

Sanford C. Bernstein's 22<sup>nd</sup> Annual Strategic Decisions Conference

May 2006

Prudential Financial, Inc.

**Art Ryan**

**Chairman and CEO**

Prudential  Financial

# Forward-Looking Statements and Non-GAAP Measure

The presentations today may include some forward-looking statements. It is possible that actual results may differ materially from any expectations or predictions expressed in these presentations. Additional information regarding factors that could cause such a difference appears in the section titled “Forward-Looking Statements” of our Form 10-K and Form 10-Q SEC filings and in our earnings press releases, which can be found on our Web site at [www.investor.prudential.com](http://www.investor.prudential.com).

The presentations today include references to “adjusted operating income” and to earnings per share, or EPS, or return on equity, or ROE, which are determined based on “adjusted operating income”. Adjusted operating income is a financial measure we use in managing our businesses to measure the performance of our Financial Services Businesses. Adjusted operating income excludes net realized investment gains and losses (other than those representing profit or loss of certain of our businesses which primarily originate investments for sale or syndication to unrelated investors, and those associated with terminating hedges of foreign currency earnings and current period yield adjustments) and related charges and adjustments, as well as results from divested businesses. Adjusted operating income also excludes recorded changes in asset values that will ultimately accrue to contract holders, and recorded changes in contract holder liabilities resulting from changes in related asset values. Adjusted operating income is not the same as income from continuing operations or net income determined in accordance with generally accepted accounting principles, or GAAP. The comparable GAAP presentation and the reconciliation between the two are set out in our Form 10-K and Form 10-Q SEC filings and in our earnings press releases and Quarterly Financial Supplements, which can be found on our Web site.

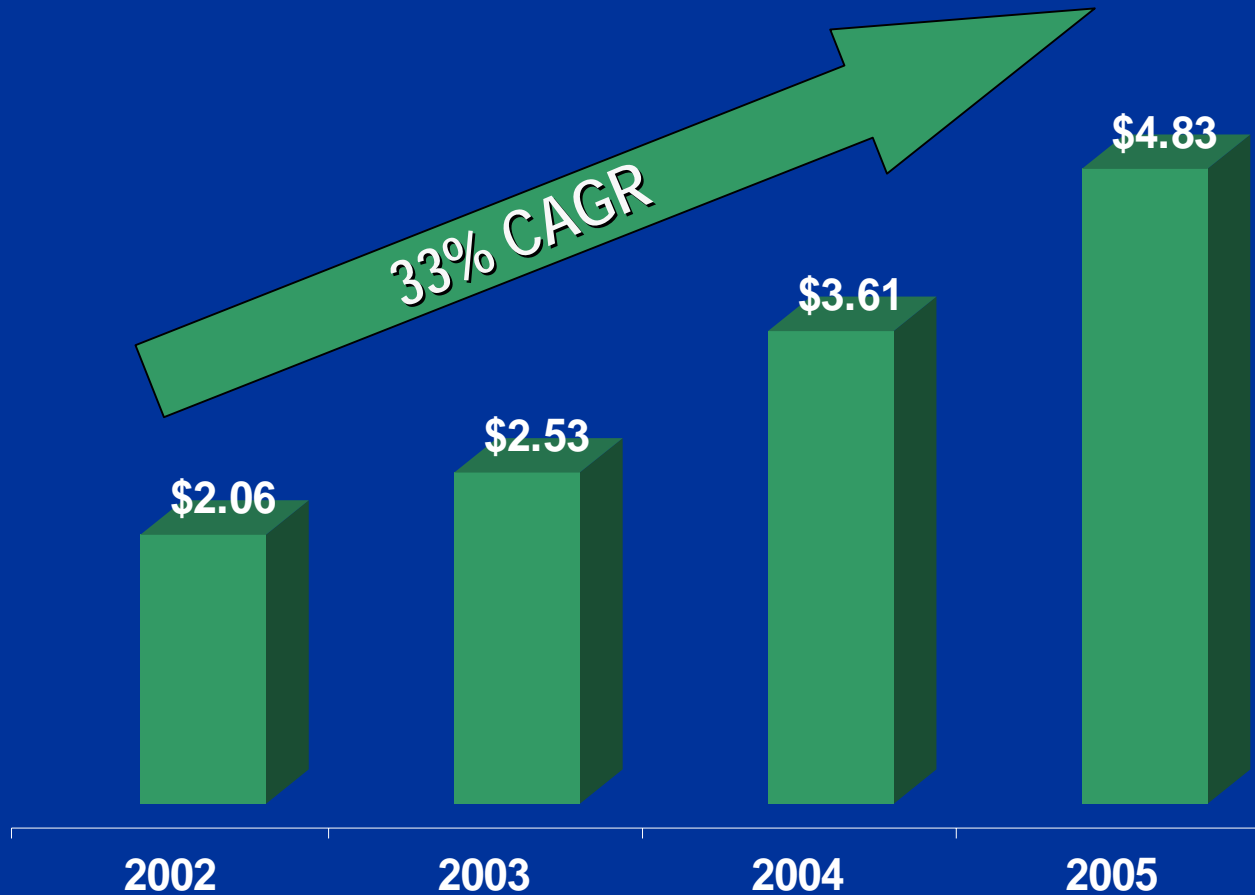
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## Demutualization through 2005

- **Achieved significant expense reductions**
- **Divested P&C business**
- **Acquired and integrated: American Skandia and CIGNA Retirement**
- **Combined retail brokerage into Wachovia**
- **Repurchased \$6 billion of Common Stock <sup>(1)</sup>**
- **Increased cash dividend 25% per year for '03, '04, and '05**
- **Achieved “AA” financial strength ratings from four agencies**
- **Surpassed ROE goal of 12%**

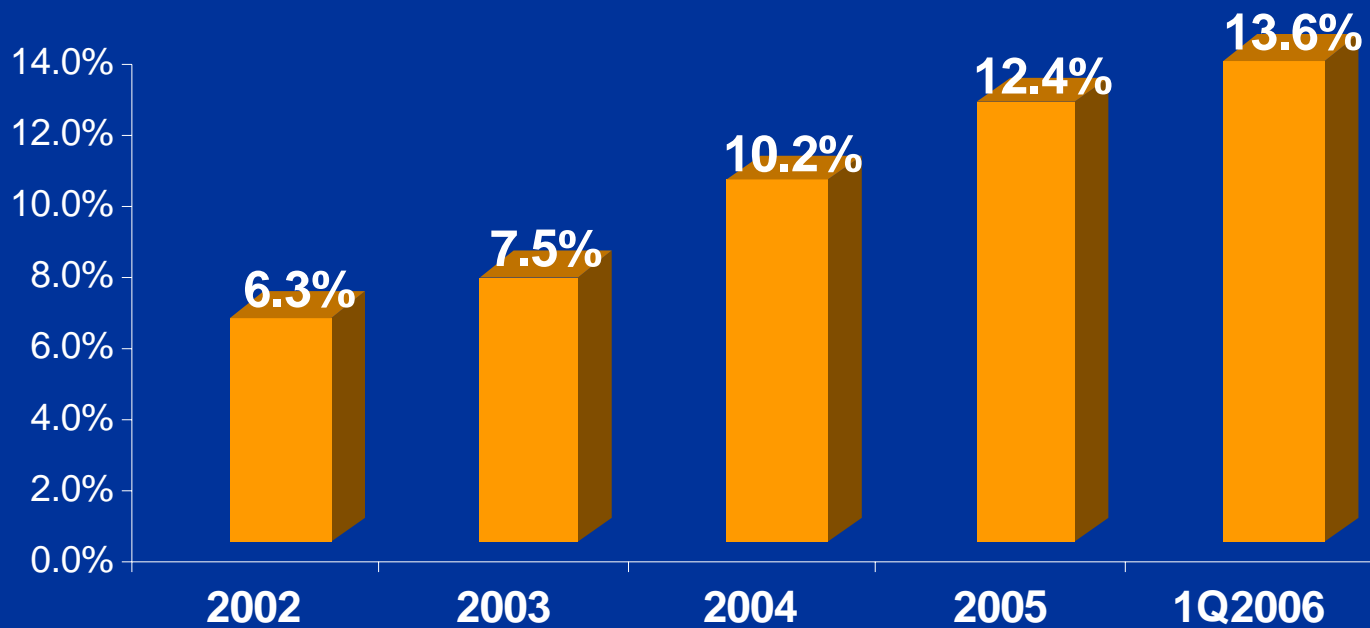
(1) Through March 31, 2006

## Earnings per share growth <sup>(1)</sup>



(1) Based on after-tax adjusted operating income of the Financial Services Businesses ("FSB")

## ROE progress <sup>(1)</sup>



(1) Based on after-tax adjusted operating income of the FSB; 1Q06 on annualized basis

## Where we are today

Balanced mix of businesses and risks

Strong capital position and cash flow generation

Leading position in domestic retirement and savings market

Sustained high returns and growth of international insurance business

Asset management skills complement product manufacturing

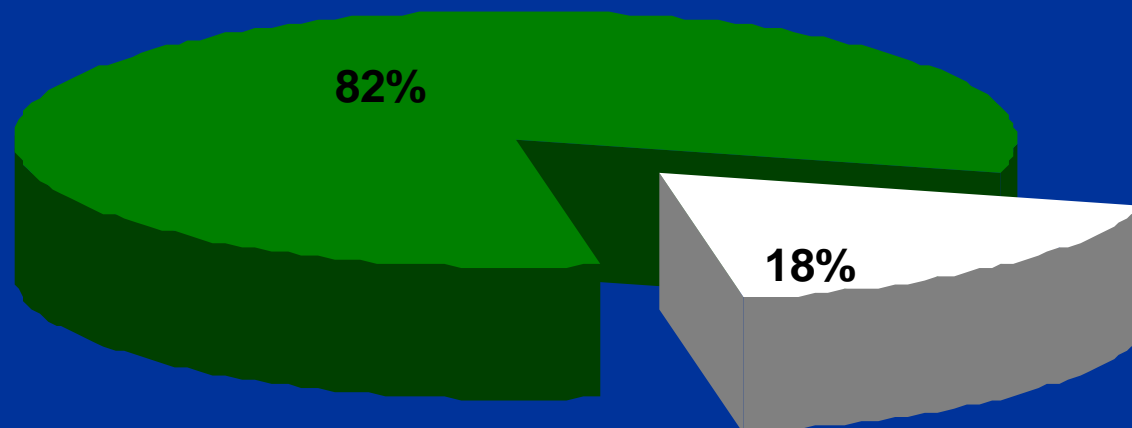
Complementary distribution channels

Acquisition and integration track record

# 82% of equity is attributed to operating businesses

Total attributed equity of \$20.4 billion <sup>(1)</sup>

## Operating Businesses



## Corporate & Other

(1) As of March 31, 2006 for the FSB; excludes unrealized gains and losses on investments.

# Attributed equity of operating businesses

## INTERNATIONAL INSURANCE

- Life Planner model
- Gibraltar Life

## RETIREMENT & SAVINGS

- Retirement
- Individual Annuities

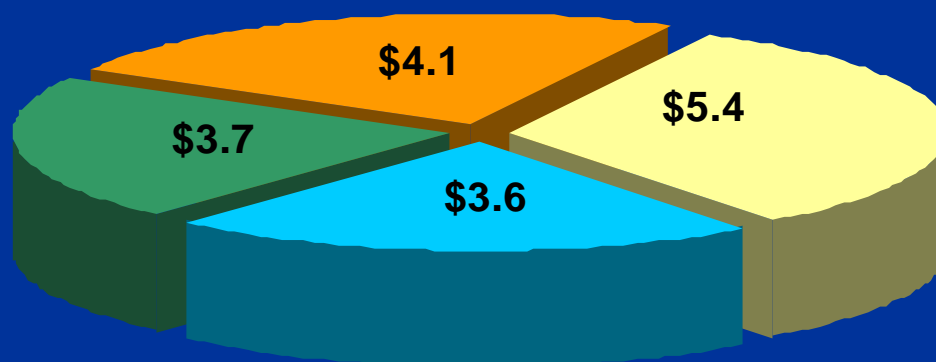
## DOMESTIC INSURANCE

- Individual Life
- Group Insurance

## INVESTMENT BUSINESSES

- Financial Advisory
- Asset Management
- International Investments

Attributed equity \$16.8 billion <sup>(1)</sup>



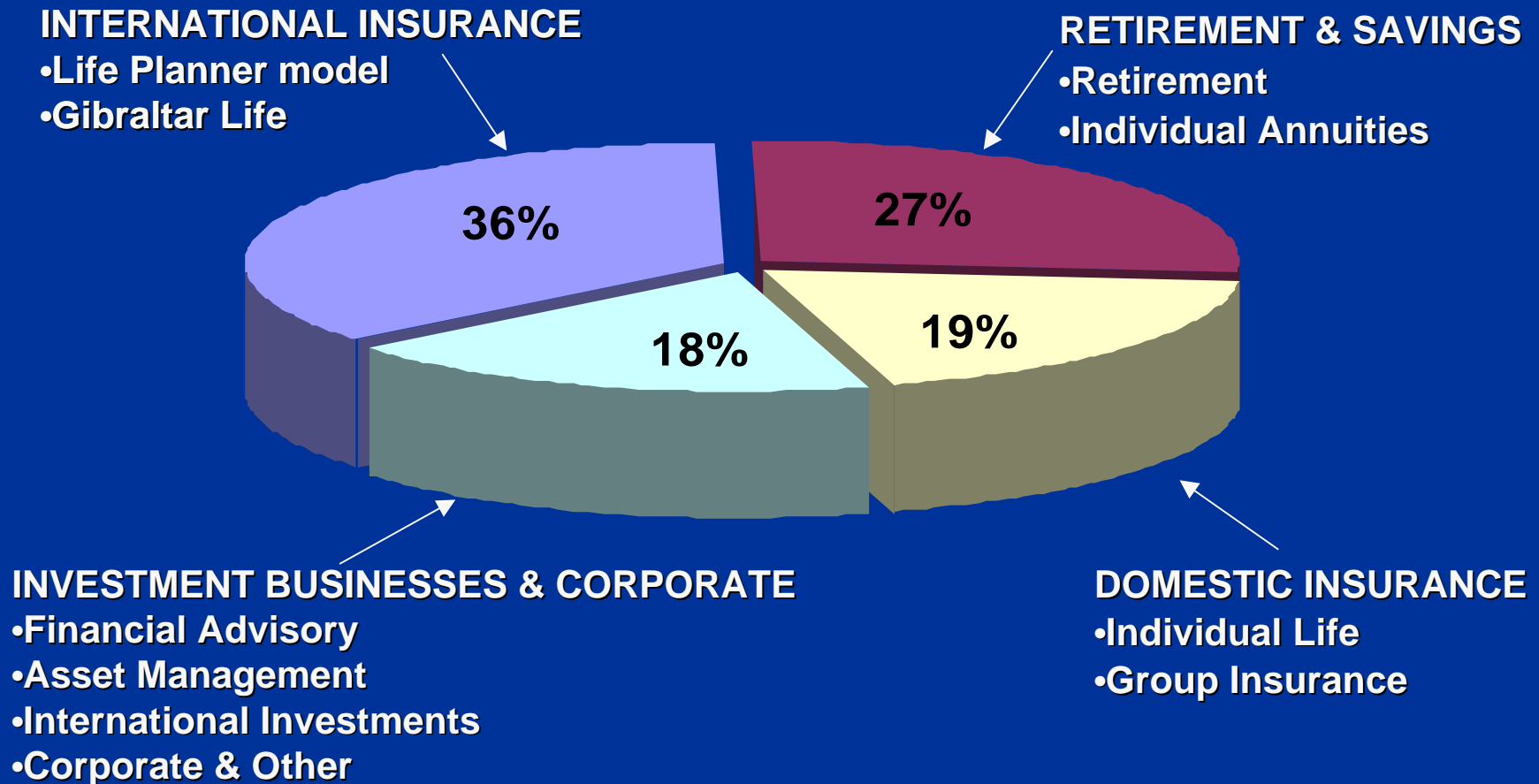
(1) As of March 31, 2006 for the FSB operating businesses; excludes unrealized gains and losses on investments.



# Complementary and diversified businesses

Adjusted operating income <sup>(1)</sup>

\$ 946 million



(1) Before-tax; for the FSB; quarter ended March 31, 2006

# International Insurance financial performance

	2004	2005	1Q05	1Q06
Pre-tax adjusted operating income <sup>(1)</sup>				
Life Planner model	\$ 515	\$ 808	\$ 179	\$ 228
Gibraltar Life	402	502	106	110
	917	1,310	285	338
Equity <sup>(2)</sup>	\$ 2.5	\$ 3.2	\$ 2.8	\$3.9
Return on Equity <sup>(3)</sup>	25%	28%	28%	25%

(1) In millions

(2) Average attributed equity for period; in billions

(3) Based on after-tax adjusted operating income; 1Q05 and 1Q06 on annualized basis

# Life Planner model strategy and plans

Countries: Mainly Japan, Korea, Taiwan; total 8

Disciplined implementation

Continued growth in Life Planners

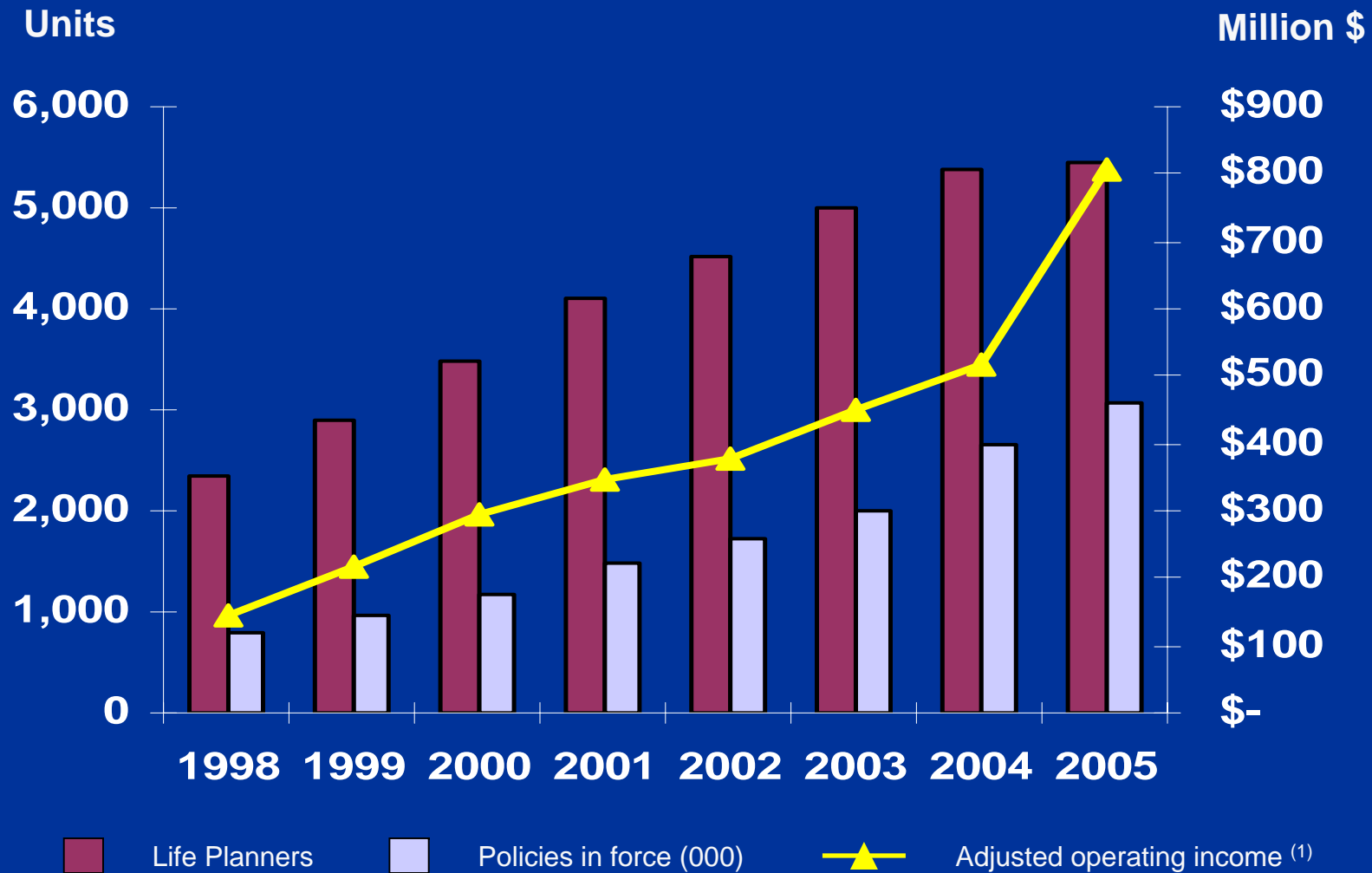
Maintenance of Life Planner productivity

Maintenance of policy persistency levels

Organic expansion in existing markets

Very selective entry into new markets

# Growth in the Life Planner business



(1) Before-tax, GAAP exchange rate basis

## Gibraltar Life

Acquired by Prudential Financial in 2001

“Traditional model” Japanese life insurance company

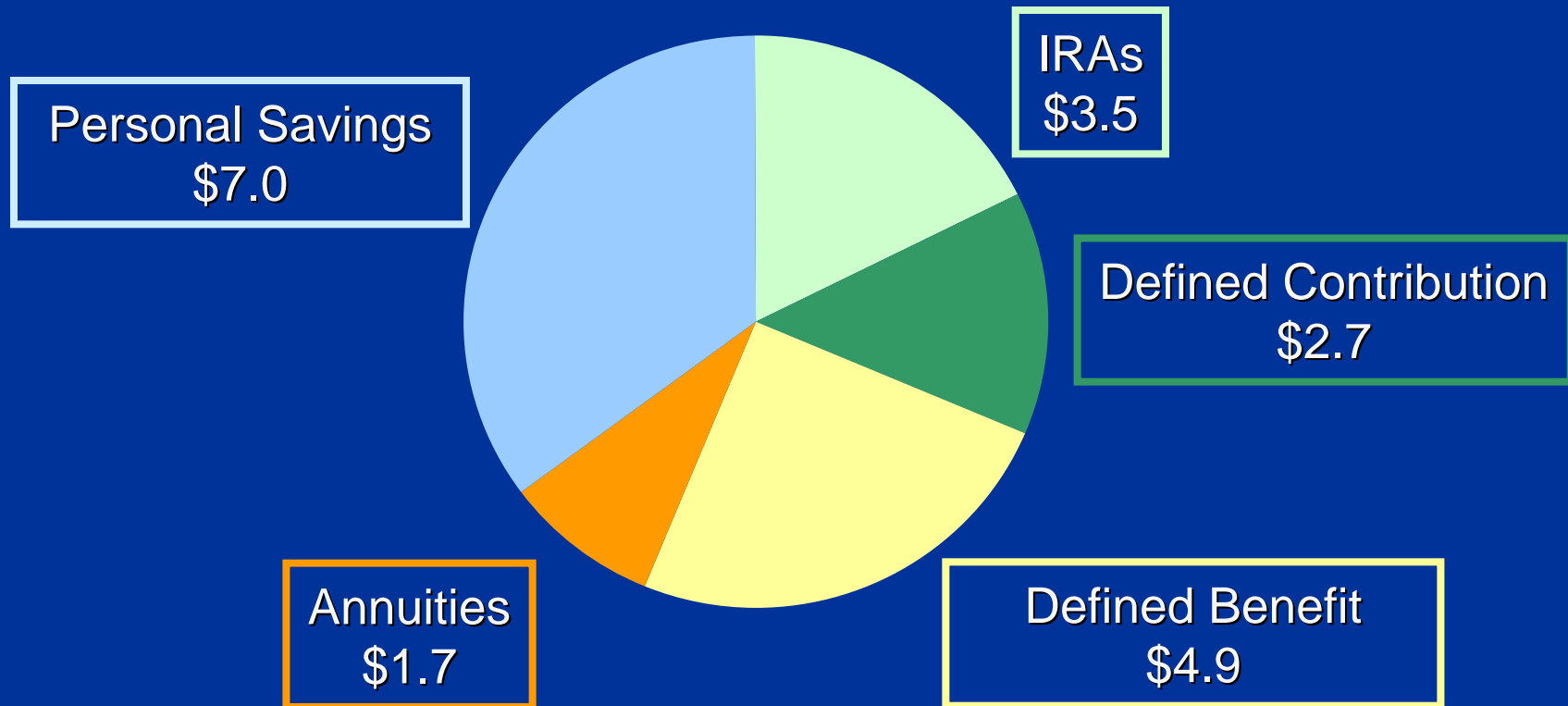
Strong affinity group relationships

High return on equity

Strong free cash flow and capital generation

# Large retirement / savings market

\$20 trillion market in 2004



Sources: Federal Reserve Flow of Funds; LIMRA; company estimates

## A Leading Retirement provider

	1Q2005	1Q2006
<b>Account Values <sup>(1)</sup></b>		
<b>Full Service</b>	<b>\$ 84</b>	<b>\$ 92</b>
<b>Institutional Investment Products</b>	<b>\$ 48</b>	<b>\$ 47</b>
<b>Total</b>	<b>\$ 132</b>	<b>\$ 139</b>

(1) At end of period; in billions.

# Prudential Retirement

Full service retirement: defined contribution; defined benefit; non-qualified plans; retail/rollover

Total retirement services capability provides market advantage

Stable value products offer attractive returns with limited risk

Complementary distribution channels address selected markets

Institutional Investment products complement product lineup

Business integration completed on schedule, 1Q06



# Annuities

Leading Distributor of variable annuities through independent financial planners

Expanding distribution

Account values exceed \$57 billion <sup>(1)</sup>

Successful full suite of living benefits

Return on equity of 18% <sup>(2)</sup>

Acquisition of Allstate's VA business expected 2Q06

(1) As of March 31, 2006

(2) Based on after-tax adjusted operating income for the year ended December 31, 2005

# Individual Life ROE

	Year ended December 31, 2005
Pre-tax adjusted operating income <sup>(1)</sup>	\$ 498
Equity <sup>(2)</sup>	\$ 2.6
Return on equity <sup>(3)</sup>	16 %

(1) In millions

(2) Average attributed equity for the period; in billions

(3) Based on after-tax adjusted operating income giving effect to direct equity credit

# Group Insurance

Controlled growth – emphasis on margins

High persistency of quality business

Addressing disability claims resolutions

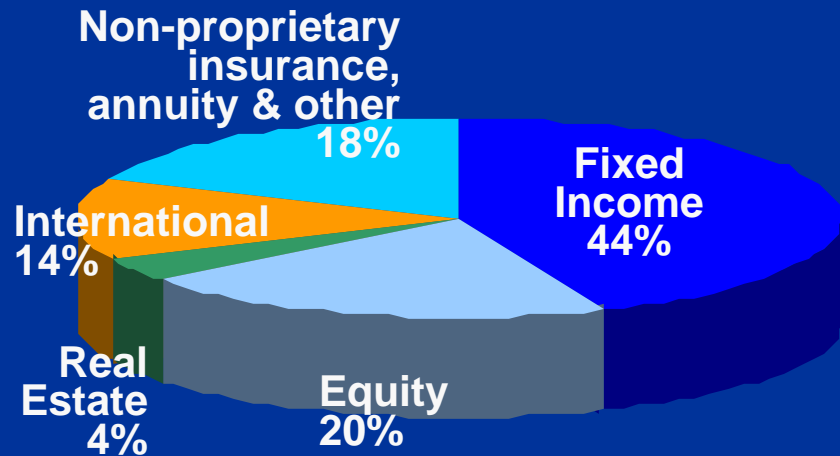
Return on equity of 16%<sup>(1)</sup>

(1) Based on after-tax adjusted operating income for the year ended December 31, 2005

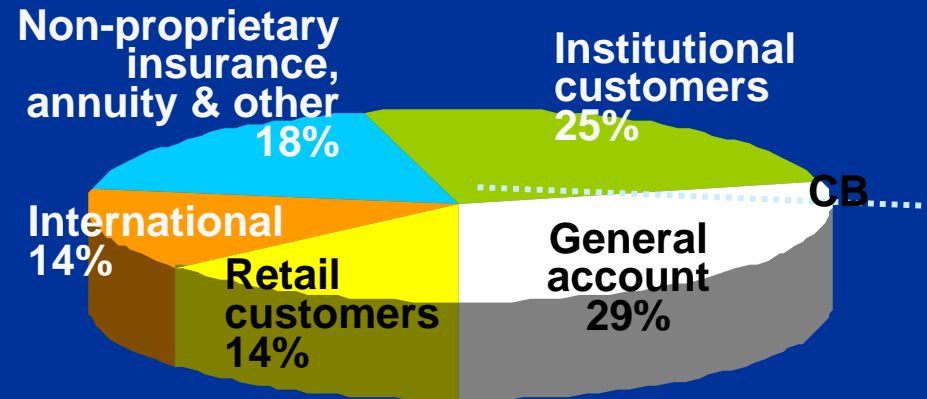
# Asset Management: significant scale and breadth

**Total AUM \$547 billion <sup>(1)</sup>**

**AUM by asset type**



**AUM by client type**



(1) As of March 31, 2006

## 2006 and beyond ...

Two substantial growth opportunities:

International businesses

Domestic retirement and savings businesses

Evolving multi-channel distribution strategy

Manage margins and returns

Opportunistic acquisitions

Substantial operating cash flows enable share repurchases, growing cash dividends

**2006 – 2007**

**Execution and business mix drive superior  
shareholder value growth**

**ROE: 12% → 14%**

**Double digit average annual growth: AOI, EPS**

**Reasonably consistent operating results**

**Visible, sustainable cash flow**

**“AA” capital management**