



1Q26 EARNINGS CALL

MAY 6, 2026

Expanding access to investing, insurance, and retirement security

FIRST QUARTER 2026 PERFORMANCE

HIGHLIGHTS

\$1,626M

Pre-Tax Adjusted
Operating Income⁽¹⁾



7%
YoY

\$3.61

Adjusted Operating
Income per Share⁽¹⁾



10%
YoY

14.6%

Adjusted Operating
Return on Equity⁽²⁾



80bps
YoY

- Adjusted operating earnings reflected solid underwriting performance, improving consistency, and early benefits from initiatives to sharpen focus and strengthen execution
- Taking targeted actions to reduce costs across the enterprise to support investments in enhancing service and distribution, with the benefits expected in 2027
- **PGIM** delivered strong year-over-year earnings growth and substantial sequential improvement in total flows
- Momentum in **Retirement** remained strong, supported by continued strength in RILA and fixed products, as well as \$1.4B of PRT transactions across four middle-market cases
- **Group Insurance** results primarily reflected the impact of less favorable disability underwriting, partially offset by improved life underwriting
- **Individual Life** more than doubled earnings year over year, primarily reflecting improved underwriting results
- Earnings from **International Businesses** reflected the impact of Prudential of Japan's voluntary sales suspension, partially offset by resilience in Emerging Markets, including a record earnings quarter in Brazil



Note: All percentage changes reflect changes from the prior-year quarter. (1) See reconciliation in Appendix for non-GAAP measures Adjusted Operating Income, Adjusted Operating Income Per Share, and Adjusted Book Value Per Share.
(2) Based on 1Q26 after-tax Adjusted Operating Income and average Adjusted Book Value. See Appendix for more information.

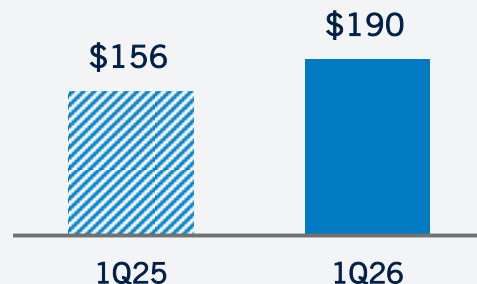
OPERATING RESULTS BY BUSINESS

EARNINGS DRIVERS

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

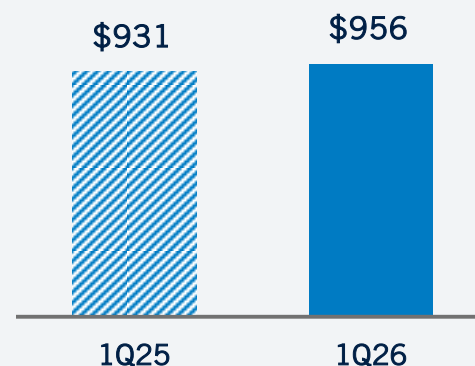
PGIM

- + Higher asset management fees driven by market appreciation
- + Higher other related revenues from agency earnings
- Increased expenses resulting from growth initiatives



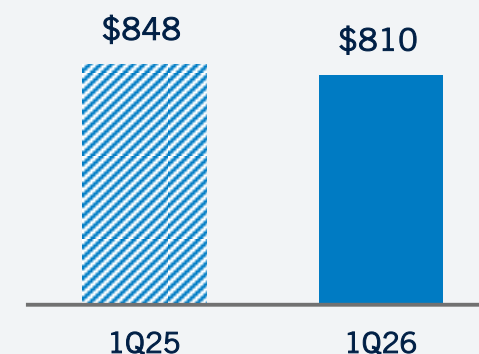
U.S. Businesses

- + Higher spread income primarily driven by Retirement and Individual Life
- Increased expenses in all businesses related to investments in enhancing service and distribution
- Lower net fee income resulting from continued run-off of the traditional variable annuity block



International Businesses

- + Higher spread income
- + More favorable underwriting primarily driven by new business growth in Brazil
- Increased expenses related to the Prudential of Japan sales suspension



Corporate & Other results reflect lower expenses and favorable foreign exchange remeasurement impacts compared to 1Q25

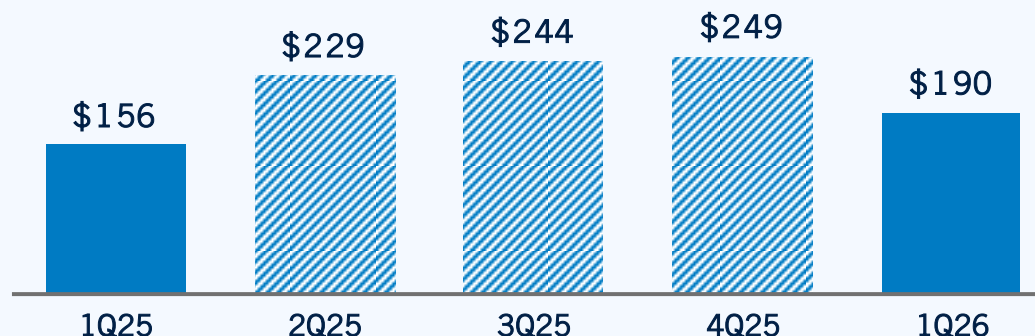
PGIM | Global Investment Manager with Differentiated Capabilities Across Private and Public Asset Classes

QUARTERLY EARNINGS AND DRIVERS

(\$ millions)



Earnings Contribution⁽¹⁾



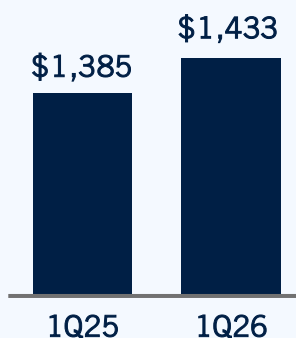
Key Earnings Drivers (Year-over-Year)

- + Higher asset management fees driven by market appreciation
- + Higher other related revenues from agency earnings
- Increased expenses resulting from growth initiatives

ASSETS UNDER MANAGEMENT⁽²⁾ AND NET FLOWS

(\$ billions)

AUM

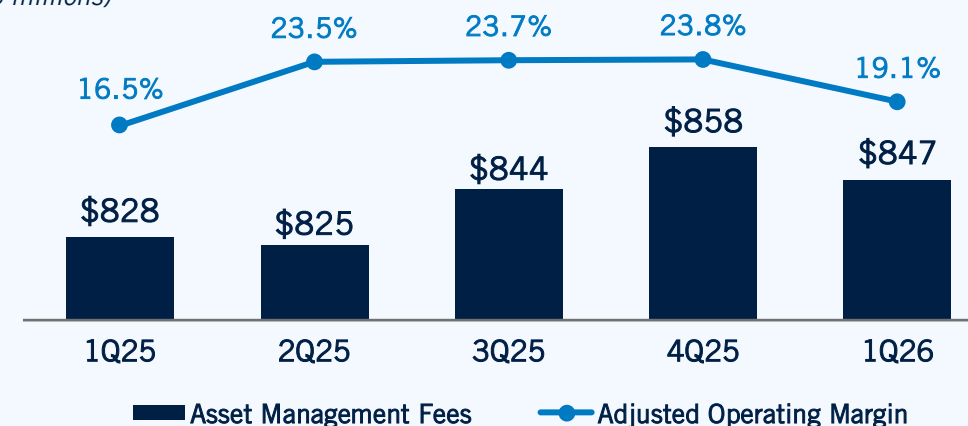


Net Flows

	1Q25	2Q25	3Q25	4Q25	1Q26
Institutional	\$7.6	\$2.6	\$0.3	(\$4.4)	\$1.6
Retail	(\$0.2)	(\$2.8)	\$0.3	(\$1.3)	\$0.2
Affiliated	(\$0.1)	\$0.6	\$1.8	(\$3.9)	(\$1.9)
Total	\$7.3	\$0.4	\$2.4	(\$9.6)	(\$0.1)

ASSET MANAGEMENT FEES AND ADJUSTED OPERATING MARGIN⁽³⁾⁽⁴⁾

(\$ millions)



(1) Based on trailing twelve-month pre-tax adjusted operating income excluding Corporate & Other operations. (2) As of end of period and at fair market value. (3) Adjusted operating margin not calculated in accordance with GAAP. See reconciliation in Appendix for non-GAAP measure adjusted revenues. Adjusted revenue excludes passthrough distribution revenue and revenue associated with consolidations. Adjusted operating income before income taxes as a percentage of total adjusted revenues. (4) Reported Operating Margin based on total revenues is 18.3%, 22.5%, 22.3%, 22.0% and 15.8% for the three months ended March 31, 2026, December 31, 2025, September 30, 2025, June 30, 2025, and March 31, 2025, respectively.

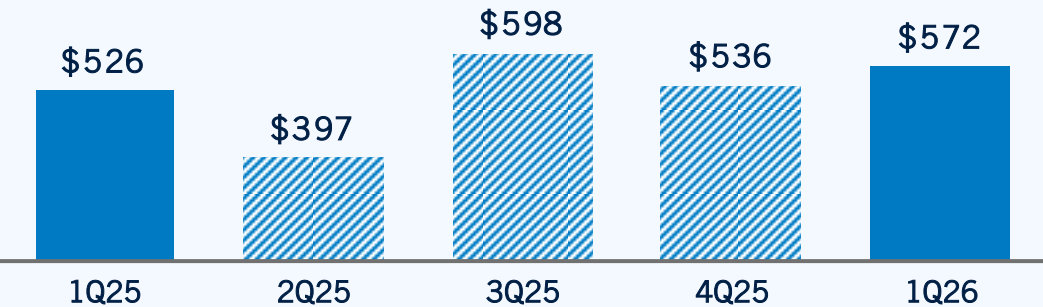


RETIREMENT | Capitalizing Secular Tailwinds Through a Diverse Product Portfolio

QUARTERLY EARNINGS AND DRIVERS

(\$ millions)

25%
Earnings Contribution⁽¹⁾

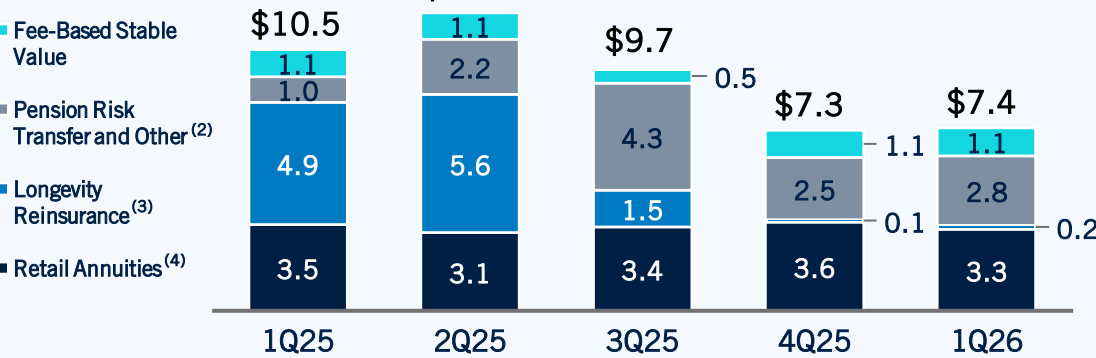


Key Earnings Drivers (Year-over-Year)

- + Higher spread income due to business growth and higher prepayment income
- Increased expenses related to business growth and investments in enhancing service and distribution
- Less favorable underwriting

SALES – PRODUCT MIX

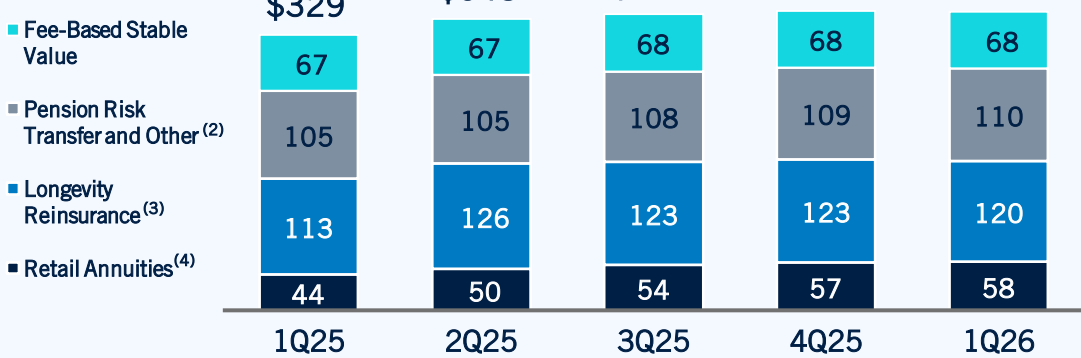
(\$ billions)



Bar order corresponds with the order of the legend to the left of the chart

ENDING ACCOUNT VALUES⁽⁵⁾

(\$ billions)



Bar order corresponds with the order of the legend to the left of the chart

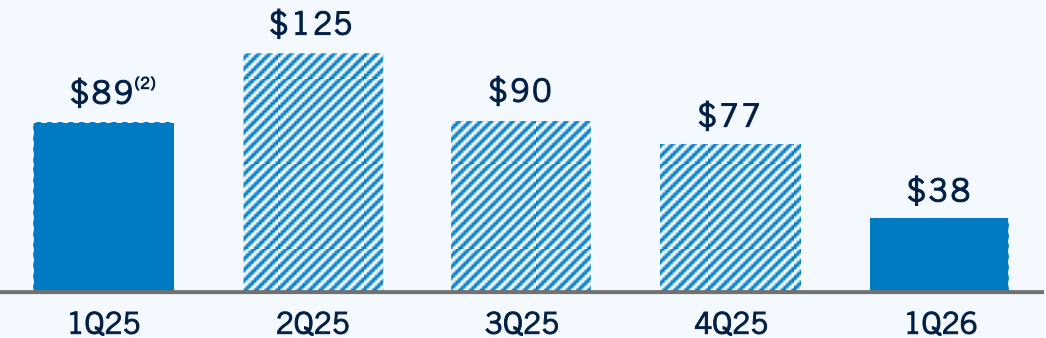
(1) Based on trailing twelve-month pre-tax adjusted operating income excluding Corporate & Other operations. (2) Includes spread-based stable value, structured settlements and funding agreement-backed notes. (3) Represents notional amounts based on present value of future benefits under longevity reinsurance contracts. (4) Primarily includes FlexGuard suite (Registered Index-Linked Annuities) and fixed annuity products. (5) Represents account values net of reinsurance ceded.



GROUP INSURANCE | Leveraging Group Benefits Leadership to Expand and Diversify Growth

QUARTERLY EARNINGS AND DRIVERS

(\$ millions)

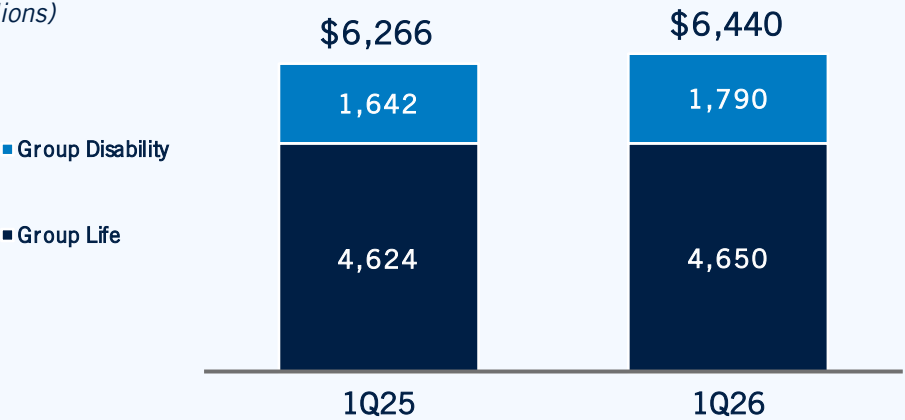


Key Earnings Drivers (Year-over-Year)

- + More favorable Life underwriting due to favorable mortality in the working-age population
- Less favorable Disability underwriting due to higher claims incidence and severity
- Increased expenses supporting business growth and operational efficiency in claims and service

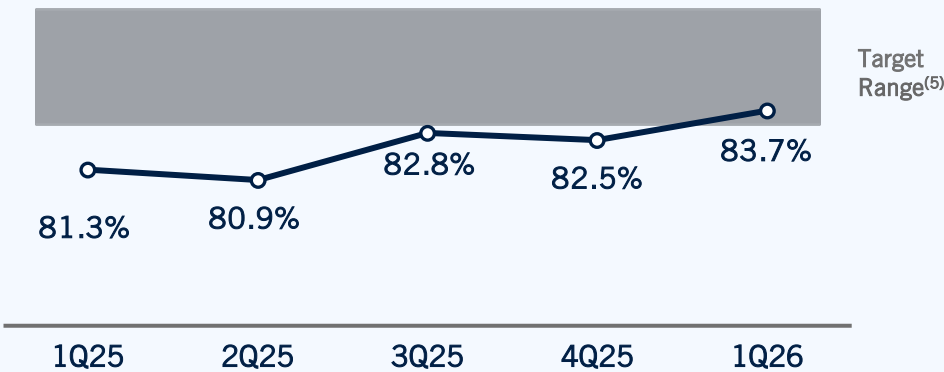
GROSS PREMIUMS & FEES⁽³⁾ – TRAILING 12 MONTHS

(\$ millions)



Bar order corresponds with the order of the legend to the left of the chart

TOTAL GROUP INSURANCE BENEFITS RATIO⁽⁴⁾

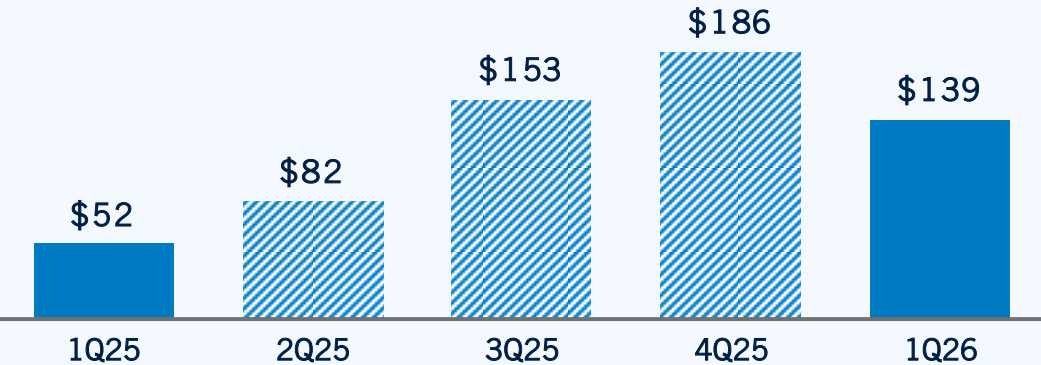


(1) Based on trailing twelve-month pre-tax adjusted operating income excluding Corporate & Other operations. (2) Includes the impact of a favorable reserve refinement of approximately \$30 million. (3) Before returns of premiums to participating policyholders for favorable claims experience. (4) Benefits ratios excluding the impact of assumption updates and other refinements. (5) Targeted total benefits ratio range of 83% - 87%.

INDIVIDUAL LIFE | Broad Product Portfolio and Multi-Channel Distribution Driving Results

QUARTERLY EARNINGS AND DRIVERS

(\$ millions)



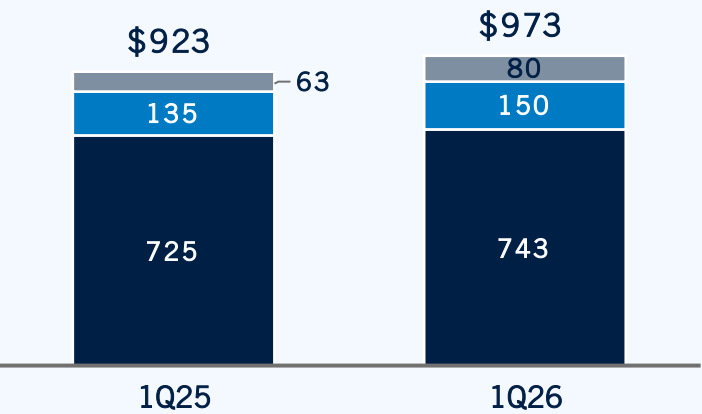
Key Earnings Drivers (Year-over-Year)

- + More favorable underwriting due to more favorable mortality from lower claims severity
- + Higher spread income

SALES⁽²⁾ BY PRODUCT MIX – TRAILING 12 MONTHS

(\$ millions)

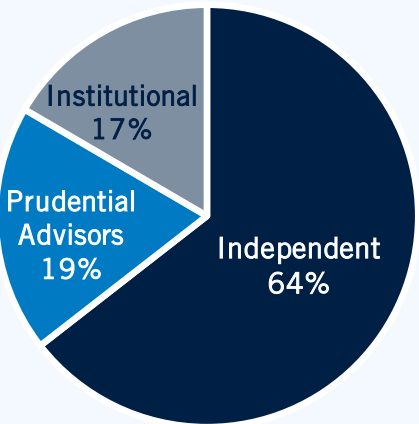
- Universal Life
- Term Life
- Variable Life



Bar order corresponds with the order of the legend to the left of the chart

SALES⁽²⁾ – DISTRIBUTION MIX

Trailing twelve months



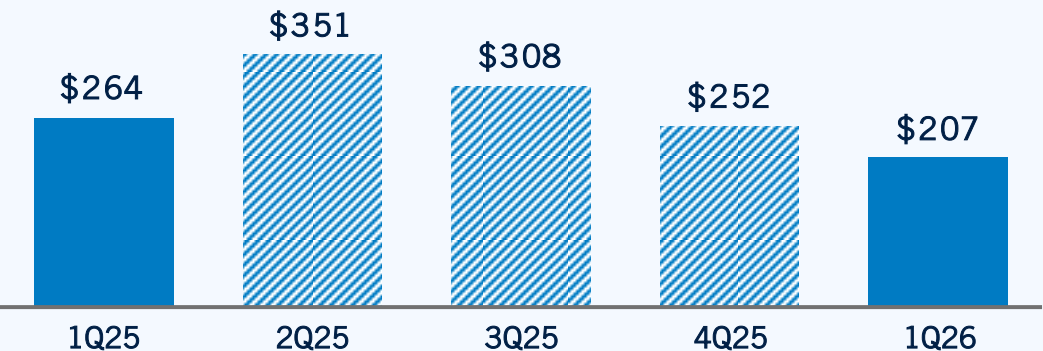
(1) Based on trailing twelve-month pre-tax adjusted operating income excluding Corporate & Other operations. (2) Sales represented by annualized new business premiums.

U.S. LEGACY PRODUCTS | Reporting Aligned to How We Manage the Business

QUARTERLY EARNINGS AND DRIVERS

(\$ millions)

14%
Earnings Contribution⁽¹⁾



Key Earnings Drivers (Year-over-Year)

- + Market appreciation
- Lower net fee income resulting from continued run-off of the traditional variable annuity block
- Less favorable underwriting related to the guaranteed universal life block

SEGMENT COMPONENTS

Traditional Variable Annuities with guaranteed living benefit riders⁽²⁾

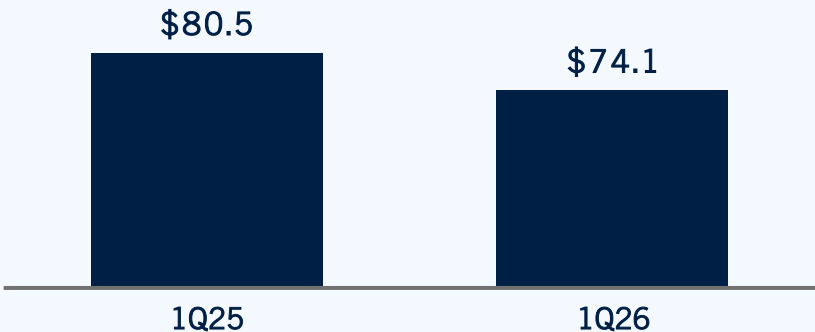
(Included in the former Individual Retirement Strategies segment through 4Q25)

Guaranteed Universal Life

(Included in the Individual Life segment through 4Q25)

ANNUITIES ACCOUNT VALUES⁽³⁾

(\$ billions)

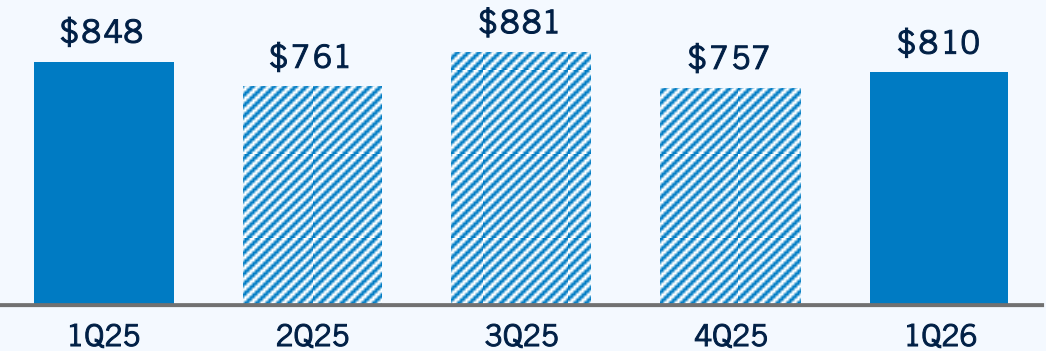


(1) Based on trailing twelve-month pre-tax adjusted operating income excluding Corporate & Other operations. (2) Includes certain other annuity products. (3) Represents discontinued annuities and guaranteed living benefits in general account and separate account. Includes alliance deposits and supplementary contracts.

INTERNATIONAL BUSINESSES | Strong Global Presence with Market Leadership in Japan

QUARTERLY EARNINGS AND DRIVERS

(\$ millions)

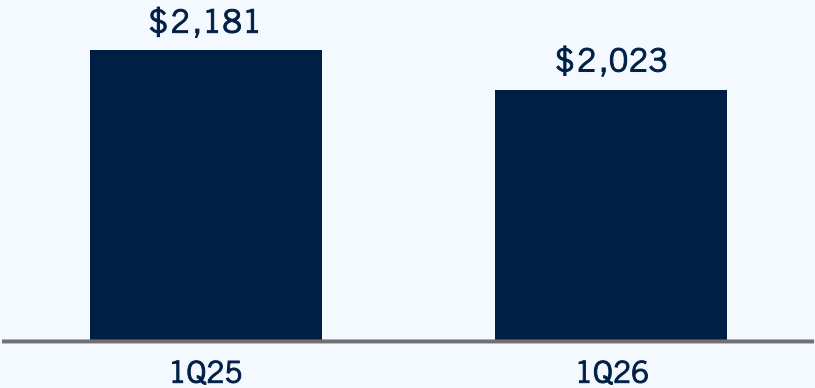


Key Earnings Drivers (Year-over-Year)

- + Higher spread income
- + More favorable underwriting primarily driven by new business growth in Brazil
- Increased expenses related to the Prudential of Japan sales suspension

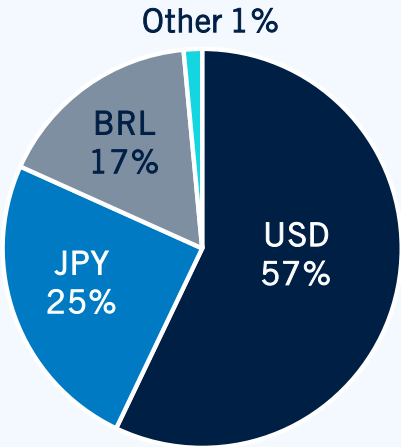
SALES ⁽²⁾ – TRAILING TWELVE MONTHS

(\$ millions)



SALES ⁽²⁾ – CURRENCY MIX

Trailing twelve months

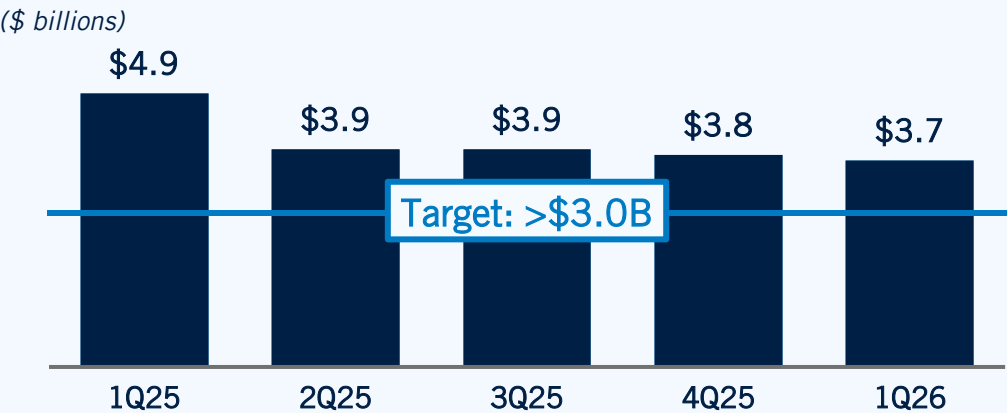


(1) Based on trailing twelve-month pre-tax adjusted operating income excluding Corporate & Other operations. (2) Constant exchange rate basis. Foreign denominated activity translated to U.S. Dollars (USD) at uniform exchange rates for all periods presented, including Japanese Yen (JPY) 147 per USD and Brazilian Real (BRL) 6 per USD. USD-denominated activity is included based on the amounts as transacted in USD. Sales represented by annualized new business premiums.



SIGNIFICANT FINANCIAL STRENGTH | Strong Capital Position with Ample Liquidity

HIGHLY LIQUID ASSETS⁽¹⁾



REGULATORY CAPITAL RATIOS⁽²⁾ – CONSISTENT WITH AA OBJECTIVES

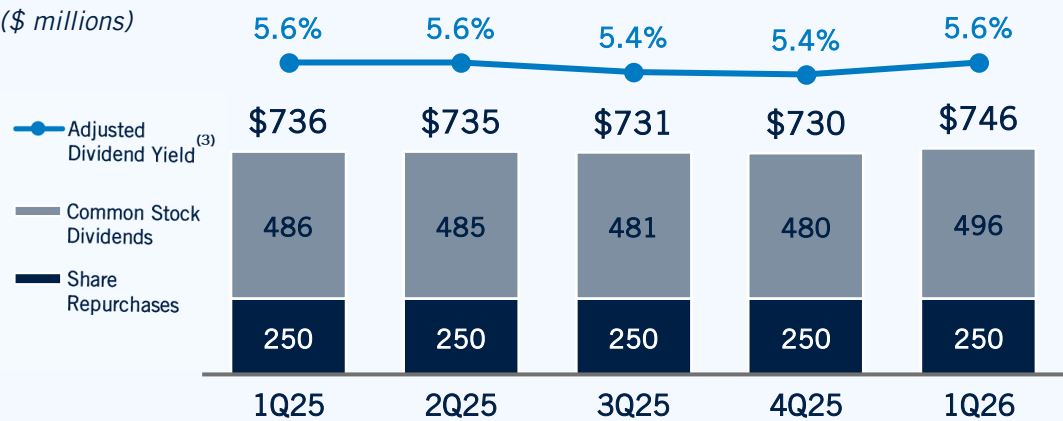
Ratios remain in excess of our objectives

>375%
PICA RBC
Ratio

>150%
Japan Economic
Solvency Ratios

(Estimated range of 170-190% as of March 31, 2026)

SHAREHOLDER DISTRIBUTIONS



Bar order corresponds with the order of the legend to the left of the chart

OFF-BALANCE SHEET RESOURCES

Resource	Capacity	Maturity Date
Credit Facility	\$4.0 billion	July 2029
Contingent Capital	\$1.5 billion \$1.5 billion	May 2030 February 2033 and 2053
Prudential Holdings of Japan Facility	¥100 billion	September 2029

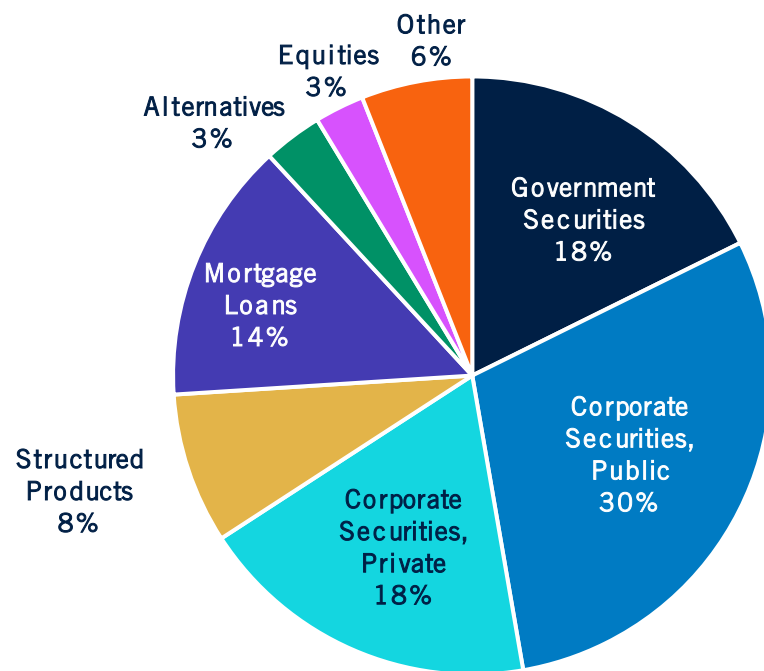
As of March 31, 2026 unless otherwise noted. (1) Highly liquid assets predominantly include cash, short-term investments, U.S. Treasury securities, obligations of other U.S. government authorities and agencies, and/or foreign government bonds. In May 2025, there was a \$1.0B hybrid securities redemption. (2) PICA RBC ratio is disclosed in annual statutory statement. Economic Solvency Ratios (ESR) for Prudential of Japan and Gibraltar Life are required to be disclosed later in 2026. We estimate these ratios are well above our operating target as of March, 31, 2026. (3) Based on annualized dividend per share divided by adjusted book value per share for each stated period.



GENERAL ACCOUNT | Broadly Diversified, High Quality Investment Portfolio

PORTFOLIO COMPOSITION⁽¹⁾

\$399 billion



HIGHLIGHTS

- Portfolio supported by strong asset liability management
 - High allocation to government securities (mostly U.S. and Japan)
 - Significant protections with private fixed income
- Benefits from PGIM's expertise and direct origination capabilities
- Disciplined framework for credit management

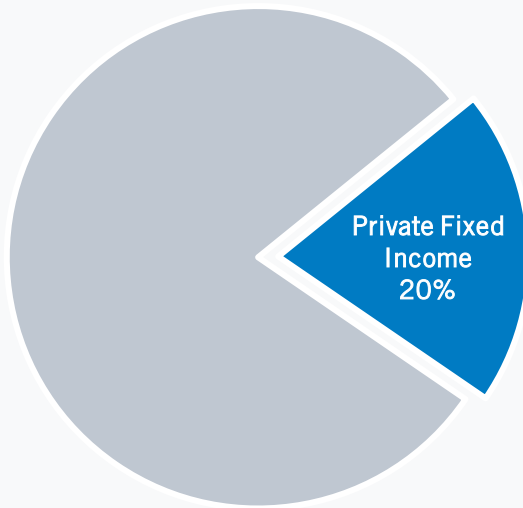


(1) General Account excluding the Closed Block Division, funds withheld, and assets supporting experience-related contractholder liabilities as of March 31, 2026, on a U.S. GAAP carrying value basis. Mortgage loans include commercial, agricultural, residential, and other loans. Structured products include commercial and residential mortgage-backed securities, collateralized loan obligations, and other asset-backed securities. Alternatives include investments in LPs/LLCs, and real estate held through direct ownership. Other includes policy loans, fixed maturities - trading, short-term investments, credit-like instruments, derivatives, and other miscellaneous assets.

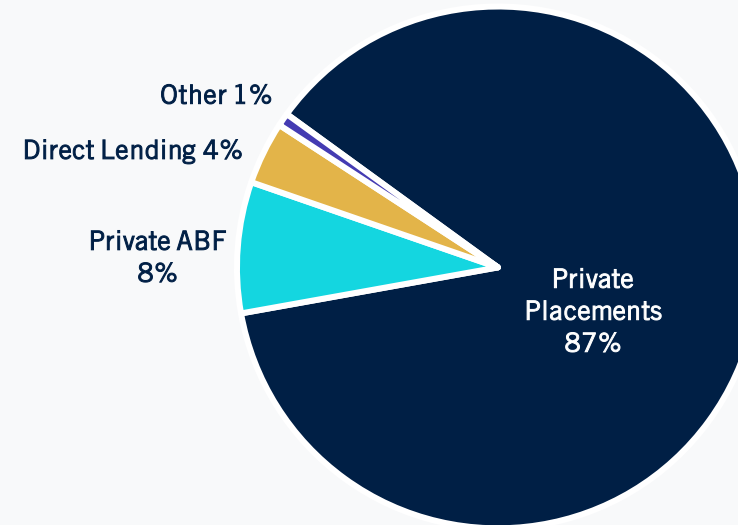
GENERAL ACCOUNT | Long History of Investments in Private Fixed Income

- Prudential has a 30+ year track record in private fixed income investing
- Private placements have long been a core allocation for the General Account
 - Offers a yield premium alongside enhanced protections and diversification versus public fixed income
- Focus on diversified, high quality investment grade opportunities
- Below investment grade private fixed income represents ~3% of invested assets

\$399 billion General Account⁽¹⁾



\$81 billion or 20% of invested assets
84% investment grade



(1) General Account excluding the Closed Block Division, funds withheld, and assets supporting experience-related contractholder liabilities as of March 31, 2026, on a U.S. GAAP carrying value basis. Private Fixed Income includes private fixed maturities (\$79.7B) and credit-like instruments within other invested assets (\$1.8B).

APPENDIX



1Q26 ADJUSTED OPERATING INCOME AND VARIANCES BY BUSINESS

(\$ millions, except per share amounts)	Adjusted Operating Income	Variances ⁽¹⁾				Total Variances
		Alternative Investment Income ⁽²⁾	Underwriting	Expenses & Other ⁽³⁾	POJ Sales Suspension ⁽⁴⁾	
PGIM	\$190	-	-	(50)	-	(\$50)
Retirement	\$572	(40)	15	-	-	(\$25)
Group Insurance	\$38	(5)	(30)	-	-	(\$35)
Individual Life	\$139	-	15	-	-	\$15
U.S. Legacy Products	\$207	(10)	(10)	-	-	(\$20)
International	\$810	(15)	-	110	(100)	(\$5)
Corporate & Other	(\$330)	(10)	-	70	-	\$60
Total Pre-Tax	\$1,626⁽⁵⁾	(\$80)	(\$10)	\$130	(\$100)	(\$60)
Total After-Tax Per Share	\$3.61⁽⁵⁾	(\$0.18)	(\$0.02)	\$0.30	(\$0.22)	(\$0.12)

(1) Reflects favorable/(unfavorable) variances of alternative investment income, underwriting, and certain expenses and other items from the Company's expectations, included within Adjusted Operating Income. (2) Alternative investment income includes the adjusted operating income of the General Account portfolio's interests in private equity, hedge fund, and real estate-related investments, as well as real estate investments held through direct ownership, and excludes the results from those interests held by Divested Businesses and third parties that have been consolidated on the Company's balance sheet. (3) PGIM includes \$10 million of Other Related Revenues below a normalized level and seasonally high compensation and other expenses. International includes seasonally high annual premiums, lower than typical expenses, and other favorable items. Corporate & Other reflects lower expenses related to timing, partially offset by seasonally higher compensation expenses, the benefit of foreign exchange remeasurement, and other favorable items. (4) Financial impact of Prudential of Japan (POJ) sales suspension totaled ~\$130M in 1Q26, including \$100M of expenses related to customer reimbursement and Life Planner compensation. The remaining ~\$30M is related to lower sales and elevated surrenders. (5) See Appendix for reconciliation of non-GAAP measures Adjusted Operating Income and Adjusted Operating Income Per Share to the most comparable GAAP measures.



SEASONALITY OF KEY FINANCIAL ITEMS

(\$ millions, pre-tax adjusted operating income)	2Q26		3Q26		4Q26		1Q27	
PGIM	\$10	Lower compensation expense	\$10	Lower compensation expense	\$10	Lower compensation expense	(\$30)	Higher compensation expense ⁽¹⁾
Group Insurance	\$10	Higher underwriting gains	\$10	Higher underwriting gains			(\$20)	Lowest underwriting gains
Individual Life	\$5	Higher underwriting gains	\$15	Highest underwriting gains			(\$20)	Lowest underwriting gains
U.S. Legacy Products	\$5	Higher underwriting gains	\$10	Highest underwriting gains	(\$5)	Lower underwriting gains	(\$10)	Lowest underwriting gains
International	(\$30)	Lower premiums	(\$10)	Lower premiums	(\$40)	Lowest premiums	\$80	Highest premiums
Corporate & Other	\$20	Lower expenses	\$5	Lower expenses	(\$15)	Higher expenses	(\$10)	Higher compensation expense ⁽¹⁾



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

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 and redeemable noncontrolling interests

Net income (loss)

Less: Earnings attributable to noncontrolling interests and redeemable noncontrolling interests

Income (loss) attributable to Prudential Financial, Inc.

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

Change in value of market risk benefits, net of related hedging gains (losses)

Market experience updates

Divested and Run-off Businesses:

Closed Block Division

Other Divested and Run-off Businesses

Equity in earnings of joint ventures and other operating entities and earnings attributable to noncontrolling interests and redeemable 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⁾

	First Quarter	
	2026	2025
\$	597	\$ 707
	9	35
	606	742
	9	35
	597	707
	(7)	(6)
	604	713
\$	(621)	\$ (246)
	(295)	(351)
	15	39
	(11)	(22)
	64	(51)
	(42)	3
	(3)	28
	(893)	(600)
	(219)	(125)
	(674)	(475)
	1,278	1,188
	348	332
\$	1,626	\$ 1,520
	7.4%	9.8%
	14.6%	13.8%

(1) Represents adjustments not included in the above reconciling items, including certain components of consideration for business acquisitions, which are recognized as compensation expense over the requisite service periods.

(2) Represents adjusted operating income after-tax, annualized for interim periods, divided by average Prudential Financial, Inc. equity excluding accumulated other comprehensive income, adjusted to remove amounts included for foreign currency exchange rate remeasurement and the cumulative change in fair value of funds withheld embedded derivatives related to unrealized gains and losses on available-for-sale securities and certain derivatives.



RECONCILIATIONS BETWEEN ADJUSTED OPERATING INCOME PER SHARE AND THE COMPARABLE GAAP MEASURE

	First Quarter	
	2026	2025
Net income (loss) per share attributable to Prudential Financial, Inc.	\$ 1.68	\$ 1.96
Less: Reconciling Items:		
Realized investment gains (losses), net, and related charges and adjustments	(1.78)	(0.69)
Change in value of market risk benefits, net of related hedging gains (losses)	(0.84)	(0.99)
Market experience updates	0.04	0.11
Divested and Run-off Businesses:		
Closed Block Division	(0.03)	(0.06)
Other Divested and Run-off Businesses	0.18	(0.14)
Difference in earnings allocated to participating unvested share-based payment awards	0.02	0.02
Other adjustments ⁽¹⁾	(0.01)	0.08
Total reconciling items, before income taxes	(2.42)	(1.67)
Less: Income taxes, not applicable to adjusted operating income	(0.49)	(0.34)
Total reconciling items, after income taxes	(1.93)	(1.33)
After-tax adjusted operating income per share	\$ 3.61	\$ 3.29



(1) Represents adjustments not included in the above reconciling items, including certain components of consideration for business acquisitions, which are recognized as compensation expense over the requisite service periods.

RECONCILIATION BETWEEN ADJUSTED BOOK VALUE AND THE COMPARABLE GAAP MEASURE

(\$ millions, except per share data)

	March 31, 2026
GAAP book value	\$ 31,975
Less: Accumulated other comprehensive income (AOCI)	(3,450)
GAAP book value excluding AOCI	35,425
Less: Cumulative change in fair value of funds withheld embedded derivatives ⁽¹⁾	60
Less: Cumulative effect of foreign exchange rate remeasurement and currency translation adjustments corresponding to realized gains (losses)	409
Adjusted book value	<u>\$ 34,956</u>
 Number of diluted shares	 <u>350.3</u>
 GAAP book value per Common share - diluted	 \$ 91.28
GAAP book value excluding AOCI per Common share - diluted	\$ 101.13
Adjusted book value per Common share - diluted	\$ 99.79



(1) Amount represents the cumulative change in fair value of funds withheld embedded derivatives related to unrealized gains and losses on available-for-sale securities and certain derivatives associated with customer liabilities reinsured under coinsurance with funds withheld and modified coinsurance arrangements.

RECONCILIATION BETWEEN PGIM TOTAL REVENUES AND TOTAL ADJUSTED REVENUES

(\$ millions)	1Q25	2Q25	3Q25	4Q25	1Q26
Total revenues⁽¹⁾	\$ 985	\$ 1,043	\$ 1,095	\$ 1,108	\$ 1,040
Less: Passthrough distribution revenue	21	20	21	21	20
Less: Revenue associated with consolidations	18	50	45	42	23
Total adjusted revenues⁽²⁾	<u>\$ 946</u>	<u>\$ 973</u>	<u>\$ 1,029</u>	<u>\$ 1,045</u>	<u>\$ 997</u>



(1) Revenues exclude realized investment gains, net of losses. (2) Not calculated in accordance with GAAP. Adjusted revenue excludes passthrough distribution revenue and revenue associated with consolidations.

FORWARD-LOOKING STATEMENTS

Certain of the statements included in this presentation and made during the earnings call, including those regarding our strategy and the execution thereof, financial targets and objectives and capital priorities, actions to reduce costs and the expected impacts thereof, our ability to generate high cash flows and attractive returns over the long term, those under the heading “Seasonality of Key Financial Items,” trends and opportunities, the durability of our earnings profile, the expected duration, financial impact, including the expected impact to adjusted operating income, economic solvency ratio and cash flow, and outcome of the Prudential of Japan sales suspension and the related remediation efforts, 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 include, among others, that our remediation efforts in Japan may be unsuccessful or take longer than we expect, that we may uncover additional misconduct, that the sales suspension at Prudential of Japan may continue for longer than we expect, losses on investments or financial contracts due to deterioration in credit quality or value, or counterparty default; losses on insurance products due to mortality experience, morbidity experience or policyholder behavior experience that differs significantly from our expectations when we price our products. Additional factors and uncertainties that could cause actual results to differ 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 investor.prudential.com. Reconciliations are also included as part of this presentation.

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. The schedules accompanying this presentation provide reconciliations of non-GAAP measures with the corresponding measures calculated using GAAP. Additional historic information relating to our financial performance is located on our website at investor.prudential.com.

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, 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 capital and other factors.



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. Additionally, adjusted operating income excludes the impact of annual assumption updates and other refinements included in the above items.

Adjusted operating income excludes “Change in value of market risk benefits, net of related hedging gains (losses)”, which reflects the impact from changes in current market conditions, and 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 and redeemable 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, and goodwill impairments. Earnings attributable to noncontrolling interests and redeemable 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 this non-GAAP measure 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.



NON-GAAP MEASURES (CONTINUED)

Adjusted book value is calculated as total equity (GAAP book value) excluding accumulated other comprehensive income (loss), the cumulative change in fair value of funds withheld embedded derivatives, 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.

PGIM's Adjusted Operating Margin is also a non-GAAP measure and is calculated as adjusted operating income of the PGIM segment as a percentage of PGIM's adjusted revenue. A reconciliation of PGIM's adjusted revenue to the most comparable GAAP measure is included in our quarterly financial supplement, which is available on our website, and as part of this presentation.

Due to the inherent difficulty in reliably quantifying certain items, including future realized investment gains/losses and changes in asset and liability values, given their unknown timing, unpredictable nature and potential significance, we cannot, without unreasonable effort, provide a reconciliation of our estimated future adjusted operating to net income attributable to Prudential Financial, Inc., the most directly comparable GAAP measure. The variability of these items, which are necessary for a presentation of the reconciliation, could have a significant impact on our reported U.S. GAAP financial results.

