

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): November 7, 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 third 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 third quarter 2018.
- B. Conference Call and Related Materials. Members of the Company’s senior management will hold a conference call on Thursday, November 8, 2018 at 11:00 A.M. ET, to discuss the Company’s third quarter 2018 results. Related materials are available on the Company’s Investor Relations website at www.investor.prudential.com.

Investors and others should note that the Company routinely uses its Investor Relations website to post presentations to investors and other important information, including information that may be deemed material to investors. Accordingly, the Company encourages investors and others interested in the Company to review the information that it shares at www.investor.prudential.com. Interested parties may register to receive automatic email alerts when presentations and other information are posted to the Investor Relations website by clicking on “Subscribe to Email Alerts” at www.investor.prudential.com and following the instructions provided.

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 November 7, 2018, announcing third quarter 2018 results (furnished and not filed).</u>
99.2	<u>Quarterly Financial Supplement for Prudential Financial, Inc. for third 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: November 7, 2018

PRUDENTIAL FINANCIAL, INC.

By: /s/ Robert D. Axel
Name: Robert D. Axel
Title: Senior Vice President and Principal Accounting Officer



Earnings Release



November 7, 2018

Prudential Financial, Inc. Announces Third Quarter 2018 Results

- Net income attributable to Prudential Financial of \$1.672 billion or \$3.90 per Common share versus \$2.238 billion or \$5.09 per share for year-ago quarter.
- After-tax adjusted operating income of \$1.346 billion or \$3.15 per Common share versus \$1.323 billion or \$3.01 per share for year-ago quarter.
- Notable items resulted in a net charge to net income and after-tax adjusted operating income of \$5 million or \$0.01 per Common share, as discussed later in this release.

John Strangfeld, Chairman and CEO, commented on results:

“We generated an annualized adjusted operating return on equity that remained above our 12-13% target and produced positive growth metrics across our businesses. Our strong cash flows and capital position enabled us to return \$755 million to shareholders in the third quarter through dividends and share repurchases.

During the quarter, we launched several additional cross-business initiatives using technology to unlock financial opportunity for more people. One example is the recent launch of LINK by Prudential, our online tool that allows individuals across a broader financial spectrum to set goals, receive personalized advice and take action. As we transition to the next generation of Prudential’s leadership, I remain confident in our ability to generate competitive financial performance and a positive social impact through these and other strategic efforts.”

OTHER FINANCIAL HIGHLIGHTS		
(\$ millions, except per share)	3Q:18	3Q:17
Book value per share of Common Stock	\$110.78	\$116.70
Adjusted book value per share of Common Stock	\$95.20	\$85.03
Common Stock share repurchases	\$375	\$313
Common Stock dividends	\$380	\$324
Common Stock dividends per share	\$0.90	\$0.75
Parent company highly liquid assets	\$5,161	\$4,390

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NOTABLE ITEMS (\$ millions, pre-tax)	3Q:18	3Q:17
Notable Items included in Adjusted Operating Income:		
Updated estimates of Individual Annuities profitability driven by market performance versus assumptions	\$(36)	\$48
Returns on non-coupon investments and prepayment fees above / (below) average expectations	\$(35)	\$15
Underwriting experience above / (below) average expectations	\$65	\$50
(Higher) / lower than typical expenses	\$0	\$(35)
Total Notable Items included in Adjusted Operating Income	\$(6)	\$78

NEWARK, N.J. – Prudential Financial, Inc. (NYSE: PRU) today reported third quarter results. Net income attributable to Prudential Financial, Inc., was \$1.672 billion (\$3.90 per Common share) for the third quarter of 2018, compared to \$2.238 billion (\$5.09 per Common share) for the third quarter of 2017. After-tax adjusted operating income was \$1.346 billion (\$3.15 per Common share) for the third quarter of 2018, compared to \$1.323 billion (\$3.01 per Common share) for the third quarter of 2017. The adjusted operating income effective tax rate in the third quarter was 19.3 percent compared to 25.8 percent in the year-ago quarter. The lower effective tax rate primarily reflects the reduction in the federal income tax rate and the company's estimate of its full year 2018 adjusted operating income effective tax rate of approximately 21 percent.

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 \$230 million for the current quarter, compared to \$259 million in the year-ago quarter.

PGIM (\$ millions)	3Q:18	3Q:17
Adjusted operating income	\$230	\$259

The decrease of \$29 million from the year-ago quarter reflects a \$34 million lower contribution from other related revenues, net of associated expenses, which amounted to \$31 million for the current quarter, and higher expenses supporting business growth. This decrease was partially offset by higher asset management fees, reflecting an increase in assets under management from net inflows and equity market appreciation.

PGIM assets under management of \$1.175 trillion includes a record-high \$629 billion of unaffiliated third-party institutional and retail assets under management. Unaffiliated third-party net inflows, excluding money market, totaled \$8.7 billion for the current quarter driven by new and existing institutional client mandates 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 \$298 million for the third quarter of 2018, compared to \$309 million in the year-ago quarter.

RETIREMENT SEGMENT (\$ millions)	3Q:18	3Q:17
Adjusted operating income	\$239	\$248
Notable items included above:		
Returns on non-coupon investments and prepayment fees above / (below) average expectations	\$(15)	\$(5)
Underwriting experience above / (below) average expectations	\$(15)	\$0

The **Retirement segment** reported adjusted operating income of \$239 million for the current quarter, compared to \$248 million in the year-ago quarter. Excluding the notable items above, results increased \$16 million from the year-ago quarter reflecting a higher contribution from net investment spread results and an increase in underwriting income driven by business growth.

Retirement account values were a record high \$447 billion as of September 30, 2018, up 7% from a year earlier, reflecting positive net flows and market appreciation over the past four quarters. Net flows in the current quarter totaled \$6 billion with \$3 billion from Full Service and \$3 billion from Institutional Investment Products, primarily from pension risk transfer transactions.

GROUP INSURANCE SEGMENT (\$ millions)	3Q:18	3Q:17
Adjusted operating income	\$59	\$61
Notable items included above:		
Underwriting experience above / (below) average expectations	\$5	\$10

The **Group Insurance segment** reported adjusted operating income of \$59 million in the current quarter, compared to \$61 million in the year-ago quarter. Excluding the notable items above, results increased \$3 million from the year-ago quarter reflecting more favorable underwriting results, including business growth, partially offset by higher expenses.

Group Insurance earned premiums, policy charges and fees of \$1.3 billion in the current quarter were up 6% 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 \$624 million for the third quarter of 2018, compared to \$727 million in the year-ago quarter.

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INDIVIDUAL ANNUITIES SEGMENT (\$ millions)	3Q:18	3Q:17
Adjusted operating income	\$454	\$577
Notable items included above:		
Impact from updated estimates of profitability driven by market performance versus assumptions	\$(36)	\$48
Returns on non-coupon investments and prepayment fees above / (below) average expectations	\$0	\$5

The **Individual Annuities segment** reported adjusted operating income of \$454 million in the current quarter, compared to \$577 million in the year-ago quarter. Excluding the notable items above, results decreased \$34 million from the year-ago quarter reflecting a higher cost of hedging, higher distribution expenses due to increased sales and lower fee income reflecting maturation of the block and the product diversification strategy.

Individual Annuities account values were \$166 billion as of September 30, 2018, roughly flat from a year earlier, as market appreciation offset net outflows over the past four quarters. Individual Annuities gross sales were \$2.2 billion in the current quarter, up 69% from the year-ago quarter, as customers have reacted favorably to pricing actions.

INDIVIDUAL LIFE SEGMENT (\$ millions)	3Q:18	3Q:17
Adjusted operating income	\$170	\$150
Notable items included above:		
Underwriting experience above / (below) average expectations	\$65	\$20
Returns on non-coupon investments and prepayment fees above / (below) average expectations	\$(5)	\$0
(Higher) / lower than typical expenses	\$0	\$5

The **Individual Life segment** reported adjusted operating income of \$170 million for the current quarter, compared to \$150 million in the year-ago quarter. Excluding the notable items above, results decreased \$15 million from the year-ago quarter primarily reflecting the effects of the annual assumption review process on expected underwriting experience.

Individual Life sales of \$163 million in the current quarter were up 15% from the year-ago quarter, reflecting higher variable life and other universal life sales partially offset by lower guaranteed universal life sales.

International Insurance

International Insurance, consisting of Life Planner Operations and Gibraltar Life & Other Operations, reported adjusted operating income of \$890 million for the third quarter of 2018, compared to \$799 million in the year-ago quarter.

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LIFE PLANNER OPERATIONS (\$ millions)	3Q:18	3Q:17
Adjusted operating income	\$449	\$373
Notable items included above:		
Returns on non-coupon investments and prepayment fees above / (below) average expectations	\$5	\$10
Underwriting experience above / (below) average expectations	\$0	\$10
(Higher) / lower than typical expenses	\$0	\$(40)

The **Life Planner Operations** reported adjusted operating income of \$449 million for the current quarter, compared to \$373 million in the year-ago quarter. Excluding the notable items above, results increased \$51 million from the year-ago quarter reflecting business growth and the timing of expenses partially offset by lower net investment spread results driven by low interest rates in Japan.

Life Planner Operations constant dollar basis sales of \$299 million in the current quarter were up 11% from the year-ago quarter, primarily reflecting higher sales of U.S. dollar-denominated products in our Japan operations.

GIBRALTAR LIFE & OTHER OPERATIONS (\$ millions)	3Q:18	3Q:17
Adjusted operating income	\$441	\$426
Notable items included above:		
Returns on non-coupon investments and prepayment fees above / (below) average expectations	\$(20)	\$5
Underwriting experience above / (below) average expectations	\$10	\$10

The **Gibraltar Life & Other Operations** reported adjusted operating income of \$441 million for the current quarter, compared to \$426 million in the year-ago quarter. Excluding the notable items above, results increased \$40 million from the year-ago quarter reflecting business growth and a higher contribution from investment spread resulting from U.S. dollar denominated product sales.

Gibraltar Life & Other Operations constant dollar basis sales of \$350 million in the current quarter were down 13% from the year-ago quarter reflecting competitive pressures in the Bank Channel.

Corporate & Other Operations

Corporate & Other Operations reported a loss, on an adjusted operating income basis, of \$374 million in the third quarter of 2018, compared to a loss of \$310 million in the year-ago quarter.

CORPORATE & OTHER OPERATIONS (\$ millions)	3Q:18	3Q:17
Adjusted operating income	\$(374)	\$(310)

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The increased loss of \$64 million from the year-ago quarter reflects higher net expenses in the current quarter and lower net investment income partially offset by higher income from the qualified pension plan.

ASSETS UNDER MANAGEMENT

Assets under management amounted to \$1.410 trillion at September 30, 2018, compared to \$1.366 trillion a year earlier.

NET INCOME AND INVESTMENT PORTFOLIO

Net income attributable to Prudential Financial, Inc. amounted to \$1.672 billion for the third quarter of 2018, compared to \$2.238 billion for the year-ago quarter.

Current quarter net income includes \$177 million of pre-tax net realized investment gains and related charges and adjustments. The foregoing net gains include net pre-tax gains of \$230 million from general portfolio and related activities and net pre-tax gains of \$182 million from products that contain embedded derivatives or guarantees and associated hedging activities. The foregoing gains were partially offset by pre-tax losses of \$210 million primarily related to derivatives used for risk management including foreign currency and asset and liability duration management and other risk mitigation activities, and \$25 million from impairments and sales of credit-impaired investments.

Net income for the current quarter reflects pre-tax increases of \$10 million in recorded asset values and \$21 million in recorded liabilities representing changes in value which are expected to ultimately accrue to contractholders. These changes primarily represent mark-to-market adjustments.

Net income for the current quarter also reflects pre-tax income of \$30 million from divested businesses.

Net income for the year-ago quarter included \$1.164 billion of pre-tax net realized investment gains and related charges and adjustments. The foregoing net gains include net pre-tax gains of \$1.049 billion 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 widening credit spreads on our risk of non-performance and favorable equity markets. The year-ago quarter also included pre-tax gains of \$445 million from general portfolio and related activities. The foregoing gains were partially offset by pre-tax losses of \$307 million primarily related to derivatives used in risk management activities including foreign currency and asset and liability duration management and \$23 million from impairments and sales of credit-impaired investments.

FORWARD-LOOKING STATEMENTS AND NON-GAAP MEASURES

Certain of the statements included in this release, including the full year 2018 adjusted operating income effective tax rate, 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.'s actual full year 2018 adjusted operating income effective tax rate may be affected by a number of factors including its earnings and the tax liabilities and benefits it incurs. Prudential Financial, Inc. does not undertake to update any particular forward-looking statement included in this document.

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

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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 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.

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EARNINGS CONFERENCE CALL

Members of Prudential's senior management will host a conference call on Thursday, November 8, 2018, at 11 a.m. ET, to discuss with the investment community the Company's third 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 November 23. 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 November 8, through November 15, dial (800) 475-6701 (domestic callers) or (320) 365-3844 (international callers). The access code for the replay is 439435.



Prudential Financial, Inc. ([NYSE: PRU](https://www.nyse.com/quote/nyse:pru)), a financial services leader with more than \$1 trillion of assets under management as of September 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 September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Income Statement Data:				
Net income attributable to Prudential Financial, Inc.	\$ 1,672	\$ 2,238	\$ 3,232	\$4,098
Income attributable to noncontrolling interests	3	3	7	11
Net income	<u>1,675</u>	<u>2,241</u>	<u>3,239</u>	<u>4,109</u>
Less: Earnings attributable to noncontrolling interests	3	3	7	11
Income attributable to Prudential Financial, Inc.	<u>1,672</u>	<u>2,238</u>	<u>3,232</u>	<u>4,098</u>
Less: Equity in earnings of operating joint ventures, net of taxes and earnings attributable to noncontrolling interests	18	17	55	47
Income (after-tax) before equity in earnings of operating joint ventures	<u>1,654</u>	<u>2,221</u>	<u>3,177</u>	<u>4,051</u>
Less: Reconciling Items:				
Realized investment gains, net, and related charges and adjustments	177	1,164	518	523
Investment gains (losses) on assets supporting experience-rated contractholder liabilities, net	10	85	(586)	330
Change in experience-rated contractholder liabilities due to asset value changes	(21)	(31)	482	(188)
Divested businesses:				
Closed Block Division	18	33	(22)	49
Other divested businesses	12	10	(1,586)	51
Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests	(26)	(24)	(75)	(66)
Total reconciling items, before income taxes	<u>170</u>	<u>1,237</u>	<u>(1,269)</u>	<u>699</u>
Less: Income taxes, not applicable to adjusted operating income	(138)	339	(462)	127
Total reconciling items, after income taxes	<u>308</u>	<u>898</u>	<u>(807)</u>	<u>572</u>
After-tax adjusted operating income (1)	<u>1,346</u>	<u>1,323</u>	<u>3,984</u>	<u>3,479</u>
Income taxes, applicable to adjusted operating income	322	461	1,066	1,193
Adjusted operating income before income taxes (1)	<u>\$ 1,668</u>	<u>\$ 1,784</u>	<u>\$ 5,050</u>	<u>\$4,672</u>

See footnotes on last page.

Financial Highlights

(in millions, except per share data, unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Earnings per share of Common Stock (diluted):				
Net income attributable to Prudential Financial, Inc.	\$ 3.90	\$ 5.09	\$ 7.51	\$ 9.29
Less: Reconciling Items:				
Realized investment gains, net, and related charges and adjustments	0.42	2.68	1.21	1.20
Investment gains (losses) on assets supporting experience-rated contractholder liabilities, net	0.02	0.20	(1.37)	0.75
Change in experience-rated contractholder liabilities due to asset value changes	(0.05)	(0.07)	1.13	(0.43)
Divested businesses:				
Closed Block Division	0.04	0.08	(0.05)	0.11
Other divested businesses	0.03	0.02	(3.71)	0.12
Difference in earnings allocated to participating unvested share-based payment awards	(0.01)	(0.03)	0.02	(0.02)
Total reconciling items, before income taxes	0.45	2.88	(2.77)	1.73
Less: Income taxes, not applicable to adjusted operating income	(0.30)	0.80	(1.04)	0.33
Total reconciling items, after income taxes	0.75	2.08	(1.73)	1.40
After-tax adjusted operating income	<u>\$ 3.15</u>	<u>\$ 3.01</u>	<u>\$ 9.24</u>	<u>\$ 7.89</u>
Weighted average number of outstanding Common shares (basic)	416.2	426.2	419.2	428.1
Weighted average number of outstanding Common shares (diluted)	424.7	435.0	427.8	437.1
Earnings calculation, per share of Common Stock:				
Net income attributable to Prudential Financial, Inc.	\$ 1,672	\$ 2,238	\$ 3,232	\$4,098
Earnings related to interest, net of tax, on exchangeable surplus notes	5	4	16	13
Less: Earnings allocated to participating unvested share-based payment awards	19	27	37	50
Net income attributable to Prudential Financial, Inc. for earnings per share of Common Stock calculation	<u>\$ 1,658</u>	<u>\$ 2,215</u>	<u>\$ 3,211</u>	<u>\$4,061</u>
After-tax adjusted operating income (1)	\$ 1,346	\$ 1,323	\$ 3,984	\$3,479
Earnings related to interest, net of tax, on exchangeable surplus notes	5	4	16	13
Less: Earnings allocated to participating unvested share-based payment awards	15	16	45	42
After-tax adjusted operating income for earnings per share of Common Stock calculation (1)	<u>\$ 1,336</u>	<u>\$ 1,311</u>	<u>\$ 3,955</u>	<u>\$3,450</u>
Prudential Financial, Inc. Equity (as of end of period):				
GAAP book value (total PFI equity) at end of period (7)	\$46,725	\$50,540		
Less: Accumulated other comprehensive income (AOCI)	9,150	16,598		
GAAP book value excluding AOCI (7)	37,575	33,942		
Less: Cumulative effect of foreign exchange rate remeasurement and currency translation adjustments corresponding to realized gains/losses	(2,509)	(2,758)		
Adjusted book value (7)	40,084	36,700		
Number of diluted shares at end of period (2)	426.3	431.6		
GAAP book value per Common share - diluted (3)(7)	110.78	116.70		
GAAP book value excluding AOCI per share - diluted (4)(7)	89.32	78.64		
Adjusted book value per Common share - diluted (4)(7)	95.20	85.03		
Adjusted operating income before income taxes, by Segment (1):				
PGIM	\$ 230	\$ 259	\$ 716	\$ 673
Total PGIM Division	230	259	716	673
Retirement	239	248	833	953
Group Insurance	59	61	196	231
Total U.S. Workplace Solutions Division	298	309	1,029	1,184
Individual Annuities	454	577	1,480	1,657
Individual Life	170	150	249	(289)
Total U.S. Individual Solutions Division	624	727	1,729	1,368
International Insurance	890	799	2,530	2,421
Total International Insurance Division	890	799	2,530	2,421
Corporate and Other operations	(374)	(310)	(954)	(974)
Adjusted operating income before income taxes	1,668	1,784	5,050	4,672
Reconciling Items:				
Realized investment gains, net, and related charges and adjustments	177	1,164	518	523
Investment gains (losses) on assets supporting experience-rated contractholder liabilities, net	10	85	(586)	330
Change in experience-rated contractholder liabilities due to asset value changes	(21)	(31)	482	(188)
Divested businesses:				
Closed Block Division	18	33	(22)	49
Other divested businesses	12	10	(1,586)	51
Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests	(26)	(24)	(75)	(66)
Total reconciling items, before income taxes	170	1,237	(1,269)	699
Income before income taxes and equity in earnings of operating joint ventures for Prudential Financial, Inc.	<u>\$ 1,838</u>	<u>\$ 3,021</u>	<u>\$ 3,781</u>	<u>\$5,371</u>

See footnotes on last page.

Financial Highlights
(in millions, or as otherwise noted, unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
PGIM Division:				
PGIM Segment:				
Assets managed by PGIM (in billions, as of end of period):				
Institutional customers	\$ 505.7	\$ 478.3		
Retail customers	258.3	239.9		
General account	410.6	415.7		
Total PGIM	<u>\$ 1,174.6</u>	<u>\$ 1,133.9</u>		
Institutional Customers - Assets Under Management (in billions):				
Gross additions, other than money market	<u>\$ 19.0</u>	<u>\$ 15.9</u>	<u>\$ 56.2</u>	<u>\$ 49.0</u>
Net additions, other than money market	<u>\$ 9.3</u>	<u>\$ 4.7</u>	<u>\$ 14.6</u>	<u>\$ 11.7</u>
Retail Customers - Assets Under Management (in billions):				
Gross additions, other than money market	<u>\$ 10.9</u>	<u>\$ 11.9</u>	<u>\$ 38.9</u>	<u>\$ 35.7</u>
Net additions (withdrawals), other than money market	<u>\$ (0.6)</u>	<u>\$ 1.3</u>	<u>\$ 2.2</u>	<u>\$ 2.6</u>
U.S. Workplace Solutions Division:				
Retirement Segment:				
Full Service:				
Deposits and sales	<u>\$ 8,843</u>	<u>\$ 11,188</u>	<u>\$26,477</u>	<u>\$22,695</u>
Net additions	<u>\$ 2,979</u>	<u>\$ 6,056</u>	<u>\$ 5,989</u>	<u>\$ 5,087</u>
Total account value at end of period	<u>\$251,272</u>	<u>\$227,438</u>		
Institutional Investment Products:				
Gross additions	<u>\$ 6,318</u>	<u>\$ 4,764</u>	<u>\$12,467</u>	<u>\$11,363</u>
Net additions (withdrawals)	<u>\$ 2,973</u>	<u>\$ 1,212</u>	<u>\$ 382</u>	<u>\$ (601)</u>
Total account value at end of period	<u>\$195,237</u>	<u>\$188,399</u>		
Group Insurance Annualized New Business Premiums (5):				
Group life	<u>\$ 63</u>	<u>\$ 23</u>	<u>\$ 352</u>	<u>\$ 265</u>
Group disability	<u>16</u>	<u>12</u>	<u>170</u>	<u>141</u>
Total	<u>\$ 79</u>	<u>\$ 35</u>	<u>\$ 522</u>	<u>\$ 406</u>
U.S. Individual Solutions Division:				
Fixed and Variable Annuity Sales and Account Values:				
Gross sales	<u>\$ 2,241</u>	<u>\$ 1,329</u>	<u>\$ 6,032</u>	<u>\$ 4,276</u>
Net redemptions	<u>\$ (682)</u>	<u>\$ (980)</u>	<u>\$ (2,743)</u>	<u>\$ (2,793)</u>
Total account value at end of period	<u>\$165,962</u>	<u>\$165,600</u>		
Individual Life Insurance Annualized New Business Premiums (5):				
Term life	<u>\$ 55</u>	<u>\$ 57</u>	<u>\$ 158</u>	<u>\$ 160</u>
Guaranteed universal life	<u>23</u>	<u>31</u>	<u>68</u>	<u>124</u>
Other universal life	<u>44</u>	<u>28</u>	<u>99</u>	<u>82</u>
Variable life	<u>41</u>	<u>26</u>	<u>105</u>	<u>75</u>
Total	<u>\$ 163</u>	<u>\$ 142</u>	<u>\$ 430</u>	<u>\$ 441</u>
International Insurance Division:				
International Insurance Annualized New Business Premiums (5)(6):				
Actual exchange rate basis	<u>\$ 645</u>	<u>\$ 680</u>	<u>\$ 2,098</u>	<u>\$ 2,341</u>
Constant exchange rate basis	<u>\$ 649</u>	<u>\$ 673</u>	<u>\$ 2,085</u>	<u>\$ 2,333</u>

See footnotes on last page.

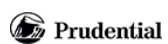
Financial Highlights
(in billions, as of end of period, unaudited)

	Three Months Ended September 30	
	2018	2017
Assets and Asset Under Management Information:		
Total assets (7)	\$ 822.7	\$ 821.3
Assets under management (at fair market value):		
PGIM Division	1,174.6	1,133.9
U.S. Workplace Solutions Division	88.7	86.9
U.S. Individual Solutions Division	117.4	116.7
International Insurance Division	29.3	28.7
Total assets under management	1,410.0	1,366.2
Client assets under administration	238.2	202.4
Total assets under management and administration	<u>\$1,648.2</u>	<u>\$1,568.6</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 September 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 September 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 September 30, 2018, equity is increased by \$500 million and diluted shares include 5.88 million shares. As of September 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 September 30, 2018, equity is increased by \$500 million and diluted shares include 5.88 million shares. As of September 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

Third 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.

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FINANCIAL HIGHLIGHTS
(in millions, except per share data)

Year-to-date		%		2017		2018		
2018	2017	Change		30	40	10	20	30
Pre-tax adjusted operating income (loss) by division:								
716	673	6%	PGIM Division	259	306	232	254	230
1,029	1,184	-13%	U.S. Workplace Solutions Division	309	313	372	359	298
1,729	1,368	26%	U.S. Individual Solutions Division	727	639	555	550	624
2,530	2,421	5%	International Insurance Division	799	777	856	784	890
(954)	(974)	2%	Corporate and other operations	(310)	(463)	(294)	(286)	(374)
5,050	4,672	8%	Total pre-tax adjusted operating income	1,784	1,572	1,721	1,661	1,668
1,066	1,193	-11%	Income taxes, applicable to adjusted operating income	461	399	381	363	322
3,984	3,479	15%	After-tax adjusted operating income	1,323	1,173	1,340	1,298	1,346
Reconciling items:								
518	523	-1%	Realized investment gains (losses), net, and related charges and adjustments	1,164	(581)	64	277	177
(586)	330	-278%	Investment gains (losses) on assets supporting experience-rated contractholder liabilities, net	85	6	(403)	(193)	10
482	(188)	356%	Change in experience-rated contractholder liabilities due to asset value changes	(31)	37	418	85	(21)
Divested businesses:								
(22)	49	-145%	Closed Block Division	33	(4)	(9)	(31)	18
(1,586)	51	-3210%	Other divested businesses	10	(13)	(72)	(1,526)	12
(75)	(66)	-14%	Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests	(24)	99	(26)	(23)	(26)
(1,269)	699	-282%	Total reconciling items, before income taxes	1,237	(456)	(28)	(1,411)	170
(462)	127	-464%	Income taxes, not applicable to adjusted operating income	339	(3,157)	(29)	(295)	(138)
(807)	572	-241%	Total reconciling items, after income taxes	898	2,701	1	(1,116)	308
3,177	4,051	-22%	Income (after-tax) before equity in earnings of operating joint ventures	2,221	3,874	1,341	182	1,654
55	47	17%	Equity in earnings of operating joint ventures, net of taxes and earnings attributable to noncontrolling interests	17	(109)	22	15	18
3,232	4,098	-21%	Income attributable to Prudential Financial, Inc.	2,238	3,765	1,363	197	1,672
7	11	-36%	Earnings attributable to noncontrolling interests	3	100	1	3	3
3,239	4,109	-21%	Net income	2,241	3,865	1,364	200	1,675
7	11	-36%	Less: Income attributable to noncontrolling interests	3	100	1	3	3
3,232	4,098	-21%	Net income attributable to Prudential Financial, Inc.	2,238	3,765	1,363	197	1,672
13.5%	13.1%		Operating Return on Average Equity (based on adjusted operating income) (1)(2)	14.7%	12.5%	13.7%	13.1%	13.6%

- (1) Operating Return on Average Equity (based on adjusted operating income) is a non-GAAP measure and represents adjusted operating income after-tax, annualized for interim periods, divided by average Prudential Financial, Inc. equity excluding accumulated other comprehensive income and adjusted to remove 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 14.1%, 1.6%, 10.3%, 28.7%, and 18.1% for the three months ended September 30, 2018, June 30, 2018, March 31, 2018, December 31, 2017, and September 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		
		3Q	4Q	1Q	2Q	3Q
Earnings per share of Common Stock (diluted):						
9.24	7.89	3.01	2.69	3.08	3.01	3.15
After-tax adjusted operating income						
Reconciling items:						
1.21	1.20	2.68	(1.34)	0.15	0.65	0.42
(1.37)	0.75	0.20	0.01	(0.94)	(0.45)	0.02
1.13	(0.43)	(0.07)	0.09	0.97	0.20	(0.05)
Change in experience-rated contractholder liabilities due to asset value changes						
Divested businesses:						
(0.05)	0.11	0.08	(0.01)	(0.02)	(0.07)	0.04
(3.71)	0.12	0.02	(0.03)	(0.17)	(3.57)	0.03
0.02	(0.02)	(0.03)	(0.07)	—	0.02	(0.01)
Difference in earnings allocated to participating unvested share-based payment awards						
(2.77)	1.73	2.88	(1.35)	(0.01)	(3.22)	0.45
(1.04)	0.33	0.80	(7.27)	(0.07)	(0.67)	(0.30)
Income taxes, not applicable to adjusted operating income						
(1.73)	1.40	2.08	5.92	0.06	(2.55)	0.75
Total reconciling items, after income taxes						
7.51	9.29	5.09	8.61	3.14	0.46	3.90
Net income attributable to Prudential Financial, Inc.						
419.2	428.1	426.2	423.7	422.0	419.5	416.2
427.8	437.1	435.0	432.7	430.9	428.0	424.7
Weighted average number of outstanding Common shares (basic)						
Weighted average number of outstanding Common shares (diluted)						
Earnings calculation, per share of Common Stock:						
3,232	4,098	2,238	3,765	1,363	197	1,672
16	13	4	4	5	6	5
37	50	27	44	16	4	19
3,211	4,061	2,215	3,725	1,352	199	1,658
Net income attributable to Prudential Financial, Inc. for earnings per share of Common Stock calculation						
3,984	3,479	1,323	1,173	1,340	1,298	1,346
16	13	4	4	5	6	5
45	42	16	14	16	14	15
3,955	3,450	1,311	1,163	1,329	1,290	1,336
After-tax adjusted operating income						
After-tax adjusted operating income for earnings per share of Common Stock calculation						

FINANCIAL HIGHLIGHTS
(in millions, except per share data)

Year-to-date			2017		2018	
2018	2017		3Q	4Q	1Q	2Q
						3Q
Capitalization Data (1):						
Senior Debt:						
			2,358	1,380	1,383	2,056
		Short-term debt				2,393
		Long-term debt	10,532	10,550	11,516	10,706
		Junior Subordinated Long-Term Debt	6,621	6,622	6,627	6,026
						7,564
Prudential Financial Inc. Equity:						
		Including accumulated other comprehensive income (2)	50,540	54,236	51,830	48,232
		Excluding accumulated other comprehensive income (2)(3)	33,942	37,162	37,069	36,577
		Amount included above for remeasurement of foreign currency and certain deferred taxes (4)(5)	(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)	36,700	38,131	39,961	39,227
						40,084
Book value per share of Common Stock:						
		Including accumulated other comprehensive income (2)(6)	116.70	125.63	120.99	113.59
		Excluding accumulated other comprehensive income (2)(3)(6)	78.64	86.44	86.86	86.43
		Amount included above for remeasurement of foreign currency and certain deferred taxes (4)(5)	(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)	85.03	88.67	93.55	92.60
						95.20
Number of diluted shares at end of period (6)						
			431.6	435.7	432.5	429.0
						426.3
Common Stock Price Range (based on closing price):						
126.02	115.23	High	115.23	117.15	126.02	107.62
93.22	98.65	Low	98.65	107.28	100.64	93.22
101.32	106.32	Close	106.32	114.98	103.55	93.51
						101.32
Common Stock market capitalization (1)						
			45,154	48,591	43,595	39,059
						41,987

(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, second and third 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 third quarter 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 38 for more information.

OPERATIONS HIGHLIGHTS

Year-to-date		2017		2018				
2018	2017	3Q	4Q	1Q	2Q	3Q		
Assets Under Management and Administration (\$ billions) (1)(2):								
Assets Under Management:								
PGIM Division:								
Institutional customers		478.3	489.5	489.6	490.8	505.7		
Retail customers		239.9	245.6	246.2	252.0	258.3		
General account		415.7	420.2	420.0	413.3	410.6		
Total PGIM Division		1,133.9	1,155.3	1,155.8	1,156.1	1,174.6		
U.S. Workplace Solutions Division		86.9	88.5	86.2	87.6	88.7		
U.S. Individual Solutions Division		116.7	119.8	115.7	115.7	117.4		
International Insurance Division		28.7	30.0	30.8	28.8	29.3		
Total assets under management		1,366.2	1,393.6	1,388.5	1,388.2	1,410.0		
Client assets under administration		202.4	213.6	218.4	228.7	238.2		
Total assets under management and administration		1,568.6	1,607.2	1,606.9	1,616.9	1,648.2		
Assets managed or administered for customers outside of the United States at end of period		350.5	358.0	373.3	365.7	370.6		
Distribution Representatives (1):								
Prudential Advisors		2,937	2,882	2,958	3,052	3,071		
International Life Planners		7,831	7,831	7,771	7,638	7,798		
Gibraltar Life Consultants		8,327	8,326	8,137	7,938	8,030		
59	50	Prudential Advisor productivity (\$ thousands)		53	72	52	60	63

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

2018	Year-to-date	%		2017		2018		
	2017	Change		3Q	4Q	1Q	2Q	3Q
			Revenues (1):					
21,491	20,442	5%	Premiums	7,111	8,720	6,638	6,710	8,143
4,702	3,914	20%	Policy charges and fee income	1,565	1,604	1,575	1,570	1,557
10,108	10,034	1%	Net investment income	3,345	3,465	3,337	3,404	3,367
4,049	4,006	1%	Asset management fees, commissions and other income	1,340	1,461	1,325	1,359	1,365
40,350	38,396	5%	Total revenues	13,361	15,250	12,875	13,043	14,432
			Benefits and Expenses (1):					
22,477	20,908	8%	Insurance and annuity benefits	7,376	9,163	6,853	7,160	8,464
2,783	2,800	-1%	Interest credited to policyholders' account balances	927	929	911	932	940
1,042	978	7%	Interest expense	330	344	340	347	355
(2,110)	(2,132)	1%	Deferral of acquisition costs	(653)	(686)	(718)	(684)	(708)
1,581	1,613	-2%	Amortization of acquisition costs	470	480	530	555	496
9,527	9,557	0%	General and administrative expenses	3,127	3,448	3,238	3,072	3,217
35,300	33,724	5%	Total benefits and expenses	11,577	13,678	11,154	11,382	12,764
5,050	4,672	8%	Adjusted operating income before income taxes	1,784	1,572	1,721	1,661	1,668
			Reconciling items:					
751	(48)	1665%	Realized investment gains (losses), net, and related adjustments	1,395	(554)	87	393	271
(233)	571	-141%	Related charges	(231)	(27)	(23)	(116)	(94)
518	523	-1%	Total realized investment gains (losses), net, and related charges and adjustments	1,164	(581)	64	277	177
(586)	330	-278%	Investment gains (losses) on assets supporting experience-rated contractholder liabilities, net	85	6	(403)	(193)	10
482	(188)	356%	Change in experience-rated contractholder liabilities due to asset value changes	(31)	37	418	85	(21)
			Divested businesses:					
(22)	49	-145%	Closed Block Division	33	(4)	(9)	(31)	18
(1,586)	51	-3210%	Other divested businesses	10	(13)	(72)	(1,526)	12
(75)	(66)	-14%	Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests	(24)	99	(26)	(23)	(26)
(1,269)	699	-282%	Total reconciling items, before income taxes	1,237	(456)	(28)	(1,411)	170
3,781	5,371	-30%	Income before income taxes and equity in earnings of operating joint ventures	3,021	1,116	1,693	250	1,838
604	1,320	-54%	Income tax expense (benefit)	800	(2,758)	352	68	184
3,177	4,051	-22%	Income before equity in earnings of operating joint ventures	2,221	3,874	1,341	182	1,654

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COMBINING STATEMENTS OF OPERATIONS
(in millions)

	Quarter Ended September 30, 2018					
	Total	PGIM Division	U.S. Workplace Solutions Division	U.S. Individual Solutions Division	International Insurance Division	Corporate and Other Operations
Revenues (1):						
Premiums	8,143	—	3,928	271	3,950	(6)
Policy charges and fee income	1,557	—	211	1,230	129	(13)
Net investment income	3,367	28	1,241	684	1,313	101
Asset management fees, commissions and other income	1,365	789	253	493	98	(268)
Total revenues	14,432	817	5,633	2,678	5,490	(186)
Benefits and Expenses (1):						
Insurance and annuity benefits	8,464	—	4,388	635	3,435	6
Interest credited to policyholders' account balances	940	—	435	278	227	—
Interest expense	355	9	8	199	6	133
Deferral of acquisition costs	(708)	(2)	(9)	(294)	(415)	12
Amortization of acquisition costs	496	2	9	210	286	(11)
General and administrative expenses	3,217	578	504	1,026	1,061	48
Total benefits and expenses	12,764	587	5,335	2,054	4,600	188
Adjusted operating income (loss) before income taxes	1,668	230	298	624	890	(374)
	Quarter Ended September 30, 2017					
	Total	PGIM Division	U.S. Workplace Solutions Division	U.S. Individual Solutions Division	International Insurance Division	Corporate and Other Operations
Revenues (1):						
Premiums	7,111	—	2,962	264	3,891	(6)
Policy charges and fee income	1,565	—	204	1,245	128	(12)
Net investment income	3,345	55	1,226	666	1,278	120
Asset management fees, commissions and other income	1,340	772	230	540	79	(281)
Total revenues	13,361	827	4,622	2,715	5,376	(179)
Benefits and Expenses (1):						
Insurance and annuity benefits	7,376	—	3,391	642	3,342	1
Interest credited to policyholders' account balances	927	—	434	263	230	—
Interest expense	330	7	7	183	4	129
Deferral of acquisition costs	(653)	(2)	(9)	(232)	(417)	7
Amortization of acquisition costs	470	2	17	187	275	(11)
General and administrative expenses	3,127	561	473	945	1,143	5
Total benefits and expenses	11,577	568	4,313	1,988	4,577	131
Adjusted operating income (loss) before income taxes	1,784	259	309	727	799	(310)

(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)

	Nine Months Ended September 30, 2018					
	Total	PGIM Division	U.S. Workplace Solutions Division	U.S. Individual Solutions Division	International Insurance Division	Corporate and Other Operations
Revenues (1):						
Premiums	21,491	—	8,455	800	12,258	(22)
Policy charges and fee income	4,702	—	628	3,711	401	(38)
Net investment income	10,108	76	3,750	2,027	3,934	321
Asset management fees, commissions and other income	4,049	2,383	717	1,534	225	(810)
Total revenues	40,350	2,459	13,550	8,072	16,818	(549)
Benefits and Expenses (1):						
Insurance and annuity benefits	22,477	—	9,725	2,107	10,650	(5)
Interest credited to policyholders' account balances	2,783	—	1,278	818	687	—
Interest expense	1,042	29	25	580	15	393
Deferral of acquisition costs	(2,110)	(5)	(26)	(813)	(1,303)	37
Amortization of acquisition costs	1,581	6	23	663	923	(34)
General and administrative expenses	9,527	1,713	1,496	2,988	3,316	14
Total benefits and expenses	35,300	1,743	12,521	6,343	14,288	405
Adjusted operating income (loss) before income taxes	5,050	716	1,029	1,729	2,530	(954)

	Nine Months Ended September 30, 2017					
	Total	PGIM Division	U.S. Workplace Solutions Division	U.S. Individual Solutions Division	International Insurance Division	Corporate and Other Operations
Revenues (1):						
Premiums	20,442	—	7,785	790	11,885	(18)
Policy charges and fee income	3,914	—	629	2,949	374	(38)
Net investment income	10,034	124	3,796	2,005	3,743	366
Asset management fees, commissions and other income	4,006	2,246	701	1,591	266	(798)
Total revenues	38,396	2,370	12,911	7,335	16,268	(488)
Benefits and Expenses (1):						
Insurance and annuity benefits	20,908	—	8,974	1,732	10,197	5
Interest credited to policyholders' account balances	2,800	—	1,341	781	678	—
Interest expense	978	19	22	532	10	395
Deferral of acquisition costs	(2,132)	(5)	(25)	(740)	(1,389)	27
Amortization of acquisition costs	1,613	8	28	746	864	(33)
General and administrative expenses	9,557	1,675	1,387	2,916	3,487	92
Total benefits and expenses	33,724	1,697	11,727	5,967	13,847	486
Adjusted operating income (loss) before income taxes	4,672	673	1,184	1,368	2,421	(974)

(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)

	09/30/2017	12/31/2017	03/31/2018	06/30/2018	09/30/2018
Assets:					
Investments:					
Fixed maturities, available-for-sale, at fair value (amortized cost \$307,527; \$312,385; \$319,180; \$317,548; \$321,168)	340,100	346,780	347,630	341,151	340,970
Fixed maturities, held-to-maturity, at amortized cost (fair value \$2,475; \$2,430; \$2,511; \$2,388; \$2,287)	2,084	2,049	2,120	2,020	1,957
Fixed maturities, trading, at fair value (amortized cost \$3,379; \$3,509; \$2,852; \$2,980; \$3,162) (1)	3,340	3,507	2,885	2,916	3,083
Assets supporting experience-rated contractholder liabilities, at fair value	22,126	22,097	21,637	21,497	21,083
Equity securities, at fair value (cost \$8,116; \$5,154; \$5,382; \$5,374; \$5,149) (1)	10,854	7,329	7,289	7,191	7,058
Commercial mortgage and other loans	55,373	56,045	58,098	58,622	59,336
Policy loans	11,765	11,891	12,036	11,935	11,928
Other invested assets (1)	13,714	13,373	14,044	13,459	13,790
Short-term investments (1)	5,535	6,800	5,752	5,728	5,767
Total investments	464,891	469,871	471,491	464,519	464,972
Cash and cash equivalents	14,541	14,490	15,676	14,918	12,466
Accrued investment income	3,278	3,325	3,169	3,235	3,180
Deferred policy acquisition costs	18,724	18,992	19,649	19,643	19,789
Value of business acquired	1,817	1,591	1,995	2,027	1,962
Other assets (3)	16,985	17,250	17,112	16,860	16,938
Separate account assets	301,110	306,617	300,585	298,658	303,441
Total assets	821,346	832,136	829,677	819,860	822,748
Liabilities:					
Future policy benefits	252,339	257,317	261,144	260,435	260,797
Policyholders' account balances	148,342	148,189	149,917	149,359	149,130
Securities sold under agreements to repurchase	8,145	8,400	8,633	9,540	9,176
Cash collateral for loaned securities	4,697	4,354	4,312	4,307	4,656
Income taxes (3)	12,557	9,648	9,296	7,888	7,014
Senior short-term debt	2,358	1,380	1,383	2,056	2,393
Senior long-term debt	10,532	10,550	11,516	10,706	9,857
Junior subordinated long-term debt	6,621	6,622	6,627	6,026	7,564
Notes issued by consolidated variable interest entities	1,517	1,518	954	937	930
Other liabilities	22,396	23,030	23,135	21,356	20,708
Separate account liabilities	301,110	306,617	300,585	298,658	303,441
Total liabilities	770,614	777,625	777,502	771,268	775,666
Equity:					
Accumulated other comprehensive income (2)	16,598	17,074	14,761	11,655	9,150
Other equity (2)(3)	33,942	37,162	37,069	36,577	37,575
Total Prudential Financial, Inc. equity	50,540	54,236	51,830	48,232	46,725
Noncontrolling Interest	192	275	345	360	357
Total Equity	50,732	54,511	52,175	48,592	47,082
Total liabilities and equity	821,346	832,136	829,677	819,860	822,748

(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 September 30, 2018								
	Consolidated PFI	Closed Block Division	PFI Excluding Closed Block Division	PGIM Division	U.S. Workplace Solutions Division	U.S. Individual Solutions Division	International Insurance Division	Corporate and Other Operations
Assets:								
Total investments	464,972	58,358	406,614	4,104	127,549	59,922	192,071	22,968
Deferred policy acquisition costs	19,789	273	19,516	—	310	10,929	8,552	(275)
Other assets	34,546	1,324	33,222	2,995	8,133	13,890	9,725	(1,521)
Separate account assets	303,441	—	303,441	41,076	84,420	179,069	3,849	(4,973)
Total assets	822,748	59,955	762,793	48,175	220,412	263,810	214,197	16,199
Liabilities:								
Future policy benefits	260,797	48,349	212,448	—	64,651	21,372	118,576	7,849
Policyholders' account balances	149,130	5,078	144,052	—	56,746	36,035	50,411	860
Debt	19,814	—	19,814	1,716	811	7,486	127	9,674
Other liabilities	42,484	8,221	34,263	2,921	5,326	6,400	16,458	3,158
Separate account liabilities	303,441	—	303,441	41,076	84,420	179,069	3,849	(4,973)
Total liabilities	775,666	61,648	714,018	45,713	211,954	250,362	189,421	16,568
Equity:								
Accumulated other comprehensive income (loss) (1)	9,150	(26)	9,176	(70)	782	(467)	10,898	(1,967)
Other equity (1)	37,575	(1,677)	39,252	2,014	7,625	13,900	13,815	1,898
Total Prudential Financial, Inc. equity	46,725	(1,703)	48,428	1,944	8,407	13,433	24,713	(69)
Noncontrolling Interest	357	10	347	518	51	15	63	(300)
Total Equity	47,082	(1,693)	48,775	2,462	8,458	13,448	24,776	(369)
Total liabilities and equity	822,748	59,955	762,793	48,175	220,412	263,810	214,197	16,199

As of December 31, 2017								
	Consolidated PFI	Closed Block Division	PFI Excluding Closed Block Division	PGIM Division	U.S. Workplace Solutions Division	U.S. Individual Solutions Division	International Insurance Division	Corporate and Other Operations
Assets:								
Total investments	469,871	61,291	408,580	5,143	131,957	62,322	189,454	19,704
Deferred policy acquisition costs	18,992	299	18,693	—	308	10,535	8,214	(364)
Other assets (2)	36,656	1,543	35,113	2,823	7,820	14,473	10,244	(247)
Separate account assets	306,617	—	306,617	41,978	85,120	180,321	3,735	(4,537)
Total assets	832,136	63,133	769,003	49,944	225,205	267,651	211,647	14,556
Liabilities:								
Future policy benefits	257,317	48,870	208,447	—	64,246	24,446	114,515	5,240
Policyholders' account balances	148,189	5,147	143,042	—	58,252	34,429	50,353	8
Debt	18,552	—	18,552	1,936	845	7,970	120	7,681
Other liabilities (2)	46,950	10,831	36,119	3,667	6,573	6,624	16,005	3,250
Separate account liabilities	306,617	—	306,617	41,978	85,120	180,321	3,735	(4,537)
Total liabilities	777,625	64,848	712,777	47,581	215,036	253,790	184,728	11,642
Equity:								
Accumulated other comprehensive income (loss)	17,074	(1)	17,075	(102)	3,087	1,062	13,891	(863)
Other equity (2)(3)	37,162	(1,716)	38,878	2,030	7,075	12,798	12,979	3,996
Total Prudential Financial, Inc. equity	54,236	(1,717)	55,953	1,928	10,162	13,860	26,870	3,133
Noncontrolling Interest	275	2	273	435	7	1	49	(219)
Total Equity	54,511	(1,715)	56,226	2,363	10,169	13,861	26,919	2,914
Total liabilities and equity	832,136	63,133	769,003	49,944	225,205	267,651	211,647	14,556

- (1) Total equity for September 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 September 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		
<i>Borrowings by use of proceeds:</i>								
Capital Debt	1,249	4,548	7,564	13,361	—	5,402	6,622	12,024
Operating Debt - Investment related	295	3,709	—	4,004	676	3,306	—	3,982
Operating Debt - Specified businesses	800	890	—	1,690	704	1,043	—	1,747
Limited recourse and non-recourse borrowing	49	710	—	759	—	799	—	799
Total debt	2,393	9,857	7,564	19,814	1,380	10,550	6,622	18,552
	As of September 30, 2018				As of December 31, 2017			
	Prudential Financial, Inc.	The Prudential Insurance Co. of America (1)(2)	Other Affiliates	Total	Prudential Financial, Inc.	The Prudential Insurance Co. of America (1)(2)	Other Affiliates	Total
<i>Borrowings by sources:</i>								
Capital Debt	12,366	941	55	13,362	11,028	940	56	12,024
Operating Debt - Investment related	3,877	128	—	4,005	3,917	65	—	3,982
Operating Debt - Specified businesses	1,024	664	—	1,688	1,239	508	—	1,747
Limited recourse and non-recourse borrowing	—	759	—	759	—	799	—	799
Total debt	17,267	2,492	55	19,814	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 September 30, 2018 and \$840 million as of December 31, 2017.

STATEMENTS OF OPERATIONS - PGIM DIVISION
(in millions)

Year-to-date		% Change		2017		2018		
2018	2017			3Q	4Q	1Q	2Q	3Q
Revenues (1):								
—	—	—	Premiums	—	—	—	—	—
—	—	—	Policy charges and fee income	—	—	—	—	—
76	124	-39%	Net investment income	55	46	17	31	28
2,383	2,246	6%	Asset management fees, commissions and other income	772	939	809	785	789
2,459	2,370	4%	Total revenues	827	985	826	816	817
Benefits and Expenses (1):								
—	—	—	Insurance and annuity benefits	—	—	—	—	—
—	—	—	Interest credited to policyholders' account balances	—	—	—	—	—
29	19	53%	Interest expense	7	8	9	11	9
(5)	(5)	0%	Deferral of acquisition costs	(2)	(1)	(2)	(1)	(2)
6	8	-25%	Amortization of acquisition costs	2	3	2	2	2
1,713	1,675	2%	General and administrative expenses	561	669	585	550	578
1,743	1,697	3%	Total benefits and expenses	568	679	594	562	587
716	673	6%	Adjusted operating income before income taxes	259	306	232	254	230

(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	3Q			4Q	1Q	2Q	3Q	
Analysis of revenues by type:									
1,903	1,786	7%	Asset management fees	619	631	633	629	641	
186	210	-11%	Other related revenues (1)	83	229	73	65	48	
370	374	-1%	Service, distribution and other revenues	125	125	120	122	128	
<u>2,459</u>	<u>2,370</u>	4%	Total PGIM revenues	<u>827</u>	<u>985</u>	<u>826</u>	<u>816</u>	<u>817</u>	
Analysis of asset management fees by source:									
893	850	5%	Institutional customers	296	297	296	295	302	
657	582	13%	Retail customers	203	218	217	219	221	
353	354	0%	General account	120	116	120	115	118	
<u>1,903</u>	<u>1,786</u>	7%	Total asset management fees	<u>619</u>	<u>631</u>	<u>633</u>	<u>629</u>	<u>641</u>	

Supplementary Assets Under Management Information (in billions):

	September 30, 2018			
	Equity	Fixed Income	Real Estate	Total
Institutional customers	64.0	398.3	43.4	505.7
Retail customers	137.3	119.4	1.6	258.3
General account	5.6	403.1	1.9	410.6
Total	<u>206.9</u>	<u>920.8</u>	<u>46.9</u>	<u>1,174.6</u>
	September 30, 2017			
	Equity	Fixed Income	Real Estate	Total
Institutional customers	65.1	370.1	43.1	478.3
Retail customers	127.9	110.3	1.7	239.9
General account	6.2	407.6	1.9	415.7
Total	<u>199.2</u>	<u>888.0</u>	<u>46.7</u>	<u>1,133.9</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		3Q	4Q	1Q	2Q	3Q
Institutional Customers - Assets Under Management:							
Assets gathered by Investment Management & Advisory Services sales force:							
437.9	386.4	Beginning assets under management	414.6	431.0	437.9	438.6	439.5
56.2	49.0	Additions	15.9	16.2	19.4	17.8	19.0
(41.6)	(37.3)	Withdrawals	(11.2)	(16.3)	(19.6)	(12.3)	(9.7)
(1.2)	29.5	Change in market value	9.1	8.5	(0.8)	(4.3)	3.9
2.9	2.9	Net money market flows	2.6	(1.6)	1.8	0.3	0.8
(0.9)	0.5	Other	—	0.1	(0.1)	(0.6)	(0.2)
453.3	431.0	Ending assets under management	431.0	437.9	438.6	439.5	453.3
52.4	47.3	Affiliated institutional assets under management	47.3	51.6	51.0	51.3	52.4
505.7	478.3	Total assets managed for institutional customers at end of period	478.3	489.5	489.6	490.8	505.7
14.6	11.7	Net institutional additions (withdrawals), excluding money market activity	4.7	(0.1)	(0.2)	5.5	9.3
Retail Customers - Assets Under Management:							
Assets gathered by Investment Management & Advisory Services sales force:							
164.3	136.6	Beginning assets under management	150.0	157.5	164.3	166.2	171.6
38.9	35.7	Additions	11.9	14.0	14.6	13.4	10.9
(36.7)	(33.1)	Withdrawals	(10.6)	(12.5)	(13.6)	(11.6)	(11.5)
9.7	18.2	Change in market value	6.2	5.3	0.9	3.7	5.1
0.1	—	Net money market flows	—	—	—	—	0.1
(0.2)	0.1	Other	—	—	—	(0.1)	(0.1)
176.1	157.5	Ending assets under management	157.5	164.3	166.2	171.6	176.1
82.2	82.4	Affiliated retail assets under management	82.4	81.3	80.0	80.4	82.2
258.3	239.9	Total assets managed for retail customers at end of period	239.9	245.6	246.2	252.0	258.3
2.2	2.6	Net retail additions (withdrawals), excluding money market activity	1.3	1.5	1.0	1.8	(0.6)

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

Year-to-date		% Change		2017		2018		
2018	2017			3Q	4Q	1Q	2Q	3Q
Revenues (1):								
8,455	7,785	9%	Premiums	2,962	4,651	1,838	2,689	3,928
628	629	0%	Policy charges and fee income	204	199	200	217	211
3,750	3,796	-1%	Net investment income	1,226	1,323	1,238	1,271	1,241
717	701	2%	Asset management fees, commissions and other income	230	230	229	235	253
13,550	12,911	5%	Total revenues	4,622	6,403	3,505	4,412	5,633
Benefits and Expenses (1):								
9,725	8,974	8%	Insurance and annuity benefits	3,391	5,134	2,212	3,125	4,388
1,278	1,341	-5%	Interest credited to policyholders' account balances	434	440	408	435	435
25	22	14%	Interest expense	7	9	8	9	8
(26)	(25)	-4%	Deferral of acquisition costs	(9)	(11)	(5)	(12)	(9)
23	28	-18%	Amortization of acquisition costs	17	12	5	9	9
1,496	1,387	8%	General and administrative expenses	473	506	505	487	504
12,521	11,727	7%	Total benefits and expenses	4,313	6,090	3,133	4,053	5,335
1,029	1,184	-13%	Adjusted operating income before income taxes	309	313	372	359	298

(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)

	Nine Months Ended September 30, 2018			Quarter Ended September 30, 2018		
	Total U.S. Workplace Solutions Division	Retirement	Group Insurance	Total U.S. Workplace Solutions Division	Retirement	Group Insurance
Revenues (1):						
Premiums	8,455	5,157	3,298	3,928	2,825	1,103
Policy charges and fee income	628	183	445	211	60	151
Net investment income	3,750	3,282	468	1,241	1,087	154
Asset management fees, commissions and other income	717	658	59	253	231	22
Total revenues	13,550	9,280	4,270	5,633	4,203	1,430
Benefits and Expenses (1):						
Insurance and annuity benefits	9,725	6,555	3,170	4,388	3,313	1,075
Interest credited to policyholders' account balances	1,278	1,067	211	435	366	69
Interest expense	25	24	1	8	8	—
Deferral of acquisition costs	(26)	(25)	(1)	(9)	(9)	—
Amortization of acquisition costs	23	19	4	9	8	1
General and administrative expenses	1,496	807	689	504	278	226
Total benefits and expenses	12,521	8,447	4,074	5,335	3,964	1,371
Adjusted operating income before income taxes	1,029	833	196	298	239	59
	Nine Months Ended September 30, 2017			Quarter Ended September 30, 2017		
	Total U.S. Workplace Solutions Division	Retirement	Group Insurance	Total U.S. Workplace Solutions Division	Retirement	Group Insurance
Revenues (1):						
Premiums	7,785	4,665	3,120	2,962	1,920	1,042
Policy charges and fee income	629	178	451	204	61	143
Net investment income	3,796	3,323	473	1,226	1,071	155
Asset management fees, commissions and other income	701	637	64	230	207	23
Total revenues	12,911	8,803	4,108	4,622	3,259	1,363
Benefits and Expenses (1):						
Insurance and annuity benefits	8,974	5,944	3,030	3,391	2,378	1,013
Interest credited to policyholders' account balances	1,341	1,139	202	434	366	68
Interest expense	22	18	4	7	6	1
Deferral of acquisition costs	(25)	(25)	—	(9)	(9)	—
Amortization of acquisition costs	28	15	13	17	7	10
General and administrative expenses	1,387	759	628	473	263	210
Total benefits and expenses	11,727	7,850	3,877	4,313	3,011	1,302
Adjusted operating income before income taxes	1,184	953	231	309	248	61

(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		3Q	4Q	1Q	2Q
RETIREMENT SEGMENT SALES AND ACCOUNT VALUES						
Full Service:						
234,616	202,802	Beginning total account value	214,731	227,438	234,616	236,120
26,477	22,695	Deposits and sales	11,188	6,832	9,922	7,712
(20,488)	(17,608)	Withdrawals and benefits	(5,132)	(7,203)	(8,154)	(6,470)
10,667	19,549	Change in market value, interest credited, interest income and other activity	6,651	7,549	(264)	3,560
<u>251,272</u>	<u>227,438</u>	Ending total account value	<u>227,438</u>	<u>234,616</u>	<u>236,120</u>	<u>240,922</u>
<u>5,989</u>	<u>5,087</u>	Net additions (withdrawals)	<u>6,056</u>	<u>(371)</u>	<u>1,768</u>	<u>1,242</u>
Stable value account values included above			48,834	48,667	48,692	48,882
Institutional Investment Products:						
194,492	183,376	Beginning total account value	186,610	188,399	194,492	191,518
12,467	11,363	Additions	4,764	10,267	688	5,461
(12,085)	(11,964)	Withdrawals and benefits	(3,552)	(5,442)	(4,889)	(3,851)
2,130	4,243	Change in market value, interest credited and interest income	1,341	947	(214)	1,198
(1,767)	1,381	Other (1)	(764)	321	1,441	(2,604)
<u>195,237</u>	<u>188,399</u>	Ending total account value	<u>188,399</u>	<u>194,492</u>	<u>191,518</u>	<u>191,722</u>
<u>382</u>	<u>(601)</u>	Net additions (withdrawals)	<u>1,212</u>	<u>4,825</u>	<u>(4,201)</u>	<u>1,610</u>
Amounts included in ending total account value above:						
67,598	69,637	Investment-only stable value wraps	69,637	69,239	66,518	67,406
43,455	36,053	Longevity reinsurance (2)	36,053	40,072	41,173	41,325
84,184	82,709	Group annuities and other products	82,709	85,181	83,827	82,991
<u>195,237</u>	<u>188,399</u>	Ending total account value	<u>188,399</u>	<u>194,492</u>	<u>191,518</u>	<u>191,722</u>

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

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

Year-to-date			2017		2018		
2018	2017		30	40	10	20	30
GROUP INSURANCE ANNUALIZED NEW BUSINESS PREMIUMS:							
352	265	Group life	23	22	243	46	63
170	141	Group disability	12	12	140	14	16
522	406	Total	35	34	383	60	79
Future Policy Benefits (1)(2):							
		Group life	2,087	2,286	2,216	2,180	2,111
		Group disability	9	2	26	19	9
		Total	2,096	2,288	2,242	2,199	2,120
Policyholders' Account Balances (1):							
		Group life	8,599	8,737	8,675	8,769	8,840
		Group disability	231	246	174	181	187
		Total	8,830	8,983	8,849	8,950	9,027
Separate Account Liabilities (1):							
		Group life	23,922	23,955	24,353	23,758	23,881
		Group disability	—	—	—	—	—
		Total	23,922	23,955	24,353	23,758	23,881
Group Life Insurance:							
3,203	3,105	Gross premiums, policy charges and fee income (3)	1,013	1,019	1,046	1,075	1,082
3,005	2,931	Earned premiums, policy charges and fee income	965	955	1,000	996	1,009
87.7%	88.5%	Benefits ratio (4)	87.0%	89.3%	87.2%	88.6%	87.3%
11.9%	10.8%	Administrative operating expense ratio	11.2%	12.5%	11.6%	12.6%	11.5%
		Persistency ratio	93.9%	93.8%	95.7%	95.3%	94.6%
Group Disability Insurance:							
771	709	Gross premiums, policy charges and fee income (3)	239	244	251	261	259
738	640	Earned premiums, policy charges and fee income	220	222	243	250	245
76.5%	76.6%	Benefits ratio (4)	78.7%	85.6%	79.0%	71.6%	78.9%
26.8%	29.2%	Administrative operating expense ratio	29.2%	29.8%	27.1%	26.4%	26.8%
		Persistency ratio	91.7%	91.4%	94.9%	94.7%	94.2%
Total Group Insurance:							
85.5%	86.4%	Benefits ratio (4)	85.5%	88.6%	85.6%	85.3%	85.7%
14.8%	14.2%	Administrative operating expense ratio	14.6%	15.8%	14.6%	15.3%	14.5%

(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 87.5%, 64.0%, and 82.8% for the three months ended June 30, 2018, respectively. Benefit ratios including these impacts for Group Life, Group Disability, and Total Group Insurance are 87.3%, 73.9%, and 84.7% and 88.7%, 67.1%, and 84.8% for the nine months ended September 30, 2018 and September 30, 2017, respectively.

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

Year-to-date		% Change		2017		2018		
2018	2017			3Q	4Q	1Q	2Q	3Q
Revenues (1):								
800	790	1%	Premiums	264	253	267	262	271
3,711	2,949	26%	Policy charges and fee income	1,245	1,286	1,245	1,236	1,230
2,027	2,005	1%	Net investment income	666	685	657	686	684
1,534	1,591	-4%	Asset management fees, commissions and other income	540	525	508	533	493
8,072	7,335	10%	Total revenues	2,715	2,749	2,677	2,717	2,678
Benefits and Expenses (1):								
2,107	1,732	22%	Insurance and annuity benefits	642	722	735	737	635
818	781	5%	Interest credited to policyholders' account balances	263	268	265	275	278
580	532	9%	Interest expense	183	186	186	195	199
(813)	(740)	-10%	Deferral of acquisition costs	(232)	(265)	(249)	(270)	(294)
663	746	-11%	Amortization of acquisition costs	187	201	202	251	210
2,988	2,916	2%	General and administrative expenses	945	998	983	979	1,026
6,343	5,967	6%	Total benefits and expenses	1,988	2,110	2,122	2,167	2,054
1,729	1,368	26%	Adjusted operating income before income taxes	727	639	555	550	624

(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)

	Nine Months Ended September 30, 2018			Quarter Ended September 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	800	108	692	271	37	234
Policy charges and fee income	3,711	2,167	1,544	1,230	719	511
Net investment income	2,027	517	1,510	684	174	510
Asset management fees, commissions and other income	1,534	950	584	493	294	199
Total revenues	8,072	3,742	4,330	2,678	1,224	1,454
Benefits and Expenses (1):						
Insurance and annuity benefits	2,107	242	1,865	635	85	550
Interest credited to policyholders' account balances	818	251	567	278	85	193
Interest expense	580	51	529	199	17	182
Deferral of acquisition costs	(813)	(307)	(506)	(294)	(110)	(184)
Amortization of acquisition costs	663	396	267	210	139	71
General and administrative expenses	2,988	1,629	1,359	1,026	554	472
Total benefits and expenses	6,343	2,262	4,081	2,054	770	1,284
Adjusted operating income before income taxes	1,729	1,480	249	624	454	170
	Nine Months Ended September 30, 2017			Quarter Ended September 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	790	121	669	264	41	223
Policy charges and fee income	2,949	2,097	852	1,245	726	519
Net investment income	2,005	556	1,449	666	182	484
Asset management fees, commissions and other income	1,591	1,051	540	540	355	185
Total revenues	7,335	3,825	3,510	2,715	1,304	1,411
Benefits and Expenses (1):						
Insurance and annuity benefits	1,732	246	1,486	642	87	555
Interest credited to policyholders' account balances	781	245	536	263	81	182
Interest expense	532	51	481	183	20	163
Deferral of acquisition costs	(740)	(230)	(510)	(232)	(71)	(161)
Amortization of acquisition costs	746	346	400	187	116	71
General and administrative expenses	2,916	1,510	1,406	945	494	451
Total benefits and expenses	5,967	2,168	3,799	1,988	727	1,261
Adjusted operating income (loss) before income taxes	1,368	1,657	(289)	727	577	150

(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			2017		2018	
2018	2017		3Q	4Q	1Q	2Q
SALES AND ACCOUNT VALUES:						
Variable Annuities:						
165,153	153,295	Beginning total account value	159,202	162,107	165,153	161,171
3,252	2,046	Sales: Highest Daily Suite - risk retained by Prudential (1)	576	817	1,010	1,126
1	27	Highest Daily Suite - externally reinsured living benefits	7	—	1	—
2,561	2,166	Other variable annuities (2)	735	796	683	881
5,814	4,239	Total sales	1,318	1,613	1,694	2,007
(8,694)	(6,996)	Surrenders and withdrawals	(2,288)	(2,721)	(2,867)	(2,929)
(2,880)	(2,757)	Net redemptions	(970)	(1,108)	(1,173)	(922)
(1,332)	(1,163)	Benefit payments	(359)	(395)	(453)	(469)
(4,212)	(3,920)	Net flows	(1,329)	(1,503)	(1,626)	(1,391)
4,234	15,499	Change in market value, interest credited, and other	5,170	5,494	(1,418)	1,292
(2,806)	(2,767)	Policy charges	(936)	(945)	(938)	(929)
162,369	162,107	Ending total account value	162,107	165,153	161,171	160,143
Variable Annuities Account Value by Product:						
118,618	119,001	Highest Daily Suite - risk retained by Prudential (1)	119,001	121,150	118,249	117,348
3,184	3,153	Highest Daily Suite - externally reinsured living benefits	3,153	3,227	3,165	3,146
40,567	39,953	Other variable annuities (2)	39,953	40,776	39,757	39,649
162,369	162,107	Ending total account value	162,107	165,153	161,171	160,143
Fixed Annuities and other products:						
3,473	3,488	Beginning total account value	3,492	3,493	3,473	3,480
218	37	Sales	11	5	30	60
(81)	(73)	Surrenders and withdrawals	(21)	(31)	(28)	(28)
137	(36)	Net sales (redemptions)	(10)	(26)	2	32
(254)	(238)	Benefit payments	(72)	(77)	(84)	(87)
(117)	(274)	Net flows	(82)	(103)	(82)	(55)
237	280	Interest credited and other	84	83	89	77
—	(1)	Policy charges	(1)	—	—	—
3,593	3,493	Ending total account value	3,493	3,473	3,480	3,502
SALES BY DISTRIBUTION CHANNEL:						
Variable and Fixed Annuities (3):						
1,784	1,415	Insurance Agents	418	489	525	619
1,111	676	Wirehouses	202	303	323	355
2,708	1,801	Independent Financial Planners	597	713	758	951
429	384	Bank Distribution	112	113	118	142
6,032	4,276	Total	1,329	1,618	1,724	2,067

(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	2017		2018		
		30	40	10	20	30
INDIVIDUAL ANNUITIES:						
<i>Account Values in General Account (1):</i>						
9,892	9,892	Beginning balance	9,804	9,816	9,892	9,932
785	483	Premiums and deposits	130	167	211	318
(457)	(431)	Surrenders and withdrawals	(133)	(166)	(163)	(155)
328	52	Net sales (redemptions)	(3)	1	48	101
(303)	(290)	Benefit payments	(89)	(90)	(100)	(106)
25	(238)	Net flows	(92)	(89)	(52)	(5)
199	177	Interest credited and other	63	71	61	69
(109)	(14)	Net transfers (to) from separate account	42	94	31	(64)
(1)	(1)	Policy charges	(1)	—	—	—
10,006	9,816	Ending balance	9,816	9,892	9,932	10,006
<i>Account Values in Separate Account (1):</i>						
158,734	146,891	Beginning balance	152,890	155,784	158,734	154,719
5,247	3,793	Premiums and deposits	1,199	1,451	1,513	1,811
(8,318)	(6,638)	Surrenders and withdrawals	(2,176)	(2,586)	(2,732)	(2,802)
(3,071)	(2,845)	Net redemptions	(977)	(1,135)	(1,219)	(991)
(1,283)	(1,111)	Benefit payments	(342)	(382)	(437)	(450)
(4,354)	(3,956)	Net flows	(1,319)	(1,517)	(1,656)	(1,441)
4,272	15,602	Change in market value, interest credited and other	5,191	5,506	(1,390)	1,300
109	14	Net transfers (to) from general account	(42)	(94)	(31)	64
(2,805)	(2,767)	Policy charges	(936)	(945)	(938)	(929)
155,956	155,784	Ending balance	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		
	30	40	10	20	30
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	3,530	3,380	3,134	2,950	2,818
Guaranteed minimum withdrawal benefits	483	477	450	433	428
Guaranteed minimum income benefits	2,772	2,791	2,690	2,651	2,661
Guaranteed minimum withdrawal & income benefits - risk retained by Prudential	128,465	131,146	128,176	127,490	129,431
Guaranteed minimum withdrawal & income benefits - externally reinsured	3,153	3,227	3,165	3,146	3,184
Total	138,403	141,021	137,615	136,670	138,522
<u>Living Benefit Features Account Values by Product Design Type</u>					
Account Values with Auto-Rebalancing Feature - risk retained by Prudential	113,691	115,690	112,913	112,055	113,257
Account Values with Auto-Rebalancing Feature - externally reinsured	3,153	3,227	3,165	3,146	3,184
Account Values without Auto-Rebalancing Feature	21,559	22,104	21,537	21,469	22,081
Total	138,403	141,021	137,615	136,670	138,522
<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	3,250	2,928	3,506	3,775	3,634
Net Amount at Risk with Auto-Rebalancing Feature - externally reinsured	—	—	—	—	—
Net Amount at Risk without Auto-Rebalancing Feature	752	661	742	797	757
Total	4,002	3,589	4,248	4,572	4,391

(1) At end of period.

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

	2017		2018		
	30	40	10	20	30
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	126,009	128,545	125,515	124,777	126,693
Net amount at risk	297	285	356	456	404
<i>Minimum return, anniversary contract value, or maximum contract value:</i>					
Account value	31,952	32,269	31,322	30,925	31,057
Net amount at risk	2,785	2,611	3,078	3,179	2,916
<u>Death Benefit Features Account Values by Product Design Type</u>					
Account Values with Auto-Rebalancing Feature	116,844	118,916	116,078	115,201	116,441
Account Values without Auto-Rebalancing Feature	41,117	41,898	40,759	40,501	41,309
Total	<u>157,961</u>	<u>160,814</u>	<u>156,837</u>	<u>155,702</u>	<u>157,750</u>
<u>Death Benefit Features Net Amount at Risk by Product Design Type</u>					
Net Amount at Risk with Auto-Rebalancing Feature	1,060	1,008	1,403	1,545	1,379
Net Amount at Risk without Auto-Rebalancing Feature	2,022	1,888	2,031	2,090	1,941
Total	<u>3,082</u>	<u>2,896</u>	<u>3,434</u>	<u>3,635</u>	<u>3,320</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		3Q	4Q	1Q	2Q	3Q
ANNUALIZED NEW BUSINESS PREMIUMS (1):							
158	160	Term life	57	53	49	54	55
68	124	Guaranteed Universal life	31	32	21	24	23
99	82	Other Universal life	28	43	26	29	44
105	75	Variable life	26	55	29	35	41
430	441	Total	142	183	125	142	163
ANNUALIZED NEW BUSINESS PREMIUMS BY DISTRIBUTION CHANNEL (1):							
98	85	Prudential Advisors	29	33	30	33	35
332	356	Third party distribution	113	150	95	109	128
430	441	Total	142	183	125	142	163
ACCOUNT VALUE ACTIVITY:							
Policyholders' Account Balances (2):							
26,861	26,041	Beginning balance	26,399	26,612	26,861	27,420	27,942
2,262	2,374	Premiums and deposits	738	831	734	738	790
(822)	(750)	Surrenders and withdrawals	(228)	(281)	(249)	(293)	(280)
1,440	1,624	Net sales	510	550	485	445	510
(432)	(426)	Benefit payments	(121)	(140)	(145)	(155)	(132)
1,008	1,198	Net flows	389	410	340	290	378
1,355	262	Interest credited and other	119	131	524	527	304
374	328	Net transfers from separate account	116	110	119	119	136
(1,251)	(1,217)	Policy charges	(411)	(402)	(424)	(414)	(413)
—	—	Acquisition	—	—	—	—	—
28,347	26,612	Ending balance	26,612	26,861	27,420	27,942	28,347
Separate Account Liabilities:							
32,085	28,455	Beginning balance	30,259	31,100	32,085	31,897	32,430
1,163	1,115	Premiums and deposits	330	491	419	379	365
(837)	(785)	Surrenders and withdrawals	(338)	(464)	(253)	(312)	(272)
326	330	Net sales (redemptions)	(8)	27	166	67	93
(142)	(122)	Benefit payments	(32)	(47)	(55)	(46)	(41)
184	208	Net flows	(40)	(20)	111	21	52
2,362	3,451	Change in market value, interest credited and other	1,227	1,347	51	861	1,450
(374)	(328)	Net transfers to general account	(116)	(110)	(119)	(119)	(136)
(695)	(686)	Policy charges	(230)	(232)	(231)	(230)	(234)
—	—	Acquisition	—	—	—	—	—
33,562	31,100	Ending balance	31,100	32,085	31,897	32,430	33,562
FACE AMOUNT IN FORCE (3):							
		Term life	745,849	753,804	761,014	770,208	779,181
		Guaranteed Universal life	141,031	142,546	143,449	144,110	144,831
		Other Universal life	46,888	47,516	47,842	48,598	49,552
		Variable life	162,660	163,174	162,514	162,762	162,881
		Total	1,096,429	1,107,040	1,114,820	1,125,678	1,136,445

(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.

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

Year-to-date			2017		2018		
2018	2017		3Q	4Q	1Q	2Q	3Q
<i>DEFERRED POLICY ACQUISITION COSTS</i>							
GROUP INSURANCE:							
162	176	Beginning balance	173	163	162	161	160
1	—	Capitalization	—	—	—	1	—
(4)	(13)	Amortization - operating results	(10)	(1)	(1)	(2)	(1)
—	—	Amortization - realized investment gains and losses	—	—	—	—	—
—	—	Impact of unrealized losses on AFS securities	—	—	—	—	—
159	163	Ending balance	163	162	161	160	159
INDIVIDUAL ANNUITIES:							
5,130	4,871	Beginning balance	5,312	5,089	5,130	5,083	5,047
307	230	Capitalization	71	84	90	107	110
(396)	(346)	Amortization - operating results	(116)	(118)	(111)	(146)	(139)
(174)	382	Amortization - realized investment gains and losses	(173)	82	(62)	(39)	(73)
103	(48)	Impact of unrealized (gains) or losses on AFS securities	(5)	(7)	36	42	25
—	—	Other	—	—	—	—	—
4,970	5,089	Ending balance	5,089	5,130	5,083	5,047	4,970
INDIVIDUAL LIFE INSURANCE:							
5,405	5,278	Beginning balance	5,330	5,355	5,405	5,637	5,818
506	510	Capitalization	161	181	159	163	184
(267)	(400)	Amortization - operating results	(71)	(83)	(91)	(105)	(71)
13	105	Amortization - realized investment gains and losses	(2)	(4)	9	2	2
302	(138)	Impact of unrealized (gains) or losses on AFS securities	(63)	(44)	155	121	26
5,959	5,355	Ending balance	5,355	5,405	5,637	5,818	5,959
<i>DEFERRED SALES INDUCEMENTS</i>							
INDIVIDUAL ANNUITIES:							
1,125	1,082	Beginning balance	1,211	1,133	1,125	1,083	1,051
2	2	Capitalization	1	—	1	—	1
(109)	(105)	Amortization - operating results	(34)	(36)	(31)	(40)	(38)
(49)	166	Amortization - realized investment gains and losses	(43)	29	(20)	(4)	(25)
33	(12)	Impact of unrealized (gains) or losses on AFS securities	(2)	(1)	8	12	13
—	—	Other	—	—	—	—	—
1,002	1,133	Ending balance	1,133	1,125	1,083	1,051	1,002

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

Year-to-date		% Change		2017		2018		
2018	2017			3Q	4Q	1Q	2Q	3Q
Revenues (1):								
12,258	11,885	3%	Premiums	3,891	3,822	4,541	3,767	3,950
401	374	7%	Policy charges and fee income	128	129	143	129	129
3,934	3,743	5%	Net investment income	1,278	1,284	1,301	1,320	1,313
225	266	-15%	Asset management fees, commissions and other income	79	57	55	72	98
16,818	16,268	3%	Total revenues	5,376	5,292	6,040	5,288	5,490
Benefits and Expenses (1):								
10,650	10,197	4%	Insurance and annuity benefits	3,342	3,291	3,915	3,300	3,435
687	678	1%	Interest credited to policyholders' account balances	230	221	238	222	227
15	10	50%	Interest expense	4	3	4	5	6
(1,303)	(1,389)	6%	Deferral of acquisition costs	(417)	(418)	(475)	(413)	(415)
923	864	7%	Amortization of acquisition costs	275	274	331	306	286
3,316	3,487	-5%	General and administrative expenses	1,143	1,144	1,171	1,084	1,061
14,288	13,847	3%	Total benefits and expenses	4,577	4,515	5,184	4,504	4,600
2,530	2,421	5%	Adjusted operating income before income taxes	799	777	856	784	890

- (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)

	Nine Months Ended September 30, 2018			Quarter Ended September 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	12,258	6,329	5,929	3,950	1,975	1,975
Policy charges and fee income	401	295	106	129	95	34
Net investment income	3,934	1,695	2,239	1,313	571	742
Asset management fees, commissions and other income	225	142	83	98	55	43
Total revenues	16,818	8,461	8,357	5,490	2,696	2,794
Benefits and Expenses (1):						
Insurance and annuity benefits	10,650	5,668	4,982	3,435	1,770	1,665
Interest credited to policyholders' account balances	687	188	499	227	62	165
Interest expense	15	8	7	6	3	3
Deferral of acquisition costs	(1,303)	(666)	(637)	(415)	(209)	(206)
Amortization of acquisition costs	923	472	451	286	135	151
General and administrative expenses	3,316	1,550	1,766	1,061	486	575
Total benefits and expenses	14,288	7,220	7,068	4,600	2,247	2,353
Adjusted operating income before income taxes	2,530	1,241	1,289	890	449	441
	Nine Months Ended September 30, 2017			Quarter Ended September 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	11,885	5,987	5,898	3,891	1,938	1,953
Policy charges and fee income	374	265	109	128	92	36
Net investment income	3,743	1,565	2,178	1,278	540	738
Asset management fees, commissions and other income	266	165	101	79	57	22
Total revenues	16,268	7,982	8,286	5,376	2,627	2,749
Benefits and Expenses (1):						
Insurance and annuity benefits	10,197	5,278	4,919	3,342	1,701	1,641
Interest credited to policyholders' account balances	678	182	496	230	64	166
Interest expense	10	6	4	4	2	2
Deferral of acquisition costs	(1,389)	(738)	(651)	(417)	(210)	(207)
Amortization of acquisition costs	864	430	434	275	131	144
General and administrative expenses	3,487	1,714	1,773	1,143	566	577
Total benefits and expenses	13,847	6,872	6,975	4,577	2,254	2,323
Adjusted operating income before income taxes	2,421	1,110	1,311	799	373	426

(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		3Q	4Q	1Q	2Q	3Q
INTERNATIONAL INSURANCE OPERATING DATA:							
Actual exchange rate basis (1):							
Net premiums, policy charges and fee income:							
4,954	4,617	Japan, excluding Gibraltar Life	1,459	1,439	1,880	1,537	1,537
6,035	6,007	Gibraltar Life	1,989	1,893	2,206	1,820	2,009
1,670	1,635	All other countries	571	619	598	539	533
12,659	12,259	Total	4,019	3,951	4,684	3,896	4,079
Annualized new business premiums:							
613	749	Japan, excluding Gibraltar Life	162	164	234	190	189
1,157	1,243	Gibraltar Life (2)	403	352	407	399	351
328	349	All other countries	115	129	117	106	105
2,098	2,341	Total (2)	680	645	758	695	645
Annualized new business premiums by distribution channel:							
941	1,098	Life Planner Operations	277	293	351	296	294
608	574	Gibraltar Life Consultants (2)	178	167	196	234	178
385	479	Banks (2)	178	136	158	104	123
164	190	Independent Agency (2)	47	49	53	61	50
2,098	2,341	Total (2)	680	645	758	695	645
Constant exchange rate basis (3):							
Net premiums, policy charges and fee income:							
4,904	4,643	Japan, excluding Gibraltar Life	1,458	1,456	1,842	1,520	1,542
5,983	6,054	Gibraltar Life	1,988	1,903	2,168	1,802	2,013
1,636	1,584	All other countries	547	594	562	532	542
12,523	12,281	Total	3,993	3,953	4,572	3,854	4,097
Annualized new business premiums:							
609	754	Japan, excluding Gibraltar Life	162	165	232	188	189
1,154	1,246	Gibraltar Life (2)	403	353	405	399	350
322	333	All other countries	108	121	108	104	110
2,085	2,333	Total (2)	673	639	745	691	649
Annualized new business premiums by distribution channel:							
931	1,087	Life Planner Operations	270	286	340	292	299
606	576	Gibraltar Life Consultants (2)	178	167	195	234	177
384	479	Banks (2)	178	136	158	104	122
164	191	Independent Agency (2)	47	50	52	61	51
2,085	2,333	Total (2)	673	639	745	691	649

(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		
	3Q	4Q	1Q	2Q	3Q
Face amount of individual policies in force at end of period (in billions) (1)(2): (Constant exchange rate basis)					
Japan, excluding Gibraltar Life	337	339	343	347	351
Gibraltar Life	338	340	341	342	345
All other countries	127	130	132	125	127
Total	<u>802</u>	<u>809</u>	<u>816</u>	<u>814</u>	<u>823</u>
Number of individual policies in force at end of period (in thousands) (2):					
Japan, excluding Gibraltar Life	3,674	3,714	3,773	3,814	3,860
Gibraltar Life	7,222	7,220	7,219	7,217	7,224
All other countries	2,146	2,169	2,134	2,096	2,116
Total	<u>13,042</u>	<u>13,103</u>	<u>13,126</u>	<u>13,127</u>	<u>13,200</u>
International life insurance policy persistency:					
<u>Life Planner Operations:</u>					
13 months	92.9%	92.9%	92.9%	93.3%	93.1%
25 months	86.1%	86.2%	86.6%	86.9%	86.9%
<u>Gibraltar Life (3):</u>					
13 months	93.4%	93.4%	93.5%	93.6%	93.7%
25 months	87.2%	87.2%	87.2%	87.1%	87.1%
Number of Life Planners at end of period:					
Japan	3,951	3,941	4,076	3,964	4,130
All other countries	3,880	3,890	3,695	3,674	3,668
Total Life Planners	<u>7,831</u>	<u>7,831</u>	<u>7,771</u>	<u>7,638</u>	<u>7,798</u>
Gibraltar Life Consultants	8,327	8,326	8,137	7,938	8,030

- (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)

	September 30, 2018				December 31, 2017			
	Total Portfolio	Closed Block Division	PFI Excluding Closed Block Division		Total Portfolio	Closed Block Division	PFI Excluding Closed Block Division	
			Amount	% of Total			Amount	% of Total
Fixed maturities:								
Public, available-for-sale, at fair value	283,555	26,377	257,178	64.1%	287,878	27,448	260,430	64.7%
Public, held-to-maturity, at amortized cost	1,699	—	1,699	0.4%	1,747	—	1,747	0.4%
Private, available-for-sale, at fair value	56,959	12,828	44,131	11.0%	58,293	13,814	44,479	11.1%
Private, held-to-maturity, at amortized cost	258	—	258	0.1%	302	—	302	0.1%
Fixed maturities, trading, at fair value (1)	1,932	201	1,731	0.4%	1,789	200	1,589	0.4%
Assets supporting experience-rated contractholder liabilities, at fair value	21,083	—	21,083	5.2%	22,097	—	22,097	5.5%
Equity securities, at fair value (1)	6,447	2,146	4,301	1.1%	6,755	2,479	4,276	1.1%
Commercial mortgage and other loans, at book value	58,895	8,915	49,980	12.4%	55,411	9,017	46,394	11.5%
Policy loans, at outstanding balance	11,928	4,438	7,490	1.9%	11,891	4,543	7,348	1.8%
Other invested assets (1)(2)	11,517	3,345	8,172	2.0%	10,669	3,159	7,510	1.9%
Short-term investments	5,741	108	5,633	1.4%	6,734	631	6,103	1.5%
Subtotal (3)	460,014	58,358	401,656	100.0%	463,566	61,291	402,275	100.0%
Invested assets of other entities and operations (4)	4,958	—	4,958		6,305	—	6,305	
Total investments	464,972	58,358	406,614		469,871	61,291	408,580	

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

	September 30, 2018					December 31, 2017				
	PFI Excluding Closed Block Division					PFI Excluding Closed Block Division				
	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	202,456	20,797	3,163	220,090	84.9%	195,968	26,830	872	221,926	84.4%
2	27,166	1,699	732	28,133	10.9%	26,795	3,040	142	29,693	11.3%
Subtotal - High or Highest Quality Securities	229,622	22,496	3,895	248,223	95.8%	222,763	29,870	1,014	251,619	95.7%
3	5,599	247	116	5,730	2.2%	5,541	442	44	5,939	2.3%
4	3,880	367	74	4,173	1.6%	3,457	467	77	3,847	1.5%
5	780	118	15	883	0.3%	781	179	32	928	0.4%
6	172	14	3	183	0.1%	196	10	3	203	0.1%
Subtotal - Other Securities	10,431	746	208	10,969	4.2%	9,975	1,098	156	10,917	4.3%
Total	240,053	23,242	4,103	259,192	100.0%	232,738	30,968	1,170	262,536	100.0%

Private Fixed Maturities:

NAIC Rating (6)										
1	12,203	374	302	12,275	27.6%	11,823	720	53	12,490	27.9%
2	26,118	921	674	26,365	59.4%	23,956	1,520	193	25,283	56.5%
Subtotal - High or Highest Quality Securities	38,321	1,295	976	38,640	87.0%	35,779	2,240	246	37,773	84.4%
3	3,976	83	81	3,978	9.0%	4,660	228	35	4,853	10.8%
4	1,181	30	27	1,184	2.6%	1,224	34	28	1,230	2.7%
5	580	24	25	579	1.3%	885	46	25	906	2.0%
6	21	3	1	23	0.1%	40	4	3	41	0.1%
Subtotal - Other Securities	5,758	140	134	5,764	13.0%	6,809	312	91	7,030	15.6%
Total	44,079	1,435	1,110	44,404	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 September 30, 2018 and December 31, 2017, 1,052 securities with amortized cost of \$4,806 million (fair value \$4,777 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)

	September 30, 2018		December 31, 2017	
	Amount	% of Total	Amount	% of Total
Japanese Insurance Operations (2):				
Fixed maturities:				
Public, available-for-sale, at fair value	127,189	74.3%	128,332	76.0%
Public, held-to-maturity, at amortized cost	1,699	1.0%	1,747	1.0%
Private, available-for-sale, at fair value	15,547	9.1%	14,538	8.6%
Private, held-to-maturity, at amortized cost	258	0.1%	302	0.2%
Fixed maturities, trading, at fair value (3)	296	0.2%	257	0.1%
Assets supporting experience-rated contractholder liabilities, at fair value	2,575	1.5%	2,586	1.5%
Equity securities, at fair value (3)	2,155	1.3%	2,151	1.3%
Commercial mortgage and other loans, at book value	16,823	9.8%	14,268	8.5%
Policy loans, at outstanding balance	2,604	1.5%	2,545	1.5%
Other invested assets (3)(4)	1,830	1.1%	2,021	1.2%
Short-term investments	226	0.1%	244	0.1%
Total	<u>171,202</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	129,989	56.4%	132,098	56.6%
Public, held-to-maturity, at amortized cost	—	0.0%	—	0.0%
Private, available-for-sale, at fair value	28,584	12.4%	29,941	12.8%
Private, held-to-maturity, at amortized cost	—	0.0%	—	0.0%
Fixed maturities, trading, at fair value (3)	1,435	0.6%	1,332	0.6%
Assets supporting experience-rated contractholder liabilities, at fair value	18,508	8.0%	19,511	8.3%
Equity securities, at fair value (3)	2,146	0.9%	2,125	0.9%
Commercial mortgage and other loans, at book value	33,157	14.4%	32,126	13.8%
Policy loans, at outstanding balance	4,886	2.1%	4,803	2.1%
Other invested assets (3)(4)	6,342	2.8%	5,489	2.4%
Short-term investments	5,407	2.4%	5,859	2.5%
Total	<u>230,454</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 September 30				
	2018		Realized Gains / (Losses)	2017	
	Yield (5)	Amount		Yield (5)	Amount
General Account (2)					
Fixed maturities (3)	3.83%	2,671	89	3.82%	2,526
Equity securities	3.09%	33	—	4.38%	87
Commercial mortgage and other loans	3.92%	429	(1)	4.04%	402
Policy loans	4.84%	89	—	4.83%	86
Short-term investments and cash equivalents	2.56%	77	(3)	1.29%	43
Gross investment income before investment expenses	3.81%	3,299	85	3.82%	3,144
Investment expenses	-0.15%	(161)	—	-0.15%	(131)
Subtotal	3.66%	3,138	85	3.67%	3,013
Other investments (3)		86	63		105
Investment results of other entities and operations (4)		262	7		292
Less, investment income related to adjusted operating income reconciling items		(119)	—		(65)
Total		3,367	155		3,345

	Nine Months Ended September 30				
	2018		Realized Gains / (Losses)	2017	
	Yield (5)	Amount		Yield (5)	Amount
General Account (2)					
Fixed maturities (3)	3.87%	7,965	336	3.88%	7,494
Equity securities	2.79%	90	—	4.35%	254
Commercial mortgage and other loans	4.01%	1,272	(4)	4.09%	1,177
Policy loans	4.86%	267	—	4.90%	259
Short-term investments and cash equivalents	2.06%	209	(1)	1.24%	117
Gross investment income before investment expenses	3.83%	9,803	331	3.87%	9,301
Investment expenses	-0.15%	(459)	—	-0.14%	(361)
Subtotal	3.68%	9,344	331	3.73%	8,940
Other investments (3)		266	762		463
Investment results of other entities and operations (4)		786	64		840
Less, investment income related to adjusted operating income reconciling items		(288)	—		(209)
Total		10,108	1,157		10,034

- (1) Excludes Closed Block Division.
- (2) Excludes commercial loans and assets supporting experience-rated contractholder liabilities where the investment results generally accrue to contractholders and 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 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. A yield is not presented for other investments as it is not considered a meaningful measure of investment performance. 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 and assets related to other investments. Prior period yields have been revised to conform with current period presentation.

INVESTMENT RESULTS - JAPANESE INSURANCE OPERATIONS
(in millions)

	Quarter Ended September 30					
	2018			2017		
	Investment Income		Realized	Investment Income		Realized
	Yield (1)	Amount	Gains / (Losses)	Yield (1)	Amount	Gains / (Losses)
Japanese Insurance Operations:						
Fixed maturities (2)	2.90%	925	123	3.01%	918	132
Equity securities	2.13%	12	—	3.22%	23	232
Commercial mortgage and other loans	3.84%	158	1	3.91%	130	—
Policy loans	3.92%	25	—	3.97%	24	—
Short-term investments and cash equivalents	3.47%	9	—	1.15%	3	—
Gross investment income before investment expenses	3.01%	1,129	124	3.12%	1,098	364
Investment expenses	-0.13%	(61)	—	-0.12%	(48)	—
Subtotal	2.88%	1,068	124	3.00%	1,050	364
Other investments (2)		26	(95)		27	11
Total		1,094	29		1,077	375

	Nine Months Ended September 30					
	2018			2017		
	Investment Income		Realized	Investment Income		Realized
	Yield (1)	Amount	Gains / (Losses)	Yield (1)	Amount	Gains / (Losses)
Japanese Insurance Operations:						
Fixed maturities (2)	2.93%	2,770	471	3.05%	2,704	505
Equity securities	3.09%	50	—	2.75%	59	266
Commercial mortgage and other loans	3.92%	457	(1)	4.07%	380	—
Policy loans	3.91%	75	—	3.98%	72	—
Short-term investments and cash equivalents	2.41%	26	—	1.33%	10	—
Gross investment income before investment expenses	3.05%	3,378	470	3.16%	3,225	771
Investment expenses	-0.13%	(174)	—	-0.12%	(135)	—
Subtotal	2.92%	3,204	470	3.04%	3,090	771
Other investments (2)		86	(89)		100	197
Total		3,290	381		3,190	968

- (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. A yield is not presented for other investments as it is not considered a meaningful measure of investment performance. 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 and assets related to other investments. 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". 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 September 30					
	2018			2017		
	Investment Income Yield (4)	Amount	Realized Gains / (Losses)	Investment Income Yield (4)	Amount	Realized Gains / (Losses)
Excluding Japanese Insurance Operations (2):						
Fixed maturities (3)	4.63%	1,746	(34)	4.52%	1,608	18
Equity securities	4.05%	21	—	5.01%	64	3
Commercial mortgage and other loans	3.96%	271	(2)	4.10%	272	(1)
Policy loans	5.33%	64	—	5.29%	62	—
Short-term investments and cash equivalents	2.50%	68	(3)	1.30%	40	—
Gross investment income before investment expenses	4.43%	2,170	(39)	4.35%	2,046	20
Investment expenses	-0.16%	(100)	—	-0.17%	(83)	—
Subtotal	4.27%	2,070	(39)	4.18%	1,963	20
Other investments (3)		60	158		78	1,107
Total		2,130	119		2,041	1,127
	Nine Months Ended September 30					
	2018			2017		
	Investment Income Yield (4)	Amount	Realized Gains / (Losses)	Investment Income Yield (4)	Amount	Realized Gains / (Losses)
Excluding Japanese Insurance Operations (2):						
Fixed maturities (3)	4.67%	5,195	(135)	4.57%	4,790	(40)
Equity securities	2.49%	40	—	5.28%	195	43
Commercial mortgage and other loans	4.05%	815	(3)	4.10%	797	(6)
Policy loans	5.38%	192	—	5.38%	187	—
Short-term investments and cash equivalents	2.03%	183	(1)	1.23%	107	—
Gross investment income before investment expenses	4.43%	6,425	(139)	4.39%	6,076	(3)
Investment expenses	-0.17%	(285)	—	-0.16%	(226)	—
Subtotal	4.26%	6,140	(139)	4.23%	5,850	(3)
Other investments (3)		180	851		363	(481)
Total		6,320	712		6,213	(484)

- (1) Excludes Closed Block Division.
- (2) Excludes commercial loans and assets supporting experience-rated contractholder liabilities where the investment results generally accrue to contractholders and 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. A yield is not presented for other investments as it is not considered a meaningful measure of investment performance. 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 and assets related to other investments. Prior period yields have been revised to conform with current period presentation.

IMPACT OF INDIVIDUAL ANNUITIES MARKET PERFORMANCE AND EXPERIENCE TRUE-UPS
(in millions)

	Third Quarter 2018					Third Quarter 2017				
	Asset Management Fees, Commissions and Other Income	Insurance and Annuity Benefits	Interest Credited to Policyholders' Account Balances	Amortization of Acquisition Costs	Pre-Tax Adjusted Operating Income	Asset Management Fees, Commissions and Other Income	Insurance and Annuity Benefits	Interest Credited to Policyholders' Account Balances	Amortization of Acquisition Costs	Pre-Tax Adjusted Operating Income
Individual Annuities:										
Market performance and experience true-ups	(23)	1	4	8	(36)	23	(9)	(3)	(13)	48
Total of above items	(23)	1	4	8	(36)	23	(9)	(3)	(13)	48
Reported amount	294	85	85	139		355	87	81	116	
Amount excluding impact of items indicated above	317	84	81	131		332	96	84	129	

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

Three Months Ended September 30, 2018								Three Months Ended September 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	8,143	—	—	—	529	138	8,810	7,111	—	—	—	578	106	—	7,795
Policy charges and fee income	1,557	(60)	—	—	—	1	1,498	1,565	(63)	—	—	—	—	—	1,502
Net investment income	3,367	(10)	—	—	560	129	4,046	3,345	(9)	—	—	666	74	—	4,076
Realized investment gains (losses), net	63	120	—	—	(4)	(28)	151	121	1,377	—	—	107	3	—	1,608
Asset management fees, commissions and other income	1,302	161	10	—	164	36	1,643	1,219	27	85	—	25	2	(26)	1,332
Total revenues	14,432	211	10	—	1,249	276	16,148	13,361	1,332	85	—	1,376	185	(26)	16,313
Benefits and Expenses:															
Insurance and annuity benefits	8,464	(31)	—	—	1,099	225	9,757	7,376	(46)	—	—	1,207	156	—	8,693
Interest credited to policyholders' account balances	940	31	—	21	33	5	1,030	927	43	—	31	34	—	—	1,035
Interest expense	355	—	—	—	1	1	357	330	—	—	—	—	—	—	330
Deferral of acquisition costs	(708)	—	—	—	—	(2)	(710)	(653)	—	—	—	—	—	—	(653)
Amortization of acquisition costs	496	57	—	—	8	2	563	470	165	—	—	8	—	—	643
General and administrative expenses	3,217	(23)	—	—	90	33	3,313	3,127	6	—	—	94	19	(2)	3,244
Total benefits and expenses	12,764	34	—	21	1,231	264	14,310	11,577	168	—	31	1,343	175	(2)	13,292

Nine Months Ended September 30, 2018									Nine Months Ended September 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 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 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	21,491	—	—	—	1,680	388	—	23,559	20,442	—	—	—	1,852	308	—	—	22,602
Policy charges and fee income	4,702	(223)	—	—	—	3	—	4,482	3,914	(154)	—	—	—	—	—	—	3,760
Net investment income	10,108	(30)	—	—	1,744	318	—	12,140	10,034	(26)	—	—	1,983	235	—	—	12,226
Realized investment gains (losses), net	277	987	—	—	104	(107)	—	1,261	404	32	—	—	462	45	—	—	943
Asset management fees, commissions and other income	3,772	(206)	(586)	—	272	(51)	(83)	3,118	3,602	(54)	330	—	85	6	(76)	—	3,893
Total revenues	40,350	528	(586)	—	3,800	551	(83)	44,560	38,396	(202)	330	—	4,382	594	(76)	—	43,424
Benefits and Expenses:																	
Insurance and annuity benefits	22,477	(117)	—	—	3,422	2,030	—	27,812	20,908	(154)	—	—	3,915	483	—	—	25,152
Interest credited to policyholders' account balances	2,783	65	—	(482)	99	9	—	2,474	2,800	(166)	—	188	100	—	—	—	2,922
Interest expense	1,042	—	—	—	1	3	—	1,046	978	—	—	—	1	2	—	—	981
Deferral of acquisition costs	(2,110)	—	—	—	—	(5)	—	(2,115)	(2,132)	—	—	—	—	—	—	—	(2,132)
Amortization of acquisition costs	1,581	152	—	—	26	5	—	1,764	1,613	(474)	—	—	27	—	—	—	1,166
General and administrative expenses	9,527	(90)	—	—	274	95	(8)	9,798	9,557	69	—	—	290	58	(10)	—	9,964
Total benefits and expenses	35,300	10	—	(482)	3,822	2,137	(8)	40,779	33,724	(725)	—	188	4,333	543	(10)	—	38,053

- (1) See page 38 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 December 31, 2017								Three Months Ended March 31, 2018							
	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	8,720	—	—	—	674	95	—	9,489	6,638	—	—	—	551	122	—	7,311
Policy charges and fee income	1,604	(61)	—	—	—	—	—	1,543	1,575	(71)	—	—	—	—	—	1,504
Net investment income	3,465	(12)	—	—	670	86	—	4,209	3,337	(10)	—	—	593	78	—	3,998
Realized investment gains (losses), net	82	(663)	—	—	72	(2)	—	(511)	63	433	—	—	(2)	(69)	—	425
Asset management fees, commissions and other income	1,379	121	6	—	28	2	(1)	1,535	1,262	(336)	(403)	—	21	1	(26)	519
Total revenues	15,250	(615)	6	—	1,444	181	(1)	16,265	12,875	16	(403)	—	1,163	132	(26)	13,757
Benefits and Expenses:																
Insurance and annuity benefits	9,163	85	—	—	1,311	174	—	10,733	6,853	(62)	—	—	1,035	177	—	8,003
Interest credited to policyholders' account balances	929	(25)	—	(37)	33	—	—	900	911	25	—	(418)	33	(1)	—	550
Interest expense	344	—	—	—	—	2	—	346	340	—	—	—	—	1	—	341
Deferral of acquisition costs	(686)	—	—	—	—	—	—	(686)	(718)	—	—	—	—	(1)	—	(719)
Amortization of acquisition costs	480	(76)	—	—	10	—	—	414	530	47	—	—	10	1	—	588
General and administrative expenses	3,448	(18)	—	—	94	18	(100)	3,442	3,238	(58)	—	—	94	27	—	3,301
Total benefits and expenses	13,678	(34)	—	(37)	1,448	194	(100)	15,149	11,154	(48)	—	(418)	1,172	204	—	12,064

Three Months Ended June 30, 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	6,710	—	—	—	600	128	—	7,438
Policy charges and fee income	1,570	(92)	—	—	—	2	—	1,480
Net investment income	3,404	(10)	—	—	591	111	—	4,096
Realized investment gains (losses), net	151	434	—	—	110	(10)	—	685
Asset management fees, commissions and other income	1,208	(31)	(193)	—	87	(88)	(27)	956
Total revenues	13,043	301	(193)	—	1,388	143	(27)	14,655
Benefits and Expenses:								
Insurance and annuity benefits	7,160	(24)	—	—	1,288	1,628	—	10,052
Interest credited to policyholders' account balances	932	9	—	(85)	33	5	—	894
Interest expense	347	—	—	—	—	1	—	348
Deferral of acquisition costs	(684)	—	—	—	—	(2)	—	(686)
Amortization of acquisition costs	555	48	—	—	8	2	—	613
General and administrative expenses	3,072	(9)	—	—	90	35	(4)	3,184
Total benefits and expenses	11,382	24	—	(85)	1,419	1,669	(4)	14,405

(1) See page 38 for a definition of AOL.

(2) U.S. generally accepted accounting principles

KEY DEFINITIONS AND FORMULAS

1. Adjusted operating income before income taxes:

Adjusted operating income is a non-GAAP measure of performance that excludes “Realized investment gains (losses), net,” as adjusted, and related charges and adjustments. 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 third quarter 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, June 30, 2018 and September 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 third quarter 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, second and third 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 third quarter 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, June 30, 2018 and September 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 November 7, 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 November 7, 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:

Corporate Offices:

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

Investor Information Hotline:

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

Web Site:

www.prudential.com

Common Stock:

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