

Forward Looking Statements

Certain of the statements included in the following presentation(s) constitute forward-looking statements within the meaning of the U. S. Private Securities Litigation Reform Act of 1995. Words such as “expects,” “believes,” “anticipates,” “intends,” “plans,” “assumes,” “estimates,” “projects,” 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. There can be no assurance that future developments affecting Prudential Financial, Inc. and its subsidiaries will be those anticipated by management. These forward-looking statements are not a guarantee of future performance and involve risks and uncertainties, and there are certain important factors that could cause actual results to differ, possibly materially, from expectations or estimates reflected in such forward-looking statements, including without limitation: general economic, market and political conditions, including the performance of financial markets, interest rate fluctuations and the continuing impact of the events of September 11, 2001; volatility in the securities markets; reestimates of our reserves for future policy benefits and claims; our exposure to contingent liabilities; catastrophe losses; investment losses and defaults; changes in our claims-paying or credit ratings; competition in our product lines and for personnel; fluctuations in foreign currency exchange rates and foreign securities markets; risks to our international operations; the impact of changing regulation or adverse litigation results; and changes in tax law. Prudential Financial, Inc. does not intend, and is under no obligation to, update any particular forward-looking statement included in this presentation(s). The information referred to above, as well as the risks of our businesses described in our Annual Report on Form 10-K for the year ended December 31, 2001, should be considered by readers when reviewing forward-looking statements contained in this presentation(s).

Investor Day

December 4, 2002

Prudential  Financial

Welcome

Art Ryan

Chairman and CEO

Prudential  Financial

12% ROE Goal

- **Appropriate and achievable**
- **2005 timeframe**
- **Share repurchases to continue**
- **But must improve profitability of businesses**
 - Expense saves
 - Resolve P&C, PSI
 - “Bolt on” acquisitions

Organization Chart



Investor Day

December 4, 2002

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Prudential Overview

Mark Grier

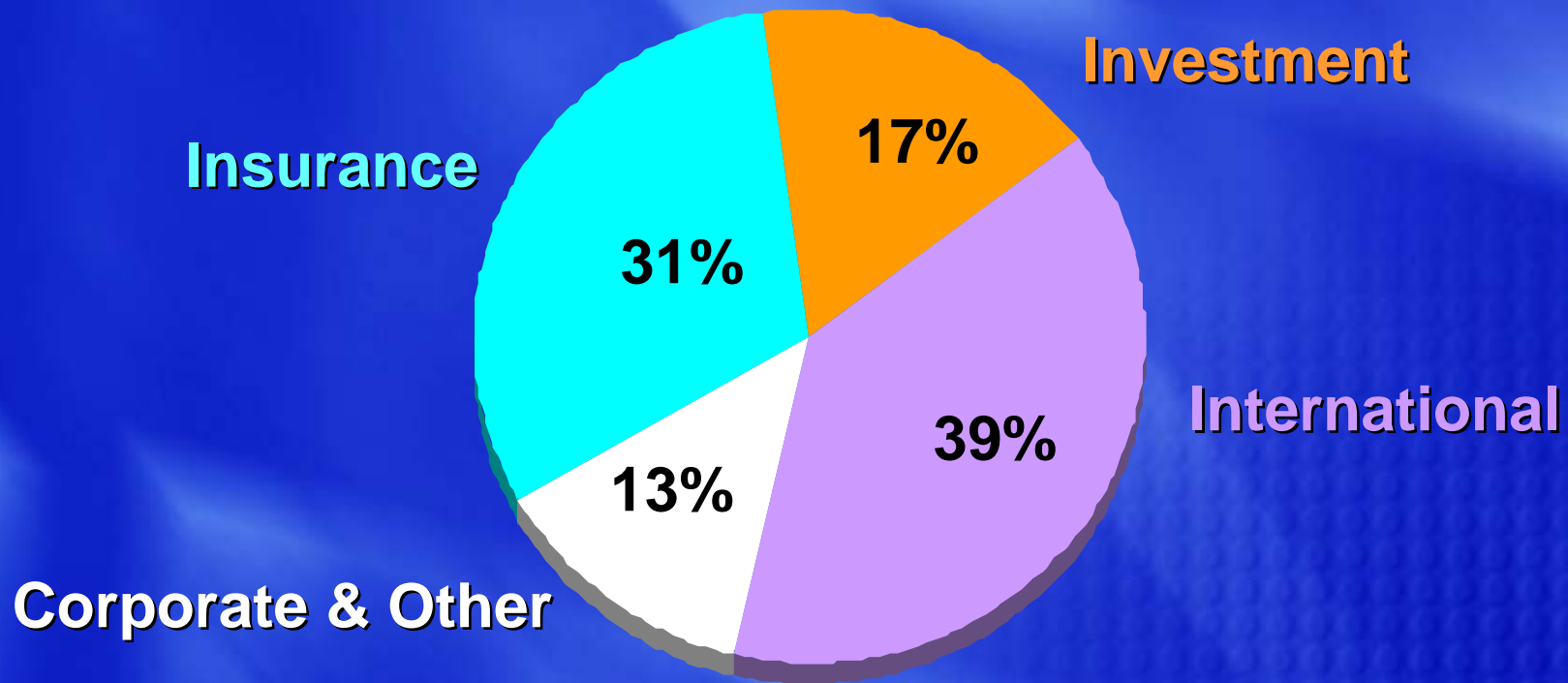
**Vice Chairman
Financial Management**

Prudential  **Financial**

Financial highlights ⁽¹⁾

Adjusted operating income

\$1,437 million



ROE

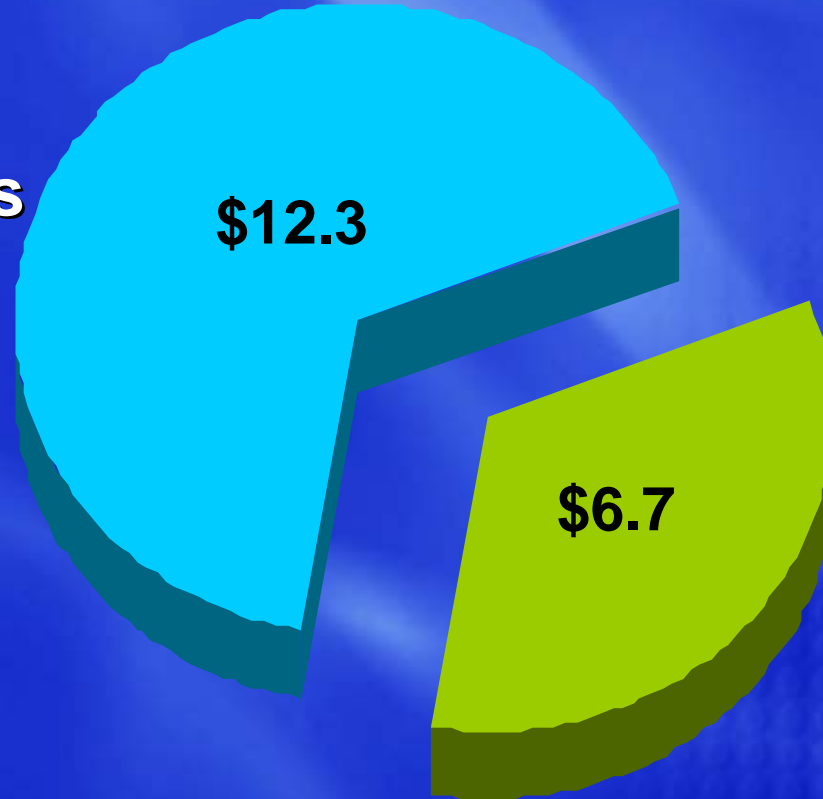
6.8 %

⁽¹⁾ For the nine months ended September 30, 2002

Total attributed equity of \$19 billion

Total attributed equity \$19.0 billion
(Nine months ended 9/30/02)

Operating
Businesses



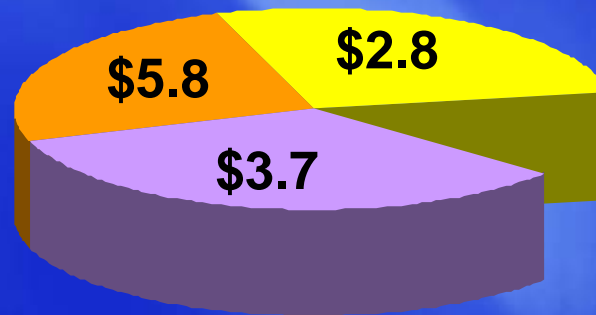
Corp. &
Other

Attributed equity of operating businesses

Attributed equity \$12.3 billion
(Nine months ended 9/30/02)

Fundamentally Sound

- Individual Life & Annuities
- Group Insurance
- Retirement



Underperforming

- Property & Casualty
- Financial Advisory

Performing Above Hurdle

- International
- Investment Management / Other Asset Management

Performing Above Hurdle

International Insurance model

- **Protection life insurance**
- **Affluent customers**
- **Highly-trained, professional Life Planners**
- **Needs based sales approach**
- **“Missionary zeal”**
- **Under-served markets**
- **Disciplined implementation**

International Insurance

4,400 Life Planners (9/30/02)

5,200 Gibraltar Life Advisors (9/30/02)

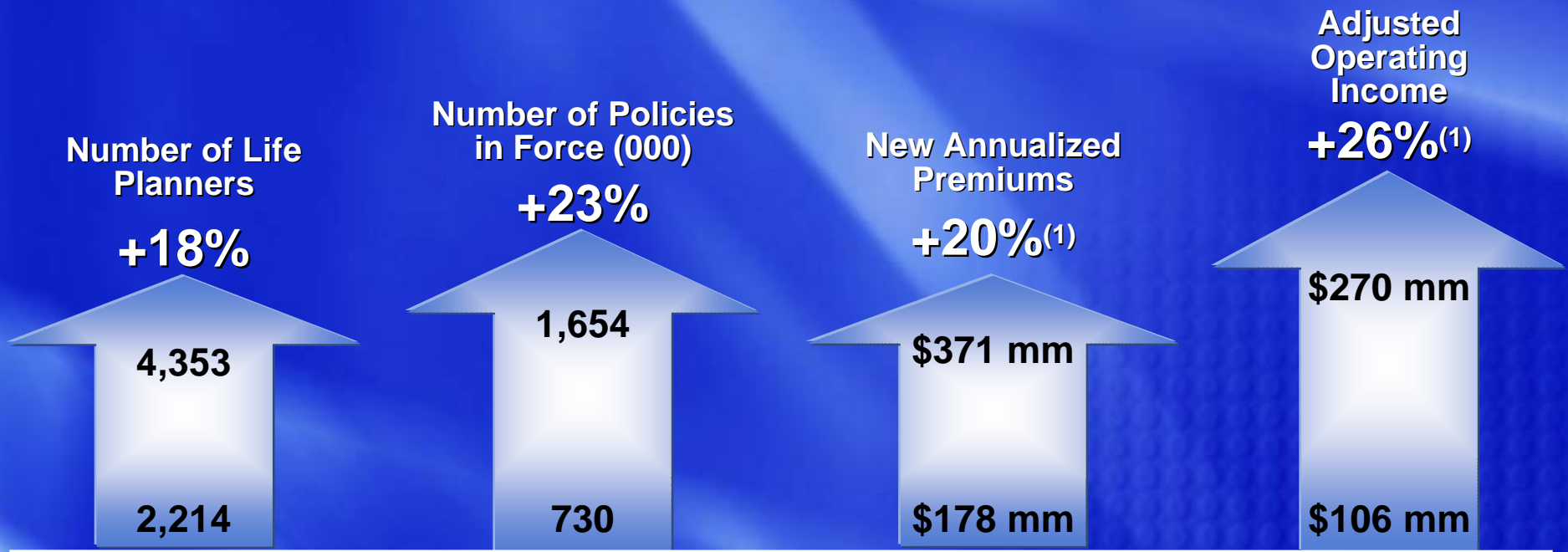
6.3 million policies in force (9/30/02)

New annualized premiums: \$692 million (2001)

International Insurance Growth

CAGR

Nine Months 1998 - Nine Months 2002



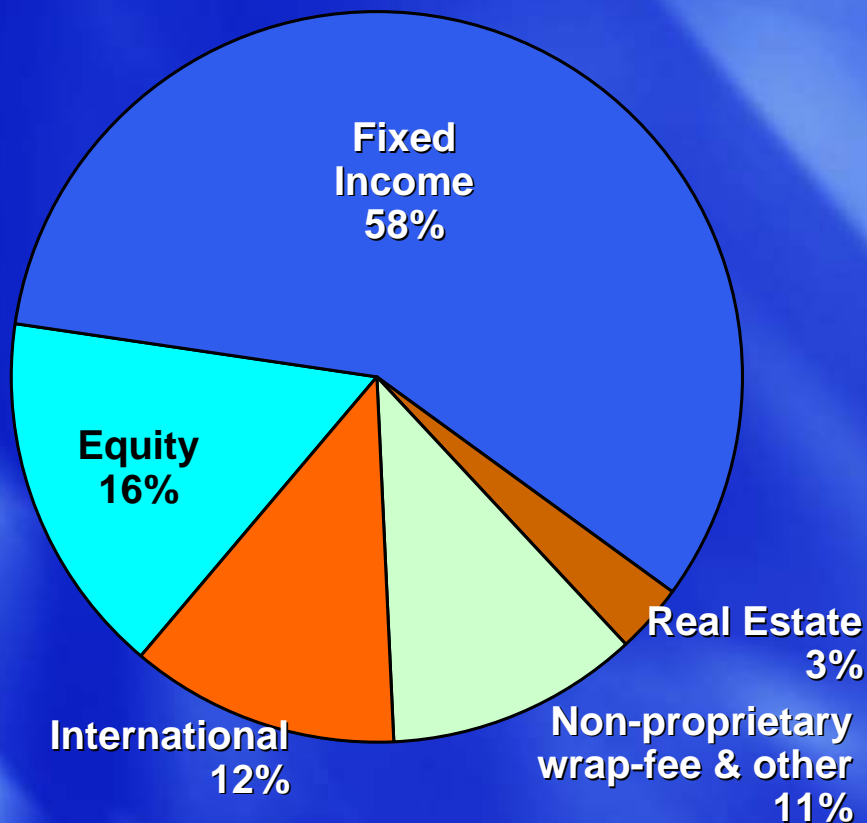
(excludes Gibraltar Life)

(1) GAAP Exchange rate basis – translated based on applicable average exchange rate for period

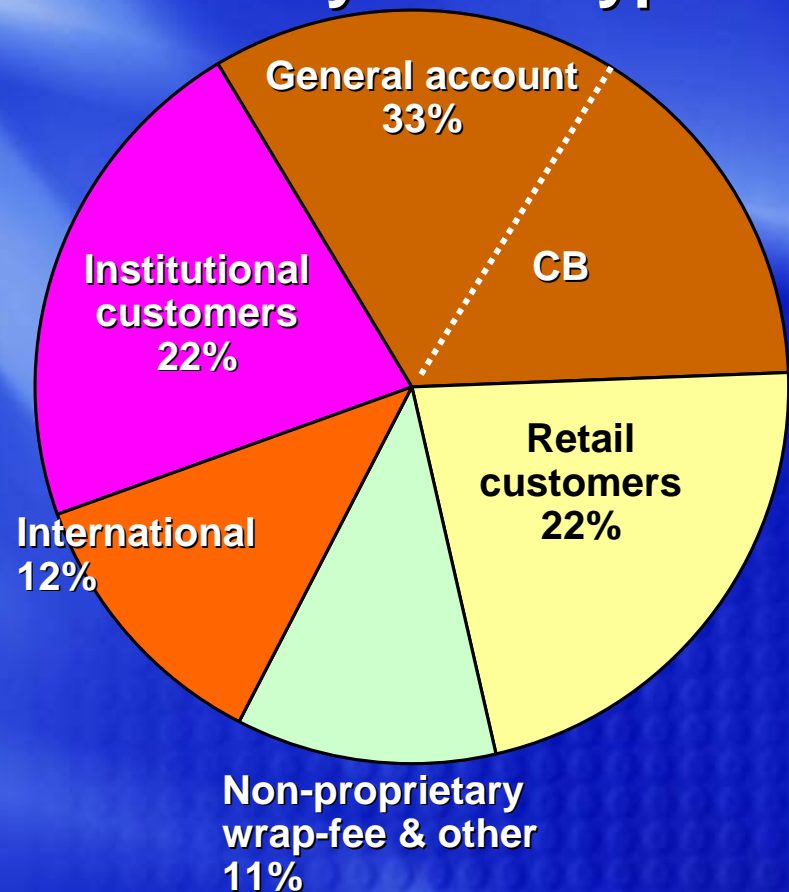
Investment Management: significant scale and breadth

Total AUM \$359 billion
(9/30/02)

AUM by asset type



AUM by client type



Assets under management and administration total \$533 billion

Strong market position in each major asset class

Public Markets

Public
Equity

Top 20

Public
Fixed
Income

Top 10

Private Markets

Private
Fixed
Income

No. 1

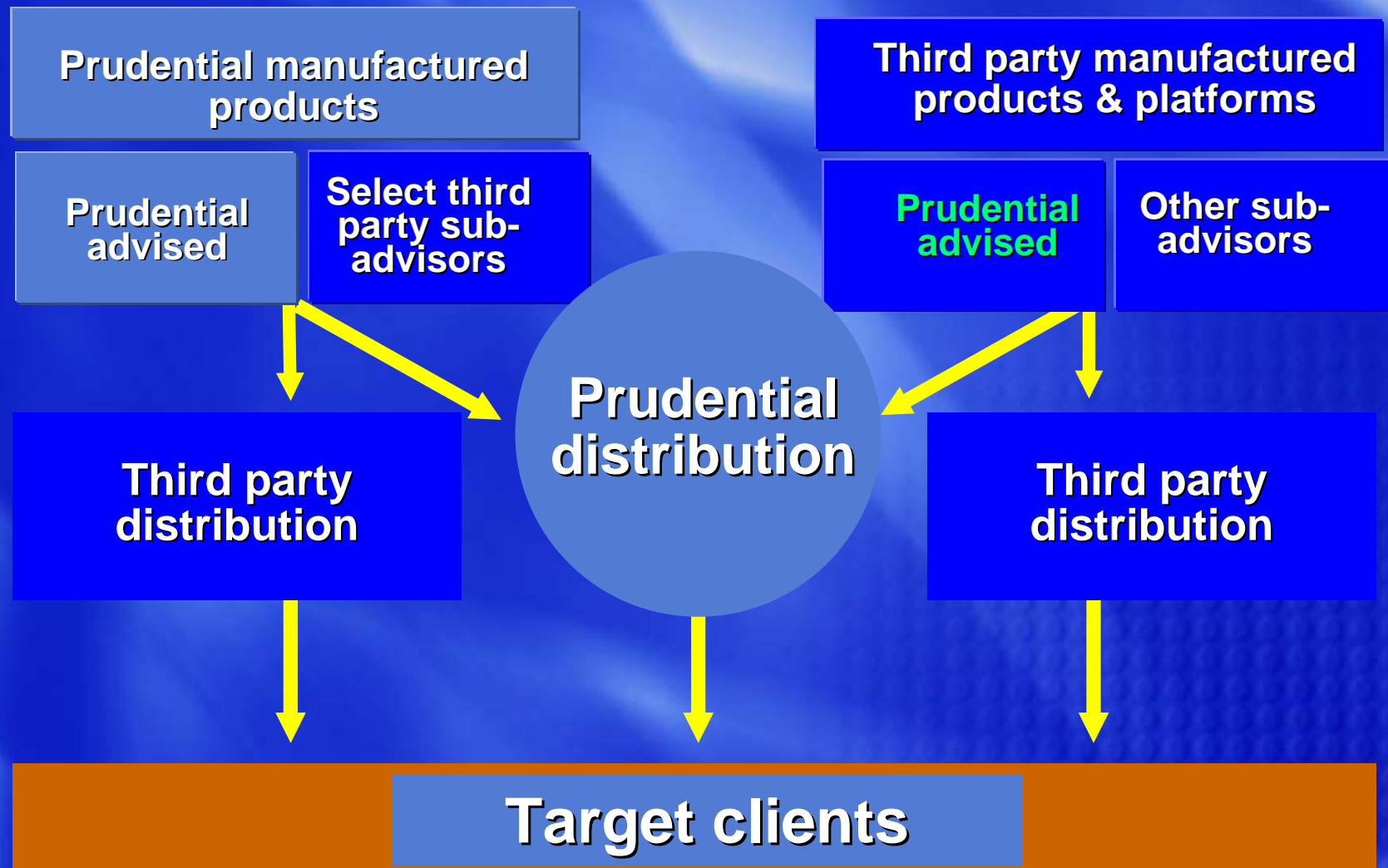
Commercial
Mortgages

Top 10

Real
Estate

Top 10

Asset gathering: new business model



Fundamentally Sound

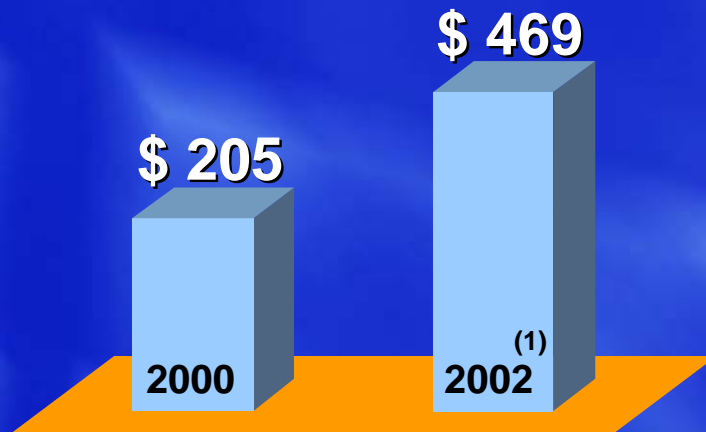
Individual Life & Annuities

Individual Life

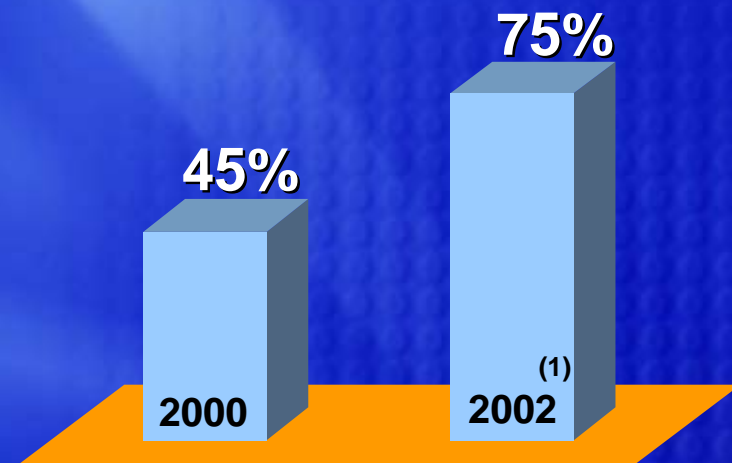
- Expense cuts
- New products
- Grow third-party
- Stabilize captive distribution

First Year Agent Productivity

(Average weekly productivity)



First Year Agent Retention



(1) For the nine months ended September 30

Individual Life & Annuities

Annuities

- **DAC unlocking**
- **Higher GMDB**
- **Higher sales**
 - **Competitive products**
 - **Broader distribution**

Group Insurance

- **Re-pricing life**
- **Persistency still high; benefits ratio of lapsed cases > 100%**
- **Disability: Emphasis on margin improvement**

Retirement

- **Leverage fixed income asset management skills**
- **Substantial balance sheet capacity**
- **Using funding agreements, FANIPs to grow**

Underperforming

Property & Casualty

- **Non-core: committed to reducing capital**
- **National => state strategy**
- **De-emphasize non-traditional distribution**
- **De-emphasize homeowners**
- **Reduce expenses**

Financial Advisory

- **Transition to new business model**
- **Reduce Financial Advisor turnover**
- **Increase recurring revenues as % of total non-interest**
- **Reduce expenses**
- **Year end 2003 ROE goal \geq 8-10%**

Capital redeployment sources

- **Cash on hand**
- **Unused borrowing capacity**
- **Ongoing cash flow**
- **Redundant capital in Prudential Insurance**

Capital redeployment opportunities

Acquisitions

Share repurchases

Ratings aspirations

Summary

- **Earnings on track**
- **International Insurance business highly profitable, growing**
- **Investment Management scale and breadth**
- **Leverage product and distribution capabilities**
- **Capital redeployment**
- **ROE goal: 12% by 2005**

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Capital Management

Chuck Chaplin

Treasurer

Prudential  **Financial**

Parent Company Balance Sheet (FSB only)

At September 30, 2002

Assets:

Cash & short-term investments	\$ 2.0
Equity in subsidiaries (excl. FAS 115)	19.0
Other assets	<u>1.1</u>
Total assets	<u>\$ 22.1</u>

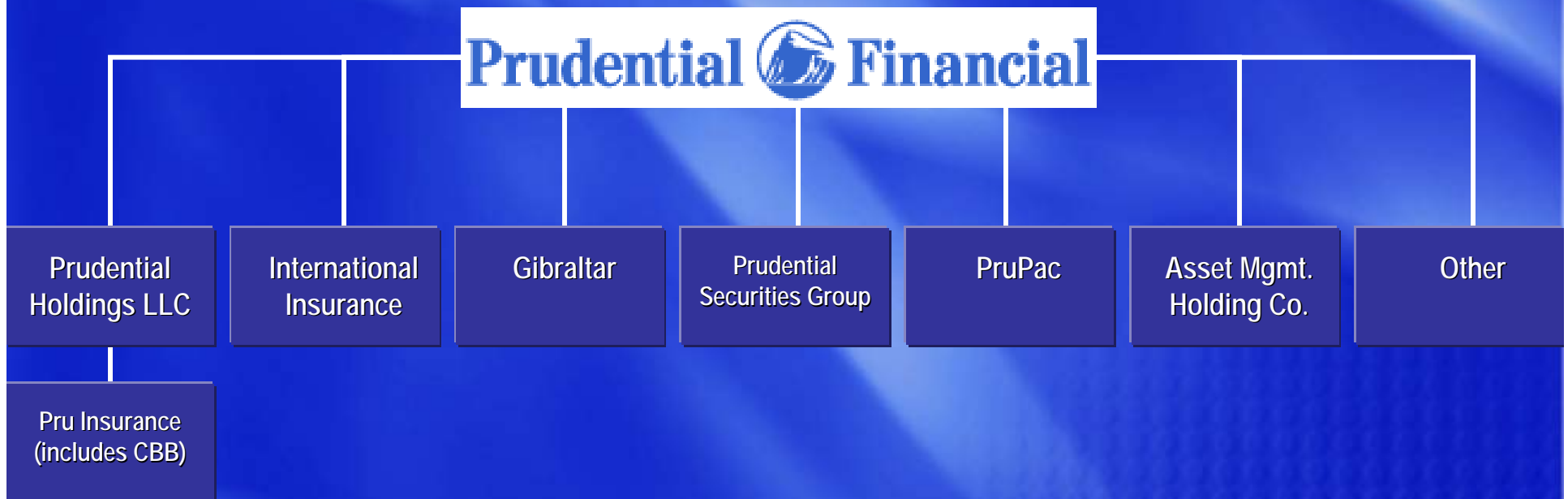
Liabilities:

Long-term, demutualization related	\$1.7
Debt	- 0 -
Other liabilities ⁽¹⁾	<u>0.8</u>
	2.5
Equity security units	0.7
Equity (excl. FAS 115)	<u>18.9</u>
Total liabilities & equity	<u>\$ 22.1</u>
Double leverage	102%

(1) Other liabilities include short term portion of policy credit notes.

Unencumbered cash at parent company provides substantial flexibility

Potential sources of operating cash flow



- **Diverse sources of cash flow to Prudential Financial**
- **Not all dividends from regulated insurance company**
- **Businesses' growth is substantially self-funding**
- **International operations provide non-dividend sources of cash**

Parent company 2002 cash flow

<u>Inflows:</u>	(\$ millions)	<u>Est. 2002</u>
Operating Dividends:		
Prudential Holdings LLC / Prudential Insurance		\$ 170
Asset Management Holding Company		120
Other		200
Subtotal Operating Dividends		<u>490</u>
Interest Income		100
Total Normal Inflows		<u><u>\$590</u></u>
<u>Cash requirements:</u>		
Common and Class B dividends		\$245
Equity Security Units and Policy Credit Notes		75
Holding Company Net Expenses and Taxes		<u>65</u>
Total Cash Requirements		<u><u>\$385</u></u>

Borrowing capacity

	FSB Actual 9/30/02	Target
Corporate debt	<u>\$ 1,618</u>	
Corporate debt	1,618	
Equity security units (100%)	690	
Equity (excl. FAS 115)	<u>18,931</u>	
Total Capital	<u>\$ 21,239</u>	
Debt-to-capital ratio ⁽¹⁾	8.3%	<u>20%</u>
Additional borrowing capacity	<u>\$ 3,115</u>	

1) Debt-to-capital ratio includes 20% of Equity Security Units in the numerator.

Statutory balance sheet trends versus AA peers

	<u>2000</u>	<u>2001</u>
<u>Investment in Affiliates / Capital</u>		
Prudential	51%	31%
Equitable	22%	35%
John Hancock	24%	24%
Metlife	32%	43%
 <u>Risk Assets / Capital</u>		
Prudential	163%	187%
Equitable	107%	95%
John Hancock	167%	180%
Metlife	189%	239%
 <u>Liquidity Ratio</u>		
Prudential	59%	56%
Equitable	56%	52%
John Hancock	43%	39%
Metlife	55%	56%

Investment in Affiliates / Capital:
Post destacking, consistent with peers

Risk Assets / Capital:
Excluding the Closed Block, ratio would be 146%

Liquidity Ratio:
Compares favorably to AA peers

Prudential vs. AA- peers

(\$ millions, as of 12/31/01)	Total Assets	Total Adj Capital	Net Income	Return on Assets	Return on Revenue	Expense Ratio ⁽³⁾
<i>Prudential</i> ⁽¹⁾	184,194	10,026	762	0.7%	5.4%	10.2%
Average AA- Peer ⁽²⁾	16,695	1,188	36	0.9%	5.0%	15.4%
Median AA- Peer ⁽²⁾	8,575	918	46	1.0%	5.2%	16.7%
Lincoln National Life Insurance Co	73,936	3,602	68	1.0%	6.7%	12.8%
United of Omaha Life Insurance Co	11,533	970	49	1.2%	6.3%	14.9%
American United Life Insurance Co	9,854	551	(17)	0.1%	0.3%	8.0%
Provident Life & Accident Insurance Co	8,717	1,092	16	1.0%	4.1%	18.6%
UNUM Life Insurance Co of America	8,433	1,298	47	1.1%	2.5%	20.5%
Penn Mutual Life Insurance Co	7,209	866	61	1.5%	10.1%	20.6%
Security Benefit Life Insurance Co	7,174	515	16	0.4%	2.9%	8.3%
Provident Mutual Life Insurance Co	6,704	612	44	0.9%	7.0%	19.8%

- (1) Includes only Prudential Insurance Company of America statutory entity.
Excludes demutualization and destacking expenses and other non-operating items.
- (2) Average, median of top ten AA- rated companies, based on total assets
- (3) Expense Ratio is defined as total general insurance expenses over total premiums.

- Prudential compares favorably to the average AA- peer in profitability and capitalization.

Capital redeployment strategy

- **Deployment of excess capital and borrowing capacity will be made in context of our overall ratings objectives**
- **Will pursue opportunistic acquisitions that are accretive to ROE target and consistent with our business strategy**
- **Share repurchases will be included as a means to deploy capital that cannot earn an appropriate return**

Prudential's strong capital position

- **\$2 Billion of cash at parent company “readily available”**
- **\$3 Billion of unused borrowing capacity**
- **Diversified sources of cash flow to parent**
- **Insurance company has over \$2 Billion in “redundant” capital**

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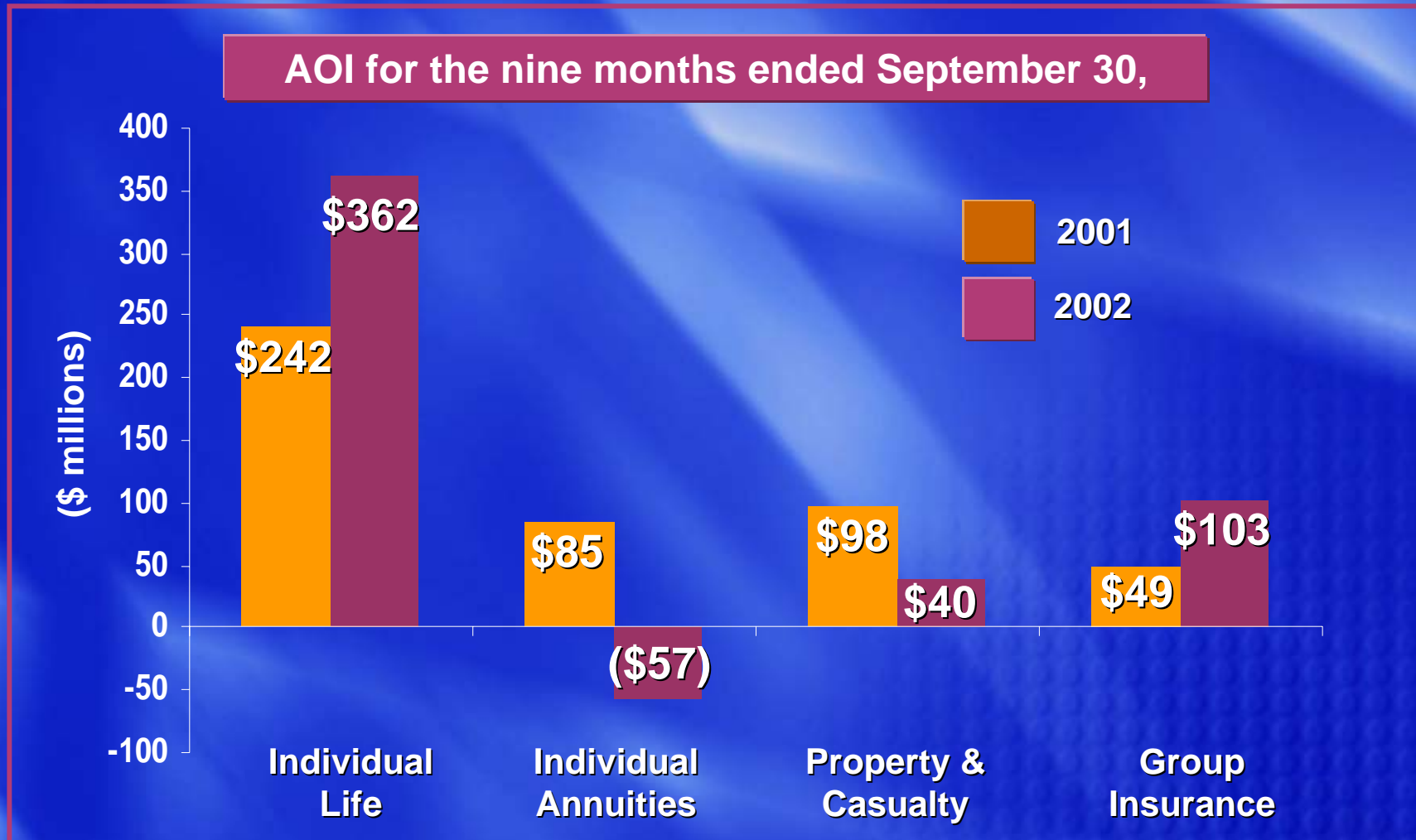
Insurance Division

Vivian Banta

**Vice Chairman
Insurance Division**

Prudential  Financial

Adjusted operating income



Contribution to overall AOI of Financial Services Businesses, 31%.

Individual Life Insurance

- **Expense reduction**
- **Product transformation**
 - Repriced Term, introduced Universal Life, maintained Variable Life strengths
- **Owned Distribution channel**
 - Upgraded quality of agent force
 - Enhanced productivity
 - Retention of sales professionals
- **Third Party distribution**

Individual Annuities

- **Challenges**
 - DAC
 - GMDB
- **Competitive product lineup**
- **Marketplace momentum**

Group Insurance

- **Group Life repricing**
- **Group Disability claims management**
- **Controlled growth**

Property & Casualty

- **Plan for business, forthcoming**
- **Meanwhile...**
 - Reducing risk and capital commitment
 - Expense reductions
 - Pricing actions

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Individual Life Insurance

Jim Avery

**Senior Vice President
Individual Life Insurance**

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Transforming the business: Individual Life Insurance

Brand

Market Focus

Products

Distribution

Expenses

Financial performance ⁽¹⁾

(\$ millions)	Year Ended December 31		Nine Months Ended September 30	
	2000	2001	2001	2002
Revenues	\$ 1,828	\$ 1,919	\$ 1,394	\$1,393
Benefits and expenses	<u>1,714</u>	<u>1,646</u>	<u>1,152</u>	<u>1,031</u>
Adjusted operating income	<u>\$ 114</u>	<u>\$ 273</u>	<u>\$ 242</u>	<u>\$ 362</u>
Pre-tax operating margin	6.2%	14.2%	17.4%	26.0%
Return on required equity ⁽²⁾				10.7%
Contribution to overall adjusted operating income of Financial Services Businesses	6.6%	21.3%	21.9%	25.2%

(1) Adjusted operating income basis

(2) After-tax equivalent

2001-2002 expense reductions

Expense reductions, versus Year 2000 expense base

(\$ millions)	Achieved	Target
Year ended 12/31/01	\$ 90	
Nine months ended 9/30/02	<u>43</u>	
	<u>\$133</u>	<u>\$ 120</u>
MEMO: Pre-tax direct equity adjustment ⁽¹⁾	\$46	

(1) For the nine months ended 9/30/02

Individual Life product line up

Pre-Demutualization

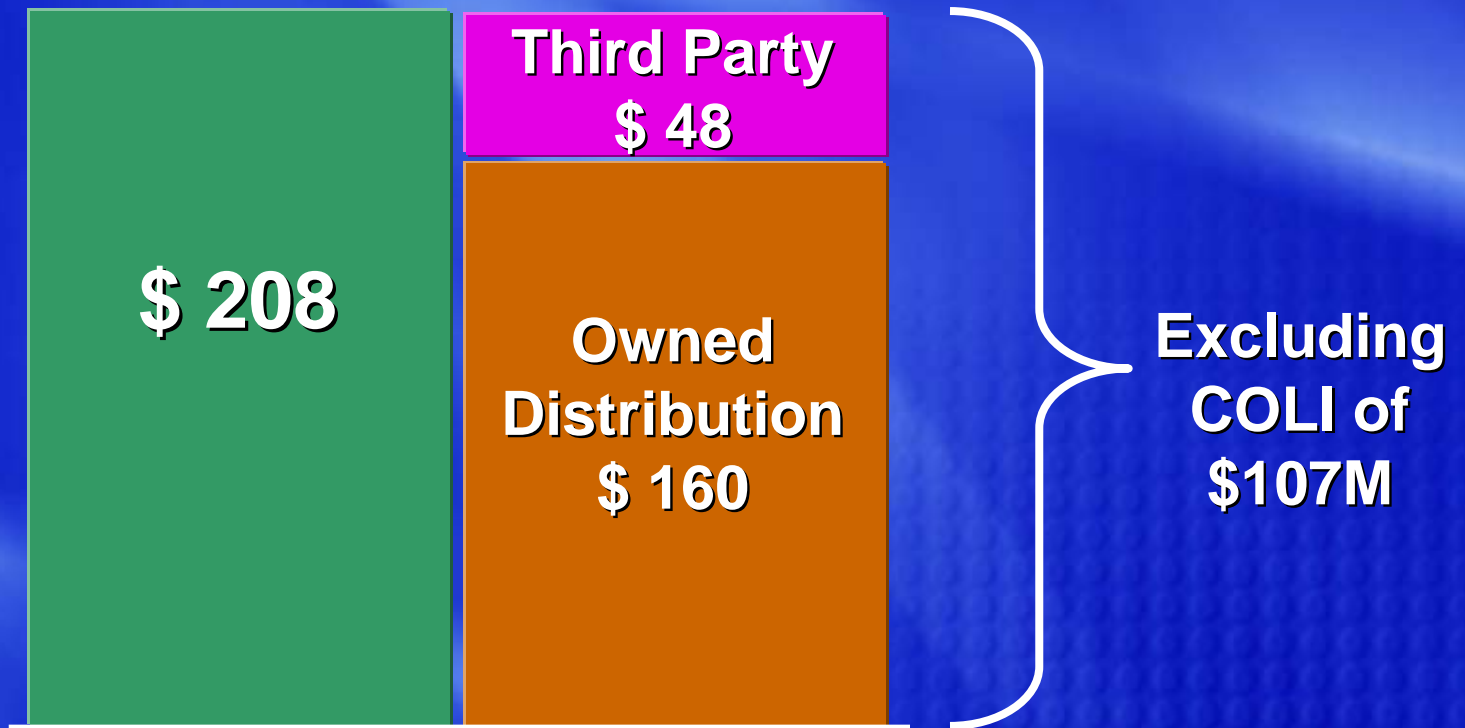
- Term
- Variable Universal Life
- Traditional Participating Products
- COLI

Current

- Term
- Variable Universal Life
- Universal Life
- COLI

Individual Life sales

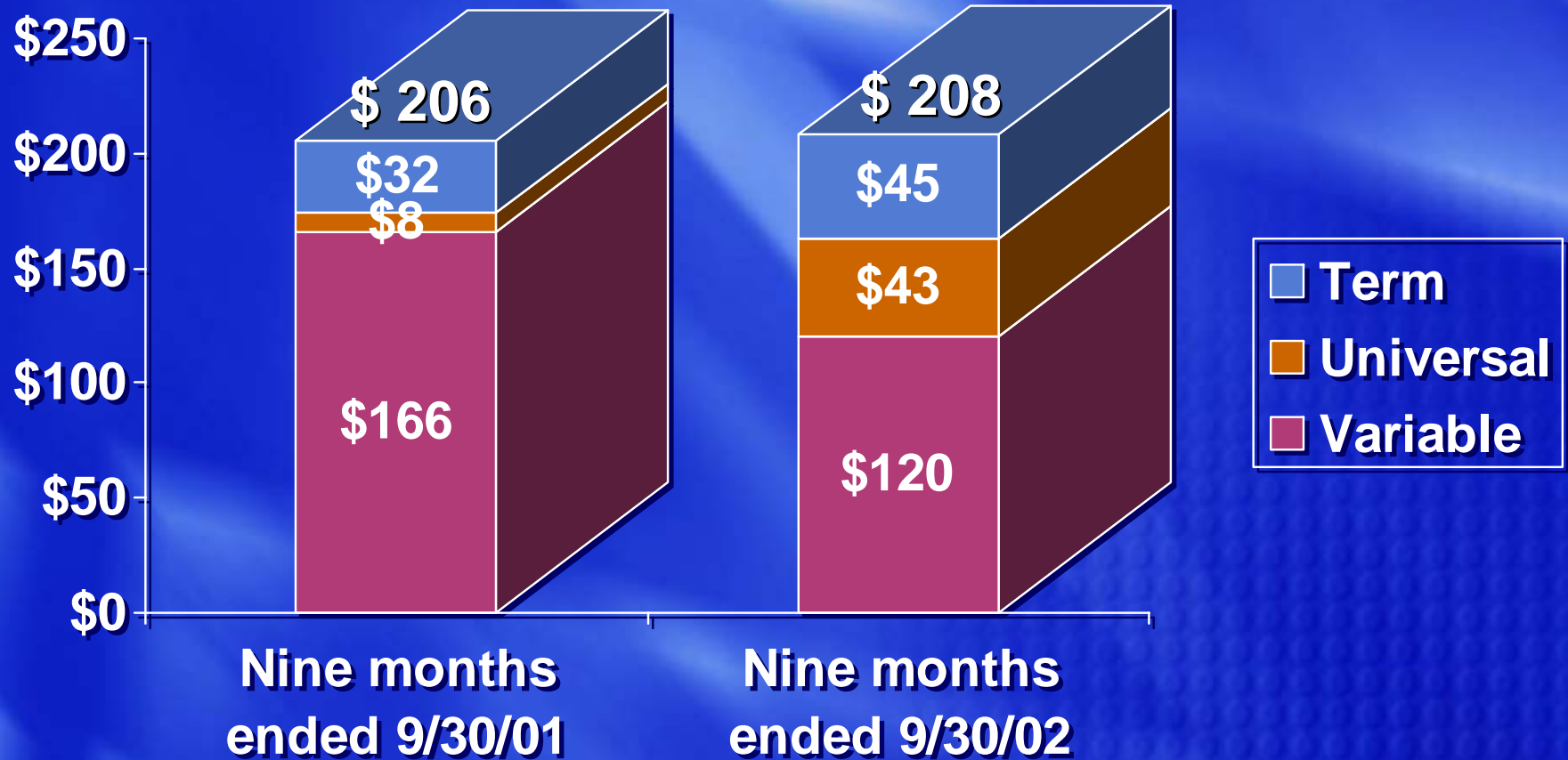
Sales ⁽¹⁾ in millions for the nine months ended September 30, 2002



(1) Statutory first year premiums and deposits

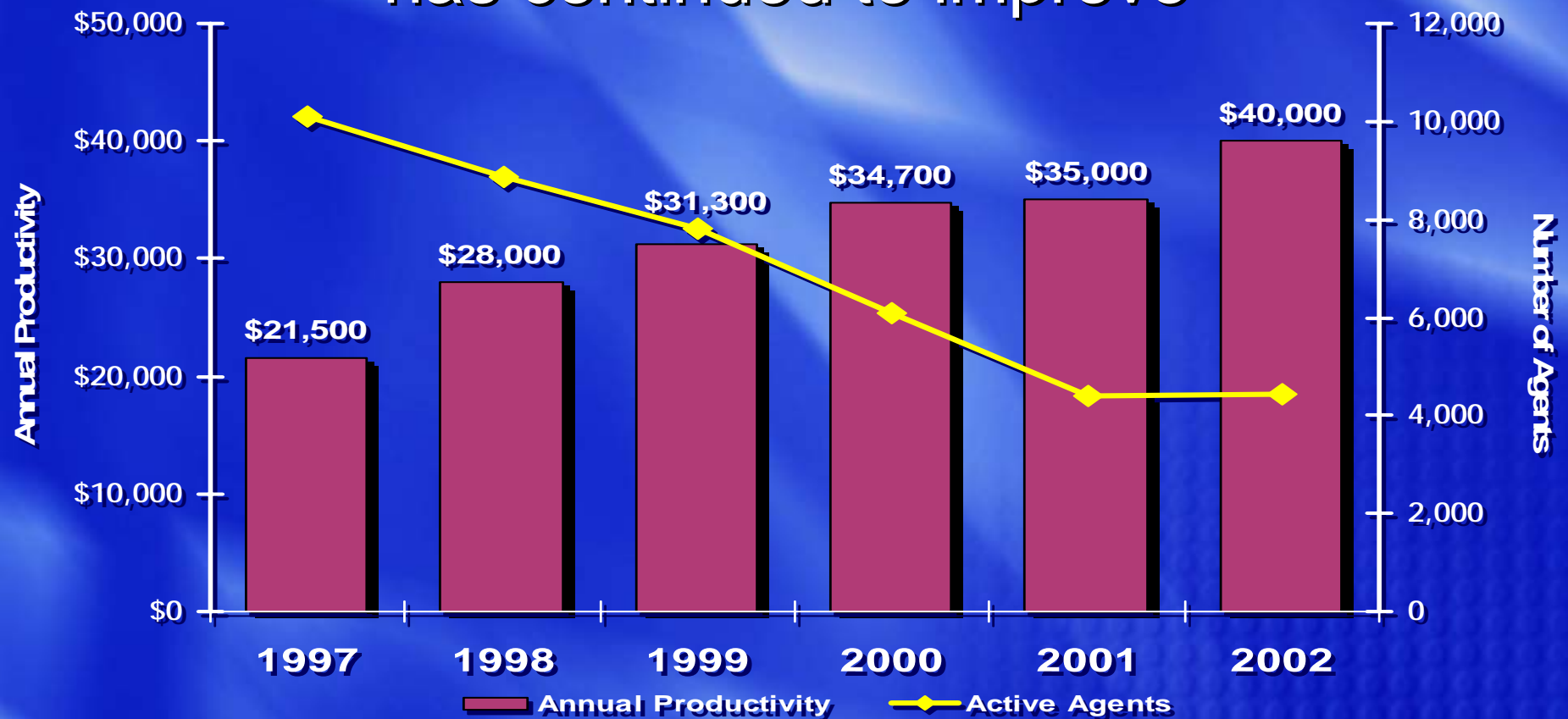
Individual Life sales

Sales ⁽¹⁾ in millions, excluding COLI



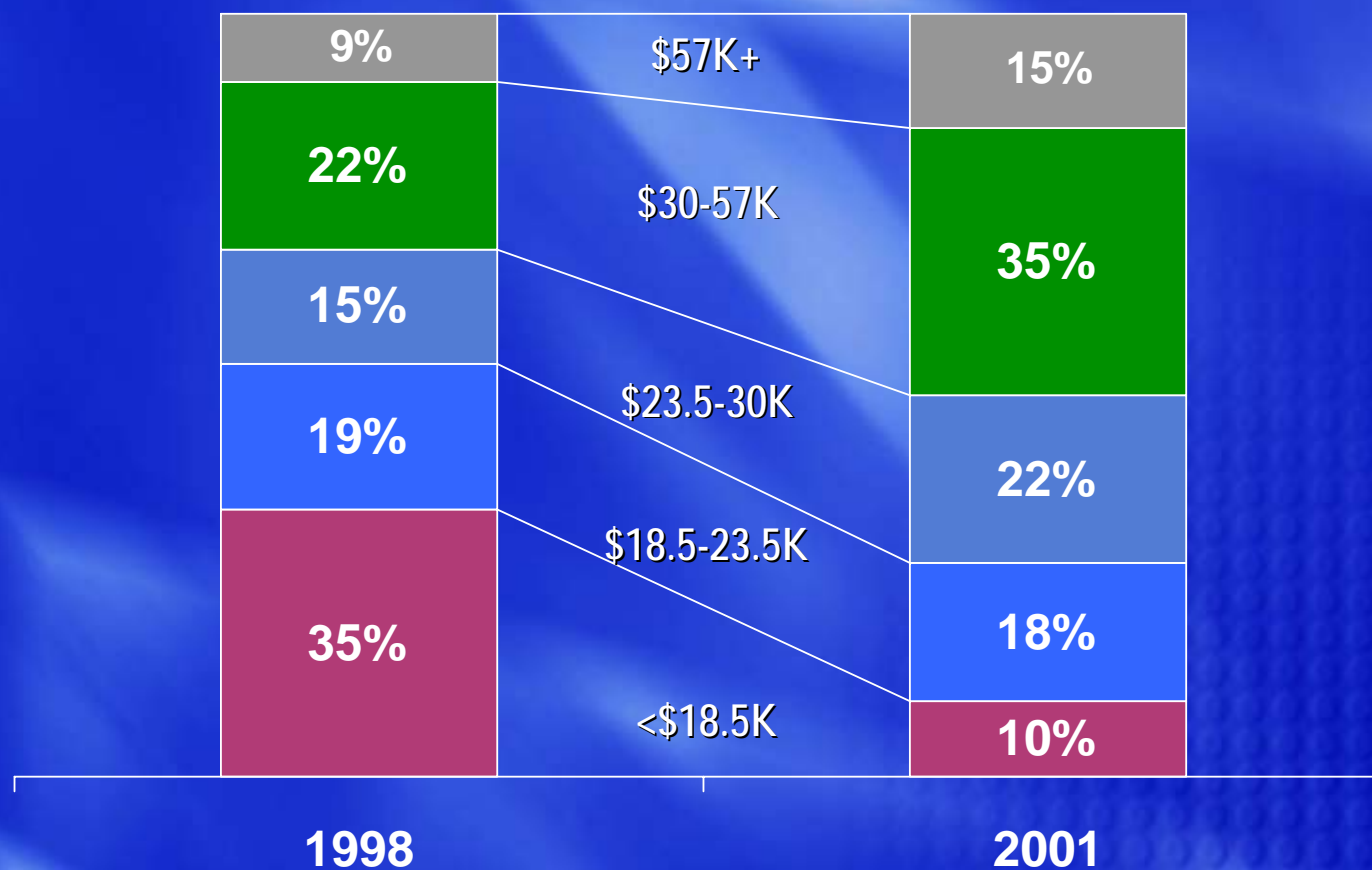
(1) Statutory first year premiums and deposits

While producer counts have decreased productivity has continued to improve



- Base force agent productivity increased 63% from \$21,500 in 1997 to \$35,000 in 2001, and is on pace to reach \$40,000 at year end 2002

Percentage of agents by productivity band



Our Premier Agents' program[®] is unique in the industry

- **Bonuses based on gross distribution revenue, new and renewal**
- **A feature that allows agents to earn [and sell] equity in their book of business**
- **Allows agents to hire their own “sub-producers” to help expand their business**

New agent performance continues to improve

Average weekly production

New agents ⁽¹⁾ 2002	Nine months ended September 30		
	2001	2002	change
1,356	\$ 414	\$ 547	+32 %

(1) New agents are those hired in the last four years

- New agent productivity in 2002, through September 30, up 32% vs. the year-ago period
- 64% of current year hire agents producing over \$400 per week
- Life insurance commissions account for 65% of total current year commissions

Summary

- **Realized significant expense reductions**
- **Designed and implemented competitive new life insurance product portfolio**
- **Improved field force quality, and productivity of new and veteran agents**
- **Stabilized our number of agents**
- **Began transformation of third-party distribution channel**
- **Achieved significant improvement in financial performance**

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Individual Annuities

David Odenath

**Senior Vice President
Annuities**

Prudential  Financial

Recent performance

- **Declining earnings driven primarily by lower asset valuations**
 - **DAC unlockings; higher GMDB**
 - **Lower fee revenue, partially offset by expense reductions**
- **But, improving drivers indicate strengthened competitive position**

Financial performance ⁽¹⁾

(\$ millions)	Year Ended December 31		Nine Months Ended September 30	
	2000	2001	2001	2002
Revenues	\$ 913	\$ 801	\$ 616	\$ 559
Benefits and expenses	<u>766</u>	<u>694</u>	<u>531</u>	<u>616</u>
Adjusted operating income	<u>\$147</u>	<u>\$ 107</u>	<u>\$ 85</u>	<u>(\$57)</u>
Pre-tax operating margin	16.1%	13.4%	13.8%	(10.2%)
Contribution to overall adjusted operating income of Financial Services Businesses	8.5%	8.3%	7.7%	N.M.

(1) Adjusted operating income basis

DAC unlocking

- **DAC unlocking charges of \$137 million for the nine months ended September 30, 2002**
- **Ending DAC balance of \$485 million at September 30, 2002**
 - **2.7% of annuity AUM**
 - **about 2% of Financial Services Businesses equity**

Guaranteed Minimum Death Benefit (GMDB) Guaranteed Minimum Income Benefit (GMIB)

- Of \$15.0 billion in variable annuity total account value, \$9.4 billion have an enhanced death benefit
- “At risk” amount: \$3.7 billion at September 30, 2002
- Expense (payments) in the nine months ended September 30, 2002 was \$26 million
- Our exposure to guaranteed minimum income benefits is minimal

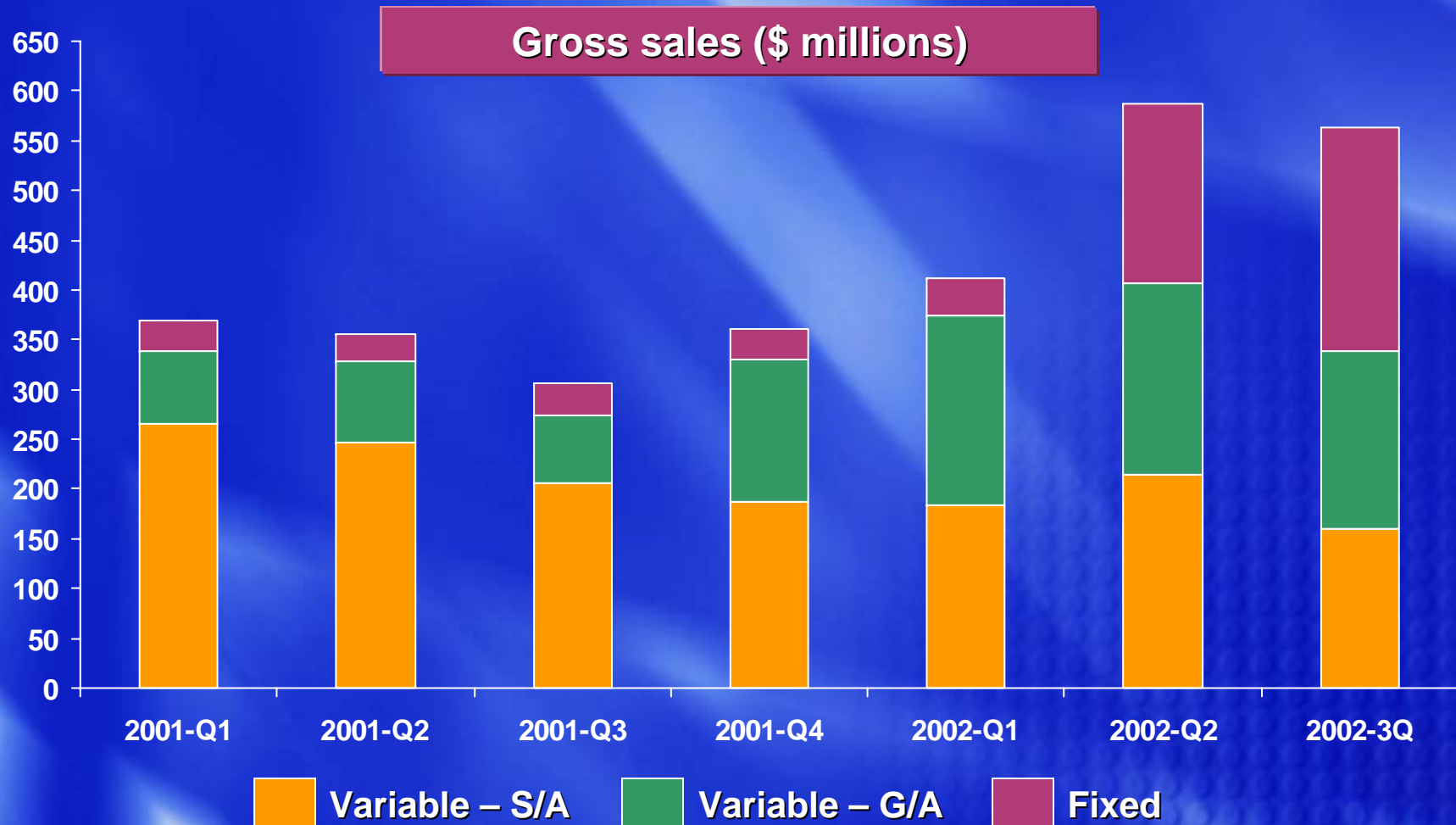
Improving drivers

- **More competitive products (e.g., features and rates)**
 - Introduced five variable annuity products
 - Several product enhancements and upgrades
 - Further product enhancements and market value adjustment product planned for early 2003
- **Top quartile service as measured by Dalbar (#9 out of 40 companies as of September, 2002)**
- **Broader distribution through third party channels**
- **Increasing sales; lower net redemptions**

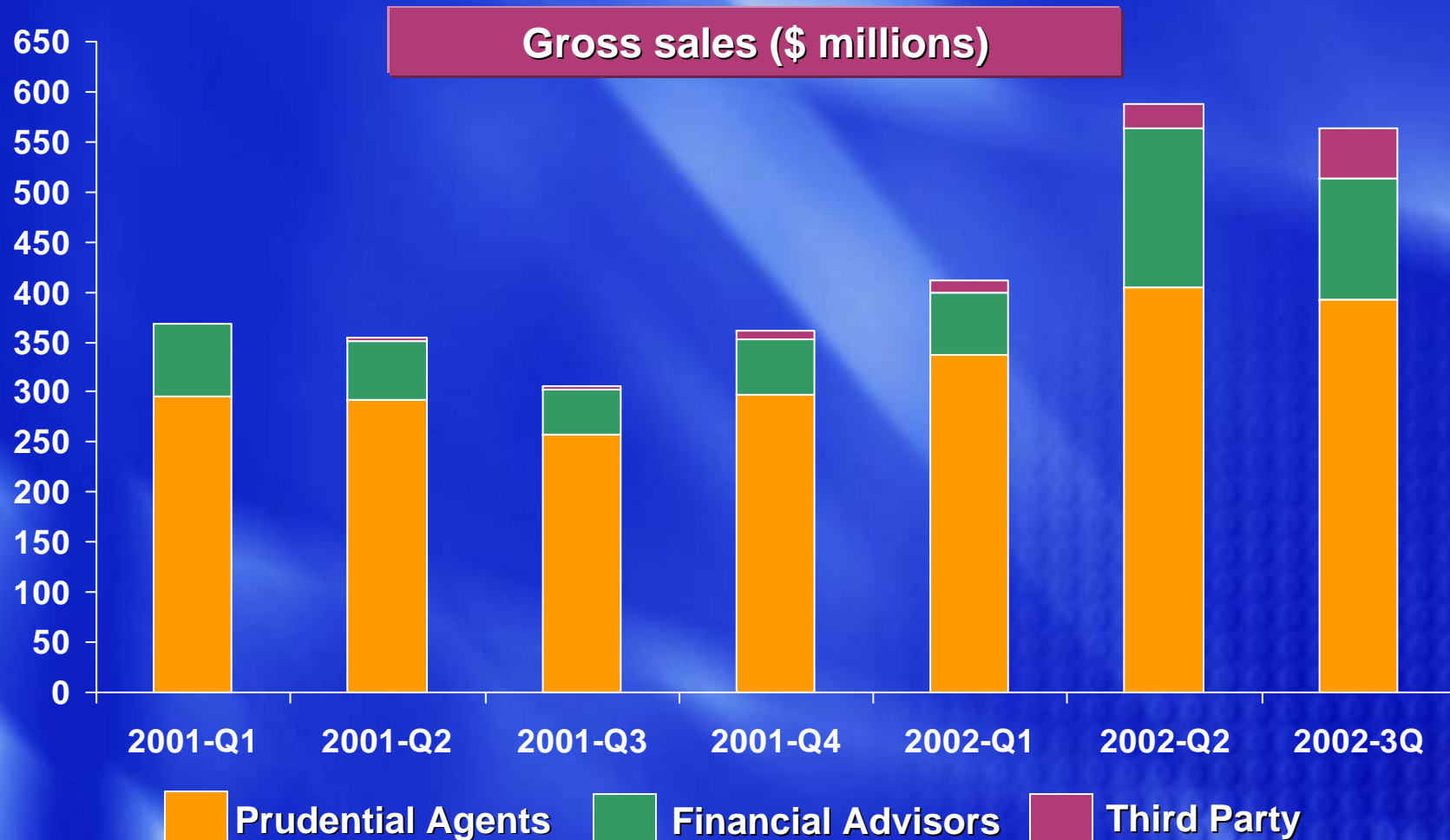
Product enhancements

- **Broader product line (B, C, and L share products)**
- **Competitive pricing of fixed annuities and fixed rate options of variable annuities**
- **Competitive dollar cost averaging rates**
- **Major systems conversion completed: product update efficiency, lower maintenance costs**
- **Market value adjustment product under development**

Gross sales trends - Product



Gross sales trends - Distribution channel



Summary

- **DAC/GMDB are manageable**
- **Improved product competitiveness**
- **Improved service**
- **Increasing sales**
- **Broadening distribution**

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Group Insurance

Edward Baird

**Senior Vice President
Group Insurance**

Prudential  Financial

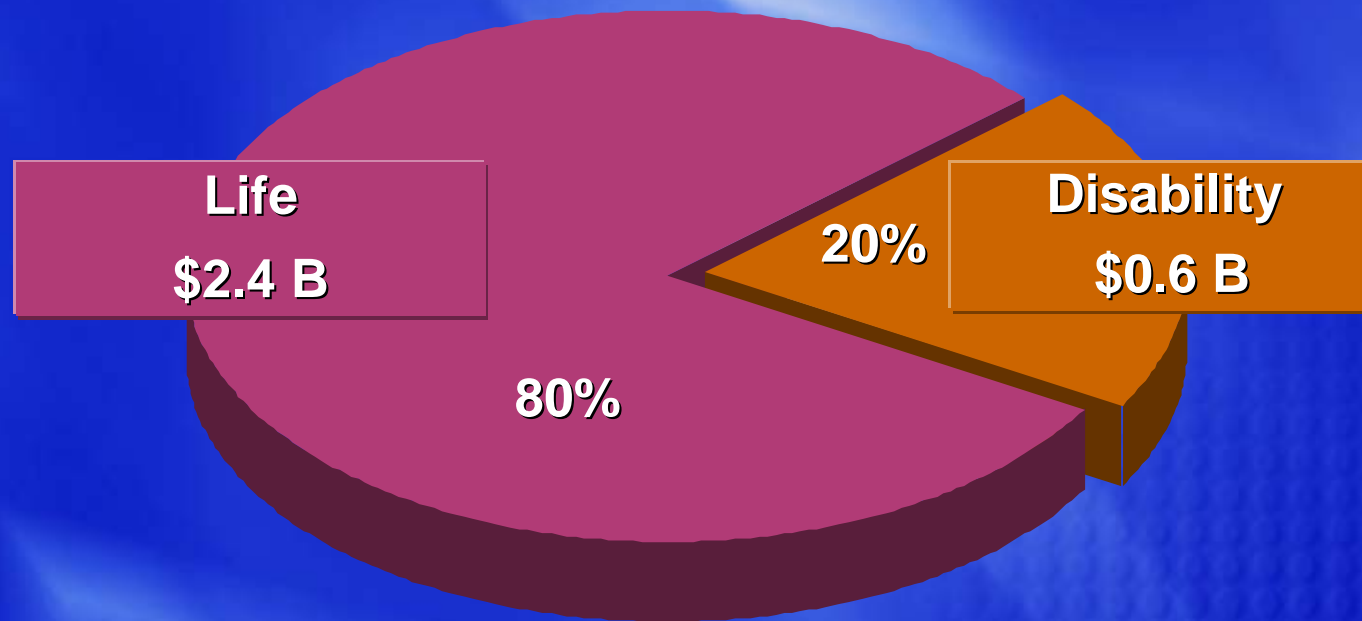
Financial performance ⁽¹⁾

(\$ millions)	Year Ended December 31		Nine Months Ended September 30	
	2000	2001	2001	2002
Revenues	\$ 2,801	\$3,248	\$ 2,412	\$2,671
Benefits and expenses	<u>2,643</u>	<u>3,178</u>	<u>2,363</u>	<u>2,568</u>
Adjusted operating income	<u>\$158</u>	<u>\$ 70</u>	<u>\$ 49</u>	<u>103</u>
Pre-tax operating margin	5.6%	2.2%	2.0%	3.9%
Return on required equity ^(b)				11.1%
Contribution to overall adjusted operating income of Financial Services Businesses	9.2%	5.5%	4.4%	7.2%

(1) Adjusted operating income basis

(2) After-tax equivalent

2002 Earned premiums (1)



(1) Annualized based on nine months ended 9/30/02

Market position

	2002	
	Rank	Market Share
<i>Life:</i>		
Sales	2	14.4%
Inforce	2	15.9%
<i>LTD:</i>		
Sales	5	4.7%
Inforce	6	5.6%
<i>STD:</i>		
Sales	4	6.5%
Inforce	4	6.1%

Source: LIMRA for Life and JHA for Disability, 2002 rankings are as of June 30, 2002

Strategy

- **Improve the profitability of our inforce business**
- **Selectively acquire new business and increase penetration of our current inforce business**

Group Insurance benefit ratios

	Year ended December 31	Nine months ended September 30	
	2000	2001	2002
Group Life	85.8%	93.9%	92.6%
Group Disability	101.9%	95.3%	88.1%

Profitability | Life

- **Targeting under-performing cases through our rerate initiative or selective lapsing**
 - Half of book reviewed in 2002 with pricing adjustments implemented where appropriate
 - Loss ratio of lapsed cases $>100\%$
- **Retaining profitable business**

Profitability | Disability

- **Underwriting discipline**
 - Focus on industry segmentation
 - Controlled plan designs
 - Improve underwriting margin
- **Claims Management**
 - Clinically centered claim management system that supports an effective workflow process
 - Complex claim unit

Group Insurance persistency levels

- **Client Management**
- **Client Service**

Persistency

	2000	2002 ⁽¹⁾
Life	95%	95%
Disability	90%	87%

(1) Full year estimate

Selectively acquiring new business; growth is slowing

Total new annualized premiums



(1) 2001 includes one large case life sale of approximately \$100M

(2) Estimated

Group Insurance summary

- **Strong market presence**
- **Strong client management and service**
- **Focus on improved margin**
 - **Appropriate pricing actions**
 - **Effective disability claims management**

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Investment Division

John Strangfeld

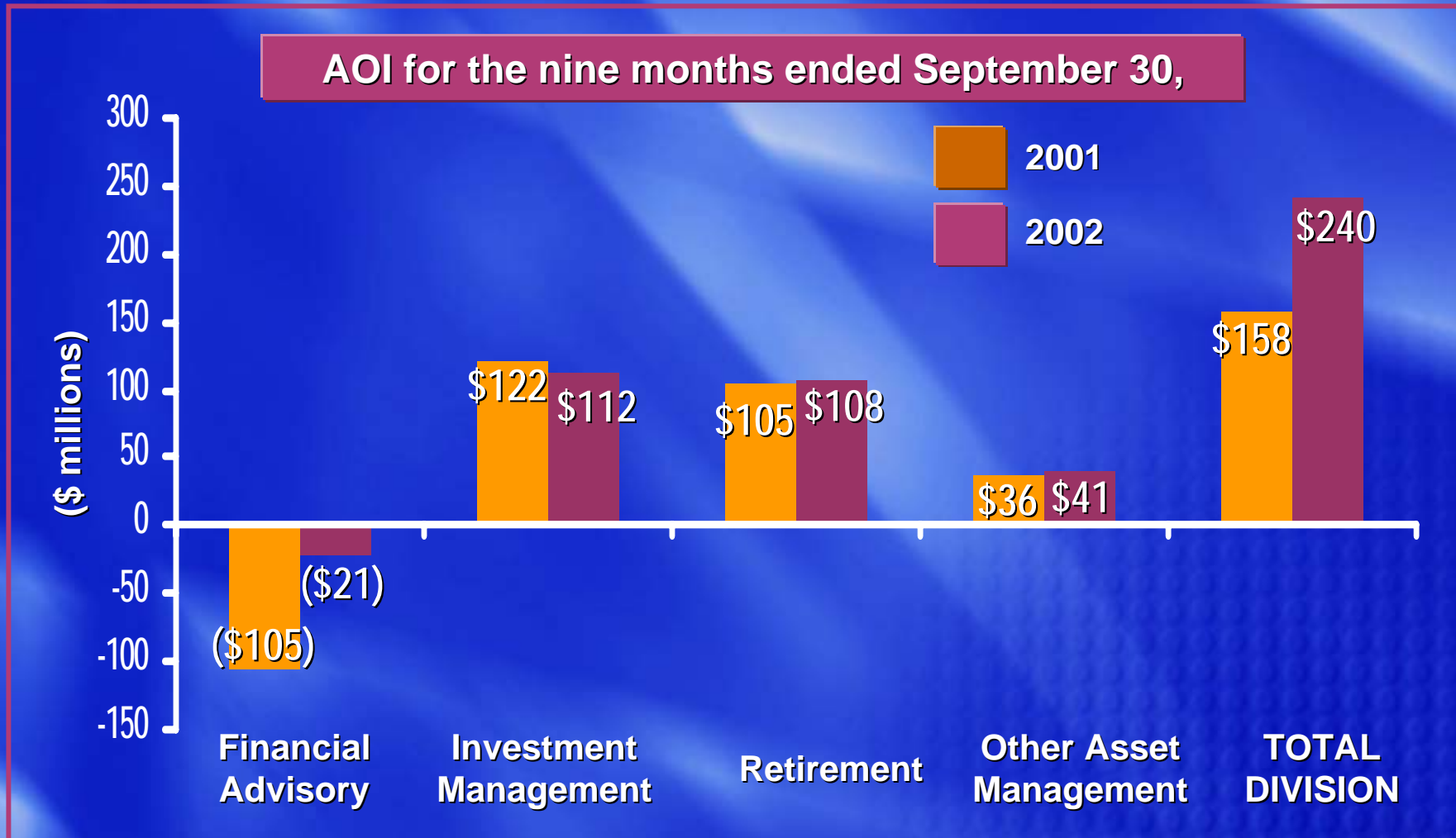
**Vice Chairman
Investment Division**

Prudential  **Financial**

The Investment Division has four segments

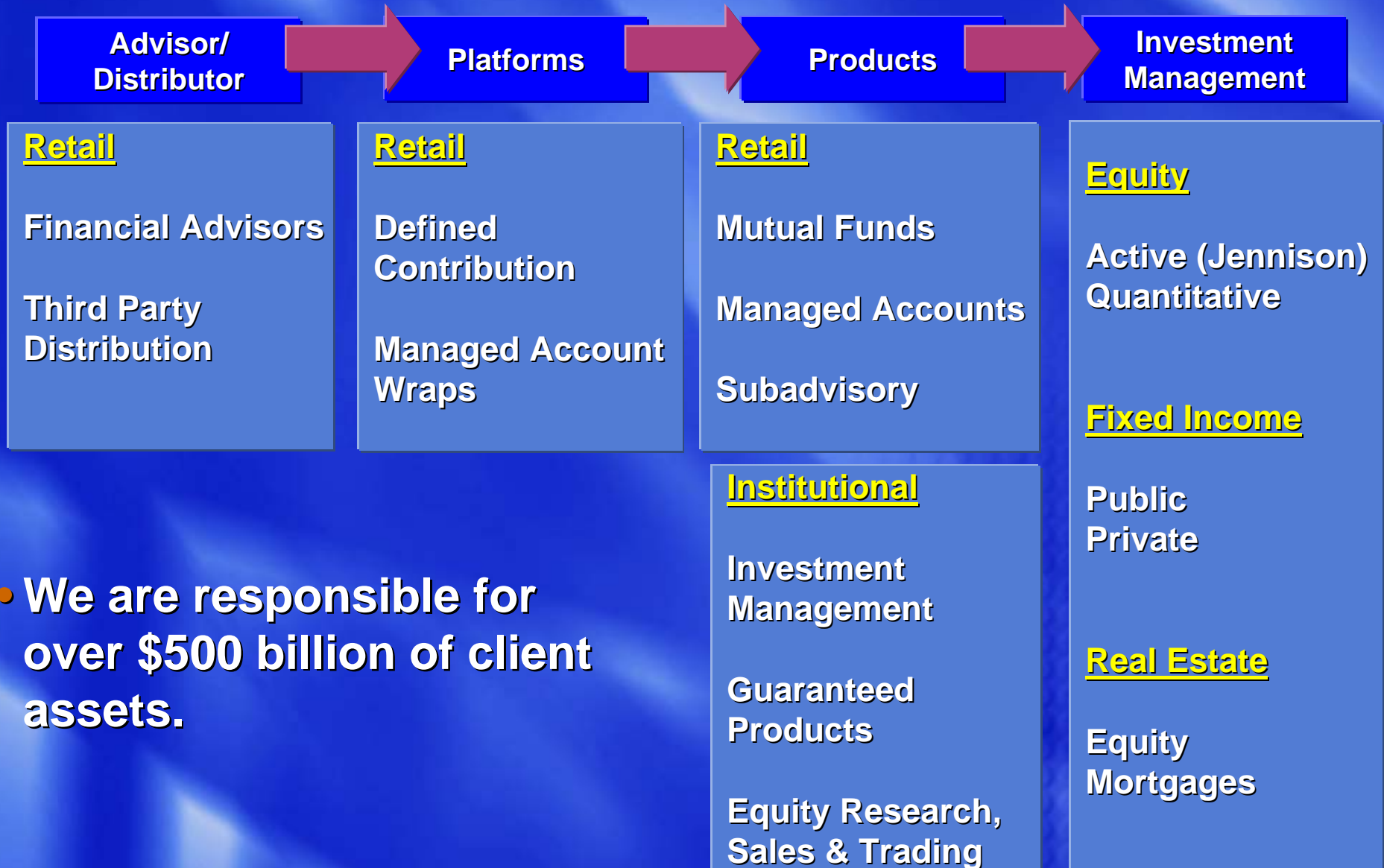
- **Financial Advisory**
- **Investment Management**
- **Retirement**
- **Other Asset Management**

Adjusted operating income



Contribution to overall AOI of Financial Services Businesses, 17%.

We participate in the investment business in four ways



- We are responsible for over \$500 billion of client assets.

Prudential's standing as an asset manager

2001 Top Asset Managers ⁽¹⁾		
Rank	Firm	AUM (\$bn)
1	Fidelity Investments	1,008
2	Deutsche Asset Mgmt	749
3	Vanguard Group	606
4	JP Morgan Fleming	605
5	Merrill Lynch	529
6	Alliance Capital	455
7	Citigroup Asset Mgmt	417
8	Morgan Stanley	416
9	UBS Global Asset Mgmt	400
10	Prudential Financial	388
11	Capital Research	367
12	Northern Trust Global	330
13	Zurich Scudder	328
14	Putnam Investors	315
15	AIG Global	313
16	Wellington	307
17	Goldman Sachs	306
18	Credit Suisse Asset Mgmt	304
19	TIAA-CREF	274
20	Franklin Templeton	266

Source: Pension & Investments

⁽¹⁾ Excludes primarily passive managers

Guaranteed Products business mix

- **Spread Business:**
 - Represents majority of P&L and capital usage
 - Consists largely of group annuity purchases for Defined Benefit plans, GICs, and Funding Agreements
 - Total liabilities of \$18.7 billion as of 9/30/02
- **Fee Business:**
 - Consists of wrap and separate account activities
 - Proprietary ratio exceeds 85%
 - Total liabilities of \$19.9 billion as of 9/30/02

Guaranteed Products business overview

- **One of the largest insurance company managers of traditional spread products**
- **Current block of annuity and GIC business is stable**
- **Expect to launch FANIP program within next quarter**
- **Substantial balance sheet capacity for new spread business upon upgrade to AA**
- **Leverages Prudential's deep strength in private placements and other fixed income categories**

Investment Division strategic priorities

- **Transform and turn around Private Client Group**
- **Expand distribution through third party channels**
- **Continue to build commercial momentum in asset management**
- **Actively manage headcount and expenses**

Investor Day

December 4, 2002

Prudential  Financial

Financial Advisory

Michael J. Rice

**President
Private Client Group**

Prudential  Financial

Financial Advisory segment

Financial Advisory Segment

Private Client Group
(PCG)

Equity Securities Sales
and Trading

Financial performance ⁽¹⁾

(\$ millions)	Year Ended December 31		Nine Months Ended September 30	
	2000	2001	2001	2002
Revenues	\$ 3,233	\$ 2,622	\$ 1,989	\$ 1,805
Benefits and expenses	<u>2,875</u>	<u>2,764</u>	<u>2,094</u>	<u>1,826</u>
Adjusted operating income	<u>\$ 358</u>	<u>(\$ 142)</u>	<u>(\$105)</u>	<u>(\$21)</u>
Pre-tax operating margin	11.1%	(5.4%)	(5.3%)	(1.2%)
Contribution to overall adjusted operating income of Financial Services Businesses	20.7%	N.M	N.M.	N.M.

(1) Adjusted operating income basis

PCG earnings model

Number of FAs

X

Assets per FA

X

Revenue Yield

Plus

Lending Revenue
& Fees

=

Revenue

Less

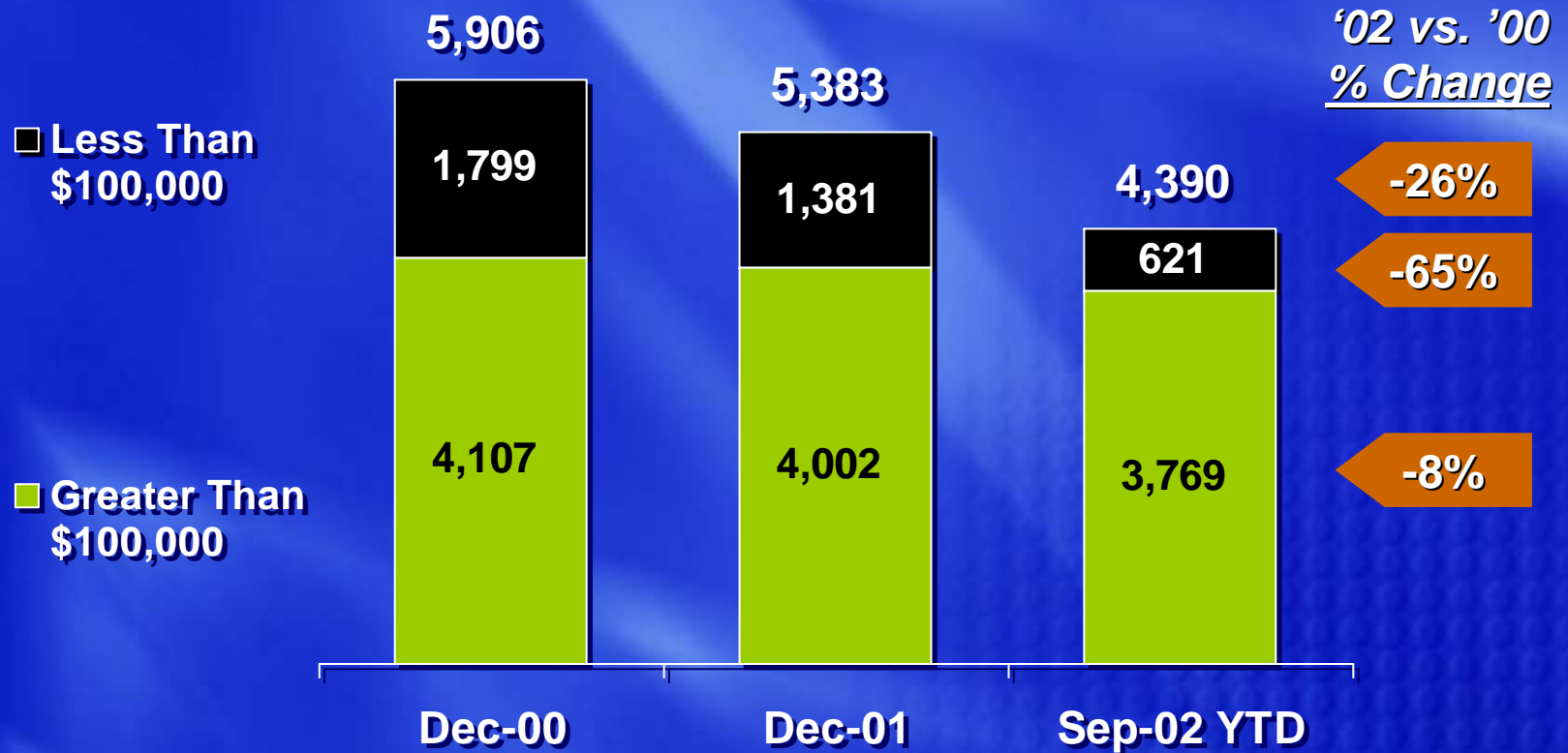
Expense Structure

=

Pre Tax Income

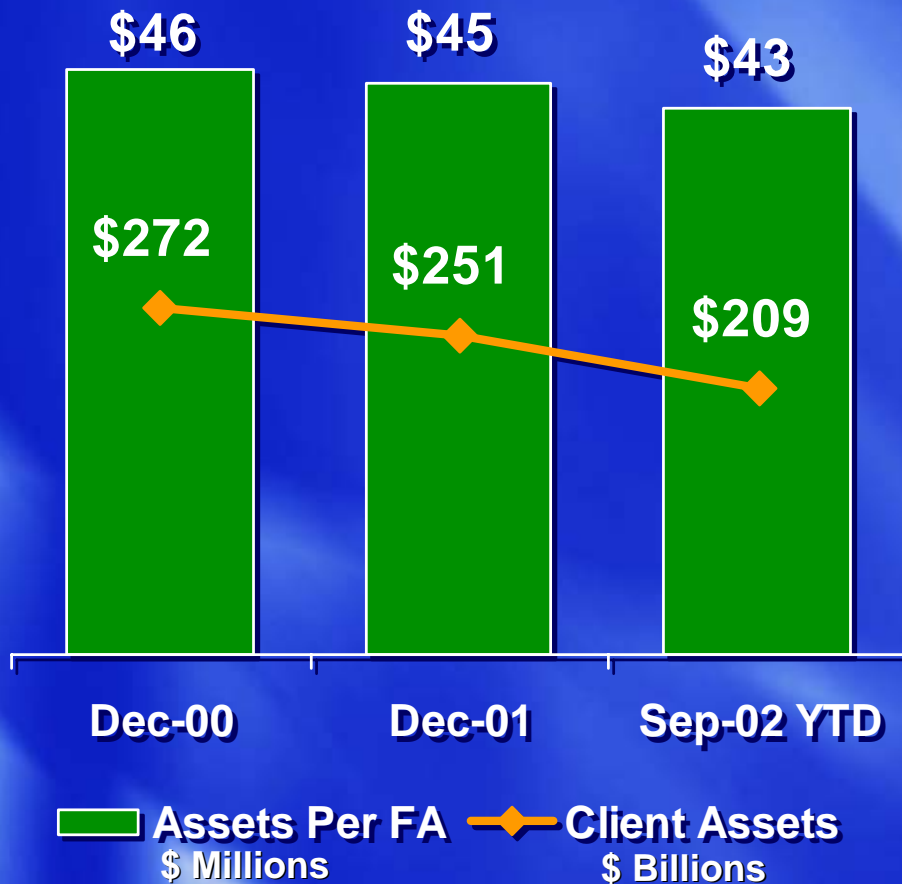
Retail FA headcount by production level

Number of FAs	Assets Per FA	Revenue Yield	Account Fee Structure	Expense Structure
---------------	---------------	---------------	-----------------------	-------------------



Assets per FA

Number of FAs	Assets Per FA	Revenue Yield	Account Fee Structure	Expense Structure
---------------	---------------	---------------	-----------------------	-------------------

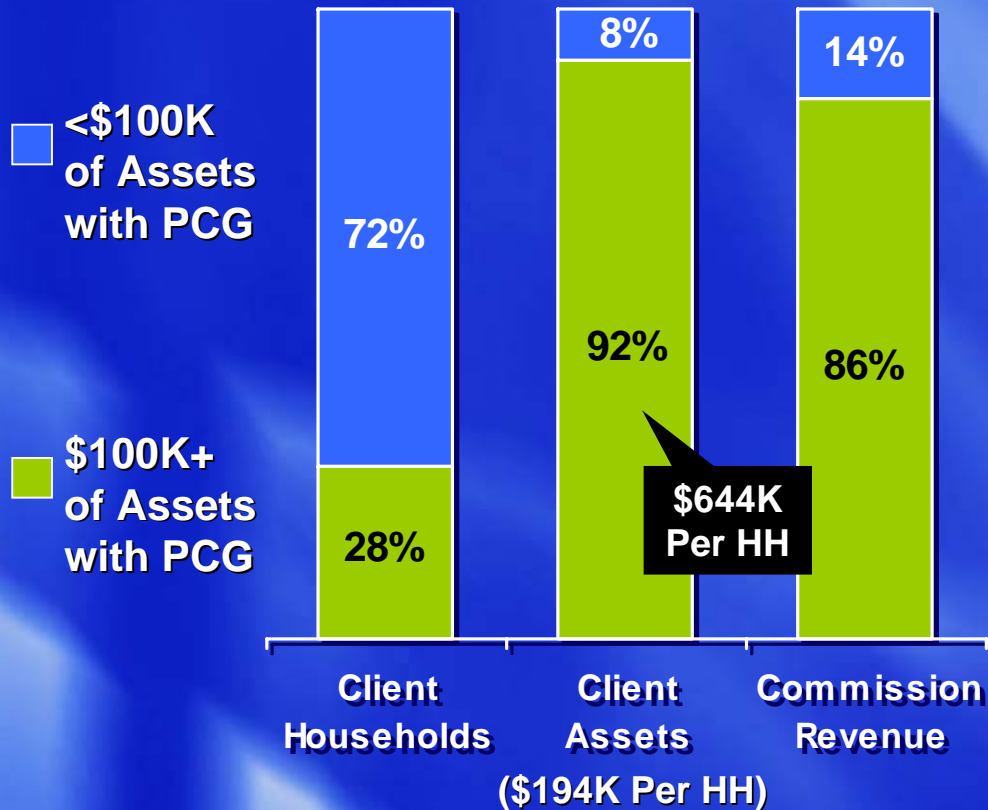


- Total assets declined 17% in first nine months of 2002 vs. 29% for S&P Index
- Assets per Financial Advisor decreased 4%

PCG target clients

Number of FAs	Assets Per FA	Revenue Yield	Account Fee Structure	Expense Structure
---------------	---------------	---------------	-----------------------	-------------------

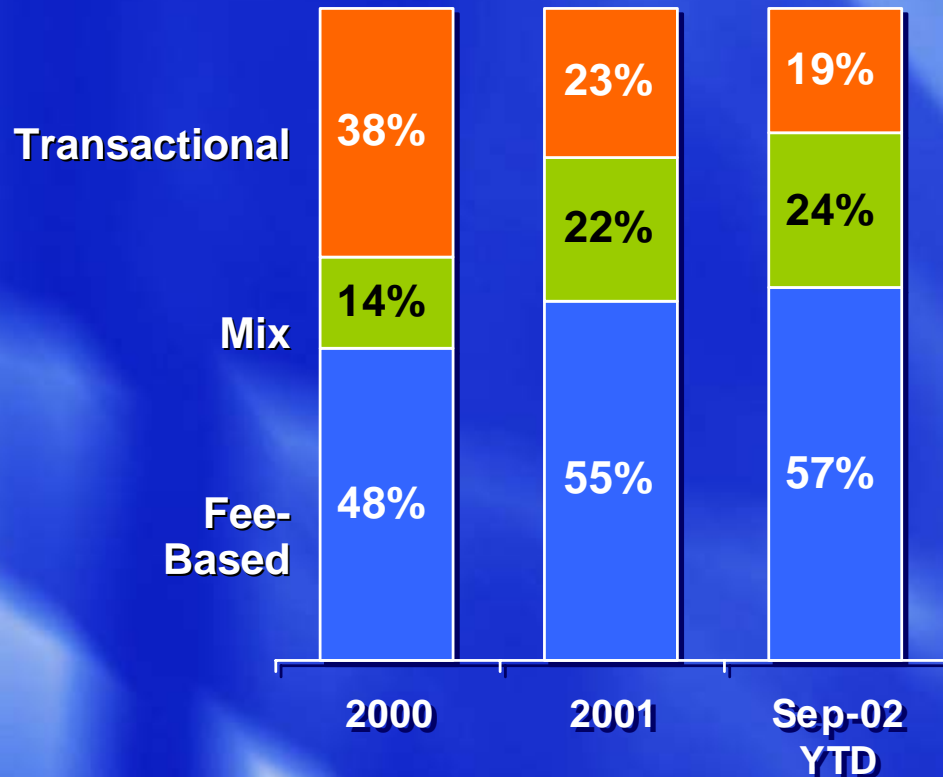
As of September 2002



- Households with greater than \$100,000 with PCG represent 92% of client assets and 86% of production revenue
- Increased focus on affluent clients will lead to improved productivity and cost efficiency
- National Client Center provides a more efficient service platform for less affluent clients

FA style of business

Number of FAs	Assets Per FA	Revenue Yield	Account Fee Structure	Expense Structure
---------------	---------------	---------------	-----------------------	-------------------



- Through training, education and promotion of fee-based programs, FAs are adopting a consultative style of business
- Fee-based advisors (50%+ revenue in recurring fee-based products) have grown to more than 50% of our FAs
- Client assets of fee-based advisors' are more than twice the client assets of transactional FAs

Revenue yields

Number of FAs	Assets Per FA	Revenue Yield	Account Fee Structure	Expense Structure
---------------	---------------	---------------	-----------------------	-------------------



- Mutual fund & wrap yields are 20-30 basis points higher than transactional
- Fee-based products provide more consistent revenue and earnings
- Since September 2001, transactional revenues have declined 11% vs. 6% in mutual funds and wrap

Excludes Retail Debt Capital Markets, Consumer Banking, Equity Security sales & trading

Revenue per retail FA

Number of FAs	Assets Per FA	Revenue Yield	Account Fee Structure	Expense Structure
---------------	---------------	---------------	-----------------------	-------------------

\$ Thousands



■ Productivity per FA —■ % of Peer Group*

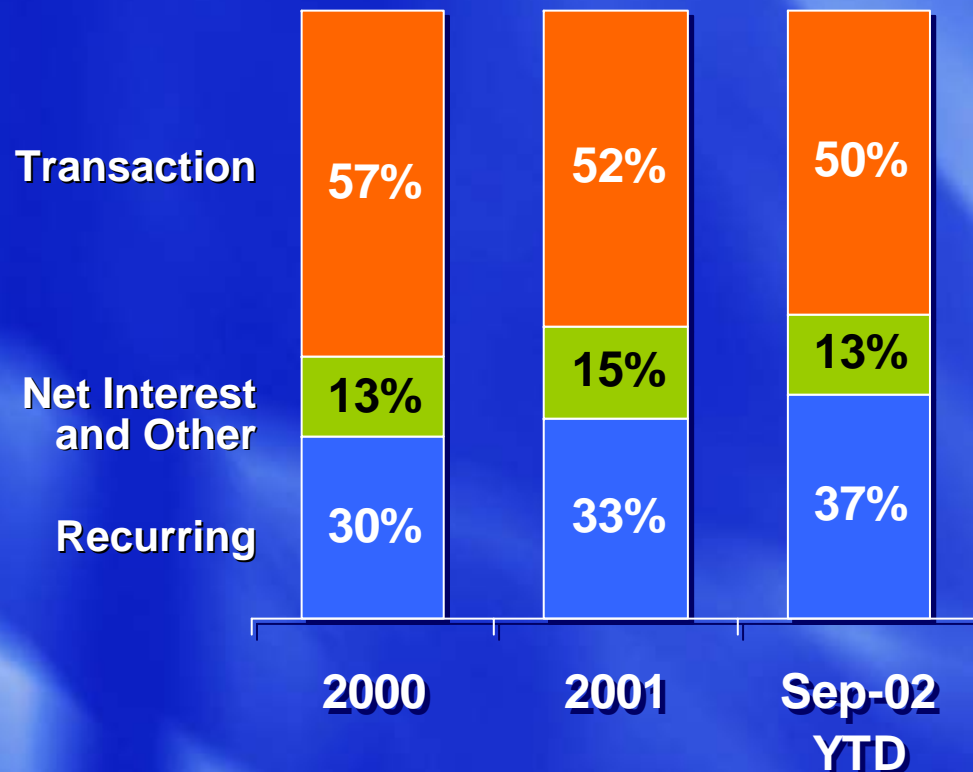
2002 improvement in productivity per FA:

- Reduction in lower producing FAs
- Increase in account & service fee revenue

*McLagan Partners Survey of "Four Member Firms": ML, MS, PSI, PW

Revenue mix as a percent of total

Number of FAs	Assets Per FA	Revenue Yield	Account Fee Structure	Expense Structure
---------------	---------------	---------------	-----------------------	-------------------



- Higher recurring revenue percent due to continued focus on fee-based business and lower transaction volumes
- Lower Net Interest primarily driven by a decrease in margin debit balances

Excludes Consumer Banking and Equity Security sales & trading

Account service fee revenue

Number of FAs	Assets Per FA	Revenue Yield	Account Fee Structure	Expense Structure
---------------	---------------	---------------	-----------------------	-------------------



- Revised pricing policy for account and service fees effective January 1, 2002
- Changes brought pricing to competitive levels

Excludes Retail Debt Capital Markets, Consumer Banking, Equity Security sales & trading

Expense reduction initiatives

Number of FAs	Assets Per FA	Revenue Yield	Account Fee Structure	Expense Structure
---------------	---------------	---------------	-----------------------	-------------------

PCG Fixed General & Administrative Expenses*

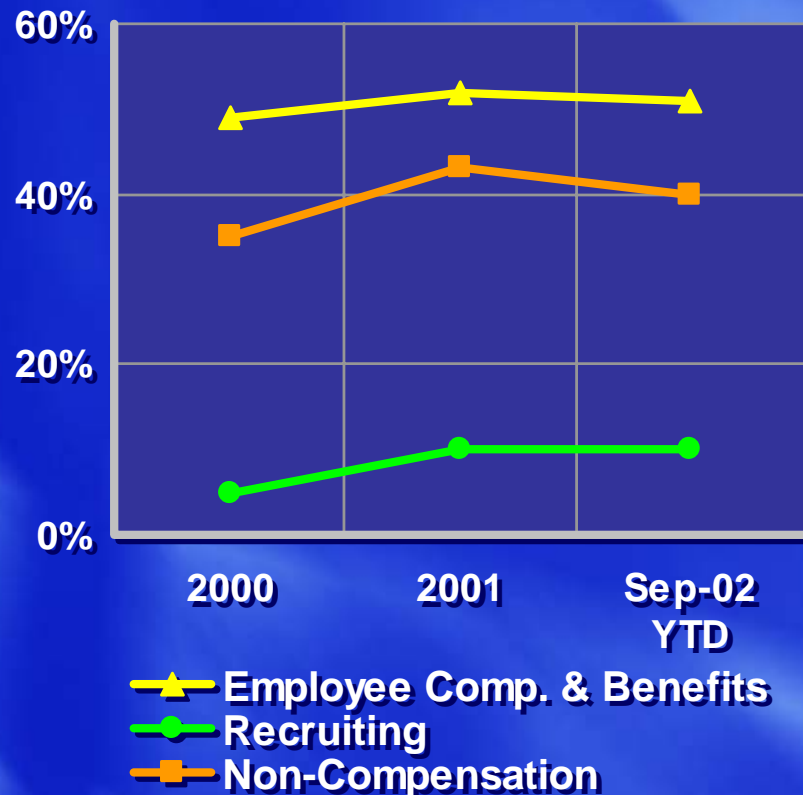
	Sep-01 YTD	Sep-02 YTD	
Direct	\$532	\$432	-19%
Indirect	\$279	\$238	-15%
Total G&A	\$811	\$670	-17%

* Excludes Consumer Banking and Rightsizing & Restructuring Costs

- 27% reduction in Firm non-sales staff from 2000
- Closure and consolidation of branch offices, 16% reduction from 2000
- Reductions in trade processing & systems development costs
- Other operating efficiencies (e.g. market data services, sales promotion)

PCG expenses as a % of total revenue

Number of FAs	Assets Per FA	Revenue Yield	Account Fee Structure	Expense Structure
---------------	---------------	---------------	-----------------------	-------------------



- Employee comp & benefits, excluding recruiting, remain stable in proportion to revenue
- Non-compensation ratio will improve through efficiency enhancement initiatives
- Recruiting cost ratio will improve through lower attrition

Private Client Group summary

- **Investor focused strategy**
- **Target clients are the affluent and wealthy**
- **Decrease in number of FAs primarily driven by low producer attrition**
- **Deferred compensation plan continues to lower attrition of higher producing FAs**
- **Fee-based solutions drive objectivity, revenue consistency, and higher return on assets**
- **Transformation and cost reductions drive margin improvements**

Investor Day

December 4, 2002

Prudential  Financial

Investment Management

Bernard Winograd

President

Prudential Investment Management

Prudential  **Financial**

Financial performance ⁽¹⁾

(\$ millions)	Year Ended December 31		Nine Months Ended September 30	
	2000	2001	2001	2002
Revenues	\$ 1,467	\$ 1,357	\$ 1,022	\$926
Benefits and expenses	<u>1,262</u>	<u>1,216</u>	<u>900</u>	<u>814</u>
Adjusted operating income	<u>\$ 205</u>	<u>\$ 141</u>	<u>\$ 122</u>	<u>\$ 112</u>
Pre-tax operating margin	14.0%	10.4%	11.9%	12.1%
Return on required equity ⁽²⁾				15.6%
Contribution to overall adjusted operating income of Financial Services Businesses	11.9%	11.0%	11.0%	7.8%

(1) Adjusted operating income basis

(2) After-tax equivalent

Prudential Investment Management asset flows 1/1/2000 - 9/30/2002

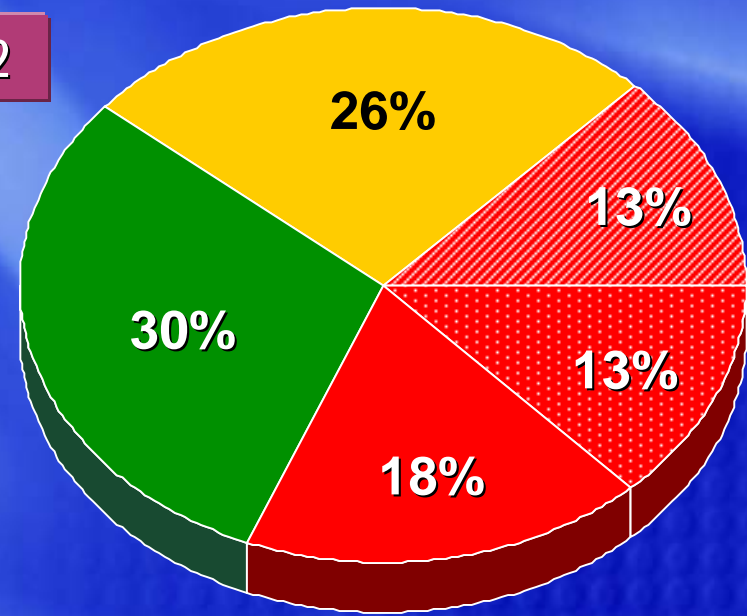
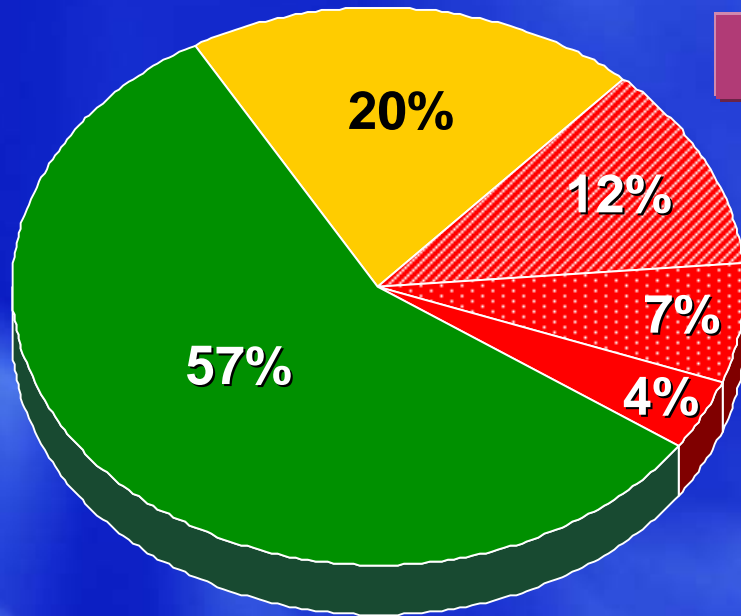
(\$ billions)	
1/1/2000 AUM	\$ 313.2
Depreciation	(21.6)
Net Flows	(9.4)
Investment Unit Sale	(5.6)
9/30/2002 AUM	276.6

Prudential Investment Management

Proprietary Assets Under Management
by Asset Class
\$277 Billion

Revenues
by Asset Class

As of 9/30/02



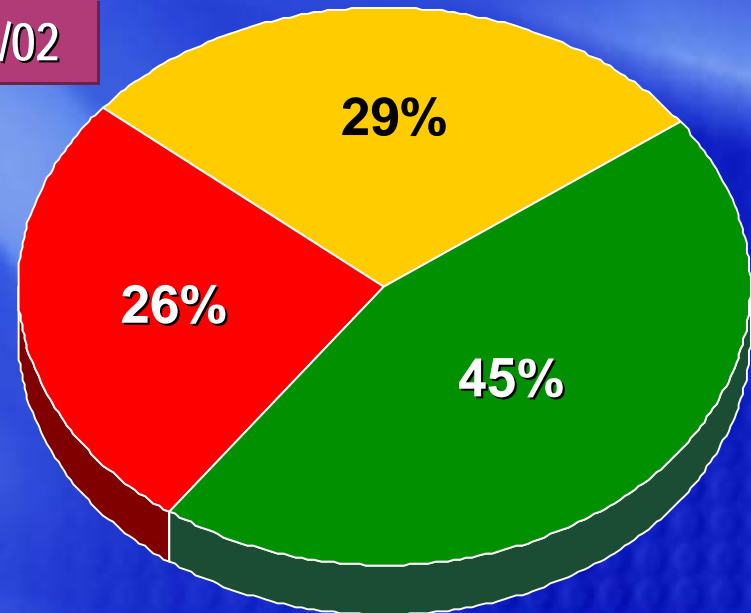
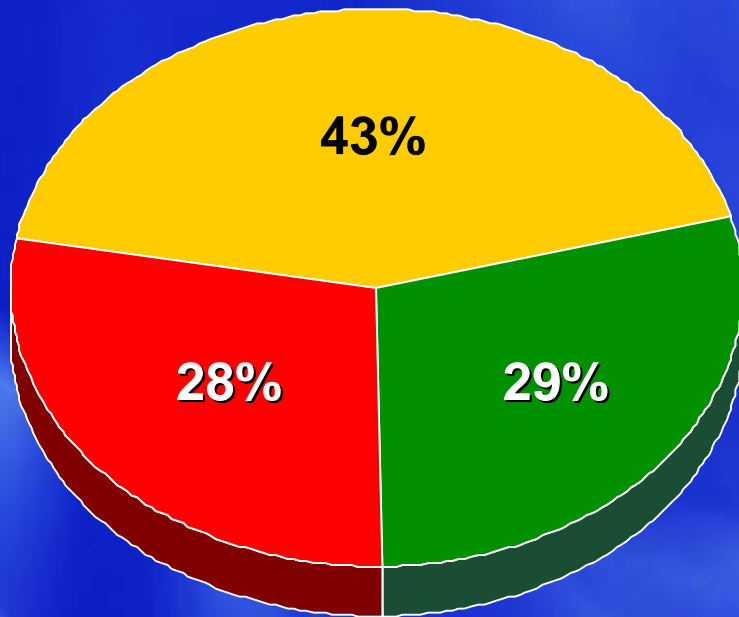
Public Equity Public Fixed Income Real Estate Commercial Mortgages Private Fixed Income

Prudential Investment Management

Proprietary Assets Under Management
by Client
\$277 Billion

Revenues
by Client

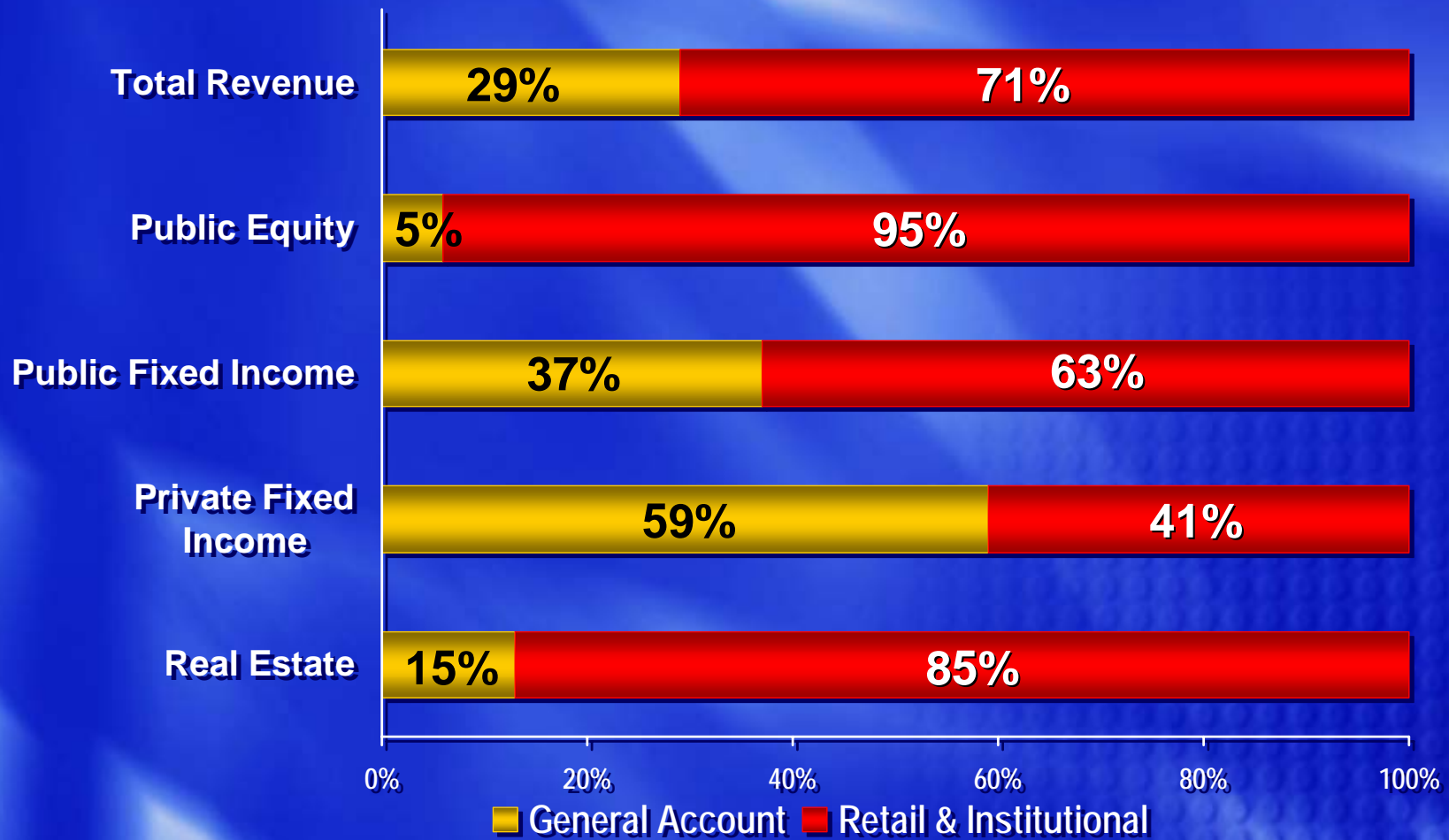
As of 9/30/02



■ General Account ■ Retail ■ Institutional

We have built commercial momentum

Revenue for nine months ended September 30, 2002



Strong market position in each major asset class

Public Markets

**Public
Equity**

Top 20

**Public
Fixed
Income**

Top 10

Private Markets

**Private
Fixed
Income**

No. 1

**Commercial
Mortgages**

Top 10

**Real
Estate**

Top 10

Commercialize by exploiting our competencies

**Private
Fixed Income
2000**

**Public
Equity
2000**

**Public
Fixed Income
1999**

**Commercial
Mortgages
1998**

**Real Estate
1997**

Public Equity

- **Activity: Managed by Jennison**

Selected
Capabilities

Jennison

Prudential Equity
Management

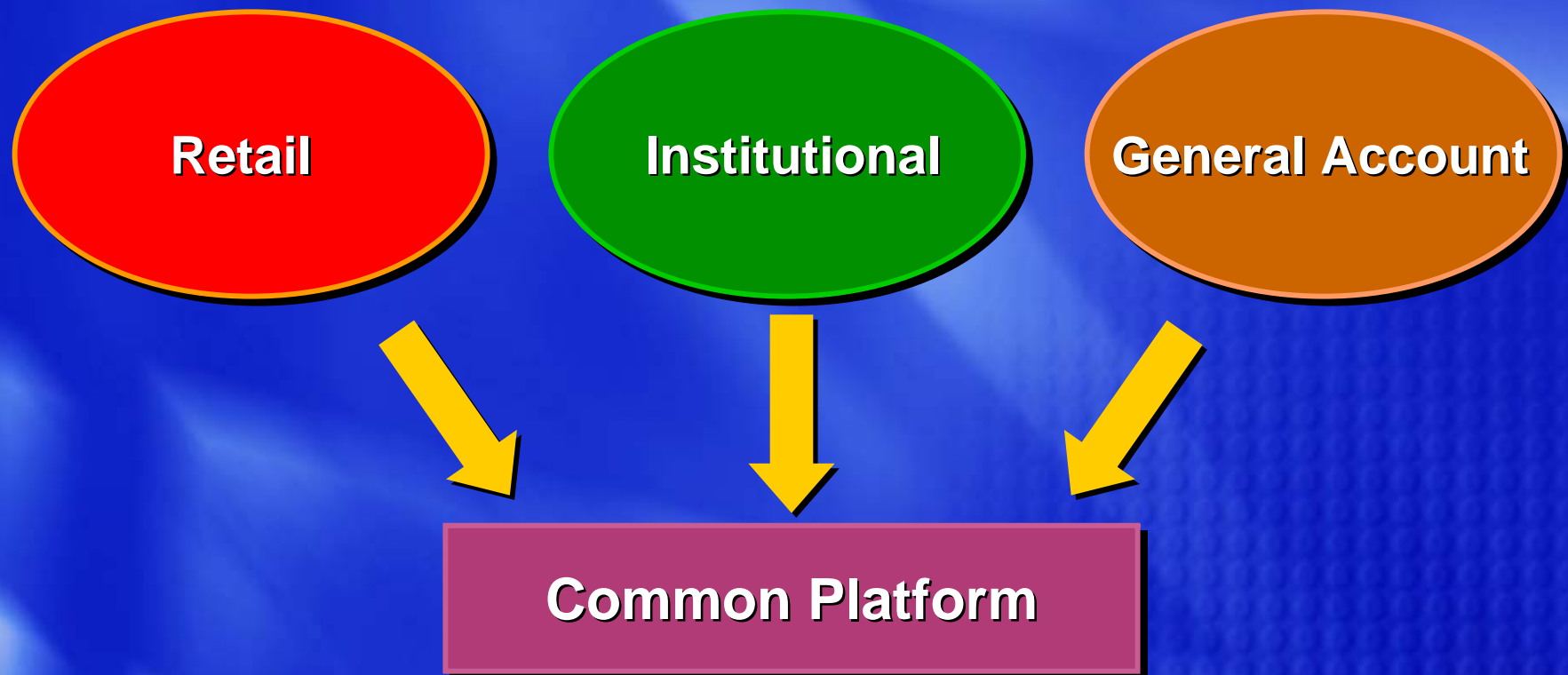
- Founded in 1969; acquired by Prudential in 1985
- Strong long-term investment performance
- Traditionally focused on institutional market
- Increasing emphasis on retail channels
 - Multiple mutual fund subadvisory relationships
 - Primary subadvisor for Harbor Funds

Public Equity

- **Unified active equity platform**
- **Top twenty active equity manager**
- **Focus on highly scaleable products**
- **Unified philosophy and process**

Public Fixed Income

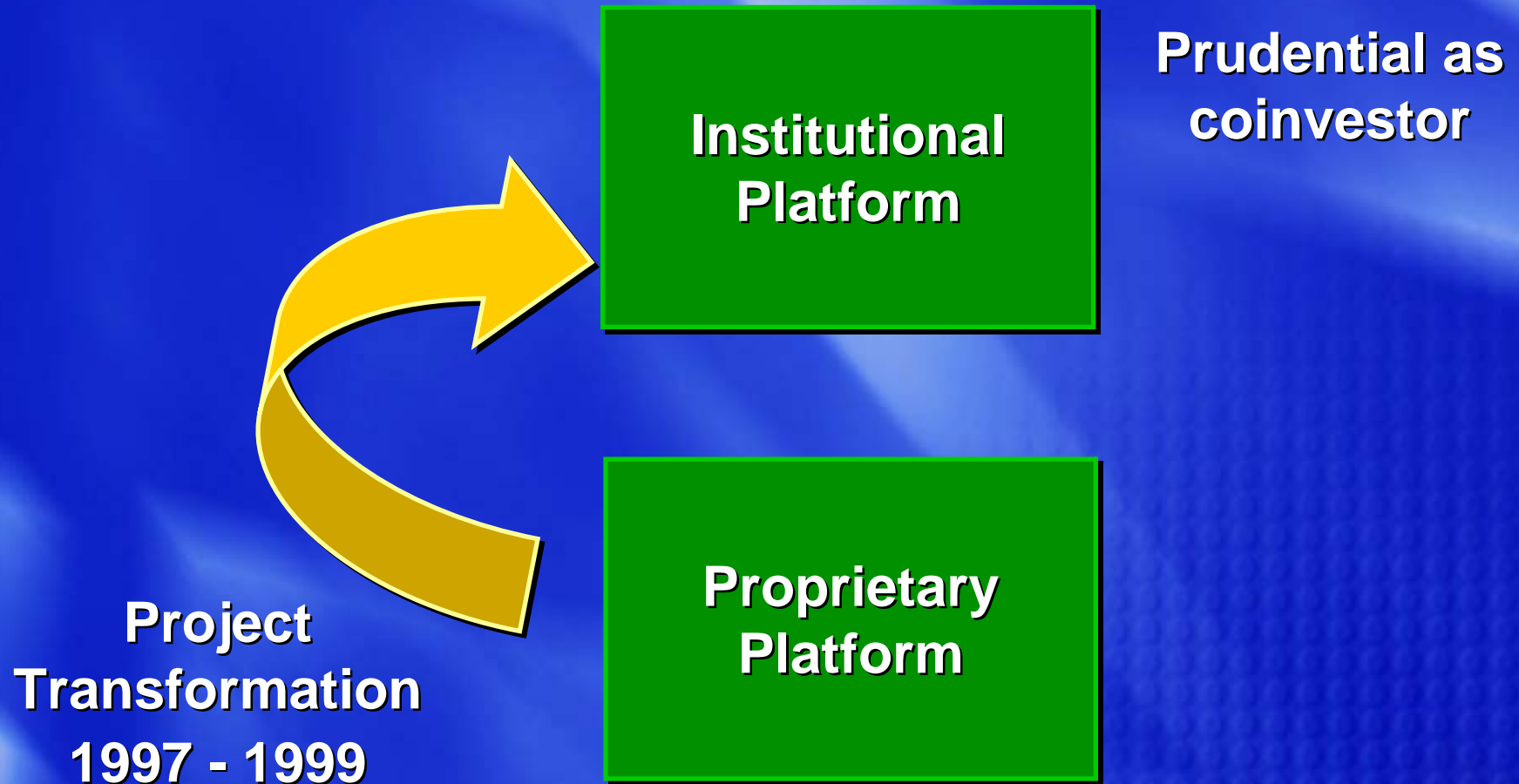
- In 1999 we merged three units into one



Public Fixed Income

- **Single large-scale investment unit**
- **Managed as a commercially viable business**
- **Unified institutional philosophy and process**
- **Integrated trading and research teams**
- **Growing presence in institutional market**

Real Estate

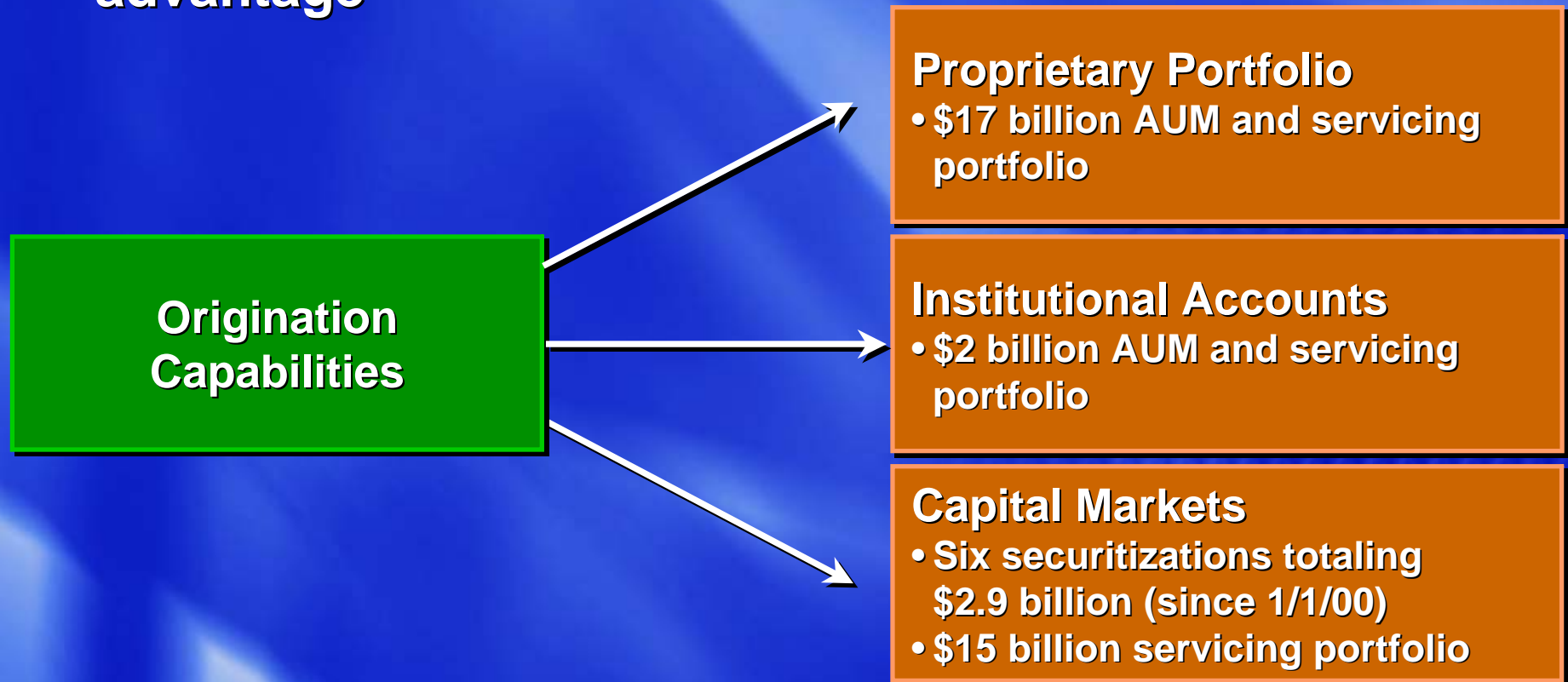


Real Estate

- **\$12 billion AUM as of 9/30/02**
- **Industry leader**
- **Capabilities across the risk/return/liquidity continuum**
- **Global reach - U.S., Europe, Asia**
- **Higher proportionate impact on revenues and earnings**

Commercial Mortgages

- Prudently build our presence in the CMBS marketplace
- Develop servicing capabilities as a competitive advantage



Private Fixed Income

- **\$33 billion AUM as of 9/30/02**
- **Long heritage and leading position in originations**
- **Capabilities across industry and credit spectrum**
- **Commercialize capabilities**
 - **Unique private placement commingled fund (PRIVEST)**
 - **Mezzanine fund**
 - **Broaden third party investor base**

Prudential has distinctive competitive attributes in Investment Management

- **Substantial scale across multiple capabilities**
- **Diversified client base**
- **Strong market position in each asset category, weighted towards fixed income and real estate**

Investor Day

December 4, 2002

Prudential  Financial

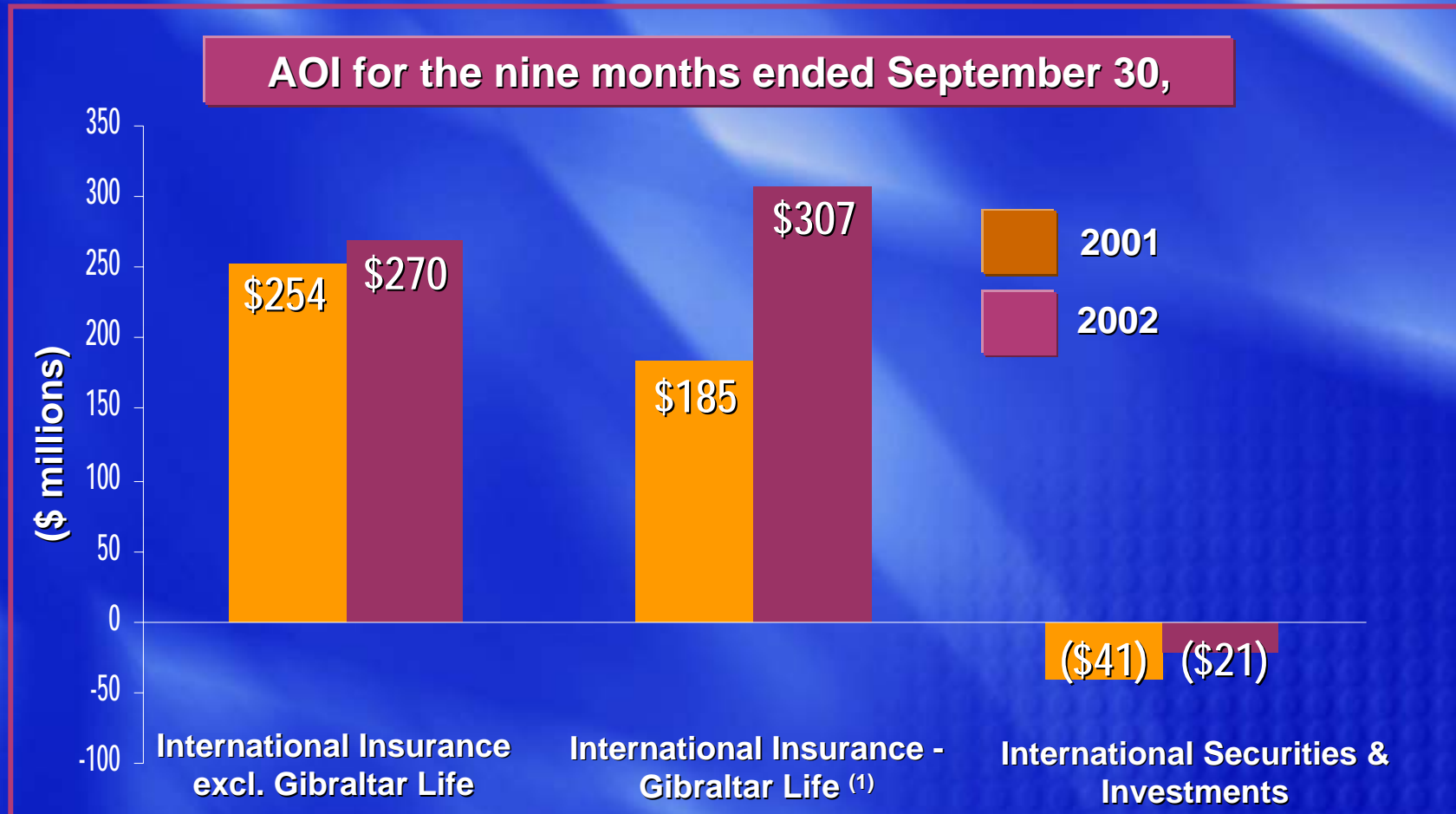
International Insurance & Investments Division

Rodger Lawson

**Vice Chairman
International Insurance and
Investments Division**

Prudential  Financial

Adjusted operating income



⁽¹⁾ 2001 period reflects Gibraltar Life results from April 1 to August 31

Contribution to overall AOI of Financial Services Businesses, 39%.

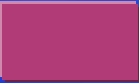
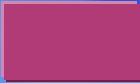
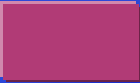
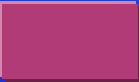
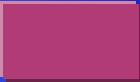
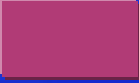
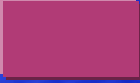
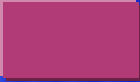
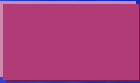
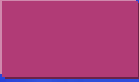
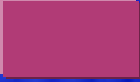
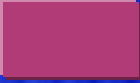
Key elements of International strategy

- **Focus on limited number of attractive countries**
- **Develop business platforms based on life insurance or investment management or both, according to perceived country opportunity**
- **Pursue opportunistic acquisitions; e.g., Gibraltar**
- **Focus on distribution/client intensive business models**
- **Develop in-country brand**

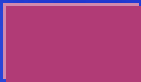
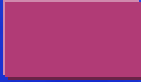




Focus on limited number of countries

- **Economies with current and future economic scale**
- **Underserved markets for the Life Planner model**
- **Growing demand for wealth management for investment management activity**
- **Potential for business scale**

Established operations in Tier 1 countries

	Life Planner	Traditional Insurance	Investment Management
Japan			
Korea			
Taiwan			
Mexico			
Germany			
Italy			
UK			

Developing operations in Tier 2 countries

	Life Planner	Traditional Insurance	Investment Management
China			
Argentina			
Brazil			
Philippines			
Poland			
Switzerland			

Where we are today - summary

- **Insurance/investment operations in 13 countries**
- **Leadership positions in life planning in Japan, Korea and Taiwan**
- **Asset management platforms in Japan, Korea and Taiwan**
- **Profitability dominated by Japan and Korea**

Life Planner model strategy and plans

Maintain current discipline

- Organic expansion
- Continued growth in Life Planners
- Maintenance of retention, productivity and client policy persistency levels
- Focus on major growth markets (Japan, Korea and Taiwan)

Gibraltar model strategy and plans

Stabilize Life Advisor force and then build

Explore additional acquisition opportunities, particularly in Japan and Korea

- **Grow Gibraltar field force from late 2003; improve Life Advisor retention and productivity**
- **Expand Gibraltar Affinity Group coverage**
- **Leverage Prudential in-country asset management capabilities**
- **Utilize all relevant operational and administrative scale opportunities**

International Investments strategy and plans

Continued expansion in key countries

- Manage in-country Prudential Insurance portfolios in Japan, Korea and Taiwan; money managed in-country and through PIM
- Develop institutional business in Japan
- Develop hybrid products across the insurance and investment business; e.g., annuities in Japan.
- Develop alternative distribution; e.g., Gibraltar Affinity groups, Bank Assurance in Italy
- Expand private client banking activities in UK and Switzerland

Investor Day

December 4, 2002

Prudential  Financial

International Insurance

James Spackman

**President & CEO
International Insurance**

Prudential  **Financial**

Financial performance ⁽¹⁾

(\$ millions)	Year Ended December 31		Nine Months Ended September 30	
	2000	2001	2001	2002
Revenues	\$ 1,920	\$ 4,146	\$ 2,860	\$3,784
Benefits and expenses	<u>1,624</u>	<u>3,535</u>	<u>2,421</u>	<u>3,207</u>
Adjusted operating income	<u>\$ 296</u>	<u>\$ 611</u>	<u>\$ 439</u>	<u>\$ 577</u>
Pre-tax operating margin	15.4%	14.7%	15.3%	15.2%
Return on required equity ⁽²⁾				21.3%
Contribution to overall adjusted operating income of Financial Services Businesses	17.1%	47.6%	39.7%	40.2%

(1) Adjusted operating income basis

(2) After-tax equivalent

International Insurance strategy

- **We provide:**
 - Protection life insurance
 - Highly-trained, professional Life Planners
 - Needs based sales approach
 - “Missionary Zeal”
- **Affluent customers**
- **Under-served markets**
- **Disciplined implementation**

International Insurance strategy

- **Generates:**
 - High Life Planner productivity,
 - High Life Planner retention,
 - High customer satisfaction and policy persistency,
 - Strong, steady growth and
 - Excellent profitability

International Insurance strategy

With the acquisition of Gibraltar Life, we have expanded our strategy to include:

- Broad middle market customer in Japan**
- Large contingent of Life Advisors**
- Relationship with affinity groups / “associations”**

Prudential of Japan

Key Drivers	3Q02 YTD	Japan Industry average ⁽¹⁾	U.S. Industry average ⁽²⁾
Productivity (policies/LP/month)	6.1	2.7	2.5
Average premium per policy	\$ 2,052	\$ 1,137	\$ 1,406
Persistency (13 month)	95%	84%	91%
(25 month)	88%	76%	85%
Life Planner retention (1 year)	92%	39%	70%
(2 years)	82%	19%	30%

(1) Source: Average Premium-Statistics of Life Insurance Business in Japan (FY01). All other FY00 industry data.

(2) Source: Latest LIMRA data available.

Successful execution of the LP model “Pru of Korea Story”

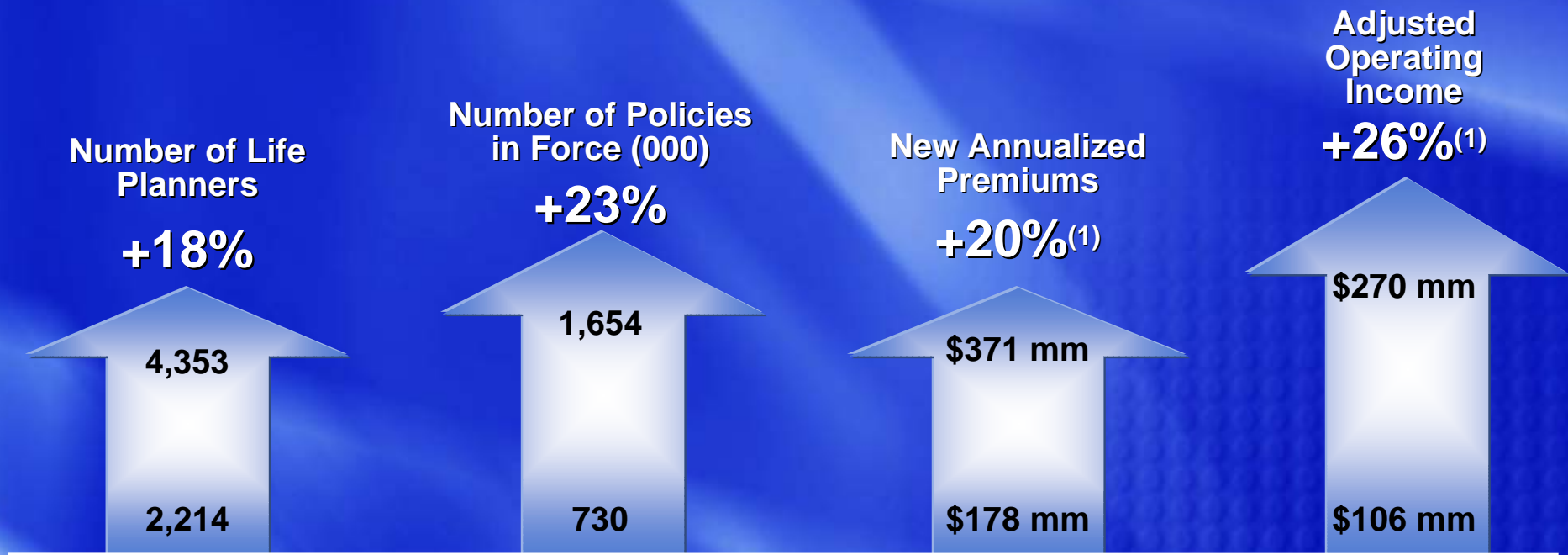
- #1 in customer satisfaction
- #1 in operational efficiency
- Financially strongest company in Korea

	1999	2000	2001	3Q02 YTD
13 th month persistency	86%	92%	92%	95%
25 th month persistency	71%	82%	87%	86%
12 th month LP retention	84%	89%	90%	91%
24 th month LP retention	70%	68%	81%	84%
Productivity (policies/LP/month)	10.2	10.9	12.2	9.7
Life Planners	613	840	1,187	1,373

International Insurance Growth

CAGR

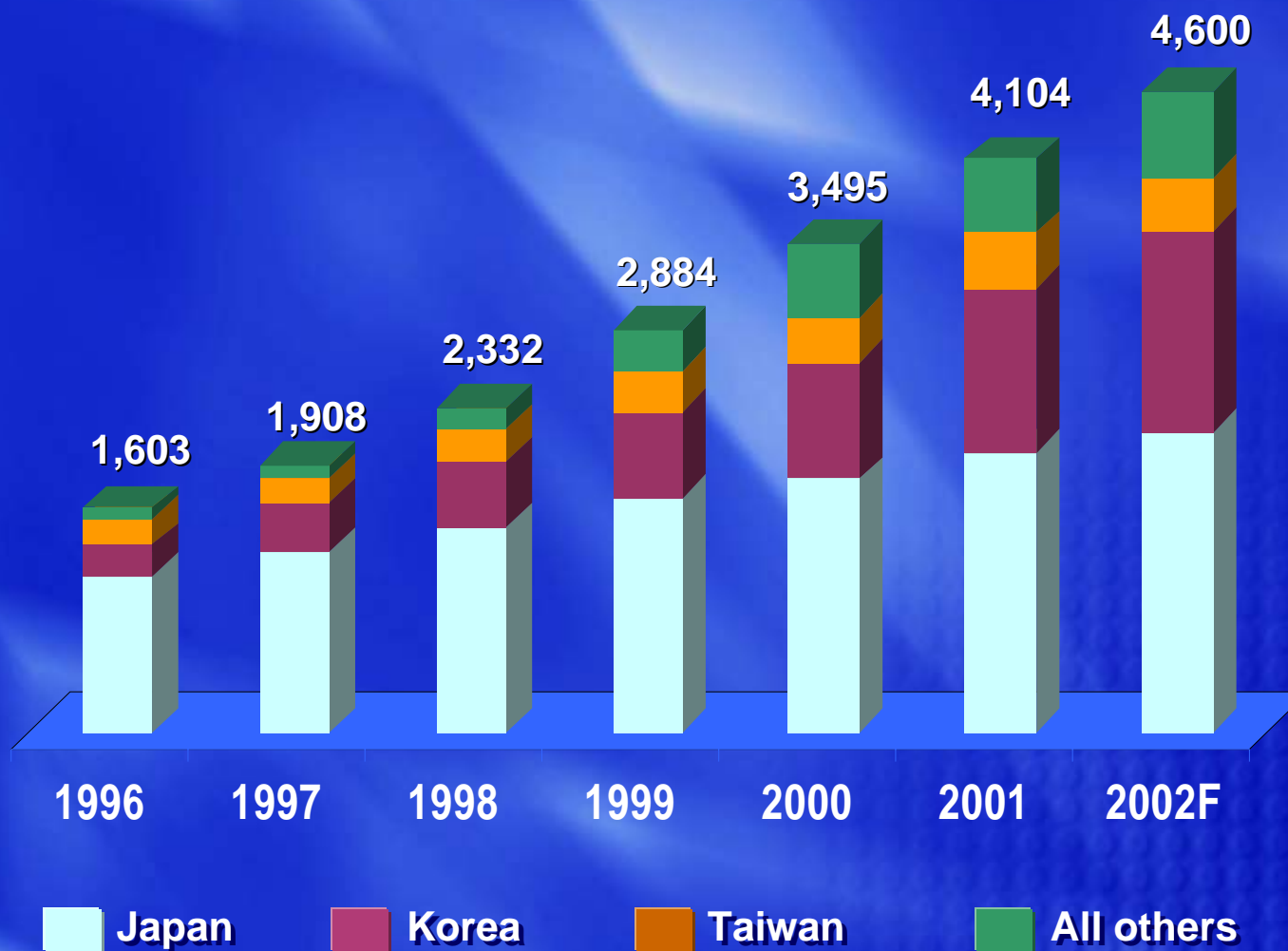
Nine Months 1998 - Nine Months 2002



(excludes Gibraltar Life)

(1) GAAP Exchange rate basis – translated based on applicable average exchange rate for period

International Insurance – Life Planners



International Insurance annualized new business premiums

Constant exchange rate basis ⁽¹⁾



(1) Based on average exchange rates for the year ended December 31, 2001.

(2) Includes Gibraltar in 2001, 2002.

Gibraltar Life snapshot

As of August 31, 2002 ⁽¹⁾

# of Life Advisors	5,233
Productivity (Policies/LP/Month)	2.9
Annualized new business premiums (US\$ millions, YTD)	\$ 170
# of individual policies (000's)	4,602
Life insurance in-force (US\$ billions)	\$ 212

(1) Gibraltar is reported on a one month lag

Gibraltar Life progress report

- **Increased new business**
 - Association relationships maintained
 - Agency force rationalized; productivity up
- **Agent compensation more variable**
- **Increased operations and systems efficiency**
- **“Shock Lapse” experience substantially complete**

International Insurance future expansion

- **Growth of current operations**
 - Life Planner model
 - Head start on competitors
- **Highly selective new country expansion**
- **Opportunistic acquisitions**
 - Build scale
 - New countries
 - Different distribution models

International Insurance summary

Successful integration of Gibraltar Life

High return

Continued growth and performance

Investor Day

December 4, 2002

Prudential  Financial

General Account

Ron Joelson

**Senior Vice President
Asset Liability & Risk Management**

Prudential  Financial

Financial Services Businesses portfolio summary

September 30, 2002 (\$ millions)

	TOTAL	Japanese Insurance Operations	Excl. Japanese Insurance Operations
Fixed maturities:			
Available for sale, at fair value	\$ 76,775	\$ 25,589	\$ 51,186
Held to maturity, at amortized cost	2,373	2,373	0
Trading account assets, at fair value	138	99	39
Equity securities, at fair value	1,696	1,038	658
Commercial loans	12,000	3,519	8,481
Other long-term investments	3,851	1,061	2,790
Policy loans, at outstanding balance	3,036	672	2,364
Short-term investments	2,082	3	2,079
Subtotal	101,951	34,354	67,597
Invested assets of other entities and operations ⁽¹⁾	16,416	0	16,416
Total	\$ 118,367	\$ 34,354	\$ 84,013
Investment income	\$ 3,759	\$ 463	\$ 3,296
Investment yield	4.90%	1.90%	6.30%

(1) Includes invested assets of securities brokerage, securities trading, and banking operations. Excludes assets of our asset management operations managed for third parties, and separate account assets for which the customer assumes risks of ownership.

Financial Services Businesses Portfolio – Fixed Maturities

September 30, 2002 (\$ millions)

	Estimated Fair Value	Percentage of Total Fixed Maturities
Public Fixed Maturities:		
Investment grade	\$ 59,506	75.2%
Non-investment grade	<u>2,607</u>	<u>3.3%</u>
Total	\$ 62,113	78.5%
Private Fixed Maturities:		
Investment grade	\$ 13,824	17.4%
Non-investment grade	<u>3,218</u>	<u>4.1%</u>
Total	\$ 17,042	21.5%
Overall Fixed Maturities Portfolio:		
Investment grade	\$ 73,330	92.6%
Non-investment grade	<u>5,825</u>	<u>7.4%</u>
Total	\$ 79,155	100.0%

Financial Services Businesses portfolio - Fixed Maturities

September 30, 2002
(\$ millions)

Included in fixed maturities⁽¹⁾:

Collateralized debt obligations	\$91
Mortgage-backed securities	\$4,870

- Limited exposure to CDOs; about 10% represent equity tranches
- Nearly 96% of mortgage-backed securities are publicly traded agency pass through securities, remaining 4% are CMOs and non-agency.

(1) At fair value

Prudential's portfolio yield versus its peers

Company	Reported yield 9/30/02 YTD
Prudential Financial	6.30% ⁽¹⁾
MetLife	7.20 ⁽²⁾
John Hancock	6.29 ⁽³⁾
Principal Financial	6.90
The Hartford	6.10 ⁽⁴⁾
UnumProvident	7.86 ⁽⁵⁾

(1) Financial Services Businesses, excluding Japanese insurance operations.

(2) Met Life excludes security lending investments in calculating portfolio yield and includes prepayment premiums on fixed maturities in net investment income.

(3) Hancock includes unrealized gains or loss (GAAP) in its yield calculation asset base.

(4) Life segment.

(5) Reflects asset duration of 7.9 years.

- Different methodologies for calculating reported yields and asset mix variations make comparisons difficult

Percentage of invested assets, excluding policyholder loans

September 30, 2002

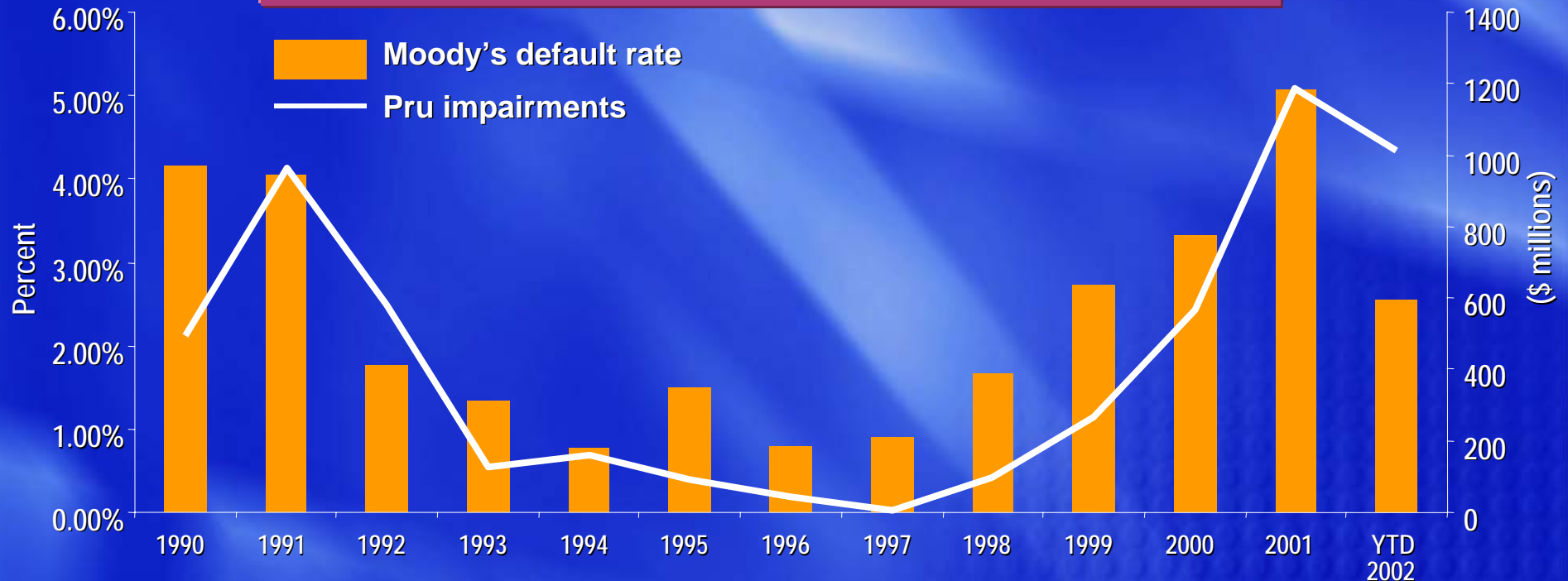
	Below Investment Grade Debt	Equity, Real Estate & Debt ⁽¹⁾
Prudential (consolidated)	7.2%	12.3%
MetLife	6.0%	12.7%
John Hancock Financial	7.9	13.2
Principal Financial	5.2	10.0
UnumProvident	9.1	10.0
Hartford Life	5.9	9.4
Peer Average	6.8%	11.1%

⁽¹⁾ Includes unaffiliated equity, below investment grade debt, real estate and other long-term investments such as JVs and LPs.

- Prudential's overall risk exposure is broadly consistent with peers
- Like Hancock, we emphasize our private market credit skills
- Met Life uses real estate markets to a greater extent

Public market default rates vs. Prudential fixed income experience

Annual Default Rates, 1990 – 9/30/02 YTD



Note: Impairments include Prudential public and private bond experience since 1990. Prudential impairments for 2001 and 2002 include credit-related realized losses. For 2002, the total impairments and credit-related losses are through September 30, 2002. The Moody's Default Rate of 2002 is an estimated YTD (9-month, not annualized) default rate based on quarterly Moody's default data.

- **Credit Losses and impairment trends continue in 2002**
- **Prudential's loss exposure trends are similar to market default trend**

Industry/Sector distribution by market value

% of Fixed Maturities as of September 30, 2002

	<u>Prudential</u> ⁽¹⁾	<u>Lehman Index</u>	<u>Over/ Under</u>
Basic Industry	7.3%	4.6%	2.7%
Capital Goods	8.6	4.1	4.5
Communications	7.9	11.3	-3.3
Consumer Cyclical	9.4	9.0	0.4
Consumer Non-Cyclical	16.6	8.6	8.0
Energy	8.9	4.9	4.0
Technology	2.2	1.9	0.3
Transportation	4.0	3.0	1.1
Other Industrial	2.5	0.6	1.9
Utility	11.3	8.7	2.6
Finance	16.4	29.8	-13.4
Non-Corporate	4.8	13.4	-8.6
Total	100.0%	100.0%	0.0%

(1) Excludes locally managed international holdings.

- Sales of Telecom have resulted in communications underweight
- Underweighting in Finance reflects concern about companies financing risky consumer loans

Investor Day

December 4, 2002

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Financial Outlook

Rich Carbone

Chief Financial Officer

Prudential  **Financial**

Financial services businesses adjusted operating income

Nine months ended September 30, 2002 (\$ millions)

Pretax adjusted operating income	\$ 1,437
Income taxes (34.5% rate)	<u>496</u>
After-tax adjusted operating income	941
Direct equity adjustment	<u>30</u>
	<u>\$ 971</u>
Number of diluted shares (millions)	<u>582</u>
Earnings per share	<u>\$1.67</u>

Financial services businesses full year 2002 earnings guidance

Earnings per share

(adjusted operating income) approximately **\$2.10**

- **Assumed no further change in S&P 500 from November 6, 2002**
- **Continued impact of previous market decline in fourth quarter**
- **Costs associated with additional expense saves**

Financial services businesses “baseline” adjusted operating income

Nine months ended September 30, 2002 (\$ millions)

Reported earnings per share \$ 1.67

(Pretax \$ millions)

DAC unlocking - Life	\$ 31	.04
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DAC unlocking - Annuities	137	.15
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Property & Casualty stop loss, “excess profits”	(57)	(.06)
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Mortgage prepayment income	(30)	<u>(.03)</u>
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.10

Baseline –nine months ended 9/30/02		1.77
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Earnings guidance – fourth quarter 2002		<u>\$ 0.43</u>
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Annual “baseline” earnings per share		<u><u>\$2.20</u></u>
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Considerations for 2003

- Pension credit reduced \$120 - \$140 million from 2002 level
- Additional expense reductions realized, \$150 - \$200 million versus 2002 base
- Assumed continuation of share repurchase program
- Continued 34.5% tax rate
- Assumed 8% annual equity market appreciation

Financial services businesses full year 2003 earnings guidance

2002 “Baseline” EPS

\$2.20

- + Expense reductions realized
- + Assumed equity market appreciation, 8% annual rate
- + Continued International growth
- + Continued share repurchases
- + Financial Advisory segment reaches profitability

- Expense reduction program implementation costs
- Reduced pension credit
- Lower interest rates and spreads
- Foreign currency translation
- Expensing of stock options

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