

4Q22 Earnings Call

February 8, 2023

Expanding access to investing, insurance, and retirement security



Prudential

Key Messages

Transforming our business for sustainable growth

Exceeded \$750 million of cost savings one year ahead of target

Navigating the macro environment with our rock solid balance sheet

WE MAKE LIVES BETTER *by*

SOLVING *the* FINANCIAL CHALLENGES

of our CHANGING WORLD



Transforming Our Business for Sustainable Growth

Reduced Market Sensitivity and Invested in Emerging Market Growth

Sales of Full Service Retirement business and PALAC traditional Variable Annuity block

Acquired minority stake in Alexforbes in South Africa

Expanded third-party distribution network in Brazil

Expanded Solutions and Enhanced Customer Experience

Completed 2nd largest PRT transaction in U.S. market history and announced our 4th largest international reinsurance transaction

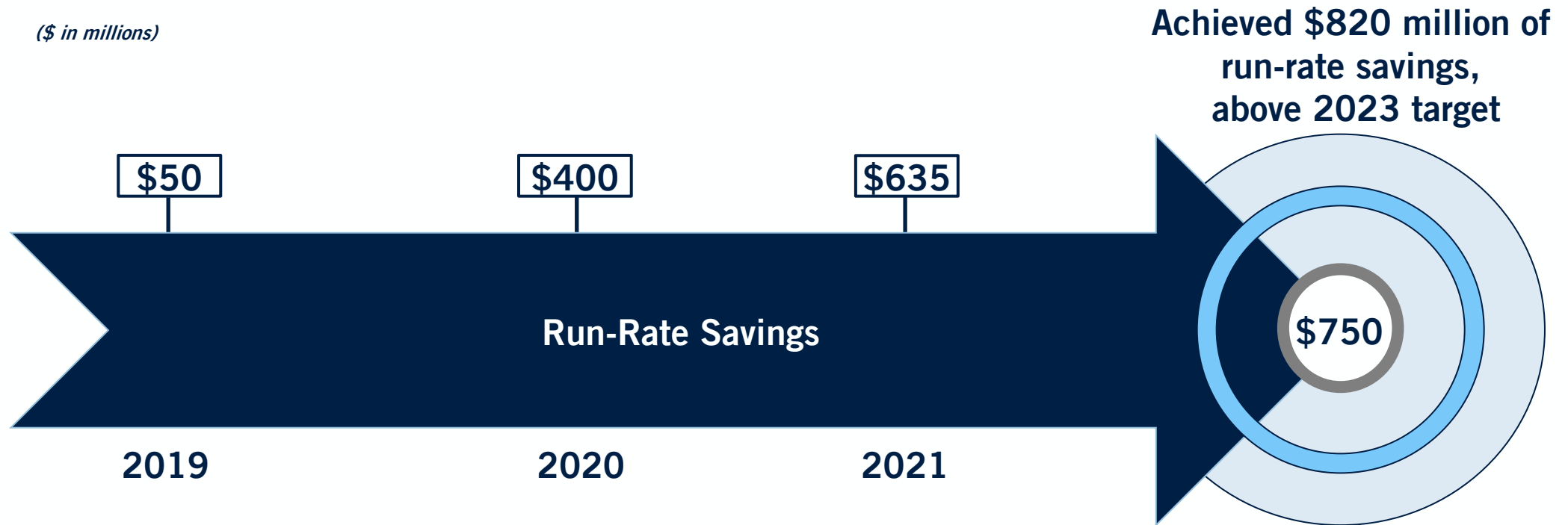
Expanded FlexGuard product suite and PGIM's direct lending capabilities to meet increasing needs of customers

Improved digital experience of sales, service, and claims platforms

Becoming a less market sensitive and higher growth company



Exceeded \$750 Million of Cost Savings One Year Ahead of Target



Implementing continuous improvements to enhance employee and customer experience

Note: Realized cost savings of ~\$195 million in 4Q22, for a total of ~\$720 million in 2022.



Navigating the Macro Environment with our Rock Solid Balance Sheet

Financial strength to support all stakeholders

- Capital continues to support AA rating level as of December 31, 2022
- Highly liquid assets of \$4.5 billion⁽¹⁾
- Well-diversified investment portfolio

Balanced and disciplined capital deployment

- Investing in businesses for long-term growth
- Returned over \$800 million in 4Q22⁽²⁾ and \$7.6 billion since beginning of 2021
- Board authorized share repurchases of up to \$1 billion in 2023 and a 4% dividend increase in 1Q23

Creating sustainable, profitable growth and shareholder returns

(1) Parent company 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 fourth quarter of \$824 million includes share repurchases of \$375 million and dividends of \$449 million.



Full Year & Fourth Quarter 2022 Highlights

Financial Highlights

(\$ millions, except per share amounts)

	<u>2022</u>	<u>4Q22</u>
Pre-Tax Adjusted Operating Income ⁽¹⁾	\$4,650	\$1,186
Adjusted Operating Income Per Share ⁽¹⁾	\$9.46	\$2.42
GAAP Net Loss Per Share ⁽²⁾	(\$3.93)	(\$1.53)
Adjusted Operating ROE ⁽³⁾	9.1%	
Adjusted Book Value Per Share ⁽¹⁾	\$99.22	

Earnings Drivers

(\$ millions, pre-tax adjusted operating income)

<u>PGIM</u>	<u>U.S. Businesses</u>	<u>International Businesses</u>
– Lower asset management fees	– Lower variable investment income	– Lower variable investment income
– Lower Other Related Revenues	– Lower fee income	– Less favorable underwriting
+ Lower expenses	+ More favorable underwriting	– Higher expenses



Note: See Appendix for segment results.

(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, as well as a goodwill impairment that resulted in a charge of \$713 million after-tax.

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

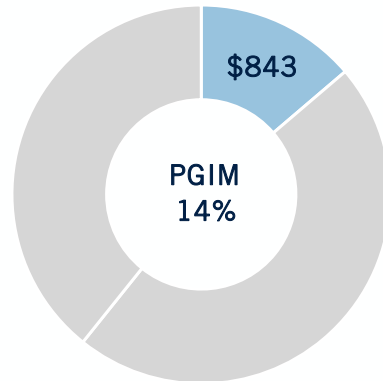


PGIM

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

Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
(\$ millions)

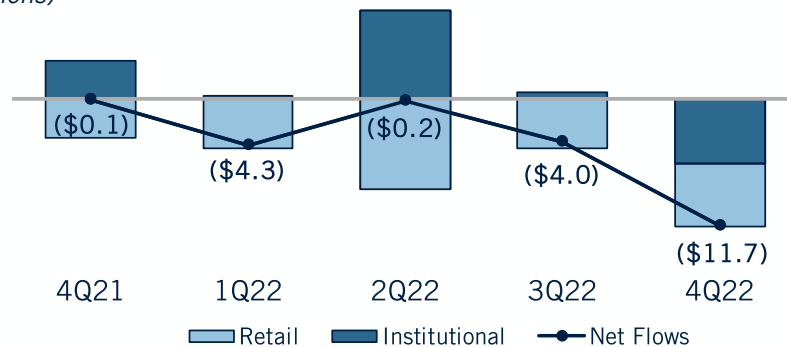


Key Priorities

- Maintain strong investment performance⁽²⁾
 - Percentage of AUM⁽³⁾ outperforming public benchmarks:
3 Year: 79%, 5 Year: 83%, 10 Year: 86%
- 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

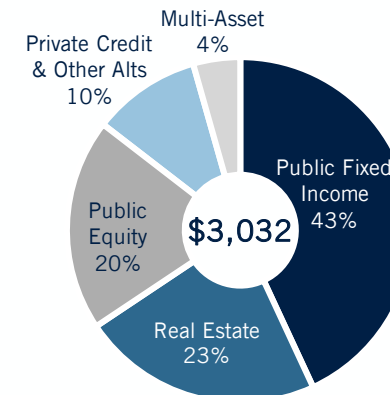
3rd Party Net Flows

(\$ 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 December 31, 2022 for \$708 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, 67% over 5 years, and 46% 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.

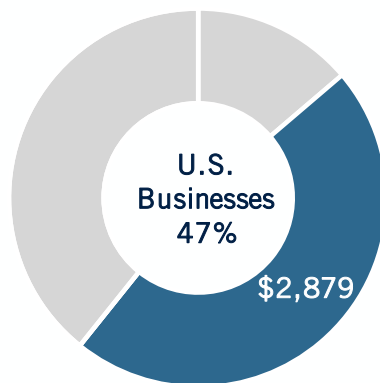


U.S. Businesses

Diversified Portfolio with Expanding Market Opportunities and Improving Risk Profile

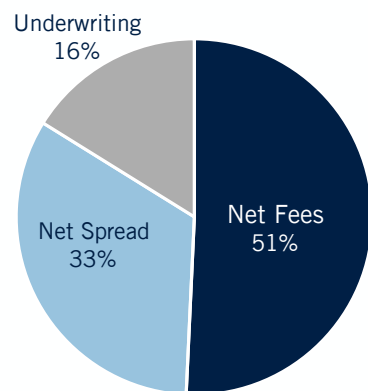
Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
(\$ millions)



Diversified Sources of Earnings

Trailing twelve months⁽²⁾



Key Priorities

- Create higher value, higher growth, and less market sensitive sources of earnings
- Transforming our capabilities to improve customer experiences
- Expand our addressable market with new financial solutions leveraging the capabilities across Prudential

Full Year Performance Highlights

- Robust Institutional Retirement Strategies sales, including the split of a \$16 billion Funded PRT transaction and a \$8 billion International Re transaction
- Continued success of Individual Retirement Strategies' FlexGuard products, representing over \$12 billion in sales since inception
- Favorable Individual Life sales mix, with variable products representing approximately 70% of sales
- Improving Group Insurance Benefits Ratio of 88.4%, within target range⁽³⁾

Note: See Appendix for segment results.

(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%.

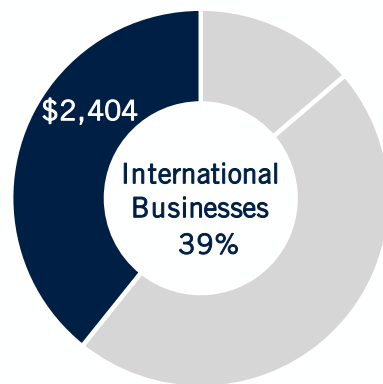


International Businesses

Market Leader in Japan with Expanding Presence in Growth Markets

Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
(\$ millions)

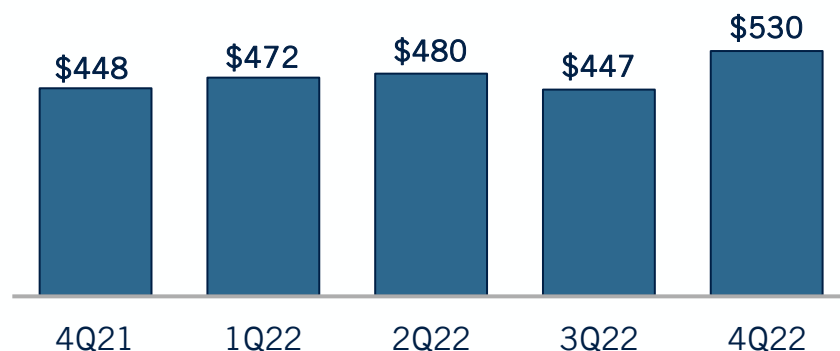


Key Priorities

- Continue to address the insurance and retirement security needs of customers through differentiated distribution and operational efficiency
- Enhance customer experience and distribution through digital tools
- Expand in select high growth emerging markets through investments in organic growth and programmatic M&A

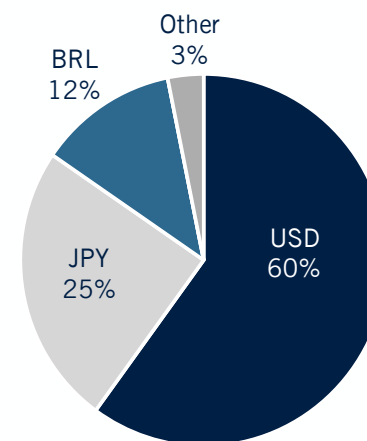
Sales⁽²⁾

(\$ 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
4Q22 Reported⁽¹⁾		\$1,186	\$2.42
Variable Investment Income	<ul style="list-style-type: none"> Assumes a normalized level 	125	0.26
Underwriting	<ul style="list-style-type: none"> 4Q22 normalized and 1Q23 adjusted for seasonal impacts 	60	0.12
Expenses & Other	<ul style="list-style-type: none"> Net earnings impacts from certain segments and tax rate normalization for 4Q22 items 	91	0.21
1Q23 Baseline⁽²⁾		\$1,462	\$3.01

1Q23 baseline includes items specific to the first quarter that reduce EPS by \$0.06⁽³⁾

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) EPS rollforward list of considerations not intended to be exhaustive and rollforward is not a projection of 1Q23 results. Does not consider future items such as, among other things, share repurchases, business growth, market impacts, and potential implications of Long-Duration Targeted Improvements (LDTI).

(3) Items specific to the first quarter include seasonality impacts. See Appendix for details.



Adoption of Long-Duration Targeted Improvements⁽¹⁾ (LDTI)

No direct effect on statutory results, cash flows, or dividend capacity

Book Value

- + GAAP equity increase of ~\$15 billion
 - + AOCI increase of ~\$17 billion driven by higher single-A discount rates
 - Retained earnings decrease of ~\$2 billion reflecting reclass of non-performance risk to AOCI and other reserve changes

Margin in Reserves

Unrealized insurance margins⁽²⁾ of ~\$50 billion

Adjusted Operating Income (AOI)

No significant impact on underlying earnings power⁽³⁾

Primary Drivers of Segment AOI Impacts

- + **International:** Accelerated recognition of unrealized margins and decelerated DAC amortization
- + **Institutional Retirement Strategies:** Accelerated recognition of unrealized margins
- **Individual Life:** Decelerated revenue recognition and accelerated reserve recognition
- **Individual Retirement Strategies:** Decelerated revenue recognition, partially offset by decelerated DAC amortization

(1) U.S. GAAP LDTI is effective on January 1, 2023. Estimated impacts are as of 9/30/2022.

(2) Represents the estimated after-tax 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.

(3) No significant impact expected when Adjusted Operating Income is normalized for underwriting and variable investment results that may deviate from expectations as well as seasonal and one-time items. Not intended as a projection of Adjusted Operating Income in any future period. See "Forward-Looking Statements" and "Non-GAAP Measures" in the Appendix for more information.



Significant Capital Position

Capital Position

- Parent company liquid assets at the high end of \$3 to \$5 billion liquidity target range
- PICA RBC ratio > 375%
- Japan solvency margin ratios > 700%

Sources of Funding

- Parent company highly liquid assets of \$4.5 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 December 31, 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

Transforming our business for sustainable growth

Exceeded \$750 million of cost savings one year ahead of target

Navigating the macro environment with our rock solid balance sheet

WE MAKE LIVES BETTER *by*

SOLVING *the* FINANCIAL CHALLENGES

of our CHANGING WORLD



Appendix

Expanding access to investing, insurance, and retirement security



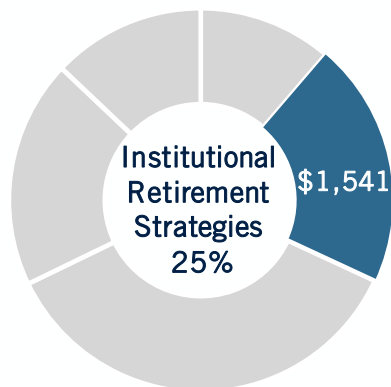
Prudential

Institutional Retirement Strategies

Differentiated Capabilities Drive Growth in PRT and International Reinsurance

Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
(\$ millions)

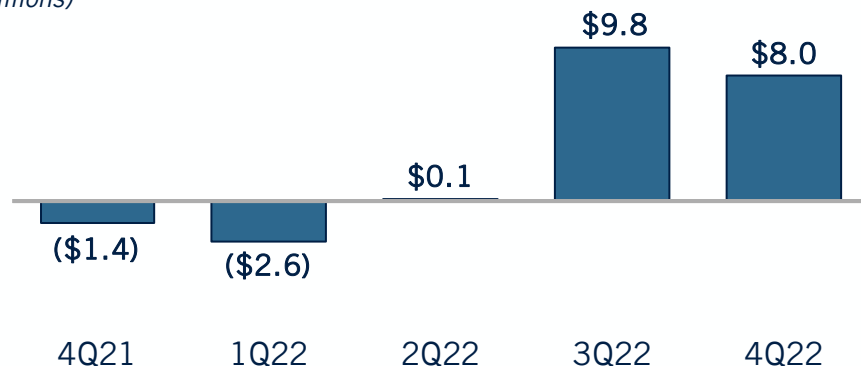


Key Priorities

- 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

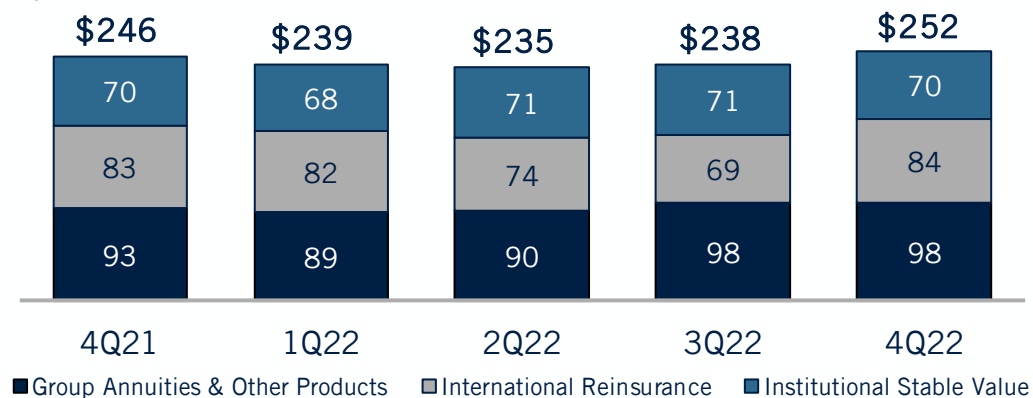
Net Flows

(\$ billions)



Account Values – Product Mix

(\$ millions)



(1) Based on pre-tax adjusted operating income excluding Corporate & Other operations.



Individual Retirement Strategies

Creating Shareholder Value by Protecting Customer Outcomes

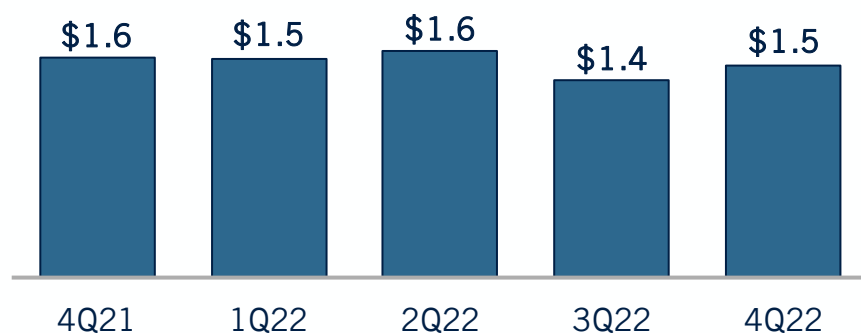
Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
(\$ millions)



Sales

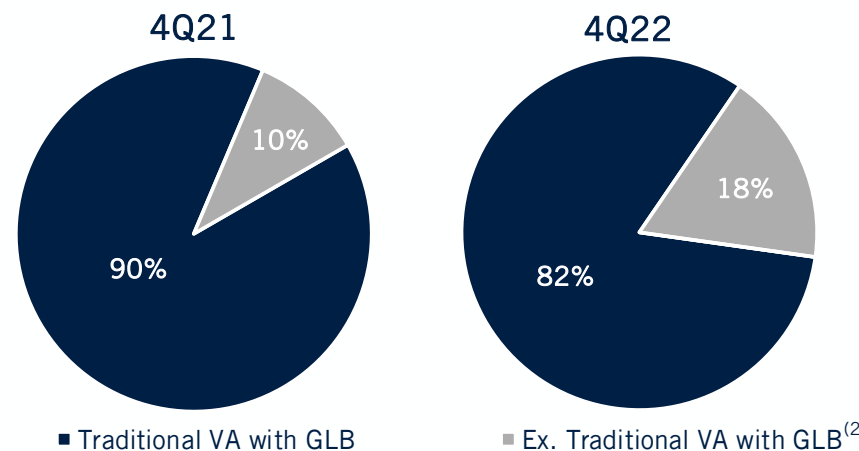
(\$ billions)



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

Account Values



(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, Prudential Defined Income, and legacy variable annuities.

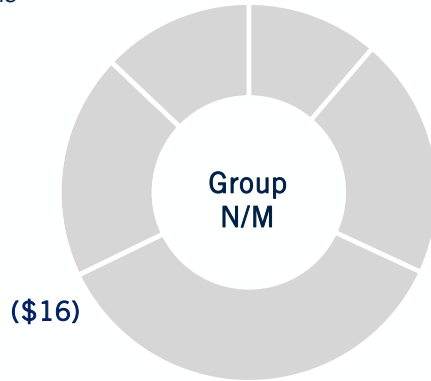


Group Insurance

Leading Group Benefits Provider with Opportunity to Further Diversify

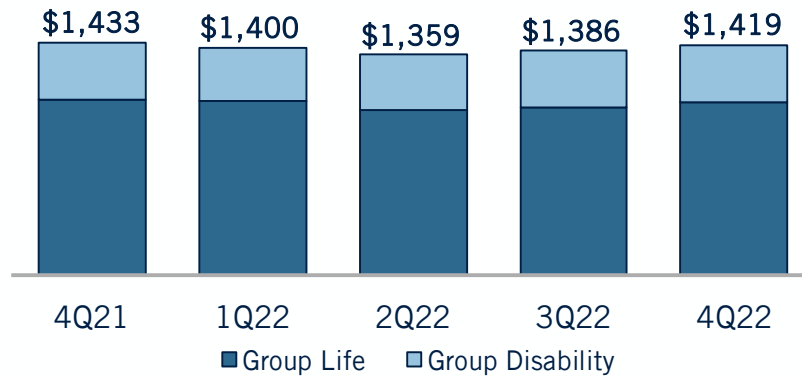
Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
(\$ millions)



Earned Premiums & Fees

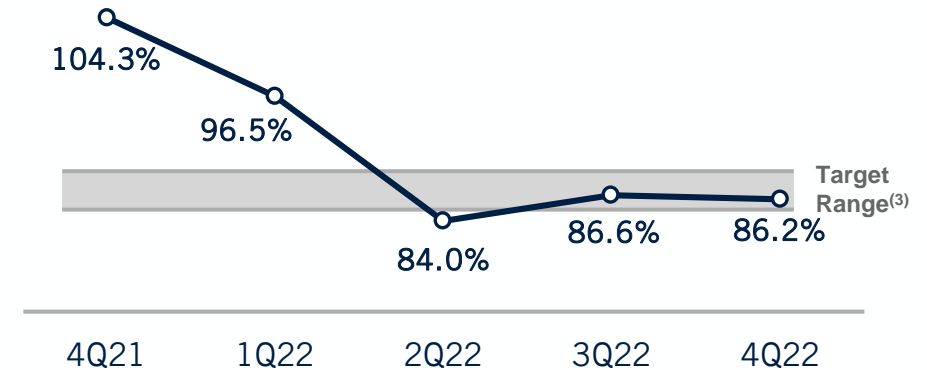
(\$ millions)



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

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%.

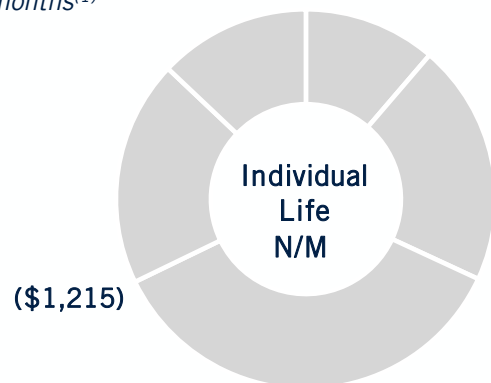


Individual Life

Broad Product Portfolio and Multi-Channel Distribution

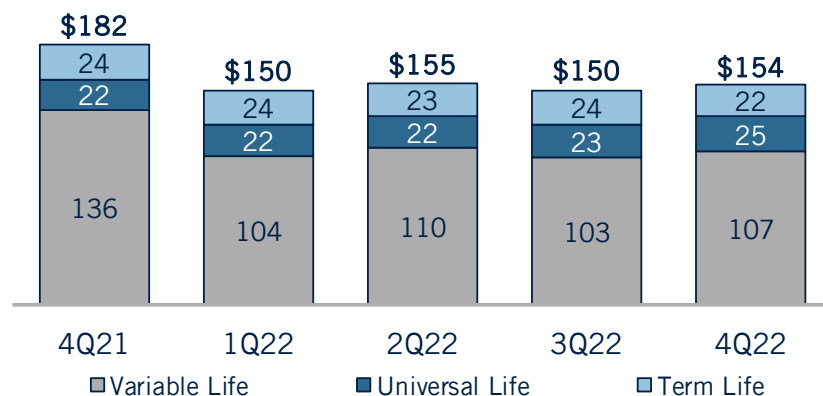
Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
(\$ millions)



Sales⁽²⁾ – Product Mix

(\$ millions)

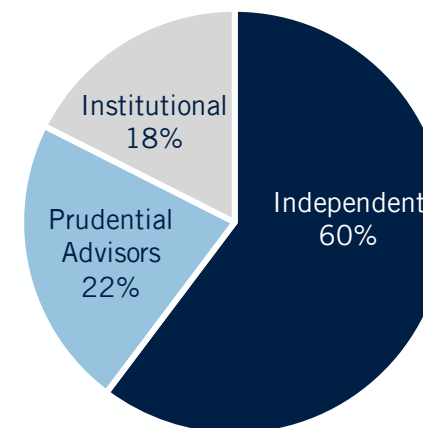


Key Priorities

- 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⁾ – 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.

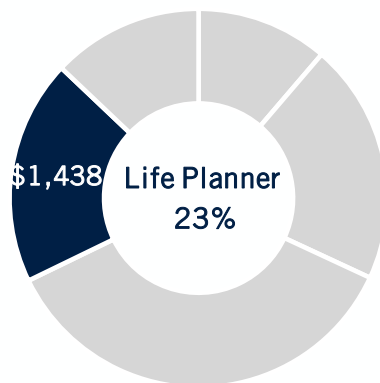


Life Planner

Highly Productive Proprietary Distribution with Steady Long-Term Growth Potential

Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
(\$ millions)

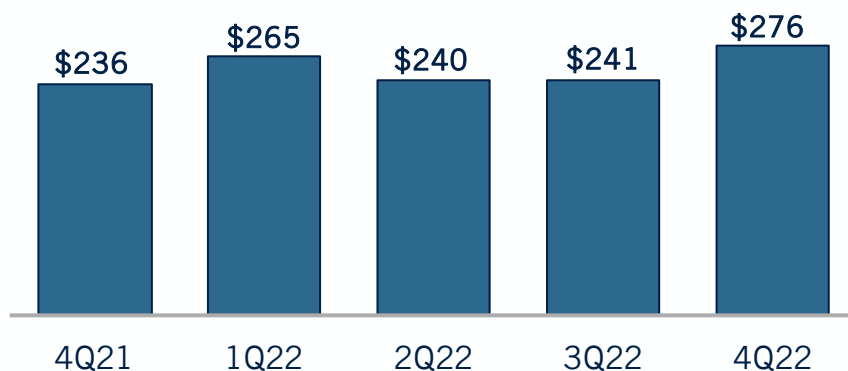


Key Priorities

- 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

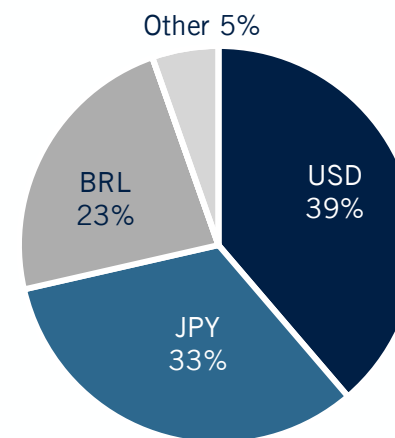
Sales⁽²⁾

(\$ 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.

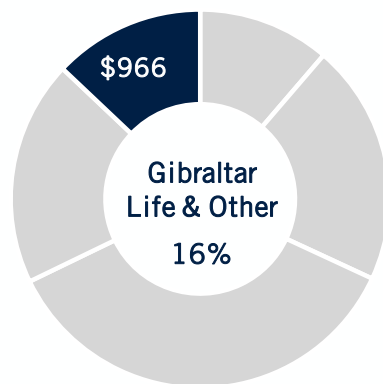


Gibraltar Life and Other

Meeting Client Needs Via Multiple Channels

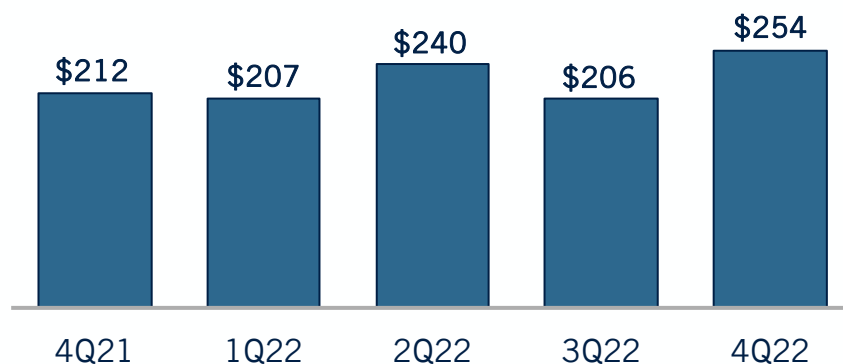
Earnings Contribution to Prudential

Trailing twelve months⁽¹⁾
(\$ millions)



Sales⁽²⁾

(\$ millions)

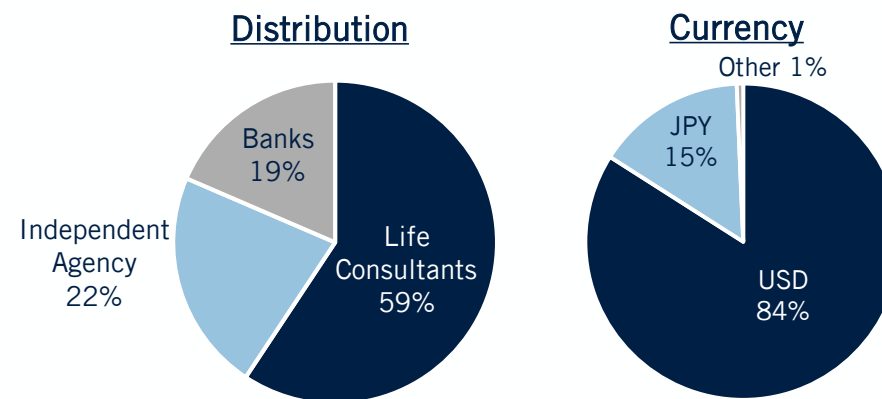


Key Priorities

- 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 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)

	4Q22 Reported	4Q22			1Q23		1Q23 Baseline ⁽⁴⁾
		VII	Underwriting	Expenses & Other ⁽²⁾	Underwriting	Expenses & Other ⁽³⁾	
PGIM	\$230	-	-	(10)	-	(40)	\$180
Institutional Retirement Strategies	\$342	55	(20)	-	40	-	\$417
Individual Retirement Strategies	\$460	15	-	(15)	-	-	\$460
Group Insurance	\$15	5	-	15	-	-	\$35
Individual Life	\$18	20	20	15	(30)	-	\$43
Assurance IQ	\$29	-	-	(29)	-	-	\$0
Life Planner	\$363	15	25	(10)	-	25	\$418
Gibraltar Life & Other	\$255	10	25	25	-	10	\$325
Corporate & Other	(\$526)	5	-	135	-	(30)	(\$416)
Prudential Financial, Inc.⁽¹⁾	\$1,186	\$125	\$50	\$126	\$10	(\$35)	\$1,462

Includes items specific to the first quarter totaling (\$25) million or (\$0.06)

(1) See reconciliation for non-GAAP measures Adjusted Operating Income on slide 28.

(2) Primarily reflects seasonally high and other expenses. PGIM includes Other Related Revenues below a normalized quarterly level. PGIM, Individual Retirement Strategies, Individual Life, and Life Planner include one-time items. Assurance IQ includes earnings from seasonally high revenues.

(3) PGIM and Corporate & Other reflect expected long-term compensation expense for retiree eligible employees. Life Planner and Gibraltar Life & Other expect seasonally high annual premiums.

(4) List of considerations not intended to be exhaustive and rollforward is not a projection of 1Q23 results. Does not consider future items such as, among other things, share repurchases, business growth, market impacts, and potential implications of Long-Duration Targeted Improvements (LDTI).



Seasonality of Key Financial Items

(\$ millions, pre-tax adjusted operating income)

	1Q23	2Q23	3Q23	4Q23
PGIM	(\$40) Higher compensation expense ⁽¹⁾			Other Related Revenues tend to be higher driven by Incentive & Agency Fees
Institutional Retirement Strategies	\$40 Higher reserve gains	\$20 Higher reserve gains	(\$30) Lower reserve gains	(\$30) Lower reserve gains
Individual Life	(\$30) Lowest underwriting gains		\$20 Highest 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	(\$30) Higher compensation expense ⁽¹⁾			(\$75) Higher expenses ⁽²⁾

Note: Seasonality does not include potential implications of Long-Duration Targeted Improvements (LDTI).

(1) Long-term compensation expense for retiree eligible employees is recognized when awards are granted, typically in the first quarter of each year.

(2) Total company expenses are typically higher than the quarterly average in the fourth quarter by \$125-175 million.



Other 2023 Earnings Considerations

- Corporate & Other estimated annual operating loss of \$1.65 billion
- PGIM quarterly Other Related Revenues, net of related expenses, expected to range from \$45 million to \$55 million; expect elevated level in 4Q
- Effective tax rate: 22-23%



Diverse Businesses Create Complementary Exposures to Mortality and Longevity

(1.2%)

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

- Net mortality was a positive contributor to AOI in six out of last ten 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 run-rate cost savings, our plans relating to share repurchases and dividends, and those under the headings “Key Priorities,” “Adjusted Operating Income & EPS Considerations,” “Adoption of Long-Duration Targeted Improvements (LDTI),” “Adjusted Operating Income Rollforward by Business,” “Seasonality of Key Financial Items,” and “Other 2023 Earnings Considerations” 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 1Q23 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)

Net income (loss) attributable to Prudential Financial, Inc.

Income (loss) attributable to noncontrolling interests

Net income (loss)

Less: Earnings attributable to noncontrolling interests

Income (loss) attributable to Prudential Financial, Inc.

Less: Equity in earnings of operating joint ventures, net of taxes and earnings attributable to noncontrolling interests

Income (loss) (after-tax) before equity in earnings of operating joint ventures

Less: Reconciling Items:

Realized investment gains (losses), net, and related charges and adjustments

Market experience updates

Divested and Run-off Businesses:

Closed Block Division

Other Divested and Run-off Businesses

Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests

Other adjustments⁽¹⁾

Total reconciling items, before income taxes

Less: Income taxes, not applicable to adjusted operating income

Total reconciling items, after income taxes

After-tax adjusted operating income

Income taxes, applicable to adjusted operating income

Adjusted operating income before income taxes

Net Income (loss) Return on Equity

Adjusted Operating Return on Equity⁽²⁾

	Fourth Quarter		Year-to-Date	
	2022	2021	2022	2021
Net income (loss) attributable to Prudential Financial, Inc.	\$ (558)	\$ 1,208	\$ (1,438)	\$ 7,724
Income (loss) attributable to noncontrolling interests	2	34	(24)	70
Net income (loss)	(556)	1,242	(1,462)	7,794
Less: Earnings attributable to noncontrolling interests	2	34	(24)	70
Income (loss) attributable to Prudential Financial, Inc.	(558)	1,208	(1,438)	7,724
Less: Equity in earnings of operating joint ventures, net of taxes and earnings attributable to noncontrolling interests	(9)	(10)	(32)	17
Income (loss) (after-tax) before equity in earnings of operating joint ventures	(549)	1,218	(1,406)	7,707
Less: Reconciling Items:				
Realized investment gains (losses), net, and related charges and adjustments	\$ (1,027)	\$ 116	\$ (6,201)	\$ 1,627
Market experience updates	123	420	781	750
Divested and Run-off Businesses:				
Closed Block Division	(44)	48	(32)	140
Other Divested and Run-off Businesses	(18)	284	9	716
Equity in earnings of operating joint ventures and earnings attributable to noncontrolling interests	(21)	12	(44)	(41)
Other adjustments ⁽¹⁾	(912)	(1,077)	(939)	(1,112)
Total reconciling items, before income taxes	(1,899)	(197)	(6,426)	2,080
Less: Income taxes, not applicable to adjusted operating income	(443)	(188)	(1,428)	145
Total reconciling items, after income taxes	(1,456)	(9)	(4,998)	1,935
After-tax adjusted operating income	907	1,227	3,592	5,772
Income taxes, applicable to adjusted operating income	279	358	1,058	1,529
Adjusted operating income before income taxes	\$ 1,186	\$ 1,585	\$ 4,650	\$ 7,301
Net Income (loss) Return on Equity	-13.6%	7.8%	-4.3%	12.4%
Adjusted Operating Return on Equity ⁽²⁾	9.7%	11.8%	9.1%	14.3%

(1) Represents adjustments not included in the above reconciling items, including goodwill impairments related to Assurance IQ that resulted in charges of \$903 million pre-tax and \$713 million after-tax in the fourth quarter and year ended December 31, 2022, and \$1,060 million pre-tax and \$837 million after-tax in the fourth quarter and year ended December 31, 2021. Also includes 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

	Fourth Quarter		Year-to-Date	
	2022	2021	2022	2021
Net income (loss) per share attributable to Prudential Financial, Inc.	\$ (1.53)	\$ 3.13	\$ (3.93)	\$19.51
Less: Reconciling Items:				
Realized investment gains (losses), net, and related charges and adjustments	(2.78)	0.30	(16.55)	4.17
Market experience updates	0.33	1.10	2.08	1.92
Divested and Run-off Businesses:				
Closed Block Division	(0.12)	0.13	(0.09)	0.36
Other Divested and Run-off Businesses	(0.05)	0.75	0.02	1.84
Difference in earnings allocated to participating unvested share-based payment awards	0.02	-	0.06	(0.07)
Other adjustments ⁽¹⁾	(2.47)	(2.83)	(2.51)	(2.85)
Total reconciling items, before income taxes	(5.07)	(0.55)	(16.99)	5.37
Less: Income taxes, not applicable to adjusted operating income	(1.12)	(0.50)	(3.60)	0.44
Total reconciling items, after income taxes	(3.95)	(0.05)	(13.39)	4.93
After-tax adjusted operating income per share	\$ 2.42	\$ 3.18	\$ 9.46	\$14.58

(1) Represents adjustments not included in the above reconciling items, including goodwill impairments that resulted in charges in the fourth quarters and years ended December 31, 2022 and 2021 related to Assurance IQ. Also includes 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)

	<u>December 31, 2022</u>
GAAP book value	\$ 16,250
Less: Accumulated other comprehensive income (AOCI)	(19,827)
GAAP book value excluding AOCI	<u>36,077</u>
Less: Cumulative effect of remeasurement of foreign currency	(723)
Adjusted book value	<u>\$ 36,800</u>
Number of diluted shares	<u>370.9</u>
GAAP book value per Common share - diluted	\$ 43.81
GAAP book value excluding AOCI per Common share - diluted	\$ 97.27
Adjusted book value per Common share - diluted	\$ 99.22

