2Q22 Earnings Call

August 3, 2022

Expanding access to investing, insurance, and retirement security

Prudential

Key Messages

Executing on plans to reposition the business

Expecting $750 million of cost savings one year ahead of target

Rock solid balance sheet provides financial flexibility

WE MAKE LIVES BETTER *by*

SOLVING *the* FINANCIAL CHALLENGES

of our CHANGING WORLD

Executing on Plans to Reposition the Business

Divestitures

- Full Service Retirement business[1]
- PALAC traditional Variable Annuity block[1]

Acquisitions

- Programmatic acquisitions and investments in asset management and emerging markets:
  - Alexforbes[2]

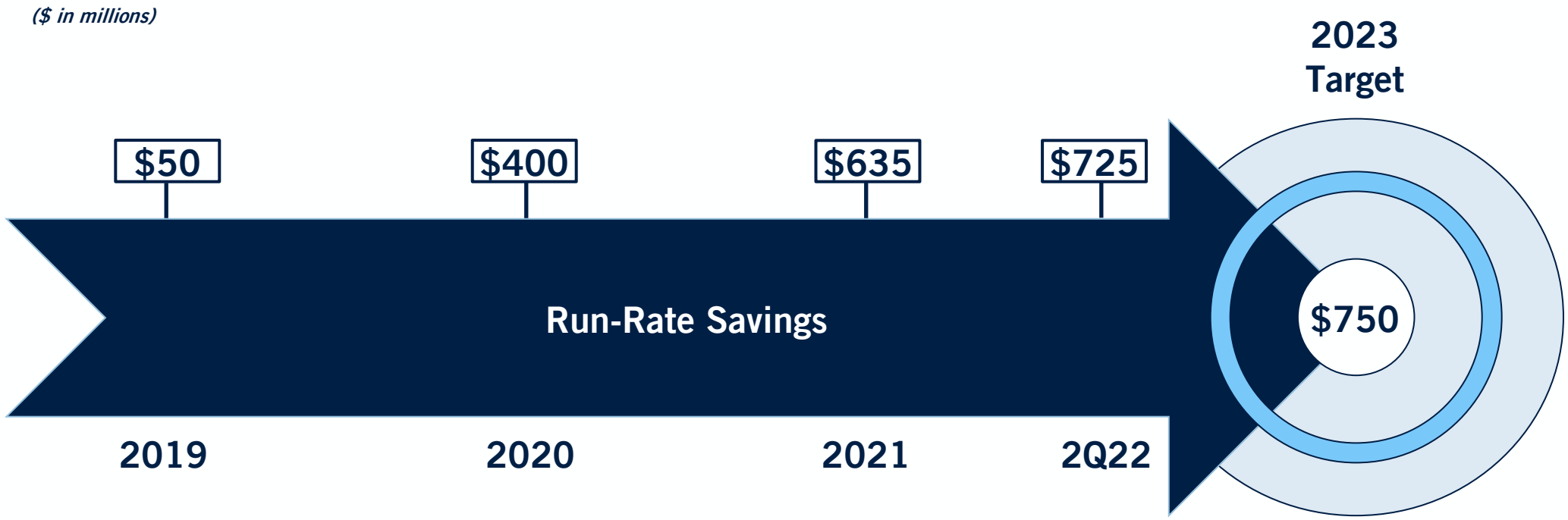
Business Investment

- Partnership with Mercado Libre to sell Life and A&H products
- Expanding FlexGuard suite of products

Reducing market sensitivity and investing in businesses to support higher growth

(1) Completed sales of the Full Service Retirement business and the PALAC traditional Variable Annuity block in April 2022.
(2) Completed acquisition of 15% strategic minority interest of Alexforbes in South Africa in 2Q22 and launched a public tender offer to increase stake up to 33%.

Expecting $750 Million of Cost Savings One Year Ahead of Target



Reducing costs while enhancing employee and customer experience

Note: Realized cost savings of ~$175 million in 2Q22, for a total of ~$345 million year-to-date.

Rock Solid Balance Sheet Provides Financial Flexibility

Maintain robust balance sheet position

- Well-diversified investment portfolio
- Capital continues to support AA rating level as of June 30, 2022
- Highly liquid assets of $7.1 billion[1]

Continue investment in businesses and provide attractive return to shareholders

- Organic and inorganic growth investments
- Returned over $800 million in 2Q22[2] and $6 billion since 1Q21

Creating sustainable, profitable growth and shareholder returns

(1) Highly liquid assets predominantly include cash, short-term investments, U.S. Treasury securities, obligations of other U.S. government authorities and agencies, and/or foreign government bonds.
(2) Capital returned to shareholders in the second quarter of $832 million includes share repurchases of $375 million and dividends of $457 million.

Second Quarter 2022 Highlights

Financial Highlights

($ millions, except per share amounts)

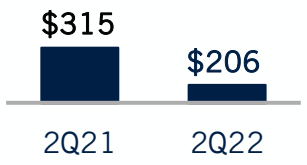
	YTD 2022	2Q22
Pre-Tax Adjusted Operating Income[1]	$2,438	$872
Adjusted Operating Income Per Share[1]	$4.91	$1.74
GAAP Net Loss Per Share[2]	($1.62)	($1.53)
Adjusted Operating ROE[3]	9.3%	
Adjusted Book Value Per Share[1]	$104.19	

Earnings Drivers

($ millions, pre-tax adjusted operating income)

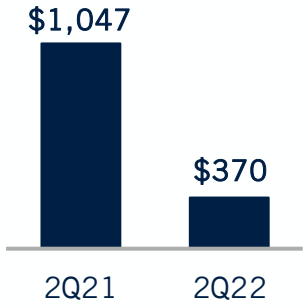
PGIM

- Lower Other Related Revenues
- Lower asset management fees



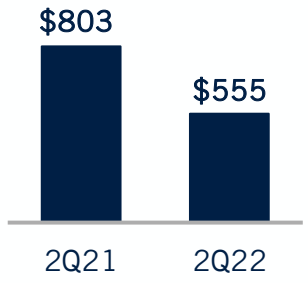
U.S. Businesses

- Unfavorable assumption update
+ Gain on sale of PALAC in 2Q22
- Lower variable investment income
- Lower fee income
+ More favorable underwriting



International Businesses

- Lower JV earnings
- Lower variable investment income
- Less favorable underwriting
- Unfavorable assumption update
+ Business growth



Note: See Appendix for segment results. Adjusted operating income for the prior period reflects the reclassification of results of Full Service Retirement from the former Retirement business, which is now the Institutional Retirement Strategies business, to Divested and Run-off Businesses in Corporate & Other. Full Service Retirement results are excluded from adjusted operating income as a result of the operation being held-for-sale prior to its disposition on April 1, 2022.

(1) See reconciliation in Appendix for non-GAAP measures Adjusted Operating Income, Adjusted Operating Income Per Share, and Adjusted Book Value Per Share.

(2) Includes impacts of realized investment losses, driven by the increase in interest rates.

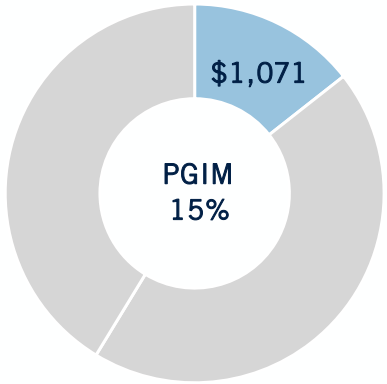
(3) Based on year-to-date 2022 after-tax Adjusted Operating Income and average Adjusted Book Value. See Appendix for more information.

PGIM

Active Global Investment Manager Across a Broad Range of Private and Public Asset Classes

Earnings Contribution to Prudential

Trailing twelve months[1]
($ millions)

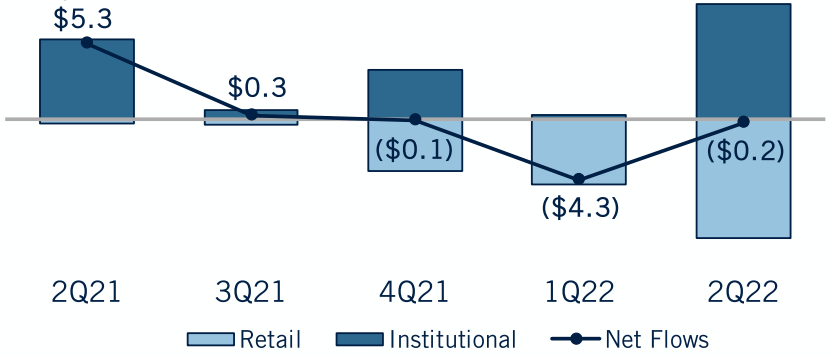


Key Priorities

- Maintain strong investment performance[2]
  - Percentage of AUM[3] outperforming public benchmarks: 3 Year: 77%, 5 Year: 83%, 10 Year: 84%
- Capture synergies with broader Prudential enterprise and leverage scale to drive operating leverage
- Globalize both product and client footprint and continue to add capabilities
- Grow in alternatives, including private credit, and other high margin areas
- Selectively acquire new capabilities through programmatic M&A

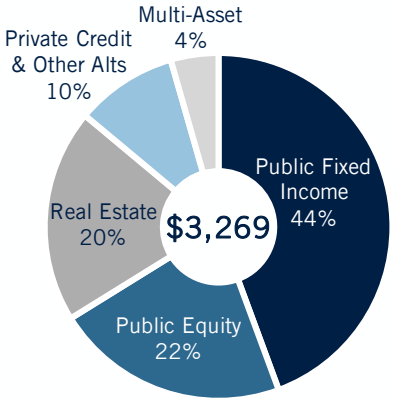
3rd Party Net Flows

($ billions)



Asset Management Fees

Trailing twelve months
($ millions)



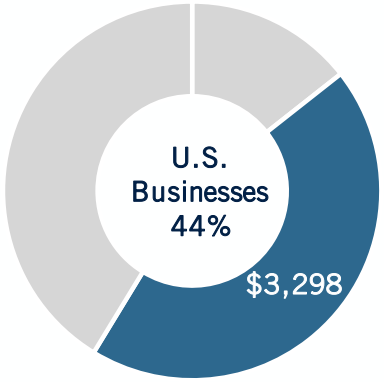
(1) Based on pre-tax adjusted operating income excluding Corporate & Other operations.
(2) PGIM calculations as of June 30, 2022 for $724 billion of third-party AUM managed against public benchmarks. Past performance is not a guarantee or reliable indicator of future results. All investments involve risk, including the possible loss of capital. Performance is defined as outperformance (gross of fees) relative to each individual strategy's respective benchmark(s).
(3) Represents PGIM's benchmarked AUM (75% of total third-party AUM is benchmarked over 3 years, 66% over 5 years, and 44% over 10 years). This calculation does not include non-benchmarked assets (including general account assets and assets not managed by PGIM). Returns are calculated gross of investment management fees, which would reduce an investor's net return. Excess performance is based on all actively managed Fixed Income, Equity, and Real Estate AUM for Jennison Associates, PGIM Fixed Income, PGIM Quantitative Solutions, PGIM Real Estate, PGIM Private Capital, PGIM Global Partners, and PGIM Real Estate Finance.

U.S. Businesses

Diversified Portfolio with Expanding Market Opportunities and Improving Risk Profile

Earnings Contribution to Prudential

Trailing twelve months[1]
($ millions)

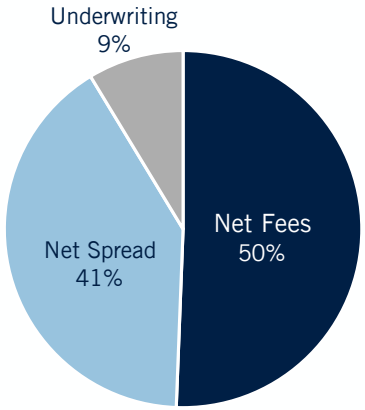


Key Priorities

- Create higher value, higher growth, and less market sensitive sources of earnings
- Deliver on savings commitments while transforming our capabilities to improve customer experiences
- Expand our addressable market with new financial solutions leveraging the capabilities of Prudential and Assurance IQ

Diversified Sources of Earnings

Trailing twelve months[2]



Quarter Performance Highlights

- Continued success of Individual Retirement Strategies FlexGuard products, representing 91% of sales
- Institutional Retirement Strategies sales of $3.7 billion
- Favorable Individual Life sales mix, with variable products representing 71% of sales
- Favorable Group Insurance Benefits Ratio of 84.0% vs. target range[3]
- On track to deliver targeted efficiencies

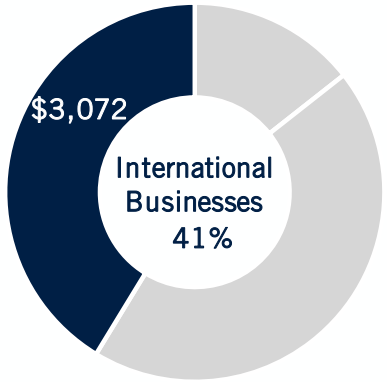
Note: See Appendix for segment results. Prior periods restated for reclassification of results of Full Service Retirement from the former Retirement business, to Divested and Run-off Businesses in Corporate & Other.
(1) Based on pre-tax adjusted operating income excluding Corporate & Other operations. U.S. Businesses include Retirement Strategies, Group Insurance, Individual Life, and Assurance IQ.
(2) Based on net fee income, net spread income, and underwriting margin and claims experience gross of expenses. Excludes assumption updates and other refinements.
(3) Targeted total benefits ratio range of 85% - 89%.

International Businesses

Market Leader in Japan with Expanding Presence in Growth Markets

Earnings Contribution to Prudential

Trailing twelve months[1]
($ millions)

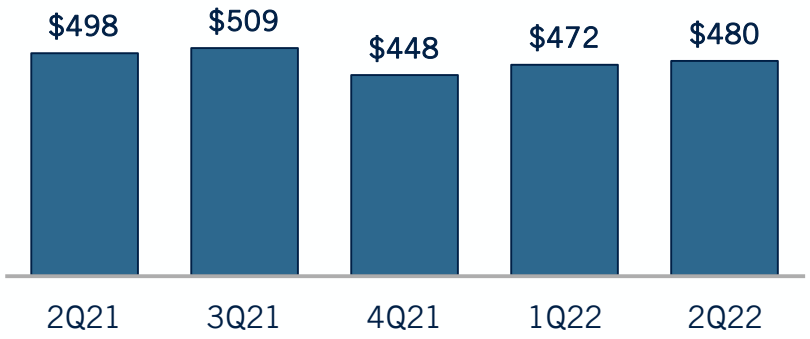


Key Priorities

- Continue to address the insurance and retirement security needs of customers through our differentiated distribution model
- Enhance client experience and distribution support through digital tools while optimizing operating model
- Expand existing emerging market platforms including through selective programmatic M&A opportunities

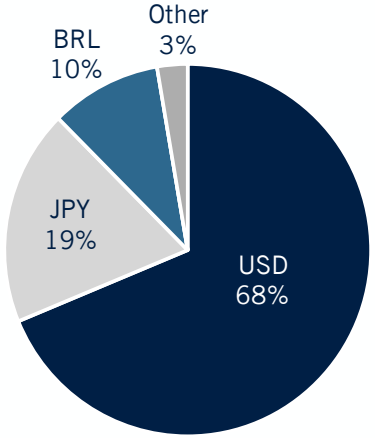
Sales[2]

($ millions)



Sales – Currency Mix[2]

Trailing twelve months



(1) Based on pre-tax adjusted operating income excluding Corporate & Other operations.
(2) Constant exchange rate basis. Foreign denominated activity translated to U.S. Dollars (USD) at uniform exchange rates for all periods presented, including Japanese Yen (JPY) 104 per USD and Brazilian Real (BRL) 4.9 per USD. USD-denominated activity is included based on the amounts as transacted in USD. Sales represented by annualized new business premiums.

Adjusted Operating Income & EPS Considerations

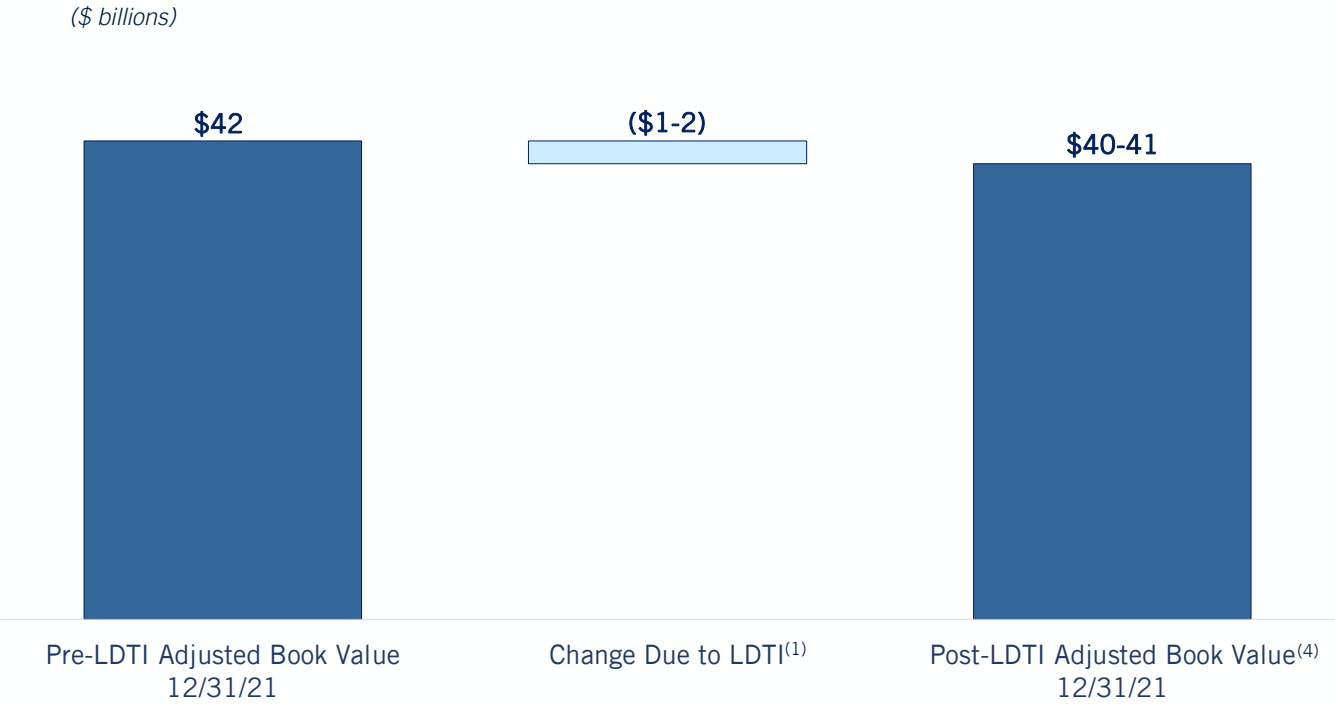
($ millions, except per share amounts)		Adjusted Operating Income Pre-Tax	Adjusted Operating Income Per Share After-Tax
2Q22 Reported[1]		**$872**	**$1.74**
Assumption Update[2] & Gain on Sale	• One-time impact from assumption updates and other refinements, net of gain from the sale of PALAC traditional variable annuity block	571	1.18
Variable Investment Income	• Assumes a normalized level	(80)	(0.17)
Underwriting	• 2Q22 normalized and 3Q22 adjusted for seasonal and estimated COVID-19 impacts	(25)	(0.05)
Expenses & Other	• Net earnings impacts from certain segments	(30)	(0.07)
3Q22 Baseline[3]		**$1,308**	**$2.63**

3Q22 baseline includes items specific to the third quarter that reduce EPS by $0.12[4]

Note: See Appendix for segment detail.
(1) See reconciliation in Appendix for non-GAAP measures Adjusted Operating Income and Adjusted Operating Income Per Share.
(2) Includes one-time impact for annual actuarial assumption updates and other refinements in our insurance businesses as well as the impact from updated Assurance IQ persistency assumptions.
(3) EPS rollforward list of considerations not intended to be exhaustive and rollforward is not a projection of 3Q22 results. Does not consider future items such as, among other things, share repurchases, business growth, and market impacts.
(4) Items specific to the third quarter include seasonality and estimated COVID-19 impacts. See Appendix for details.

Long-Duration Targeted Improvements (LDTI)

Adjusted Book Value Impact



Key Takeaways

- **No direct economic effect**
  - LDTI does not impact statutory results or cash flows
- **Adjusted Book Value**, which excludes AOCI, is reduced reflecting the reclassification of non-performance risk gains from Retained Earnings to AOCI and other changes in reserves
  - Remains a relevant measure as AOCI continues to lack symmetry in the valuation of assets and insurance liabilities
- **AOCI** is reduced by $28-33 billion(2) as of 12/31/21, primarily driven by the remeasurement of certain Japan business liabilities using lower discount rates
- **GAAP Equity**, which includes AOCI, and **Adjusted Book Value** continue to exclude unrealized insurance margins of $60-65 billion(3) as of 12/31/21, primarily in our Japan business
  - These margins are an important factor in determining financial strength

Note: U.S. GAAP LDTI is effective on January 1, 2023 with a transition date of January 1, 2021. Adjusted Book Value represents GAAP Equity excluding Accumulated Other Comprehensive Income (AOCI) and the cumulative effect of foreign exchange rate remeasurement and currency translation adjustments corresponding to realized gains/losses.

(1) Estimated reduction in Retained Earnings as of 12/31/21 is approximately $1 billion lower than as of the 1/1/21 transition date, primarily driven by favorable markets on market risk benefits.

(2) Estimated reduction in AOCI as of 12/31/21 is approximately $12 billion lower than as of the 1/1/21 transition date due to higher interest rates and the sale of Prudential of Taiwan in June 2021.

(3) Estimated after-tax unrealized insurance margins as of 12/31/21 are approximately $4 billion lower than as of the 1/1/21 transition date due to higher interest rates. This represents the present value of gross premiums minus the present value of net premiums at current single-A rates plus deferred profit liabilities for product liabilities subject to remeasurement under LDTI.

(4) See reconciliation in Appendix for Expected Post LDTI Transition Adjusted Book Value.

Robust Capital Position

Capital Position

- Parent company liquid assets above $3 to $5 billion liquidity target range
- PICA RBC ratio > 400%
- Japan solvency margin ratios > 700%

Sources of Funding

- Parent company highly liquid assets of $7.1 billion[1]
- Free cash flow[2] ~65% of earnings over time

Off-Balance Sheet Resources

Resource	Capacity	Maturity Date
Sustainability-Linked Credit Facility	$4.0 billion	July 2026
Contingent Capital	$1.5 billion $1.5 billion	November 2023 May 2030
Prudential Holdings of Japan Facility	¥100 billion	September 2024

As of June 30, 2022.

(1) Highly liquid assets predominantly include cash, short-term investments, U.S. Treasury securities, obligations of other U.S. government authorities and agencies, and/or foreign government bonds.

(2) Management view of free cash flow as a percentage of after-tax adjusted operating income includes dividends and returns of capital, net receipts from capital related intercompany loans, capital contributions to subsidiaries, and adjustments for M&A funding. Percentage is not intended to report results over any given time period.

Key Messages

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Expecting $750 million of cost savings one year ahead of target

Rock solid balance sheet provides financial flexibility

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of our CHANGING WORLD

Appendix

Expanding access to investing, insurance, and retirement security

Prudential

Institutional Retirement Strategies

Differentiated Capabilities Drive Growth in PRT and International Reinsurance

Earnings Contribution to Prudential

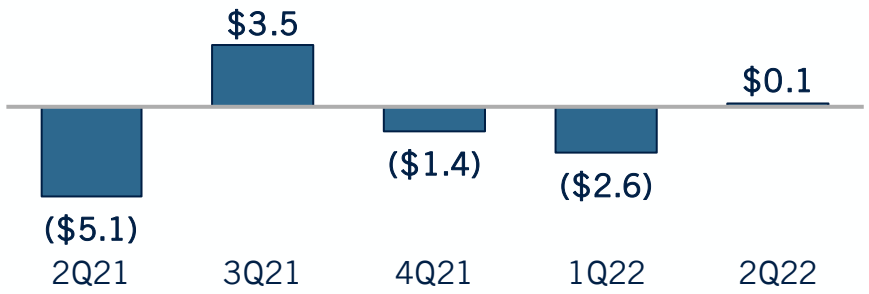
Trailing twelve months[1]
($ millions)

Key Priorities

- Leverage world class talent and market leading capabilities to deliver differentiated product solutions
- Continue to grow profitably through innovation and expansion into adjacent markets and products
- Deploy technology to enhance operating efficiencies and support business growth

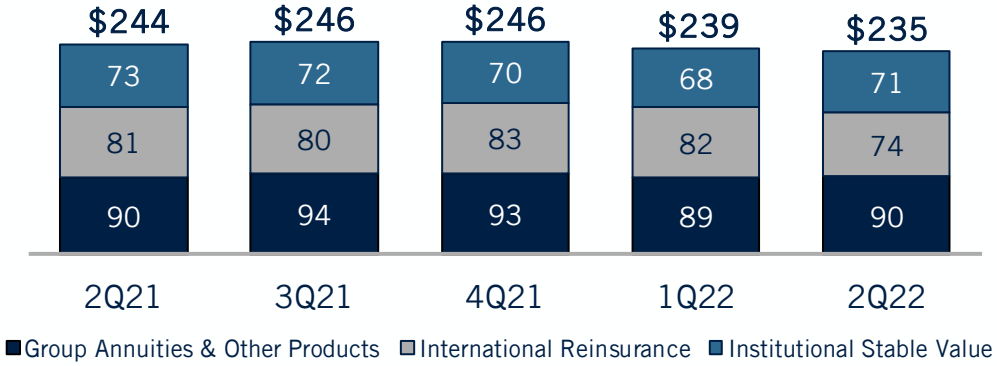
Net Flows

($ billions)



Account Value – Product Mix

($ millions)



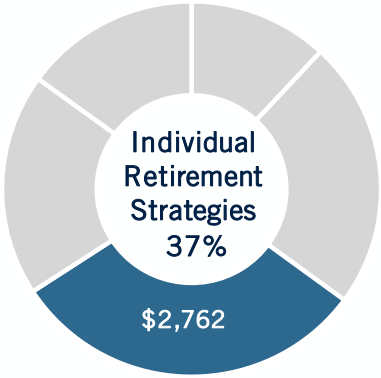
Note: Prior periods restated for reclassification of results of Full Service Retirement from the former Retirement business, to Divested and Run-off Businesses in Corporate & Other.
(1) Based on pre-tax adjusted operating income excluding Corporate & Other operations.

Individual Retirement Strategies

Creating Shareholder Value by Protecting Customer Outcomes

Earnings Contribution to Prudential

Trailing twelve months[1]
($ millions)

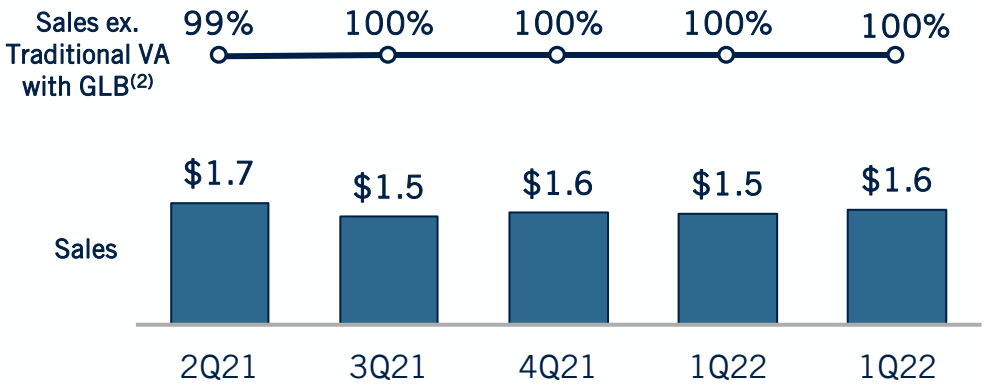


Key Priorities

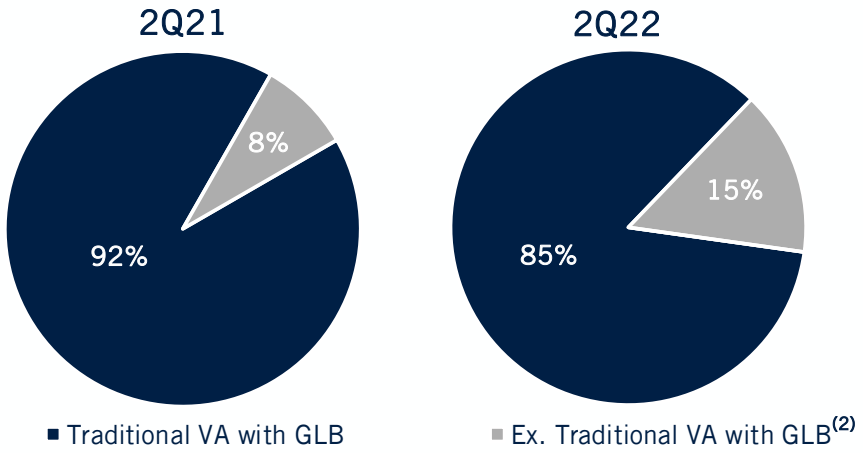
- Deliver investment strategies and income solutions for growth and protection that create stakeholder value across all economic environments
- Transform the customer experience using technology to improve ease of doing business
- Broaden distribution, eliminating barriers to market adoption and expanding our reach through new platforms and advisors

Sales

($ billions)



Assets Under Management



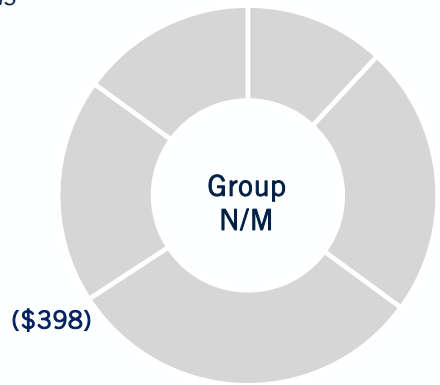
(1) Based on pre-tax adjusted operating income excluding Corporate & Other operations.
(2) Includes fixed annuities, our FlexGuard buffered annuity, and other variable annuities without guaranteed living benefits and excludes Highest Daily Suite and Prudential Defined Income.

Group Insurance

Leading Group Benefits Provider with Opportunity to Further Diversify

Earnings Contribution to Prudential

Trailing twelve months[1]
($ millions)

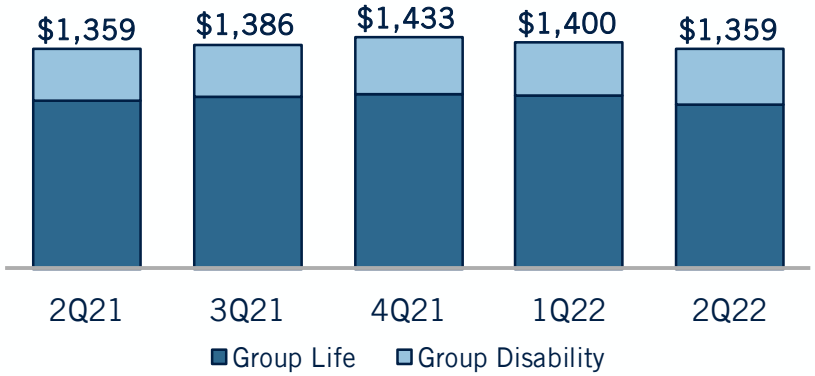


Key Priorities

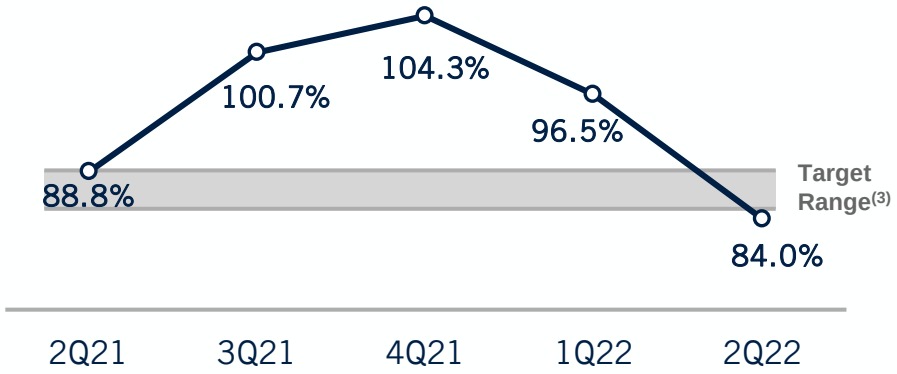
- Execute on diversification strategy while maintaining pricing discipline
  - Maintain National segment share (>5,000 lives) and grow both Premier segment (100 to 5,000 lives) and Association
  - Diversify further into Voluntary products
- Deepen employer and participant relationships with Financial Wellness programs
- Improve organizational and process efficiencies

Earned Premiums & Fees

($ millions)



Total Group Insurance Benefits Ratio[2]



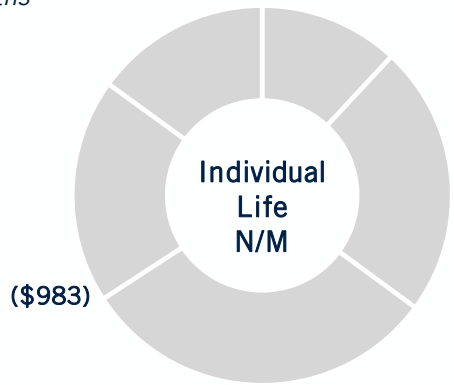
(1) Based on pre-tax adjusted operating income excluding Corporate & Other operations.
(2) Benefits ratios excluding the impact of assumption updates and other refinements.
(3) Targeted total benefits ratio range of 85% - 89%.

Individual Life

Broad Product Portfolio and Multi-Channel Distribution

Earnings Contribution to Prudential

Trailing twelve months[1]
($ millions)

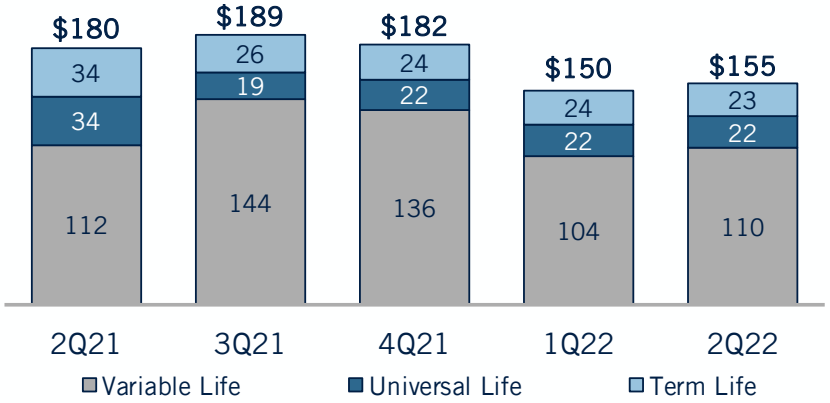


Key Priorities

- Improve profitability through operating model transformation, expense management, and pricing discipline
- Continue growth of simplified protection solutions that expand our addressable market and achieve lower risk financial profiles
- Expand digital capabilities to drive operating efficiencies and deepen distribution relationships

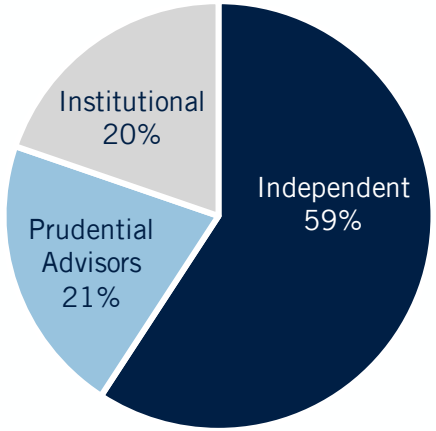
Sales[2] – Product Mix

($ millions)



Sales[2] – Distribution Mix

Trailing twelve months



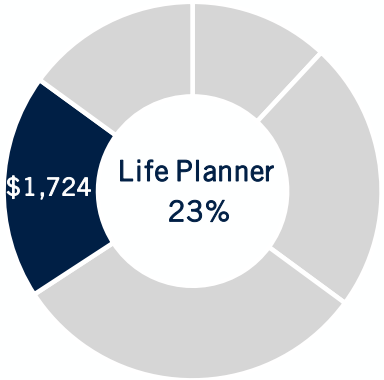
(1) Based on pre-tax adjusted operating income excluding Corporate & Other operations.
(2) Sales represented by annualized new business premiums.

Life Planner

Highly Productive Proprietary Distribution with Steady Long-Term Growth Potential

Earnings Contribution to Prudential

Trailing twelve months[1]
($ millions)

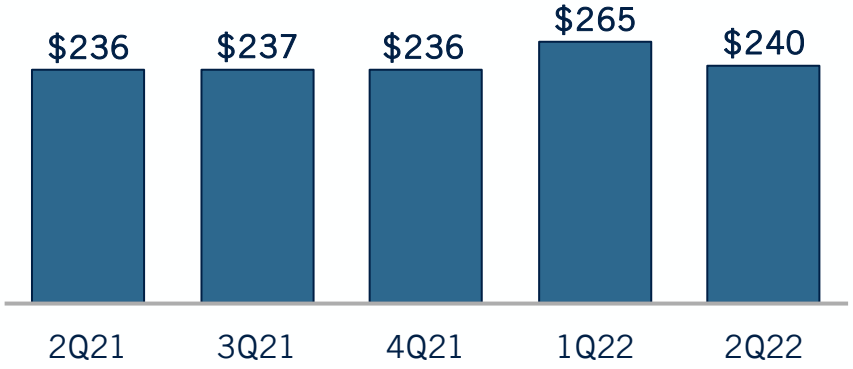


Key Priorities

- Lead with protection solutions while expanding product and business capabilities to meet customers' evolving needs
- Nurture and grow Life Planners
- Enhance client experience and distribution support through digital tools
- Expand existing emerging market platforms including through selective programmatic M&A opportunities

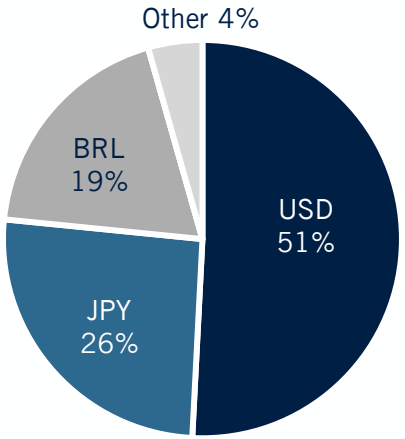
Sales[2]

($ millions)



Sales – Currency Mix[2]

Trailing twelve months



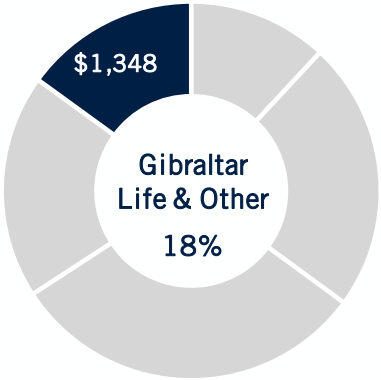
(1) Based on pre-tax adjusted operating income excluding Corporate & Other operations.
(2) Constant exchange rate basis. Foreign denominated activity translated to U.S. Dollars (USD) at uniform exchange rates for all periods presented, including Japanese Yen (JPY) 104 per USD and Brazilian Real (BRL) 4.9 per USD. USD-denominated activity is included based on the amounts as transacted in USD. Sales represented by annualized new business premiums.

Gibraltar Life and Other

Meeting Client Needs Via Multiple Channels

Earnings Contribution to Prudential

Trailing twelve months[1]
($ millions)

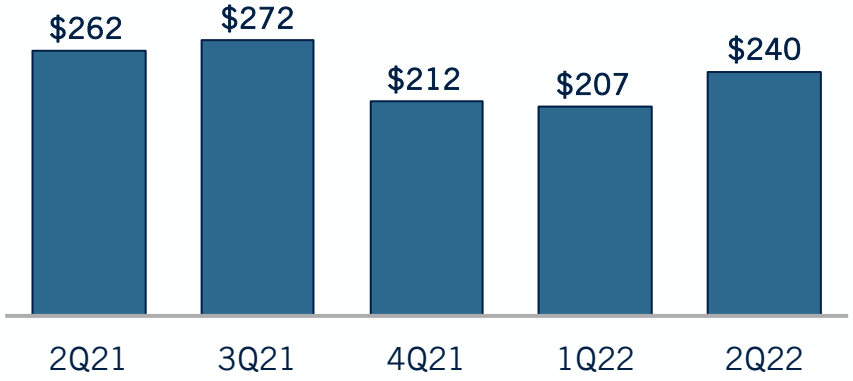


Key Priorities

- Lead with protection solutions while expanding product and business capabilities to meet customers' evolving needs
- Optimize Life Consultants and strategically expand in third-party channels
- Enhance client experience and distribution support through digital tools
- Expand existing emerging market platforms including through selective programmatic M&A opportunities

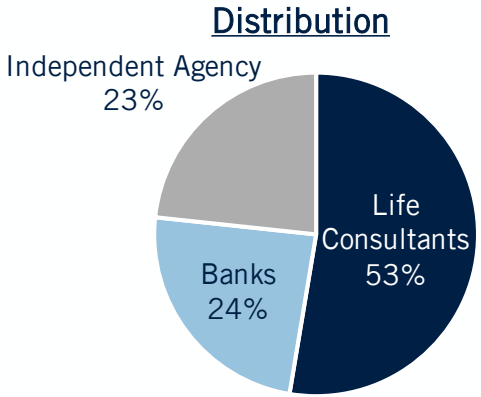
Sales[2]

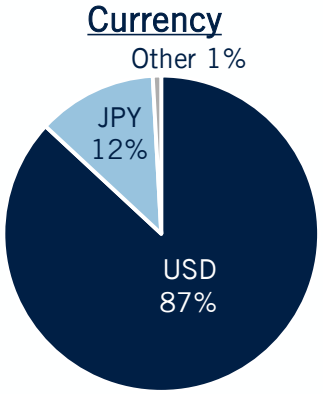
($ millions)



Sales Mix[2]

Trailing twelve months





(1) Based on pre-tax adjusted operating income excluding Corporate & Other operations.
(2) Constant exchange rate basis. Foreign denominated activity translated to U.S. Dollars (USD) at uniform exchange rates for all periods presented, including Japanese Yen (JPY) 104 per USD. USD-denominated activity is included based on the amounts as transacted in USD. Sales represented by annualized new business premiums.

Adjusted Operating Income Rollforward by Business

($ millions, pre-tax)	2Q22 Reported	2Q22				3Q22	3Q22 Baseline[5]
		Assumption Update & Gain on Sale[2]	VII	Underwriting	Expenses & Other[3]	Underwriting[4]	
PGIM	**$206**	-	-	-	45	-	**$251**
Institutional Retirement Strategies	**$398**	-	(40)	(25)	(10)	(30)	**$293**
Individual Retirement Strategies	**$1,305**	(877)	(15)	-	(50)	-	**$363**
Group Insurance	**$53**	3	(5)	(15)	(10)	-	**$26**
Individual Life	**($1,325)**	1,401	(10)	10	-	20	**$96**
Assurance IQ	**($61)**	17	-	-	-	-	**($44)**
Life Planner	**$343**	19	(5)	30	10	(20)	**$377**
Gibraltar Life & Other	**$212**	12	(10)	35	115	(30)	**$334**
Corporate & Other	**($259)**	(4)	5	-	(130)	-	**($388)**
Prudential Financial, Inc.[1]	**$872**	**$571**	**($80)**	**$35**	**($30)**	**($60)**	**$1,308**

Includes items specific to the third quarter totaling ($0.12)

(1) See reconciliation for non-GAAP measures Adjusted Operating Income on slide 27.
(2) Individual Retirement Strategies includes $852 million gain from the sale of PALAC traditional variable annuity block.
(3) PGIM reflects $55 million Other Related Revenues below a normalized quarterly level and lower than typical expenses. Individual Retirement Strategies includes higher earnings from joint venture investments and other one-time items. Life Planner and Gibraltar Life & Other reflect seasonally low annual premiums of $20 million and $10 million, respectively. Institutional Retirement Strategies and Life Planner include favorable one-time items. Gibraltar Life & Other includes lower earnings from joint venture investments. Group Insurance and Corporate & Other reflect lower than typical expenses.
(4) Includes placeholders in Life Planner and Gibraltar Life & Other for hospitalization benefits claims for at-home COVID-19 recoveries in Japan and other seasonal impacts.
(5) List of considerations not intended to be exhaustive and rollforward is not a projection of 3Q22 results. Does not consider future items such as, among other things, share repurchases, business growth, and market impacts.

Seasonality of Key Financial Items

($ millions, pre-tax adjusted operating income)	3Q22	4Q22	1Q23	2Q23
PGIM		Other Related Revenues tend to be higher driven by Incentive & Agency Fees	($45) Higher compensation expense[2]	
Institutional Retirement Strategies	($30) Lower reserve gains	($30) Lower reserve gains	$40 Higher reserve gains	$20 Higher reserve gains
Individual Life	$20 Highest underwriting gains		($30) Lowest underwriting gains	
Assurance IQ	Higher expenses ahead of annual Medicare enrollment	Higher revenue (annual Medicare enrollment)		
Life Planner			$25 Highest premiums	($25) Lowest premiums
Gibraltar Life & Other			$10 Highest premiums	($10) Lowest premiums
Corporate & Other		($75) Higher expenses[1]	($30) Higher compensation expense[2]	

(1) Total company expenses are typically higher than the quarterly average in the fourth quarter by $125-175 million.
(2) Long-term compensation expense for retiree eligible employees is recognized when awards are granted, typically in the first quarter of each year.

Diverse Businesses Create Complementary Exposures to Mortality and Longevity

(0.9%)

Cumulative Net Mortality[1] as % of AOI (2013 – YTD 2022)

- Net mortality was a positive contributor to AOI in six out of last nine years

(1) Mortality experience compared to expectations includes Individual Life, Group Life, and International Businesses. Longevity experience compared to expectations includes Retirement Strategies.

Forward-Looking Statements

Certain of the statements included in this presentation, including those regarding our plans to reposition our business and become a higher growth, less market sensitive company, expected cost savings, the transaction involving Alexforbes, our plans relating to share repurchases and dividends, , and those under the headings "Key Priorities", "Expected Transition Impacts of Long-Duration Targeted Improvements (LDTI)" "Adjusted Operating Income & EPS Considerations", "Adjusted Operating Income Rollforward by Business," and "Seasonality of Key Financial Items" constitute forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Words such as "expects", "believes", "anticipates", "includes", "plans", "assumes", "estimates", "projects", "intends", "should", "will", "shall", or variations of such words are generally part of forward-looking statements. Forward-looking statements are made based on management's current expectations and beliefs concerning future developments and their potential effects upon Prudential Financial, Inc. and its subsidiaries. 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. Each of our forward-looking statements contained herein is subject to the risk that we will be unable to execute our strategy and other risks. In addition, our statements under the heading "Seasonality of Key Financial Items" are subject to the risk that different earnings and expense patterns will emerge. Prudential Financial, Inc. does not undertake to update any particular forward-looking statement included in this presentation.

Prudential Financial, Inc. of the United States is not affiliated with Prudential plc which is headquartered in the United Kingdom.

Non-GAAP Measures

This presentation includes references to adjusted operating income, adjusted book value, and adjusted operating return on equity, which is based on adjusted operating income and adjusted book value. Consolidated adjusted operating income, adjusted book value, and adjusted operating return on equity are not calculated based on accounting principles generally accepted in the United States of America (GAAP). For additional information about adjusted operating income, adjusted book value, and adjusted operating return on equity and the comparable GAAP measures, including reconciliations between the comparable measures, please refer to our quarterly results news releases, which are available on our website at www.investor.prudential.com. Reconciliations are also included as part of this presentation.

Our 3Q22 earnings rollforward is based on adjusted operating income. Due to the inherent difficulty in reliably quantifying future realized investment gains/losses and changes in asset and liability values given their unknown timing and potential significance, we cannot, without unreasonable effort, provide rollforward based on income from continuing operations, which is the GAAP measure most comparable to adjusted operating income.

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 below. Adjusted book value augments the understanding of our financial position by providing a measure of net worth that is primarily attributable to our business operations separate from the portion that is affected by capital and currency market conditions, and by isolating the accounting impact associated with insurance liabilities that are generally not marked to market and the supporting investments that are marked to market through accumulated other comprehensive income under GAAP. However, these non-GAAP measures are not substitutes for income and equity determined in accordance with GAAP, and the adjustments made to derive these measures are important to an understanding of our overall results of operations and financial position.

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

Non-GAAP Measures (Continued)

Realized investment gains (losses) within certain 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. 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. 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. Additionally, adjusted operating income excludes the changes in fair value of equity securities that are recorded in net income.

Adjusted operating income excludes market experience updates, reflecting the immediate impacts in current period results from changes in current market conditions on estimates of profitability, which we believe enhances the understanding of underlying performance trends. Adjusted operating income also excludes the results of Divested and Run-off Businesses, which are not relevant to our ongoing operations and discontinued operations and earnings attributable to noncontrolling interests, each of which is presented as a separate component of net income under GAAP. Additionally, adjusted operating income excludes other items, such as certain components of the consideration for acquisitions, which are recognized as compensation expense over the requisite service periods, as well as changes in the fair value of contingent consideration. Earnings attributable to noncontrolling interests is presented as a separate component of net income under GAAP and 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 operating income does not equate to “Net income” as determined in accordance with U.S. GAAP. 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.

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

Reconciliations between Adjusted Operating Income and the Comparable GAAP Measure

($ millions)	Second Quarter 2022	Second Quarter 2021
Net income (loss) attributable to Prudential Financial, Inc.	$ (565)	$ 2,158
Income attributable to noncontrolling interests	(7)	25
Net income (loss)	(572)	2,183
Less: Earnings attributable to noncontrolling interests	(7)	25
Income (loss) attributable to Prudential Financial, Inc.	(565)	2,158
Less: Equity in earnings of operating joint ventures, net of taxes and earnings attributable to noncontrolling interests	(43)	(6)
Income (loss) (after-tax) before equity in earnings of operating joint ventures	(522)	2,164
Less: Reconciling Items:		
Realized investment gains (losses), net, and related charges and adjustments	(2,350)	358
Market experience updates	531	225
Divested and Run-off Businesses:		
Closed Block Division	13	31
Other Divested and Run-off Businesses	402	339
Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests	21	4
Other adjustments[1]	-	(13)
Total reconciling items, before income taxes	(1,383)	944
Less: Income taxes, not applicable to adjusted operating income	(197)	220
Total reconciling items, after income taxes	(1,186)	724
After-tax adjusted operating income	664	1,440
Income taxes, applicable to adjusted operating income	208	389
Adjusted operating income before income taxes	$ 872	$ 1,829
Net Income (loss) Return on Equity	-6.3%	14.3%
Adjusted Operating Return on Equity[2]	6.6%	14.2%

Note: See Appendix for segment results. Adjusted operating income for the prior period reflects the reclassification of results of Full Service Retirement from the former Retirement business, which is now the Institutional Retirement Strategies business, to Divested and Run-off Businesses in Corporate & Other. Full Service Retirement results are excluded from adjusted operating income as a result of the operation being held-for-sale prior to its disposition on April 1, 2022.

(1) Represents adjustments not included in the above reconciling items. "Other adjustments" include certain components of consideration for business acquisitions, which are recognized as compensation expense over the requisite service periods, as well as changes in the fair value of the associated contingent consideration.

(2) 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.

Reconciliations between Adjusted Operating Income Per Share and the Comparable GAAP Measure

	Second Quarter	
	2022	2021
Net income (loss) per share attributable to Prudential Financial, Inc.	$ (1.53)	$ 5.40
Less: Reconciling Items:		
Realized investment gains (losses), net, and related charges and adjustments	(6.23)	0.91
Market experience updates	1.41	0.57
Divested and Run-off Businesses:		
Closed Block Division	0.03	0.08
Other Divested and Run-off Businesses	1.07	0.86
Difference in earnings allocated to participating unvested share-based payment awards	0.01	(0.03)
Other adjustments[(1)]	-	(0.03)
Total reconciling items, before income taxes	(3.71)	2.36
Less: Income taxes, not applicable to adjusted operating income	(0.44)	0.56
Total reconciling items, after income taxes	(3.27)	1.80
After-tax adjusted operating income per share	$ 1.74	$ 3.60

Note: See Appendix for segment results. Adjusted operating income for the prior period reflects the reclassification of results of Full Service Retirement from the former Retirement business, which is now the Institutional Retirement Strategies business, to Divested and Run-off Businesses in Corporate & Other. Full Service Retirement results are excluded from adjusted operating income as a result of the operation being held-for-sale prior to its disposition on April 1, 2022.

(1) Represents adjustments not included in the above reconciling items. "Other adjustments" include certain components of consideration for business acquisitions, which are recognized as compensation expense over the requisite service periods, as well as changes in the fair value of the associated contingent consideration.

Reconciliation between Adjusted Book Value and the Comparable GAAP Measure

($ millions, except per share data)	June 30, 2022
GAAP book value	$ 28,235
Less: Accumulated other comprehensive income (AOCI)	(10,178)
GAAP book value excluding AOCI	38,413
Less: Cumulative effect of remeasurement of foreign currency	(962)
Adjusted book value	$ 39,375
Number of diluted shares	377.9
GAAP book value per Common share - diluted	$ 74.72
GAAP book value excluding AOCI per Common share - diluted	$ 101.65
Adjusted book value per Common share - diluted	$ 104.19

Reconciliation between Expected Post LDTI Transition Adjusted Book Value and the Comparable GAAP Measure

($ billions)		
GAAP book value at 12/31/21	$	62
Less: Accumulated other comprehensive income (AOCI)		21
GAAP book value excluding AOCI	$	41
Less: Cumulative effect of remeasurement of foreign currency		(1)
Adjusted book value at 12/31/21	$	42
Estimated change in Retained Earnings due to LDTI Transition		(1 - 2)
Estimated adjusted book value at 12/31/21 post-LDTI	$	40 - 41