

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 2, 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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02 Results of Operations and Financial Condition.

Prudential Financial, Inc. (the “Company”) furnishes herewith, as Exhibit 99.1, a news release announcing second quarter 2017 results.

Item 7.01 Regulation FD Disclosure.

- A. Quarterly Financial Supplement. The Company furnishes herewith, as Exhibit 99.2, the Quarterly Financial Supplement for second quarter 2017.
- B. Conference Call and Related Materials. Members of the Company’s senior management will hold a conference call on Thursday, August 3, 2017 at 11:00 A.M. ET, to discuss the Company’s second quarter 2017 results. Related materials are available on the Company’s Investor Relations website at www.investor.prudential.com.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

- 99.1 News release of Prudential Financial, Inc., dated August 2, 2017, announcing second quarter 2017 results (furnished and not filed).
- 99.2 Quarterly Financial Supplement for Prudential Financial, Inc. for second quarter 2017 (furnished and not filed).

SIGNATURES

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

Date: August 2, 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 August 2, 2017, announcing second quarter 2017 results (furnished and not filed).
99.2	Quarterly Financial Supplement for Prudential Financial, Inc. for second quarter 2017 (furnished and not filed).



Earnings Release



August 2, 2017

Prudential Financial, Inc. Announces Second Quarter 2017 Results

- Net income attributable to Prudential Financial of \$491 million or \$1.12 per Common share versus \$921 million or \$2.04 per share for year-ago quarter.
- After-tax adjusted operating income of \$919 million or \$2.09 per Common share versus \$829 million or \$1.84 per share for year-ago quarter.
- Significant items in 2Q17, reflecting an annual review of actuarial assumptions and other refinements and the impact of market performance on Annuities, resulted in a net charge to net income of 65 cents per Common share for ongoing businesses and a net charge to adjusted operating income of 84 cents per Common share, as discussed later in this release.
- In the year-ago quarter, significant items, reflecting an annual review of actuarial assumptions and other refinements, the impact of market performance on Annuities, and early debt extinguishment in Corporate and Other, resulted in a net benefit to net income of 88 cents per Common share for ongoing businesses and a net charge to adjusted operating income of 62 cents per Common share.

John Strangfeld, Chairman and CEO, commented on results:

“We delivered solid underlying results in the second quarter, as we continue to benefit from our high quality and balanced collection of businesses. This includes strong core earnings overall and record assets under management and account values in Asset Management, Retirement and Individual Annuities. While we experienced some volatility in reported results following our annual review of actuarial assumptions, the earnings power and capital position of our combined businesses are largely unaffected. In addition, our strong cash flows and capital position enabled us to return approximately \$640 million to shareholders through dividends and share repurchases. We continue to invest in our businesses where we see attractive long-term opportunities and have recently announced changes to the alignment of our U.S. Businesses to best capture these opportunities within and across our domestic businesses.”

SECOND QUARTER BUSINESS HIGHLIGHTS

- International Insurance constant dollar basis sales of \$835 million, up 14% from the year-ago quarter, primarily reflecting increased sales in Japan. Life Planner count at June 30, up 2% from a year earlier, includes an increase of 6% in Japan.
- Higher Individual Annuities net fees and return on assets, after adjusting for significant items, reflect record-high separate account balances and more favorable estimates of the profitability of the business as compared to the year-ago quarter. Consistent with industry trends, gross sales of \$1.5 billion were below the year-ago quarter total of \$2.3 billion.
- Record-high Retirement account values of \$401.3 billion at June 30, up 7% from a year earlier. Gross deposits and sales were \$7.3 billion including a \$1.6 billion new pension risk transfer case.
- Record-high Asset Management segment assets under management of \$1.1 trillion includes a record-high \$564.6 billion of unaffiliated third-party institutional and retail assets under management at June 30, up 12% from a year earlier. Unaffiliated third-party net inflows, excluding money market, totaled \$7.7 billion for the current quarter.

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- U.S. Individual Life sales, based on annualized new business premiums, of \$153 million, down 4% from the year-ago quarter, primarily reflecting the impact of pricing actions.
- Group insurance total benefits ratio in the quarter, excluding the impact of the annual assumption updates, was lower than the long-term expected range, driven by favorable underwriting results in group life. Sales of \$70 million in current quarter increased 56% compared to the year-ago quarter, driven by higher group life sales.

OTHER FINANCIAL HIGHLIGHTS

- Book value per Common share, based on generally accepted accounting principles (GAAP), was \$111.35 at June 30, 2017, compared to \$104.91 at December 31, 2016. Adjusted book value per Common share amounted to \$80.62 at June 30, 2017, an increase of \$1.67 from December 31, 2016, after payment of two quarterly Common Stock dividends totaling \$1.50 per share.
- Returned approximately \$640 million to shareholders through Common Stock repurchases and dividends.
- During the second quarter of 2017, the Company acquired 2.9 million shares of its Common Stock at a total cost of \$312.5 million, for an average price of \$106.17 per share, under the December 2016 authorization by Prudential's Board of Directors to repurchase, at management's discretion, up to \$1.25 billion of the Company's outstanding Common Stock during the period from January 1, 2017, through December 31, 2017. From the commencement of repurchases in July 2011, through June 30, 2017, the Company has acquired 96 million shares of its Common Stock at a total cost of \$7 billion, for an average price of \$73.19 per share.
- Excluding holdings of the Closed Block division, net unrealized gains on general account fixed maturity investments of \$29.9 billion at June 30, 2017, compared to \$27.6 billion at December 31, 2016; gross unrealized losses of \$2.3 billion at June 30, 2017, compared to \$3.8 billion at December 31, 2016.

SIGNIFICANT ITEMS IN THE QUARTER

- The Company completed its annual review and update of actuarial assumptions. This review resulted in a pre-tax charge to net income from updates of reserves and related items and adjustments to amortization of deferred policy acquisition and related costs of \$492 million for ongoing businesses. This represents a pre-tax charge to adjusted operating income of \$622 million, partially offset by a pre-tax benefit of \$130 million to net realized investment losses and related charges and adjustments.
- Net income and adjusted operating income each include a pre-tax benefit of \$54 million in Individual Annuities to reflect the impact of market performance on deferred policy acquisition and other costs and reserves for guaranteed minimum benefits, with a favorable impact of 8 cents per Common share.

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NEWARK, N.J. – Prudential Financial, Inc. ([NYSE: PRU](#)) today reported second quarter results. Net income attributable to Prudential Financial, Inc., was \$491 million (\$1.12 per Common share) for the second quarter of 2017, compared to \$921 million (\$2.04 per Common share) for the second quarter of 2016. After-tax adjusted operating income was \$919 million (\$2.09 per Common share) for the second quarter of 2017, compared to \$829 million (\$1.84 per Common share) for the second quarter of 2016.

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 \$1.138 billion for the second quarter of 2017, compared to \$870 million in the year-ago quarter.

U.S. RETIREMENT SOLUTIONS AND INVESTMENT MANAGEMENT DIVISION (\$ millions)		2Q:17	2Q:16
Individual Annuities:			
Adjusted operating income		\$612	\$427
Significant items included above:			
Impact from annual review of actuarial assumptions		\$46	\$4
Impact from updated estimates of profitability driven by market performance in relation to our assumptions		\$54	\$48

The **Individual Annuities segment** reported adjusted operating income of \$612 million in the current quarter, compared to \$427 million in the year-ago quarter. Current quarter results include a net benefit of \$100 million reflecting an updated estimate of profitability for this business, including \$46 million from refinements and updates of actuarial assumptions based on an annual review and \$54 million from the impact of market performance in relation to our assumptions. Results for the year-ago quarter included a net benefit of \$52 million to reflect an updated estimate of profitability, including \$4 million from updates of actuarial assumptions based on an annual review and \$48 million from the impact of market performance in relation to our assumptions.

Excluding these significant items, results for the Individual Annuities segment increased \$137 million from the year-ago quarter. This increase reflects higher policy fees net of associated risk management and other related costs, driven by an increase in average variable annuity account values, efficiencies from refinements in risk management strategies relative to contract guarantees implemented in the third quarter of last year and favorable impacts from updated estimates of the profitability of the business. In addition, results benefited from a greater contribution from net investment results, including current quarter returns on non-coupon investments and prepayment fees that were approximately \$5 million above our average expectations, as compared to returns modestly below our average expectations in the year-ago quarter.

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U.S. RETIREMENT SOLUTIONS AND INVESTMENT MANAGEMENT DIVISION (\$ millions)	2Q:17	2Q:16
Retirement:		
Adjusted operating income	\$308	\$236
Significant items included above:		
Impact from annual review of actuarial assumptions	\$(20)	\$6

The **Retirement segment** reported adjusted operating income of \$308 million for the current quarter, compared to \$236 million in the year-ago quarter. Current quarter results include a net charge of \$20 million from updates to reserves and related items reflecting updates of actuarial assumptions and other refinements based on an annual review, while the results from the year-ago quarter included a net benefit of \$6 million from the annual review.

Excluding these significant items, results increased \$98 million from the year-ago quarter. This increase reflects greater contributions from net investment results and case experience. The contribution from net investment results was \$72 million above the year-ago quarter, reflecting current quarter returns on non-coupon investments and prepayment fees about \$25 million above our average expectations in comparison to returns about \$30 million below our 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 \$30 million above our average expectations as compared to approximately \$20 million above our average expectations in the year-ago quarter.

U.S. RETIREMENT SOLUTIONS AND INVESTMENT MANAGEMENT DIVISION (\$ millions)	2Q:17	2Q:16
Asset Management:		
Adjusted operating income	\$218	\$207

The **Asset Management segment** reported adjusted operating income of \$218 million for the current quarter, compared to \$207 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, partially offset by higher net expenses.

The **U.S. Individual Life and Group Insurance division** reported a loss, on an adjusted operating income basis, of \$421 million for the second quarter of 2017, compared to a loss of \$201 million in the year-ago quarter.

U.S. INDIVIDUAL LIFE AND GROUP INSURANCE DIVISION (\$ millions)	2Q:17	2Q:16
Individual Life:		
Adjusted operating income	\$(557)	\$(290)
Significant items included above:		
Impact from annual review of actuarial assumptions	\$(653)	\$(420)

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The **Individual Life segment** reported a loss, on an adjusted operating income basis of \$557 million for the current quarter, compared to a loss of \$290 million in the year-ago quarter. Current quarter results include a net charge of \$653 million from updates to reserves and related items. This charge is primarily driven by refinements in calculating estimated mortality claims and a change in the estimate and method of accounting for the net cost of reinsurance, both of which were enabled by a system conversion, as well as updates of actuarial assumptions based on an annual review. Results from the year-ago quarter included a net charge of \$420 million from updates to reserves and related items including updated profitability estimates reflecting updates of actuarial assumptions based on an annual review.

Excluding these significant items, Individual Life results decreased by \$34 million primarily reflecting lower underwriting results and higher expenses, partly offset by a greater contribution from net investment results. The lower net contribution to current quarter results from underwriting was driven by the impact of the annual review of actuarial assumptions and other refinements on current quarter results, partially offset by more favorable claims experience. Claims experience, inclusive of reinsurance, associated reserve updates and amortization, was approximately \$10 million below our average expectations compared to approximately \$20 million below our average expectations in the year-ago quarter. The current quarter contribution from net investment results reflected returns on non-coupon investments and prepayment fees essentially consistent with our average expectations in comparison to returns about \$5 million below our average expectations in the year-ago quarter.

U.S. INDIVIDUAL LIFE AND GROUP INSURANCE DIVISION (\$ millions)	2Q:17	2Q:16
Group Insurance:		
Adjusted operating income	\$136	\$89
Significant items included above:		
Impact from annual review of actuarial assumptions	\$55	\$41

The **Group Insurance segment** reported adjusted operating income of \$136 million in the current quarter, compared to \$89 million in the year-ago quarter. Current quarter results include a net benefit of \$55 million from updates to reserves and related items reflecting updates of actuarial assumptions based on an annual review, while results from the year-ago quarter included a net benefit of \$41 million from refinements and updates reflecting an annual review.

Excluding these significant items, Group Insurance results increased \$33 million from the year-ago quarter reflecting more favorable underwriting results, which were approximately \$30 million more favorable than the low end of our benefits ratio target, and a greater contribution from net investment results.

The **International Insurance segment** reported adjusted operating income of \$823 million for the second quarter of 2017, compared to \$803 million in the year-ago quarter.

INTERNATIONAL INSURANCE SEGMENT (\$ millions)	2Q:17	2Q:16
Life Planner Operations:		
Adjusted operating income	\$329	\$343
Significant items included above:		
Impact from annual review of actuarial assumptions	\$(67)	\$(38)

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Adjusted operating income of the segment's **Life Planner operations** was \$329 million for the current quarter, compared to \$343 million in the year-ago quarter. Current quarter results include a net charge of \$67 million from updates to reserves and related items including updated profitability estimates reflecting updates of actuarial assumptions based on an annual review, while results from the year-ago quarter included a net charge of \$38 million from refinements and updates reflecting an annual review.

Excluding these significant items, results increased \$15 million from the year-ago quarter. This increase was driven by continued business growth, more favorable policy benefits experience and a greater contribution from investment results, partially offset by higher net expenses and the impact of foreign currency exchange rates. The contribution to current quarter earnings from claims experience was approximately \$20 million more favorable than our average expectations as compared to claims experience about \$10 million more favorable than our average expectations in the year-ago quarter. The current quarter contribution from net investment results included current quarter returns on non-coupon investments and prepayment fees about \$10 million above our average expectations in comparison to returns slightly above our average expectations in the year-ago quarter. In addition, the current quarter included about \$25 million of higher than typical net expenses, including true-ups to legal reserves and deferred acquisition costs. Foreign currency exchange rates, including the impact of the Company's currency hedging programs, had an unfavorable impact of \$9 million in comparison to the year-ago quarter.

INTERNATIONAL INSURANCE SEGMENT (\$ millions)	2Q:17	2Q:16
Gibraltar Life and Other Operations:		
Adjusted operating income	\$494	\$460
Significant items included above:		
Impact from annual review of actuarial assumptions	\$21	\$(34)

Adjusted operating income of the segment's **Gibraltar Life and Other operations** was \$494 million for the current quarter, compared to \$460 million in the year-ago quarter. Current quarter results include a net benefit of \$21 million from updates to reserves and related items including updated profitability estimates reflecting updates of actuarial assumptions based on an annual review, while results from the year-ago quarter included a net charge of \$34 million from refinements and updates reflecting an annual review.

Excluding these significant items, results decreased by \$21 million from the year-ago quarter. This decrease reflected higher net expenses in the current quarter including the absence of approximately \$40 million of income from a fixed asset sale in the year-ago quarter, a lower contribution from net investment results and the impact of foreign currency exchange rates, partially offset by more favorable policy benefits experience and business growth. The lower contribution from net investment results included current quarter returns on non-coupon investments and prepayment fees about \$15 million above our average expectations in comparison to returns about \$35 million above average expectations in the year-ago quarter. Claims experience was about \$10 million more favorable than our average expectations in the quarter and essentially consistent with our average expectations in the year-ago quarter. Foreign currency exchange rates, including the impact of the Company's currency hedging programs, had an unfavorable impact of \$8 million in comparison to the year-ago quarter.

Corporate and Other operations resulted in a loss, on an adjusted operating income basis, of \$312 million in the second quarter of 2017, compared to a loss of \$415 million in the year-ago quarter.

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CORPORATE AND OTHER OPERATIONS (\$ millions)	2Q:17	2Q:16
Adjusted operating income	\$(312)	\$(415)
Significant items included above:		
Early debt extinguishment costs	\$0	\$(36)
Impact from annual review of actuarial assumptions	\$(4)	\$(3)

Current quarter results include a net charge of \$4 million from adjustments of reserves relating to certain pre-demutualization policies based on the annual review of actuarial assumptions, while results from the year-ago quarter included a charge of \$3 million from a similar adjustment of reserves based on an annual review and \$36 million of costs associated with an early debt extinguishment.

Excluding these significant items, the loss from Corporate and Other operations decreased \$68 million, primarily reflecting lower expenses, higher investment income, primarily from the absence of charges of approximately \$40 million relating to a tax advantaged investment in the year-ago quarter, higher income from the qualified pension plan, and lower interest costs.

ASSETS UNDER MANAGEMENT

Assets under management amounted to \$1.334 trillion at June 30, 2017, compared to \$1.264 trillion at December 31, 2016.

NET INCOME AND INVESTMENT PORTFOLIO

Net income attributable to Prudential Financial, Inc. amounted to \$491 million for the second quarter of 2017, compared to \$921 million for the year-ago quarter.

Current quarter net income includes \$679 million of pre-tax net realized investment losses and related charges and adjustments. The foregoing net losses include pre-tax losses of \$961 million from products that contain embedded derivatives or guarantees 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 higher gross GAAP liability for variable annuity living benefits. The increase in the gross GAAP liability was primarily due to lower interest rates. Current quarter results also included pre-tax losses of \$44 million from impairments and sales of credit-impaired investments and \$31 million primarily related to derivatives used in risk management activities including foreign currency and asset and liability duration management. The foregoing losses were partially offset by pre-tax gains of \$357 million from general portfolio and related activities.

Net income for the current quarter reflects pre-tax increases of \$201 million in recorded asset values and \$145 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 income of \$17 million from divested businesses, primarily reflecting the results from long term care and the Closed Block division.

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

Excluding holdings of the Closed Block division, gross unrealized losses on general account fixed maturity investments at June 30, 2017, amounted to \$2.306 billion, including \$2.091 billion on high and highest quality securities based on NAIC or equivalent ratings, and amounted to \$3.809 billion at December 31, 2016. Net unrealized gains on these investments amounted to \$29.891 billion at June 30, 2017, compared to \$27.585 billion at December 31, 2016.

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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.

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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, 2016, 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.

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EARNINGS CONFERENCE CALL

Members of Prudential's senior management will host a conference call on Thursday, August 3, 2017, at 11 a.m. ET, to discuss with the investment community the Company's second quarter results. The conference call and an accompanying slide presentation will be broadcast live over the Company's Investor Relations Web site at www.investor.prudential.com. Please log on 15 minutes early in the event necessary software needs to be downloaded. The call will remain on the Investor Relations Web site for replay through August 18. 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 August 3, through August 10, dial (800) 475-6701 (domestic callers) or (320) 365-3844 (international callers). The access code for the replay is 407283.

Prudential Financial, Inc. ([NYSE: PRU](http://NYSE:PRU)), a financial services leader with more than \$1 trillion of assets under management as of June 30, 2017, 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 news.prudential.com.

MEDIA CONTACT: Laura Burke, (973) 802-9489, laura.burke@prudential.com

Financial Highlights
(in millions, unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Income Statement Data:				
Net income attributable to Prudential Financial, Inc.	\$ 491	\$ 921	\$1,860	\$2,257
Income attributable to noncontrolling interests	5	4	8	37
Net income	496	925	1,868	2,294
Less: Earnings attributable to noncontrolling interests	5	4	8	37
Income attributable to Prudential Financial, Inc.	491	921	1,860	2,257
Less: Equity in earnings of operating joint ventures, net of taxes and earnings attributable to noncontrolling interests	8	11	30	(17)
Income (after-tax) before equity in earnings of operating joint ventures	483	910	1,830	2,274
Less: Reconciling Items:				
Realized investment gains (losses), net, and related charges and adjustments	(679)	360	(641)	698
Investment gains on trading account assets supporting insurance liabilities, net	201	108	245	324
Change in experience-rated contractholder liabilities due to asset value changes	(145)	(133)	(157)	(263)
Divested businesses:				
Closed Block division	(18)	(32)	16	(105)
Other divested businesses	35	(11)	41	20
Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests	(14)	(8)	(42)	17
Total reconciling items, before income taxes	(620)	284	(538)	691
Less: Income taxes, not applicable to adjusted operating income	(184)	203	(212)	243
Total reconciling items, after income taxes	(436)	81	(326)	448
After-tax adjusted operating income (1)	919	829	2,156	1,826
Income taxes, applicable to adjusted operating income	309	228	732	556
Adjusted operating income before income taxes (1)	<u>\$ 1,228</u>	<u>\$ 1,057</u>	<u>\$2,888</u>	<u>\$2,382</u>

See footnotes on last page.

Financial Highlights

(in millions, except per share data, unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Earnings per share of Common Stock (diluted):				
Net income attributable to Prudential Financial, Inc.	\$ 1.12	\$ 2.04	\$ 4.21	\$ 4.97
Less: Reconciling Items:				
Realized investment gains (losses), net, and related charges and adjustments	(1.55)	0.80	(1.46)	1.55
Investment gains on trading account assets supporting insurance liabilities, net	0.46	0.24	0.56	0.72
Change in experience-rated contractholder liabilities due to asset value changes	(0.33)	(0.30)	(0.36)	(0.58)
Divested businesses:				
Closed Block division	(0.04)	(0.07)	0.04	(0.23)
Other divested businesses	0.08	(0.02)	0.09	0.04
Difference in earnings allocated to participating unvested share-based payment awards	0.01	—	0.01	(0.01)
Total reconciling items, before income taxes	(1.37)	0.65	(1.12)	1.49
Less: Income taxes, not applicable to adjusted operating income	(0.40)	0.45	(0.45)	0.54
Total reconciling items, after income taxes	(0.97)	0.20	(0.67)	0.95
After-tax adjusted operating income	<u>\$ 2.09</u>	<u>\$ 1.84</u>	<u>\$ 4.88</u>	<u>\$ 4.02</u>
Weighted average number of outstanding Common shares (basic)	428.3	441.1	429.1	443.2
Weighted average number of outstanding Common shares (diluted)	437.2	449.3	438.1	451.3
Earnings related to interest, net of tax, on exchangeable surplus notes	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ 9</u>	<u>\$ 9</u>
Earnings allocated to participating unvested share-based payment awards for earnings per share calculation:				
Net income	\$ 7	\$ 11	\$ 23	\$ 25
After-tax adjusted operating income	\$ 11	\$ 9	\$ 26	\$ 20
Prudential Financial, Inc. Equity (as of end of period):				
GAAP book value (total PFI equity) at end of period	\$48,444	\$55,149		
Less: Accumulated other comprehensive income (AOCI)	16,362	24,667		
GAAP book value excluding AOCI	32,082	30,482		
Less: Cumulative effect of foreign exchange remeasurement and currency translation adjustments corresponding to realized gains/losses	(2,889)	(3,509)		
Adjusted book value	34,971	33,991		
Number of diluted shares at end of period	433.8	444.0		
GAAP book value per common share - diluted (2)	111.35	123.77		
GAAP book value excluding AOCI per share - diluted	73.96	68.65		
Adjusted book value per common share - diluted	80.62	76.55		
Adjusted operating income before income taxes, by Segment (1):				
Individual Annuities	\$ 612	\$ 427	\$1,080	\$ 755
Retirement	308	236	705	455
Asset Management	218	207	414	372
Total U.S. Retirement Solutions and Investment Management Division	1,138	870	2,199	1,582
Individual Life	(557)	(290)	(439)	(170)
Group Insurance	136	89	170	115
Total U.S. Individual Life and Group Insurance Division	(421)	(201)	(269)	(55)
International Insurance	823	803	1,622	1,582
Total International Insurance Division	823	803	1,622	1,582
Corporate and Other operations	(312)	(415)	(664)	(727)
Adjusted operating income before income taxes	1,228	1,057	2,888	2,382
Reconciling Items:				
Realized investment gains (losses), net, and related charges and adjustments	(679)	360	(641)	698
Investment gains on trading account assets supporting insurance liabilities, net	201	108	245	324
Change in experience-rated contractholder liabilities due to asset value changes	(145)	(133)	(157)	(263)
Divested businesses:				
Closed Block division	(18)	(32)	16	(105)
Other divested businesses	35	(11)	41	20
Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests	(14)	(8)	(42)	17
Total reconciling items, before income taxes	(620)	284	(538)	691
Income before income taxes and equity in earnings of operating joint ventures for Prudential Financial, Inc.	<u>\$ 608</u>	<u>\$ 1,341</u>	<u>\$2,350</u>	<u>\$3,073</u>

See footnotes on last page.

Financial Highlights

(in millions, or as otherwise noted, unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
U.S. Retirement Solutions and Investment Management Division:				
Fixed and Variable Annuity Sales and Account Values:				
Gross sales	\$ 1,507	\$ 2,281	\$ 2,947	\$ 4,298
Net sales (redemptions)	\$ (900)	\$ 341	\$ (1,813)	\$ 579
Total account value at end of period	\$162,694	\$154,677		
Retirement Segment:				
Full Service:				
Deposits and sales	\$ 4,771	\$ 4,699	\$11,507	\$11,355
Net additions (withdrawals)	\$ (1,015)	\$ 186	\$ (969)	\$ 1,556
Total account value at end of period	\$214,731	\$194,007		
Institutional Investment Products:				
Gross additions	\$ 2,557	\$ 3,421	\$ 6,599	\$ 5,482
Net additions (withdrawals)	\$ (1,614)	\$ 302	\$ (1,813)	\$ (420)
Total account value at end of period	\$186,610	\$180,882		
Asset Management Segment:				
Assets managed by Investment Management and Advisory Services (in billions, as of end of period):				
Institutional customers	\$ 461.2	\$ 418.8		
Retail customers	231.2	202.1		
General account	412.3	426.3		
Total Investment Management and Advisory Services	\$ 1,104.7	\$ 1,047.2		
Institutional Customers - Assets Under Management (in billions):				
Gross additions, other than money market	\$ 17.2	\$ 14.8	\$ 33.1	\$ 27.3
Net additions (withdrawals), other than money market	\$ 6.5	\$ 2.0	\$ 7.0	\$ (0.6)
Retail Customers - Assets Under Management (in billions):				
Gross additions, other than money market	\$ 10.8	\$ 11.5	\$ 23.8	\$ 21.7
Net additions, other than money market	\$ 1.2	\$ 1.6	\$ 1.3	\$ 1.1
U.S. Individual Life and Group Insurance Division:				
Individual Life Insurance Annualized New Business Premiums (3):				
Term life	\$ 54	\$ 50	\$ 103	\$ 98
Guaranteed Universal life	40	61	93	112
Other Universal life	33	23	54	43
Variable life	26	25	49	51
Total	\$ 153	\$ 159	\$ 299	\$ 304
Group Insurance Annualized New Business Premiums (3):				
Group life	\$ 56	\$ 24	\$ 242	\$ 256
Group disability	14	21	129	100
Total	\$ 70	\$ 45	\$ 371	\$ 356
International Insurance Division:				
International Insurance Annualized New Business Premiums (3) (4):				
Actual exchange rate basis	\$ 840	\$ 738	\$ 1,662	\$ 1,482
Constant exchange rate basis	\$ 835	\$ 734	\$ 1,660	\$ 1,498

See footnotes on last page.

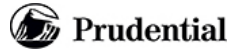
Financial Highlights
(in billions, as of end of period, unaudited)

	Three Months Ended June 30	
	2017	2016
Assets and Asset Management Information:		
Total assets	\$ 812.6	\$ 796.5
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	\$1,104.7	\$1,047.2
Non-proprietary assets under management	173.4	169.8
Total managed by U.S. Retirement Solutions and Investment Management Division	1,278.1	1,217.0
Managed by U.S. Individual Life and Group Insurance Division	26.8	25.7
Managed by International Insurance Division	28.7	25.0
Total assets under management	1,333.6	1,267.7
Client assets under administration	188.3	171.7
Total assets under management and administration	<u>\$1,521.9</u>	<u>\$1,439.4</u>

See footnotes on last page.

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- (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 June 30, 2016 includes a \$500 million increase in equity and a 5.6 million increase in diluted shares reflecting the dilutive impact of exchangeable surplus notes when book value per share is greater than \$88.90, and as of June 30, 2017 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 112 per U.S. dollar and Korean won 1,130 per U.S. dollar. U.S. dollar-denominated activity is included based on the amounts as transacted in U.S. dollars.

Prudential Financial, Inc. (PRU)



Quarterly Financial Supplement

Second Quarter 2017

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

August 2, 2017

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FINANCIAL HIGHLIGHTS
(in millions, except per share data)

Year-to-date		%		2016			2017	
2017	2016	Change		2Q	3Q	4Q	1Q	2Q
			Pre-tax adjusted operating income (loss) by division:					
2,199	1,582	39%	U.S. Retirement Solutions and Investment Management Division	870	1,018	964	1,061	1,138
(269)	(55)	-389%	U.S. Individual Life and Group Insurance Division	(201)	173	181	152	(421)
1,622	1,582	3%	International Insurance Division	803	780	755	799	823
(664)	(727)	9%	Corporate and other operations	(415)	(413)	(441)	(352)	(312)
2,888	2,382	21%	Total pre-tax adjusted operating income	1,057	1,558	1,459	1,660	1,228
732	556	32%	Income taxes, applicable to adjusted operating income	228	367	369	423	309
2,156	1,826	18%	After-tax adjusted operating income	829	1,191	1,090	1,237	919
			Reconciling items:					
(641)	698	-192%	Realized investment gains (losses), net, and related charges and adjustments	360	649	(824)	38	(679)
245	324	-24%	Investment gains (losses) on trading account assets supporting insurance liabilities, net	108	37	(378)	44	201
(157)	(263)	40%	Change in experience-rated contractholder liabilities due to asset value changes	(133)	1	283	(12)	(145)
			Divested businesses:					
16	(105)	115%	Closed Block division	(32)	31	(58)	34	(18)
41	20	105%	Other divested businesses	(11)	56	(160)	6	35
(42)	17	-347%	Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests	(8)	(17)	(5)	(28)	(14)
(538)	691	-178%	Total reconciling items, before income taxes	284	757	(1,142)	82	(620)
(212)	243	-187%	Income taxes, not applicable to adjusted operating income	203	134	(334)	(28)	(184)
(326)	448	-173%	Total reconciling items, after income taxes	81	623	(808)	110	(436)
1,830	2,274	-20%	Income (after-tax) before equity in earnings of operating joint ventures	910	1,814	282	1,347	483
30	(17)	276%	Equity in earnings of operating joint ventures, net of taxes and earnings attributable to noncontrolling interests	11	13	2	22	8
1,860	2,257	-18%	Income attributable to Prudential Financial, Inc.	921	1,827	284	1,369	491
8	37	-78%	Earnings attributable to noncontrolling interests	4	5	9	3	5
1,868	2,294	-19%	Net income	925	1,832	293	1,372	496
8	37	-78%	Less: Income attributable to noncontrolling interests	4	5	9	3	5
1,860	2,257	-18%	Net income attributable to Prudential Financial, Inc.	921	1,827	284	1,369	491
12.4%	10.8%		Operating Return on Average Equity (based on adjusted operating income) (1)	9.8%	13.8%	12.6%	14.2%	10.5%

- (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 net income). Return on average equity (based on net income) represents income 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 net income) is 4.1%, 11.8%, 2.2%, 13.1%, and 7.1% for the three months ended June 30, 2017, March 31, 2017, December 31, 2016, September 30, 2016, and June 30, 2016, respectively.

FINANCIAL HIGHLIGHTS
(in millions, except per share data)

Year-to-date			2016			2017	
2017	2016		2Q	3Q	4Q	1Q	2Q
		Earnings per share of Common Stock (diluted):					
4.88	4.02	After-tax adjusted operating income	1.84	2.66	2.46	2.79	2.09
		Reconciling items:					
(1.46)	1.55	Realized investment gains (losses), net, and related charges and adjustments	0.80	1.46	(1.87)	0.09	(1.55)
0.56	0.72	Investment gains (losses) on trading account assets supporting insurance liabilities, net	0.24	0.08	(0.86)	0.10	0.46
(0.36)	(0.58)	Change in experience-rated contractholder liabilities due to asset value changes	(0.30)	—	0.64	(0.03)	(0.33)
		Divested businesses:					
0.04	(0.23)	Closed Block division	(0.07)	0.07	(0.13)	0.08	(0.04)
0.09	0.04	Other divested businesses	(0.02)	0.13	(0.36)	0.01	0.08
0.01	(0.01)	Difference in earnings allocated to participating unvested share-based payment awards	—	(0.01)	0.02	—	0.01
(1.12)	1.49	Total reconciling items, before income taxes	0.65	1.73	(2.56)	0.25	(1.37)
(0.45)	0.54	Income taxes, not applicable to adjusted operating income	0.45	0.32	(0.75)	(0.05)	(0.40)
(0.67)	0.95	Total reconciling items, after income taxes	0.20	1.41	(1.81)	0.30	(0.97)
4.21	4.97	Net income attributable to Prudential Financial, Inc.	2.04	4.07	0.65	3.09	1.12
429.1	443.2	Weighted average number of outstanding Common shares (basic)	441.1	435.9	430.7	429.9	428.3
438.1	451.3	Weighted average number of outstanding Common shares (diluted)	449.3	444.3	439.8	439.1	437.2
9	9	Earnings related to interest, net of tax, on exchangeable surplus notes	5	4	4	4	5
		<i>Earnings allocated to participating unvested share-based payment awards for earnings per share calculation</i>					
26	20	After-tax adjusted operating income	9	15	12	15	11
23	25	Net income	11	21	3	16	7

FINANCIAL HIGHLIGHTS
(in millions, except per share data)

Year-to-date			2016			2017	
2017	2016		2Q	3Q	4Q	1Q	2Q
Capitalization Data (1):							
Senior Debt:							
Short-term debt			676	907	1,133	1,415	1,779
Long-term debt			13,172	12,942	12,224	12,074	11,806
Junior Subordinated Long-Term Debt			5,814	5,816	5,817	5,819	5,820
Prudential Financial Inc. Equity:							
Including accumulated other comprehensive income			55,149	56,431	45,863	46,784	48,444
Excluding accumulated other comprehensive income (2)			30,482	31,506	31,242	32,141	32,082
Amount included above for foreign currency exchange rate remeasurement (3)			(3,509)	(3,327)	(3,199)	(3,060)	(2,889)
Excluding accumulated other comprehensive income and adjusted to remove amount included for foreign currency exchange rate remeasurement (3)			33,991	34,833	34,441	35,201	34,971
Book value per share of Common Stock:							
Including accumulated other comprehensive income (4)			123.77	128.37	104.91	107.09	111.35
Excluding accumulated other comprehensive income (2)			68.65	71.95	71.62	73.75	73.96
Amount included above for foreign currency exchange rate remeasurement (3)			(7.90)	(7.60)	(7.33)	(7.02)	(6.66)
Excluding accumulated other comprehensive income and adjusted to remove amount included for foreign currency exchange rate remeasurement (3)			76.55	79.55	78.95	80.77	80.62
Number of diluted shares at end of period (5)			444.0	437.9	436.2	435.8	433.8
Common Stock Price Range (based on closing price):							
113.82	79.84	High	79.71	81.65	107.10	113.82	109.13
102.92	58.00	Low	66.93	68.74	81.43	103.92	102.92
108.14	71.34	Close	71.34	81.65	104.06	106.68	108.14
Common Stock market capitalization (1)			31,304	35,248	44,704	45,798	46,176

(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 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, and first and second quarters of 2017 include 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		2016			2017	
2017	2016	2Q	3Q	4Q	1Q	2Q
Assets Under Management and Administration (\$ billions) (1) (2):						
Assets Under Management :						
Managed by U.S. Retirement Solutions and Investment Management Division:						
Asset Management Segment - Investment Management & Advisory Services						
Institutional customers		418.8	445.9	431.5	445.2	461.2
Retail customers		202.1	209.0	209.2	217.6	231.2
General account		426.3	430.3	399.4	406.1	412.3
Total Investment Management and Advisory Services		1,047.2	1,085.2	1,040.1	1,068.9	1,104.7
Non-proprietary assets under management		169.8	176.4	172.6	178.3	173.4
Total managed by U.S. Retirement Solutions and Investment Management Division		1,217.0	1,261.6	1,212.7	1,247.2	1,278.1
Managed by U.S. Individual Life and Group Insurance Division		25.7	24.8	24.9	25.1	26.8
Managed by International Insurance Division		25.0	27.9	26.2	26.5	28.7
Total assets under management		1,267.7	1,314.3	1,263.8	1,298.8	1,333.6
Client assets under administration		171.7	177.0	177.3	185.2	188.3
Total assets under management and administration		1,439.4	1,491.3	1,441.1	1,484.0	1,521.9
Assets managed or administered for customers outside of the United States at end of period		324.6	335.4	311.1	326.6	341.1
Distribution Representatives (1):						
Prudential Agents		2,987	3,031	2,937	2,922	2,921
International Life Planners		7,551	7,667	7,680	7,819	7,735
Gibraltar Life Consultants		8,734	8,790	8,884	8,752	8,509
49 25 Prudential Agent productivity (\$ thousands)		54	56	67	47	51

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

COMBINED STATEMENTS OF OPERATIONS
(in millions)

Year-to-date		% Change		2016			2017	
2017	2016			2Q	3Q	4Q	1Q	2Q
Revenues (1):								
13,331	11,723	14%	Premiums	6,146	8,934	7,296	5,774	7,557
2,349	2,799	-16%	Policy charges and fee income	1,288	1,559	1,529	1,555	794
6,689	6,104	10%	Net investment income	3,087	3,292	3,299	3,354	3,335
2,666	2,478	8%	Asset management fees, commissions and other income	1,291	1,265	1,296	1,324	1,342
25,035	23,104	8%	Total revenues	11,812	15,050	13,420	12,007	13,028
Benefits and Expenses (1):								
13,532	12,797	6%	Insurance and annuity benefits	6,813	9,254	7,658	6,146	7,386
1,873	1,821	3%	Interest credited to policyholders' account balances	914	932	945	920	953
648	682	-5%	Interest expense	357	314	319	322	326
(1,479)	(1,403)	-5%	Deferral of acquisition costs	(718)	(731)	(711)	(724)	(755)
1,143	760	50%	Amortization of acquisition costs	281	444	468	481	662
6,430	6,065	6%	General and administrative expenses	3,108	3,279	3,282	3,202	3,228
22,147	20,722	7%	Total benefits and expenses	10,755	13,492	11,961	10,347	11,800
2,888	2,382	21%	Adjusted operating income before income taxes	1,057	1,558	1,459	1,660	1,228
Reconciling items:								
(1,443)	2,220	-165%	Realized investment gains (losses), net, and related adjustments	802	223	(1,454)	(66)	(1,377)
802	(1,522)	153%	Related charges	(442)	426	630	104	698
(641)	698	-192%	Total realized investment gains (losses), net, and related charges and adjustments	360	649	(824)	38	(679)
245	324	-24%	Investment gains (losses) on trading account assets supporting insurance liabilities, net	108	37	(378)	44	201
(157)	(263)	40%	Change in experience-rated contractholder liabilities due to asset value changes	(133)	1	283	(12)	(145)
Divested businesses:								
16	(105)	115%	Closed Block division	(32)	31	(58)	34	(18)
41	20	105%	Other divested businesses	(11)	56	(160)	6	35
(42)	17	-347%	Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests	(8)	(17)	(5)	(28)	(14)
(538)	691	-178%	Total reconciling items, before income taxes	284	757	(1,142)	82	(620)
2,350	3,073	-24%	Income before income taxes and equity in earnings of operating joint ventures	1,341	2,315	317	1,742	608
520	799	-35%	Income tax expense	431	501	35	395	125
1,830	2,274	-20%	Income before equity in earnings of operating joint ventures	910	1,814	282	1,347	483

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

COMBINING STATEMENTS OF OPERATIONS
(in millions)

Quarter Ended June 30, 2017					
	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	7,557	2,274	1,256	4,032	(5)
Policy charges and fee income	794	771	(76)	112	(13)
Net investment income	3,335	1,325	636	1,260	114
Asset management fees, commissions and other income	1,342	1,330	200	79	(267)
Total revenues	13,028	5,700	2,016	5,483	(171)
Benefits and Expenses (1):					
Insurance and annuity benefits	7,386	2,720	1,241	3,422	3
Interest credited to policyholders' account balances	953	486	245	222	—
Interest expense	326	30	164	3	129
Deferral of acquisition costs	(755)	(90)	(166)	(507)	8
Amortization of acquisition costs	662	108	260	304	(10)
General and administrative expenses	3,228	1,308	693	1,216	11
Total benefits and expenses	11,800	4,562	2,437	4,660	141
Adjusted operating income (loss) before income taxes	1,228	1,138	(421)	823	(312)
Quarter Ended June 30, 2016					
	Total	U.S. Retirement Solutions & Investment Management Division	U.S. Individual Life & Group Insurance Division	International Insurance Division	Corporate and Other Operations
Revenues (1):					
Premiums	6,146	1,018	1,234	3,899	(5)
Policy charges and fee income	1,288	687	505	106	(10)
Net investment income	3,087	1,194	593	1,204	96
Asset management fees, commissions and other income	1,291	1,217	187	134	(247)
Total revenues	11,812	4,116	2,519	5,343	(166)
Benefits and Expenses (1):					
Insurance and annuity benefits	6,813	1,460	1,950	3,397	6
Interest credited to policyholders' account balances	914	451	233	230	—
Interest expense	357	28	146	1	182
Deferral of acquisition costs	(718)	(128)	(172)	(436)	18
Amortization of acquisition costs	281	131	(111)	273	(12)
General and administrative expenses	3,108	1,304	674	1,075	55
Total benefits and expenses	10,755	3,246	2,720	4,540	249
Adjusted operating income (loss) before income taxes	1,057	870	(201)	803	(415)

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

COMBINING STATEMENTS OF OPERATIONS
(in millions)

Six Months Ended June 30, 2017					
	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	13,331	2,825	2,524	7,994	(12)
Policy charges and fee income	2,349	1,488	641	246	(26)
Net investment income	6,689	2,695	1,283	2,465	246
Asset management fees, commissions and other income	2,666	2,600	396	187	(517)
Total revenues	25,035	9,608	4,844	10,892	(309)
Benefits and Expenses (1):					
Insurance and annuity benefits	13,532	3,725	2,948	6,855	4
Interest credited to policyholders' account balances	1,873	937	488	448	—
Interest expense	648	55	321	6	266
Deferral of acquisition costs	(1,479)	(178)	(349)	(972)	20
Amortization of acquisition costs	1,143	244	332	589	(22)
General and administrative expenses	6,430	2,626	1,373	2,344	87
Total benefits and expenses	22,147	7,409	5,113	9,270	355
Adjusted operating income (loss) before income taxes	2,888	2,199	(269)	1,622	(664)
Six Months Ended June 30, 2016					
	Total	U.S. Retirement Solutions & Investment Management Division	U.S. Individual Life & Group Insurance Division	International Insurance Division	Corporate and Other Operations
Revenues (1):					
Premiums	11,723	1,689	2,453	7,595	(14)
Policy charges and fee income	2,799	1,362	1,224	236	(23)
Net investment income	6,104	2,392	1,175	2,324	213
Asset management fees, commissions and other income	2,478	2,381	353	232	(488)
Total revenues	23,104	7,824	5,205	10,387	(312)
Benefits and Expenses (1):					
Insurance and annuity benefits	12,797	2,631	3,584	6,570	12
Interest credited to policyholders' account balances	1,821	904	460	457	—
Interest expense	682	53	288	3	338
Deferral of acquisition costs	(1,403)	(238)	(334)	(862)	31
Amortization of acquisition costs	760	286	(33)	533	(26)
General and administrative expenses	6,065	2,606	1,295	2,104	60
Total benefits and expenses	20,722	6,242	5,260	8,805	415
Adjusted operating income (loss) before income taxes	2,382	1,582	(55)	1,582	(727)

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

CONSOLIDATED BALANCE SHEETS
(in millions)

	06/30/2016	09/30/2016	12/31/2016	03/31/2017	06/30/2017
Assets:					
Investments:					
Fixed maturities, available for sale, at fair value (amortized cost \$286,066; \$297,745; \$292,581; \$300,437; \$303,287)	332,270	343,244	321,419	328,717	335,254
Fixed maturities, held to maturity, at amortized cost (fair value \$3,026; \$2,956; \$2,524; \$2,552; \$2,516)	2,485	2,471	2,144	2,166	2,123
Trading account assets supporting insurance liabilities, at fair value	21,702	21,828	21,840	21,820	22,073
Other trading account assets, at fair value	7,268	7,559	5,764	5,863	6,773
Equity securities, available for sale, at fair value (cost \$7,088; \$7,197; \$7,149; \$7,461; \$7,456)	9,496	9,765	9,748	10,143	10,151
Commercial mortgage and other loans	51,447	52,273	52,779	53,660	54,915
Policy loans	11,930	12,031	11,755	11,893	11,719
Other long-term investments	10,247	11,346	11,283	11,450	11,777
Short-term investments	5,035	5,254	7,508	5,175	3,616
Total investments	451,880	465,771	444,240	450,887	458,401
Cash and cash equivalents	24,142	24,728	14,127	13,308	16,605
Accrued investment income	3,211	3,279	3,204	3,231	3,228
Deferred policy acquisition costs	16,152	16,975	17,661	18,197	18,715
Value of business acquired	1,951	2,159	2,314	2,266	1,897
Other assets	14,322	15,403	14,780	15,671	16,311
Separate account assets	284,832	291,550	287,636	293,805	297,433
Total assets	796,490	819,865	783,962	797,365	812,590
Liabilities:					
Future policy benefits	242,950	252,228	240,908	244,705	250,706
Policyholders' account balances	142,716	146,577	145,205	147,026	147,554
Securities sold under agreements to repurchase	7,335	6,830	7,606	8,535	8,817
Cash collateral for loaned securities	4,643	5,037	4,333	4,175	4,036
Income taxes	15,140	15,326	10,412	10,598	11,631
Senior short-term debt	676	907	1,133	1,415	1,779
Senior long-term debt	13,172	12,942	12,224	12,074	11,806
Junior subordinated long-term debt	5,814	5,816	5,817	5,819	5,820
Notes issued by consolidated variable interest entities	2,094	2,722	2,150	2,179	2,176
Other liabilities	21,940	22,956	20,450	20,060	22,192
Separate account liabilities	284,832	291,550	287,636	293,805	297,433
Total liabilities	741,312	762,891	737,874	750,391	763,950
Equity:					
Accumulated other comprehensive income	24,667	24,925	14,621	14,643	16,362
Other equity	30,482	31,506	31,242	32,141	32,082
Total Prudential Financial, Inc. equity	55,149	56,431	45,863	46,784	48,444
Noncontrolling Interest	29	543	225	190	196
Total Equity	55,178	56,974	46,088	46,974	48,640
Total liabilities and equity	796,490	819,865	783,962	797,365	812,590

COMBINING BALANCE SHEETS BY DIVISION
(in millions)

As of June 30, 2017							
	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	458,401	61,320	397,081	135,065	58,108	186,124	17,784
Deferred policy acquisition costs	18,715	316	18,399	5,452	5,503	7,813	(369)
Other assets	38,041	2,189	35,852	14,556	11,703	10,977	(1,384)
Separate account assets	297,433	—	297,433	250,394	48,079	3,333	(4,373)
Total assets	812,590	63,825	748,765	405,467	123,393	208,247	11,658
Liabilities:							
Future policy benefits	250,706	49,027	201,679	68,116	17,614	110,853	5,096
Policyholders' account balances	147,554	5,166	142,388	58,733	34,125	49,523	7
Debt	19,405	—	19,405	3,441	7,637	109	8,218
Other liabilities	48,852	11,000	37,852	7,065	9,140	19,096	2,551
Separate account liabilities	297,433	—	297,433	250,394	48,079	3,333	(4,373)
Total liabilities	763,950	65,193	698,757	387,749	116,595	182,914	11,499
Equity:							
Accumulated other comprehensive income (loss)	16,362	1	16,361	2,389	1,126	14,185	(1,339)
Other equity	32,082	(1,370)	33,452	15,026	5,672	11,100	1,654
Total Prudential Financial, Inc. equity	48,444	(1,369)	49,813	17,415	6,798	25,285	315
Noncontrolling Interest	196	1	195	303	—	48	(156)
Total Equity	48,640	(1,368)	50,008	17,718	6,798	25,333	159
Total liabilities and equity	812,590	63,825	748,765	405,467	123,393	208,247	11,658
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	783,962	62,051	721,911	393,625	118,166	197,119	13,001
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	737,874	63,452	674,422	377,365	111,533	173,038	12,486
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	45,863	(1,403)	47,266	15,986	6,633	24,036	611
Noncontrolling Interest	225	2	223	274	—	45	(96)
Total Equity	46,088	(1,401)	47,489	16,260	6,633	24,081	515
Total liabilities and equity	783,962	62,051	721,911	393,625	118,166	197,119	13,001

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

	As of June 30, 2017				As of December 31, 2016			
	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		
Borrowings by use of proceeds:								
Capital Debt	—	5,821	5,820	11,641	—	5,822	5,817	11,639
Operating Debt - Investment related	1,033	4,221	—	5,254	477	4,901	—	5,378
Operating Debt - Specified businesses	746	1,045	—	1,791	584	914	—	1,498
Limited recourse and non-recourse borrowing	—	719	—	719	72	587	—	659
Total debt	1,779	11,806	5,820	19,405	1,133	12,224	5,817	19,174
	As of June 30, 2017				As of December 31, 2016			
	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
Borrowings by sources:								
Capital Debt	10,645	940	56	11,641	10,645	939	55	11,639
Operating Debt - Investment related	4,068	187	999	5,254	4,314	65	999	5,378
Operating Debt - Specified businesses	1,088	703	—	1,791	965	533	—	1,498
Limited recourse and non-recourse borrowing	—	719	—	719	—	659	—	659
Total debt	15,801	2,549	1,055	19,405	15,924	2,196	1,054	19,174

(1) Includes Prudential Funding, LLC.

(2) Capital debt at Prudential Insurance Co. of America includes \$840M of surplus notes as of June 30, 2017 and \$839M as of December 31, 2016, respectively.

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

Year-to-date		% Change						
2017	2016			2016		2017		
				2Q	3Q	4Q	1Q	2Q
Revenues (1):								
2,825	1,689	67%	Premiums	1,018	3,791	2,258	551	2,274
1,488	1,362	9%	Policy charges and fee income	687	723	712	717	771
2,695	2,392	13%	Net investment income	1,194	1,325	1,324	1,370	1,325
2,600	2,381	9%	Asset management fees, commissions and other income	1,217	1,266	1,280	1,270	1,330
9,608	7,824	23%	Total revenues	4,116	7,105	5,574	3,908	5,700
Benefits and Expenses (1):								
3,725	2,631	42%	Insurance and annuity benefits	1,460	4,243	2,760	1,005	2,720
937	904	4%	Interest credited to policyholders' account balances	451	458	473	451	486
55	53	4%	Interest expense	28	29	23	25	30
(178)	(238)	25%	Deferral of acquisition costs	(128)	(116)	(95)	(88)	(90)
244	286	-15%	Amortization of acquisition costs	131	100	146	136	108
2,626	2,606	1%	General and administrative expenses	1,304	1,373	1,303	1,318	1,308
7,409	6,242	19%	Total benefits and expenses	3,246	6,087	4,610	2,847	4,562
2,199	1,582	39%	Adjusted operating income before income taxes	870	1,018	964	1,061	1,138

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

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

	Six Months Ended June 30, 2017				Quarter Ended June 30, 2017			
	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	2,825	80	2,745	—	2,274	41	2,233	—
Policy charges and fee income	1,488	1,371	117	—	771	712	59	—
Net investment income	2,695	374	2,252	69	1,325	184	1,104	37
Asset management fees, commissions and other income	2,600	696	430	1,474	1,330	369	211	750
Total revenues	9,608	2,521	5,544	1,543	5,700	1,306	3,607	787
Benefits and Expenses (1):								
Insurance and annuity benefits	3,725	159	3,566	—	2,720	71	2,649	—
Interest credited to policyholders' account balances	937	164	773	—	486	77	409	—
Interest expense	55	31	12	12	30	17	6	7
Deferral of acquisition costs	(178)	(159)	(16)	(3)	(90)	(80)	(9)	(1)
Amortization of acquisition costs	244	230	8	6	108	102	4	2
General and administrative expenses	2,626	1,016	496	1,114	1,308	507	240	561
Total benefits and expenses	7,409	1,441	4,839	1,129	4,562	694	3,299	569
Adjusted operating income before income taxes	2,199	1,080	705	414	1,138	612	308	218
	Six Months Ended June 30, 2016				Quarter Ended June 30, 2016			
	Total U.S. Retirement Solutions & Investment Management Division	Individual Annuities	Retirement	Asset Management	Total U.S. Retirement Solutions & Investment Management Division	Individual Annuities	Retirement	Asset Management
Revenues (1):								
Premiums	1,689	76	1,613	—	1,018	44	974	—
Policy charges and fee income	1,362	1,251	111	—	687	631	56	—
Net investment income	2,392	322	2,029	41	1,194	161	1,010	23
Asset management fees, commissions and other income	2,381	603	381	1,397	1,217	307	201	709
Total revenues	7,824	2,252	4,134	1,438	4,116	1,143	2,241	732
Benefits and Expenses (1):								
Insurance and annuity benefits	2,631	168	2,463	—	1,460	57	1,403	—
Interest credited to policyholders' account balances	904	198	706	—	451	98	353	—
Interest expense	53	37	9	7	28	19	5	4
Deferral of acquisition costs	(238)	(217)	(15)	(6)	(128)	(117)	(8)	(3)
Amortization of acquisition costs	286	266	12	8	131	122	5	4
General and administrative expenses	2,606	1,045	504	1,057	1,304	537	247	520
Total benefits and expenses	6,242	1,497	3,679	1,066	3,246	716	2,005	525
Adjusted operating income before income taxes	1,582	755	455	372	870	427	236	207

(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			2016			2017	
2017	2016		2Q	3Q	4Q	1Q	2Q
SALES AND ACCOUNT VALUES:							
Variable Annuities:							
153,295	149,441	Beginning total account value	149,246	151,188	154,903	153,295	156,830
1,470	1,349	Sales: Highest Daily Suite - risk retained by Prudential (1)	666	587	558	782	688
20	728	Highest Daily Suite - externally reinsured living benefits	354	321	318	14	6
1,431	2,191	Other variable annuities (2)	1,247	1,180	762	632	799
2,921	4,268	Total sales	2,267	2,088	1,638	1,428	1,493
(4,708)	(3,662)	Surrenders and withdrawals	(1,914)	(1,992)	(2,122)	(2,326)	(2,382)
(1,787)	606	Net sales (redemptions)	353	96	(484)	(898)	(889)
(804)	(754)	Benefit payments	(399)	(349)	(347)	(413)	(391)
(2,591)	(148)	Net flows	(46)	(253)	(831)	(1,311)	(1,280)
10,329	3,637	Change in market value, interest credited, and other	2,873	4,877	124	5,751	4,578
(1,831)	(1,742)	Policy charges	(885)	(909)	(901)	(905)	(926)
159,202	151,188	Ending total account value	151,188	154,903	153,295	156,830	159,202
Variable Annuities Account Value by Product:							
116,905	111,820	Highest Daily Suite - risk retained by Prudential (1)	111,820	113,902	112,543	115,314	116,905
3,084	2,259	Highest Daily Suite - externally reinsured living benefits	2,259	2,629	2,932	3,025	3,084
39,213	37,109	Other variable annuities (2)	37,109	38,372	37,820	38,491	39,213
159,202	151,188	Ending total account value	151,188	154,903	153,295	156,830	159,202
Fixed Annuities and other products (3):							
3,488	3,504	Beginning total account value	3,487	3,489	3,485	3,488	3,489
26	30	Sales	14	12	18	12	14
(52)	(57)	Surrenders and withdrawals	(26)	(21)	(27)	(27)	(25)
(26)	(27)	Net redemptions	(12)	(9)	(9)	(15)	(11)
(166)	(178)	Benefit payments	(90)	(91)	(75)	(84)	(82)
(192)	(205)	Net flows	(102)	(100)	(84)	(99)	(93)
196	191	Interest credited and other	105	96	87	100	96
—	(1)	Policy charges	(1)	—	—	—	—
3,492	3,489	Ending total account value	3,489	3,485	3,488	3,489	3,492
SALES BY DISTRIBUTION CHANNEL:							
Variable and Fixed Annuities (4):							
997	1,205	Insurance Agents	625	598	550	507	490
474	837	Wirehouses	452	376	279	236	238
1,204	1,680	Independent Financial Planners	897	841	659	573	631
272	576	Bank Distribution	307	285	168	124	148
2,947	4,298	Total	2,281	2,100	1,656	1,440	1,507

(1) Includes variable annuities with "Highest Daily" optional living benefits retained by Prudential and predecessor "Lifetime Five" feature.

(2) Includes Prudential Defined Income (PDI), Legacy Protection Plus (LPP) death benefit and products without guaranteed minimum income and withdrawal benefits.

(3) Includes single premium immediate annuities.

(4) Amounts represent gross sales.

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

Year-to-date			2016			2017	
2017	2016		2Q	3Q	4Q	1Q	2Q
INDIVIDUAL ANNUITIES:							
<i>Account Values in General Account (1):</i>							
9,892	9,942	Beginning balance	10,017	9,977	9,863	9,892	9,810
353	459	Premiums and deposits	221	215	194	185	168
(298)	(281)	Surrenders and withdrawals	(140)	(134)	(148)	(153)	(145)
55	178	Net sales	81	81	46	32	23
(201)	(215)	Benefit payments	(110)	(107)	(89)	(100)	(101)
(146)	(37)	Net flows	(29)	(26)	(43)	(68)	(78)
114	126	Interest credited and other	62	58	57	58	56
(56)	(53)	Net transfers (to) from separate account	(72)	(146)	15	(72)	16
—	(1)	Policy charges	(1)	—	—	—	—
<u>9,804</u>	<u>9,977</u>	Ending balance	<u>9,977</u>	<u>9,863</u>	<u>9,892</u>	<u>9,810</u>	<u>9,804</u>
<i>Account Values in Separate Account (1):</i>							
146,891	143,003	Beginning balance	142,716	144,700	148,525	146,891	150,509
2,594	3,839	Premiums and deposits	2,060	1,885	1,462	1,255	1,339
(4,462)	(3,438)	Surrenders and withdrawals	(1,800)	(1,879)	(2,001)	(2,200)	(2,262)
(1,868)	401	Net sales (redemptions)	260	6	(539)	(945)	(923)
(769)	(717)	Benefit payments	(379)	(333)	(333)	(397)	(372)
(2,637)	(316)	Net flows	(119)	(327)	(872)	(1,342)	(1,295)
10,411	3,702	Change in market value, interest credited and other	2,916	4,915	154	5,793	4,618
56	53	Net transfers (to) from general account	72	146	(15)	72	(16)
(1,831)	(1,742)	Policy charges	(885)	(909)	(901)	(905)	(926)
<u>152,890</u>	<u>144,700</u>	Ending balance	<u>144,700</u>	<u>148,525</u>	<u>146,891</u>	<u>150,509</u>	<u>152,890</u>

- (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)

	2016			2017	
	2Q	3Q	4Q	1Q	2Q
LIVING BENEFIT FEATURES ACCOUNT VALUE AND NET AMOUNT AT RISK (1):					
<u>Variable Annuity Account Values with Living Benefit Features</u>					
Guaranteed minimum accumulation benefits	4,524	4,403	4,104	3,879	3,661
Guaranteed minimum withdrawal benefits	537	532	514	509	494
Guaranteed minimum income benefits	2,749	2,780	2,730	2,761	2,755
Guaranteed minimum withdrawal & income benefits - risk retained by Prudential	118,666	121,747	120,468	123,609	125,869
Guaranteed minimum withdrawal & income benefits - externally reinsured	2,259	2,629	2,932	3,025	3,084
Total	<u>128,735</u>	<u>132,091</u>	<u>130,748</u>	<u>133,783</u>	<u>135,863</u>
<u>Living Benefit Features Account Values by Product Design Type</u>					
Account Values with Auto-Rebalancing Feature - risk retained by Prudential	107,253	109,175	107,752	110,286	111,750
Account Values with Auto-Rebalancing Feature - externally reinsured	2,259	2,629	2,932	3,025	3,084
Account Values without Auto-Rebalancing Feature	19,223	20,287	20,064	20,472	21,029
Total	<u>128,735</u>	<u>132,091</u>	<u>130,748</u>	<u>133,783</u>	<u>135,863</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	4,366	3,928	4,494	3,872	3,594
Net Amount at Risk with Auto-Rebalancing Feature - externally reinsured	—	—	—	—	—
Net Amount at Risk without Auto-Rebalancing Feature	1,179	1,049	1,082	939	846
Total	<u>5,545</u>	<u>4,977</u>	<u>5,576</u>	<u>4,811</u>	<u>4,440</u>

(1) At end of period.

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

	2016			2017	
	2Q	3Q	4Q	1Q	2Q
DEATH BENEFIT FEATURES ACCOUNT VALUE AND NET AMOUNT AT RISK (1):					
<u>Variable Annuity Account Values by Death Benefit Features</u>					
<i>Return of net deposits:</i>					
Account value	116,599	119,755	118,620	121,507	123,591
Net amount at risk	544	399	487	385	323
<i>Minimum return, anniversary contract value, or maximum contract value:</i>					
Account value	31,127	31,534	30,980	31,460	31,612
Net amount at risk	4,147	3,533	3,714	3,215	3,012
<u>Death Benefit Features Account Values by Product Design Type</u>					
Account Values with Auto-Rebalancing Feature	109,512	111,804	110,684	113,311	114,834
Account Values without Auto-Rebalancing Feature	38,214	39,485	38,916	39,656	40,369
Total	<u>147,726</u>	<u>151,289</u>	<u>149,600</u>	<u>152,967</u>	<u>155,203</u>
<u>Death Benefit Features Net Amount at Risk by Product Design Type</u>					
Net Amount at Risk with Auto-Rebalancing Feature	1,852	1,392	1,597	1,265	1,168
Net Amount at Risk without Auto-Rebalancing Feature	2,839	2,540	2,604	2,335	2,167
Total	<u>4,691</u>	<u>3,932</u>	<u>4,201</u>	<u>3,600</u>	<u>3,335</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			2016			2017	
2017	2016		2Q	3Q	4Q	1Q	2Q
RETIREMENT SEGMENT SALES AND ACCOUNT VALUES							
Full Service:							
202,802	188,961	Beginning total account value	190,953	194,007	200,476	202,802	210,400
11,507	11,355	Deposits and sales	4,699	5,405	5,168	6,736	4,771
(12,476)	(9,799)	Withdrawals and benefits	(4,513)	(5,013)	(5,315)	(6,690)	(5,786)
12,898	3,490	Change in market value, interest credited, interest income and other activity	2,868	6,077	2,473	7,552	5,346
214,731	194,007	Ending total account value	194,007	200,476	202,802	210,400	214,731
(969)	1,556	Net additions (withdrawals)	186	392	(147)	46	(1,015)
Stable value account values included above			47,581	48,352	48,725	48,737	48,829
Institutional Investment Products:							
183,376	179,964	Beginning total account value	180,819	180,882	186,224	183,376	185,115
6,599	5,482	Additions	3,421	6,907	3,751	4,042	2,557
(8,412)	(5,902)	Withdrawals and benefits	(3,119)	(2,339)	(3,920)	(4,241)	(4,171)
2,902	4,251	Change in market value, interest credited and interest income	2,053	1,953	(905)	1,229	1,673
2,145	(2,913)	Other (1)	(2,292)	(1,179)	(1,774)	709	1,436
186,610	180,882	Ending total account value	180,882	186,224	183,376	185,115	186,610
(1,813)	(420)	Net additions (withdrawals)	302	4,568	(169)	(199)	(1,614)
Amounts included in ending total account value above:							
69,808	69,567	Investment-only stable value wraps	69,567	71,482	70,196	70,576	69,808
33,138	31,438	Longevity reinsurance (2)	31,438	31,280	29,959	32,004	33,138
83,664	79,877	Group annuities and other products	79,877	83,462	83,221	82,535	83,664
186,610	180,882	Ending total account value	180,882	186,224	183,376	185,115	186,610

- (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		2016			2017	
2017	2016	2Q			3Q	4Q	1Q	2Q	
Analysis of revenues by type:									
1,167	1,071	9%	Asset management fees	547	577	579	575	592	
127	138	-8%	Other related revenues	67	52	65	58	69	
249	229	9%	Service, distribution and other revenues	118	121	129	123	126	
<u>1,543</u>	<u>1,438</u>	7%	Total Asset Management segment revenues	<u>732</u>	<u>750</u>	<u>773</u>	<u>756</u>	<u>787</u>	
Analysis of asset management fees by source:									
554	498	11%	Institutional customers	256	273	275	275	279	
379	342	11%	Retail customers	173	182	183	185	194	
234	231	1%	General account	118	122	121	115	119	
<u>1,167</u>	<u>1,071</u>	9%	Total asset management fees	<u>547</u>	<u>577</u>	<u>579</u>	<u>575</u>	<u>592</u>	

Supplementary Assets Under Management Information (in billions):

	June 30, 2017			
	Equity	Fixed Income	Real Estate	Total
Institutional customers	62.1	357.1	42.0	461.2
Retail customers	124.2	105.5	1.5	231.2
General account	6.5	404.0	1.8	412.3
Total	<u>192.8</u>	<u>866.6</u>	<u>45.3</u>	<u>1,104.7</u>
	June 30, 2016			
	Equity	Fixed Income	Real Estate	Total
Institutional customers	58.1	319.6	41.1	418.8
Retail customers	113.8	86.2	2.1	202.1
General account	6.3	418.2	1.8	426.3
Total	<u>178.2</u>	<u>824.0</u>	<u>45.0</u>	<u>1,047.2</u>

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

Year-to-date			2016			2017	
2017	2016		2Q	3Q	4Q	1Q	2Q
Institutional Customers - Assets Under Management:							
Assets gathered by Investment Management & Advisory Services sales force:							
386.4	347.1	Beginning assets under management	359.3	373.4	398.9	386.4	399.1
33.1	27.3	Additions	14.8	16.4	15.7	15.9	17.2
(26.1)	(27.9)	Withdrawals	(12.8)	(13.0)	(13.2)	(15.4)	(10.7)
20.4	24.0	Change in market value	11.3	8.4	(10.6)	9.6	10.8
0.3	(0.6)	Net money market flows	0.4	13.5	(1.1)	2.0	(1.7)
0.5	3.5	Other (1)	0.4	0.2	(3.3)	0.6	(0.1)
414.6	373.4	Ending assets under management	373.4	398.9	386.4	399.1	414.6
46.6	45.4	Affiliated institutional assets under management	45.4	47.0	45.1	46.1	46.6
461.2	418.8	Total assets managed for institutional customers at end of period	418.8	445.9	431.5	445.2	461.2
7.0	(0.6)	Net institutional additions (withdrawals), excluding money market activity	2.0	3.4	2.5	0.5	6.5
Retail Customers - Assets Under Management:							
Assets gathered by Investment Management & Advisory Services sales force:							
136.6	128.9	Beginning assets under management	127.8	131.3	137.7	136.6	144.2
23.8	21.7	Additions	11.5	10.5	9.9	13.0	10.8
(22.5)	(20.6)	Withdrawals	(9.9)	(9.6)	(11.5)	(12.9)	(9.6)
12.0	0.7	Change in market value	1.9	5.5	(1.7)	7.4	4.6
—	(0.1)	Net money market flows	—	—	—	—	—
0.1	0.7	Other (1)	—	—	2.2	0.1	—
150.0	131.3	Ending assets under management	131.3	137.7	136.6	144.2	150.0
81.2	70.8	Affiliated retail assets under management	70.8	71.3	72.6	73.4	81.2
231.2	202.1	Total assets managed for retail customers at end of period	202.1	209.0	209.2	217.6	231.2
1.3	1.1	Net retail additions (withdrawals), excluding money market activity	1.6	0.9	(1.6)	0.1	1.2

(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 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		2016			2017	
2017	2016			2Q	3Q	4Q	1Q	2Q
Revenues (1):								
2,524	2,453	3%	Premiums	1,234	1,210	1,231	1,268	1,256
641	1,224	-48%	Policy charges and fee income	505	713	699	717	(76)
1,283	1,175	9%	Net investment income	593	625	630	647	636
396	353	12%	Asset management fees, commissions and other income	187	195	190	196	200
4,844	5,205	-7%	Total revenues	2,519	2,743	2,750	2,828	2,016
Benefits and Expenses (1):								
2,948	3,584	-18%	Insurance and annuity benefits	1,950	1,622	1,611	1,707	1,241
488	460	6%	Interest credited to policyholders' account balances	233	237	246	243	245
321	288	11%	Interest expense	146	147	153	157	164
(349)	(334)	-4%	Deferral of acquisition costs	(172)	(169)	(203)	(183)	(166)
332	(33)	1106%	Amortization of acquisition costs	(111)	83	71	72	260
1,373	1,295	6%	General and administrative expenses	674	650	691	680	693
5,113	5,260	-3%	Total benefits and expenses	2,720	2,570	2,569	2,676	2,437
(269)	(55)	-389%	Adjusted operating income (loss) before income taxes	(201)	173	181	152	(421)

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

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

	Six Months Ended June 30, 2017			Quarter Ended June 30, 2017		
	Total U.S. Individual Life & Group Insurance Division	Individual Life	Group Insurance	Total U.S. Individual Life & Group Insurance Division	Individual Life	Group Insurance
Revenues (1):						
Premiums	2,524	446	2,078	1,256	230	1,026
Policy charges and fee income	641	333	308	(76)	(240)	164
Net investment income	1,283	965	318	636	483	153
Asset management fees, commissions and other income	396	355	41	200	181	19
Total revenues	4,844	2,099	2,745	2,016	654	1,362
Benefits and Expenses (1):						
Insurance and annuity benefits	2,948	931	2,017	1,241	289	952
Interest credited to policyholders' account balances	488	354	134	245	178	67
Interest expense	321	318	3	164	162	2
Deferral of acquisition costs	(349)	(349)	—	(166)	(166)	—
Amortization of acquisition costs	332	329	3	260	258	2
General and administrative expenses	1,373	955	418	693	490	203
Total benefits and expenses	5,113	2,538	2,575	2,437	1,211	1,226
Adjusted operating income (loss) before income taxes	(269)	(439)	170	(421)	(557)	136
	Six Months Ended June 30, 2016			Quarter Ended June 30, 2016		
	Total U.S. Individual Life & Group Insurance Division	Individual Life	Group Insurance	Total U.S. Individual Life & Group Insurance Division	Individual Life	Group Insurance
Revenues (1):						
Premiums	2,453	426	2,027	1,234	216	1,018
Policy charges and fee income	1,224	899	325	505	329	176
Net investment income	1,175	881	294	593	445	148
Asset management fees, commissions and other income	353	315	38	187	165	22
Total revenues	5,205	2,521	2,684	2,519	1,155	1,364
Benefits and Expenses (1):						
Insurance and annuity benefits	3,584	1,563	2,021	1,950	949	1,001
Interest credited to policyholders' account balances	460	333	127	233	169	64
Interest expense	288	286	2	146	145	1
Deferral of acquisition costs	(334)	(334)	—	(172)	(172)	—
Amortization of acquisition costs	(33)	(36)	3	(111)	(113)	2
General and administrative expenses	1,295	879	416	674	467	207
Total benefits and expenses	5,260	2,691	2,569	2,720	1,445	1,275
Adjusted operating income (loss) before income taxes	(55)	(170)	115	(201)	(290)	89

(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			2016				2017
2017	2016		2Q	3Q	4Q	1Q	2Q
ANNUALIZED NEW BUSINESS PREMIUMS (1):							
103	98	Term life	50	52	50	49	54
93	112	Guaranteed Universal life	61	54	77	53	40
54	43	Other Universal life	23	21	31	21	33
49	51	Variable life	25	16	25	23	26
299	304	Total	159	143	183	146	153
ANNUALIZED NEW BUSINESS PREMIUMS BY DISTRIBUTION CHANNEL (1):							
56	59	Prudential Agents	30	28	29	27	29
243	245	Third party distribution	129	115	154	119	124
299	304	Total	159	143	183	146	153
ACCOUNT VALUE ACTIVITY:							
Policyholders' Account Balances (2):							
26,041	24,487	Beginning balance	24,437	24,747	25,000	26,041	26,358
1,636	1,630	Premiums and deposits	821	751	949	804	832
(522)	(508)	Surrenders and withdrawals	(257)	(240)	(240)	(233)	(289)
1,114	1,122	Net sales	564	511	709	571	543
(305)	(246)	Benefit payments	(121)	(138)	(106)	(182)	(123)
809	876	Net flows	443	373	603	389	420
143	(87)	Interest credited and other	137	155	718	228	(85)
212	192	Net transfers from separate account	93	102	102	106	106
(806)	(721)	Policy charges	(363)	(377)	(382)	(406)	(400)
—	—	Acquisition	—	—	—	—	—
26,399	24,747	Ending balance	24,747	25,000	26,041	26,358	26,399
Separate Account Liabilities:							
28,455	27,027	Beginning balance	26,887	27,227	28,129	28,455	29,669
785	793	Premiums and deposits	337	287	359	442	343
(447)	(439)	Surrenders and withdrawals	(222)	(212)	(201)	(220)	(227)
338	354	Net sales	115	75	158	222	116
(90)	(91)	Benefit payments	(40)	(39)	(33)	(46)	(44)
248	263	Net flows	75	36	125	176	72
2,224	580	Change in market value, interest credited and other	585	1,196	532	1,373	851
(212)	(192)	Net transfers to general account	(93)	(102)	(102)	(106)	(106)
(456)	(451)	Policy charges	(227)	(228)	(229)	(229)	(227)
—	—	Acquisition	—	—	—	—	—
30,259	27,227	Ending balance	27,227	28,129	28,455	29,669	30,259
FACE AMOUNT IN FORCE (3):							
		Term life	706,636	714,733	721,602	727,736	736,348
		Guaranteed Universal life	127,453	130,400	134,973	137,801	139,663
		Other Universal life	44,505	44,781	45,350	45,704	46,328
		Variable life	162,416	163,184	162,574	162,611	162,452
		Total	1,041,010	1,053,098	1,064,500	1,073,851	1,084,791

- (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			2016		2017	
2017	2016		2Q	3Q	4Q	1Q
						2Q
GROUP INSURANCE ANNUALIZED NEW BUSINESS PREMIUMS:						
242	256	Group life	24	29	31	186
129	100	Group disability	21	13	6	115
371	356	Total	45	42	37	301
Future Policy Benefits (1) (2):						
		Group life	2,124	2,065	2,238	2,166
		Group disability	21	11	3	28
		Total	2,145	2,076	2,241	2,194
Policyholders' Account Balances (1):						
		Group life	8,367	8,497	8,634	8,614
		Group disability	240	208	224	237
		Total	8,607	8,705	8,858	8,851
Separate Account Liabilities (1):						
		Group life	23,816	24,839	23,594	23,812
		Group disability	—	—	—	—
		Total	23,816	24,839	23,594	23,812
Group Life Insurance:						
2,092	2,073	Gross premiums, policy charges and fee income (3)	1,064	1,016	1,006	1,038
1,966	1,953	Earned premiums, policy charges and fee income	998	953	939	985
89.3%	89.0%	Benefits ratio (4)	88.6%	88.6%	87.3%	92.2%
10.6%	10.7%	Administrative operating expense ratio	10.6%	10.6%	10.7%	10.8%
		Persistency ratio	95.8%	95.3%	95.2%	94.9%
Group Disability Insurance:						
470	438	Gross premiums, policy charges and fee income (3)	222	219	223	233
420	399	Earned premiums, policy charges and fee income	196	199	207	211
75.5%	79.7%	Benefits ratio (5)	77.5%	80.4%	91.3%	74.3%
29.2%	31.6%	Administrative operating expense ratio	31.1%	31.4%	31.0%	29.4%
		Persistency ratio	93.7%	92.9%	91.7%	93.7%
Total Group Insurance (6):						
86.8%	87.4%	Benefits ratio	86.6%	87.1%	88.0%	89.1%

(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 86.9%, 92.2%, 87.3%, 88.6%, and 90.8% for the three months ended June 30, 2017, March 31, 2017, December 31, 2016, September 30, 2016, and June 30, 2016, respectively, and 89.6% and 90.1% for year-to-date June 2017 and 2016, respectively.

(5) Group Disability Insurance benefit ratios excluding market driven and discrete items. Benefits ratios including market driven and discrete items are 47.5%, 74.3%, 91.3%, 80.4%, and 47.9% for the three months ended June 30, 2017, March 31, 2017, December 31, 2016, September 30, 2016, and June 30, 2016, respectively, and 61.0% and 65.2% for year-to-date June 2017 and 2016, respectively.

(6) Group Insurance benefit ratios excluding market driven and discrete items. Benefits ratios including market driven and discrete items are 80.0%, 89.1%, 88.0%, 87.1%, and 83.8% for the three months ended June 30, 2017, March 31, 2017, December 31, 2016, September 30, 2016, and June 30, 2016, respectively, and 84.5% and 85.9% for year-to-date June 2017 and 2016, respectively.

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

Year-to-date			2016			2017	
2017	2016		2Q	3Q	4Q	1Q	2Q
<i>DEFERRED POLICY ACQUISITION COSTS</i>							
INDIVIDUAL ANNUITIES:							
4,871	4,916	Beginning balance	4,130	4,119	4,515	4,871	4,865
159	217	Capitalization	117	104	87	79	80
(230)	(266)	Amortization - operating results	(122)	(84)	(134)	(128)	(102)
555	(700)	Amortization - realized investment gains and losses	17	374	347	50	505
(43)	(48)	Impact of unrealized (gains) or losses on AFS securities	(23)	2	56	(7)	(36)
—	—	Other	—	—	—	—	—
<u>5,312</u>	<u>4,119</u>	Ending balance	<u>4,119</u>	<u>4,515</u>	<u>4,871</u>	<u>4,865</u>	<u>5,312</u>
INDIVIDUAL LIFE INSURANCE:							
5,278	4,883	Beginning balance	4,727	4,773	4,840	5,278	5,393
349	334	Capitalization	172	169	203	183	166
(329)	36	Amortization - operating results	113	(82)	(69)	(71)	(258)
107	(106)	Amortization - realized investment gains and losses	(80)	2	4	2	105
(75)	(374)	Impact of unrealized (gains) or losses on AFS securities	(159)	(22)	300	1	(76)
<u>5,330</u>	<u>4,773</u>	Ending balance	<u>4,773</u>	<u>4,840</u>	<u>5,278</u>	<u>5,393</u>	<u>5,330</u>
GROUP INSURANCE:							
176	182	Beginning balance	181	179	178	176	175
—	—	Capitalization	—	—	—	—	—
(3)	(3)	Amortization - operating results	(2)	(1)	(2)	(1)	(2)
—	—	Amortization - realized investment gains and losses	—	—	—	—	—
—	—	Impact of unrealized losses on AFS securities	—	—	—	—	—
<u>173</u>	<u>179</u>	Ending balance	<u>179</u>	<u>178</u>	<u>176</u>	<u>175</u>	<u>173</u>
<i>DEFERRED SALES INDUCEMENTS</i>							
INDIVIDUAL ANNUITIES:							
1,082	1,188	Beginning balance	916	893	1,012	1,082	1,064
1	2	Capitalization	1	1	—	—	1
(71)	(101)	Amortization - operating results	(50)	(23)	(44)	(41)	(30)
209	(187)	Amortization - realized investment gains and losses	29	140	103	25	184
(10)	(9)	Impact of unrealized (gains) or losses on AFS securities	(3)	1	11	(2)	(8)
—	—	Other	—	—	—	—	—
<u>1,211</u>	<u>893</u>	Ending balance	<u>893</u>	<u>1,012</u>	<u>1,082</u>	<u>1,064</u>	<u>1,211</u>

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

Year-to-date		% Change		2016			2017	
2017	2016			2Q	3Q	4Q	1Q	2Q
Revenues (1):								
7,994	7,595	5%	Premiums	3,899	3,939	3,814	3,962	4,032
246	236	4%	Policy charges and fee income	106	134	129	134	112
2,465	2,324	6%	Net investment income	1,204	1,229	1,206	1,205	1,260
187	232	-19%	Asset management fees, commissions and other income	134	82	89	108	79
10,892	10,387	5%	Total revenues	5,343	5,384	5,238	5,409	5,483
Benefits and Expenses (1):								
6,855	6,570	4%	Insurance and annuity benefits	3,397	3,382	3,280	3,433	3,422
448	457	-2%	Interest credited to policyholders' account balances	230	237	226	226	222
6	3	100%	Interest expense	1	2	3	3	3
(972)	(862)	-13%	Deferral of acquisition costs	(436)	(462)	(426)	(465)	(507)
589	533	11%	Amortization of acquisition costs	273	271	264	285	304
2,344	2,104	11%	General and administrative expenses	1,075	1,174	1,136	1,128	1,216
9,270	8,805	5%	Total benefits and expenses	4,540	4,604	4,483	4,610	4,660
1,622	1,582	3%	Adjusted operating income before income taxes	803	780	755	799	823

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

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

	Six Months Ended June 30, 2017			Quarter Ended June 30, 2017		
	Total International Insurance Division	International Insurance - Life Planner Operations	International Insurance - Gibraltar Life & Other Operations	Total International Insurance Division	International Insurance - Life Planner Operations	International Insurance - Gibraltar Life & Other Operations
Revenues (1):						
Premiums	7,994	4,049	3,945	4,032	1,933	2,099
Policy charges and fee income	246	173	73	112	77	35
Net investment income	2,465	1,025	1,440	1,260	516	744
Asset management fees, commissions and other income	187	108	79	79	51	28
Total revenues	10,892	5,355	5,537	5,483	2,577	2,906
Benefits and Expenses (1):						
Insurance and annuity benefits	6,855	3,577	3,278	3,422	1,711	1,711
Interest credited to policyholders' account balances	448	118	330	222	56	166
Interest expense	6	4	2	3	2	1
Deferral of acquisition costs	(972)	(528)	(444)	(507)	(263)	(244)
Amortization of acquisition costs	589	299	290	304	151	153
General and administrative expenses	2,344	1,148	1,196	1,216	591	625
Total benefits and expenses	9,270	4,618	4,652	4,660	2,248	2,412
Adjusted operating income before income taxes	1,622	737	885	823	329	494
	Six Months Ended June 30, 2016			Quarter Ended June 30, 2016		
	Total International Insurance Division	International Insurance - Life Planner Operations	International Insurance - Gibraltar Life & Other Operations	Total International Insurance Division	International Insurance - Life Planner Operations	International Insurance - Gibraltar Life & Other Operations
Revenues (1):						
Premiums	7,595	3,758	3,837	3,899	1,818	2,081
Policy charges and fee income	236	159	77	106	67	39
Net investment income	2,324	947	1,377	1,204	483	721
Asset management fees, commissions and other income	232	112	120	134	49	85
Total revenues	10,387	4,976	5,411	5,343	2,417	2,926
Benefits and Expenses (1):						
Insurance and annuity benefits	6,570	3,341	3,229	3,397	1,632	1,765
Interest credited to policyholders' account balances	457	115	342	230	56	174
Interest expense	3	2	1	1	1	—
Deferral of acquisition costs	(862)	(410)	(452)	(436)	(197)	(239)
Amortization of acquisition costs	533	258	275	273	127	146
General and administrative expenses	2,104	917	1,187	1,075	455	620
Total benefits and expenses	8,805	4,223	4,582	4,540	2,074	2,466
Adjusted operating income before income taxes	1,582	753	829	803	343	460

- (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			2016			2017	
2017	2016		2Q	3Q	4Q	1Q	2Q
INTERNATIONAL INSURANCE OPERATING DATA:							
Actual exchange rate basis (1):							
Net premiums, policy charges and fee income:							
3,158	3,017	Japan, excluding Gibraltar Life	1,434	1,472	1,386	1,691	1,467
4,018	3,914	Gibraltar Life	2,120	2,094	2,022	1,884	2,134
1,064	900	All other countries	451	507	535	521	543
8,240	7,831	Total	4,005	4,073	3,943	4,096	4,144
Annualized new business premiums:							
587	427	Japan, excluding Gibraltar Life (2)	190	208	205	336	251
841	858	Gibraltar Life	449	460	408	358	483
234	197	All other countries (2)	99	115	124	128	106
1,662	1,482	Total (2)	738	783	737	822	840
Annualized new business premiums by distribution channel:							
821	624	Life Planner Operations (2)	289	323	329	464	357
397	365	Gibraltar Life Consultants	204	200	175	167	230
293	370	Banks	176	188	158	132	161
151	123	Independent Agency	69	72	75	59	92
1,662	1,482	Total (2)	738	783	737	822	840
Constant exchange rate basis (3):							
Net premiums, policy charges and fee income:							
3,164	3,007	Japan, excluding Gibraltar Life	1,395	1,380	1,365	1,707	1,457
4,046	3,953	Gibraltar Life	2,099	1,999	1,946	1,912	2,134
1,044	932	All other countries	461	497	542	512	532
8,254	7,892	Total	3,955	3,876	3,853	4,131	4,123
Annualized new business premiums:							
588	425	Japan, excluding Gibraltar Life	185	197	202	339	249
845	867	Gibraltar Life	448	450	389	362	483
227	206	All other countries	101	111	122	124	103
1,660	1,498	Total	734	758	713	825	835
Annualized new business premiums by distribution channel:							
815	631	Life Planner Operations	286	308	324	463	352
399	369	Gibraltar Life Consultants	203	194	170	169	230
295	373	Banks	176	186	157	133	162
151	125	Independent Agency	69	70	62	60	91
1,660	1,498	Total	734	758	713	825	835

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

(2) The amounts for the first quarter of 2017 have been revised to correct the previously reported amounts.

(3) Foreign denominated activity translated to U.S. dollars at uniform exchange rates for all periods presented, including Japanese yen 112 per U.S. dollar and Korean won 1,130 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

	2016			2017	
	2Q	3Q	4Q	1Q	2Q
Face amount of individual policies in force at end of period (in billions) (1) (2):					
(Constant exchange rate basis)					
Japan, excluding Gibraltar Life	310	314	318	327	332
Gibraltar Life	320	324	327	330	333
All other countries	119	121	123	124	126
Total	<u>749</u>	<u>759</u>	<u>768</u>	<u>781</u>	<u>791</u>
Number of individual policies in force at end of period (in thousands) (2):					
Japan, excluding Gibraltar Life	3,384	3,436	3,488	3,581	3,632
Gibraltar Life	7,141	7,170	7,182	7,191	7,207
All other countries	2,024	2,048	2,076	2,105	2,122
Total	<u>12,549</u>	<u>12,654</u>	<u>12,746</u>	<u>12,877</u>	<u>12,961</u>
International life insurance policy persistency:					
<u>Life Planner Operations:</u>					
13 months	93.1%	93.0%	93.0%	93.0%	93.0%
25 months	85.6%	86.2%	86.3%	86.3%	86.5%
<u>Gibraltar Life (3):</u>					
13 months	93.3%	93.4%	93.5%	93.3%	93.4%
25 months	85.3%	85.5%	86.2%	86.7%	86.9%
Number of Life Planners at end of period:					
Japan	3,653	3,776	3,824	3,932	3,861
All other countries	3,898	3,891	3,856	3,887	3,874
Total Life Planners	<u>7,551</u>	<u>7,667</u>	<u>7,680</u>	<u>7,819</u>	<u>7,735</u>
Gibraltar Life Consultants	8,734	8,790	8,884	8,752	8,509

(1) Foreign denominated activity translated to U.S. dollars at uniform exchange rates for all periods presented, including Japanese yen 112 per U.S. dollar and Korean won 1,130 per U.S. dollar. U.S. dollar-denominated activity is included based on the amounts as transacted in U.S. dollars.

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

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

INVESTMENT PORTFOLIO COMPOSITION
(in millions)

	June 30, 2017				December 31, 2016			
	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	278,819	26,787	252,032	64.7%	268,118	24,917	243,201	64.2%
Public, held-to-maturity, at amortized cost	1,786	—	1,786	0.5%	1,772	—	1,772	0.5%
Private, available-for-sale, at fair value	56,082	14,250	41,832	10.7%	53,061	13,987	39,074	10.3%
Private, held-to-maturity, at amortized cost	337	—	337	0.1%	372	—	372	0.1%
Trading account assets supporting insurance liabilities, at fair value	22,073	—	22,073	5.7%	21,840	—	21,840	5.8%
Other trading account assets, at fair value	2,053	310	1,743	0.4%	1,805	284	1,521	0.4%
Equity securities, available-for-sale, at fair value	10,138	2,442	7,696	2.0%	9,735	2,572	7,163	1.9%
Commercial mortgage and other loans, at book value	54,338	9,432	44,906	11.5%	52,208	9,437	42,771	11.2%
Policy loans, at outstanding balance	11,719	4,583	7,136	1.8%	11,755	4,660	7,095	1.9%
Other long-term investments (1)	10,334	3,121	7,213	1.8%	10,251	3,020	7,231	1.9%
Short-term investments	3,605	395	3,210	0.8%	7,494	837	6,657	1.8%
Subtotal (2)	451,284	61,320	389,964	100.0%	438,411	59,714	378,697	100.0%
Invested assets of other entities and operations (3)	7,117	—	7,117		5,829	—	5,829	
Total investments	458,401	61,320	397,081		444,240	59,714	384,526	

Fixed Maturities by Credit Quality (2):

	June 30, 2017					December 31, 2016				
	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	192,290	26,495	1,467	217,318	85.5%	184,831	26,239	2,261	208,809	85.1%
2	26,526	2,790	229	29,087	11.4%	26,922	2,479	454	28,947	11.8%
Subtotal - High or Highest Quality Securities	218,816	29,285	1,696	246,405	96.9%	211,753	28,718	2,715	237,756	96.9%
3	4,935	308	67	5,176	2.0%	4,837	323	90	5,070	2.1%
4	2,164	158	45	2,277	0.9%	1,951	178	52	2,077	0.8%
5	136	28	3	161	0.1%	230	43	6	267	0.1%
6	163	5	2	166	0.1%	152	4	1	155	0.1%
Subtotal - Other Securities	7,398	499	117	7,780	3.1%	7,170	548	149	7,569	3.1%
Total	226,214	29,784	1,813	254,185	100.0%	218,923	29,266	2,864	245,325	100.0%
Private Fixed Maturities:										
NAIC Rating (4)										
1	11,655	749	61	12,343	29.3%	10,448	647	164	10,931	27.7%
2	23,437	1,422	334	24,525	58.1%	22,364	1,249	627	22,986	58.2%
Subtotal - High or Highest Quality Securities	35,092	2,171	395	36,868	87.4%	32,812	1,896	791	33,917	85.9%
3	3,452	158	50	3,560	8.4%	3,709	131	92	3,748	9.5%
4	1,048	33	19	1,062	2.5%	927	22	30	919	2.3%
5	557	23	25	555	1.3%	649	30	22	657	1.7%
6	126	28	4	150	0.4%	194	49	10	233	0.6%
Subtotal - Other Securities	5,183	242	98	5,327	12.6%	5,479	232	154	5,557	14.1%
Total	40,275	2,413	493	42,195	100.0%	38,291	2,128	945	39,474	100.0%

- (1) Other long-term investments consist of investments in joint ventures and limited 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 that are managed for third parties and those assets classified as "Separate account assets" on our balance sheet.
- (4) Reflects equivalent ratings for investments of the international insurance operations. Includes, as of June 30, 2017 and December 31, 2016, 702 securities with amortized cost of \$4,225 million (fair value \$4,315 million) and 918 securities with amortized cost of \$4,634 million (fair value \$4,759 million), respectively, that have been categorized based on expected NAIC designations pending receipt of SVO ratings.

INVESTMENT PORTFOLIO COMPOSITION - JAPANESE INSURANCE OPERATIONS AND EXCLUDING JAPANESE INSURANCE OPERATIONS (1)
(in millions)

	June 30, 2017		December 31, 2016	
	Amount	% of Total	Amount	% of Total
Japanese Insurance Operations (2):				
Fixed maturities:				
Public, available-for-sale, at fair value	127,180	76.4%	123,285	77.9%
Public, held-to-maturity, at amortized cost	1,786	1.1%	1,772	1.1%
Private, available-for-sale, at fair value	13,585	8.2%	11,646	7.4%
Private, held-to-maturity, at amortized cost	337	0.2%	372	0.2%
Trading account assets supporting insurance liabilities, at fair value	2,381	1.4%	2,166	1.4%
Other trading account assets, at fair value	437	0.3%	434	0.3%
Equity securities, available-for-sale, at fair value	2,763	1.7%	2,654	1.7%
Commercial mortgage and other loans, at book value	13,001	7.8%	11,700	7.4%
Policy loans, at outstanding balance	2,482	1.5%	2,369	1.5%
Other long-term investments (3)	2,086	1.3%	1,186	0.8%
Short-term investments	130	0.1%	398	0.3%
Total	166,168	100.0%	157,982	100.0%
Excluding Japanese Insurance Operations (2):				
Fixed maturities:				
Public, available-for-sale, at fair value	124,852	55.8%	119,916	54.4%
Public, held-to-maturity, at amortized cost	—	0.0%	—	0.0%
Private, available-for-sale, at fair value	28,247	12.6%	27,428	12.4%
Private, held-to-maturity, at amortized cost	—	0.0%	—	0.0%
Trading account assets supporting insurance liabilities, at fair value	19,692	8.8%	19,674	9.0%
Other trading account assets, at fair value	1,306	0.6%	1,087	0.5%
Equity securities, available-for-sale, at fair value	4,933	2.2%	4,509	2.0%
Commercial mortgage and other loans, at book value	31,905	14.3%	31,071	14.1%
Policy loans, at outstanding balance	4,654	2.1%	4,726	2.1%
Other long-term investments (3)	5,127	2.3%	6,045	2.7%
Short-term investments	3,080	1.3%	6,259	2.8%
Total	223,796	100.0%	220,715	100.0%

(1) Excludes Closed Block Division.

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

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

INVESTMENT RESULTS (1)
(in millions)

	Quarter Ended June 30					
	2017			2016		
	Investment Income	Realized Gains / (Losses)		Investment Income	Realized Gains / (Losses)	
	Yield (4)	Amount		Yield (4)	Amount	
General Account (2)						
Fixed maturities	3.85%	2,511	182	3.88%	2,353	379
Equity securities	6.76%	95	48	7.11%	93	(20)
Commercial mortgage and other loans	4.13%	400	(5)	4.32%	383	(6)
Policy loans	4.87%	87	—	4.88%	86	—
Short-term investments and cash equivalents	1.27%	39	—	0.55%	27	1
Other investments	6.07%	133	(1,407)	2.66%	57	867
Gross investment income before investment expenses	3.93%	3,265	(1,182)	3.78%	2,999	1,221
Investment expenses	-0.14%	(117)	—	-0.15%	(107)	—
Subtotal	3.79%	3,148	(1,182)	3.63%	2,892	1,221
Investment results of other entities and operations (3)		269	8		258	7
Less, investment income related to adjusted operating income reconciling items		(82)	—		(63)	—
Total		3,335	(1,174)		3,087	1,228

	Six Months Ended June 30					
	2017			2016		
	Investment Income	Realized Gains / (Losses)		Investment Income	Realized Gains / (Losses)	
	Yield (4)	Amount		Yield (4)	Amount	
General Account (2)						
Fixed maturities	3.87%	4,968	315	3.91%	4,621	342
Equity securities	6.07%	167	74	6.15%	157	(25)
Commercial mortgage and other loans	4.07%	775	(5)	4.33%	761	8
Policy loans	4.88%	173	—	4.90%	170	—
Short-term investments and cash equivalents	1.20%	74	—	0.56%	54	1
Other investments	8.37%	358	(1,402)	2.92%	122	2,853
Gross investment income before investment expenses	3.98%	6,515	(1,018)	3.79%	5,885	3,179
Investment expenses	-0.14%	(230)	—	-0.14%	(203)	—
Subtotal	3.84%	6,285	(1,018)	3.65%	5,682	3,179
Investment results of other entities and operations (3)		548	(2)		526	28
Less, investment income related to adjusted operating income reconciling items		(144)	—		(104)	—
Total		6,689	(1,020)		6,104	3,207

- (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 that are 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 June 30					
	2017		Realized Gains / (Losses)	2016		Realized Gains / (Losses)
	Investment Income Yield (1)	Amount		Investment Income Yield (1)	Amount	
Japanese Insurance Operations:						
Fixed maturities	3.05%	910	183	3.09%	863	283
Equity securities	5.53%	21	21	5.17%	20	2
Commercial mortgage and other loans	4.26%	133	(1)	4.11%	106	1
Policy loans	3.95%	25	—	3.89%	23	—
Short-term investments and cash equivalents	1.44%	4	—	0.82%	2	—
Other investments (2)	7.19%	39	117	8.07%	58	276
Gross investment income before investment expenses	3.26%	1,132	320	3.30%	1,072	562
Investment expenses	-0.12%	(44)	—	-0.12%	(40)	—
Total	3.14%	1,088	320	3.18%	1,032	562
Six Months Ended June 30						
	2017		Realized Gains / (Losses)	2016		Realized Gains / (Losses)
	Investment Income Yield (1)	Amount		Investment Income Yield (1)	Amount	
Japanese Insurance Operations:						
Fixed maturities	3.05%	1,786	373	3.11%	1,678	468
Equity securities	4.70%	36	34	4.44%	34	7
Commercial mortgage and other loans	4.11%	250	—	4.26%	214	7
Policy loans	3.94%	48	—	3.90%	45	—
Short-term investments and cash equivalents	1.34%	7	—	0.81%	4	—
Other investments (2)	7.39%	73	186	5.37%	74	891
Gross investment income before investment expenses	3.23%	2,200	593	3.26%	2,049	1,373
Investment expenses	-0.12%	(87)	—	-0.12%	(79)	—
Total	3.11%	2,113	593	3.14%	1,970	1,373

- (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 June 30					
	2017			2016		
	Investment Income	Realized		Investment Income	Realized	
	Yield (3)	Amount	Gains / (Losses)	Yield (3)	Amount	Gains / (Losses)
Excluding Japanese Insurance Operations (2):						
Fixed maturities	4.53%	1,601	(1)	4.56%	1,490	96
Equity securities	7.24%	74	27	7.97%	73	(22)
Commercial mortgage and other loans	4.06%	267	(4)	4.40%	277	(7)
Policy loans	5.35%	62	—	5.40%	63	—
Short-term investments and cash equivalents	1.26%	35	—	0.54%	25	1
Other investments	5.70%	94	(1,524)	-0.02%	(1)	591
Gross investment income before investment expenses	4.42%	2,133	(1,502)	4.11%	1,927	659
Investment expenses	-0.15%	(73)	—	-0.16%	(67)	—
Total	4.27%	2,060	(1,502)	3.95%	1,860	659

	Six Months Ended June 30					
	2017			2016		
	Investment Income	Realized		Investment Income	Realized	
	Yield (3)	Amount	Gains / (Losses)	Yield (3)	Amount	Gains / (Losses)
Excluding Japanese Insurance Operations (2):						
Fixed maturities	4.55%	3,182	(58)	4.59%	2,943	(126)
Equity securities	6.61%	131	40	6.89%	123	(32)
Commercial mortgage and other loans	4.05%	525	(5)	4.36%	547	1
Policy loans	5.36%	125	—	5.40%	125	—
Short-term investments and cash equivalents	1.19%	67	—	0.55%	50	1
Other investments	8.66%	285	(1,588)	1.73%	48	1,962
Gross investment income before investment expenses	4.51%	4,315	(1,611)	4.16%	3,836	1,806
Investment expenses	-0.16%	(143)	—	-0.16%	(124)	—
Total	4.35%	4,172	(1,611)	4.00%	3,712	1,806

(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 that are 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)

	Second Quarter 2017								Second Quarter 2016							
	Premiums	Policy Charges and Fee Income	Asset Management Fees, Commissions and Other Income	Insurance and Annuity Benefits	Interest Credited to Policyholders' Account Balances	Amortization of Acquisition Costs	General and Administrative Expenses	Pre-Tax Adjusted Operating Income	Premiums	Policy Charges and Fee Income	Insurance and Annuity Benefits	Interest Credited to Policyholders' Account Balances	Interest Expense	Amortization of Acquisition Costs	General and Administrative Expenses	Pre-Tax Adjusted Operating Income
Individual Annuities:																
Annual review of assumptions	—	—	12	(15)	(5)	(13)	(1)	46	—	—	(19)	8	—	7	—	4
Market performance and experience true-ups	—	—	33	(7)	(3)	(11)	—	54	—	—	(35)	—	—	(12)	(1)	48
Total of above items	—	—	45	(22)	(8)	(24)	(1)	100	—	—	(54)	8	—	(5)	(1)	52
Reported amount	—	—	369	71	77	102	507		—	—	57	98	—	122	537	
Amount excluding impact of items indicated above	—	—	324	93	85	126	508		—	—	111	90	—	127	538	
Retirement:																
Annual review of assumptions	—	—	—	4	45	(7)	(22)	(20)	362	—	363	—	—	(1)	(6)	6
Total of above items	—	—	—	4	45	(7)	(22)	(20)	362	—	363	—	—	(1)	(6)	6
Reported amount	—	—	—	2,649	409	4	240		974	—	1,403	—	—	5	247	
Amount excluding impact of items indicated above	—	—	—	2,645	364	11	262		612	—	1,040	—	—	6	253	
Individual Life:																
Annual review of assumptions	—	(763)	—	(321)	—	175	36	(653)	—	(230)	347	—	—	(193)	36	(420)
Total of above items	—	(763)	—	(321)	—	175	36	(653)	—	(230)	347	—	—	(193)	36	(420)
Reported amount	—	(240)	—	289	—	258	490		—	329	949	—	—	(113)	467	
Amount excluding impact of items indicated above	—	523	—	610	—	83	454		—	559	602	—	—	80	431	
Group Insurance:																
Annual review of assumptions	(8)	18	—	(45)	—	—	—	55	14	33	6	—	—	—	—	41
Total of above items	(8)	18	—	(45)	—	—	—	55	14	33	6	—	—	—	—	41
Reported amount	1,026	164	—	952	—	—	—		1,018	176	1,001	—	—	—	—	
Amount excluding impact of items indicated above	1,034	146	—	997	—	—	—		1,004	143	995	—	—	—	—	
International Insurance - Life Planner operations:																
Annual review of assumptions	—	(7)	—	50	—	7	3	(67)	—	(22)	33	—	—	(7)	(10)	(38)
Total of above items	—	(7)	—	50	—	7	3	(67)	—	(22)	33	—	—	(7)	(10)	(38)
Reported amount	—	77	—	1,711	—	151	591		—	67	1,632	—	—	127	455	
Amount excluding impact of items indicated above	—	84	—	1,661	—	144	588		—	89	1,599	—	—	134	465	
International Insurance - Gibraltar Life & Other operations:																
Annual review of assumptions	13	—	—	(5)	(1)	(2)	—	21	—	—	33	—	—	1	—	(34)
Total of above items	13	—	—	(5)	(1)	(2)	—	21	—	—	33	—	—	1	—	(34)
Reported amount	2,099	—	—	1,711	166	153	—		—	—	1,765	—	—	146	—	
Amount excluding impact of items indicated above	2,086	—	—	1,716	167	155	—		—	—	1,732	—	—	145	—	
Corporate & Other:																
Annual review of assumptions	—	—	—	4	—	—	—	(4)	—	—	3	—	—	—	—	(3)
Costs associated with debt tender offer	—	—	—	—	—	—	—	—	—	—	—	—	36	—	—	(36)
Total of above items	—	—	—	4	—	—	—	(4)	—	—	3	—	36	—	—	(39)
Reported amount	—	—	—	3	—	—	—		—	—	6	—	182	—	—	
Amount excluding impact of items indicated above	—	—	—	(1)	—	—	—		—	—	3	—	146	—	—	

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

Three Months Ended June 30, 2017									Three Months Ended June 30, 2016								
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 contractholder liabilities due to asset value changes	Closed Block division	Other divested businesses	Equity in earnings of operating joint ventures and earnings attributable to noncontrolling 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 contractholder liabilities due to asset value changes	Closed Block division	Other divested businesses	Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests	U.S. GAAP (2)	
Revenues :																	
Premiums	7,557	—	—	—	670	99	—	8,326	6,146	—	—	—	693	96	—	—	6,935
Policy charges and fee income	794	(69)	—	—	—	—	—	725	1,288	(12)	—	—	—	—	—	—	1,276
Net investment income	3,335	(9)	—	—	672	91	—	4,089	3,087	(8)	—	—	639	71	—	—	3,789
Realized investment gains (losses), net	161	(1,372)	—	—	82	37	—	(1,092)	138	1,059	—	—	205	31	—	—	1,433
Asset management fees, commissions and other income	1,181	4	201	—	25	1	(19)	1,393	1,153	(249)	108	—	9	1	(16)	—	1,006
Total revenues	13,028	(1,446)	201	—	1,449	228	(19)	13,441	11,812	790	108	—	1,546	199	(16)	—	14,439
Benefits and Expenses :																	
Insurance and annuity benefits	7,386	(69)	—	—	1,328	174	—	8,819	6,813	153	—	—	1,433	188	—	—	8,587
Interest credited to policyholders' account balances	953	(184)	—	145	33	—	—	947	914	(23)	—	133	34	—	—	—	1,058
Interest expense	326	—	—	—	—	1	—	327	357	—	—	—	—	—	—	—	357
Deferral of acquisition costs	(755)	—	—	—	—	—	—	(755)	(718)	—	—	—	—	—	—	—	(718)
Amortization of acquisition costs	662	(586)	—	—	8	—	—	84	281	138	—	—	8	—	—	—	427
General and administrative expenses	3,228	72	—	—	98	18	(5)	3,411	3,108	162	—	—	103	22	(8)	—	3,387
Total benefits and expenses	11,800	(767)	—	145	1,467	193	(5)	12,833	10,755	430	—	133	1,578	210	(8)	—	13,098
Six Months Ended June 30, 2017																	
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 contractholder liabilities due to asset value changes	Closed Block division	Other divested businesses	Equity in earnings of operating joint ventures and earnings attributable to noncontrolling 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 contractholder liabilities due to asset value changes	Closed Block division	Other divested businesses	Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests	U.S. GAAP (2)	
Revenues :																	
Premiums	13,331	—	—	—	1,274	202	—	14,807	11,723	—	—	—	1,315	194	—	—	13,232
Policy charges and fee income	2,349	(91)	—	—	—	—	—	2,258	2,799	76	—	—	—	—	—	—	2,875
Net investment income	6,689	(17)	—	—	1,317	161	—	8,150	6,104	(15)	—	—	1,251	119	—	—	7,459
Realized investment gains (losses), net	283	(1,345)	—	—	355	42	—	(665)	312	2,817	—	—	107	78	—	—	3,314
Asset management fees, commissions and other income	2,383	(81)	245	—	60	4	(50)	2,561	2,166	(582)	324	—	2	2	(24)	—	1,888
Total revenues	25,035	(1,534)	245	—	3,006	409	(50)	27,111	23,104	2,296	324	—	2,675	393	(24)	—	28,768

Benefits and Expenses :																		
Insurance and annuity benefits	13,532	(108)	—	—	2,708	327	—	16,459	12,797	272	—	—	2,487	328	—	15,884		
Interest credited to policyholders' account balances	1,873	(209)	—	157	66	—	—	1,887	1,821	193	—	263	67	—	—	2,344		
Interest expense	648	—	—	—	1	2	—	651	682	—	—	—	1	1	—	684		
Deferral of acquisition costs	(1,479)	—	—	—	—	—	—	(1,479)	(1,403)	—	—	—	—	—	—	(1,403)		
Amortization of acquisition costs	1,143	(639)	—	—	19	—	—	523	760	850	—	—	19	—	—	1,629		
General and administrative expenses	6,430	63	—	—	196	39	(8)	6,720	6,065	283	—	—	206	44	(41)	6,557		
Total benefits and expenses	22,147	(893)	—	157	2,990	368	(8)	24,761	20,722	1,598	—	263	2,780	373	(41)	25,695		

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

(2) U.S. generally accepted accounting principles

	Three Months Ended September 30, 2016								Three Months Ended December 31, 2016							
	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 contractholder liabilities due to asset value changes	Closed Block division	Other divested businesses	Equity in earnings of operating joint ventures and earnings attributable to noncontrolling 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 contractholder liabilities due to asset value changes	Closed Block division	Other divested businesses	Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests	U.S. GAAP (2)
Revenues :																
Premiums	8,934	—	—	—	598	103	—	9,635	7,296	—	—	—	707	94	—	8,097
Policy charges and fee income	1,559	(19)	—	—	—	—	—	1,540	1,529	(38)	—	—	—	—	—	1,491
Net investment income	3,292	(8)	—	—	702	87	—	4,073	3,299	(8)	—	—	625	72	—	3,988
Realized investment gains (losses), net	115	529	—	—	153	16	—	813	150	(2,090)	—	—	174	(167)	—	(1,933)
Asset management fees, commissions and other income	1,150	(298)	37	—	28	3	(20)	900	1,146	644	(378)	—	7	1	(13)	1,407
Total revenues	15,050	204	37	—	1,481	209	(20)	16,961	13,420	(1,492)	(378)	—	1,513	—	(13)	13,050
Benefits and Expenses :																
Insurance and annuity benefits	9,254	33	—	—	1,307	130	—	10,724	7,658	(174)	—	—	1,429	136	—	9,049
Interest credited to policyholders' account balances	932	(140)	—	(1)	34	(1)	—	824	945	(103)	—	(283)	33	1	—	593
Interest expense	314	—	—	—	1	1	—	316	319	—	—	—	—	1	—	320
Deferral of acquisition costs	(731)	—	—	—	—	—	—	(731)	(711)	—	—	—	—	—	—	(711)
Amortization of acquisition costs	444	(339)	—	—	10	—	—	115	468	(343)	—	—	8	—	—	133
General and administrative expenses	3,279	1	—	—	98	23	(3)	3,398	3,282	(48)	—	—	101	22	(8)	3,349
Total benefits and expenses	13,492	(445)	—	(1)	1,450	153	(3)	14,646	11,961	(668)	—	(283)	1,571	160	(8)	12,733

	Three Months Ended March 31, 2017							
	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 contractholder liabilities due to asset value changes	Closed Block division	Other divested businesses	Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests	U.S. GAAP (2)
Revenues :								
Premiums	5,774	—	—	—	604	103	—	6,481
Policy charges and fee income	1,555	(22)	—	—	—	—	—	1,533
Net investment income	3,354	(8)	—	—	645	70	—	4,061
Realized investment gains (losses), net	122	27	—	—	273	5	—	427
Asset management fees, commissions and other income	1,202	(85)	44	—	35	3	(31)	1,168
Total revenues	12,007	(88)	44	—	1,557	181	(31)	13,670
Benefits and Expenses :								
Insurance and annuity benefits	6,146	(39)	—	—	1,380	153	—	7,640
Interest credited to policyholders' account balances	920	(25)	—	12	33	—	—	940
Interest expense	322	—	—	—	1	1	—	324
Deferral of acquisition costs	(724)	—	—	—	—	—	—	(724)
Amortization of acquisition costs	481	(53)	—	—	11	—	—	439
General and administrative expenses	3,202	(9)	—	—	98	21	(3)	3,309
Total benefits and expenses	10,347	(126)	—	12	1,523	175	(3)	11,928

- (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. Earnings attributable to noncontrolling interests is presented as a separate component of net income under GAAP and excluded from adjusted operating income.

Adjusted operating income does not equate to “Net income” 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 asset management business.

KEY DEFINITIONS AND FORMULAS

10. Client Assets:

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

11. Divested Businesses:

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

12. Earned Premiums:

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

13. Full Service Retirement:

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

14. Full Service Stable Value:

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

15. General Account:

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

16. Gibraltar Life:

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

17. Gibraltar Life Consultants:

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

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

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

19. Group Insurance Benefits Ratios:

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

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

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

21. Individual Annuities - Net Amounts at Risk:

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

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

KEY DEFINITIONS AND FORMULAS

22. Insurance and Annuity Benefits:

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

23. International Life Planners:

Captive insurance agents in our Life Planner Operations.

24. Non-recourse and Limited-recourse Debt:

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

25. Policy Persistency - Group Insurance:

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

26. Policy Persistency - International Insurance:

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

27. Prudential Agents:

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

28. Prudential Agent productivity:

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

29. Separate Accounts:

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

30. Wrap-Fee Products:

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

RATINGS AND INVESTOR INFORMATION

FINANCIAL STRENGTH RATINGS

as of August 2, 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 August 2, 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:

<i>Corporate Offices:</i>	<i>Investor Information Hotline:</i>
Prudential Financial, Inc. 751 Broad Street Newark, New Jersey 07102	Dial 877-998-ROCK for additional printed information or inquiries. <i>Web Site:</i> www.prudential.com

Common Stock:

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