
**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): February 8, 2017

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))
-
-

Item 2.02 Results of Operations and Financial Condition.

Prudential Financial, Inc. (the “Company”) furnishes herewith, as Exhibit 99.1, a news release announcing full year and fourth 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 fourth quarter 2016.
- B. Conference Call and Related Materials. Members of the Company’s senior management will hold a conference call on Thursday, February 9, 2017 at 11:00 A.M. ET, to discuss the Company’s fourth quarter 2016 results. Related materials are available on the Company’s Investor Relations website at www.investor.prudential.com.
- C. Dividend Declaration. Today the Company announced the declaration of a quarterly dividend of \$0.75 per share of Common Stock, payable on March 16, 2017 to shareholders of record as of February 22, 2017.

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

- 99.1 News release of Prudential Financial, Inc., dated February 8, 2017, announcing full year and fourth quarter 2016 results (furnished and not filed).
- 99.2 Quarterly Financial Supplement for Prudential Financial, Inc. for fourth 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: February 8, 2017

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 February 8, 2017, announcing full year and fourth quarter 2016 results (furnished and not filed).
99.2	Quarterly Financial Supplement for Prudential Financial, Inc. for fourth quarter 2016 (furnished and not filed).



Earnings Release



Prudential

February 8, 2017

Prudential Financial, Inc. announces 2016 results

- Net income attributable to Prudential Financial for 2016 of \$4.368 billion or \$9.71 per Common share versus \$5.642 billion or \$12.17 per share for 2015.
- After-tax adjusted operating income of \$4.107 billion or \$9.13 per Common share for 2016 versus \$4.649 billion or \$10.04 per share for 2015.
- Fourth quarter 2016 net income attributable to Prudential Financial of \$284 million or 65 cents per Common share versus \$735 million or \$1.60 per share for year-ago quarter.
- Fourth quarter 2016 after-tax adjusted operating income of \$1.090 billion or \$2.46 per Common share versus \$891 million or \$1.94 per share for year-ago quarter.
- Significant items: in 4Q:16, net income and adjusted operating income include a net benefit of 3 cents per Common share, and in 4Q:15, net income and adjusted operating income include a net charge of 13 cents per share, from items discussed later in this release.
- In addition, higher current quarter expenses reflecting seasonality, as discussed later in this release, had an estimated unfavorable pre-tax impact of approximately \$140 million or 21 cents per Common share on results.

John Strangfeld, Chairman and CEO, commented on results:

"Prudential delivered solid results in the fourth quarter and for the year, with good momentum across our businesses. We produced meaningful sales growth in our U.S. and international protection businesses and solid net flows in retirement and asset management for the year. At the same time, our strong cash flows and capital position enabled us to return \$3.2 billion to shareholders through dividends and repurchases, while continuing to invest in our businesses where we see attractive long-term opportunities. While we continue to face uncertainties and challenges in the macro environment, we remain confident in our long term business outlook and ability to produce differentiated returns."

COMMON STOCK DIVIDEND INCREASED

Today, the Company declared a quarterly dividend of 75 cents per share of Common stock, payable on March 16, 2017, to shareholders of record as of February 22, 2017, representing an increase of 7% over the prior year dividend level.

FOURTH QUARTER BUSINESS HIGHLIGHTS

- Individual Annuities gross sales of \$1.7 billion include \$1.1 billion without retained exposure to equity market related living benefit guarantees, reflecting our risk diversification strategies. Higher net fees and return on assets compared to the year-ago quarter reflect the benefits from refinements in the risk management approach for product guarantees.

-more-

- Retirement gross deposits and sales of \$8.9 billion include several new pension risk transfer cases totaling \$2.2 billion, Investment Only Stable Value sales of \$1.2 billion, and Full Service case wins of \$1.1 billion. Account values of \$386 billion at December 31, 2016, up 5% from a year earlier.
- Asset Management segment assets under management of \$1.0 trillion include \$523 billion of unaffiliated third party institutional and retail assets under management at December 31, 2016, up 10% from a year earlier. Unaffiliated third party net inflows of approximately \$900 million for the fourth quarter and \$5.7 billion for the year, excluding money market.
- U.S. Individual Life sales, based on annualized new business premiums, of \$183 million, up 2% from the year-ago quarter.
- Group Insurance sales of \$37 million in current quarter contribute to full year sales increase of 59%, mainly driven by greater sales of group life. Total benefits ratio at the lower end of the expected range for the fourth quarter and full year.
- International Insurance constant dollar basis sales of \$727 million, up 5% from the year-ago quarter, reflecting a 41% increase in sales of U.S. dollar products in Japan.

OTHER FINANCIAL HIGHLIGHTS

- Returned approximately \$3.2 billion to shareholders through Common stock repurchases and dividends in 2016, including approximately \$900 million in the fourth quarter.
- During the fourth quarter of 2016, the Company acquired 6.6 million shares of its Common Stock at a total cost of \$625 million, for an average price of \$93.84 per share. From the commencement of repurchases in July 2011, through December 31, 2016, the Company has acquired 90.1 million shares of its Common Stock at a total cost of \$6.4 billion, for an average price of \$70.99 per share. On December 15, 2016, the Company announced that its Board of Directors authorized the repurchase of up to \$1.25 billion of its outstanding Common Stock at management's discretion during the period from January 1, 2017, through December 31, 2017.
- Book value per Common share, based on generally accepted accounting principles (GAAP), was \$104.91 at December 31, 2016, compared to \$92.39 a year earlier. Adjusted book value per Common share amounted to \$78.95 at December 31, 2016, an increase of \$5.36 from a year earlier after payment of four quarterly Common Stock dividends totaling \$2.80 per share.
- Excluding holdings of the Closed Block division, net unrealized gains on general account fixed maturity investments of \$27.6 billion at December 31, 2016, compared to \$23.7 billion a year earlier; gross unrealized losses of \$3.8 billion at December 31, 2016, compared to \$3.4 billion a year earlier.

SIGNIFICANT ITEMS IN THE QUARTER

- Net income and adjusted operating income each include a pre-tax benefit of \$20 million in Retirement from settlement of legal matters, with a favorable impact of approximately 3 cents per Common share. In the year-ago quarter, net income and adjusted operating income each included a net charge of 13 cents per Common share from significant items mainly reflecting the impact of estimated remediation costs on Corporate and Other results and reserve refinements in Individual Life related to a valuation system conversion.
- In addition, several of our businesses, and our Corporate and Other operations, incurred costs in the fourth quarter that exceed the average quarterly level for the year, reflecting the timing of expenses for items such as technology and business development, annual policyholder communications, advertising and other variable costs. For the current quarter, we estimate the pre-tax impact to be approximately \$140 million including about \$25 million in our U.S. businesses, \$35 million in our international businesses, and the remainder in our Corporate and Other operations.

NEWARK, N.J. – Prudential Financial, Inc. (NYSE: PRU) today reported year-end and fourth quarter results. Net income attributable to Prudential Financial, Inc., was \$4.368 billion (\$9.71 per Common share) for the year ended December 31, 2016, compared to \$5.642 billion (\$12.17 per Common share) for 2015. After-tax adjusted operating income was \$4.107 billion (\$9.13 per Common share) for 2016, compared to \$4.649 billion (\$10.04 per Common share) for 2015. Information regarding adjusted operating income, a non-GAAP measure, is provided below.

For the fourth quarter of 2016, net income attributable to Prudential Financial, Inc. was \$284 million (65 cents per Common share), compared to \$735 million (\$1.60 per Common share) for the fourth quarter of 2015. After-tax adjusted operating income was \$1.090 billion (\$2.46 per Common share) for the fourth quarter of 2016, compared to \$891 million (\$1.94 per Common share) for the fourth quarter of 2015.

Adjusted operating income does not equate to net income as determined in accordance with GAAP, but is the measure used by the Company to evaluate segment performance and to allocate resources, and is the measure of segment performance presented below. Consolidated adjusted operating income is a non-GAAP measure of financial performance. Adjusted book value is a non-GAAP measure of financial position. These measures are discussed later in this press release under “Forward-Looking Statements and Non-GAAP Measures.” Reconciliations of these measures to the most comparable GAAP measures are 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 \$964 million for the fourth quarter of 2016, compared to \$776 million in the year-ago quarter.

U.S. RETIREMENT SOLUTIONS AND INVESTMENT MANAGEMENT DIVISION (\$ millions)	4Q:16	4Q:15
Individual Annuities:		
Adjusted operating income	\$422	\$410
Significant items included above:		
Impact of updated estimates of profitability driven by market performance in relation to our assumptions	--	\$7

The **Individual Annuities segment** reported adjusted operating income of \$422 million in the current quarter, compared to \$410 million in the year-ago quarter. Updated estimates of profitability driven by market performance in relation to our assumptions had no net impact in the current quarter and resulted in a \$7 million net benefit in the year-ago quarter. Excluding the effect of the foregoing items, results for the Individual Annuities segment increased \$19 million from the year-ago quarter. This increase came primarily from a greater contribution from net investment results which included current quarter returns on non-coupon investments and prepayment fees approximately \$10 million above our average expectations, and from a higher contribution from policy fees, net of associated risk management and other related costs. The greater contribution from policy fees reflected efficiencies from recently implemented refinements in risk management strategies relative to contract guarantees. Higher expenses in the current quarter partly offset the greater net contributions from investment results and policy fees.

U.S. RETIREMENT SOLUTIONS AND INVESTMENT MANAGEMENT DIVISION (\$ millions)	4Q:16	4Q:15
Retirement:		
Adjusted operating income	\$318	\$168
Significant items included above:		
Settlement of legal matters	\$20	--

The **Retirement segment** reported adjusted operating income of \$318 million for the current quarter, compared to \$168 million in the year-ago quarter. Current quarter results include a benefit of \$20 million from settlement of legal matters. Excluding the effect of this item, results for the Retirement segment increased \$130 million from the year-ago quarter. This increase reflected greater contributions from net investment results and case experience, as well as lower expenses. The contribution from net investment results was \$98 million above the year-ago quarter, reflecting current quarter returns on non-coupon investments and prepayment fees about \$30 million above our average expectations in comparison to returns \$20 million below average expectations in the year-ago quarter, as well as growth of spread-based account values. The current quarter contribution to results from case experience was approximately \$10 million above our average quarterly expectations.

U.S. RETIREMENT SOLUTIONS AND INVESTMENT MANAGEMENT DIVISION (\$ millions)	4Q:16	4Q:15
Asset Management:		
Adjusted operating income	\$224	\$198

The **Asset Management segment** reported adjusted operating income of \$224 million for the current quarter, compared to \$198 million in the year-ago quarter. The increase was driven by higher asset management fees reflecting growth in fixed income assets under management and fee rate modifications within certain real estate funds. The benefit to results from higher asset management fees was partly offset by a \$15 million lower contribution from the segment's incentive, transaction, strategic investing and commercial mortgage activities, which amounted to \$22 million for the current quarter.

The **U.S. Individual Life and Group Insurance division** reported adjusted operating income of \$181 million for the fourth quarter of 2016, compared to \$126 million in the year-ago quarter.

U.S. INDIVIDUAL LIFE AND GROUP INSURANCE DIVISION (\$ millions)	4Q:16	4Q:15
Individual Life:		
Adjusted operating income	\$138	\$99
Significant items included above:		
Reserve refinements related to valuation system conversion	--	\$(20)

The **Individual Life segment** reported adjusted operating income of \$138 million for the current quarter, compared to \$99 million in the year-ago quarter. Results for the year-ago quarter included a \$20 million charge to increase reserves for certain policies related to a valuation system conversion. Excluding this item, results for the Individual Life segment increased \$19 million from the year-ago quarter. The increase reflected a greater contribution from net investment results and more favorable claims experience, partly offset by a negative impact of approximately \$25 million from current quarter updates of reserves and related items and by

higher expenses. The current quarter contribution from net investment results reflected returns on non-coupon investments and prepayment fees approximately \$15 million above our average expectations. The net contribution to current quarter results from claims experience, inclusive of reinsurance, associated reserve updates, and amortization, was approximately \$15 million more favorable than our average expectations.

U.S. INDIVIDUAL LIFE AND GROUP INSURANCE DIVISION (\$ millions)	4Q:16	4Q:15
Group Insurance:		
Adjusted operating income	\$43	\$27

The **Group Insurance segment** reported adjusted operating income of \$43 million in the current quarter, compared to \$27 million in the year-ago quarter. The increase reflected lower expenses and a greater contribution from net investment results, partly offset by less favorable underwriting results. The current quarter contribution from net investment results included returns on non-coupon investments and prepayment fees slightly above our average expectations.

The **International Insurance** segment reported adjusted operating income of \$755 million for the fourth quarter of 2016, compared to \$738 million in the year-ago quarter.

INTERNATIONAL INSURANCE SEGMENT (\$ millions)	4Q:16	4Q:15
Life Planner Operations:		
Adjusted operating income	\$395	\$367

Adjusted operating income of the segment's **Life Planner operations** was \$395 million for the current quarter, compared to \$367 million in 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. Excluding this impact, results increased \$50 million from the year-ago quarter. This increase was driven by continued business growth, more favorable policy benefits experience, and lower expenses. The contribution to current quarter earnings from claims experience was about \$15 million greater than our average expectations. The current quarter contribution from net investment results was essentially unchanged from the year-ago quarter and included returns on non-coupon investments and prepayment fees slightly above our average expectations.

INTERNATIONAL INSURANCE SEGMENT (\$ millions)	4Q:16	4Q:15
Gibraltar Life and Other Operations:		
Adjusted operating income	\$360	\$371

Adjusted operating income of the segment's **Gibraltar Life and Other operations** was \$360 million for the current quarter, compared to \$371 million in the year-ago quarter. Foreign currency exchange rates, including the impact of the Company's currency hedging programs, had an unfavorable impact of \$26 million in comparison to the year-ago quarter. Excluding this impact, results increased \$15 million from the year-ago quarter. This increase was driven by a greater contribution from net investment results and by business growth including a contribution from the Company's indirect investment in AFP Habitat acquired on March 2, 2016, partly offset by less favorable policy benefits experience. Claims experience was essentially consistent with our average expectations in the current quarter and about \$15 million more favorable than average expectations in the year-ago quarter.

Corporate and Other operations resulted in a loss, on an adjusted operating income basis, of \$441 million in the fourth quarter of 2016, compared to a loss of \$458 million in the year-ago quarter.

CORPORATE AND OTHER OPERATIONS (\$ millions)	4Q:16	4Q:15
Adjusted operating income (loss)	\$(441)	\$(458)
Significant items included above:		
Charge related to the administration of certain separate account investments	--	\$(80)

Results for the year-ago quarter included an \$80 million charge for estimated remediation costs related to the administration of certain separate account investments. Excluding this item, the loss from Corporate and Other operations increased \$63 million, reflecting higher general and administrative expenses in the current quarter partly offset by lower net interest expense.

ASSETS UNDER MANAGEMENT

Assets under management amounted to \$1.264 trillion at December 31, 2016, compared to \$1.184 trillion a year earlier.

NET INCOME AND INVESTMENT PORTFOLIO

Net income attributable to Prudential Financial, Inc. amounted to \$284 million for the fourth quarter of 2016, compared to \$735 million for the year-ago quarter.

Current quarter net income includes \$824 million of pre-tax net realized investment losses and related charges and adjustments. The foregoing net losses include net pre-tax losses of \$1.283 billion from products that contain embedded derivatives and associated derivative portfolios that are part of a hedging program related to the risks of these products, largely driven by the impact of applying tighter credit spreads to a lower gross GAAP liability for variable annuity living benefits. The decrease in the gross GAAP liability was primarily due to rising interest rates. Current quarter results also included pre-tax losses of \$53 million from impairments and sales of credit-impaired investments. The foregoing losses were partially offset by pre-tax gains of \$347 million from general portfolio and related activities and \$165 million primarily related to derivatives used in risk management activities including foreign currency and asset and liability duration management.

Net income for the current quarter reflects pre-tax decreases of \$378 million in recorded asset values and \$283 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 \$218 million from divested businesses, primarily reflecting results from long term care and the Closed Block division.

Net income for the year-ago quarter included \$196 million of pre-tax net realized investment losses and related charges and adjustments, including pre-tax losses of \$534 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, \$125 million primarily related to derivatives used in risk management activities including asset and liability duration management, and \$92 million from impairments and sales of credit-impaired investments. The foregoing losses were partly offset by pre-tax gains of \$555 million from general portfolio and related activities.

Excluding holdings of the Closed Block division, gross unrealized losses on general account fixed maturity investments at December 31, 2016 amounted to \$3.809 billion, including \$3.506 billion on high and highest quality securities based on NAIC or equivalent ratings, and amounted to \$3.398 billion a year earlier. Net unrealized gains on these investments amounted to \$27.585 billion at December 31, 2016, compared to \$23.739 billion a year earlier.

FORWARD-LOOKING STATEMENTS AND NON-GAAP MEASURES

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 facilities; (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, Guideline AXXX and principles-based reserving requirements; (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 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.

Consolidated adjusted operating income and adjusted book value are non-GAAP measures. Reconciliations of these measures to the most directly comparable GAAP measures are included in this release.

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

Adjusted operating income also excludes investment gains and losses on trading account assets supporting insurance liabilities and changes in experience-rated contractholder liabilities due to asset value changes, because these recorded changes in asset and liability values are expected to ultimately accrue to contractholders. In addition, adjusted operating income excludes the results of divested businesses, which are not relevant to our ongoing operations. Discontinued operations and earnings attributable to noncontrolling interests, each of which is presented as a separate component of net income under GAAP, are also excluded from adjusted operating income. The tax effect associated with pre-tax adjusted operating income is based on applicable IRS and foreign tax regulations inclusive of pertinent adjustments.

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

We believe that our use of these non-GAAP measures helps investors understand and evaluate the company's performance and financial position. The presentation of adjusted operating income as we measure it for management purposes enhances the understanding of the results of operations by highlighting the results from ongoing operations and the underlying profitability of our businesses. Trends in the underlying profitability of our businesses can be more clearly identified without the fluctuating effects of the items described above. Adjusted book value augments the understanding of our financial position by providing a measure of net worth that is primarily attributable to our business operations separate from the portion that is affected by capital and currency market conditions and by isolating the accounting impact associated with insurance liabilities that are generally not marked to market and the supporting investments that are marked to market through accumulated other comprehensive income under GAAP. However, adjusted operating income and adjusted book value are not substitutes for income and equity determined in accordance with GAAP, and the adjustments made to derive these measures are important to an understanding of our overall results of operations and financial position. The schedules accompanying this release provide a reconciliation of adjusted operating income to income from continuing operations in accordance with GAAP and a reconciliation of adjusted book value to GAAP book value.

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 subsequent Quarterly Reports on Form 10-Q, 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.

EARNINGS CONFERENCE CALL

Members of Prudential's senior management will host a conference call on Thursday, February 9, 2017, at 11 a.m. ET, to discuss with the investment community the Company's fourth 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 February 24. 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) 332-0228 (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. on February 9, through February 16, dial (800) 475-6701 (domestic callers) or (320) 365-3844 (international callers). The access code for the replay is 407281.



Prudential Financial, Inc. (NYSE: PRU), a financial services leader with more than \$1 trillion of assets under management as of December 31, 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 December 31		Year Ended December 31	
	2016	2015	2016	2015
Income Statement Data:				
Net income attributable to Prudential Financial, Inc.	\$ 284	\$ 735	\$4,368	\$5,642
Income attributable to noncontrolling interests	9	5	51	70
Net income	<u>293</u>	<u>740</u>	<u>4,419</u>	<u>5,712</u>
Less: Income from discontinued operations, net of taxes	—	—	—	—
Income from continuing operations (after-tax)	<u>293</u>	<u>740</u>	<u>4,419</u>	<u>5,712</u>
Less: Earnings attributable to noncontrolling interests	9	5	51	70
Income from continuing operations attributable to Prudential Financial, Inc.	<u>284</u>	<u>735</u>	<u>4,368</u>	<u>5,642</u>
Less: Equity in earnings of operating joint ventures, net of taxes and earnings attributable to noncontrolling interests	2	2	(2)	(55)
Income from continuing operations (after-tax) before equity in earnings of operating joint ventures	<u>282</u>	<u>733</u>	<u>4,370</u>	<u>5,697</u>
Less: Reconciling Items:				
Realized investment gains (losses), net, and related charges and adjustments	(824)	(196)	523	1,579
Investment losses on trading account assets supporting insurance liabilities, net	(378)	(159)	(17)	(524)
Change in experience-rated contractholder liabilities due to asset value changes	283	138	21	433
Divested businesses:				
Closed Block division	(58)	(80)	(132)	58
Other divested businesses	(160)	(40)	(84)	(66)
Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests	(5)	(2)	(5)	58
Total reconciling items, before income taxes	<u>(1,142)</u>	<u>(339)</u>	<u>306</u>	<u>1,538</u>
Less: Income taxes, not applicable to adjusted operating income	(334)	(181)	43	490
Total reconciling items, after income taxes	<u>(808)</u>	<u>(158)</u>	<u>263</u>	<u>1,048</u>
After-tax adjusted operating income (1)	<u>1,090</u>	<u>891</u>	<u>4,107</u>	<u>4,649</u>
Income taxes, applicable to adjusted operating income	369	291	1,292	1,582
Adjusted operating income before income taxes (1)	<u>\$ 1,459</u>	<u>\$1,182</u>	<u>\$5,399</u>	<u>\$6,231</u>

See footnotes on last page.

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

	Three Months Ended December 31		Year Ended December 31	
	2016	2015	2016	2015
Earnings per share of Common Stock (diluted):				
Net income attributable to Prudential Financial, Inc.	\$ 0.65	\$ 1.60	\$ 9.71	\$ 12.17
Less: Income from discontinued operations, net of taxes	—	—	—	—
Income from continuing operations (after-tax) attributable to Prudential Financial, Inc.	0.65	1.60	9.71	12.17
Less: Reconciling Items:				
Realized investment gains (losses), net, and related charges and adjustments	(1.87)	(0.43)	1.17	3.43
Investment gains (losses) on trading account assets supporting insurance liabilities, net	(0.86)	(0.35)	(0.04)	(1.14)
Change in experience-rated contractholder liabilities due to asset value changes	0.64	0.30	0.05	0.94
Divested businesses:				
Closed Block division	(0.13)	(0.17)	(0.30)	0.13
Other divested businesses	(0.36)	(0.09)	(0.19)	(0.14)
Difference in earnings allocated to participating unvested share-based payment awards	0.02	—	—	(0.02)
Total reconciling items, before income taxes	(2.56)	(0.74)	0.69	3.20
Less: Income taxes, not applicable to adjusted operating income	(0.75)	(0.40)	0.11	1.07
Total reconciling items, after income taxes	(1.81)	(0.34)	0.58	2.13
After-tax adjusted operating income	\$ 2.46	\$ 1.94	\$ 9.13	\$ 10.04
Weighted average number of outstanding Common shares (basic)	430.7	448.7	438.2	451.7
Weighted average number of outstanding Common shares (diluted)	439.8	457.5	446.6	460.4
Earnings related to interest, net of tax, on exchangeable surplus notes	\$ 4	\$ 4	\$ 17	\$ 17
Earnings allocated to participating unvested share-based payment awards for earnings per share calculation:				
Income from continuing operations (after-tax)	\$ 3	\$ 6	\$ 49	\$ 54
After-tax adjusted operating income	\$ 12	\$ 8	\$ 47	\$ 45
Prudential Financial, Inc. Equity (as of end of period):				
GAAP book value (total PFI equity) at end of period	\$45,863	\$41,890		
Less: Accumulated other comprehensive income (AOCI)	14,621	12,285		
GAAP book value excluding AOCI	31,242	29,605		
Less: Cumulative effect of foreign exchange remeasurement and currency translation adjustments corresponding to realized gains/losses	(3,199)	(3,747)		
Adjusted book value	34,441	33,352		
Number of diluted shares at end of period	436.2	453.2		
GAAP book value per common share - diluted (2)	104.91	92.39		
GAAP book value excluding AOCI per share - diluted	71.62	65.32		
Adjusted book value per common share - diluted	78.95	73.59		
Adjusted operating income before income taxes, by Segment (1):				
Individual Annuities	\$ 422	\$ 410	\$ 1,765	\$ 1,797
Retirement	318	168	1,012	931
Asset Management	224	198	787	779
Total U.S. Retirement Solutions and Investment Management Division	964	776	3,564	3,507
Individual Life	138	99	79	635
Group Insurance	43	27	220	176
Total U.S. Individual Life and Group Insurance Division	181	126	299	811
International Insurance	755	738	3,117	3,226
Total International Insurance Division	755	738	3,117	3,226
Corporate and Other operations	(441)	(458)	(1,581)	(1,313)
Adjusted operating income before income taxes	1,459	1,182	5,399	6,231
Reconciling Items:				
Realized investment gains (losses), net, and related charges and adjustments	(824)	(196)	523	1,579
Investment losses on trading account assets supporting insurance liabilities, net	(378)	(159)	(17)	(524)
Change in experience-rated contractholder liabilities due to asset value changes	283	138	21	433
Divested businesses:				
Closed Block division	(58)	(80)	(132)	58
Other divested businesses	(160)	(40)	(84)	(66)
Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests	(5)	(2)	(5)	58
Total reconciling items, before income taxes	(1,142)	(339)	306	1,538
Income from continuing operations before income taxes and equity in earnings of operating joint ventures for Prudential Financial, Inc.	\$ 317	\$ 843	\$ 5,705	\$ 7,769

See footnotes on last page.

Financial Highlights

(in millions, or as otherwise noted, unaudited)

	Three Months Ended December 31		Year Ended December 31	
	2016	2015	2016	2015
U.S. Retirement Solutions and Investment Management Division:				
Fixed and Variable Annuity Sales and Account Values:				
Gross sales	\$ 1,656	\$ 2,089	\$ 8,054	\$ 8,780
Net sales (redemptions)	\$ (493)	\$ 68	\$ 173	\$ 365
Total account value at end of period	<u>\$156,783</u>	<u>\$152,945</u>		
Retirement Segment:				
Full Service:				
Deposits and sales	\$ 5,168	\$ 4,908	\$21,928	\$25,684
Net additions (withdrawals)	\$ (147)	\$ (667)	\$ 1,801	\$ 4,125
Total account value at end of period	<u>\$202,802</u>	<u>\$188,961</u>		
Institutional Investment Products:				
Gross additions	\$ 3,751	\$ 3,425	\$16,140	\$15,572
Net additions (withdrawals)	\$ (169)	\$ (720)	\$ 3,979	\$ 184
Total account value at end of period	<u>\$183,376</u>	<u>\$179,964</u>		
Asset Management Segment:				
Assets managed by Investment Management and Advisory Services (in billions, as of end of period):				
Institutional customers	\$ 431.5	\$ 389.1		
Retail customers	209.2	197.3		
General account	399.4	376.7		
Total Investment Management and Advisory Services	<u>\$ 1,040.1</u>	<u>\$ 963.1</u>		
Institutional Customers - Assets Under Management (in billions):				
Gross additions, other than money market	\$ 15.7	\$ 16.3	\$ 59.4	\$ 66.9
Net additions, other than money market	<u>\$ 2.5</u>	<u>\$ 6.0</u>	<u>\$ 5.3</u>	<u>\$ 21.2</u>
Retail Customers - Assets Under Management (in billions):				
Gross additions, other than money market	\$ 9.9	\$ 9.3	\$ 42.1	\$ 40.9
Net additions (withdrawals), other than money market	<u>\$ (1.6)</u>	<u>\$ (1.2)</u>	<u>\$ 0.4</u>	<u>\$ 0.8</u>
U.S. Individual Life and Group Insurance Division:				
Individual Life Insurance Annualized New Business Premiums (3):				
Term life	\$ 50	\$ 52	\$ 200	\$ 204
Guaranteed Universal life	77	73	243	220
Other Universal life	31	32	95	89
Variable life	25	22	92	78
Total	<u>\$ 183</u>	<u>\$ 179</u>	<u>\$ 630</u>	<u>\$ 591</u>
Group Insurance Annualized New Business Premiums (3):				
Group life	\$ 31	\$ 25	\$ 316	\$ 204
Group disability	6	5	119	69
Total	<u>\$ 37</u>	<u>\$ 30</u>	<u>\$ 435</u>	<u>\$ 273</u>
International Insurance Division:				
International Insurance Annualized New Business Premiums (3) (4):				
Actual exchange rate basis	\$ 737	\$ 650	\$ 3,002	\$ 2,665
Constant exchange rate basis	<u>\$ 727</u>	<u>\$ 692</u>	<u>\$ 3,026</u>	<u>\$ 2,800</u>

See footnotes on last page.

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

	Three Months Ended December 31	
	2016	2015
Assets and Asset Management Information:		
Total assets	\$ 784.0	\$ 757.3
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	\$1,040.1	\$ 963.1
Non-proprietary assets under management	172.6	175.5
Total managed by U.S. Retirement Solutions and Investment Management Division	1,212.7	1,138.6
Managed by U.S. Individual Life and Group Insurance Division	24.9	24.1
Managed by International Insurance Division	26.2	21.0
Total assets under management	1,263.8	1,183.7
Client assets under administration	177.3	163.2
Total assets under management and administration	<u>\$1,441.1</u>	<u>\$1,346.9</u>

See footnotes on last page.

-
- (1) Adjusted operating income is a non-GAAP measure of performance. See FORWARD-LOOKING STATEMENTS AND NON-GAAP MEASURES within the earnings release for additional information. Adjusted operating income, when presented at the segment level, is also a segment performance measure. This segment performance measure, while not a traditional U.S. GAAP measure, is required to be disclosed by U.S. GAAP in accordance with FASB Accounting Standard Codification (ASC) 280 – Segment Reporting. When presented by segment, we have prepared the reconciliation of adjusted operating income to the corresponding consolidated U.S. GAAP total in accordance with the disclosure requirements as articulated in ASC 280.
 - (2) Book value per share of Common Stock including accumulated other comprehensive income as of December 31, 2015 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, and as of December 31, 2016 includes a \$500 million increase in equity and a 5.75 million increase in diluted shares reflecting the dilutive impact of exchangeable surplus notes when book value per share is greater than \$86.92.
 - (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

Fourth 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.

February 8, 2017

CONTENTS

	<u>Page</u>
HIGHLIGHTS	
Financial Highlights	1-3
Operations Highlights	4
Combined Statements of Operations	5
Combining Statements of Operations (Quarter)	6
Combining Statements of Operations	7
Consolidated Balance Sheets	8
Combining Balance Sheets by Division	9
Short-Term and Long-Term Debt - Unaffiliated	10
U.S. RETIREMENT SOLUTIONS AND INVESTMENT MANAGEMENT DIVISION	
Combined Statements of Operations	11
Combining Statements of Operations	12
Individual Annuities Sales Results and Account Values	13
Individual Annuities Account Value Activity	14
Individual Annuities Living Benefit Features	15
Individual Annuities Death Benefit Features	16
Retirement Segment Sales Results and Account Values	17
Supplementary Revenue and Assets Under Management Information for Asset Management Segment	18
Supplementary Assets Under Management Information for Asset Management Segment	19
U.S. INDIVIDUAL LIFE AND GROUP INSURANCE DIVISION	
Combined Statements of Operations	20
Combining Statements of Operations	21
Individual Life Annualized New Business Premiums, Account Value Activity, and Face Amount in Force	22
Supplementary Information for Group Insurance	23
DEFERRED POLICY ACQUISITION COSTS & DEFERRED SALES INDUCEMENTS - INDIVIDUAL ANNUITIES, INDIVIDUAL LIFE AND GROUP INSURANCE	24
INTERNATIONAL INSURANCE DIVISION	
Combined Statements of Operations	25
Combining Statements of Operations	26
Sales Results and Supplementary Information	27-28
INVESTMENT PORTFOLIO	
Investment Portfolio Composition	29
Investment Portfolio Composition - Japanese Insurance Operations and Excluding Japanese Insurance Operations	30
Investment Results	31
Investment Results - Japanese Insurance Operations	32
Investment Results - Excluding Japanese Insurance Operations	33
LINE ITEM IMPACT OF MARKET DRIVEN AND DISCRETE ITEMS - ADJUSTED OPERATING INCOME	34
COMBINED STATEMENTS OF OPERATIONS - AOI TO U.S. GAAP RECONCILIATION OF REVENUES AND BENEFITS AND EXPENSES	35-36
KEY DEFINITIONS AND FORMULAS	37-39
RATINGS AND INVESTOR INFORMATION	40

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		2015	2016			
2016	2015			4Q	1Q	2Q	3Q	4Q
Pre-tax adjusted operating income (loss) by division:								
3,564	3,507	2%	U.S. Retirement Solutions and Investment Management Division	776	712	870	1,018	964
299	811	-63%	U.S. Individual Life and Group Insurance Division	126	146	(201)	173	181
3,117	3,226	-3%	International Insurance Division	738	779	803	780	755
(1,581)	(1,313)	-20%	Corporate and other operations	(458)	(312)	(415)	(413)	(441)
5,399	6,231	-13%	Total pre-tax adjusted operating income	1,182	1,325	1,057	1,558	1,459
1,292	1,582	-18%	Income taxes, applicable to adjusted operating income	291	328	228	367	369
4,107	4,649	-12%	After-tax adjusted operating income	891	997	829	1,191	1,090
Reconciling items:								
523	1,579	-67%	Realized investment gains (losses), net, and related charges and adjustments	(196)	338	360	649	(824)
(17)	(524)	97%	Investment gains (losses) on trading account assets supporting insurance liabilities, net	(159)	216	108	37	(378)
21	433	-95%	Change in experience-rated contractholder liabilities due to asset value changes	138	(130)	(133)	1	283
Divested businesses:								
(132)	58	-328%	Closed Block division	(80)	(73)	(32)	31	(58)
(84)	(66)	-27%	Other divested businesses	(40)	31	(11)	56	(160)
Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests								
(5)	58	-109%		(2)	25	(8)	(17)	(5)
306	1,538	-80%	Total reconciling items, before income taxes	(339)	407	284	757	(1,142)
43	490	-91%	Income taxes, not applicable to adjusted operating income	(181)	40	203	134	(334)
263	1,048	-75%	Total reconciling items, after income taxes	(158)	367	81	623	(808)
Income from continuing operations (after-tax) before equity in earnings of operating joint ventures								
4,370	5,697	-23%		733	1,364	910	1,814	282
Equity in earnings of operating joint ventures, net of taxes and earnings attributable to noncontrolling interests								
(2)	(55)	96%		2	(28)	11	13	2
4,368	5,642	-23%	Income from continuing operations attributable to Prudential Financial, Inc.	735	1,336	921	1,827	284
51	70	-27%	Earnings attributable to noncontrolling interests	5	33	4	5	9
4,419	5,712	-23%	Income from continuing operations (after-tax)	740	1,369	925	1,832	293
—	—	—	Income from discontinued operations, net of taxes	—	—	—	—	—
4,419	5,712	-23%	Net income	740	1,369	925	1,832	293
51	70	-27%	Less: Income attributable to noncontrolling interests	5	33	4	5	9
4,368	5,642	-23%	Net income attributable to Prudential Financial, Inc.	735	1,336	921	1,827	284
12.0%	14.5%		Operating Return on Average Equity (based on adjusted operating income) (1)	10.7%	11.9%	9.8%	13.8%	12.6%

- (1) Operating Return on Average Equity (based on adjusted operating income) is a non-GAAP measure and represents adjusted operating income after-tax, annualized for interim periods, divided by average Prudential Financial, Inc. equity excluding accumulated other comprehensive income and adjusted to remove amount included for foreign currency exchange rate remeasurement on page 3. The comparable GAAP measure to operating return on average equity (based on adjusted operating income) is return on average equity (based on 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 2.2%, 13.1%, 7.1%, 11.7%, and 6.9% for the three months ended December 31, 2016, September 30, 2016, June, 30, 2016, March 31, 2016, and December 31, 2015, respectively, and 8.8% and 13.3% for years ended December 31, 2016 and 2015, respectively.

FINANCIAL HIGHLIGHTS
(in millions, except per share data)

Year-to-date			2015	2016			
2016	2015		4Q	1Q	2Q	3Q	4Q
Earnings per share of Common Stock (diluted):							
9.13	10.04	After-tax adjusted operating income	1.94	2.18	1.84	2.66	2.46
Reconciling items:							
1.17	3.43	Realized investment gains (losses), net, and related charges and adjustments	(0.43)	0.75	0.80	1.46	(1.87)
(0.04)	(1.14)	Investment gains (losses) on trading account assets supporting insurance liabilities, net	(0.35)	0.48	0.24	0.08	(0.86)
0.05	0.94	Change in experience-rated contractholder liabilities due to asset value changes	0.30	(0.29)	(0.30)	—	0.64
Divested businesses:							
(0.30)	0.13	Closed Block division	(0.17)	(0.16)	(0.07)	0.07	(0.13)
(0.19)	(0.14)	Other divested businesses	(0.09)	0.07	(0.02)	0.13	(0.36)
—	(0.02)	Difference in earnings allocated to participating unvested share-based payment awards	—	(0.01)	—	(0.01)	0.02
0.69	3.20	Total reconciling items, before income taxes	(0.74)	0.84	0.65	1.73	(2.56)
0.11	1.07	Income taxes, not applicable to adjusted operating income	(0.40)	0.09	0.45	0.32	(0.75)
0.58	2.13	Total reconciling items, after income taxes	(0.34)	0.75	0.20	1.41	(1.81)
9.71	12.17	Income from continuing operations (after-tax) attributable to Prudential Financial, Inc.	1.60	2.93	2.04	4.07	0.65
—	—	Income from discontinued operations, net of taxes	—	—	—	—	—
9.71	12.17	Net income attributable to Prudential Financial, Inc.	1.60	2.93	2.04	4.07	0.65
438.2	451.7	Weighted average number of outstanding Common shares (basic)	448.7	445.3	441.1	435.9	430.7
446.6	460.4	Weighted average number of outstanding Common shares (diluted)	457.5	453.2	449.3	444.3	439.8
17	17	Earnings related to interest, net of tax, on exchangeable surplus notes	4	4	5	4	4
Earnings allocated to participating unvested share-based payment awards for earnings per share calculation							
47	45	After-tax adjusted operating income	8	11	9	15	12
49	54	Income from continuing operations (after-tax)	6	14	11	21	3

FINANCIAL HIGHLIGHTS
(in millions, except per share data)

Year-to-date			2015	2016				
2016	2015		4Q	1Q	2Q	3Q	4Q	
Capitalization Data (1):								
Senior Debt:								
		Short-term debt	1,216	969	676	907		1,133
		Long-term debt	13,783	13,795	13,172	12,942		12,224
		Junior Subordinated Long-Term Debt	5,811	5,813	5,814	5,816		5,817
Prudential Financial Inc. Equity:								
		Including accumulated other comprehensive income	41,890	49,242	55,149	56,431		45,863
		Excluding accumulated other comprehensive income (2)	29,605	30,176	30,482	31,506		31,242
		Amount included above for foreign currency exchange rate remeasurement (3)	(3,747)	(3,628)	(3,509)	(3,327)		(3,199)
		Excluding accumulated other comprehensive income and adjusted to remove amount included for foreign currency exchange rate remeasurement (3)	33,352	33,804	33,991	34,833		34,441
Book value per share of Common Stock:								
		Including accumulated other comprehensive income (4)	92.39	109.66	123.77	128.37		104.91
		Excluding accumulated other comprehensive income (2)	65.32	67.36	68.65	71.95		71.62
		Amount included above for foreign currency exchange rate remeasurement (3)	(8.27)	(8.10)	(7.90)	(7.60)		(7.33)
		Excluding accumulated other comprehensive income and adjusted to remove amount included for foreign currency exchange rate remeasurement (3)	73.59	75.46	76.55	79.55		78.95
		Number of diluted shares at end of period (5)	453.2	448.0	444.0	437.9		436.2
Common Stock Price Range (based on closing price):								
107.10	91.68	High	87.69	79.84	79.71	81.65		107.10
58.00	74.22	Low	75.40	58.00	66.93	68.74		81.43
104.06	81.41	Close	81.41	72.22	71.34	81.65		104.06
Common Stock market capitalization (1)			36,398	32,001	31,304	35,248		44,704

(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, for the fourth quarter of 2015 and the first, second and third quarters of 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. The fourth quarter of 2016 includes a \$500 million increase in equity and a 5.75 million increase in diluted shares, reflecting the dilutive impact of exchangeable surplus notes when book value per share is greater than \$86.92.

(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				
2016	2015	4Q	1Q	2Q	3Q	4Q	
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		389.1	403.6	418.8	445.9	431.5	
Retail customers		197.3	198.6	202.1	209.0	209.2	
General account		376.7	400.8	426.3	430.3	399.4	
Total Investment Management and Advisory Services		963.1	1,003.0	1,047.2	1,085.2	1,040.1	
Non-proprietary assets under management		175.5	167.0	169.8	176.4	172.6	
Total managed by U.S. Retirement Solutions and Investment Management Division		1,138.6	1,170.0	1,217.0	1,261.6	1,212.7	
Managed by U.S. Individual Life and Group Insurance Division		24.1	25.1	25.7	24.8	24.9	
Managed by International Insurance Division		21.0	22.8	25.0	27.9	26.2	
Total assets under management		1,183.7	1,217.9	1,267.7	1,314.3	1,263.8	
Client assets under administration		163.2	170.5	171.7	177.0	177.3	
Total assets under management and administration		1,346.9	1,388.4	1,439.4	1,491.3	1,441.1	
Assets managed or administered for customers outside of the United States at end of period		270.5	297.5	324.6	335.4	311.1	
Distribution Representatives (1):							
Prudential Agents		2,903	2,969	2,987	3,031	2,937	
International Life Planners		7,592	7,608	7,551	7,667	7,680	
Gibraltar Life Consultants		8,805	8,781	8,734	8,790	8,884	
56	56	Prudential Agent productivity (\$ thousands)	68	47	54	56	67

- (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			4Q	1Q	2Q	3Q	4Q
Revenues (1):								
27,953	25,463	10%	Premiums	7,495	5,577	6,146	8,934	7,296
5,887	6,003	-2%	Policy charges and fee income	1,514	1,511	1,288	1,559	1,529
12,695	11,958	6%	Net investment income	2,964	3,017	3,087	3,292	3,299
5,039	5,206	-3%	Asset management fees, commissions and other income	1,272	1,187	1,291	1,265	1,296
51,574	48,630	6%	Total revenues	13,245	11,292	11,812	15,050	13,420
Benefits and Expenses (1):								
29,709	26,698	11%	Insurance and annuity benefits	7,917	5,984	6,813	9,254	7,658
3,698	3,585	3%	Interest credited to policyholders' account balances	879	907	914	932	945
1,315	1,302	1%	Interest expense	322	325	357	314	319
(2,845)	(2,652)	-7%	Deferral of acquisition costs	(691)	(685)	(718)	(731)	(711)
1,672	1,631	3%	Amortization of acquisition costs	443	479	281	444	468
12,626	11,835	7%	General and administrative expenses	3,193	2,957	3,108	3,279	3,282
46,175	42,399	9%	Total benefits and expenses	12,063	9,967	10,755	13,492	11,961
5,399	6,231	-13%	Adjusted operating income before income taxes	1,182	1,325	1,057	1,558	1,459
Reconciling items:								
989	2,258	-56%	Realized investment gains (losses), net, and related adjustments	(461)	1,418	802	223	(1,454)
(466)	(679)	31%	Related charges	265	(1,080)	(442)	426	630
523	1,579	-67%	Total realized investment gains (losses), net, and related charges and adjustments	(196)	338	360	649	(824)
(17)	(524)	97%	Investment gains (losses) on trading account assets supporting insurance liabilities, net	(159)	216	108	37	(378)
21	433	-95%	Change in experience-rated contractholder liabilities due to asset value changes	138	(130)	(133)	1	283
Divested businesses:								
(132)	58	-328%	Closed Block division	(80)	(73)	(32)	31	(58)
(84)	(66)	-27%	Other divested businesses	(40)	31	(11)	56	(160)
(5)	58	-109%	Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests	(2)	25	(8)	(17)	(5)
306	1,538	-80%	Total reconciling items, before income taxes	(339)	407	284	757	(1,142)
Income from continuing operations before income taxes and equity in earnings of operating joint ventures								
5,705	7,769	-27%		843	1,732	1,341	2,315	317
1,335	2,072	-36%	Income tax expense	110	368	431	501	35
4,370	5,697	-23%	Income from continuing operations before equity in earnings of operating joint ventures	733	1,364	910	1,814	282

(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 December 31, 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	7,296	2,258	1,231	3,814	(7)
Policy charges and fee income	1,529	712	699	129	(11)
Net investment income	3,299	1,324	630	1,206	139
Asset management fees, commissions and other income	1,296	1,280	190	89	(263)
Total revenues	13,420	5,574	2,750	5,238	(142)
Benefits and Expenses (1):					
Insurance and annuity benefits	7,658	2,760	1,611	3,280	7
Interest credited to policyholders' account balances	945	473	246	226	—
Interest expense	319	23	153	3	140
Deferral of acquisition costs	(711)	(95)	(203)	(426)	13
Amortization of acquisition costs	468	146	71	264	(13)
General and administrative expenses	3,282	1,303	691	1,136	152
Total benefits and expenses	11,961	4,610	2,569	4,483	299
Adjusted operating income (loss) before income taxes	1,459	964	181	755	(441)
Quarter Ended December 31, 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	7,495	3,005	1,190	3,307	(7)
Policy charges and fee income	1,514	707	699	122	(14)
Net investment income	2,964	1,188	562	1,078	136
Asset management fees, commissions and other income	1,272	1,198	177	164	(267)
Total revenues	13,245	6,098	2,628	4,671	(152)
Benefits and Expenses (1):					
Insurance and annuity benefits	7,917	3,502	1,570	2,833	12
Interest credited to policyholders' account balances	879	440	226	213	—
Interest expense	322	21	140	1	160
Deferral of acquisition costs	(691)	(122)	(198)	(387)	16
Amortization of acquisition costs	443	140	80	233	(10)
General and administrative expenses	3,193	1,341	684	1,040	128
Total benefits and expenses	12,063	5,322	2,502	3,933	306
Adjusted operating income (loss) before income taxes	1,182	776	126	738	(458)

- (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)

Twelve Months Ended December 31, 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	27,953	7,738	4,894	15,348	(27)
Policy charges and fee income	5,887	2,797	2,636	499	(45)
Net investment income	12,695	5,041	2,430	4,759	465
Asset management fees, commissions and other income	5,039	4,927	738	403	(1,029)
Total revenues	51,574	20,503	10,698	21,009	(636)
Benefits and Expenses (1):					
Insurance and annuity benefits	29,709	9,634	6,817	13,232	26
Interest credited to policyholders' account balances	3,698	1,835	943	920	—
Interest expense	1,315	105	588	8	614
Deferral of acquisition costs	(2,845)	(449)	(706)	(1,750)	60
Amortization of acquisition costs	1,672	532	121	1,068	(49)
General and administrative expenses	12,626	5,282	2,636	4,414	294
Total benefits and expenses	46,175	16,939	10,399	17,892	945
Adjusted operating income (loss) before income taxes	5,399	3,564	299	3,117	(1,581)

Twelve Months Ended December 31, 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	25,463	6,845	4,781	13,844	(7)
Policy charges and fee income	6,003	2,885	2,637	530	(49)
Net investment income	11,958	4,796	2,255	4,357	550
Asset management fees, commissions and other income	5,206	4,934	703	633	(1,064)
Total revenues	48,630	19,460	10,376	19,364	(570)
Benefits and Expenses (1):					
Insurance and annuity benefits	26,698	8,664	6,146	11,872	16
Interest credited to policyholders' account balances	3,585	1,804	901	880	—
Interest expense	1,302	104	558	5	635
Deferral of acquisition costs	(2,652)	(487)	(660)	(1,565)	60
Amortization of acquisition costs	1,631	550	139	989	(47)
General and administrative expenses	11,835	5,318	2,481	3,957	79
Total benefits and expenses	42,399	15,953	9,565	16,138	743
Adjusted operating income (loss) before income taxes	6,231	3,507	811	3,226	(1,313)

- (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)

	12/31/2015	03/31/2016	06/30/2016	09/30/2016	12/31/2016
Assets:					
Investments:					
Fixed maturities, available for sale, at fair value (amortized cost \$265,416; \$278,000; \$286,066; \$297,745; \$292,581)	290,323	314,529	332,270	343,244	321,419
Fixed maturities, held to maturity, at amortized cost (fair value \$2,624; \$2,841; \$3,026; \$2,956; \$2,524)	2,308	2,411	2,485	2,471	2,144
Trading account assets supporting insurance liabilities, at fair value	20,522	21,447	21,702	21,828	21,840
Other trading account assets, at fair value	14,458	8,052	7,268	7,559	5,764
Equity securities, available for sale, at fair value (cost \$6,847; \$7,026; \$7,088; \$7,197; \$7,149)	9,274	9,400	9,496	9,765	9,748
Commercial mortgage and other loans	50,559	50,798	51,447	52,273	52,779
Policy loans	11,657	11,805	11,930	12,031	11,755
Other long-term investments	9,986	10,281	10,247	11,346	11,283
Short-term investments	8,105	3,697	5,035	5,254	7,508
Total investments	417,192	432,420	451,880	465,771	444,240
Cash and cash equivalents	17,612	22,492	24,142	24,728	14,127
Accrued investment income	3,110	3,180	3,211	3,279	3,204
Deferred policy acquisition costs	16,718	15,998	16,152	16,975	17,661
Value of business acquired	2,828	2,582	1,951	2,159	2,314
Other assets	14,225	14,822	14,322	15,403	14,780
Separate account assets	285,570	281,501	284,832	291,550	287,636
Total assets	<u>757,255</u>	<u>772,995</u>	<u>796,490</u>	<u>819,865</u>	<u>783,962</u>
Liabilities:					
Future policy benefits	224,384	234,728	242,950	252,228	240,908
Policyholders' account balances	136,784	139,745	142,716	146,577	145,205
Securities sold under agreements to repurchase	7,882	8,357	7,335	6,830	7,606
Cash collateral for loaned securities	3,496	4,052	4,643	5,037	4,333
Income taxes	8,714	12,128	15,140	15,326	10,412
Senior short-term debt	1,216	969	676	907	1,133
Senior long-term debt	13,783	13,795	13,172	12,942	12,224
Junior subordinated long-term debt	5,811	5,813	5,814	5,816	5,817
Notes issued by consolidated variable interest entities	8,597	2,946	2,094	2,722	2,150
Other liabilities	19,095	19,696	21,940	22,956	20,450
Separate account liabilities	285,570	281,501	284,832	291,550	287,636
Total liabilities	<u>715,332</u>	<u>723,730</u>	<u>741,312</u>	<u>762,891</u>	<u>737,874</u>
Equity:					
Accumulated other comprehensive income	12,285	19,066	24,667	24,925	14,621
Other equity	29,605	30,176	30,482	31,506	31,242
Total Prudential Financial, Inc. equity	41,890	49,242	55,149	56,431	45,863
Noncontrolling Interest	33	23	29	543	225
Total Equity	41,923	49,265	55,178	56,974	46,088
Total liabilities and equity	<u>757,255</u>	<u>772,995</u>	<u>796,490</u>	<u>819,865</u>	<u>783,962</u>

COMBINING BALANCE SHEETS BY DIVISION
(in millions)

As of December 31, 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	444,240	59,714	384,526	132,915	55,333	176,252	20,026
Deferred policy acquisition costs	17,661	336	17,325	5,003	5,454	7,208	(340)
Other assets	34,425	2,001	32,424	12,908	11,235	10,842	(2,561)
Separate account assets	287,636	—	287,636	242,799	46,144	2,817	(4,124)
Total assets	<u>783,962</u>	<u>62,051</u>	<u>721,911</u>	<u>393,625</u>	<u>118,166</u>	<u>197,119</u>	<u>13,001</u>
Liabilities:							
Future policy benefits	240,908	49,281	191,627	65,972	16,987	103,930	4,738
Policyholders' account balances	145,205	5,204	140,001	58,371	33,872	47,747	11
Debt	19,174	—	19,174	3,147	7,282	87	8,658
Other liabilities	44,951	8,967	35,984	7,076	7,248	18,457	3,203
Separate account liabilities	287,636	—	287,636	242,799	46,144	2,817	(4,124)
Total liabilities	<u>737,874</u>	<u>63,452</u>	<u>674,422</u>	<u>377,365</u>	<u>111,533</u>	<u>173,038</u>	<u>12,486</u>
Equity:							
Accumulated other comprehensive income (loss)	14,621	(4)	14,625	1,294	706	14,320	(1,695)
Other equity	31,242	(1,399)	32,641	14,692	5,927	9,716	2,306
Total Prudential Financial, Inc. equity	<u>45,863</u>	<u>(1,403)</u>	<u>47,266</u>	<u>15,986</u>	<u>6,633</u>	<u>24,036</u>	<u>611</u>
Noncontrolling Interest	225	2	223	274	—	45	(96)
Total Equity	<u>46,088</u>	<u>(1,401)</u>	<u>47,489</u>	<u>16,260</u>	<u>6,633</u>	<u>24,081</u>	<u>515</u>
Total liabilities and equity	<u>783,962</u>	<u>62,051</u>	<u>721,911</u>	<u>393,625</u>	<u>118,166</u>	<u>197,119</u>	<u>13,001</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 December 31, 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	5,817	11,639	194	5,875	5,811	11,880
Operating Debt - Investment related	477	4,901	—	5,378	438	6,573	—	7,011
Operating Debt - Specified businesses	584	914	—	1,498	584	770	—	1,354
Limited recourse and non-recourse borrowing	72	587	—	659	—	565	—	565
Total debt	1,133	12,224	5,817	19,174	1,216	13,783	5,811	20,810
	As of December 31, 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	10,645	939	55	11,639	10,888	941	51	11,880
Operating Debt - Investment related	4,314	65	999	5,378	5,328	72	1,611	7,011
Operating Debt - Specified businesses	965	533	—	1,498	970	384	—	1,354
Limited recourse and non-recourse borrowing	—	659	—	659	—	565	—	565
Total debt	15,924	2,196	1,054	19,174	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 December 31, 2016 and December 31, 2015, respectively.

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

Year-to-date		% Change		2015	2016			
2016	2015			4Q	1Q	2Q	3Q	4Q
Revenues (1):								
7,738	6,845	13%	Premiums	3,005	671	1,018	3,791	2,258
2,797	2,885	-3%	Policy charges and fee income	707	675	687	723	712
5,041	4,796	5%	Net investment income	1,188	1,198	1,194	1,325	1,324
4,927	4,934	0%	Asset management fees, commissions and other income	1,198	1,164	1,217	1,266	1,280
20,503	19,460	5%	Total revenues	6,098	3,708	4,116	7,105	5,574
Benefits and Expenses (1):								
9,634	8,664	11%	Insurance and annuity benefits	3,502	1,171	1,460	4,243	2,760
1,835	1,804	2%	Interest credited to policyholders' account balances	440	453	451	458	473
105	104	1%	Interest expense	21	25	28	29	23
(449)	(487)	8%	Deferral of acquisition costs	(122)	(110)	(128)	(116)	(95)
532	550	-3%	Amortization of acquisition costs	140	155	131	100	146
5,282	5,318	-1%	General and administrative expenses	1,341	1,302	1,304	1,373	1,303
16,939	15,953	6%	Total benefits and expenses	5,322	2,996	3,246	6,087	4,610
3,564	3,507	2%	Adjusted operating income before income taxes	776	712	870	1,018	964

- (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)

	Twelve Months Ended December 31, 2016				Quarter Ended December 31, 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	7,738	159	7,579	—	2,258	44	2,214	—
Policy charges and fee income	2,797	2,569	228	—	712	651	61	—
Net investment income	5,041	698	4,263	80	1,324	184	1,120	20
Asset management fees, commissions and other income	4,927	1,240	806	2,881	1,280	314	213	753
Total revenues	20,503	4,666	12,876	2,961	5,574	1,193	3,608	773
Benefits and Expenses (1):								
Insurance and annuity benefits	9,634	306	9,328	—	2,760	100	2,660	—
Interest credited to policyholders' account balances	1,835	362	1,473	—	473	92	381	—
Interest expense	105	71	19	15	23	14	5	4
Deferral of acquisition costs	(449)	(408)	(31)	(10)	(95)	(87)	(6)	(2)
Amortization of acquisition costs	532	484	33	15	146	134	8	4
General and administrative expenses	5,282	2,086	1,042	2,154	1,303	518	242	543
Total benefits and expenses	16,939	2,901	11,864	2,174	4,610	771	3,290	549
Adjusted operating income before income taxes	3,564	1,765	1,012	787	964	422	318	224

	Twelve Months Ended December 31, 2015				Quarter Ended December 31, 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	6,845	117	6,728	—	3,005	29	2,976	—
Policy charges and fee income	2,885	2,668	217	—	707	653	54	—
Net investment income	4,796	603	4,082	111	1,188	153	1,005	30
Asset management fees, commissions and other income	4,934	1,307	794	2,833	1,198	306	191	701
Total revenues	19,460	4,695	11,821	2,944	6,098	1,141	4,226	731
Benefits and Expenses (1):								
Insurance and annuity benefits	8,664	314	8,350	—	3,502	79	3,423	—
Interest credited to policyholders' account balances	1,804	363	1,441	—	440	95	345	—
Interest expense	104	69	25	10	21	14	4	3
Deferral of acquisition costs	(487)	(430)	(46)	(11)	(122)	(105)	(14)	(3)
Amortization of acquisition costs	550	465	66	19	140	121	14	5
General and administrative expenses	5,318	2,117	1,054	2,147	1,341	527	286	528
Total benefits and expenses	15,953	2,898	10,890	2,165	5,322	731	4,058	533
Adjusted operating income before income taxes	3,507	1,797	931	779	776	410	168	198

(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		4Q	1Q	2Q	3Q	4Q
SALES AND ACCOUNT VALUES:							
Variable Annuities:							
149,441	155,083	Beginning total account value	146,685	149,441	149,246	151,188	154,903
2,494	3,682	Sales: Highest Daily Suite - risk retained by Prudential (1)	680	683	666	587	558
1,367	1,545	Highest Daily Suite - externally reinsured living benefits	486	374	354	321	318
4,133	3,505	Other variable annuities (2)	910	944	1,247	1,180	762
7,994	8,732	Total sales	2,076	2,001	2,267	2,088	1,638
(7,776)	(8,291)	Surrenders and withdrawals	(1,989)	(1,748)	(1,914)	(1,992)	(2,122)
218	441	Net sales (redemptions)	87	253	353	96	(484)
(1,450)	(1,541)	Benefit payments	(351)	(355)	(399)	(349)	(347)
(1,232)	(1,100)	Net flows	(264)	(102)	(46)	(253)	(831)
8,638	(955)	Change in market value, interest credited, and other	3,909	764	2,873	4,877	124
(3,552)	(3,587)	Policy charges	(889)	(857)	(885)	(909)	(901)
153,295	149,441	Ending total account value	149,441	149,246	151,188	154,903	153,295
Variable Annuities Account Value by Product:							
112,543	112,060	Highest Daily Suite - risk retained by Prudential (1)	112,060	111,229	111,820	113,902	112,543
2,932	1,513	Highest Daily Suite - externally reinsured living benefits	1,513	1,893	2,259	2,629	2,932
37,820	35,868	Other variable annuities (2)	35,868	36,124	37,109	38,372	37,820
153,295	149,441	Ending total account value	149,441	149,246	151,188	154,903	153,295
Fixed Annuities and other products (3):							
3,504	3,581	Beginning total account value	3,532	3,504	3,487	3,489	3,485
60	48	Sales	13	16	14	12	18
(105)	(124)	Surrenders and withdrawals	(32)	(31)	(26)	(21)	(27)
(45)	(76)	Net redemptions	(19)	(15)	(12)	(9)	(9)
(344)	(369)	Benefit payments	(91)	(88)	(90)	(91)	(75)
(389)	(445)	Net flows	(110)	(103)	(102)	(100)	(84)
374	370	Interest credited and other	83	86	105	96	87
(1)	(2)	Policy charges	(1)	—	(1)	—	—
3,488	3,504	Ending total account value	3,504	3,487	3,489	3,485	3,488
SALES BY DISTRIBUTION CHANNEL:							
Variable and Fixed Annuities (4):							
2,353	2,549	Insurance Agents	627	580	625	598	550
1,492	1,681	Wirehouses	415	385	452	376	279
3,180	3,285	Independent Financial Planners	761	783	897	841	659
1,029	1,265	Bank Distribution	286	269	307	285	168
8,054	8,780	Total	2,089	2,017	2,281	2,100	1,656

- (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			2015	2016			
2016	2015		4Q	1Q	2Q	3Q	4Q
INDIVIDUAL ANNUITIES:							
<i>Account Values in General Account (1):</i>							
9,942	9,852	Beginning balance	10,030	9,942	10,017	9,977	9,863
868	1,165	Premiums and deposits	279	238	221	215	194
(563)	(704)	Surrenders and withdrawals	(146)	(141)	(140)	(134)	(148)
305	461	Net sales	133	97	81	81	46
(411)	(446)	Benefit payments	(109)	(105)	(110)	(107)	(89)
(106)	15	Net flows	24	(8)	(29)	(26)	(43)
241	263	Interest credited and other	70	64	62	58	57
(184)	(186)	Net transfers (to) from separate account	(181)	19	(72)	(146)	15
(1)	(2)	Policy charges	(1)	—	(1)	—	—
9,892	9,942	Ending balance	9,942	10,017	9,977	9,863	9,892
<i>Account Values in Separate Account (1):</i>							
143,003	148,812	Beginning balance	140,187	143,003	142,716	144,700	148,525
7,186	7,615	Premiums and deposits	1,810	1,779	2,060	1,885	1,462
(7,318)	(7,711)	Surrenders and withdrawals	(1,875)	(1,638)	(1,800)	(1,879)	(2,001)
(132)	(96)	Net sales (redemptions)	(65)	141	260	6	(539)
(1,383)	(1,464)	Benefit payments	(333)	(338)	(379)	(333)	(333)
(1,515)	(1,560)	Net flows	(398)	(197)	(119)	(327)	(872)
8,771	(848)	Change in market value, interest credited and other	3,922	786	2,916	4,915	154
184	186	Net transfers (to) from general account	181	(19)	72	146	(15)
(3,552)	(3,587)	Policy charges	(889)	(857)	(885)	(909)	(901)
146,891	143,003	Ending balance	143,003	142,716	144,700	148,525	146,891

- (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 4Q	2016			
		1Q	2Q	3Q	4Q
LIVING BENEFIT FEATURES ACCOUNT VALUE AND NET AMOUNT AT RISK (1):					
<u>Variable Annuity Account Values with Living Benefit Features</u>					
Guaranteed minimum accumulation benefits	4,767	4,658	4,524	4,403	4,104
Guaranteed minimum withdrawal benefits	578	552	537	532	514
Guaranteed minimum income benefits	2,870	2,780	2,749	2,780	2,730
Guaranteed minimum withdrawal & income benefits - risk retained by Prudential	116,724	116,818	118,666	121,747	120,468
Guaranteed minimum withdrawal & income benefits - externally reinsured	1,513	1,893	2,259	2,629	2,932
Total	<u>126,452</u>	<u>126,701</u>	<u>128,735</u>	<u>132,091</u>	<u>130,748</u>
<u>Living Benefit Features Account Values by Product Design Type</u>					
Account Values with Auto-Rebalancing Feature - risk retained by Prudential	107,411	106,699	107,253	109,175	107,752
Account Values with Auto-Rebalancing Feature - externally reinsured	1,513	1,893	2,259	2,629	2,932
Account Values without Auto-Rebalancing Feature	17,528	18,109	19,223	20,287	20,064
Total	<u>126,452</u>	<u>126,701</u>	<u>128,735</u>	<u>132,091</u>	<u>130,748</u>
<u>Living Benefit Features Net Amount at Risk by Product Design Type</u>					
Net Amount at Risk with Auto-Rebalancing Feature - risk retained by Prudential	4,019	4,395	4,366	3,928	4,494
Net Amount at Risk with Auto-Rebalancing Feature - externally reinsured	—	—	—	—	—
Net Amount at Risk without Auto-Rebalancing Feature	1,194	1,225	1,179	1,049	1,082
Total	<u>5,213</u>	<u>5,620</u>	<u>5,545</u>	<u>4,977</u>	<u>5,576</u>

(1) At end of period.

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

	2015 4Q	2016			
		1Q	2Q	3Q	4Q
DEATH BENEFIT FEATURES ACCOUNT VALUE AND NET AMOUNT AT RISK (1):					
<u>Variable Annuity Account Values by Death Benefit Features</u>					
<i>Return of net deposits:</i>					
Account value	114,402	114,662	116,599	119,755	118,620
Net amount at risk	737	648	544	399	487
<i>Minimum return, anniversary contract value, or maximum contract value:</i>					
Account value	31,658	31,188	31,127	31,534	30,980
Net amount at risk	4,212	4,367	4,147	3,533	3,714
<u>Death Benefit Features Account Values by Product Design Type</u>					
Account Values with Auto-Rebalancing Feature	108,924	108,592	109,512	111,804	110,684
Account Values without Auto-Rebalancing Feature	37,136	37,258	38,214	39,485	38,916
Total	<u>146,060</u>	<u>145,850</u>	<u>147,726</u>	<u>151,289</u>	<u>149,600</u>
<u>Death Benefit Features Net Amount at Risk by Product Design Type</u>					
Net Amount at Risk with Auto-Rebalancing Feature	1,919	2,025	1,852	1,392	1,597
Net Amount at Risk without Auto-Rebalancing Feature	3,030	2,990	2,839	2,540	2,604
Total	<u>4,949</u>	<u>5,015</u>	<u>4,691</u>	<u>3,932</u>	<u>4,201</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		4Q	1Q	2Q	3Q	4Q
RETIREMENT SEGMENT SALES AND ACCOUNT VALUES							
Full Service:							
188,961	184,196	Beginning total account value	184,515	188,961	190,953	194,007	200,476
21,928	25,684	Deposits and sales	4,908	6,656	4,699	5,405	5,168
(20,127)	(21,559)	Withdrawals and benefits	(5,575)	(5,286)	(4,513)	(5,013)	(5,315)
12,040	640	Change in market value, interest credited, interest income and other activity	5,113	622	2,868	6,077	2,473
<u>202,802</u>	<u>188,961</u>	Ending total account value	<u>188,961</u>	<u>190,953</u>	<u>194,007</u>	<u>200,476</u>	<u>202,802</u>
<u>1,801</u>	<u>4,125</u>	Net additions (withdrawals)	<u>(667)</u>	<u>1,370</u>	<u>186</u>	<u>392</u>	<u>(147)</u>
Stable value account values included above			45,971	46,865	47,581	48,352	48,725
Institutional Investment Products:							
179,964	179,641	Beginning total account value	181,662	179,964	180,819	180,882	186,224
16,140	15,572	Additions	3,425	2,061	3,421	6,907	3,751
(12,161)	(15,388)	Withdrawals and benefits	(4,145)	(2,783)	(3,119)	(2,339)	(3,920)
5,299	3,476	Change in market value, interest credited and interest income	658	2,198	2,053	1,953	(905)
(5,866)	(3,337)	Other (1)	(1,636)	(621)	(2,292)	(1,179)	(1,774)
<u>183,376</u>	<u>179,964</u>	Ending total account value	<u>179,964</u>	<u>180,819</u>	<u>180,882</u>	<u>186,224</u>	<u>183,376</u>
<u>3,979</u>	<u>184</u>	Net additions (withdrawals)	<u>(720)</u>	<u>(722)</u>	<u>302</u>	<u>4,568</u>	<u>(169)</u>
Amounts included in ending total account value above:							
70,196	66,827	Investment-only stable value wraps	66,827	68,624	69,567	71,482	70,196
29,959	33,453	Longevity reinsurance (2)	33,453	32,364	31,438	31,280	29,959
83,221	79,684	Group annuities and other products	79,684	79,831	79,877	83,462	83,221
<u>183,376</u>	<u>179,964</u>	Ending total account value	<u>179,964</u>	<u>180,819</u>	<u>180,882</u>	<u>186,224</u>	<u>183,376</u>

- (1) "Other" activity includes the effect of foreign exchange rate changes associated with our United Kingdom longevity reinsurance business; net presentation of receipts and payments related to funding agreements backed commercial paper which typically have maturities of less than 90 days, and changes in asset balances for externally-managed accounts.
- (2) Represents notional amounts based on present value of future benefits under longevity reinsurance contracts which have not been significantly pre-funded.

U.S. 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			4Q	1Q	2Q	3Q	4Q	
Analysis of revenues by type:									
2,227	2,135	4%	Asset management fees	529	524	547	577	579	
255	241	6%	Other related revenues	68	71	67	52	65	
479	568	-16%	Service, distribution and other revenues	134	111	118	121	129	
<u>2,961</u>	<u>2,944</u>	1%	Total Asset Management segment revenues	<u>731</u>	<u>706</u>	<u>732</u>	<u>750</u>	<u>773</u>	
Analysis of asset management fees by source:									
1,046	923	13%	Institutional customers	231	242	256	273	275	
707	764	-7%	Retail customers	187	169	173	182	183	
474	448	6%	General account	111	113	118	122	121	
<u>2,227</u>	<u>2,135</u>	4%	Total asset management fees	<u>529</u>	<u>524</u>	<u>547</u>	<u>577</u>	<u>579</u>	

Supplementary Assets Under Management Information (in billions):

	December 31, 2016			
	Equity	Fixed Income	Real Estate	Total
Institutional customers	59.3	332.2	40.0	431.5
Retail customers	112.4	94.5	2.3	209.2
General account	6.4	391.3	1.7	399.4
Total	<u>178.1</u>	<u>818.0</u>	<u>44.0</u>	<u>1,040.1</u>
	December 31, 2015			
	Equity	Fixed Income	Real Estate	Total
Institutional customers	59.9	289.9	39.3	389.1
Retail customers	121.4	73.7	2.2	197.3
General account	7.4	367.5	1.8	376.7
Total	<u>188.7</u>	<u>731.1</u>	<u>43.3</u>	<u>963.1</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		4Q	1Q	2Q	3Q	4Q
Institutional Customers - Assets Under Management:							
Assets gathered by Investment Management & Advisory Services sales force:							
347.1	323.6	Beginning assets under management	338.6	347.1	359.3	373.4	398.9
59.4	66.9	Additions	16.3	12.5	14.8	16.4	15.7
(54.1)	(45.7)	Withdrawals	(10.3)	(15.1)	(12.8)	(13.0)	(13.2)
21.8	2.1	Change in market value	2.2	12.7	11.3	8.4	(10.6)
11.8	0.3	Net money market flows	0.3	(1.0)	0.4	13.5	(1.1)
0.4	(0.1)	Other (1)	—	3.1	0.4	0.2	(3.3)
386.4	347.1	Ending assets under management	347.1	359.3	373.4	398.9	386.4
45.1	42.0	Affiliated institutional assets under management	42.0	44.3	45.4	47.0	45.1
<u>431.5</u>	<u>389.1</u>	Total assets managed for institutional customers at end of period	<u>389.1</u>	<u>403.6</u>	<u>418.8</u>	<u>445.9</u>	<u>431.5</u>
<u>5.3</u>	<u>21.2</u>	Net institutional additions (withdrawals), excluding money market activity	<u>6.0</u>	<u>(2.6)</u>	<u>2.0</u>	<u>3.4</u>	<u>2.5</u>
Retail Customers - Assets Under Management:							
Assets gathered by Investment Management & Advisory Services sales force:							
128.9	126.8	Beginning assets under management	125.9	128.9	127.8	131.3	137.7
42.1	40.9	Additions	9.3	10.2	11.5	10.5	9.9
(41.7)	(40.1)	Withdrawals	(10.5)	(10.7)	(9.9)	(9.6)	(11.5)
4.5	1.4	Change in market value	4.2	(1.2)	1.9	5.5	(1.7)
(0.1)	—	Net money market flows	—	(0.1)	—	—	—
2.9	(0.1)	Other (1)	—	0.7	—	—	2.2
136.6	128.9	Ending assets under management	128.9	127.8	131.3	137.7	136.6
72.6	68.4	Affiliated retail assets under management	68.4	70.8	70.8	71.3	72.6
<u>209.2</u>	<u>197.3</u>	Total assets managed for retail customers at end of period	<u>197.3</u>	<u>198.6</u>	<u>202.1</u>	<u>209.0</u>	<u>209.2</u>
<u>0.4</u>	<u>0.8</u>	Net retail additions (withdrawals), excluding money market activity	<u>(1.2)</u>	<u>(0.5)</u>	<u>1.6</u>	<u>0.9</u>	<u>(1.6)</u>

(1) "Other" activity represents transfers from the Retirement Segment as a result of changes in the client contract form, a \$2 billion reclassification of assets under management from institutional to retail in 4Q'16, impact of acquired business of \$3.4 billion 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			4Q	1Q	2Q	3Q	4Q
Revenues (1):								
4,894	4,781	2%	Premiums	1,190	1,219	1,234	1,210	1,231
2,636	2,637	0%	Policy charges and fee income	699	719	505	713	699
2,430	2,255	8%	Net investment income	562	582	593	625	630
738	703	5%	Asset management fees, commissions and other income	177	166	187	195	190
10,698	10,376	3%	Total revenues	2,628	2,686	2,519	2,743	2,750
Benefits and Expenses (1):								
6,817	6,146	11%	Insurance and annuity benefits	1,570	1,634	1,950	1,622	1,611
943	901	5%	Interest credited to policyholders' account balances	226	227	233	237	246
588	558	5%	Interest expense	140	142	146	147	153
(706)	(660)	-7%	Deferral of acquisition costs	(198)	(162)	(172)	(169)	(203)
121	139	-13%	Amortization of acquisition costs	80	78	(111)	83	71
2,636	2,481	6%	General and administrative expenses	684	621	674	650	691
10,399	9,565	9%	Total benefits and expenses	2,502	2,540	2,720	2,570	2,569
299	811	-63%	Adjusted operating income (loss) before income taxes	126	146	(201)	173	181

(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)

	Twelve Months Ended December 31, 2016			Quarter Ended December 31, 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	4,894	860	4,034	1,231	218	1,013
Policy charges and fee income	2,636	2,020	616	699	566	133
Net investment income	2,430	1,822	608	630	472	158
Asset management fees, commissions and other income	738	653	85	190	168	22
Total revenues	10,698	5,355	5,343	2,750	1,424	1,326
Benefits and Expenses (1):						
Insurance and annuity benefits	6,817	2,785	4,032	1,611	603	1,008
Interest credited to policyholders' account balances	943	680	263	246	176	70
Interest expense	588	583	5	153	151	2
Deferral of acquisition costs	(706)	(706)	—	(203)	(203)	—
Amortization of acquisition costs	121	115	6	71	69	2
General and administrative expenses	2,636	1,819	817	691	490	201
Total benefits and expenses	10,399	5,276	5,123	2,569	1,286	1,283
Adjusted operating income before income taxes	299	79	220	181	138	43

	Twelve Months Ended December 31, 2015			Quarter Ended December 31, 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	4,781	896	3,885	1,190	216	974
Policy charges and fee income	2,637	2,054	583	699	553	146
Net investment income	2,255	1,669	586	562	421	141
Asset management fees, commissions and other income	703	614	89	177	157	20
Total revenues	10,376	5,233	5,143	2,628	1,347	1,281
Benefits and Expenses (1):						
Insurance and annuity benefits	6,146	2,278	3,868	1,570	598	972
Interest credited to policyholders' account balances	901	644	257	226	164	62
Interest expense	558	550	8	140	139	1
Deferral of acquisition costs	(660)	(650)	(10)	(198)	(197)	(1)
Amortization of acquisition costs	139	133	6	80	78	2
General and administrative expenses	2,481	1,643	838	684	466	218

Total benefits and expenses	<u>9,565</u>	<u>4,598</u>	<u>4,967</u>	<u>2,502</u>	<u>1,248</u>	<u>1,254</u>
Adjusted operating income before income taxes	<u>811</u>	<u>635</u>	<u>176</u>	<u>126</u>	<u>99</u>	<u>27</u>

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

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		4Q	1Q	2Q	3Q	4Q	
ANNUALIZED NEW BUSINESS PREMIUMS (1):								
200	204	Term life	52	48	50	52	50	
243	220	Guaranteed Universal life	73	51	61	54	77	
95	89	Other Universal life	32	20	23	21	31	
92	78	Variable life	22	26	25	16	25	
<u>630</u>	<u>591</u>	Total	<u>179</u>	<u>145</u>	<u>159</u>	<u>143</u>	<u>183</u>	
ANNUALIZED NEW BUSINESS PREMIUMS BY DISTRIBUTION CHANNEL (1):								
116	113	Prudential Agents	31	29	30	28	29	
514	478	Third party distribution	148	116	129	115	154	
<u>630</u>	<u>591</u>	Total	<u>179</u>	<u>145</u>	<u>159</u>	<u>143</u>	<u>183</u>	
ACCOUNT VALUE ACTIVITY:								
Policyholders' Account Balances (2):								
24,487	22,526	Beginning balance	23,922	24,487	24,437	24,747	25,000	
3,330	3,219	Premiums and deposits	890	809	821	751	949	
(988)	(1,032)	Surrenders and withdrawals	(242)	(251)	(257)	(240)	(240)	
2,342	2,187	Net sales	648	558	564	511	709	
(490)	(492)	Benefit payments	(109)	(125)	(121)	(138)	(106)	
1,852	1,695	Net flows	539	433	443	373	603	
786	1,193	Interest credited and other	296	(224)	137	155	718	
396	432	Net transfers from separate account	87	99	93	102	102	
(1,480)	(1,359)	Policy charges	(357)	(358)	(363)	(377)	(382)	
—	—	Acquisition	—	—	—	—	—	
<u>26,041</u>	<u>24,487</u>	Ending balance	<u>24,487</u>	<u>24,437</u>	<u>24,747</u>	<u>25,000</u>	<u>26,041</u>	
Separate Account Liabilities:								
27,027	27,888	Beginning balance	26,183	27,027	26,887	27,227	28,129	
1,439	1,409	Premiums and deposits	420	456	337	287	359	
(852)	(882)	Surrenders and withdrawals	(239)	(217)	(222)	(212)	(201)	
587	527	Net sales	181	239	115	75	158	
(163)	(144)	Benefit payments	(42)	(51)	(40)	(39)	(33)	
424	383	Net flows	139	188	75	36	125	
2,308	109	Change in market value, interest credited and other	1,020	(5)	585	1,196	532	
(396)	(432)	Net transfers to general account	(87)	(99)	(93)	(102)	(102)	
(908)	(921)	Policy charges	(228)	(224)	(227)	(228)	(229)	
—	—	Acquisition	—	—	—	—	—	
<u>28,455</u>	<u>27,027</u>	Ending balance	<u>27,027</u>	<u>26,887</u>	<u>27,227</u>	<u>28,129</u>	<u>28,455</u>	
FACE AMOUNT IN FORCE (3):								
		Term life	689,527	697,687	706,636	714,733	721,602	
		Guaranteed Universal life	121,290	124,061	127,453	130,400	134,973	
		Other Universal life	44,051	44,203	44,505	44,781	45,350	
		Variable life	164,020	162,960	162,416	163,184	162,574	
		Total	<u>1,018,889</u>	<u>1,028,910</u>	<u>1,041,010</u>	<u>1,053,098</u>	<u>1,064,500</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		4Q	1Q	2Q	3Q	4Q
GROUP INSURANCE ANNUALIZED NEW BUSINESS PREMIUMS:							
316	204	Group life	25	232	24	29	31
119	69	Group disability	5	79	21	13	6
<u>435</u>	<u>273</u>	Total	<u>30</u>	<u>311</u>	<u>45</u>	<u>42</u>	<u>37</u>
Future Policy Benefits (1) (2):							
		Group life	2,185	2,103	2,124	2,065	2,238
		Group disability	3	29	21	11	3
		Total	<u>2,188</u>	<u>2,132</u>	<u>2,145</u>	<u>2,076</u>	<u>2,241</u>
Policyholders' Account Balances (1):							
		Group life	8,359	8,271	8,367	8,497	8,634
		Group disability	210	216	240	208	224
		Total	<u>8,569</u>	<u>8,487</u>	<u>8,607</u>	<u>8,705</u>	<u>8,858</u>
Separate Account Liabilities (1):							
		Group life	23,292	24,339	23,816	24,839	23,594
		Group disability	—	—	—	—	—
		Total	<u>23,292</u>	<u>24,339</u>	<u>23,816</u>	<u>24,839</u>	<u>23,594</u>
Group Life Insurance:							
4,095	3,940	Gross premiums, policy charges and fee income (3)	982	1,009	1,064	1,016	1,006
3,845	3,731	Earned premiums, policy charges and fee income	932	955	998	953	939
88.5%	89.2%	Benefits ratio (4)	87.1%	89.4%	88.6%	88.6%	87.3%
10.6%	11.0%	Administrative operating expense ratio	12.2%	10.8%	10.6%	10.6%	10.7%
		Persistency ratio	91.3%	96.1%	95.8%	95.3%	95.2%
Group Disability Insurance:							
880	813	Gross premiums, policy charges and fee income (3)	196	216	222	219	223
805	737	Earned premiums, policy charges and fee income	188	203	196	199	207
82.9%	79.2%	Benefits ratio (5)	85.3%	82.2%	77.5%	80.4%	91.3%
31.4%	34.1%	Administrative operating expense ratio	36.9%	31.9%	31.1%	31.4%	31.0%
		Persistency ratio	87.0%	94.9%	93.7%	92.9%	91.7%
Total Group Insurance (6):							
87.5%	87.5%	Benefits ratio	86.8%	88.1%	86.6%	87.1%	88.0%

- (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 87.3%, 88.6%, 90.8%, 89.4%, and 87.1% for the three months ended December 31, 2016, September 30, 2016, June 30, 2016, March 31, 2016, and December 31, 2015, respectively, and 89.1% and 88.7% for year-to-date December 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 91.3%, 80.4%, 47.9%, 82.2%, and 85.3% for the three months ended December 31, 2016, September 30, 2016, June 30, 2016, March 31, 2016, and December 31, 2015, respectively, and 75.7% for both year-to-date December 2016 and 2015.
- (6) Group Insurance benefit ratios excluding market driven and discrete items. Benefits ratios including market driven and discrete items are 88.0%, 87.1%, 83.8%, 88.1%, and 86.8% for the three months ended December 31, 2016, September 30, 2016, June 30, 2016, March 31, 2016, and December 31, 2015, respectively, and 86.7% and 86.6% for year-to-date December 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		4Q	1Q	2Q	3Q	4Q
<i>DEFERRED POLICY ACQUISITION COSTS</i>							
INDIVIDUAL ANNUITIES:							
4,916	5,376	Beginning balance	4,735	4,916	4,130	4,119	4,515
408	430	Capitalization	105	100	117	104	87
(484)	(465)	Amortization - operating results	(121)	(144)	(122)	(84)	(134)
21	(475)	Amortization - realized investment gains and losses	178	(717)	17	374	347
10	50	Impact of unrealized (gains) or losses on AFS securities	19	(25)	(23)	2	56
—	—	Other	—	—	—	—	—
<u>4,871</u>	<u>4,916</u>	Ending balance	<u>4,916</u>	<u>4,130</u>	<u>4,119</u>	<u>4,515</u>	<u>4,871</u>
INDIVIDUAL LIFE INSURANCE:							
4,883	4,056	Beginning balance	4,683	4,883	4,727	4,773	4,840
706	650	Capitalization	197	162	172	169	203
(115)	(133)	Amortization - operating results	(78)	(77)	113	(82)	(69)
(100)	1	Amortization - realized investment gains and losses	9	(26)	(80)	2	4
(96)	309	Impact of unrealized (gains) or losses on AFS securities	72	(215)	(159)	(22)	300
<u>5,278</u>	<u>4,883</u>	Ending balance	<u>4,883</u>	<u>4,727</u>	<u>4,773</u>	<u>4,840</u>	<u>5,278</u>
GROUP INSURANCE:							
182	177	Beginning balance	182	181	181	179	178
—	10	Capitalization	1	—	—	—	—
(6)	(6)	Amortization - operating results	(2)	(1)	(2)	(1)	(2)
—	—	Amortization - realized investment gains and losses	—	—	—	—	—
—	—	Impact of unrealized losses on AFS securities	—	—	—	—	—
<u>176</u>	<u>181</u>	Ending balance	<u>181</u>	<u>180</u>	<u>179</u>	<u>178</u>	<u>176</u>
<i>DEFERRED SALES INDUCEMENTS</i>							
INDIVIDUAL ANNUITIES:							
1,188	1,513	Beginning balance	1,176	1,188	916	893	1,012
3	8	Capitalization	2	1	1	1	—
(168)	(162)	Amortization - operating results	(45)	(51)	(50)	(23)	(44)
56	(187)	Amortization - realized investment gains and losses	50	(216)	29	140	103
3	16	Impact of unrealized (gains) or losses on AFS securities	5	(6)	(3)	1	11
—	—	Other	—	—	—	—	—
<u>1,082</u>	<u>1,188</u>	Ending balance	<u>1,188</u>	<u>916</u>	<u>893</u>	<u>1,012</u>	<u>1,082</u>

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

Year-to-date		% Change		2015	2016				
2016	2015			4Q	1Q	2Q	3Q	4Q	
Revenues (1):									
15,348	13,844	11%	Premiums	3,307	3,696	3,899	3,939		3,814
499	530	-6%	Policy charges and fee income	122	130	106	134		129
4,759	4,357	9%	Net investment income	1,078	1,120	1,204	1,229		1,206
403	633	-36%	Asset management fees, commissions and other income	164	98	134	82		89
21,009	19,364	8%	Total revenues	4,671	5,044	5,343	5,384		5,238
Benefits and Expenses (1):									
13,232	11,872	11%	Insurance and annuity benefits	2,833	3,173	3,397	3,382		3,280
920	880	5%	Interest credited to policyholders' account balances	213	227	230	237		226
8	5	60%	Interest expense	1	2	1	2		3
(1,750)	(1,565)	-12%	Deferral of acquisition costs	(387)	(426)	(436)	(462)		(426)
1,068	989	8%	Amortization of acquisition costs	233	260	273	271		264
4,414	3,957	12%	General and administrative expenses	1,040	1,029	1,075	1,174		1,136
17,892	16,138	11%	Total benefits and expenses	3,933	4,265	4,540	4,604		4,483
3,117	3,226	-3%	Adjusted operating income before income taxes	738	779	803	780		755

- (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)

	Twelve Months Ended December 31, 2016			Quarter Ended December 31, 2016		
	Total International Insurance Division	International Insurance - Life Planner Operations	International Insurance - Gibraltar Life & Other Operations	Total International Insurance Division	International Insurance - Life Planner Operations	International Insurance - Gibraltar Life & Other Operations
Revenues (1):						
Premiums	15,348	7,471	7,877	3,814	1,831	1,983
Policy charges and fee income	499	346	153	129	90	39
Net investment income	4,759	1,952	2,807	1,206	492	714
Asset management fees, commissions and other income	403	217	186	89	64	25
Total revenues	21,009	9,986	11,023	5,238	2,477	2,761
Benefits and Expenses (1):						
Insurance and annuity benefits	13,232	6,607	6,625	3,280	1,608	1,672
Interest credited to policyholders' account balances	920	234	686	226	55	171
Interest expense	8	5	3	3	2	1
Deferral of acquisition costs	(1,750)	(834)	(916)	(426)	(211)	(215)
Amortization of acquisition costs	1,068	506	562	264	121	143
General and administrative expenses	4,414	1,929	2,485	1,136	507	629
Total benefits and expenses	17,892	8,447	9,445	4,483	2,082	2,401
Adjusted operating income before income taxes	3,117	1,539	1,578	755	395	360
	Twelve Months Ended December 31, 2015			Quarter Ended December 31, 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	13,844	6,728	7,116	3,307	1,628	1,679
Policy charges and fee income	530	339	191	122	82	40
Net investment income	4,357	1,751	2,606	1,078	448	630
Asset management fees, commissions and other income	633	354	279	164	91	73
Total revenues	19,364	9,172	10,192	4,671	2,249	2,422
Benefits and Expenses (1):						
Insurance and annuity benefits	11,872	5,933	5,939	2,833	1,448	1,385
Interest credited to policyholders' account balances	880	204	676	213	47	166
Interest expense	5	3	2	1	1	—
Deferral of acquisition costs	(1,565)	(752)	(813)	(387)	(186)	(201)
Amortization of acquisition costs	989	472	517	233	111	122
General and administrative expenses	3,957	1,727	2,230	1,040	461	579
Total benefits and expenses	16,138	7,587	8,551	3,933	1,882	2,051
Adjusted operating income before income taxes	3,226	1,585	1,641	738	367	371

- (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		4Q	1Q	2Q	3Q	4Q
INTERNATIONAL INSURANCE OPERATING DATA:							
Actual exchange rate basis (1):							
Net premiums, policy charges and fee income:							
5,875	5,251	Japan, excluding Gibraltar Life	1,239	1,583	1,434	1,472	1,386
8,030	7,307	Gibraltar Life	1,719	1,794	2,120	2,094	2,022
1,942	1,816	All other countries	471	449	451	507	535
<u>15,847</u>	<u>14,374</u>	Total	<u>3,429</u>	<u>3,826</u>	<u>4,005</u>	<u>4,073</u>	<u>3,943</u>
Annualized new business premiums:							
840	669	Japan, excluding Gibraltar Life	164	237	190	208	205
1,726	1,548	Gibraltar Life	370	409	449	460	408
436	448	All other countries	116	98	99	115	124
<u>3,002</u>	<u>2,665</u>	Total	<u>650</u>	<u>744</u>	<u>738</u>	<u>783</u>	<u>737</u>
Annualized new business premiums by distribution channel:							
1,276	1,117	Life Planner Operations	280	335	289	323	329
740	630	Gibraltar Life Consultants	150	161	204	200	175
716	679	Banks	166	194	176	188	158
270	239	Independent Agency	54	54	69	72	75
<u>3,002</u>	<u>2,665</u>	Total	<u>650</u>	<u>744</u>	<u>738</u>	<u>783</u>	<u>737</u>
Constant exchange rate basis (2):							
Net premiums, policy charges and fee income:							
5,982	5,772	Japan, excluding Gibraltar Life	1,364	1,677	1,451	1,436	1,418
8,167	7,956	Gibraltar Life	1,870	1,921	2,175	2,064	2,007
1,998	1,828	All other countries	492	480	465	504	549
<u>16,147</u>	<u>15,556</u>	Total	<u>3,726</u>	<u>4,078</u>	<u>4,091</u>	<u>4,004</u>	<u>3,974</u>
Annualized new business premiums:							
854	737	Japan, excluding Gibraltar Life	181	250	192	204	208
1,728	1,619	Gibraltar Life	390	425	453	456	394
444	444	All other countries	121	106	102	111	125
<u>3,026</u>	<u>2,800</u>	Total	<u>692</u>	<u>781</u>	<u>747</u>	<u>771</u>	<u>727</u>
Annualized new business premiums by distribution channel:							
1,298	1,181	Life Planner Operations	302	356	294	315	333
747	668	Gibraltar Life Consultants	161	169	206	198	174
719	701	Banks	172	199	177	186	157
262	250	Independent Agency	57	57	70	72	63
<u>3,026</u>	<u>2,800</u>	Total	<u>692</u>	<u>781</u>	<u>747</u>	<u>771</u>	<u>727</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

	<u>2015</u> <u>4Q</u>	<u>2016</u> <u>1Q</u>	<u>2Q</u>	<u>3Q</u>	<u>4Q</u>
Face amount of individual policies in force at end of period (in billions) (1) (2):					
(Constant exchange rate basis)					
Japan, excluding Gibraltar Life	316	321	324	329	333
Gibraltar Life	331	334	335	339	342
All other countries	118	119	120	121	124
Total	<u>765</u>	<u>774</u>	<u>779</u>	<u>789</u>	<u>799</u>
Number of individual policies in force at end of period (in thousands) (2):					
Japan, excluding Gibraltar Life	3,278	3,341	3,384	3,436	3,488
Gibraltar Life	7,146	7,150	7,141	7,170	7,182
All other countries	1,980	2,007	2,024	2,048	2,076
Total	<u>12,404</u>	<u>12,498</u>	<u>12,549</u>	<u>12,654</u>	<u>12,746</u>
International life insurance policy persistency:					
<u>Life Planner Operations:</u>					
13 months	92.8%	93.0%	93.1%	93.0%	93.0%
25 months	85.4%	85.6%	85.6%	86.2%	86.3%
<u>Gibraltar Life (3):</u>					
13 months	92.9%	93.2%	93.3%	93.4%	93.5%
25 months	84.0%	84.8%	85.3%	85.5%	86.2%
Number of Life Planners at end of period:					
Japan	3,528	3,650	3,653	3,776	3,824
All other countries	4,064	3,958	3,898	3,891	3,856
Total Life Planners	<u>7,592</u>	<u>7,608</u>	<u>7,551</u>	<u>7,667</u>	<u>7,680</u>
Gibraltar Life Consultants	8,805	8,781	8,734	8,790	8,884

- (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)

	December 31, 2016				December 31, 2015			
	Total Portfolio	Closed Block Division	PFI Excluding Closed Block Division Amount	% of Total	Total Portfolio	Closed Block Division	PFI Excluding Closed Block Division Amount	% of Total
Fixed maturities:								
Public, available-for-sale, at fair value	268,118	24,917	243,201	64.2%	240,133	23,505	216,628	63.1%
Public, held-to-maturity, at amortized cost	1,772	—	1,772	0.5%	1,834	—	1,834	0.5%
Private, available-for-sale, at fair value	53,061	13,987	39,074	10.3%	50,057	14,290	35,767	10.4%
Private, held-to-maturity, at amortized cost	372	—	372	0.1%	474	—	474	0.1%
Trading account assets supporting insurance liabilities, at fair value	21,840	—	21,840	5.8%	20,522	—	20,522	6.0%
Other trading account assets, at fair value	1,805	284	1,521	0.4%	1,849	288	1,561	0.5%
Equity securities, available-for-sale, at fair value	9,735	2,572	7,163	1.9%	9,263	2,726	6,537	1.9%
Commercial mortgage and other loans, at book value	52,208	9,437	42,771	11.2%	50,257	9,771	40,486	11.8%
Policy loans, at outstanding balance	11,755	4,660	7,095	1.9%	11,657	4,790	6,867	2.0%
Other long-term investments (1)	10,251	3,020	7,231	1.9%	9,470	2,921	6,549	1.9%
Short-term investments	7,494	837	6,657	1.8%	7,717	1,467	6,250	1.8%
Subtotal (2)	438,411	59,714	378,697	100.0%	403,233	59,758	343,475	100.0%
Invested assets of other entities and operations (3)	5,829	—	5,829		13,959	—	13,959	
Total investments	444,240	59,714	384,526		417,192	59,758	357,434	

Fixed Maturities by Credit Quality (2):

	December 31, 2016					December 31, 2015				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	% of Total	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	% of Total
Public Fixed Maturities:										
NAIC Rating (4)										
1	184,831	26,239	2,261	208,809	85.1%	166,400	21,997	1,271	187,126	85.6%
2	26,922	2,479	454	28,947	11.8%	24,238	2,260	1,044	25,454	11.6%
Subtotal - High or Highest Quality Securities	211,753	28,718	2,715	237,756	96.9%	190,638	24,257	2,315	212,580	97.2%
3	4,837	323	90	5,070	2.1%	3,870	320	149	4,041	1.8%
4	1,951	178	52	2,077	0.8%	1,591	142	59	1,674	0.8%
5	230	43	6	267	0.1%	176	67	3	240	0.1%
6	152	4	1	155	0.1%	199	11	1	209	0.1%
Subtotal - Other Securities	7,170	548	149	7,569	3.1%	5,836	540	212	6,164	2.8%
Total	218,923	29,266	2,864	245,325	100.0%	196,474	24,797	2,527	218,744	100.0%

Private Fixed Maturities:

NAIC Rating (4)										
1	10,448	647	164	10,931	27.7%	10,950	786	174	11,562	31.9%
2	22,364	1,249	627	22,986	58.2%	19,493	1,438	501	20,430	56.3%
Subtotal - High or Highest Quality Securities	32,812	1,896	791	33,917	85.9%	30,443	2,224	675	31,992	88.2%
3	3,709	131	92	3,748	9.5%	3,215	88	143	3,160	8.7%
4	927	22	30	919	2.3%	741	8	41	708	2.0%
5	649	30	22	657	1.7%	239	11	9	241	0.7%
6	194	49	10	233	0.6%	168	9	3	174	0.4%
Subtotal - Other Securities	5,479	232	154	5,557	14.1%	4,363	116	196	4,283	11.8%
Total	38,291	2,128	945	39,474	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 December 31, 2016 and December 31, 2015, 918 securities with amortized cost of \$4,634 million (fair value \$4,759 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)

	December 31, 2016		December 31, 2015	
	Amount	% of Total	Amount	% of Total
Japanese Insurance Operations (2):				
Fixed maturities:				
Public, available-for-sale, at fair value	123,285	77.9%	109,257	77.6%
Public, held-to-maturity, at amortized cost	1,772	1.1%	1,834	1.3%
Private, available-for-sale, at fair value	11,646	7.4%	9,747	6.9%
Private, held-to-maturity, at amortized cost	372	0.2%	474	0.3%
Trading account assets supporting insurance liabilities, at fair value	2,166	1.4%	2,020	1.4%
Other trading account assets, at fair value	434	0.3%	647	0.5%
Equity securities, available-for-sale, at fair value	2,654	1.7%	2,660	1.9%
Commercial mortgage and other loans, at book value	11,700	7.4%	9,756	6.9%
Policy loans, at outstanding balance	2,369	1.5%	2,208	1.6%
Other long-term investments (3)	1,186	0.8%	1,742	1.3%
Short-term investments	398	0.3%	417	0.3%
Total	<u>157,982</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	119,916	54.4%	107,371	53.0%
Public, held-to-maturity, at amortized cost	—	0.0%	—	0.0%
Private, available-for-sale, at fair value	27,428	12.4%	26,020	12.8%
Private, held-to-maturity, at amortized cost	—	0.0%	—	0.0%
Trading account assets supporting insurance liabilities, at fair value	19,674	9.0%	18,502	9.1%
Other trading account assets, at fair value	1,087	0.5%	914	0.4%
Equity securities, available-for-sale, at fair value	4,509	2.0%	3,877	1.9%
Commercial mortgage and other loans, at book value	31,071	14.1%	30,730	15.2%
Policy loans, at outstanding balance	4,726	2.1%	4,659	2.3%
Other long-term investments (3)	6,045	2.7%	4,807	2.4%
Short-term investments	6,259	2.8%	5,833	2.9%
Total	<u>220,715</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 December 31					
	2016			2015		
	Investment Income	Realized Gains / (Losses)		Investment Income	Realized Gains / (Losses)	
	Yield (4)	Amount		Yield (4)	Amount	
General Account (2)						
Fixed maturities	3.84%	2,457	(41)	3.95%	2,228	452
Equity securities	5.02%	68	109	4.80%	58	(39)
Commercial mortgage and other loans	4.22%	389	1	4.47%	388	6
Policy loans	4.89%	88	—	4.93%	84	—
Short-term investments and cash equivalents	0.86%	35	—	0.35%	16	—
Other investments	7.54%	166	(2,198)	3.87%	81	(803)
Gross investment income before investment expenses	3.89%	3,203	(2,129)	3.84%	2,855	(384)
Investment expenses	-0.13%	(104)	—	-0.16%	(106)	—
Subtotal	3.76%	3,099	(2,129)	3.68%	2,749	(384)
Investment results of other entities and operations (3)		264	22		266	19
Less, investment income related to adjusted operating income reconciling items		(64)			(51)	
Total		3,299	(2,107)		2,964	(365)

	Twelve Months Ended December 31					
	2016			2015		
	Investment Income	Realized Gains / (Losses)		Investment Income	Realized Gains / (Losses)	
	Yield (4)	Amount		Yield (4)	Amount	
General Account (2)						
Fixed maturities	3.95%	9,515	605	4.03%	8,876	1,408
Equity securities	5.97%	307	128	5.67%	266	3
Commercial mortgage and other loans	4.32%	1,528	2	4.52%	1,482	3
Policy loans	5.00%	347	—	5.01%	334	—
Short-term investments and cash equivalents	0.68%	122	1	0.25%	43	1
Other investments	5.67%	473	970	5.91%	489	1,643
Gross investment income before investment expenses	3.92%	12,292	1,706	3.98%	11,490	3,058
Investment expenses	-0.14%	(413)	—	-0.16%	(394)	—
Subtotal	3.78%	11,879	1,706	3.82%	11,096	3,058
Investment results of other entities and operations (3)		1,063	54		1,080	134
Less, investment income related to adjusted operating income reconciling items		(247)			(218)	
Total		12,695	1,760		11,958	3,192

(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 and other 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 December 31					
	2016			2015		
	Investment Income		Realized Gains / (Losses)	Investment Income		Realized Gains / (Losses)
	Yield (1)	Amount		Yield (1)	Amount	
Japanese Insurance Operations:						
Fixed maturities	3.06%	896	85	3.15%	793	495
Equity securities	4.57%	19	54	4.22%	16	3
Commercial mortgage and other loans	4.02%	116	—	4.19%	100	1
Policy loans	4.01%	24	—	3.94%	22	—
Short-term investments and cash equivalents	0.77%	3	—	0.51%	2	—
Other investments (2)	5.02%	30	(811)	2.99%	21	(64)
Gross investment income before investment expenses	3.19%	1,088	(672)	3.24%	954	435
Investment expenses	-0.12%	(43)	—	-0.11%	(34)	—
Total	3.07%	1,045	(672)	3.13%	920	435
	Twelve Months Ended December 31					
	2016			2015		
	Investment Income		Realized Gains / (Losses)	Investment Income		Realized Gains / (Losses)
	Yield (1)	Amount		Yield (1)	Amount	
Japanese Insurance Operations:						
Fixed maturities	3.14%	3,472	797	3.23%	3,190	1,349
Equity securities	4.80%	75	114	4.77%	69	49
Commercial mortgage and other loans	4.23%	445	7	4.45%	390	4
Policy loans	4.05%	95	—	3.93%	84	—
Short-term investments and cash equivalents	0.78%	9	—	0.32%	5	—
Other investments (2)	5.01%	129	404	5.32%	133	(35)
Gross investment income before investment expenses	3.29%	4,225	1,322	3.38%	3,871	1,367
Investment expenses	-0.13%	(165)	—	-0.13%	(155)	—
Total	3.16%	4,060	1,322	3.25%	3,716	1,367

- (1) Yields are based on net investment income as reported under U.S. GAAP and as such do not include certain interest related and other 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 December 31					
	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	4.51%	1,561	(126)	4.60%	1,435	(43)
Equity securities	5.21%	49	55	5.04%	42	(42)
Commercial mortgage and other loans	4.31%	273	1	4.58%	288	5
Policy loans	5.35%	64	—	5.40%	62	—
Short-term investments and cash equivalents	0.86%	32	—	0.34%	14	—
Other investments	8.49%	136	(1,387)	4.30%	60	(739)
Gross investment income before investment expenses	4.38%	2,115	(1,457)	4.22%	1,901	(819)
Investment expenses	-0.14%	(61)	—	-0.19%	(72)	—
Total	4.24%	2,054	(1,457)	4.03%	1,829	(819)

	Twelve Months Ended December 31					
	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	4.63%	6,043	(192)	4.67%	5,686	59
Equity securities	6.49%	232	14	6.07%	197	(46)
Commercial mortgage and other loans	4.36%	1,083	(5)	4.55%	1,092	(1)
Policy loans	5.49%	252	—	5.52%	250	—
Short-term investments and cash equivalents	0.67%	113	1	0.25%	38	1
Other investments	5.96%	344	566	6.17%	356	1,678
Gross investment income before investment expenses	4.36%	8,067	384	4.37%	7,619	1,691
Investment expenses	-0.16%	(248)	—	-0.17%	(239)	—
Total	4.20%	7,819	384	4.20%	7,380	1,691

(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 and other 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)

	Fourth Quarter 2016					Fourth Quarter 2015					
	Asset Management Fees, Commissions and Other Income	Insurance and Annuity Benefits	Amortization of Acquisition Costs	General and Administrative Expenses	Pre-Tax Adjusted Operating Income	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:											
Market performance and experience true-ups	(5)	(3)	(2)	—	—	—	(8)	1	1	(1)	7
Total of above items	(5)	(3)	(2)	—	—	—	(8)	1	1	(1)	7
Reported amount	314	100	134	—	—	—	79	95	121	527	—
Amount excluding impact of items indicated above	319	103	136	—	—	—	87	94	120	528	—
Individual Life:											
Reserve refinements	—	—	—	—	—	(9)	20	—	(9)	—	(20)
Total of above items	—	—	—	—	—	(9)	20	—	(9)	—	(20)
Reported amount	—	—	—	—	—	553	598	—	78	—	—
Amount excluding impact of items indicated above	—	—	—	—	—	562	578	—	87	—	—
Corporate & Other:											
Change related to the administration of certain separate account investments	—	—	—	—	—	—	—	—	—	80	(80)
Total of above items	—	—	—	—	—	—	—	—	—	80	(80)
Reported amount	—	—	—	—	—	—	—	—	—	128	—
Amount excluding impact of items indicated above	—	—	—	—	—	—	—	—	—	48	—
Retirement:											
Settlement of legal matters	—	—	—	(20)	20	—	—	—	—	—	—
Total of above items	—	—	—	(20)	20	—	—	—	—	—	—
Reported amount	—	—	—	242	—	—	—	—	—	—	—
Amount excluding impact of items indicated above	—	—	—	262	—	—	—	—	—	—	—

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

		Three Months Ended December 31, 2016							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	7,296	—	—	—	707	94	—	8,097	7,495	—	—	—	—	724	88	—	8,307
Policy charges and fee income	1,529	(38)	—	—	—	—	—	1,491	1,514	(24)	—	—	—	—	—	—	1,490
Net investment income	3,299	(8)	—	—	625	72	—	3,988	2,964	1	—	—	—	633	50	—	3,648
Realized investment gains (losses), net	150	(2,090)	—	—	174	(167)	—	(1,933)	185	(527)	—	—	—	200	(23)	—	(165)
Asset management fees, commissions and other income	1,146	644	(378)	—	7	1	(13)	1,407	1,087	65	(159)	—	—	(9)	—	(8)	976
Total revenues	13,420	(1,492)	(378)	—	1,513	—	(13)	13,050	13,245	(485)	(159)	—	—	1,548	115	(8)	14,256
Benefits and Expenses :																	
Insurance and annuity benefits	7,658	(174)	—	—	1,429	136	—	9,049	7,917	(12)	—	—	—	1,481	129	—	9,515
Interest credited to policyholders' account balances	945	(103)	—	(283)	33	1	—	593	879	(47)	—	(138)	—	34	2	—	730
Interest expense	319	—	—	—	—	1	—	320	322	—	—	—	—	1	1	—	324
Deferral of acquisition costs	(711)	—	—	—	—	—	—	(711)	(691)	—	—	—	—	—	—	—	(691)
Amortization of acquisition costs	468	(343)	—	—	8	—	—	133	443	(178)	—	—	—	9	—	—	274
General and administrative expenses	3,282	(48)	—	—	101	22	(8)	3,349	3,193	(52)	—	—	—	103	23	(6)	3,261
Total benefits and expenses	11,961	(668)	—	(283)	1,571	160	(8)	12,733	12,063	(289)	—	(138)	—	1,628	155	(6)	13,413

Twelve Months Ended December 31, 2016									Twelve 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	27,953	—	—	—	2,620	391	—	30,964	25,463	—	—	—	2,669	389	—	—	28,521
Policy charges and fee income	5,887	19	—	—	—	—	—	5,906	6,003	(31)	—	—	—	—	—	—	5,972
Net investment income	12,695	(31)	—	—	2,578	278	—	15,520	11,958	1	—	—	2,653	217	—	—	14,829
Realized investment gains (losses), net	577	1,256	—	—	434	(73)	—	2,194	887	2,274	—	—	833	31	—	—	4,025
Asset management fees, commissions and other income	4,462	(236)	(17)	—	37	6	(57)	4,195	4,319	(17)	(524)	—	5	1	(12)	—	3,772
Total revenues	51,574	1,008	(17)	—	5,669	602	(57)	58,779	48,630	2,227	(524)	—	6,160	638	(12)	—	57,119
Benefits and Expenses :																	
Insurance and annuity benefits	29,709	131	—	—	5,223	594	—	35,657	26,698	39	—	—	5,495	607	—	—	32,839
Interest credited to policyholders' account balances	3,698	(50)	—	(21)	134	—	—	3,761	3,585	191	—	(433)	135	1	—	—	3,479
Interest expense	1,315	—	—	—	2	3	—	1,320	1,302	—	—	—	1	3	—	—	1,306
Deferral of acquisition costs	(2,845)	—	—	—	—	—	—	(2,845)	(2,652)	—	—	—	—	—	—	—	(2,652)
Amortization of acquisition costs	1,672	168	—	—	37	—	—	1,877	1,631	452	—	—	37	—	—	—	2,120
General and administrative expenses	12,626	236	—	—	405	89	(52)	13,304	11,835	(34)	—	—	434	93	(70)	—	12,258
Total benefits and expenses	46,175	485	—	(21)	5,801	686	(52)	53,074	42,399	648	—	(433)	6,102	704	(70)	—	49,350

- (1) See page 37 for a definition of AOI.
(2) U.S. generally accepted accounting principles

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

Three Months Ended March 31, 2016									Three Months Ended June 30, 2016								
	Adjusted Operating Income basis (1)	Reconciling Items						U.S. GAAP (2)		Adjusted Operating Income basis (1)	Reconciling Items						U.S. GAAP (2)
		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				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 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	
Revenues:																	
Premiums	5,577	—	—	—	622	98	—	6,297		6,146	—	—	—	693	96	—	6,935
Policy charges and fee income	1,511	88	—	—	—	—	—	1,599		1,288	(12)	—	—	—	—	—	1,276
Net investment income	3,017	(7)	—	—	612	48	—	3,670		3,087	(8)	—	—	639	71	—	3,789
Realized investment gains (losses), net	174	1,758	—	—	(98)	47	—	1,881		138	1,059	—	—	205	31	—	1,433
Asset management fees, commissions and other income	1,013	(333)	216	—	(7)	1	(8)	882		1,153	(249)	108	—	9	1	(16)	1,006
Total revenues	11,292	1,506	216	—	1,129	194	(8)	14,329		11,812	790	108	—	1,546	199	(16)	14,439
Benefits and Expenses :																	
Insurance and annuity benefits	5,984	119	—	—	1,054	140	—	7,297		6,813	153	—	—	1,433	188	—	8,587
Interest credited to policyholders' account balances	907	216	—	130	33	—	—	1,286		914	(23)	—	133	34	—	—	1,058
Interest expense	325	—	—	—	1	1	—	327		357	—	—	—	—	—	—	357
Deferral of acquisition costs	(685)	—	—	—	—	—	—	(685)		(718)	—	—	—	—	—	—	(718)
Amortization of acquisition costs	479	712	—	—	11	—	—	1,202		281	138	—	—	8	—	—	427
General and administrative expenses	2,957	121	—	—	103	22	(33)	3,170		3,108	162	—	—	103	22	(8)	3,387
Total benefits and expenses	9,967	1,168	—	130	1,202	163	(33)	12,597		10,755	430	—	133	1,578	210	(8)	13,098

Three Months Ended September 30, 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 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	8,934	—	—	—	598	103	—	9,635
Policy charges and fee income	1,559	(19)	—	—	—	—	—	1,540
Net investment income	3,292	(8)	—	—	702	87	—	4,073
Realized investment gains (losses), net	115	529	—	—	153	16	—	813
Asset management fees, commissions and other income	1,150	(298)	37	—	28	3	(20)	900
Total revenues	15,050	204	37	—	1,481	209	(20)	16,961
Benefits and Expenses :								
Insurance and annuity benefits	9,254	33	—	—	1,307	130	—	10,724
Interest credited to policyholders' account balances	932	(140)	—	(1)	34	(1)	—	824
Interest expense	314	—	—	—	1	1	—	316
Deferral of acquisition costs	(731)	—	—	—	—	—	—	(731)
Amortization of acquisition costs	444	(339)	—	—	10	—	—	115
General and administrative expenses	3,279	1	—	—	98	23	(3)	3,398
Total benefits and expenses	13,492	(445)	—	(1)	1,450	153	(3)	14,646

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

(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. A significant element of realized investment gains and losses are impairments and credit-related and interest rate-related gains and losses. Impairments and losses from sales of credit-impaired securities, the timing of which depends largely on market credit cycles, can vary considerably across periods. The timing of other sales that would result in gains or losses, such as interest rate-related gains or losses, is largely subject to our discretion and influenced by market opportunities as well as our tax and capital profile.

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

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

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 of our businesses. Trends in the underlying profitability of our businesses can be more clearly identified without the fluctuating effects of the items described above.

2. After-tax adjusted operating income:

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

3. Annualized New Business Premiums:

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

4. Assets Under Management:

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

5. Prudential Financial, Inc. Equity:

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

6. Book value per share of Common Stock:

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

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 February 8, 2017

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

CREDIT RATINGS:

as of February 8, 2017

Prudential Financial, Inc.:

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

The Prudential Insurance Company of America:

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

Prudential Funding, LLC:

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

PRICOA Global Funding I

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

* NR indicates not rated.

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

INVESTOR INFORMATION:

Corporate Offices:

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

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.