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# Prudential Financial, Inc. (PRU)

Q4 2025 Earnings Call

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Ladies and gentlemen, thank you for standing by. Welcome to Prudential's Quarterly Earnings Conference Call. At this time, all participants are in a listen-only mode. Later, we'll conduct a question-and-answer session and instructions will be given at that time. [Operator Instructions] As a reminder, this conference is being recorded.

It's now my pleasure to turn the call over to Tina Madon. Please go ahead.

### Tina Madon

*Global Head-Investor Relations, Prudential Financial, Inc.*

Thank you. Good morning, everyone, and thank you for joining us. Representing Prudential on today's call are Andy Sullivan, Chief Executive Officer; and Yanela Frias, Chief Financial Officer. We'll start with prepared remarks by Andy and Yanela, and then we'll address your questions.

Before we begin, I want to remind you that today's discussion may include forward-looking statements. It is possible that our actual results may differ materially from those statements.

In addition, remarks made on today's call and in our quarterly earnings press release, earnings presentation and quarterly financial supplement, which can be found on our website at [investor.prudential.com](http://investor.prudential.com), include references to non-GAAP measures. For a reconciliation of such measures to the most comparable GAAP measures and a discussion of the factors that could cause actual results to differ materially from those in these forward-looking statements, please see the slides titled Forward-Looking Statements and non-GAAP Measures in the appendices to our earnings presentation and quarterly financial supplement.

With that, I'll now turn the call over to Andy.

### Andrew F. Sullivan

*Chief Executive Officer & Director, Prudential Financial, Inc.*

Good morning, everyone, and welcome to our earnings call. Before turning to our full year results, let me take a moment to address the employee misconduct in our Japan business described in our press release yesterday afternoon. I want to emphasize that doing right by our customers is a core value of our company and a cornerstone of what we stand for, and we are taking this issue extremely seriously. For nearly 40 years, Prudential has been a symbol of exceptional customer care in Japan, and we are committed to restoring the standing that has long set us apart in that market.

In January of this year, Prudential of Japan announced findings of an internal investigation into instances of misconduct by certain of its employees. This misconduct very clearly does not meet our standards or what our customers expect of us. In consultation with the regulators in Japan, we have made the decision to voluntarily halt new sales in POJ for a 90-day period. To fully address the root causes of the misconduct, we are implementing a series of actions across the business, which include strengthening oversight of sales practices, governance, and risk management.

We will also be restructuring employee compensation and enhancing education, compliance training, and recruiting standards for all POJ employees. While we have set a 90-day suspension of sales, we will not resume

distribution through the Life Planner channel until we are comfortable that our internal compliance and oversight environment supports doing so. This could result in an extension of the 90-day period.

These actions are essential to restoring trust in this important market. While there are financial implications to the sales suspension, we believe that this is the prudent path forward in addressing the misconduct and positioning our business in Japan to rebuild customer trust. We are working with local regulators and other key stakeholders to address these issues thoroughly, implement the necessary remediation measures and uphold the highest standards of governance and customer care going forward.

We expect an impact on 2026 pre-tax adjusted operating income of \$300 million to \$350 million, equivalent to approximately 5% of 2025 PFI earnings. Yanela will cover more details on the financial implications in her remarks.

We are also establishing a customer reimbursement program that will be developed and administered by an independent oversight committee. We intend to make this right for these customers, and we remain deeply committed to responding in a manner that places customer trust as our highest priority. That is who we are and we are confident we will come out of this as a stronger company.

Now, moving to our financial results. Last year, I set out three priorities that are essential to delivering stronger performance, more consistent results, and sustained long-term value for our shareholders. These were: evolving and delivering on our strategy; improving on our execution; and fostering a high-performance culture. Our issues in Japan only reinforce that these are the right priorities and we must continue on the path my team has set. While we have more work to do across the company, I am encouraged by the tangible progress we have made.

Over the last year, we sharpened the focus on our businesses in large and growing addressable markets where we have differentiated capabilities and believe we can earn superior returns. We executed with greater accountability and discipline as we streamlined the organization and strengthened our core franchises. This progress makes clear that our brand, customer value proposition, and scale are unique competitive advantages that position us for durable, long-term growth as we reposition our company globally.

In 2025, we delivered solid progress and results. For the full year, our pre-tax adjusted operating income was \$6.6 billion, or \$14.43 per share, and our adjusted operating return on equity was approximately 15%, up nearly 200 basis points from the prior year. We also delivered nearly \$3 billion to shareholders in the year through dividends and buybacks.

Our full year performance displayed improved and more disciplined execution and demonstrated the momentum we believe we are building across our businesses, as we continue to meet growing demand for our products fulfilled through our diversified distribution platforms, resulting in higher sales growth.

Let me now recap the highlights across each of our businesses. In PGIM, we delivered strong investment performance last year, with solid traction across our core capabilities, including public fixed income, securitized products and asset-backed finance, as well as in direct lending. We also saw continued progress in newer vehicles, such as ETFs, and are beginning to see tangible benefits from our new centralized distribution model.

2025 was a transformative year for PGIM. We moved quickly to integrate our asset management capabilities into one unified platform, enabling deeper client cross-sell engagement and reducing costs over time. Additionally, bringing together our public and private fixed income capabilities into a single \$1 trillion global credit platform positions us as one of the largest and most differentiated credit managers in the industry.

Clients value the ability to access the full spectrum of credit, from liquid public markets to bespoke private solutions, through one integrated platform with consistent underwriting, deeper origination and the scale to source opportunities others cannot. And as I have said many times before, I am a deep believer in being proactive in the marketplace, which means we're continuing to be vigilant for the best opportunities to enhance our capabilities, scale our business, and better serve our customers around the world.

Alongside this momentum, it is important to acknowledge areas where we see pressure. As I noted on our last call, our fundamental active equity platform, Jennison, is not immune to broader industry trends and is experiencing systemic outflows with the continued shift from active to passive management. These outflows have weighed on PGIM's organic growth and earnings momentum.

In addition, this quarter's net flows were impacted by a single, low-fee fixed income client withdrawal at the end of 2025, which was unrelated to performance. We continue to manage through these headwinds and expect offsetting growth over time, as PGIM's diversified offerings across public fixed income, private credit and real estate continue to grow. The bottom line is we generated over \$30 billion of total net inflows last year from these three asset classes.

Additionally, our momentum is building in key growth areas such as asset-backed finance, direct lending and ETFs. This success will be enhanced going forward as we start to realize the benefits of our newly integrated distribution model.

The results of our US businesses reflect the actions taken over the last year to sharpen our focus and leverage our competitive strengths. In Retirement Strategies, we delivered \$40 billion of sales across our institutional and individual channels for the year, reflecting solid demand, diversified distribution and our ongoing leadership in meeting the evolving needs of retirement customers. We continue to strengthen our solutions, improve the mix of products we sell, and refine the capital and asset strategies that underpin our business.

In Institutional Retirement, we remain well-positioned to lead the large pension and longevity risk transfer markets in both the United States and Europe. In 2025, we delivered nearly \$26 billion of sales, including our second longevity risk transfer transaction in the Netherlands.

In Individual Retirement, we generated sales of \$14 billion in 2025, capping an eighth consecutive quarter of more than \$3 billion in sales, reflecting strength in RILA as well as growth in fixed annuities supported by strategic reinsurance partners including Prismic. Our diverse product set and distribution strength are driving strong top line growth, a clear proof point of our focus on consistent execution.

Group Insurance generated full year sales of over \$600 million, up 11% year-over-year, underscoring the benefits of further product diversification and increasing our market presence in our Premier segment. These are key areas of strategic focus as we continue to grow and expand the profitability of this business.

In Individual Life, full year sales of \$955 million increased 5% over the prior year, as we continued to pivot our focus towards less capital-intensive accumulation products, including FlexGuard Life. We continue to deliver this new business growth at solid returns on capital.

Now, turning to our International businesses. In Japan, we are highly focused on the issue in POJ. That said, we are capturing growing customer demand for retirement and savings products, which now account for a majority of

our sales in the country. Over the past three years, we have launched 10 new products in this category, which have steadily gained traction and accounted for nearly a quarter of 2025 sales.

Now, turning to Emerging Markets. This business reported record full year sales of \$386 million on a constant currency basis, up 6% from the prior year. This growth is primarily driven by broader distribution in Brazil. As we turn to 2026, we will continue to evaluate our global footprint to ensure that we are prioritizing markets and geographies that are large and growing, and where we believe we are competitively positioned to win and can deliver industry-leading returns on capital. The decision to exit our PGIM Taiwan business last quarter and our insurance business in Kenya last month are prime examples of us executing on this priority and driving stronger discipline across the company.

As part of our focus on talent and high-performance culture, we continue to refine our management structure to make the organization more results-driven and accountable, and to improve the speed of decision making. The changes we made last year bring me closer to our businesses and their leaders, as well as our customers, as we execute our growth strategy in 2026.

To conclude, we believe we've established the foundation for the broader reimagining of Prudential, one that positions us to lead and win in the markets we choose to compete in. While we are still early in this transformation, the momentum we're building gives us great confidence in the road ahead.

With that, I'll hand the call over to Yanela.

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## Yanela del Carmen Frias

*Chief Financial Officer & Executive Vice President, Prudential Financial, Inc.*

Thank you, Andy, and good morning, everyone. I will begin with covering our fourth quarter financial results before turning to the financial implications related to POJ. Our fourth quarter results reflected continued progress against the three priorities we outlined in early 2025, capping a solid year of financial performance.

We reported fourth quarter after-tax adjusted operating income of approximately \$1.2 billion, or \$3.30 per common share. These results include an after-tax one-time charge of \$107 million, or \$0.30 per common share, primarily related to severance, which I will discuss in more detail later on. Excluding the impact of this charge, after-tax adjusted operating income per share was \$3.60, reflecting an increase of 22% over the prior year quarter.

Let's now turn to slide 4, which provides a high-level summary of our quarterly operating results by business. PGIM reported pre-tax adjusted operating income of \$249 million, down slightly from the prior-year quarter. Higher asset management fees, driven by market appreciation, were more than offset by higher expenses related to ongoing business investments, including the continued expansion of our asset-backed finance platform and our technology and data strategy. Other related revenues were also weaker due to lower seed and co-investment income.

Our US businesses delivered pre-tax adjusted operating income of approximately \$1.1 billion, a 22% increase compared to the prior-year quarter. This result was driven by higher spread income in Retirement Strategies, coupled with more favorable underwriting results in Individual Life and Group Insurance, and lower expenses in Individual Life due to one-time transaction costs that occurred in the prior-year quarter. Partially offsetting these positives was lower fee income resulting from the ongoing run-off of our legacy variable annuity block.

Our International businesses generated pre-tax adjusted operating income of \$757 million, modestly higher than the prior year quarter, as higher spread income and more favorable underwriting results were partially offset by higher expenses primarily related to timing, as we noted last quarter.

Now turning to the key highlights on slide 5. PGIM's assets under management of approximately \$1.5 trillion increased 7% from the prior-year quarter, driven primarily by market appreciation and strong investment performance. PGIM experienced net outflows of approximately \$10 billion in the quarter, across third-party and affiliated channels, reflecting the industry trend away from active equities, as well as a single low-fee fixed income withdrawal.

Additionally, our VA run-off and the inherently lumpy nature of PRT new business impacted our affiliated net flows. As we noted last quarter, we expect PGIM to deliver over 200 basis points of margin expansion in 2026, accelerating the path towards our 25% to 30% margin target.

Now turning to the key highlights on slide 6. Our US businesses again produced strong quarterly results, reinforcing the benefit of our diversified sources of earnings from fees, spread and underwriting income. Institutional Retirement reported sales of approximately \$4 billion, including \$1 billion of pension risk transfers across four middle-market deals.

While fourth quarter activity was relatively muted, our strong brand and our proven track record in executing large, complex transactions position us well to lead in the sizable pension and longevity risk transfer opportunity across our core markets in the US, UK, and the Netherlands. Individual Retirement delivered more than \$3 billion in sales, driven by fixed and registered index-linked annuities. Our broad product portfolio provides flexibility to deploy capital where returns are most compelling.

Additionally, we continue to innovate to address evolving customer and advisor needs. However, the run-off in our legacy variable annuity block remains a headwind. For 2026, we continue to expect \$3 billion to \$4 billion of quarterly account value runoff, which translates into approximately \$10 million to \$15 million of pre-tax adjusted operating income run-off per quarter, compounding to \$100 million to \$150 million annually, prior to market impacts on account values.

Now turning to Group Insurance. Sales totaled \$56 million in the quarter, reflecting continued momentum in our Premier segment in both Group Life and Disability as we execute our product and market segment diversification strategy. The benefits ratio of 82.5% in the quarter came in below our target range, reflecting favorable Life underwriting results and less favorable Disability experience, driven by higher new claims coupled with lower resolutions.

In Individual Life, quarterly sales totaled \$269 million, down from the prior-year record quarter as we continue to pivot towards more capital-efficient products. On a full year basis, we increased sales traction in accumulation-focused variable life products, fueled by our strong brand and distribution footprint.

Now turning to the key highlights on slide 7. Sales in our International businesses of \$525 million were up 4% on a constant currency basis compared to the prior year quarter, driven by growing demand for retirement and savings products in Japan, and record sales in Brazil.

While surrender activity in Japan moderated in 2025, it remains a headwind that will partially offset new business growth. We continue to closely assess macro indicators, including the value of the yen, which has been extremely

volatile. We estimate that the impact to 2026 earnings from the excess surrenders that we experienced in 2025 will be roughly \$50 million.

Now turning to the key highlights on slide 8. Our capital position and strong regulatory capital ratios support our AA financial strength and our ability to grow our market-leading businesses. Our cash and liquid assets were \$3.8 billion, which is above our minimum liquidity target of \$3 billion, and we have substantial off-balance sheet resources. The board has authorized share repurchases of up to \$1 billion in 2026 and increased the common stock dividend for the 18th consecutive year.

Consistent with our approach across the enterprise, we remain well capitalized and manage our Japanese entities to levels aligned with our AA objective. ESR results remain well above our 150% operating target outlined last quarter, even with the sharp increase in long-term Japanese interest rates last month.

Now let me now take a moment to outline a few key financial highlights heading into 2026. First, as I mentioned earlier, we recorded a pre-tax charge of \$135 million in our corporate and other operations related to our ongoing efforts to improve our organizational efficiency. These changes are expected to deliver approximately \$150 million in pre-tax run-rate benefits in 2027. I want to emphasize that the benefits from these actions were already embedded in our intermediate financial targets, including the target for our operating expense ratio.

Second, on slide 17, we have provided additional earnings considerations specific to 2026. And third, as Andy noted in his remarks, we have made the decision to voluntarily halt new sales in POJ for a 90-day period. I want to share our preliminary view of the financial implications for both the new sales suspension and the remedial actions we are taking.

We currently believe that the impact to our 2026 pre-tax adjusted operating earnings will be in the range of \$300 million to \$350 million. There are three components to this estimate. The first is the impact of the 90-day new sales suspension, which we expect will be in the range of \$150 million to \$180 million. This range reflects the anticipated costs associated with sustaining the business and compensating the distribution force during the suspension period, the impact of suspended new sales activity and anticipated higher surrenders.

The second component is \$70 million of estimated one-time costs, of which roughly 70% relates to customer reimbursement. The third is roughly \$80 million in estimated lower earnings attributable to the gradual ramp-up of new sales through the remainder of the year once we resume sales. The lower sales and higher surrenders we expect this year will also have an impact on 2027 results. However, based on what we know today and assuming the 90-day new sales suspension, we expect the overall impact will be considerably lower in 2027.

Now let me tell you what this means for our intermediate EPS growth target of 5% to 8%. Recall that our intermediate targets are for the 2024 through 2027 period. In 2025, we met our internal expectations for earnings growth and we are on track with the actions and expense efficiencies that underpin this intermediate-term guidance.

That said, the financial impact associated with the POJ issue could bring us to the low end of this range by the end of 2027. In addition, to the extent that the magnitude and/or duration of the POJ issue is different than we currently anticipate, we may not hit the low end of the EPS range by the end of 2027.

We are providing these estimates to help frame the range of potential financial implications. But as Andy noted, we will not resume new sales until we are satisfied that our internal compliance and oversight environment

supports doing so. We are closely monitoring each element of the financial waterfall that I just laid out and will update you as we gain better visibility into the trajectory of POJ's sales, surrenders and earnings.

Despite these headwinds, it is important to remember that we are a large, diversified company with multiple sources of earnings and cash flows and we are confident in the path ahead as we reposition Prudential to deliver strong value to shareholders.

And with that, we're happy to take your questions.

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## QUESTION AND ANSWER SECTION

**Operator:** Thank you. We'll now be conducting a question-and-answer session. [Operator Instructions] Our first question today is coming from Suneet Kamath from Jefferies. Your line is now live.

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**Suneet Kamath**

*Analyst, Jefferies LLC*

Q

Thanks. Good morning. I wanted to start with Japan and the 90-day sales suspension. How did you arrive at the 90-day period and was this done in conjunction with the FSA and other regulators in Japan?

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**Andrew F. Sullivan**

*Chief Executive Officer & Director, Prudential Financial, Inc.*

A

So, good morning, Suneet. As you can imagine, voluntarily suspending sales in such an important channel for us was a very carefully considered decision and something that we didn't take lightly. We have the leadership at POJ right now focused on four major initial actions: customer reimbursement, which Yanela spoke to; Life Planner training, which obviously will be a major focus during the shutdown period; enhancing our sales supervision; and then life – redesigning our Life Planner compensation.

As we looked at those four actions and the timeframe it would take to make major progress, we thought that 90 days was a reasonable timeframe to make meaningful progress. But I would reiterate what we've – what I said in my opening comments and what Yanela said in hers as well, that we're not going to resume distribution in the channel until we're comfortable that the internal compliance and oversight environment really supports us reopening it.

As far as your question on the FSA, I would reiterate that this was a voluntary decision. But as you would expect, we work closely with our regulators in every market every single week, so we consulted with the JFSA before announcing this decision.

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**Suneet Kamath**

*Analyst, Jefferies LLC*

Q

Okay. Got it. And then have you done a similar review for Gibraltar Life in terms of sales practice issues and does the suspension have any impact on Gibraltar or any of the other channels that you're talking about in Japan? Thanks.

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**Andrew F. Sullivan**

*Chief Executive Officer & Director, Prudential Financial, Inc.*

A

Yeah. So, Suneet, yeah, the answer is yes. We are conducting a similar review of Gibraltar. This is underway and in process, and we'll conclude a few months from now. You should expect this, right? From a leadership team perspective here at PRU, we take the responsibility for making sure that every one of our operations, in every market, in every channel, is conducted in the right way, and that we keep our customers upfront as job number one.

As far as any effects that we've seen so far, the only effect we've seen in Gibraltar is some modest pressure is the way I would frame it on recruiting of life consultants. But we intend to be very assertive in restoring the trust and confidence that people have of us, have of us in Japan and we intend to come out of this stronger.

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**Suneet Kamath**

*Analyst, Jefferies LLC*

Okay. Thanks.

Q

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**Operator:** Thank you. Next question is coming from Tom Gallagher from Evercore ISI. Your line is now live.

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**Thomas Gallagher**

*Analyst, Evercore ISI*

Thanks. Andy, a few follow-ups on Japan. I guess, will you also suspend hiring new Life Planners while you shut down sales, or are you going to continue normal course with hiring plans and is the plan here to pay out special bonuses that vest over a number of years from a retention standpoint? Just want to see what you're doing to make to kind of ensure that you keep your – one of your best assets, which is the Life Planner system, intact while you go through this.

Q

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**Andrew F. Sullivan**

*Chief Executive Officer & Director, Prudential Financial, Inc.*

Yeah, Tom. So, let me start by just saying thank you for your last comment because we really do believe that this is a special company and an incredible asset. To take your first question, we are not stopping recruiting of new Life Planners in the channel. That will continue. But we are taking decisive steps that is every bit intended to preserve the distribution force.

A

Two things I would specifically mention. The first is investing in our Life Planners in their training and development. So, we always do that. But over the next 90 days, it will be at a much enhanced level. And the second is providing financial support to them to retain them over the longer term. I'm not going to get into the exact specifics of what that looks like.

We do have confidence that these actions are going to help us retain this special asset. But I would mention one other thing, Tom, that I think is really, really critical. Taking these actions also ensures that we have a company that our employees could be incredibly proud of and that they want to work for, and in particular in Japan, that is one of the most important elements that goes into retention. So, that combination of actions will help us retain the Life Planners, but we know will also help us with the broader employee population.

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**Thomas Gallagher**

*Analyst, Evercore ISI*

Thanks for that. And just for my follow up, I had read a news report that indicated the FSA was going to conduct an on-site investigation for POJ as well, and it said it was going to start in February. Just want to see if you can confirm whether that's begun, is that going to be going on side by side while PRU does its own due diligence?

Q

**Andrew F. Sullivan**

*Chief Executive Officer & Director, Prudential Financial, Inc.*

A

So, Tom, what I would say is we don't comment on specific ongoing interactions with the regulators. Obviously, this is something that, as I said earlier, we were in – discussed with the FSA before, we voluntarily ceased sales. We have regular ongoing interactions with the FSA every single week. But as far as the specifics of ongoing regulatory actions and the actions they take, I'm not going to comment.

**Thomas Gallagher**

*Analyst, Evercore ISI*

Q

Okay. Thanks.

**Operator:** Thank you. Next question today is coming from Wes Carmichael from Wells Fargo. Your line is now live.

**Wes Carmichael**

*Analyst, Wells Fargo & Company*

Q

Hey. Good morning, and thanks for taking my question. My first one also on Japan, but maybe a little bit of a different topic. In terms of surrender activity that you're seeing, I mean, I think there's a couple of components. Maybe one is FX with the unit, \$156 million, \$157 million versus your guidance for strengthening to \$135 million. And I just wanted to ask on loan rates being much higher, are you seeing an impact to surrenders there? And then just maybe on POJ, with any kind of fallout from misconduct, is there any way you can dimensionalize those three impacts, please?

**Yanela del Carmen Frias**

*Chief Financial Officer & Executive Vice President, Prudential Financial, Inc.*

A

Yeah. Hi, Wes. It's Yanela. So, let me start on the surrenders. So, in terms of the impact of the yen, the depreciation of the yen since 2022 has driven an elevated level of US dollar product surrenders. We've been talking about this for several quarters. The surrender rates declined to mid-single digits through third quarter 2025, in line with the stabilization that we saw at that time. But we did see it pick up this quarter, fourth quarter 2025, with the renewed yen weakening. So, we have seen the volatility as well.

So, to give you a sense, fourth quarter 2025 surrender rate increased to 6.3% from 5.6%. So, a slight uptick. But we're still below the rates that we've seen earlier in the cycle. And the fact here is that the customers with heightened sensitivity to FX rates have already surrendered. And frankly, this kind of leaves us with a block that is less sensitive to FX movements. So, that's how I would position that.

You did hear in my opening remarks that for the full year 2026, we expect the impact of 2025 surrenders to be in the range of \$50 million. With regards to rates, frankly, we view the impact of rates in terms of earnings and sales as a positive. It allows us to offer more attractive yen-denominated products and invest in new money rates that are higher.

**Andrew F. Sullivan**

*Chief Executive Officer & Director, Prudential Financial, Inc.*

A

Wes, I would just add, because I think you also mentioned, given our misconduct issues, we expect sales of surrenders, obviously, to be impacted in the short term. That's included in the financial estimates that you heard from Yanela at the opening of the call. We're going to continue to do the right things and put our customers first.

What I would say is, remember, we have an exceptional all-weather product portfolio that really protects our customers and helps them in both protection and retirement. So, while we expect near-term impacts, we gave very thought – a lot of thought and care to the numbers that we provided to you. Obviously, it's early days, but we'll continue to monitor this. But we know that over the longer period of time, we will be stronger.

**Wes Carmichael**

*Analyst, Wells Fargo & Company*

Q

No, that's very helpful. Thank you. And just my follow-up on ESR, I know that's coming up for publication shortly, but just wondering if you could touch on how that moved in the quarter, higher yen rates? I think, Yanela, maybe a couple quarters ago, you gave a little bit of sensitivity on ESR, but did that pressure the ratio in the quarter? Perhaps there was some positive equity market performance, but if there's anything you can help us with, that would be great.

**Yanela del Carmen Frias**

*Chief Financial Officer & Executive Vice President, Prudential Financial, Inc.*

A

Yeah. No. Absolutely. So, first of all, I would start with ESR remained well above our 150% operating target that we outlined last quarter. As you know, that's the target that we believe is consistent with AA standards. And this is the case even after the sharp increase in rates that we saw in January. So, we still remain above that target.

And frankly, as we discussed last quarter, we are managing ESR to a level at normal times that is well in excess of what we believe to be the AA standard, and that provides ample cushion following market stresses, and that cushion has absorbed some of the increase in rates that we saw. And so the sensitivity I shared a few quarters ago still holds. If Japanese rates rise 50 basis points and equity markets decreased by 10%, we do not expect ESR to be binding in terms of Japanese cash flows.

I do recognize that there's been a sharp rise in rates. So, I would also add that from where we are today, around above 3.5%, right above 3.5% for the 30-year rates, even if rates were to increase by approximately another 100 basis points, 90 basis points to 100 basis points, we would still be within the operating target range.

**Wes Carmichael**

*Analyst, Wells Fargo & Company*

Q

Very helpful. Thank you.

**Yanela del Carmen Frias**

*Chief Financial Officer & Executive Vice President, Prudential Financial, Inc.*

A

You're welcome.

**Operator:** Thank you. Next question today is coming from Bob Huang from Morgan Stanley. Your line is now live.

**Bob Huang**

*Analyst, Morgan Stanley & Co. LLC*

Q

Hi. Good morning. I just have one question circling back on the 90-day sales suspension. If we look at prior other companies' misbehaviors, when they get caught, it generally felt like the penalty is a lot longer than 90 days. Do you feel that the 90 days is enough to kind of regain the public trust, so to speak? Is 90 days enough for you to

normalize back to a normal sales environment, I guess, is what I'm trying to get at or do you think the public will naturally give you a much longer penalty timeframe in this particular situation?

**Andrew F. Sullivan**

*Chief Executive Officer & Director, Prudential Financial, Inc.*

**A**

Yeah. So, Bob, thank you for the question. So, first, let me start just by reiterating what I've said earlier, which we sized the 90 days based on the set of actions that we felt was necessary to begin that restoration of customer trust, so those four items I went through earlier, and we believe that that 90 days is that right timeframe.

That said, as you reference, we won't talk about any specific situation. Every situation is unique. There certainly have been a variety over the last decade or so of other companies that have had cessation periods, some of those not being voluntary. But what you should understand as part of this is this is a collective set of actions that we're taking.

The cessation of sales is one of them, in order to begin this beginning of the restoration of trust and confidence. And we're obviously going to work very closely with the regulators. But this is much more, as you heard me emphasize, this is about when we feel as a leadership team and as a company that we can resume sales and feel fully confident in the customers being placed first. We think 90 days is the right estimate for that, but we will share information if that changes in the future.

**Bob Huang**

*Analyst, Morgan Stanley & Co. LLC*

**Q**

Okay. Really appreciate it. Thank you. That's all I have.

**Operator:** Thank you. Next question today is coming from Joel Hurwitz from Dowling & Partners. Your line is now live.

**Joel Robert Hurwitz**

*Analyst, Dowling & Partners Securities LLC*

**Q**

Hey. Good morning. Just given the macro with the yen and JGB movements and the lost earnings from the POJ, sales issues and remediation, what's the impact to your cash flow from International and does that drive any impact to your overall capital deployment outlook?

**Yanela del Carmen Frias**

*Chief Financial Officer & Executive Vice President, Prudential Financial, Inc.*

**A**

Yeah. Hi, Joel. So, we do not expect a significant impact to cash flows out of our Japan businesses. I would remind you we generate these cash flows from multiple sources and legal entities. This includes the three legal entities in Japan, POJ, Gibraltar and PGFL. It also includes Prudential Insurance, our US statutory entity, which has historically reinsured a good amount of Japan's US dollar business.

And thirdly, Gibraltar Re, our Bermuda entity, which also reinsurance business from Japan. So, the fact is that we're not overly reliant on any single vehicle to deliver cash flows to PFI, either in Japan or across our businesses. Of course, we continue to monitor the Japan situation carefully, but we do not expect an impact to our capital deployment plans or our shareholder distributions.

**Joel Robert Hurwitz**

*Analyst, Dowling & Partners Securities LLC*

Q

Got you. That's helpful. And then just a follow-up on Wes' this question on surrenders in Japan, any impact from the higher JGB yields on the yen business that you write?

**Yanela del Carmen Frias**

*Chief Financial Officer & Executive Vice President, Prudential Financial, Inc.*

A

Yeah. No, there's some modest impact, but the reality is that 90% of our earnings come from US dollar products. So, it's really the yen impact that will drive our earnings sensitivities.

**Andrew F. Sullivan**

*Chief Executive Officer & Director, Prudential Financial, Inc.*

A

And Joel, the only thing I would add to that, and we've talked about this in previous quarters, I think there's two things to keep top of mind. One is that we have this all-weather portfolio where we now have a much better blend of yen and US dollar denominated products. And we, over the last couple of years, due to the surrender headwinds, had actually enhanced our staffing across our distribution teams and across our service teams, because even if there is pressure from some of these, I'll call them, economic type things, at the end of the day, the customers still have needs and generally move from one type of product to another, and we make sure that we have the right staffing and the right engagement with the customer to catch those flows.

**Joel Robert Hurwitz**

*Analyst, Dowling & Partners Securities LLC*

Q

Okay. Thank you.

**Operator:** Thank you. Next question today is coming from John Barnidge from Piper Sandler. Your line is now live.

**John Barnidge**

*Analyst, Piper Sandler & Co.*

Q

Good morning. Thank you for the opportunity. One of my question, the first one is on kind of the exiting the businesses in Taiwan and Kenya over the recent several quarters. Are you able to dimension the size of the businesses that are kind of like up for review in international markets where you don't view yourself as a leader?

**Andrew F. Sullivan**

*Chief Executive Officer & Director, Prudential Financial, Inc.*

A

So, John, maybe what I would do there is just talk more about strategically how we think about the strategy. As you've heard me say before, we are evaluating our global footprint to prioritize markets that are large and growing, that are well – where we're well positioned to win given our differentiated capabilities and our spots that we think we can deliver industry-leading returns.

The other part of this is we are focusing our capital and our investment dollars because we think that is very, very important in order to be a winner in our chosen spots. For Emerging Markets, our main focus is twofold. It's Brazil and Brazil is running very, very well. We had another record sales quarter there. And second is our Habitat business where we have a very successful pension business. As far as when you say dimensionalizing, obviously our – I'll use the words by far predominant are Japan and Brazil in our international operations and as far as the percentage of earnings. So, that's the lion's share.

**John Barnidge**

*Analyst, Piper Sandler & Co.*

Q

Thank you. My follow up question, on Japan. If we get a extension of that 90-day suspension, does the impact from less sales volume actually compound and grow similar to how the runoff of the VA block compounds? Thank you.

**Yanela del Carmen Frias**

*Chief Financial Officer & Executive Vice President, Prudential Financial, Inc.*

A

So, John. So, let me maybe walk through the components of the \$150 million to \$180 million, which is the impact – the direct impact from the suspension. So, we have a couple of components here. The direct impact of the lost sales is roughly 20% of that number. We also anticipate higher surrenders. That's also about roughly 20% of that number.

And now, with regards to surrenders, it is uncertain whether they'll continue at the level that we're expecting and anticipating. But that's the number that we built into the three month number. And then the remainder is related to anticipated costs associated with providing financial support to our distribution force. That is not something that carries over. That is a discretionary decision that we've made during that three-month period. And so, therefore, that is really tied to the period where we have suspended sales.

**Operator:** Thank you. Next question today is coming from Mike Ward from UBS. Your line is now live.

**Michael Ward**

*Analyst, UBS Securities LLC*

Q

Thanks. Thank you. Good morning. I was just wondering if you guys had any update on, in Japan, on policyholder behavior in January or a year-to-date thus far. So, I think the comments sort of largely pertain to 2025 activity.

**Andrew F. Sullivan**

*Chief Executive Officer & Director, Prudential Financial, Inc.*

A

So, Mike, so, yes, it pertains to 2025. But I would tell you there's nothing new or different as far as 2026, other than I would break this into two components, right. There's the impacts on policyholder behavior that are more driven by, I called it earlier, the economic effects, the FX rate, the interest rates and obviously, those all of a sudden wouldn't change 2025 to 2026, they're directionally similar.

The thing that is different is the effects of the misconduct and the perception issues and public reaction. The press release was done in January. The press conference was held and was quite prevalent in the media. So, two different effects.

But maybe one thing I would tag on is, the change in the interest rate environment in Japan is, I think, something to really take note of and is for historical terms, quite dramatic. But the things we're observing and this is over a longer period of time, not just the beginning of 2026, one is demand for yen products is gradually increasing because of that. We think that's a good thing, right. The fact that there is an interest rate there, we can deliver products of greater value.

And the other thing is we've talked about in the past is the government is incentivizing their citizens to take more investment risk and seek higher yield. And we are seeing customers that have a higher risk profile or higher risk

tolerance and are seeking improved returns. So, as those shifts are occurring, we feel very good about our all-weather product portfolio, the strength of our distribution to capture the changing nature of this marketplace.

**Yanela del Carmen Frias**

*Chief Financial Officer & Executive Vice President, Prudential Financial, Inc.*

A

And Mike, what I would say is that the assumption or the estimate that we have embedded in the \$100 million to \$180 million of impact of the sales suspension for surrenders is informed by what we have seen since the press release and since the results of the internal investigation have been published publicly.

**Michael Ward**

*Analyst, UBS Securities LLC*

Q

Okay. That's helpful. Thank you, guys. And then one of the things I'm wondering, I don't think we've really touched on this, but just the inflows and outflows. I'm curious if you can quantify at all, like, the level of outflows that you can absorb, thinking about capital and liquidity, and the fact that you're basically cutting off new business. I'm just trying to get some comfort in this dynamic.

**Yanela del Carmen Frias**

*Chief Financial Officer & Executive Vice President, Prudential Financial, Inc.*

A

Yeah. So, Mike, I'll start. I mean, from a capital liquidity perspective, as I mentioned in the answer to the other question, we do not expect this to impact our cash flows out of our Japan operations. Part of it is because we have multiple sources of cash flows, as I mentioned. From a liquidity perspective, the majority of the Japan portfolio is in JGB. We do not expect an impact of this on liquidity. And again, we size the impact of surrenders during this three-year period – three-month period and it is roughly 20% of the \$150 million to \$180 million or \$30 million.

**Andrew F. Sullivan**

*Chief Executive Officer & Director, Prudential Financial, Inc.*

A

Yeah. So, Mike, all I would add is obviously we've been in the market for 40 years. These are very, very large of in force blocks of business. So, the impact of new sales, I don't want to underplay it because obviously this was a difficult decision and very important. And we framed the financial impacts for you compared to the in force. This cessation is compared to the in force is not large. So, that's why Yanela just went through the numbers and we're comfortable with those numbers.

**Michael Ward**

*Analyst, UBS Securities LLC*

Q

Helpful. Thank you, guys.

**Operator:** Thank you. Next question today is coming from Jimmy Bhullar from JPMorgan. Your line is now live.

**Jimmy S. Bhullar**

*Analyst, JPMorgan Securities LLC*

Q

Hey. Good morning. So, first, Yanela, just on your comments on cash flow not being impacted based on this. I realize in the short term, there's not exact correlation between income in the businesses and cash flow, but eventually, there should be an impact to the extent that earnings in the business are depressed, either because of fines or just other actions or just spending to remediate what's been going on. Wouldn't there be an eventual impact on cash flows beyond this year or next year, if the earnings, in fact, are depressed in the business?

**Yanela del Carmen Frias**

*Chief Financial Officer & Executive Vice President, Prudential Financial, Inc.*

A

Yeah. No. So, what I've given you is what we expect for 2026 and that is correlated to the \$300 million to \$350 million impact we expect this year. As I said, if you assume the 90-day sales suspension, the impact to 2027 would be less lower than that. If the impact continued, we would see an impact on continued earnings and on cash flows. But what we've given you is based on what we know today.

**Jimmy S. Bhullar**

*Analyst, JPMorgan Securities LLC*

Q

And then just, Andy, on – the business has fairly high persistency. So, obviously, sales don't or the lack of sales doesn't really affect earnings in the short term that much. To me, the bigger impact of the lack of sales would be just your ability to retain agents, because if people are not able to earn income for much more beyond the three months, then the sort of distribution channel begins to melt away. But I don't know if you view that as a credible risk and sort of what are your view – what are the sort of things that you could do to ensure that you can retain the agents, if in fact the suspension period is running longer?

**Andrew F. Sullivan**

*Chief Executive Officer & Director, Prudential Financial, Inc.*

A

Yeah. Jimmy, so, yes, first of all, that is of paramount importance, because this is – we consider this to be an incredibly valuable franchise and one of the best operations in Japan. I would just go back to my earlier comments. We are taking decisive steps to make sure that we preserve the Life Planners, but also the other employees in POJ.

And the two predominant actions is investing in our Life Planners' training and development, and second is providing them ongoing financial support so that we do retain them over the longer term. But I would also reiterate what I said, people work here at Prudential because they're proud of the company. We're a purpose-oriented company and us taking assertive action and my words leading from the front on this issue, will make sure that people are proud to work here and that's as important to retain people as the compensation and the training.

**Jimmy S. Bhullar**

*Analyst, JPMorgan Securities LLC*

Q

Thank you.

**Operator:** Thank you. Our next question today is coming from Jack Matten from BMO Capital Markets. Your line is now live.

**Jack Matten**

*Analyst, BMO Capital Markets Corp.*

Q

Hi. Good morning. Just one follow up on Japan. Regarding the Japan FSA, it sounds like you're in contact with them regarding the actions that you're taking voluntarily, but just wondering if there's a possibility that they could impose either a fine or some other financial or operational impacts beyond those voluntary actions or are you comfortable that they're satisfied with the proactive steps that you're taking?

**Andrew F. Sullivan**

*Chief Executive Officer & Director, Prudential Financial, Inc.*

A

So, Jack, I'll go back to what I said, which is we won't comment or speculate on what the regulator's actions are or may be, but we are working in collaboration with them on a weekly basis. They were aware of our voluntary decision to cease selling. And the most important thing that we could do to make sure that we come out of this as expeditiously as possible and as strong as possible is stay focused on the set of actions that I've already shared.

**Jack Matten**

*Analyst, BMO Capital Markets Corp.*

Q

Got it. Okay. And then, can I just follow up on free cash flow generation more broadly? I know you have the target of 65% of net income over time. From a payout standpoint, you're on track to do, I think, around \$3 billion again in 2026, including dividends and buybacks. That \$3 billion would imply a pretty high conversion rate relative to where your net income has been running in recent years. So, just wanted to make sure you feel that that level of return is sustainable, given that net income trend and the potential impacts in Japan that you've talked about?

**Yanela del Carmen Frias**

*Chief Financial Officer & Executive Vice President, Prudential Financial, Inc.*

A

Yeah, Jack. So, we have not changed our capital deployment priorities. So, we are continuing to focus on balancing the preservation of financial strength and flexibility, investing in our businesses and shareholder distributions. The fact is that cash flows and dividends from our operating entities are not linear, and throughout the years and across the years. So, that's why the 65% is an over time measure, and the 65% correlates to the distributions that we have put out there, the \$3 billion.

So, we are confident in our cash flow generation, again, recognizing that the timing of cash flows can be volatile and not linear, but also that it's based on our capital allocation decisions as well. So, we actively manage capital deployment decisions throughout the year. This is a dynamic process for us. And again, I would just say I would also highlight that we have strong cash balances at the holding company and strong financial ratios at our operating entities.

**Jack Matten**

*Analyst, BMO Capital Markets Corp.*

Q

Thank you.

**Operator:** Thank you. Our next question today is coming from Yaron Kinar from Mizuho. Your line is now live.

**Yaron Kinar**

*Analyst, Mizuho Securities USA LLC*

Q

Thank you. Good morning. Just going back to Japan for a second. The \$350 million expected impact to operating income, does that include reimbursements to customers on the civil side? I'm not talking about the regulatory potential fines and whatnot.

**Yanela del Carmen Frias**

*Chief Financial Officer & Executive Vice President, Prudential Financial, Inc.*

A

Hi, Yaron. Yes. So, the \$300 million to \$350 million, if you think about that, the second component I mentioned, the \$70 million one-time cost does include and it's about 70% of the total customer reimbursement.

**Yaron Kinar**

*Analyst, Mizuho Securities USA LLC*

Q

Got it. Okay. And then moving away from Japan, which I'm sure you'd like to, on the – sorry, RILA slowdown in 2025, fixed annuity sales picked up. Can you talk a little bit about spreads and expected returns in each?

**Andrew F. Sullivan**

*Chief Executive Officer & Director, Prudential Financial, Inc.*

A

Yeah. So, let me take that and let me just more broadly address what's going on in the space. So, obviously, we've talked about the RILA markets becoming more competitive and that remains to be true. We've gone from five competitors to 25. And we always look for ways to differentiate ourselves. That's beyond price. We have a great all-weather product portfolio. We have very strong service and our brand matters. So, while our RILA sales were down somewhat, our fixed annuity sales were up. In essence, we've done a lot of work to innovate and broaden our product portfolio that enables us to lean into the customer demand across a whole range of market environments.

As far as the pricing environment, we're always going to be disciplined, ensure that we have profitable sales. And we're not focused on just driving a sales number. So, it's more – it's about returns and profitability. But this is an area, given the longevity needs, the income needs of the US society, that is a sizable market that's going to grow for a very long time and we're really well positioned to take advantage of that secular tailwind. So, we don't get overly exercised quarter to quarter or specific product to specific product. It's more about long term. We know we're going to be a winner.

**Yaron Kinar**

*Analyst, Mizuho Securities USA LLC*

Q

And specifically on the returns there, can you compare the returns in the RILA book versus the FA book as they are today?

**Andrew F. Sullivan**

*Chief Executive Officer & Director, Prudential Financial, Inc.*

A

Yeah. Yaron, I'm not going to provide product-specific spreads or returns.

**Yaron Kinar**

*Analyst, Mizuho Securities USA LLC*

Q

Okay. Thank you.

**Operator:** Thank you. Our next question is coming from Tracy Benguigui from Wolfe Research. Your line is now live.

**Tracy Benguigui**

*Analyst, Wolfe Research LLC*

Q

Thank you. Staying with Japan, since the value of new business takes a while to materialize, how should we think about the longer-term impact to earnings from pausing new business? Should we look at that \$80 million, third component of that \$300 million to \$350 million for 2026 and carry that over to 2027 and beyond?

**Yanela del Carmen Frias**

*Chief Financial Officer & Executive Vice President, Prudential Financial, Inc.*

A

Hi, Tracy. No, I wouldn't – no, we wouldn't do that. So, the way to think about it is of the \$150 million to \$180 million component of stopping sales, 20% of that is due to not selling, right? So, that's about \$30 million. Then, the

\$80 million is really what we think about when we ramp up, because we don't assume that we immediately go back up to full sales, and frankly – so we're ramping up throughout the year, getting up to about 90% sales levels through 2027. So, the \$300 million to \$350 million includes no sales for 90 days, and then a slow ramp up throughout the year, that gets to 90% by the end of 2026. So, in total, what this results in is that POJ sales will be 50% lower in 2026 from normal levels.

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**Tracy Benguigui***Analyst, Wolfe Research LLC*

Q

Okay. And just to give you a breather on Japan, I like seeing your private credit disclosure. I'm just curious in your definition of traditional, are you including private letter ratings? And on that, if you could just give a breakout between the large three versus the smaller agencies?

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**Yanela del Carmen Frias***Chief Financial Officer & Executive Vice President, Prudential Financial, Inc.*

A

Yeah. So, we primarily rely on the three large agencies. And what I would say, in terms of sort of the smaller ones and Egan-Jones specifically, we virtually have no exposure to Egan-Jones.

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**Tracy Benguigui***Analyst, Wolfe Research LLC*

Q

Okay. I'll just throw another quick one in, I saw announcement that PGIM is expanding \$1 billion into private credit secondaries. Will the general account be part of that?

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**Yanela del Carmen Frias***Chief Financial Officer & Executive Vice President, Prudential Financial, Inc.*

A

Yeah. I mean, look, the general account is we're always looking at asset diversification, how that matches up with our liabilities. We are very comfortable with private credit as a long term asset supporting our liabilities. The reality is we've been investing and underwriting private credit for a long time. We see value in private credit for the general account, and we see opportunities in terms of where we can pick up additional investment yield, portfolio diversification and get better downside protections at the end of the day.

So, we continue to see this as a good asset class. 85% of our private credit exposure is investment grade. These are largely private placements with strong covenants and downside protections. And historically, we've consistently performed better in these private credit investments than equally rated publics during economic downturns. So, this is a good asset class for us.

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**Andrew F. Sullivan***Chief Executive Officer & Director, Prudential Financial, Inc.*

A

Yeah. And Tracy, maybe just let me add in from the PGIM business perspective. We're really excited about the secondary space in general across asset classes. I think you probably recall we bought Montana Capital Partners, a private equity secondary business back in 2021. That's now fully assimilated into PGIM. And we believe that we could combine our world-class credit prowess with this deep secondaries expertise and we're already seeing. So, we just talked about the general account. We're already seeing strong third party client interest in this capability and we see this as a really good growth extender for PGIM.

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**Tracy Benguigui***Analyst, Wolfe Research LLC*

Q

Thank you.

**Operator:** Thank you. Our next question is coming from Alex Scott from Barclays. Your line is now live.

**Alex Scott**

*Analyst, Barclays Capital, Inc.*

Q

Hey. Thanks for squeezing me in here on the end. First, I do have one on Japan. I just wanted to see if you could opine at all about what this does, just at a more high level, to the trajectory of revenue? And I'm just sensitive to it because I think you guys have been talking about maybe some of the Life Planners beginning to sell more financial products and would be interested in does this set that back and by how much or is it more permanent, because I think we may have had something for that as an offset in our revenue growth and I just want to make sure that I get that consistent with what you're expecting.

**Andrew F. Sullivan**

*Chief Executive Officer & Director, Prudential Financial, Inc.*

A

Yeah, Alex, it's Andy. I'll take that. So, I guess the first thing I would say is this is really early days in navigating the situation, but I would always turn to long term trends and secular tailwinds. And in reality, what we're seeing in Japan is it's one of the wealthiest markets in the world where we have incredible distribution, despite this near term challenge.

We have 10,000 captive agents, we have incredible bank access, great independent agent access, we are looking to rotate more towards retirement and savings and investment. If anything, we are seeing very clear evidence that the consumers in Japan want to seek higher yield and want to seek investment-type products. So while I would expect that we're going to see pressure on the protection side, I think we have everything we need to rotate as the market rotates. And while it's early days to talk about specifically this issue, there's a longer term secular tailwind that we would expect to be able to grow over the longer term.

**Alex Scott**

*Analyst, Barclays Capital, Inc.*

Q

Got it. Okay. That's helpful. And then maybe my last one on PGIM flows. They've generally been doing pretty well over the last year, but a little bit of a setback. I think there's some lumpiness to it this quarter. Is there any element of that that's sort of – some of the yen-based investors that have been investing in USD and maybe higher rates in Japan is causing some lumpiness in terms of accounts being pulled back to just invest in yen? I mean, is that something you're seeing there or is there not that kind of dynamic and we should see this kind of revert back to the positive flows?

**Andrew F. Sullivan**

*Chief Executive Officer & Director, Prudential Financial, Inc.*

A

Yeah. Alex, let me start directly and then talk more broadly about flows. So directly, I do not believe that that is in any way kind of the factor that you're seeing show up in our flows. That may be more of a minor factor or more specific to certain individuals, but it's not really the story when it comes to our flows.

And as you know, when we talk about flows, we talk about total flows. What we're seeing on the third party side is consistent with things we've talked about in the past and just be wary upfront, we're not pleased with our flows this quarter. In retail, we're seeing this very heavy headwind from active to passive management. Jennison is a great platform and customers expect public equity as part of their portfolio. So, it certainly is an important part of our system. But that is quite a headwind to overcome on the retail side.

On the third party institutional, we have some of the largest clients in the world and that can inherently make things lumpy on a quarter-to-quarter basis. And what we saw, as I said in my upfront, was a fairly sizable low fee redemption that was one of these lumpy quarter to quarter. We've seen that go the other direction in the past as well, to our benefit. So, I don't think the yen is a driver here. It's more of those other factors I spoke to.

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**Alex Scott**

*Analyst, Barclays Capital, Inc.*



Got it. Thank you.

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**Operator:** Thank you. We have reached the end of our question-and-answer session. I'd like to turn the floor back over for any further or closing comments.

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**Andrew F. Sullivan**

*Chief Executive Officer & Director, Prudential Financial, Inc.*

So, thank you again for joining us this morning. As we outlined, we are moving fast. We're moving with discipline to address the issues in POJ. Our commitment to the highest standards of customer care is absolute. At the same time, we remain focused on executing on our three priorities and driving momentum across our businesses as we lay the foundation for a stronger, more durable growth pattern. We're moving with speed to deliver the value that our customers and our shareholders expect and deserve from Prudential.

I just want to close, as I always do, by recognizing our employees around the world for the dedication and commitment that they show every single day. Thank you for everything that you're doing for our customers and for each other. And with that, we'll conclude our call.

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**Operator:** Thank you. That does conclude today's teleconference and webcast. You may disconnect your lines at this time and have a wonderful day. We thank you for your participation today.

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