	—	1	—	642	
Deferral of acquisition costs	(1,403)	—	—	—	—	—	—	(1,403)	(1,311)	—	—	—	—	—	—	(1,311)	
Amortization of acquisition costs	760	850	—	—	19	—	—	1,629	679	226	—	—	19	—	—	924	
General and administrative expenses	6,065	283	—	—	206	44	(41)	6,557	5,780	(77)	—	—	224	51	(64)	5,914	
Total benefits and expenses	20,722	1,598	—	263	2,780	373	(41)	25,695	20,721	186	—	(37)	3,214	367	(64)	24,387	

(1) See page 37 for a definition of AOL.

(2) U.S. generally accepted accounting principles

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

	Three Months Ended September 30, 2015								Three Months Ended December 31, 2015							
	Reconciling Items								Reconciling Items							
	Adjusted Operating Income basis (1)	Total realized investment gains (losses), net, and related charges and adjustments	Investment gains (losses) on trading account assets supporting insurance liabilities, net	Change in experience-rated contract-holder liabilities due to asset value changes	Closed Block division	Other divested businesses	Equity in earnings of operating joint ventures and earnings attributable to non-controlling interests	U.S. GAAP (2)	Adjusted Operating Income basis (1)	Total realized investment gains (losses), net, and related charges and adjustments	Investment gains (losses) on trading account assets supporting insurance liabilities, net	Change in experience-rated contract-holder liabilities due to asset value changes	Closed Block division	Other divested businesses	Equity in earnings of operating joint ventures and earnings attributable to non-controlling interests	U.S. GAAP (2)
Revenues:																
Premiums	5,273	—	—	—	609	103	—	5,985	7,495	—	—	—	724	88	—	8,307
Policy charges and fee income	1,552	72	—	—	—	—	—	1,624	1,514	(24)	—	—	—	—	—	1,490
Net investment income	3,015	—	—	—	672	54	—	3,741	2,964	1	—	—	633	50	—	3,648
Realized investment gains (losses), net	244	1,326	—	—	95	35	—	1,700	185	(527)	—	—	200	(23)	—	(165)
Asset management fees, commissions and other income	994	(209)	(228)	—	(8)	(2)	2	549	1,087	65	(159)	—	(9)	—	(8)	976
Total revenues	11,078	1,189	(228)	—	1,368	190	2	13,599	13,245	(485)	(159)	—	1,548	115	(8)	14,256
Benefits and Expenses:																
Insurance and annuity benefits	5,640	103	—	—	1,110	162	—	7,015	7,917	(12)	—	—	1,481	129	—	9,515
Interest credited to policyholders' account balances	915	149	—	(258)	34	—	—	840	879	(47)	—	(138)	34	2	—	730
Interest expense	339	—	—	—	—	1	—	340	322	—	—	—	1	1	—	324
Deferral of acquisition costs	(650)	—	—	—	—	—	—	(650)	(691)	—	—	—	—	—	—	(691)
Amortization of acquisition costs	509	404	—	—	9	—	—	922	443	(178)	—	—	9	—	—	274
General and administrative expenses	2,862	95	—	—	107	19	—	3,083	3,193	(52)	—	—	103	23	(6)	3,261
Total benefits and expenses	9,615	751	—	(258)	1,260	182	—	11,550	12,063	(289)	—	(138)	1,628	155	(6)	13,413

Three Months Ended March 31, 2016

Reconciling Items

	Adjusted Operating Income basis (1)	Total realized invest- ment gains (losses), net, and related charges and adjust- ments	Invest- ment gains (losses) on trading account assets support- ing insu- rance liabi- lities, net	Change in experience- rated contract- holder liabilities due to asset value changes	Closed Block division	Other divested businesses	Equity in earnings of operating joint ventures and earnings attribu- table to non- controlling interests	U.S. GAAP (2)
Revenues:								
Premiums	5,577	—	—	—	622	98	—	6,297
Policy charges and fee income	1,511	88	—	—	—	—	—	1,599
Net investment income	3,017	(7)	—	—	612	48	—	3,670
Realized investment gains (losses), net	174	1,758	—	—	(98)	47	—	1,881
Asset management fees, commissions and other income	1,013	(333)	216	—	(7)	1	(8)	882
Total revenues	11,292	1,506	216	—	1,129	194	(8)	14,329
Benefits and Expenses:								
Insurance and annuity benefits	5,984	119	—	—	1,054	140	—	7,297
Interest credited to policyholders' account balances	907	216	—	130	33	—	—	1,286
Interest expense	325	—	—	—	1	1	—	327
Deferral of acquisition costs	(685)	—	—	—	—	—	—	(685)
Amortization of acquisition costs	479	712	—	—	11	—	—	1,202
General and administrative expenses	2,957	121	—	—	103	22	(33)	3,170
Total benefits and expenses	9,967	1,168	—	130	1,202	163	(33)	12,597

(1) See page 37 for a definition of AOL.

(2) U.S. generally accepted accounting principles

KEY DEFINITIONS AND FORMULAS

1. Adjusted operating income before income taxes:

Adjusted operating income is a non-GAAP measure of performance that excludes “Realized investment gains (losses), net”, as adjusted, and related charges and adjustments; net investment gains and losses on trading account assets supporting insurance liabilities; change in experience-rated contractholder liabilities due to asset value changes; results of divested businesses, and discontinued operations; earnings attributable to noncontrolling interests; and the related tax effects thereof. Adjusted operating income includes equity in earnings of operating joint ventures and the related tax effects thereof. Revenues and benefits and expenses shown as components of adjusted operating income, are presented on the same basis as pre-tax adjusted operating income and are adjusted for the items above as well.

Realized investment gains (losses) within certain of our businesses for which such gains (losses) are a principal source of earnings, and those associated with terminating hedges of foreign currency earnings and current period yield adjustments are included in adjusted operating income. Adjusted operating income excludes realized investment gains and losses from products that contain embedded derivatives, and from associated derivative portfolios that are part of a hedging 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 classified as other trading account assets.

Adjusted operating income does not equate to “Income from continuing operations” as determined in accordance with U.S. GAAP but is the measure of profit or loss we use to evaluate segment performance. Adjusted operating income is not a substitute for income determined in accordance with U.S. GAAP, and our definition of adjusted operating income may differ from that used by other companies. The items above are important to an understanding of our overall results of operations. However, we believe that the presentation of adjusted operating income as we measure it for management purposes enhances the understanding of our results of operations by highlighting the results from ongoing operations and the underlying profitability factors of our businesses.

2. After-tax adjusted operating income:

Adjusted operating income before taxes, as defined above, less the income tax effect applicable to adjusted operating income before taxes.

3. Annualized New Business Premiums:

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

4. Assets Under Management:

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

5. Prudential Financial, Inc. Equity:

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

6. Book value per share of Common Stock:

Equity attributed to Prudential Financial, Inc. divided by the number of Common shares outstanding at end of period, on a diluted basis.

7. Borrowings - Capital Debt:

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

8. Borrowings - Operating Debt - Investment Related:

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

9. Borrowings - Operating Debt - Specified Businesses:

Borrowings primarily associated with the individual annuity and asset management businesses.

KEY DEFINITIONS AND FORMULAS

10. Client Assets:

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

11. Divested Businesses:

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

12. Earned Premiums:

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

13. Full Service Retirement:

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

14. Full Service Stable Value:

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

15. General Account:

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

16. Gibraltar Life:

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

17. Gibraltar Life Consultants:

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

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

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

19. Group Insurance Benefits Ratios:

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

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

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

21. Individual Annuities - Net Amounts at Risk:

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

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

KEY DEFINITIONS AND FORMULAS

22. Insurance and Annuity Benefits:

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

23. International Life Planners:

Captive insurance agents in our Life Planner Operations.

24. Non-recourse and Limited-recourse Debt:

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

25. Policy Persistency - Group Insurance:

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

26. Policy Persistency - International Insurance:

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

27. Prudential Agents:

Captive insurance agents in our insurance operations in the United States.

28. Prudential Agent productivity:

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

29. Separate Accounts:

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

30. Wrap-Fee Products:

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

RATINGS AND INVESTOR INFORMATION

FINANCIAL STRENGTH RATINGS

as of August 3, 2016

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

CREDIT RATINGS:

as of August 3, 2016

Prudential Financial, Inc.:

Short-Term Borrowings	AMB-1	A-1	P-2	F2
Long-Term Senior Debt	a-	A	Baa1	BBB+
Junior Subordinated Long-Term Debt	bbb	BBB+	Baa2	BBB-

The Prudential Insurance Company of America :

Capital and surplus notes	a	A	A3	A-
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Prudential Funding, LLC:

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

PRICOA Global Funding I

Long-Term Senior Debt	aa-	AA-	A1	A+
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* NR indicates not rated.

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

INVESTOR INFORMATION:

Corporate Offices:

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

Investor Information Hotline:

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

Web Site:

www.prudential.com

Common Stock:

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