

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 1, 2018

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:

- ☐ 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 2018 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 2018.
- B. Conference Call and Related Materials. Members of the Company’s senior management will hold a conference call on Thursday, August 2, 2018 at 11:00 A.M. ET, to discuss the Company’s second quarter 2018 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.

<u>Exhibit No.</u>	<u>Description</u>
99.1	<u>News release of Prudential Financial, Inc., dated August 1, 2018, announcing second quarter 2018 results (furnished and not filed).</u>
99.2	<u>Quarterly Financial Supplement for Prudential Financial, Inc. for second quarter 2018 (furnished and not filed).</u>

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 1, 2018

PRUDENTIAL FINANCIAL, INC.

By: /s/ Robert D. Axel

Name: Robert D. Axel

Title: Senior Vice President and Principal Accounting Officer



August 1, 2018

Prudential Financial, Inc. Announces Second Quarter 2018 Results

- Net income attributable to Prudential Financial of \$197 million or \$0.46 per Common share versus \$491 million or \$1.12 per share for year-ago quarter.
- After-tax adjusted operating income of \$1.298 billion or \$3.01 per Common share versus \$919 million or \$2.09 per share for year-ago quarter.
- Notable items resulted in a net charge to net income and after-tax adjusted operating income of \$81 million or \$0.19 per Common share, as discussed later in this release. Net income also includes a net charge of \$1.230 billion or \$2.87 per Common share in our divested businesses, primarily driven by the impact of updated actuarial assumptions.

John Strangfeld, Chairman and CEO, commented on results:

“We are pleased with performance for the first half of the year with an annualized adjusted operating return on equity above our 12-13% target and positive growth metrics across our businesses. In the second quarter we significantly strengthened the reserves of our divested businesses, while maintaining a strong capital position. We returned approximately \$760 million to shareholders through dividends and share repurchases in the quarter, and we expect to continue this robust level of capital return through the year.

Looking ahead, we continue to invest in our businesses and our people to broaden and deepen the value we bring to our retail and institutional relationships. Our customer-centric business model enables us to deliver innovative, integrated solutions, including financial wellness, across individual and workplace customer segments, partnering in a way that addresses the full picture of needs. Our employees are at the heart of our purpose-driven culture, which aspires to unlock financial opportunities for more people.”

OTHER FINANCIAL HIGHLIGHTS (\$ millions, except per share)		
	2Q:18	2Q:17
Book value per share of Common Stock	\$113.59	\$111.73
Adjusted book value per share of Common Stock	\$92.60	\$81.00
Common Stock share repurchases	\$375	\$313
Common Stock dividends	\$382	\$328
Parent company highly liquid assets	\$4,697	\$3,651

NOTABLE ITEMS (\$ millions, pre-tax)	2Q:18	2Q:17
Notable Items included in Adjusted Operating Income:		
Annual review and update of actuarial assumptions and other refinements	\$(160)	\$(622)
Updated estimates of Individual Annuities profitability driven by market performance versus assumptions	\$(2)	\$54
Returns on non-coupon investments and prepayment fees above / (below) average expectations	\$(10)	\$55
Underwriting experience above / (below) average expectations	\$85	\$80
(Higher) / lower than typical expenses	\$(15)	\$(25)
Total Notable Adjusted Operating Income Items	\$(102)	\$(458)

NEWARK, N.J. – Prudential Financial, Inc. (NYSE: PRU) today reported second quarter results. Net income attributable to Prudential Financial, Inc., was \$197 million (\$0.46 per Common share) for the second quarter of 2018, compared to \$491 million (\$1.12 per Common share) for the second quarter of 2017. After-tax adjusted operating income was \$1,298 million (\$3.01 per Common share) for the second quarter of 2018, compared to \$919 million (\$2.09 per Common share) for the second quarter of 2017.

Consolidated adjusted operating income, adjusted book value and adjusted operating return on equity are non-GAAP measures. These measures are discussed later in this press release under “Forward-Looking Statements and Non-GAAP Measures” and reconciliations 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 PGIM, U.S. Workplace Solutions, U.S. Individual Solutions, International Insurance, and Corporate & Other Operations. In the following business-level discussion, adjusted operating income refers to pre-tax results.

PGIM

PGIM, the Company’s global investment management businesses, reported adjusted operating income of \$254 million for the current quarter, compared to \$218 million in the year-ago quarter.

PGIM (\$ millions)	2Q:18	2Q:17
Adjusted operating income	\$254	\$218

The increase of \$36 million from the year-ago quarter was driven by higher asset management fees, reflecting an increase in assets under management primarily from fixed income net inflows and equity market appreciation, partially offset by higher expenses.

PGIM assets under management of \$1.156 trillion includes a record-high \$611 billion of unaffiliated third-party institutional and retail assets under management. Unaffiliated third-party net inflows, excluding money market, totaled \$7.3 billion for the current quarter driven by new and existing institutional client mandates into fixed income and retail fixed income flows.

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U.S. Workplace Solutions

U.S. Workplace Solutions, consisting of the Retirement and Group Insurance segments, reported adjusted operating income of \$359 million for the second quarter of 2018, compared to \$444 million in the year-ago quarter.

RETIREMENT SEGMENT (\$ millions)	2Q:18	2Q:17
Adjusted operating income	\$277	\$308
Notable items included above:		
Annual review and update of actuarial assumptions and other refinements	\$(68)	\$(20)
Returns on non-coupon investments and prepayment fees above / (below) average expectations	\$(5)	\$25
Underwriting experience above / (below) average expectations	\$60	\$30

The **Retirement segment** reported adjusted operating income of \$277 million for the current quarter, compared to \$308 million in the year-ago quarter. Excluding the notable items above, results increased \$17 million from the year-ago quarter reflecting a higher contribution from net investment spread results and an increase in underwriting income reflecting business growth, partially offset by higher expenses.

Retirement account values were a record high \$433 billion as of June 30, 2018, up 8% from a year earlier, reflecting positive net flows and market appreciation over the past four quarters. Net flows in the current quarter totaled \$2.8 billion with \$1.2 billion from Full Service and \$1.6 billion from Institutional Investment Products, driven largely by pension risk transfer flows.

GROUP INSURANCE SEGMENT (\$ millions)	2Q:18	2Q:17
Adjusted operating income	\$82	\$136
Notable items included above:		
Annual review and update of actuarial assumptions and other refinements	\$31	\$55
Underwriting experience above / (below) average expectations	\$10	\$30
(Higher) / lower than typical expenses	\$(15)	\$0

The **Group Insurance segment** reported adjusted operating income of \$82 million in the current quarter, compared to \$136 million in the year-ago quarter. Excluding the notable items above, results increased \$5 million from the year-ago quarter reflecting an increase in underwriting results, including business growth, partially offset by higher expenses.

Group Insurance earned premiums, policy charges and fees of \$1.2 billion in the current quarter were up 5% from the year-ago quarter.

U.S. Individual Solutions

U.S. Individual Solutions, consisting of the Individual Annuities and Individual Life segments, reported adjusted operating income of \$550 million for the second quarter of 2018, compared to \$55 million in the year-ago quarter.

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INDIVIDUAL ANNUITIES SEGMENT (\$ millions)	2Q:18	2Q:17
Adjusted operating income	\$507	\$612
Notable items included above:		
Annual review and update of actuarial assumptions and other refinements	\$10	\$46
Impact from updated estimates of profitability driven by market performance versus assumptions	\$(2)	\$54
Returns on non-coupon investments and prepayment fees above / (below) average expectations	\$(5)	\$5

The **Individual Annuities segment** reported adjusted operating income of \$507 million in the current quarter, compared to \$612 million in the year-ago quarter. Excluding the notable items above, results decreased \$3 million from the year-ago quarter.

Individual Annuities account values were \$164 billion as of June 30, 2018, roughly flat from a year earlier, as market appreciation offset net outflows over the past four quarters. Individual Annuities gross sales were \$2.1 billion in the current quarter, up 37% from the year-ago quarter, as customers have reacted favorably to pricing actions.

INDIVIDUAL LIFE SEGMENT (\$ millions)	2Q:18	2Q:17
Adjusted operating income	\$43	\$(557)
Notable items included above:		
Annual review and update of actuarial assumptions and other refinements	\$(55)	\$(653)
Underwriting experience above / (below) average expectations	\$(15)	\$(10)

The **Individual Life segment** reported adjusted operating income of \$43 million for the current quarter, compared to a loss of \$557 million in the year-ago quarter. Excluding the notable items above, results increased \$7 million from the year-ago quarter reflecting lower expenses.

Individual Life sales of \$142 million in the current quarter were down 7% from the year-ago quarter, reflecting lower guaranteed universal life sales from prior year pricing actions partially offset by increases in variable life sales.

International Insurance

International Insurance, consisting of Life Planner Operations and Gibraltar Life & Other Operations, reported adjusted operating income of \$784 million for the second quarter of 2018, compared to \$823 million in the year-ago quarter.

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LIFE PLANNER OPERATIONS (\$ millions)	2Q:18	2Q:17
Adjusted operating income	\$376	\$329
Notable items included above:		
Annual review and update of actuarial assumptions and other refinements	\$(49)	\$(67)
Returns on non-coupon investments and prepayment fees above / (below) average expectations	\$(5)	\$10
Underwriting experience above / (below) average expectations	\$10	\$20
(Higher) / lower than typical expenses	\$0	\$(25)

The **Life Planner Operations** reported adjusted operating income of \$376 million for the current quarter, compared to \$329 million in the year-ago quarter. Excluding the notable items above, results increased \$29 million from the year-ago quarter reflecting business growth, partially offset by lower net investment spread results driven by low interest rates in Japan.

Life Planner Operations constant dollar basis sales of \$292 million in the current quarter were down 17% from the year-ago quarter, primarily reflecting accelerated sales in the year-ago quarter in advance of premium rate increases on yen-based products partially offset by higher sales of U.S. dollar-denominated products in our Japan operations.

GIBRALTAR LIFE & OTHER OPERATIONS (\$ millions)	2Q:18	2Q:17
Adjusted operating income	\$408	\$494
Notable items included above:		
Annual review and update of actuarial assumptions and other refinements	\$(32)	\$21
Returns on non-coupon investments and prepayment fees above / (below) average expectations	\$5	\$15
Underwriting experience above / (below) average expectations	\$20	\$10

The **Gibraltar Life & Other Operations** reported adjusted operating income of \$408 million for the current quarter, compared to \$494 million in the year-ago quarter. Excluding the notable items above, results decreased \$33 million from the year-ago quarter reflecting a shift in earnings seasonality resulting from the elimination of the one-month reporting lag last quarter partially offset by business growth.

Gibraltar Life & Other Operations sales of \$399 million in the current quarter were down 3% from the year-ago quarter.

Corporate & Other Operations

Corporate & Other Operations reported a loss, on an adjusted operating income basis, of \$286 million in the second quarter of 2018, compared to a loss of \$312 million in the year-ago quarter.

CORPORATE & OTHER OPERATIONS (\$ millions)	2Q:18	2Q:17
Adjusted operating income	\$(286)	\$(312)
Notable items included above:		
Annual review and update of actuarial assumptions and other refinements	\$3	\$(4)

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Excluding the notable items above, the decreased loss of \$19 million from the year-ago quarter reflects lower net expenses in the current quarter, including lower costs for employee benefit and compensation plans tied to equity market returns, and higher income from the qualified pension plan, partially offset by lower investment income net of interest expense.

ASSETS UNDER MANAGEMENT

Assets under management amounted to \$1.388 trillion at June 30, 2018, compared to \$1.334 trillion a year earlier.

NET INCOME AND INVESTMENT PORTFOLIO

Net income attributable to Prudential Financial, Inc. amounted to \$197 million for the second quarter of 2018, compared to \$491 million for the year-ago quarter.

Current quarter net income includes \$277 million of pre-tax net realized investment gains and related charges and adjustments. The foregoing net gains include pre-tax gains of \$379 million primarily related to derivatives used for risk management including foreign currency and asset and liability duration management and other risk mitigation activities, and net pre-tax gains of \$90 million from general portfolio and related activities. The foregoing gains were partially offset by net pre-tax losses of \$162 million from products that contain embedded derivatives or guarantees and associated hedging activities, and \$30 million from impairments and sales of credit-impaired investments.

Net income for the current quarter reflects a pre-tax decrease of \$193 million in recorded asset values and a pre-tax decrease of \$85 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 a pre-tax loss of \$1.6 billion from divested businesses, driven by the annual review of actuarial assumptions in the Long-Term Care business, which included the removal of the morbidity improvement assumption.

Net income for the year-ago quarter included \$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. The year-ago quarter 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.

Excluding holdings of the Closed Block division, gross unrealized losses on general account fixed maturity investments at June 30, 2018 amounted to \$4.5 billion, including \$4.0 billion on high and highest quality securities based on NAIC or equivalent ratings, and amounted to \$1.5 billion at December 31, 2017. Net unrealized gains on these investments amounted to \$22.9 billion at June 30, 2018, compared to \$32.0 billion at December 31, 2017.

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. Forward-looking statements are made based on management's current expectations and beliefs concerning future developments and their potential effects upon Prudential Financial, Inc. and its subsidiaries. Prudential Financial, Inc.'s actual results may differ, possibly materially, from expectations or estimates reflected in such forward-looking statements. Certain important factors that could cause actual results to differ, possibly materially, from expectations or estimates reflected in such forward-looking statements can be found in the "Risk Factors" and "Forward-Looking Statements" sections included in Prudential Financial, Inc.'s Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q. Prudential Financial, Inc. does not undertake to update any particular forward-looking statement included in this document.

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Consolidated adjusted operating income, adjusted book value and adjusted operating return on equity are non-GAAP measures. Reconciliations to the most directly comparable GAAP measures are included in this release.

Adjusted operating income is the measure used by the Company to evaluate segment performance and to allocate resources. Adjusted operating income excludes “Realized investment gains (losses), net,” as adjusted, and related charges and adjustments. A significant element of realized investment gains and losses are impairments and credit-related and interest rate-related gains and losses. Impairments and losses from sales of credit-impaired securities, the timing of which depends largely on market credit cycles, can vary considerably across periods. The timing of other sales that would result in gains or losses, such as interest rate-related gains or losses, is largely subject to our discretion and influenced by market opportunities as well as our tax and capital profile.

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 designated as trading. Additionally, adjusted operating income excludes the changes in fair value of equity securities that are recorded in net income beginning on January 1, 2018 as a result of the adoption of ASU 2016-01.

Adjusted operating income also excludes investment gains and losses on assets supporting experience-rated contractholder liabilities and changes in experience-rated contractholder liabilities due to asset value changes, because these recorded changes in asset and liability values are expected to ultimately accrue to contractholders. 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 accumulated other comprehensive income (loss), the cumulative effect of foreign currency exchange rate remeasurements and currency translation adjustments corresponding to realized investment gains and losses, and as of December 31, 2017 certain deferred taxes resulting from the change in the U.S. tax rate enacted with the Tax Cuts and Jobs Act. 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.

Adjusted operating return on equity is equal to the annualized year-to-date after-tax adjusted operating income divided by the average adjusted book value. Return on equity based on GAAP balances is calculated using after-tax net income and equity.

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

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through accumulated other comprehensive income under GAAP. Adjusted return on equity is a useful measure of the operating return the Company achieves in relation to the capital available to our businesses. However, these non-GAAP measures are not substitutes for income, equity and return on equity determined in accordance with GAAP, and the adjustments made to derive these measures are important to an understanding of our overall results of operations and financial position. The schedules accompanying this release provide reconciliations of non-GAAP measures with the corresponding measures calculated using GAAP. 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, 2017, 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 website at www.investor.prudential.com.

EARNINGS CONFERENCE CALL

Members of Prudential's senior management will host a conference call on Thursday, August 2, 2018, 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 website 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 website for replay through August 17. 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) 332-0226 (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 2, through August 9, dial (800) 475-6701 (domestic callers) or (320) 365-3844 (international callers). The access code for the replay is 439434.



Prudential Financial, Inc. (NYSE: PRU), a financial services leader with more than \$1 trillion of assets under management as of June 30, 2018, 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	
	2018	2017	2018	2017
Income Statement Data:				
Net income attributable to Prudential Financial, Inc.	\$ 197	\$ 491	\$ 1,560	\$1,860
Income attributable to noncontrolling interests	3	5	4	8
Net income	200	496	1,564	1,868
Less: Earnings attributable to noncontrolling interests	3	5	4	8
Income attributable to Prudential Financial, Inc.	197	491	1,560	1,860
Less: Equity in earnings of operating joint ventures, net of taxes and earnings attributable to noncontrolling interests	15	8	37	30
Income (after-tax) before equity in earnings of operating joint ventures	182	483	1,523	1,830
Less: Reconciling Items:				
Realized investment gains (losses), net, and related charges and adjustments	277	(679)	341	(641)
Investment gains (losses) on assets supporting experience-rated contractholder liabilities, net	(193)	201	(596)	245
Change in experience-rated contractholder liabilities due to asset value changes	85	(145)	503	(157)
Divested businesses:				
Closed Block Division	(31)	(18)	(40)	16
Other divested businesses	(1,526)	35	(1,598)	41
Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests	(23)	(14)	(49)	(42)
Total reconciling items, before income taxes	(1,411)	(620)	(1,439)	(538)
Less: Income taxes, not applicable to adjusted operating income	(295)	(184)	(324)	(212)
Total reconciling items, after income taxes	(1,116)	(436)	(1,115)	(326)
After-tax adjusted operating income (1)	1,298	919	2,638	2,156
Income taxes, applicable to adjusted operating income	363	309	744	732
Adjusted operating income before income taxes (1)	<u>\$ 1,661</u>	<u>\$1,228</u>	<u>\$ 3,382</u>	<u>\$2,888</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	
	2018	2017	2018	2017
Earnings per share of Common Stock (diluted):				
Net income attributable to Prudential Financial, Inc.	\$ 0.46	\$ 1.12	\$ 3.62	\$ 4.21
Less: Reconciling Items:				
Realized investment gains (losses), net, and related charges and adjustments	0.65	(1.55)	0.79	(1.46)
Investment gains (losses) on assets supporting experience-rated contractholder liabilities, net	(0.45)	0.46	(1.39)	0.56
Change in experience-rated contractholder liabilities due to asset value changes	0.20	(0.33)	1.17	(0.36)
Divested businesses:				
Closed Block Division	(0.07)	(0.04)	(0.09)	0.04
Other divested businesses	(3.57)	0.08	(3.72)	0.09
Difference in earnings allocated to participating unvested share-based payment awards	0.02	0.01	0.03	0.01
Total reconciling items, before income taxes	(3.22)	(1.37)	(3.21)	(1.12)
Less: Income taxes, not applicable to adjusted operating income	(0.67)	(0.40)	(0.73)	(0.45)
Total reconciling items, after income taxes	(2.55)	(0.97)	(2.48)	(0.67)
After-tax adjusted operating income	<u>\$ 3.01</u>	<u>\$ 2.09</u>	<u>\$ 6.10</u>	<u>\$ 4.88</u>
Weighted average number of outstanding Common shares (basic)	419.5	428.3	420.8	429.1
Weighted average number of outstanding Common shares (diluted)	428.0	437.2	429.5	438.1
Earnings calculation, per share of Common Stock:				
Net income attributable to Prudential Financial, Inc.	\$ 197	\$ 491	\$ 1,560	\$1,860
Earnings related to interest, net of tax, on exchangeable surplus notes	6	5	11	9
Less: Earnings allocated to participating unvested share-based payment awards	4	7	18	23
Net income attributable to Prudential Financial, Inc. for earnings per share of Common Stock calculation	<u>\$ 199</u>	<u>\$ 489</u>	<u>\$ 1,553</u>	<u>\$1,846</u>
After-tax adjusted operating income (1)	\$ 1,298	\$ 919	\$ 2,638	\$2,156
Earnings related to interest, net of tax, on exchangeable surplus notes	6	5	11	9
Less: Earnings allocated to participating unvested share-based payment awards	14	11	30	26
After-tax adjusted operating income for earnings per share of Common Stock calculation (1)	<u>\$ 1,290</u>	<u>\$ 913</u>	<u>\$ 2,619</u>	<u>\$2,139</u>
Prudential Financial, Inc. Equity (as of end of period):				
GAAP book value (total PFI equity) at end of period (7)	\$48,232	\$48,611		
Less: Accumulated other comprehensive income (AOCI)	11,655	16,362		
GAAP book value excluding AOCI (7)	36,577	32,249		
Less: Cumulative effect of foreign exchange rate remeasurement and currency translation adjustments corresponding to realized gains/losses	(2,650)	(2,889)		
Adjusted book value (7)	39,227	35,138		
Number of diluted shares at end of period (2)	429.0	433.8		
GAAP book value per Common share - diluted (3)(7)	113.59	111.73		
GAAP book value excluding AOCI per share - diluted (4)(7)	86.43	74.34		
Adjusted book value per Common share - diluted (4)(7)	92.60	81.00		
Adjusted operating income before income taxes, by Segment (1):				
PGIM	\$ 254	\$ 218	\$ 486	\$ 414
Total PGIM Division	254	218	486	414
Retirement	277	308	594	705
Group Insurance	82	136	137	170
Total U.S. Workplace Solutions Division	359	444	731	875
Individual Annuities	507	612	1,026	1,080
Individual Life	43	(557)	79	(439)
Total U.S. Individual Solutions Division	550	55	1,105	641
International Insurance	784	823	1,640	1,622
Total International Insurance Division	784	823	1,640	1,622
Corporate and Other operations	(286)	(312)	(580)	(664)
Adjusted operating income before income taxes	1,661	1,228	3,382	2,888
Reconciling Items:				
Realized investment gains (losses), net, and related charges and adjustments	277	(679)	341	(641)
Investment gains (losses) on assets supporting experience-rated contractholder liabilities, net	(193)	201	(596)	245
Change in experience-rated contractholder liabilities due to asset value changes	85	(145)	503	(157)
Divested businesses:				
Closed Block Division	(31)	(18)	(40)	16
Other divested businesses	(1,526)	35	(1,598)	41
Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests	(23)	(14)	(49)	(42)
Total reconciling items, before income taxes	(1,411)	(620)	(1,439)	(538)
Income before income taxes and equity in earnings of operating joint ventures for Prudential Financial, Inc.	<u>\$ 250</u>	<u>\$ 608</u>	<u>\$ 1,943</u>	<u>\$2,350</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	
	2018	2017	2018	2017
PGIM Division:				
PGIM Segment:				
Assets managed by PGIM (in billions, as of end of period):				
Institutional customers	\$ 490.8	\$ 461.2		
Retail customers	252.0	231.2		
General account	413.3	412.3		
Total PGIM	<u>\$ 1,156.1</u>	<u>\$ 1,104.7</u>		
Institutional Customers - Assets Under Management (in billions):				
Gross additions, other than money market	<u>\$ 17.8</u>	<u>\$ 17.2</u>	<u>\$ 37.2</u>	<u>\$ 33.1</u>
Net additions, other than money market	<u>\$ 5.5</u>	<u>\$ 6.5</u>	<u>\$ 5.3</u>	<u>\$ 7.0</u>
Retail Customers - Assets Under Management (in billions):				
Gross additions, other than money market	<u>\$ 13.4</u>	<u>\$ 10.8</u>	<u>\$ 28.0</u>	<u>\$ 23.8</u>
Net additions, other than money market	<u>\$ 1.8</u>	<u>\$ 1.2</u>	<u>\$ 2.8</u>	<u>\$ 1.3</u>
U.S. Workplace Solutions Division:				
Retirement Segment:				
Full Service:				
Deposits and sales	<u>\$ 7,712</u>	<u>\$ 4,771</u>	<u>\$17,634</u>	<u>\$11,507</u>
Net additions (withdrawals)	<u>\$ 1,242</u>	<u>\$ (1,015)</u>	<u>\$ 3,010</u>	<u>\$ (969)</u>
Total account value at end of period	<u>\$240,922</u>	<u>\$214,731</u>		
Institutional Investment Products:				
Gross additions	<u>\$ 5,461</u>	<u>\$ 2,557</u>	<u>\$ 6,149</u>	<u>\$ 6,599</u>
Net additions (withdrawals)	<u>\$ 1,610</u>	<u>\$ (1,614)</u>	<u>\$ (2,591)</u>	<u>\$ (1,813)</u>
Total account value at end of period	<u>\$191,722</u>	<u>\$186,610</u>		
Group Insurance Annualized New Business Premiums (5):				
Group life	\$ 46	\$ 56	\$ 289	\$ 242
Group disability	14	14	154	129
Total	<u>\$ 60</u>	<u>\$ 70</u>	<u>\$ 443</u>	<u>\$ 371</u>
U.S. Individual Solutions Division:				
Fixed and Variable Annuity Sales and Account Values:				
Gross sales	<u>\$ 2,067</u>	<u>\$ 1,507</u>	<u>\$ 3,791</u>	<u>\$ 2,947</u>
Net redemptions	<u>\$ (890)</u>	<u>\$ (900)</u>	<u>\$ (2,061)</u>	<u>\$ (1,813)</u>
Total account value at end of period	<u>\$163,645</u>	<u>\$162,694</u>		
Individual Life Insurance Annualized New Business Premiums (5):				
Term life	\$ 54	\$ 54	\$ 103	\$ 103
Guaranteed Universal life	24	40	45	93
Other Universal life	29	33	55	54
Variable life	35	26	64	49
Total	<u>\$ 142</u>	<u>\$ 153</u>	<u>\$ 267</u>	<u>\$ 299</u>
International Insurance Division:				
International Insurance Annualized New Business Premiums (5)(6):				
Actual exchange rate basis	<u>\$ 695</u>	<u>\$ 770</u>	<u>\$ 1,453</u>	<u>\$ 1,661</u>
Constant exchange rate basis	<u>\$ 691</u>	<u>\$ 766</u>	<u>\$ 1,436</u>	<u>\$ 1,660</u>

See footnotes on last page.

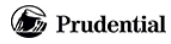
Financial Highlights
(in billions, as of end of period, unaudited)

	Three Months Ended June 30	
	2018	2017
Assets and Asset Under Management Information:		
Total assets (7)	\$ 819.9	\$ 812.8
Assets under management (at fair market value):		
PGIM Division	1,156.1	1,104.7
U.S. Workplace Solutions Division	87.6	85.8
U.S. Individual Solutions Division	115.7	114.4
International Insurance Division	28.8	28.7
Total assets under management	1,388.2	1,333.6
Client assets under administration	228.7	188.3
Total assets under management and administration	<u>\$1,616.9</u>	<u>\$1,521.9</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) Diluted shares as of June 30, 2018 include 5.88 million shares due to the dilutive impact of conversion of exchangeable surplus notes (“ESNs”) when book value per common share (i.e., book value per common share, book value excluding AOCI per share and adjusted book value per common share) is greater than \$85.00. Diluted shares as of June 30, 2017 do not include shares related to ESNs due to the antidilutive impact of conversion of ESNs when book value per common share (i.e., book value excluding AOCI per share and adjusted book value per common share) is less than \$86.92.
 - (3) Reflecting the dilutive impact of ESNs when book value per common share is greater than \$85.00, to calculate book value per common share as of June 30, 2018, equity is increased by \$500 million and diluted shares include 5.88 million shares. As of June 30, 2017, book value per common share includes a \$500 million increase in equity and a 5.75 million increase in diluted shares, reflecting the dilutive impact of ESNs when book value per common share is greater than \$86.92.
 - (4) The exchangeable surplus notes are subject to customary antidilution adjustments and the exchange rate is accordingly revalued in the fourth quarter of each year. Reflecting the dilutive impact of ESNs when book value per common share is greater than \$85.00, to calculate book value excluding AOCI per share and adjusted book value per common share as of June 30, 2018, equity is increased by \$500 million and diluted shares include 5.88 million shares. As of June 30, 2017, the conversion of ESNs is antidilutive as book value excluding AOCI per share and adjusted book value per common share is less than \$86.92.
 - (5) Premiums from new sales 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.
 - (6) 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 111 per U.S. dollar and Korean won 1,150 per U.S. dollar. U.S. dollar-denominated activity is included based on the amounts as transacted in U.S. dollars.
 - (7) In the first quarter of 2018, the Company eliminated the one-month reporting lag for balance sheet and results of operations of Gibraltar Life Insurance Company, Ltd. (“Gibraltar Life”) consolidated operations. As a result, prior period amounts include an increase resulting from the elimination of Gibraltar Life’s one-month reporting lag.

Prudential Financial, Inc. (PRU)



Quarterly Financial Supplement

Second Quarter 2018

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 1, 2018

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This quarterly financial supplement reflects a name change for the Investment Management Division and Investment Management Segment to PGIM Division and PGIM Segment, respectively.

FINANCIAL HIGHLIGHTS
(in millions, except per share data)

Year-to-date		% Change		2017			2018	
2018	2017			2Q	3Q	4Q	1Q	2Q
			Pre-tax adjusted operating income (loss) by division:					
1,105	641	72%	U.S. Individual Solutions Division	55	727	639	555	550
731	875	-16%	U.S. Workplace Solutions Division	444	309	313	372	359
486	414	17%	PGIM Division	218	259	306	232	254
1,640	1,622	1%	International Insurance Division	823	799	777	856	784
(580)	(664)	13%	Corporate and other operations	(312)	(310)	(463)	(294)	(286)
3,382	2,888	17%	Total pre-tax adjusted operating income	1,228	1,784	1,572	1,721	1,661
744	732	2%	Income taxes, applicable to adjusted operating income	309	461	399	381	363
2,638	2,156	22%	After-tax adjusted operating income	919	1,323	1,173	1,340	1,298
			Reconciling items:					
341	(641)	153%	Realized investment gains (losses), net, and related charges and adjustments	(679)	1,164	(581)	64	277
(596)	245	-343%	Investment gains (losses) on assets supporting experience-rated contractholder liabilities, net	201	85	6	(403)	(193)
503	(157)	420%	Change in experience-rated contractholder liabilities due to asset value changes	(145)	(31)	37	418	85
			Divested businesses:					
(40)	16	-350%	Closed Block Division	(18)	33	(4)	(9)	(31)
(1,598)	41	-3998%	Other divested businesses	35	10	(13)	(72)	(1,526)
(49)	(42)	-17%	Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests	(14)	(24)	99	(26)	(23)
(1,439)	(538)	-167%	Total reconciling items, before income taxes	(620)	1,237	(456)	(28)	(1,411)
(324)	(212)	-53%	Income taxes, not applicable to adjusted operating income	(184)	339	(3,157)	(29)	(295)
(1,115)	(326)	-242%	Total reconciling items, after income taxes	(436)	898	2,701	1	(1,116)
1,523	1,830	-17%	Income (after-tax) before equity in earnings of operating joint ventures	483	2,221	3,874	1,341	182
37	30	23%	Equity in earnings of operating joint ventures, net of taxes and earnings attributable to noncontrolling interests	8	17	(109)	22	15
1,560	1,860	-16%	Income attributable to Prudential Financial, Inc.	491	2,238	3,765	1,363	197
4	8	-50%	Earnings attributable to noncontrolling interests	5	3	100	1	3
1,564	1,868	-16%	Net income	496	2,241	3,865	1,364	200
4	8	-50%	Less: Income attributable to noncontrolling interests	5	3	100	1	3
1,560	1,860	-16%	Net income attributable to Prudential Financial, Inc.	491	2,238	3,765	1,363	197
13.5%	12.3%		Operating Return on Average Equity (based on adjusted operating income) (1)(2)	10.4%	14.7%	12.5%	13.7%	13.1%

- (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 amounts included for foreign currency exchange rate remeasurement and certain deferred taxes as described 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 (2) (based on net income) is 1.6%, 10.3%, 28.7%, 18.1%, and 4.1% for the three months ended June 30, 2018, March 31, 2018, December 31, 2017, September 30, 2017, and June 30, 2017, respectively.
- (2) 2017 amounts have been revised resulting from the elimination of Gibraltar Life's one-month reporting lag.

FINANCIAL HIGHLIGHTS
(in millions, except per share data)

Year-to-date						
2018	2017	2017			2018	
		2Q	3Q	4Q	1Q	2Q
Earnings per share of Common Stock (diluted):						
6.10	4.88	After-tax adjusted operating income				
		2.09	3.01	2.69	3.08	3.01
Reconciling items:						
0.79	(1.46)	Realized investment gains (losses), net, and related charges and adjustments				
		(1.55)	2.68	(1.34)	0.15	0.65
(1.39)	0.56	Investment gains (losses) on assets supporting experience-rated contractholder liabilities, net				
		0.46	0.20	0.01	(0.94)	(0.45)
1.17	(0.36)	Change in experience-rated contractholder liabilities due to asset value changes				
		(0.33)	(0.07)	0.09	0.97	0.20
Divested businesses:						
(0.09)	0.04	Closed Block Division				
		(0.04)	0.08	(0.01)	(0.02)	(0.07)
(3.72)	0.09	Other divested businesses				
		0.08	0.02	(0.03)	(0.17)	(3.57)
0.03	0.01	Difference in earnings allocated to participating unvested share-based payment awards				
		0.01	(0.03)	(0.07)	—	0.02
(3.21)	(1.12)	Total reconciling items, before income taxes				
		(1.37)	2.88	(1.35)	(0.01)	(3.22)
(0.73)	(0.45)	Income taxes, not applicable to adjusted operating income				
		(0.40)	0.80	(7.27)	(0.07)	(0.67)
(2.48)	(0.67)	Total reconciling items, after income taxes				
		(0.97)	2.08	5.92	0.06	(2.55)
3.62	4.21	Net income attributable to Prudential Financial, Inc.				
		1.12	5.09	8.61	3.14	0.46
420.8	429.1	Weighted average number of outstanding Common shares (basic)				
		428.3	426.2	423.7	422.0	419.5
429.5	438.1	Weighted average number of outstanding Common shares (diluted)				
		437.2	435.0	432.7	430.9	428.0
Earnings calculation, per share of Common Stock:						
1,560	1,860	Net income attributable to Prudential Financial, Inc.				
		491	2,238	3,765	1,363	197
11	9	Earnings related to interest, net of tax, on exchangeable surplus notes				
		5	4	4	5	6
18	23	Less: Earnings allocated to participating unvested share-based payment awards				
		7	27	44	16	4
1,553	1,846	Net income attributable to Prudential Financial, Inc. for earnings per share of Common Stock calculation				
		489	2,215	3,725	1,352	199
2,638	2,156	After-tax adjusted operating income				
		919	1,323	1,173	1,340	1,298
11	9	Earnings related to interest, net of tax, on exchangeable surplus notes				
		5	4	4	5	6
30	26	Less: Earnings allocated to participating unvested share-based payment awards				
		11	16	14	16	14
2,619	2,139	After-tax adjusted operating income for earnings per share of Common Stock calculation				
		913	1,311	1,163	1,329	1,290

FINANCIAL HIGHLIGHTS
(in millions, except per share data)

Year-to-date			2017			2018	
2018	2017		2Q	3Q	4Q	1Q	2Q
Capitalization Data (1):							
Senior Debt:							
Short-term debt			1,779	2,358	1,380	1,383	2,056
Long-term debt			11,806	10,532	10,550	11,516	10,706
Junior Subordinated Long-Term Debt			5,820	6,621	6,622	6,627	6,026
Prudential Financial Inc. Equity:							
Including accumulated other comprehensive income (2)			48,611	50,540	54,236	51,830	48,232
Excluding accumulated other comprehensive income (2)(3)			32,249	33,942	37,162	37,069	36,577
Amount included above for remeasurement of foreign currency and certain deferred taxes (4)(5)			(2,889)	(2,758)	(969)	(2,892)	(2,650)
Excluding accumulated other comprehensive income and adjusted to remove amount included for remeasurement of foreign currency and certain deferred taxes (2)(4)(5)			35,138	36,700	38,131	39,961	39,227
Book value per share of Common Stock:							
Including accumulated other comprehensive income (2)(6)			111.73	116.70	125.63	120.99	113.59
Excluding accumulated other comprehensive income (2)(3)(6)			74.34	78.64	86.44	86.86	86.43
Amount included above for remeasurement of foreign currency and certain deferred taxes (4)(5)			(6.66)	(6.39)	(2.23)	(6.69)	(6.17)
Excluding accumulated other comprehensive income and adjusted to remove amount included for remeasurement of foreign currency and certain deferred taxes (2)(4)(5)(6)			81.00	85.03	88.67	93.55	92.60
Number of diluted shares at end of period (6)			433.8	431.6	435.7	432.5	429.0
Common Stock Price Range (based on closing price):							
126.02	113.82	High	109.13	115.23	117.15	126.02	107.62
93.22	102.92	Low	102.92	98.65	107.28	100.64	93.22
93.51	108.14	Close	108.14	106.32	114.98	103.55	93.51
Common Stock market capitalization (1)			46,176	45,154	48,591	43,595	39,059

(1) As of end of period.

(2) 2017 amounts have been revised resulting from the elimination of Gibraltar Life's one-month reporting lag.

(3) 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.

(4) Includes the 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.

(5) Includes \$1,678 million impact reported in net income for the fourth quarter of 2017 from the remeasurement of deferred tax assets and liabilities originally established through accumulated other comprehensive income, related to enactment of the Tax Cuts and Jobs Act on December 22, 2017.

(6) As of the first and second quarters of 2018 and the fourth quarter of 2017, exchangeable surplus notes are dilutive when book value per share is greater than \$85.00 (equivalent to an additional 5.88 million in diluted shares and an increase of \$500 million in equity). As of the second and third quarters of 2017, exchangeable surplus notes are dilutive when book value per share is greater than \$86.92 (equivalent to an additional 5.75 million in diluted shares and an increase of \$500 million in equity). See page 37 for more information.

OPERATIONS HIGHLIGHTS

Year-to-date		2017				2018		
		2Q	3Q	4Q	1Q	2Q		
Assets Under Management and Administration (\$ billions) (1)(2):								
Assets Under Management:								
PGIM Division:								
Institutional customers		461.2	478.3	489.5	489.6	490.8		
Retail customers		231.2	239.9	245.6	246.2	252.0		
General account		412.3	415.7	420.2	420.0	413.3		
Total PGIM Division		1,104.7	1,133.9	1,155.3	1,155.8	1,156.1		
U.S. Individual Solutions Division		114.4	116.7	119.8	115.7	115.7		
U.S. Workplace Solutions Division		85.8	86.9	88.5	86.2	87.6		
International Insurance Division		28.7	28.7	30.0	30.8	28.8		
Total assets under management		1,333.6	1,366.2	1,393.6	1,388.5	1,388.2		
Client assets under administration		188.3	202.4	213.6	218.4	228.7		
Total assets under management and administration		1,521.9	1,568.6	1,607.2	1,606.9	1,616.9		
Assets managed or administered for customers outside of the United States at end of period		341.1	350.5	358.0	373.3	365.7		
Distribution Representatives (1):								
Prudential Advisors		2,921	2,937	2,882	2,958	3,052		
International Life Planners		7,735	7,831	7,831	7,771	7,638		
Gibraltar Life Consultants		8,509	8,327	8,326	8,137	7,938		
56	49	Prudential Advisor productivity (\$ thousands)		51	53	72	52	60

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

COMBINED STATEMENTS OF OPERATIONS
(in millions)

Year-to-date 2018	2017	% Change		2017					2018	
				2Q	3Q	4Q	1Q	2Q		
			Revenues (1):							
13,348	13,331	0%	Premiums	7,557	7,111	8,720	6,638	6,710		
3,145	2,349	34%	Policy charges and fee income	794	1,565	1,604	1,575	1,570		
6,741	6,689	1%	Net investment income	3,335	3,345	3,465	3,337	3,404		
2,684	2,666	1%	Asset management fees, commissions and other income	1,342	1,340	1,461	1,325	1,359		
25,918	25,035	4%	Total revenues	13,028	13,361	15,250	12,875	13,043		
			Benefits and Expenses (1):							
14,013	13,532	4%	Insurance and annuity benefits	7,386	7,376	9,163	6,853	7,160		
1,843	1,873	-2%	Interest credited to policyholders' account balances	953	927	929	911	932		
687	648	6%	Interest expense	326	330	344	340	347		
(1,402)	(1,479)	5%	Deferral of acquisition costs	(755)	(653)	(686)	(718)	(684)		
1,085	1,143	-5%	Amortization of acquisition costs	662	470	480	530	555		
6,310	6,430	-2%	General and administrative expenses	3,228	3,127	3,448	3,238	3,072		
22,536	22,147	2%	Total benefits and expenses	11,800	11,577	13,678	11,154	11,382		
3,382	2,888	17%	Adjusted operating income before income taxes	1,228	1,784	1,572	1,721	1,661		
			Reconciling items:							
480	(1,443)	133%	Realized investment gains (losses), net, and related adjustments	(1,377)	1,395	(554)	87	393		
(139)	802	-117%	Related charges	698	(231)	(27)	(23)	(116)		
341	(641)	153%	Total realized investment gains (losses), net, and related charges and adjustments	(679)	1,164	(581)	64	277		
(596)	245	-343%	Investment gains (losses) on assets supporting experience-rated contractholder liabilities, net	201	85	6	(403)	(193)		
503	(157)	420%	Change in experience-rated contractholder liabilities due to asset value changes	(145)	(31)	37	418	85		
			Divested businesses:							
(40)	16	-350%	Closed Block Division	(18)	33	(4)	(9)	(31)		
(1,598)	41	-3998%	Other divested businesses	35	10	(13)	(72)	(1,526)		
(49)	(42)	-17%	Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests	(14)	(24)	99	(26)	(23)		
(1,439)	(538)	-167%	Total reconciling items, before income taxes	(620)	1,237	(456)	(28)	(1,411)		
1,943	2,350	-17%	Income before income taxes and equity in earnings of operating joint ventures	608	3,021	1,116	1,693	250		
420	520	-19%	Income tax expense (benefit)	125	800	(2,758)	352	68		
1,523	1,830	-17%	Income before equity in earnings of operating joint ventures	483	2,221	3,874	1,341	182		

(1) Revenues exclude realized investment gains, net of losses and related charges and adjustments; investment gains, net of losses, on assets supporting experience-rated contractholder 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 noncontrolling interests. See pages 35 and 36 for reconciliation.

COMBINING STATEMENTS OF OPERATIONS
(in millions)

	Quarter Ended June 30, 2018					
	Total	U.S. Individual Solutions Division	U.S. Workplace Solutions Division	PGIM Division	International Insurance Division	Corporate and Other Operations
Revenues (1):						
Premiums	6,710	262	2,689	—	3,767	(8)
Policy charges and fee income	1,570	1,236	217	—	129	(12)
Net investment income	3,404	686	1,271	31	1,320	96
Asset management fees, commissions and other income	1,359	533	235	785	72	(266)
Total revenues	13,043	2,717	4,412	816	5,288	(190)
Benefits and Expenses (1):						
Insurance and annuity benefits	7,160	737	3,125	—	3,300	(2)
Interest credited to policyholders' account balances	932	275	435	—	222	—
Interest expense	347	195	9	11	5	127
Deferral of acquisition costs	(684)	(270)	(12)	(1)	(413)	12
Amortization of acquisition costs	555	251	9	2	306	(13)
General and administrative expenses	3,072	979	487	550	1,084	(28)
Total benefits and expenses	11,382	2,167	4,053	562	4,504	96
Adjusted operating income (loss) before income taxes	1,661	550	359	254	784	(286)
	Total	U.S. Individual Solutions Division	U.S. Workplace Solutions Division	PGIM Division	International Insurance Division	Corporate and Other Operations
Revenues (1):						
Premiums	7,557	271	3,259	—	4,032	(5)
Policy charges and fee income	794	472	223	—	112	(13)
Net investment income	3,335	667	1,257	37	1,260	114
Asset management fees, commissions and other income	1,342	550	230	750	79	(267)
Total revenues	13,028	1,960	4,969	787	5,483	(171)
Benefits and Expenses (1):						
Insurance and annuity benefits	7,386	360	3,601	—	3,422	3
Interest credited to policyholders' account balances	953	255	476	—	222	—
Interest expense	326	179	8	7	3	129
Deferral of acquisition costs	(755)	(246)	(9)	(1)	(507)	8
Amortization of acquisition costs	662	360	6	2	304	(10)
General and administrative expenses	3,228	997	443	561	1,216	11
Total benefits and expenses	11,800	1,905	4,525	569	4,660	141
Adjusted operating income (loss) before income taxes	1,228	55	444	218	823	(312)

(1) Revenues exclude realized investment gains, net of losses and related charges and adjustments; investment gains, net of losses, on assets supporting experience-rated contractholder 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 noncontrolling interests.

COMBINING STATEMENTS OF OPERATIONS
(in millions)

	Six Months Ended June 30, 2018					Corporate and Other Operations
	Total	U.S. Individual Solutions Division	U.S. Workplace Solutions Division	PGIM Division	International Insurance Division	
Revenues (1):						
Premiums	13,348	529	4,527	—	8,308	(16)
Policy charges and fee income	3,145	2,481	417	—	272	(25)
Net investment income	6,741	1,343	2,509	48	2,621	220
Asset management fees, commissions and other income	2,684	1,041	464	1,594	127	(542)
Total revenues	25,918	5,394	7,917	1,642	11,328	(363)
Benefits and Expenses (1):						
Insurance and annuity benefits	14,013	1,472	5,337	—	7,215	(11)
Interest credited to policyholders' account balances	1,843	540	843	—	460	—
Interest expense	687	381	17	20	9	260
Deferral of acquisition costs	(1,402)	(519)	(17)	(3)	(888)	25
Amortization of acquisition costs	1,085	453	14	4	637	(23)
General and administrative expenses	6,310	1,962	992	1,135	2,255	(34)
Total benefits and expenses	22,536	4,289	7,186	1,156	9,688	217
Adjusted operating income (loss) before income taxes	3,382	1,105	731	486	1,640	(580)
	Six Months Ended June 30, 2017					Corporate and Other Operations
	Total	U.S. Individual Solutions Division	U.S. Workplace Solutions Division	PGIM Division	International Insurance Division	
Revenues (1):						
Premiums	13,331	526	4,823	—	7,994	(12)
Policy charges and fee income	2,349	1,704	425	—	246	(26)
Net investment income	6,689	1,339	2,570	69	2,465	246
Asset management fees, commissions and other income	2,666	1,051	471	1,474	187	(517)
Total revenues	25,035	4,620	8,289	1,543	10,892	(309)
Benefits and Expenses (1):						
Insurance and annuity benefits	13,532	1,090	5,583	—	6,855	4
Interest credited to policyholders' account balances	1,873	518	907	—	448	—
Interest expense	648	349	15	12	6	266
Deferral of acquisition costs	(1,479)	(508)	(16)	(3)	(972)	20
Amortization of acquisition costs	1,143	559	11	6	589	(22)
General and administrative expenses	6,430	1,971	914	1,114	2,344	87
Total benefits and expenses	22,147	3,979	7,414	1,129	9,270	355
Adjusted operating income (loss) before income taxes	2,888	641	875	414	1,622	(664)

(1) Revenues exclude realized investment gains, net of losses and related charges and adjustments; investment gains, net of losses, on assets supporting experience-rated contractholder 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 noncontrolling interests.

CONSOLIDATED BALANCE SHEETS
(in millions)

	06/30/2017	09/30/2017	12/31/2017	03/31/2018	06/30/2018
Assets:					
Investments:					
Fixed maturities, available-for-sale, at fair value (amortized cost \$303,287; \$307,527; \$312,385; \$319,180; \$317,548)	335,254	340,100	346,780	347,630	341,151
Fixed maturities, held-to-maturity, at amortized cost (fair value \$2,516; \$2,475; \$2,430; \$2,511; \$2,388)	2,123	2,084	2,049	2,120	2,020
Fixed maturities, trading, at fair value (amortized cost \$3,893; \$3,379; \$3,509; \$2,852; \$2,980) (1)	3,814	3,340	3,507	2,885	2,916
Assets supporting experience-rated contractholder liabilities, at fair value	22,073	22,126	22,097	21,637	21,497
Equity securities, at fair value (cost \$8,413; \$8,116; \$5,154; \$5,382; \$5,374) (1)	11,235	10,854	7,329	7,289	7,191
Commercial mortgage and other loans	54,915	55,373	56,045	58,098	58,622
Policy loans	11,719	11,765	11,891	12,036	11,935
Other invested assets (1)	13,626	13,714	13,373	14,044	13,459
Short-term investments (1)	3,642	5,535	6,800	5,752	5,728
Total investments	458,401	464,891	469,871	471,491	464,519
Cash and cash equivalents	16,605	14,541	14,490	15,676	14,918
Accrued investment income	3,228	3,278	3,325	3,169	3,235
Deferred policy acquisition costs	18,715	18,724	18,992	19,649	19,643
Value of business acquired	1,897	1,817	1,591	1,995	2,027
Other assets (3)	16,526	16,985	17,250	17,112	16,860
Separate account assets	297,433	301,110	306,617	300,585	298,658
Total assets	812,805	821,346	832,136	829,677	819,860
Liabilities:					
Future policy benefits	250,706	252,339	257,317	261,144	260,435
Policyholders' account balances	147,554	148,342	148,189	149,917	149,359
Securities sold under agreements to repurchase	8,817	8,145	8,400	8,633	9,540
Cash collateral for loaned securities	4,036	4,697	4,354	4,312	4,307
Income taxes (3)	11,679	12,557	9,648	9,296	7,888
Senior short-term debt	1,779	2,358	1,380	1,383	2,056
Senior long-term debt	11,806	10,532	10,550	11,516	10,706
Junior subordinated long-term debt	5,820	6,621	6,622	6,627	6,026
Notes issued by consolidated variable interest entities	2,176	1,517	1,518	954	937
Other liabilities	22,192	22,396	23,030	23,135	21,356
Separate account liabilities	297,433	301,110	306,617	300,585	298,658
Total liabilities	763,998	770,614	777,625	777,502	771,268
Equity:					
Accumulated other comprehensive income (2)	16,362	16,598	17,074	14,761	11,655
Other equity (2)(3)	32,249	33,942	37,162	37,069	36,577
Total Prudential Financial, Inc. equity	48,611	50,540	54,236	51,830	48,232
Noncontrolling Interest	196	192	275	345	360
Total Equity	48,807	50,732	54,511	52,175	48,592
Total liabilities and equity	812,805	821,346	832,136	829,677	819,860

(1) 2017 amounts have been reclassified to conform to current period presentation.

(2) Total equity for March 31, 2018 includes the cumulative effect of adoption of ASU 2016-01, effective January 1, 2018, which includes an increase in "Other equity" of \$904 million and a decrease in Accumulated other comprehensive income of \$847 million.

(3) 2017 amounts include an increase resulting from the elimination of Gibraltar Life's one-month reporting lag.

COMBINING BALANCE SHEETS BY DIVISION
(in millions)

As of June 30, 2018								
	Consolidated PFI	Closed Block Division	PFI Excluding Closed Block Division	U.S. Individual Solutions Division	U.S. Workplace Solutions Division	PGIM Division	International Insurance Division	Corporate and Other Operations
Assets:								
Total investments	464,519	58,784	405,735	60,074	126,814	3,897	194,175	20,775
Deferred policy acquisition costs	19,643	281	19,362	10,865	310	—	8,466	(279)
Other assets	37,040	1,718	35,322	14,282	8,318	2,779	11,157	(1,214)
Separate account assets	298,658	—	298,658	175,897	83,251	40,577	3,739	(4,806)
Total assets	819,860	60,783	759,077	261,118	218,693	47,253	217,537	14,476
Liabilities:								
Future policy benefits	260,435	48,518	211,917	22,454	63,242	—	118,499	7,722
Policyholders' account balances	149,359	5,097	144,262	35,552	57,002	—	50,856	852
Debt	18,788	—	18,788	7,492	806	1,655	126	8,709
Other liabilities	44,028	8,876	35,152	6,556	5,736	2,621	16,831	3,408
Separate account liabilities	298,658	—	298,658	175,897	83,251	40,577	3,739	(4,806)
Total liabilities	771,268	62,491	708,777	247,951	210,037	44,853	190,051	15,885
Equity:								
Accumulated other comprehensive income (loss) (1)	11,655	(18)	11,673	(164)	1,063	(76)	12,728	(1,878)
Other equity (1)	36,577	(1,701)	38,278	13,316	7,541	2,001	14,695	725
Total Prudential Financial, Inc. equity	48,232	(1,719)	49,951	13,152	8,604	1,925	27,423	(1,153)
Noncontrolling Interest	360	11	349	15	52	475	63	(256)
Total Equity	48,592	(1,708)	50,300	13,167	8,656	2,400	27,486	(1,409)
Total liabilities and equity	819,860	60,783	759,077	261,118	218,693	47,253	217,537	14,476
As of December 31, 2017								
	Consolidated PFI	Closed Block Division	PFI Excluding Closed Block Division	U.S. Individual Solutions Division	U.S. Workplace Solutions Division	PGIM Division	International Insurance Division	Corporate and Other Operations
Assets:								
Total investments	469,871	61,291	408,580	62,322	131,957	5,143	189,454	19,704
Deferred policy acquisition costs	18,992	299	18,693	10,535	308	—	8,214	(364)
Other assets (2)	36,656	1,543	35,113	14,473	7,820	2,823	10,244	(247)
Separate account assets	306,617	—	306,617	180,321	85,120	41,978	3,735	(4,537)
Total assets	832,136	63,133	769,003	267,651	225,205	49,944	211,647	14,556
Liabilities:								
Future policy benefits	257,317	48,870	208,447	24,446	64,246	—	114,515	5,240
Policyholders' account balances	148,189	5,147	143,042	34,429	58,252	—	50,353	8
Debt	18,552	—	18,552	7,970	845	1,936	120	7,681
Other liabilities (2)	46,950	10,831	36,119	6,624	6,573	3,667	16,005	3,250
Separate account liabilities	306,617	—	306,617	180,321	85,120	41,978	3,735	(4,537)
Total liabilities	777,625	64,848	712,777	253,790	215,036	47,581	184,728	11,642
Equity:								
Accumulated other comprehensive income (loss)	17,074	(1)	17,075	1,062	3,087	(102)	13,891	(863)
Other equity (2)(3)	37,162	(1,716)	38,878	12,798	7,075	2,030	12,979	3,996
Total Prudential Financial, Inc. equity	54,236	(1,717)	55,953	13,860	10,162	1,928	26,870	3,133
Noncontrolling Interest	275	2	273	1	7	435	49	(219)
Total Equity	54,511	(1,715)	56,226	13,861	10,169	2,363	26,919	2,914
Total liabilities and equity	832,136	63,133	769,003	267,651	225,205	49,944	211,647	14,556

- (1) Total equity for June 30, 2018 includes the cumulative effect of adoption of ASU 2016-01, effective January 1, 2018, which includes an increase in "Other equity" of \$904 million and a decrease in Accumulated other comprehensive income of \$847 million.
- (2) Prior period amounts include an increase resulting from the elimination of Gibraltar Life's one-month reporting lag.
- (3) "Other equity" for December 31, 2017 includes estimated impacts of enactment of the Tax Act, including \$1,678 million in Corporate and Other Operations related to the remeasurement of certain deferred tax assets and liabilities originally established through accumulated other comprehensive income.

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

	As of June 30, 2018				As of December 31, 2017			
	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	749	5,050	6,026	11,825	—	5,402	6,622	12,024
Operating Debt - Investment related	747	3,848	—	4,595	676	3,306	—	3,982
Operating Debt - Specified businesses	519	1,098	—	1,617	704	1,043	—	1,747
Limited recourse and non-recourse borrowing	41	710	—	751	—	799	—	799
Total debt	2,056	10,706	6,026	18,788	1,380	10,550	6,622	18,552
	As of June 30, 2018				As of December 31, 2017			
	The Prudential		Other Affiliates	Total	The Prudential		Other Affiliates	Total
	Prudential Financial, Inc.	Insurance Co. of America (1)(2)			Prudential Financial, Inc.	Insurance Co. of America (1)(2)		
Borrowings by sources:								
Capital Debt	10,828	941	56	11,825	11,028	940	56	12,024
Operating Debt - Investment related	4,513	82	—	4,595	3,917	65	—	3,982
Operating Debt - Specified businesses	1,110	507	—	1,617	1,239	508	—	1,747
Limited recourse and non-recourse borrowing	—	751	—	751	—	799	—	799
Total debt	16,451	2,281	56	18,788	16,184	2,312	56	18,552

(1) Includes Prudential Funding, LLC.

(2) Capital debt at Prudential Insurance Co. of America includes \$841 million of surplus notes as of June 30, 2018 and \$840 million as of December 31, 2017.

COMBINED STATEMENTS OF OPERATIONS - U.S. INDIVIDUAL SOLUTIONS DIVISION
(in millions)

Year-to-date		% Change		2017			2018	
2018	2017			2Q	3Q	4Q	1Q	2Q
Revenues (1):								
529	526	1%	Premiums	271	264	253	267	262
2,481	1,704	46%	Policy charges and fee income	472	1,245	1,286	1,245	1,236
1,343	1,339	0%	Net investment income	667	666	685	657	686
1,041	1,051	-1%	Asset management fees, commissions and other income	550	540	525	508	533
5,394	4,620	17%	Total revenues	1,960	2,715	2,749	2,677	2,717
Benefits and Expenses (1):								
1,472	1,090	35%	Insurance and annuity benefits	360	642	722	735	737
540	518	4%	Interest credited to policyholders' account balances	255	263	268	265	275
381	349	9%	Interest expense	179	183	186	186	195
(519)	(508)	-2%	Deferral of acquisition costs	(246)	(232)	(265)	(249)	(270)
453	559	-19%	Amortization of acquisition costs	360	187	201	202	251
1,962	1,971	0%	General and administrative expenses	997	945	998	983	979
4,289	3,979	8%	Total benefits and expenses	1,905	1,988	2,110	2,122	2,167
1,105	641	72%	Adjusted operating income before income taxes	55	727	639	555	550

(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 SOLUTIONS DIVISION
(in millions)

	Six Months Ended June 30, 2018			Quarter Ended June 30, 2018		
	Total U.S. Individual Solutions Division	Individual Annuities	Individual Life	Total U.S. Individual Solutions Division	Individual Annuities	Individual Life
Revenues (1):						
Premiums	529	71	458	262	30	232
Policy charges and fee income	2,481	1,448	1,033	1,236	721	515
Net investment income	1,343	343	1,000	686	174	512
Asset management fees, commissions and other income	1,041	656	385	533	341	192
Total revenues	5,394	2,518	2,876	2,717	1,266	1,451
Benefits and Expenses (1):						
Insurance and annuity benefits	1,472	157	1,315	737	73	664
Interest credited to policyholders' account balances	540	166	374	275	88	187
Interest expense	381	34	347	195	16	179
Deferral of acquisition costs	(519)	(197)	(322)	(270)	(107)	(163)
Amortization of acquisition costs	453	257	196	251	146	105
General and administrative expenses	1,962	1,075	887	979	543	436
Total benefits and expenses	4,289	1,492	2,797	2,167	759	1,408
Adjusted operating income before income taxes	1,105	1,026	79	550	507	43
	Six Months Ended June 30, 2017			Quarter Ended June 30, 2017		
	Total U.S. Individual Solutions Division	Individual Annuities	Individual Life	Total U.S. Individual Solutions Division	Individual Annuities	Individual Life
Revenues (1):						
Premiums	526	80	446	271	41	230
Policy charges and fee income	1,704	1,371	333	472	712	(240)
Net investment income	1,339	374	965	667	184	483
Asset management fees, commissions and other income	1,051	696	355	550	369	181
Total revenues	4,620	2,521	2,099	1,960	1,306	654
Benefits and Expenses (1):						
Insurance and annuity benefits	1,090	159	931	360	71	289
Interest credited to policyholders' account balances	518	164	354	255	77	178
Interest expense	349	31	318	179	17	162
Deferral of acquisition costs	(508)	(159)	(349)	(246)	(80)	(166)
Amortization of acquisition costs	559	230	329	360	102	258
General and administrative expenses	1,971	1,016	955	997	507	490
Total benefits and expenses	3,979	1,441	2,538	1,905	694	1,211
Adjusted operating income (loss) before income taxes	641	1,080	(439)	55	612	(557)

(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 SOLUTIONS DIVISION - INDIVIDUAL ANNUITIES SALES RESULTS AND ACCOUNT VALUES
(in millions)

Year-to-date						
2018	2017		2Q	3Q	4Q	2018
			1Q	2Q		
SALES AND ACCOUNT VALUES:						
Variable Annuities:						
165,153	153,295	Beginning total account value	156,830	159,202	162,107	165,153
2,136	1,470	Sales: Highest Daily Suite - risk retained by Prudential (1)	688	576	817	1,010
1	20	Highest Daily Suite - externally reinsured living benefits	6	7	—	1
1,564	1,431	Other variable annuities (2)	799	735	796	683
3,701	2,921	Total sales	1,493	1,318	1,613	1,694
(5,796)	(4,708)	Surrenders and withdrawals	(2,382)	(2,288)	(2,721)	(2,867)
(2,095)	(1,787)	Net redemptions	(889)	(970)	(1,108)	(1,173)
(922)	(804)	Benefit payments	(391)	(359)	(395)	(453)
(3,017)	(2,591)	Net flows	(1,280)	(1,329)	(1,503)	(1,626)
(126)	10,329	Change in market value, interest credited, and other	4,578	5,170	5,494	(1,418)
(1,867)	(1,831)	Policy charges	(926)	(936)	(945)	(938)
160,143	159,202	Ending total account value	159,202	162,107	165,153	161,171
Variable Annuities Account Value by Product:						
117,348	116,905	Highest Daily Suite - risk retained by Prudential (1)	116,905	119,001	121,150	118,249
3,146	3,084	Highest Daily Suite - externally reinsured living benefits	3,084	3,153	3,227	3,165
39,649	39,213	Other variable annuities (2)	39,213	39,953	40,776	39,757
160,143	159,202	Ending total account value	159,202	162,107	165,153	161,171
Fixed Annuities and other products:						
3,473	3,488	Beginning total account value	3,489	3,492	3,493	3,473
90	26	Sales	14	11	5	30
(56)	(52)	Surrenders and withdrawals	(25)	(21)	(31)	(28)
34	(26)	Net sales (redemptions)	(11)	(10)	(26)	2
(171)	(166)	Benefit payments	(82)	(72)	(77)	(84)
(137)	(192)	Net flows	(93)	(82)	(103)	(82)
166	196	Interest credited and other	96	84	83	89
—	—	Policy charges	—	(1)	—	—
3,502	3,492	Ending total account value	3,492	3,493	3,473	3,480
SALES BY DISTRIBUTION CHANNEL:						
Variable and Fixed Annuities (3):						
1,144	997	Insurance Agents	490	418	489	525
678	474	Wirehouses	238	202	303	323
1,709	1,204	Independent Financial Planners	631	597	713	758
260	272	Bank Distribution	148	112	113	118
3,791	2,947	Total	1,507	1,329	1,618	1,724

(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) Amounts represent gross sales.

U.S. INDIVIDUAL SOLUTIONS DIVISION - INDIVIDUAL ANNUITIES ACCOUNT VALUE ACTIVITY
(in millions)

Year-to-date						
2018	2017					
		2Q	3Q	4Q	1Q	2Q
INDIVIDUAL ANNUITIES:						
<i>Account Values in General Account (1):</i>						
9,892	9,892	9,810	9,804	9,816	9,892	9,932
467	353	168	130	167	211	256
(318)	(298)	(145)	(133)	(166)	(163)	(155)
149	55	23	(3)	1	48	101
(206)	(201)	(101)	(89)	(90)	(100)	(106)
(57)	(146)	(78)	(92)	(89)	(52)	(5)
130	114	56	63	71	61	69
(33)	(56)	16	42	94	31	(64)
—	—	—	(1)	—	—	—
9,932	9,804	9,804	9,816	9,892	9,932	9,932
<i>Account Values in Separate Account (1):</i>						
158,734	146,891	150,509	152,890	155,784	158,734	154,719
3,324	2,594	1,339	1,199	1,451	1,513	1,811
(5,534)	(4,462)	(2,262)	(2,176)	(2,586)	(2,732)	(2,802)
(2,210)	(1,868)	(923)	(977)	(1,135)	(1,219)	(991)
(887)	(769)	(372)	(342)	(382)	(437)	(450)
(3,097)	(2,637)	(1,295)	(1,319)	(1,517)	(1,656)	(1,441)
(90)	10,411	4,618	5,191	5,506	(1,390)	1,300
33	56	(16)	(42)	(94)	(31)	64
(1,867)	(1,831)	(926)	(936)	(945)	(938)	(929)
153,713	152,890	152,890	155,784	158,734	154,719	153,713

(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. INDIVIDUAL SOLUTIONS DIVISION - INDIVIDUAL ANNUITIES LIVING BENEFIT FEATURES
(in millions)

	2017			2018	
	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	3,661	3,530	3,380	3,134	2,950
Guaranteed minimum withdrawal benefits	494	483	477	450	433
Guaranteed minimum income benefits	2,755	2,772	2,791	2,690	2,651
Guaranteed minimum withdrawal & income benefits - risk retained by Prudential	125,869	128,465	131,146	128,176	127,490
Guaranteed minimum withdrawal & income benefits - externally reinsured	3,084	3,153	3,227	3,165	3,146
Total	<u>135,863</u>	<u>138,403</u>	<u>141,021</u>	<u>137,615</u>	<u>136,670</u>
<u>Living Benefit Features Account Values by Product Design Type</u>					
Account Values with Auto-Rebalancing Feature - risk retained by Prudential	111,750	113,691	115,690	112,913	112,055
Account Values with Auto-Rebalancing Feature - externally reinsured	3,084	3,153	3,227	3,165	3,146
Account Values without Auto-Rebalancing Feature	21,029	21,559	22,104	21,537	21,469
Total	<u>135,863</u>	<u>138,403</u>	<u>141,021</u>	<u>137,615</u>	<u>136,670</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	3,594	3,250	2,928	3,506	3,775
Net Amount at Risk with Auto-Rebalancing Feature - externally reinsured	—	—	—	—	—
Net Amount at Risk without Auto-Rebalancing Feature	846	752	661	742	797
Total	<u>4,440</u>	<u>4,002</u>	<u>3,589</u>	<u>4,248</u>	<u>4,572</u>

(1) At end of period.

U.S. INDIVIDUAL SOLUTIONS DIVISION - INDIVIDUAL ANNUITIES DEATH BENEFIT FEATURES
(in millions)

	2017			2018	
	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	123,591	126,009	128,545	125,515	124,777
Net amount at risk	323	297	285	356	456
<i>Minimum return, anniversary contract value, or maximum contract value:</i>					
Account value	31,612	31,952	32,269	31,322	30,925
Net amount at risk	3,012	2,785	2,611	3,078	3,179
<u>Death Benefit Features Account Values by Product Design Type</u>					
Account Values with Auto-Rebalancing Feature	114,834	116,844	118,916	116,078	115,201
Account Values without Auto-Rebalancing Feature	40,369	41,117	41,898	40,759	40,501
Total	<u>155,203</u>	<u>157,961</u>	<u>160,814</u>	<u>156,837</u>	<u>155,702</u>
<u>Death Benefit Features Net Amount at Risk by Product Design Type</u>					
Net Amount at Risk with Auto-Rebalancing Feature	1,168	1,060	1,008	1,403	1,545
Net Amount at Risk without Auto-Rebalancing Feature	2,167	2,022	1,888	2,031	2,090
Total	<u>3,335</u>	<u>3,082</u>	<u>2,896</u>	<u>3,434</u>	<u>3,635</u>

(1) At end of period.

U.S. INDIVIDUAL SOLUTIONS DIVISION - SUPPLEMENTARY INFORMATION FOR INDIVIDUAL LIFE
(in millions)

Year-to-date			2017			2018	
2018	2017		2Q	3Q	4Q	1Q	2Q
ANNUALIZED NEW BUSINESS PREMIUMS (1):							
103	103	Term life	54	57	53	49	54
45	93	Guaranteed Universal life	40	31	32	21	24
55	54	Other Universal life	33	28	43	26	29
64	49	Variable life	26	26	55	29	35
267	299	Total	153	142	183	125	142
ANNUALIZED NEW BUSINESS PREMIUMS BY DISTRIBUTION CHANNEL (1):							
63	56	Prudential Advisors	29	29	33	30	33
204	243	Third party distribution	124	113	150	95	109
267	299	Total	153	142	183	125	142
ACCOUNT VALUE ACTIVITY:							
<i>Policyholders' Account Balances (2):</i>							
26,861	26,041	Beginning balance	26,358	26,399	26,612	26,861	27,420
1,472	1,636	Premiums and deposits	832	738	831	734	738
(542)	(522)	Surrenders and withdrawals	(289)	(228)	(281)	(249)	(293)
930	1,114	Net sales	543	510	550	485	445
(300)	(305)	Benefit payments	(123)	(121)	(140)	(145)	(155)
630	809	Net flows	420	389	410	340	290
1,051	143	Interest credited and other	(85)	119	131	524	527
238	212	Net transfers from separate account	106	116	110	119	119
(838)	(806)	Policy charges	(400)	(411)	(402)	(424)	(414)
—	—	Acquisition	—	—	—	—	—
27,942	26,399	Ending balance	26,399	26,612	26,861	27,420	27,942
<i>Separate Account Liabilities:</i>							
32,085	28,455	Beginning balance	29,669	30,259	31,100	32,085	31,897
798	785	Premiums and deposits	343	330	491	419	379
(565)	(447)	Surrenders and withdrawals	(227)	(338)	(464)	(253)	(312)
233	338	Net sales (redemptions)	116	(8)	27	166	67
(101)	(90)	Benefit payments	(44)	(32)	(47)	(55)	(46)
132	248	Net flows	72	(40)	(20)	111	21
912	2,224	Change in market value, interest credited and other	851	1,227	1,347	51	861
(238)	(212)	Net transfers to general account	(106)	(116)	(110)	(119)	(119)
(461)	(456)	Policy charges	(227)	(230)	(232)	(231)	(230)
—	—	Acquisition	—	—	—	—	—
32,430	30,259	Ending balance	30,259	31,100	32,085	31,897	32,430
FACE AMOUNT IN FORCE (3):							
		Term life	736,348	745,849	753,804	761,014	770,208
		Guaranteed Universal life	139,663	141,031	142,546	143,449	144,110
		Other Universal life	46,328	46,888	47,516	47,842	48,598
		Variable life	162,452	162,660	163,174	162,514	162,762
		Total	1,084,791	1,096,429	1,107,040	1,114,820	1,125,678

(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.

COMBINED STATEMENTS OF OPERATIONS - U.S. WORKPLACE SOLUTIONS DIVISION
(in millions)

Year-to-date			% Change						
2018	2017				2Q	2017		2018	
						3Q	4Q	1Q	2Q
Revenues (1):									
4,527	4,823	-6%		Premiums	3,259	2,962	4,651	1,838	2,689
417	425	-2%		Policy charges and fee income	223	204	199	200	217
2,509	2,570	-2%		Net investment income	1,257	1,226	1,323	1,238	1,271
464	471	-1%		Asset management fees, commissions and other income	230	230	230	229	235
<u>7,917</u>	<u>8,289</u>	<u>-4%</u>		Total revenues	<u>4,969</u>	<u>4,622</u>	<u>6,403</u>	<u>3,505</u>	<u>4,412</u>
Benefits and Expenses (1):									
5,337	5,583	-4%		Insurance and annuity benefits	3,601	3,391	5,134	2,212	3,125
843	907	-7%		Interest credited to policyholders' account balances	476	434	440	408	435
17	15	13%		Interest expense	8	7	9	8	9
(17)	(16)	-6%		Deferral of acquisition costs	(9)	(9)	(11)	(5)	(12)
14	11	27%		Amortization of acquisition costs	6	17	12	5	9
992	914	9%		General and administrative expenses	443	473	506	505	487
<u>7,186</u>	<u>7,414</u>	<u>-3%</u>		Total benefits and expenses	<u>4,525</u>	<u>4,313</u>	<u>6,090</u>	<u>3,133</u>	<u>4,053</u>
<u>731</u>	<u>875</u>	<u>-16%</u>		Adjusted operating income before income taxes	<u>444</u>	<u>309</u>	<u>313</u>	<u>372</u>	<u>359</u>

(1) Revenues exclude realized investment gains, net of losses and related charges and adjustments, investment gains, net of losses, on assets supporting experience-rated contractholder 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.

COMBINING STATEMENTS OF OPERATIONS - U.S. WORKPLACE SOLUTIONS DIVISION
(in millions)

	Six Months Ended June 30, 2018			Quarter Ended June 30, 2018		
	Total U.S. Workplace Solutions Division	Retirement	Group Insurance	Total U.S. Workplace Solutions Division	Retirement	Group Insurance
Revenues (1):						
Premiums	4,527	2,332	2,195	2,689	1,597	1,092
Policy charges and fee income	417	123	294	217	63	154
Net investment income	2,509	2,195	314	1,271	1,112	159
Asset management fees, commissions and other income	464	427	37	235	216	19
Total revenues	7,917	5,077	2,840	4,412	2,988	1,424
Benefits and Expenses (1):						
Insurance and annuity benefits	5,337	3,242	2,095	3,125	2,093	1,032
Interest credited to policyholders' account balances	843	701	142	435	362	73
Interest expense	17	16	1	9	8	1
Deferral of acquisition costs	(17)	(16)	(1)	(12)	(11)	(1)
Amortization of acquisition costs	14	11	3	9	7	2
General and administrative expenses	992	529	463	487	252	235
Total benefits and expenses	7,186	4,483	2,703	4,053	2,711	1,342
Adjusted operating income before income taxes	731	594	137	359	277	82
	Six Months Ended June 30, 2017			Quarter Ended June 30, 2017		
	Total U.S. Workplace Solutions Division	Retirement	Group Insurance	Total U.S. Workplace Solutions Division	Retirement	Group Insurance
Revenues (1):						
Premiums	4,823	2,745	2,078	3,259	2,233	1,026
Policy charges and fee income	425	117	308	223	59	164
Net investment income	2,570	2,252	318	1,257	1,104	153
Asset management fees, commissions and other income	471	430	41	230	211	19
Total revenues	8,289	5,544	2,745	4,969	3,607	1,362
Benefits and Expenses (1):						
Insurance and annuity benefits	5,583	3,566	2,017	3,601	2,649	952
Interest credited to policyholders' account balances	907	773	134	476	409	67
Interest expense	15	12	3	8	6	2
Deferral of acquisition costs	(16)	(16)	—	(9)	(9)	—
Amortization of acquisition costs	11	8	3	6	4	2
General and administrative expenses	914	496	418	443	240	203
Total benefits and expenses	7,414	4,839	2,575	4,525	3,299	1,226
Adjusted operating income before income taxes	875	705	170	444	308	136

(1) Revenues exclude realized investment gains, net of losses and related charges and adjustments, investment gains, net of losses, on assets supporting experience-rated contractholder 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.

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

Year-to-date			2017			2018	
2018	2017		2Q	3Q	4Q	1Q	2Q
RETIREMENT SEGMENT SALES AND ACCOUNT VALUES							
Full Service:							
234,616	202,802	Beginning total account value	210,400	214,731	227,438	234,616	236,120
17,634	11,507	Deposits and sales	4,771	11,188	6,832	9,922	7,712
(14,624)	(12,476)	Withdrawals and benefits	(5,786)	(5,132)	(7,203)	(8,154)	(6,470)
3,296	12,898	Change in market value, interest credited, interest income and other activity	5,346	6,651	7,549	(264)	3,560
240,922	214,731	Ending total account value	214,731	227,438	234,616	236,120	240,922
3,010	(969)	Net additions (withdrawals)	(1,015)	6,056	(371)	1,768	1,242
Stable value account values included above			48,829	48,834	48,667	48,692	48,882
Institutional Investment Products:							
194,492	183,376	Beginning total account value	185,115	186,610	188,399	194,492	191,518
6,149	6,599	Additions	2,557	4,764	10,267	688	5,461
(8,740)	(8,412)	Withdrawals and benefits	(4,171)	(3,552)	(5,442)	(4,889)	(3,851)
984	2,902	Change in market value, interest credited and interest income	1,673	1,341	947	(214)	1,198
(1,163)	2,145	Other (1)	1,436	(764)	321	1,441	(2,604)
191,722	186,610	Ending total account value	186,610	188,399	194,492	191,518	191,722
(2,591)	(1,813)	Net additions (withdrawals)	(1,614)	1,212	4,825	(4,201)	1,610
Amounts included in ending total account value above:							
67,406	69,808	Investment-only stable value wraps	69,808	69,637	69,239	66,518	67,406
41,325	33,138	Longevity reinsurance (2)	33,138	36,053	40,072	41,173	41,325
82,991	83,664	Group annuities and other products	83,664	82,709	85,181	83,827	82,991
191,722	186,610	Ending total account value	186,610	188,399	194,492	191,518	191,722

- (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. WORKPLACE SOLUTIONS DIVISION - SUPPLEMENTARY INFORMATION FOR GROUP INSURANCE
(dollar amounts in millions)

Year-to-date			2017			2018	
2018	2017		2Q	3Q	4Q	1Q	2Q
GROUP INSURANCE ANNUALIZED NEW BUSINESS PREMIUMS:							
289	242	Group life	56	23	22	243	46
154	129	Group disability	14	12	12	140	14
443	371	Total	70	35	34	383	60
Future Policy Benefits (1)(2):							
		Group life	2,139	2,087	2,286	2,216	2,180
		Group disability	20	9	2	26	19
		Total	2,159	2,096	2,288	2,242	2,199
Policyholders' Account Balances (1):							
		Group life	8,516	8,599	8,737	8,675	8,769
		Group disability	212	231	246	174	181
		Total	8,728	8,830	8,983	8,849	8,950
Separate Account Liabilities (1):							
		Group life	24,073	23,922	23,955	24,353	23,758
		Group disability	—	—	—	—	—
		Total	24,073	23,922	23,955	24,353	23,758
Group Life Insurance:							
2,121	2,092	Gross premiums, policy charges and fee income (3)	1,054	1,013	1,019	1,046	1,075
1,996	1,966	Earned premiums, policy charges and fee income	981	965	955	1,000	996
87.9%	89.3%	Benefits ratio (4)	86.3%	87.0%	89.3%	87.2%	88.6%
12.1%	10.6%	Administrative operating expense ratio	10.5%	11.2%	12.5%	11.6%	12.6%
		Persistency ratio	94.6%	93.9%	93.8%	95.7%	95.3%
Group Disability Insurance:							
512	470	Gross premiums, policy charges and fee income (3)	237	239	244	251	261
493	420	Earned premiums, policy charges and fee income	209	220	222	243	250
75.3%	75.5%	Benefits ratio (4)	76.7%	78.7%	85.6%	79.0%	71.6%
26.7%	29.2%	Administrative operating expense ratio	29.0%	29.2%	29.8%	27.1%	26.4%
		Persistency ratio	93.4%	91.7%	91.4%	94.9%	94.7%
Total Group Insurance:							
85.4%	86.8%	Benefits ratio (4)	84.5%	85.5%	88.6%	85.6%	85.3%
14.9%	14.1%	Administrative operating expense ratio	13.9%	14.6%	15.8%	14.6%	15.3%

(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) Benefit ratios excluding the impact of the annual assumption updates and other refinements in the second quarter. Benefit ratios including these impacts for Group Life, Group Disability, and Total Group Insurance are 86.9%, 47.5%, and 80.0% for the three months ended June 30, 2017, respectively, and 87.5%, 64.0%, and 82.8% for the three months ended June 30, 2018, respectively.

STATEMENTS OF OPERATIONS - PGIM DIVISION
(in millions)

Year-to-date		% Change		2017			2018	
2018	2017			2Q	3Q	4Q	1Q	2Q
Revenues (1):								
—	—	—	Premiums	—	—	—	—	—
—	—	—	Policy charges and fee income	—	—	—	—	—
48	69	-30%	Net investment income	37	55	46	17	31
1,594	1,474	8%	Asset management fees, commissions and other income	750	772	939	809	785
1,642	1,543	6%	Total revenues	787	827	985	826	816
Benefits and Expenses (1):								
—	—	—	Insurance and annuity benefits	—	—	—	—	—
—	—	—	Interest credited to policyholders' account balances	—	—	—	—	—
20	12	67%	Interest expense	7	7	8	9	11
(3)	(3)	0%	Deferral of acquisition costs	(1)	(2)	(1)	(2)	(1)
4	6	-33%	Amortization of acquisition costs	2	2	3	2	2
1,135	1,114	2%	General and administrative expenses	561	561	669	585	550
1,156	1,129	2%	Total benefits and expenses	569	568	679	594	562
486	414	17%	Adjusted operating income before income taxes	218	259	306	232	254

(1) Revenues exclude realized investment gains, net of losses. Benefits and expenses include charges for income attributable to noncontrolling interests.

PGIM DIVISION - SUPPLEMENTARY REVENUE AND ASSETS UNDER MANAGEMENT INFORMATION

Supplementary Revenue Information (in millions):

Year-to-date		% Change		2017					2018	
2018	2017			2Q	3Q	4Q	1Q	2Q		
Analysis of revenues by type:										
1,262	1,167	8%	Asset management fees	592	619	631	633	629		
138	127	9%	Other related revenues (1)	69	83	229	73	65		
242	249	-3%	Service, distribution and other revenues	126	125	125	120	122		
<u>1,642</u>	<u>1,543</u>	6%	Total PGIM revenues	<u>787</u>	<u>827</u>	<u>985</u>	<u>826</u>	<u>816</u>		
Analysis of asset management fees by source:										
591	554	7%	Institutional customers	279	296	297	296	295		
436	379	15%	Retail customers	194	203	218	217	219		
235	234	0%	General account	119	120	116	120	115		
<u>1,262</u>	<u>1,167</u>	8%	Total asset management fees	<u>592</u>	<u>619</u>	<u>631</u>	<u>633</u>	<u>629</u>		

Supplementary Assets Under Management Information (in billions):

				June 30, 2018			
				Equity	Fixed Income	Real Estate	Total
Institutional customers				62.2	386.1	42.5	490.8
Retail customers				133.4	117.1	1.5	252.0
General account				5.5	405.9	1.9	413.3
Total				<u>201.1</u>	<u>909.1</u>	<u>45.9</u>	<u>1,156.1</u>
				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>

(1) Other related revenues for 4Q17 include \$95 million of revenues associated with noncontrolling interests which are fully offset in general and administrative expenses.

PGIM DIVISION - SUPPLEMENTARY ASSETS UNDER MANAGEMENT INFORMATION
(in billions)

Year-to-date			2017			2018	
2018	2017		2Q	3Q	4Q	1Q	2Q
Institutional Customers - Assets Under Management:							
Assets gathered by Investment Management & Advisory Services sales force:							
437.9	386.4	Beginning assets under management	399.1	414.6	431.0	437.9	438.6
37.2	33.1	Additions	17.2	15.9	16.2	19.4	17.8
(31.9)	(26.1)	Withdrawals	(10.7)	(11.2)	(16.3)	(19.6)	(12.3)
(5.1)	20.4	Change in market value	10.8	9.1	8.5	(0.8)	(4.3)
2.1	0.3	Net money market flows	(1.7)	2.6	(1.6)	1.8	0.3
(0.7)	0.5	Other	(0.1)	—	0.1	(0.1)	(0.6)
439.5	414.6	Ending assets under management	414.6	431.0	437.9	438.6	439.5
51.3	46.6	Affiliated institutional assets under management	46.6	47.3	51.6	51.0	51.3
490.8	461.2	Total assets managed for institutional customers at end of period	461.2	478.3	489.5	489.6	490.8
5.3	7.0	Net institutional additions (withdrawals), excluding money market activity	6.5	4.7	(0.1)	(0.2)	5.5
Retail Customers - Assets Under Management:							
Assets gathered by Investment Management & Advisory Services sales force:							
164.3	136.6	Beginning assets under management	144.2	150.0	157.5	164.3	166.2
28.0	23.8	Additions	10.8	11.9	14.0	14.6	13.4
(25.2)	(22.5)	Withdrawals	(9.6)	(10.6)	(12.5)	(13.6)	(11.6)
4.6	12.0	Change in market value	4.6	6.2	5.3	0.9	3.7
—	—	Net money market flows	—	—	—	—	—
(0.1)	0.1	Other	—	—	—	—	(0.1)
171.6	150.0	Ending assets under management	150.0	157.5	164.3	166.2	171.6
80.4	81.2	Affiliated retail assets under management	81.2	82.4	81.3	80.0	80.4
252.0	231.2	Total assets managed for retail customers at end of period	231.2	239.9	245.6	246.2	252.0
2.8	1.3	Net retail additions, excluding money market activity	1.2	1.3	1.5	1.0	1.8

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

Year-to-date			2017				2018	
2018	2017		2Q	3Q	4Q	1Q	2Q	
DEFERRED POLICY ACQUISITION COSTS								
INDIVIDUAL ANNUITIES:								
5,130	4,871	Beginning balance	4,865	5,312	5,089	5,130	5,083	
197	159	Capitalization	80	71	84	90	107	
(257)	(230)	Amortization - operating results	(102)	(116)	(118)	(111)	(146)	
(101)	555	Amortization - realized investment gains and losses	505	(173)	82	(62)	(39)	
78	(43)	Impact of unrealized (gains) or losses on AFS securities	(36)	(5)	(7)	36	42	
—	—	Other	—	—	—	—	—	
5,047	5,312	Ending balance	5,312	5,089	5,130	5,083	5,047	
INDIVIDUAL LIFE INSURANCE:								
5,405	5,278	Beginning balance	5,393	5,330	5,355	5,405	5,637	
322	349	Capitalization	166	161	181	159	163	
(196)	(329)	Amortization - operating results	(258)	(71)	(83)	(91)	(105)	
11	107	Amortization - realized investment gains and losses	105	(2)	(4)	9	2	
276	(75)	Impact of unrealized (gains) or losses on AFS securities	(76)	(63)	(44)	155	121	
5,818	5,330	Ending balance	5,330	5,355	5,405	5,637	5,818	
GROUP INSURANCE:								
162	176	Beginning balance	175	173	163	162	161	
1	—	Capitalization	—	—	—	—	1	
(3)	(3)	Amortization - operating results	(2)	(10)	(1)	(1)	(2)	
—	—	Amortization - realized investment gains and losses	—	—	—	—	—	
—	—	Impact of unrealized losses on AFS securities	—	—	—	—	—	
160	173	Ending balance	173	163	162	161	160	
DEFERRED SALES INDUCEMENTS								
INDIVIDUAL ANNUITIES:								
1,125	1,082	Beginning balance	1,064	1,211	1,133	1,125	1,083	
1	1	Capitalization	1	1	—	1	—	
(71)	(71)	Amortization - operating results	(30)	(34)	(36)	(31)	(40)	
(24)	209	Amortization - realized investment gains and losses	184	(43)	29	(20)	(4)	
20	(10)	Impact of unrealized (gains) or losses on AFS securities	(8)	(2)	(1)	8	12	
—	—	Other	—	—	—	—	—	
1,051	1,211	Ending balance	1,211	1,133	1,125	1,083	1,051	

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

Year-to-date		% Change						
2018	2017			2017		2018		
				2Q	3Q	4Q	1Q	2Q
Revenues (1):								
8,308	7,994	4%	Premiums	4,032	3,891	3,822	4,541	3,767
272	246	11%	Policy charges and fee income	112	128	129	143	129
2,621	2,465	6%	Net investment income	1,260	1,278	1,284	1,301	1,320
127	187	-32%	Asset management fees, commissions and other income	79	79	57	55	72
11,328	10,892	4%	Total revenues	5,483	5,376	5,292	6,040	5,288
Benefits and Expenses (1):								
7,215	6,855	5%	Insurance and annuity benefits	3,422	3,342	3,291	3,915	3,300
460	448	3%	Interest credited to policyholders' account balances	222	230	221	238	222
9	6	50%	Interest expense	3	4	3	4	5
(888)	(972)	9%	Deferral of acquisition costs	(507)	(417)	(418)	(475)	(413)
637	589	8%	Amortization of acquisition costs	304	275	274	331	306
2,255	2,344	-4%	General and administrative expenses	1,216	1,143	1,144	1,171	1,084
9,688	9,270	5%	Total benefits and expenses	4,660	4,577	4,515	5,184	4,504
1,640	1,622	1%	Adjusted operating income before income taxes	823	799	777	856	784

(1) Revenues exclude realized investment gains, net of losses and related charges and adjustments, investment gains, net of losses, on assets supporting experience-rated contractholder 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 noncontrolling interests.

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

	Six Months Ended June 30, 2018			Quarter Ended June 30, 2018		
	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	8,308	4,354	3,954	3,767	1,982	1,785
Policy charges and fee income	272	200	72	129	94	35
Net investment income	2,621	1,124	1,497	1,320	562	758
Asset management fees, commissions and other income	127	87	40	72	49	23
Total revenues	<u>11,328</u>	<u>5,765</u>	<u>5,563</u>	<u>5,288</u>	<u>2,687</u>	<u>2,601</u>
Benefits and Expenses (1):						
Insurance and annuity benefits	7,215	3,898	3,317	3,300	1,793	1,507
Interest credited to policyholders' account balances	460	126	334	222	55	167
Interest expense	9	5	4	5	3	2
Deferral of acquisition costs	(888)	(457)	(431)	(413)	(206)	(207)
Amortization of acquisition costs	637	337	300	306	164	142
General and administrative expenses	2,255	1,064	1,191	1,084	502	582
Total benefits and expenses	<u>9,688</u>	<u>4,973</u>	<u>4,715</u>	<u>4,504</u>	<u>2,311</u>	<u>2,193</u>
Adjusted operating income before income taxes	<u>1,640</u>	<u>792</u>	<u>848</u>	<u>784</u>	<u>376</u>	<u>408</u>
	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	<u>10,892</u>	<u>5,355</u>	<u>5,537</u>	<u>5,483</u>	<u>2,577</u>	<u>2,906</u>
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	<u>9,270</u>	<u>4,618</u>	<u>4,652</u>	<u>4,660</u>	<u>2,248</u>	<u>2,412</u>
Adjusted operating income before income taxes	<u>1,622</u>	<u>737</u>	<u>885</u>	<u>823</u>	<u>329</u>	<u>494</u>

(1) Revenues exclude realized investment gains, net of losses and related charges and adjustments, investment gains, net of losses, on assets supporting experience-rated contractholder 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 noncontrolling interests.

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

Year-to-date			2017			2018	
2018	2017		2Q	3Q	4Q	1Q	2Q
INTERNATIONAL INSURANCE OPERATING DATA:							
Actual exchange rate basis (1):							
Net premiums, policy charges and fee income:							
3,417	3,158	Japan, excluding Gibraltar Life	1,467	1,459	1,439	1,880	1,537
4,026	4,018	Gibraltar Life	2,134	1,989	1,893	2,206	1,820
1,137	1,064	All other countries	543	571	619	598	539
8,580	8,240	Total	4,144	4,019	3,951	4,684	3,896
Annualized new business premiums:							
424	587	Japan, excluding Gibraltar Life	251	162	164	234	190
806	840	Gibraltar Life (2)	413	403	352	407	399
223	234	All other countries	106	115	129	117	106
1,453	1,661	Total (2)	770	680	645	758	695
Annualized new business premiums by distribution channel:							
647	821	Life Planner Operations	357	277	293	351	296
430	396	Gibraltar Life Consultants (2)	210	178	167	196	234
262	301	Banks (2)	133	178	136	158	104
114	143	Independent Agency (2)	70	47	49	53	61
1,453	1,661	Total (2)	770	680	645	758	695
Constant exchange rate basis (3):							
Net premiums, policy charges and fee income:							
3,362	3,185	Japan, excluding Gibraltar Life	1,466	1,458	1,456	1,842	1,520
3,970	4,066	Gibraltar Life	2,144	1,988	1,903	2,168	1,802
1,094	1,037	All other countries	528	547	594	562	532
8,426	8,288	Total	4,138	3,993	3,953	4,572	3,854
Annualized new business premiums:							
420	592	Japan, excluding Gibraltar Life	251	162	165	232	188
804	843	Gibraltar Life (2)	413	403	353	405	399
212	225	All other countries	102	108	121	108	104
1,436	1,660	Total (2)	766	673	639	745	691
Annualized new business premiums by distribution channel:							
632	817	Life Planner Operations	353	270	286	340	292
429	398	Gibraltar Life Consultants (2)	210	178	167	195	234
262	301	Banks (2)	133	178	136	158	104
113	144	Independent Agency (2)	70	47	50	52	61
1,436	1,660	Total (2)	766	673	639	745	691

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

(2) 2017 sales amounts have been revised from the elimination of Gibraltar Life's one-month reporting lag.

(3) Foreign denominated activity translated to U.S. dollars at uniform exchange rates for all periods presented, including Japanese yen 111 per U.S. dollar and Korean won 1,150 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

	2017			2018	
	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	334	337	339	343	347
Gibraltar Life	335	338	340	341	342
All other countries	126	127	130	132	125
Total	<u>795</u>	<u>802</u>	<u>809</u>	<u>816</u>	<u>814</u>
Number of individual policies in force at end of period (in thousands) (2):					
Japan, excluding Gibraltar Life	3,632	3,674	3,714	3,773	3,814
Gibraltar Life	7,207	7,222	7,220	7,219	7,217
All other countries	2,122	2,146	2,169	2,134	2,096
Total	<u>12,961</u>	<u>13,042</u>	<u>13,103</u>	<u>13,126</u>	<u>13,127</u>
International life insurance policy persistency:					
<u>Life Planner Operations:</u>					
13 months	93.0%	92.9%	92.9%	92.9%	93.3%
25 months	86.5%	86.1%	86.2%	86.6%	86.9%
<u>Gibraltar Life (3):</u>					
13 months	93.4%	93.4%	93.4%	93.5%	93.6%
25 months	86.9%	87.2%	87.2%	87.2%	87.1%
Number of Life Planners at end of period:					
Japan	3,861	3,951	3,941	4,076	3,964
All other countries	<u>3,874</u>	<u>3,880</u>	<u>3,890</u>	<u>3,695</u>	<u>3,674</u>
Total Life Planners	<u>7,735</u>	<u>7,831</u>	<u>7,831</u>	<u>7,771</u>	<u>7,638</u>
Gibraltar Life Consultants	8,509	8,327	8,326	8,137	7,938

- (1) Foreign denominated activity translated to U.S. dollars at uniform exchange rates for all periods presented, including Japanese yen 111 per U.S. dollar and Korean won 1,150 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, 2018				December 31, 2017			
	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	283,522	26,291	257,231	64.2%	287,878	27,448	260,430	64.7%
Public, held-to-maturity, at amortized cost	1,747	—	1,747	0.4%	1,747	—	1,747	0.4%
Private, available-for-sale, at fair value	57,178	13,088	44,090	11.0%	58,293	13,814	44,479	11.1%
Private, held-to-maturity, at amortized cost	273	—	273	0.1%	302	—	302	0.1%
Fixed maturities, trading, at fair value (1)	1,774	190	1,584	0.4%	1,789	200	1,589	0.4%
Assets supporting experience-rated contractholder liabilities, at fair value	21,497	—	21,497	5.4%	22,097	—	22,097	5.5%
Equity securities, at fair value (1)	6,577	2,149	4,428	1.1%	6,755	2,479	4,276	1.1%
Commercial mortgage and other loans, at book value	58,252	8,898	49,354	12.2%	55,411	9,017	46,394	11.5%
Policy loans, at outstanding balance	11,935	4,469	7,466	1.9%	11,891	4,543	7,348	1.8%
Other invested assets (1)(2)	11,218	3,335	7,883	2.0%	10,669	3,159	7,510	1.9%
Short-term investments	5,701	364	5,337	1.3%	6,734	631	6,103	1.5%
Subtotal (3)	459,674	58,784	400,890	100.0%	463,566	61,291	402,275	100.0%
Invested assets of other entities and operations (4)	4,845	—	4,845		6,305	—	6,305	
Total investments	464,519	58,784	405,735		469,871	61,291	408,580	

Fixed Maturities by Credit Quality (3)(5):

	June 30, 2018					December 31, 2017				
	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 (6)										
1	199,475	23,488	2,406	220,557	85.1%	195,968	26,830	872	221,926	84.4%
2	26,870	1,685	752	27,803	10.7%	26,795	3,040	142	29,693	11.3%
Subtotal - High or Highest Quality Securities	226,345	25,173	3,158	248,360	95.8%	222,763	29,870	1,014	251,619	95.7%
3	5,809	249	164	5,894	2.3%	5,541	442	44	5,939	2.3%
4	3,754	351	98	4,007	1.5%	3,457	467	77	3,847	1.5%
5	771	128	30	869	0.3%	781	179	32	928	0.4%
6	191	8	3	196	0.1%	196	10	3	203	0.1%
Subtotal - Other Securities	10,525	736	295	10,966	4.2%	9,975	1,098	156	10,917	4.3%
Total	236,870	25,909	3,453	259,326	100.0%	232,738	30,968	1,170	262,536	100.0%

Private Fixed Maturities:

NAIC Rating (6)										
1	12,039	423	215	12,247	27.6%	11,823	720	53	12,490	27.9%
2	25,180	900	627	25,453	57.3%	23,956	1,520	193	25,283	56.5%
Subtotal - High or Highest Quality Securities	37,219	1,323	842	37,700	84.9%	35,779	2,240	246	37,773	84.4%
3	4,820	110	118	4,812	10.8%	4,660	228	35	4,853	10.8%
4	1,152	24	29	1,147	2.6%	1,224	34	28	1,230	2.7%
5	686	24	11	699	1.6%	885	46	25	906	2.0%
6	24	2	1	25	0.1%	40	4	3	41	0.1%
Subtotal - Other Securities	6,682	160	159	6,683	15.1%	6,809	312	91	7,030	15.6%
Total	43,901	1,483	1,001	44,383	100.0%	42,588	2,552	337	44,803	100.0%

- (1) Prior period amounts have been reclassified to conform to current period presentation.
- (2) Other invested assets consist of investments in limited partnerships and limited liability companies ("LPs/LLCs"), investment real estate held through direct ownership, derivative instruments and other miscellaneous investments.
- (3) Excludes (i) assets of our investment management operations, including assets managed for third parties, (ii) derivative operations and (iii) those assets classified as "Separate account assets" on our balance sheet.
- (4) Includes invested assets of our investment management and derivative operations. Excludes assets of our investment management operations that are managed for third parties and those assets classified as "Separate account assets" on our balance sheet.
- (5) Excludes fixed maturity securities classified as trading.
- (6) Reflects equivalent ratings for investments of the international insurance operations. Includes, as of June 30, 2018 and December 31, 2017, 1,018 securities with amortized cost of \$4,209 million (fair value \$4,178 million) and 982 securities with amortized cost of \$6,022 million (fair value \$6,217 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, 2018		December 31, 2017	
	Amount	% of Total	Amount	% of Total
Japanese Insurance Operations (2):				
Fixed maturities:				
Public, available-for-sale, at fair value	130,921	75.3%	128,332	76.0%
Public, held-to-maturity, at amortized cost	1,747	1.0%	1,747	1.0%
Private, available-for-sale, at fair value	15,185	8.7%	14,538	8.6%
Private, held-to-maturity, at amortized cost	273	0.2%	302	0.2%
Fixed maturities, trading, at fair value (3)	180	0.1%	257	0.1%
Assets supporting experience-rated contractholder liabilities, at fair value	2,570	1.5%	2,586	1.5%
Equity securities, at fair value (3)	2,191	1.2%	2,151	1.3%
Commercial mortgage and other loans, at book value	16,287	9.4%	14,268	8.5%
Policy loans, at outstanding balance	2,613	1.5%	2,545	1.5%
Other invested assets (3)(4)	1,577	0.9%	2,021	1.2%
Short-term investments	416	0.2%	244	0.1%
Total	<u>173,960</u>	<u>100.0%</u>	<u>168,991</u>	<u>100.0%</u>
Excluding Japanese Insurance Operations (2):				
Fixed maturities:				
Public, available-for-sale, at fair value	126,310	55.7%	132,098	56.6%
Public, held-to-maturity, at amortized cost	—	0.0%	—	0.0%
Private, available-for-sale, at fair value	28,905	12.7%	29,941	12.8%
Private, held-to-maturity, at amortized cost	—	0.0%	—	0.0%
Fixed maturities, trading, at fair value (3)	1,404	0.6%	1,332	0.6%
Assets supporting experience-rated contractholder liabilities, at fair value	18,927	8.3%	19,511	8.3%
Equity securities, at fair value (3)	2,237	1.0%	2,125	0.9%
Commercial mortgage and other loans, at book value	33,067	14.6%	32,126	13.8%
Policy loans, at outstanding balance	4,853	2.1%	4,803	2.1%
Other invested assets (3)(4)	6,306	2.8%	5,489	2.4%
Short-term investments	4,921	2.2%	5,859	2.5%
Total	<u>226,930</u>	<u>100.0%</u>	<u>233,284</u>	<u>100.0%</u>

(1) Excludes Closed Block Division.

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

(3) Prior period amounts have been reclassified to conform to current period presentation.

(4) Other invested assets consist of investments in LPs/LLCs, investment real estate held through direct ownership, derivative instruments and other miscellaneous investments.

INVESTMENT RESULTS (1)
(in millions)

	Quarter Ended June 30					
	2018			2017		
	Investment Income Yield (5)	Amount	Realized Gains / (Losses)	Investment Income Yield (5)	Amount	Realized Gains / (Losses)
General Account (2)						
Fixed maturities (3)	3.84%	2,669	197	3.85%	2,511	182
Equity securities	3.50%	39	—	4.71%	95	48
Commercial mortgage and other loans	4.00%	431	(3)	4.13%	400	(5)
Policy loans	4.81%	90	—	4.87%	87	—
Short-term investments and cash equivalents	2.01%	71	3	1.27%	39	—
Other investments (3)	4.21%	99	341	6.41%	133	(1,407)
Gross investment income before investment expenses	3.83%	3,399	538	3.93%	3,265	(1,182)
Investment expenses	-0.15%	(159)	—	-0.14%	(117)	—
Subtotal	3.68%	3,240	538	3.79%	3,148	(1,182)
Investment results of other entities and operations (4)		265	37		269	8
Less, investment income related to adjusted operating income reconciling items		(101)	—		(82)	—
Total		3,404	575		3,335	(1,174)

	Six Months Ended June 30					
	2018			2017		
	Investment Income Yield (5)	Amount	Realized Gains / (Losses)	Investment Income Yield (5)	Amount	Realized Gains / (Losses)
General Account (2)						
Fixed maturities (3)	3.86%	5,294	247	3.87%	4,968	315
Equity securities	2.61%	57	—	4.24%	167	74
Commercial mortgage and other loans	4.01%	843	(3)	4.07%	775	(5)
Policy loans	4.82%	178	—	4.88%	173	—
Short-term investments and cash equivalents	1.82%	132	2	1.20%	74	—
Other investments (3)	3.87%	180	699	8.85%	358	(1,402)
Gross investment income before investment expenses	3.81%	6,684	945	3.97%	6,515	(1,018)
Investment expenses	-0.15%	(298)	—	-0.14%	(230)	—
Subtotal	3.66%	6,386	945	3.83%	6,285	(1,018)
Investment results of other entities and operations (4)		524	57		548	(2)
Less, investment income related to adjusted operating income reconciling items		(169)	—		(144)	—
Total		6,741	1,002		6,689	(1,020)

(1) Excludes Closed Block Division.

(2) Excludes commercial loans and assets supporting experience-rated contractholder liabilities where the investment results generally accrue to contractholders, derivative operations, assets of our investment management operations, including assets that are managed for third parties, and those assets classified as "Separate account assets" on our balance sheet.

(3) Includes fixed maturity securities classified as available-for-sale and held-to-maturity and excludes fixed maturity securities classified as trading, which are included in "Other investments." Realized gains / (losses) for "Other investments" includes changes in fair value of product-related and other derivatives and embedded derivatives.

(4) Includes invested income of commercial loans, assets supporting experience-rated contractholder liabilities where the investment results generally accrue to contractholders and our investment management and derivative operations.

(5) Yields are based on net investment income as reported under U.S. GAAP and as such do not include certain interest-related items, such as settlements of duration management swaps which are included 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 and securities lending activity. Yields for fixed maturities are based on quarterly average amortized cost. Yields for fixed maturities, 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 assets supporting experience-rated contractholder liabilities where the investment results generally accrue to contractholders and investment income on assets other than those included in invested assets. Prior period yields have been revised to conform with current period presentation.

INVESTMENT RESULTS - JAPANESE INSURANCE OPERATIONS
(in millions)

	Quarter Ended June 30					
	2018			2017		
	Investment Income Yield (1)	Amount	Realized Gains / (Losses)	Investment Income Yield (1)	Amount	Realized Gains / (Losses)
Japanese Insurance Operations:						
Fixed maturities (2)	2.87%	922	259	3.05%	910	183
Equity securities	5.48%	30	—	2.86%	21	21
Commercial mortgage and other loans	3.93%	156	(2)	4.26%	133	(1)
Policy loans	3.83%	25	—	3.95%	25	—
Short-term investments and cash equivalents	1.92%	10	—	1.44%	4	—
Other investments (2)(3)	6.47%	33	(87)	8.24%	39	117
Gross investment income before investment expenses	3.08%	1,176	170	3.24%	1,132	320
Investment expenses	-0.13%	(60)	—	-0.12%	(44)	—
Total	2.95%	1,116	170	3.12%	1,088	320
Six Months Ended June 30						
	2018			2017		
	Investment Income Yield (1)	Amount	Realized Gains / (Losses)	Investment Income Yield (1)	Amount	Realized Gains / (Losses)
Japanese Insurance Operations:						
Fixed maturities (2)	2.92%	1,845	348	3.05%	1,786	373
Equity securities	3.54%	38	—	2.45%	36	34
Commercial mortgage and other loans	3.92%	299	(2)	4.11%	250	—
Policy loans	3.86%	50	—	3.94%	48	—
Short-term investments and cash equivalents	1.91%	17	—	1.34%	7	—
Other investments (2)(3)	5.62%	60	6	8.60%	73	186
Gross investment income before investment expenses	3.08%	2,309	352	3.21%	2,200	593
Investment expenses	-0.13%	(113)	—	-0.12%	(87)	—
Total	2.95%	2,196	352	3.09%	2,113	593

- (1) Yields are based on net investment income as reported under U.S. GAAP and as such do not include certain interest-related items, such as settlements of duration management swaps which are included 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 and securities lending activity. Yields for fixed maturities are based on quarterly average amortized cost. Yields for fixed maturities, 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 assets supporting experience-rated contractholder liabilities where the investment results generally accrue to contractholders and investment income on assets other than those included in invested assets. Prior period yields have been revised to conform with current period presentation.
- (2) Includes fixed maturity securities classified as available-for-sale and held-to-maturity and excludes fixed maturity securities classified as trading, which are included in "Other investments".
- (3) 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					
	2018			2017		
	Investment Income		Realized Gains / (Losses)	Investment Income		Realized Gains / (Losses)
	Yield (4)	Amount		Yield (4)	Amount	
Excluding Japanese Insurance Operations (2):						
Fixed maturities (3)	4.68%	1,747	(62)	4.53%	1,601	(1)
Equity securities	1.56%	9	—	5.83%	74	27
Commercial mortgage and other loans	4.04%	275	(1)	4.06%	267	(4)
Policy loans	5.35%	65	—	5.35%	62	—
Short-term investments and cash equivalents	2.02%	61	3	1.26%	35	—
Other investments (3)	3.60%	66	428	5.87%	94	(1,524)
Gross investment income before investment expenses	4.40%	2,223	368	4.43%	2,133	(1,502)
Investment expenses	-0.17%	(99)	—	-0.15%	(73)	—
Total	4.23%	2,124	368	4.28%	2,060	(1,502)
Six Months Ended June 30						
	2018			2017		
	Investment Income		Realized Gains / (Losses)	Investment Income		Realized Gains / (Losses)
	Yield (4)	Amount		Yield (4)	Amount	
	Yield (4)	Amount	Yield (4)	Amount	Yield (4)	Amount
Excluding Japanese Insurance Operations (2):						
Fixed maturities (3)	4.65%	3,449	(101)	4.55%	3,182	(58)
Equity securities	1.68%	19	—	5.34%	131	40
Commercial mortgage and other loans	4.05%	544	(1)	4.05%	525	(5)
Policy loans	5.34%	128	—	5.36%	125	—
Short-term investments and cash equivalents	1.81%	115	2	1.19%	67	—
Other investments (3)	3.36%	120	693	8.92%	285	(1,588)
Gross investment income before investment expenses	4.36%	4,375	593	4.52%	4,315	(1,611)
Investment expenses	-0.16%	(185)	—	-0.16%	(143)	—
Total	4.20%	4,190	593	4.36%	4,172	(1,611)

(1) Excludes Closed Block Division.

(2) Excludes commercial loans and assets supporting experience-rated contractholder liabilities where the investment results generally accrue to contractholders, derivative operations, assets of our investment management operations, including assets that are managed for third parties, and those assets classified as "Separate account assets" on our balance sheet.

(3) Includes fixed maturity securities classified as available-for-sale and excludes fixed maturity securities classified as trading, which are included in "Other investments." Realized gains / (losses) for "Other investments" includes changes in fair value of product-related and other derivatives and embedded derivatives.

(4) Yields are based on net investment income as reported under U.S. GAAP and as such do not include certain interest-related items, such as settlements of duration management swaps which are included 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 and securities lending activity. Yields for fixed maturities are based on quarterly average amortized cost. Yields for fixed maturities, 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 assets supporting experience-rated contractholder liabilities where the investment results generally accrue to contractholders and investment income on assets other than those included in invested assets. Prior period yields have been revised to conform with current period presentation.

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

	Three Months Ended June 30, 2018								Three Months Ended June 30, 2017							
	Reconciling Items							U.S. GAAP (2)	Reconciling Items							U.S. GAAP (2)
Adjusted Operating Income basis (1)	Total realized investment gains (losses), net, and related charges and adjustments	Investment gains (losses) on assets supporting experience-rated contractholder 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	Adjusted Operating Income basis (1)		Total realized investment gains (losses), net, and related charges and adjustments	Investment gains (losses) on assets supporting experience-rated contractholder 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		
Revenues:																
Premiums	6,710	—	—	—	600	128	—	7,438	7,557	—	—	—	670	99	—	8,326
Policy charges and fee income	1,570	(92)	—	—	—	2	—	1,480	794	(69)	—	—	—	—	—	725
Net investment income	3,404	(10)	—	—	591	111	—	4,096	3,335	(9)	—	—	672	91	—	4,089
Realized investment gains (losses), net	151	434	—	—	110	(10)	—	685	161	(1,372)	—	—	82	37	—	(1,092)
Asset management fees, commissions and other income	1,208	(31)	(193)	—	87	(88)	(27)	956	1,181	4	201	—	25	1	(19)	1,393
Total revenues	13,043	301	(193)	—	1,388	143	(27)	14,655	13,028	(1,446)	201	—	1,449	228	(19)	13,441
Benefits and Expenses:																
Insurance and annuity benefits	7,160	(24)	—	—	1,288	1,628	—	10,052	7,386	(69)	—	—	1,328	174	—	8,819
Interest credited to policyholders' account balances	932	9	—	(85)	33	5	—	894	953	(184)	—	145	33	—	—	947
Interest expense	347	—	—	—	—	1	—	348	326	—	—	—	—	1	—	327
Deferral of acquisition costs	(684)	—	—	—	—	(2)	—	(686)	(755)	—	—	—	—	—	—	(755)
Amortization of acquisition costs	555	48	—	—	8	2	—	613	662	(586)	—	—	8	—	—	84
General and administrative expenses	3,072	(9)	—	—	90	35	(4)	3,184	3,228	72	—	—	98	18	(5)	3,411
Total benefits and expenses	11,382	24	—	(85)	1,419	1,669	(4)	14,405	11,800	(767)	—	145	1,467	193	(5)	12,833

	Six Months Ended June 30, 2018								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 assets supporting experience-rated contractholder 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 assets supporting experience-rated contractholder 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	13,348	—	—	—	1,151	250	—	14,749	13,331	—	—	—	1,274	202	—	14,807
Policy charges and fee income	3,145	(163)	—	—	—	2	—	2,984	2,349	(91)	—	—	—	—	—	2,258
Net investment income	6,741	(20)	—	—	1,184	189	—	8,094	6,689	(17)	—	—	1,317	161	—	8,150
Realized investment gains (losses), net	214	867	—	—	108	(79)	—	1,110	283	(1,345)	—	—	355	42	—	(665)
Asset management fees, commissions and other income	2,470	(367)	(596)	—	108	(87)	(53)	1,475	2,383	(81)	245	—	60	4	(50)	2,561
Total revenues	25,918	317	(596)	—	2,551	275	(53)	28,412	25,035	(1,534)	245	—	3,006	409	(50)	27,111
Benefits and Expenses:																
Insurance and annuity benefits	14,013	(86)	—	—	2,323	1,805	—	18,055	13,532	(108)	—	—	2,708	327	—	16,459
Interest credited to policyholders' account balances	1,843	34	—	(503)	66	4	—	1,444	1,873	(209)	—	157	66	—	—	1,887
Interest expense	687	—	—	—	—	2	—	689	648	—	—	—	1	2	—	651
Deferral of acquisition costs	(1,402)	—	—	—	—	(3)	—	(1,405)	(1,479)	—	—	—	—	—	—	(1,479)
Amortization of acquisition costs	1,085	95	—	—	18	3	—	1,201	1,143	(639)	—	—	19	—	—	523
General and administrative expenses	6,310	(67)	—	—	184	62	(4)	6,485	6,430	63	—	—	196	39	(8)	6,720
Total benefits and expenses	22,536	(24)	—	(503)	2,591	1,873	(4)	26,469	22,147	(893)	—	157	2,990	368	(8)	24,761

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

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

Three Months Ended September 30, 2017									Three Months Ended December 31, 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 assets supporting experience-rated contractholder 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 assets supporting experience-rated contractholder 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	7,111	—	—	—	578	106	—	7,795	8,720	—	—	—	—	674	95	—	9,489
Policy charges and fee income	1,565	(63)	—	—	—	—	—	1,502	1,604	(61)	—	—	—	—	—	—	1,543
Net investment income	3,345	(9)	—	—	666	74	—	4,076	3,465	(12)	—	—	—	670	86	—	4,209
Realized investment gains (losses), net	121	1,377	—	—	107	3	—	1,608	82	(663)	—	—	—	72	(2)	—	(511)
Asset management fees, commissions and other income	1,219	27	85	—	25	2	(26)	1,332	1,379	121	6	—	—	28	2	(1)	1,535
Total revenues	13,361	1,332	85	—	1,376	185	(26)	16,313	15,250	(615)	6	—	—	1,444	181	(1)	16,265
Benefits and Expenses:																	
Insurance and annuity benefits	7,376	(46)	—	—	1,207	156	—	8,693	9,163	85	—	—	—	1,311	174	—	10,733
Interest credited to policyholders' account balances	927	43	—	31	34	—	—	1,035	929	(25)	—	—	(37)	33	—	—	900
Interest expense	330	—	—	—	—	—	—	330	344	—	—	—	—	—	2	—	346
Deferral of acquisition costs	(653)	—	—	—	—	—	—	(653)	(686)	—	—	—	—	—	—	—	(686)
Amortization of acquisition costs	470	165	—	—	8	—	—	643	480	(76)	—	—	—	10	—	—	414
General and administrative expenses	3,127	6	—	—	94	19	(2)	3,244	3,448	(18)	—	—	—	94	18	(100)	3,442
Total benefits and expenses	11,577	168	—	31	1,343	175	(2)	13,292	13,678	(34)	—	—	(37)	1,448	194	(100)	15,149

Three Months Ended March 31, 2018								
		Reconciling Items						
	Adjusted Operating Income basis (1)	Total realized investment gains (losses), net, and related charges and adjustments	Investment gains (losses) on assets supporting experience-rated contractholder 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	6,638	—	—	—	551	122	—	7,311
Policy charges and fee income	1,575	(71)	—	—	—	—	—	1,504
Net investment income	3,337	(10)	—	—	593	78	—	3,998
Realized investment gains (losses), net	63	433	—	—	(2)	(69)	—	425
Asset management fees, commissions and other income	1,262	(336)	(403)	—	21	1	(26)	519
Total revenues	12,875	16	(403)	—	1,163	132	(26)	13,757
Benefits and Expenses:								
Insurance and annuity benefits	6,853	(62)	—	—	1,035	177	—	8,003
Interest credited to policyholders' account balances	911	25	—	(418)	33	(1)	—	550
Interest expense	340	—	—	—	—	1	—	341
Deferral of acquisition costs	(718)	—	—	—	—	(1)	—	(719)
Amortization of acquisition costs	530	47	—	—	10	1	—	588
General and administrative expenses	3,238	(58)	—	—	94	27	—	3,301
Total benefits and expenses	11,154	(48)	—	(418)	1,172	204	—	12,064

- (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 assets supporting experience-rated contractholder liabilities and changes in experience-rated contractholder liabilities due to asset value changes, because these recorded changes in asset and liability values are expected to ultimately accrue to contractholders. 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 accumulated other comprehensive income (loss) (“AOCI”) and adjusted to remove amount included for remeasurement of foreign currency exchange rate and certain deferred taxes is a non-GAAP measure. These items are excluded in order to highlight the book value attributable to our core business operations. 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 AOCI under GAAP as well as remeasurement of deferred tax assets and liabilities, for the fourth quarter of 2017 only, originally established through AOCI, related to enactment of the Tax Cuts and Jobs Act on December 22, 2017. However, book value per share excluding both AOCI and adjusted to remove amount included for foreign currency exchange rate remeasurement and certain deferred taxes is not a substitute for book value per share including AOCI determined in accordance with GAAP, and the adjustments made to derive the measure are important to an understanding of our overall financial position.

Book value per share of Common Stock - including AOCI: As of the second and third quarters of 2017, book value including AOCI per share of common stock includes a \$500 million increase in equity and a 5.75 million increase in diluted shares, reflecting the dilutive impact of exchangeable surplus notes (“ESNs”) when book value per share of common stock is greater than \$86.92. Reflecting the dilutive impact of ESNs when book value per share is greater than \$85.00, to calculate book value including AOCI per share of common stock as of December 31, 2017, March 31, 2018 and June 30, 2018, equity is increased by \$500 million and diluted shares include 5.88 million shares.

Book value per share of Common Stock - excluding AOCI, and excluding AOCI and remeasurement of foreign currency and certain deferred taxes: The ESNs are subject to customary antidilution adjustments and the exchange rate is accordingly revalued in the fourth quarter of each year. As of second and third quarters of 2017, the conversion of ESNs is antidilutive as book value excluding AOCI per share of common stock and book value excluding AOCI and remeasurement of foreign currency and certain deferred taxes per share of common stock is less than \$86.92. Reflecting the dilutive impact of ESNs when book value per share is greater than \$85.00, for the fourth quarter of 2017 and the first and second quarters of 2018, to calculate book value excluding AOCI per share of common stock and book value excluding AOCI and remeasurement of foreign currency and certain deferred taxes per share of common stock equity is increased by \$500 million and diluted shares include 5.88 million shares.

Diluted shares as of the second and third quarters of 2017 do not include shares related to ESNs due to the antidilutive impact of conversion of ESNs when book value per share of common stock (i.e., book value excluding AOCI per share of common stock and book value excluding AOCI and remeasurement of foreign currency and certain deferred taxes per share of common stock) is less than \$86.92. Diluted shares as of December 31, 2017, March 31, 2018 and June 30, 2018 include 5.88 million shares due to the dilutive impact of conversion of ESNs when book value per share of common stock (i.e., book value excluding AOCI per share of common stock and book value excluding AOCI and remeasurement of foreign currency and certain deferred taxes per share of common stock) is greater than \$85.00.

KEY DEFINITIONS AND FORMULAS

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 investment management business.

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 Advisors 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 Advisors:

Captive financial professionals and field managers in our insurance operations in the United States.

28. Prudential Advisor productivity:

Commissions on new sales of all products by Prudential Advisors under contract for the entire period, divided by the number of those Prudential Advisors. Excludes commissions on new sales by Prudential Advisors 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 1, 2018

	A.M. Best	Standard & Poor's	Moody's	Fitch Ratings
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 1, 2018

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.