# AIFA Conference

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Mark Grier
Vice Chairman, Financial Management

Prudential Financial

# Forward-Looking Statements

Certain of the statements included in this presentation constitute forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. It is possible that actual results may differ materially from any expectations or predictions expressed in this presentation. 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. 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, among others: (1) general economic, market and political conditions, including the performance and fluctuations of stock, real estate, and other financial markets; (2) interest rate fluctuations; (3) reestimates of our reserves for future policy benefits and claims; (4) differences between actual experience regarding mortality, morbidity, persistency, surrender experience, interest rates or market returns and the assumptions we use in pricing our products, establishing liabilities and reserves or for other purposes; (5) changes in our assumptions related to deferred policy acquisition costs, valuation of business acquired or goodwill; (6) changes in our claims-paying or credit ratings; (7) investment losses and defaults; (8) competition in our product lines and for personnel; (9) changes in tax law; (10) economic, political, currency and other risks relating to our international operations; (11) fluctuations in foreign currency exchange rates and foreign securities markets; (12) regulatory or legislative changes; (13) adverse determinations in litigation or regulatory matters and our exposure to contingent liabilities, including in connection with our divestiture or winding down of businesses; (14) domestic or international military actions, natural or man-made disasters including terrorist activities or pandemic disease, or other events resulting in catastrophic loss of life; (15) ineffectiveness of risk management policies and procedures in identifying, monitoring and managing risks; (16) effects of acquisitions, divestitures and restructurings, including possible difficulties in integrating and realizing the projected results of acquisitions; (17) changes in statutory or U.S. GAAP accounting principles, practices or policies; (18) changes in assumptions for retirement expense; (19) Prudential Financial, Inc.’s primary reliance, as a holding company, on dividends or distributions from its subsidiaries to meet debt payment obligations and continue share repurchases, and the applicable regulatory restrictions on the ability of the subsidiaries to pay such dividends or distributions; and (20) risks due to the lack of legal separation between our Financial Services Businesses and our Closed Block Business.

Prudential Financial, Inc. does not intend, and is under no obligation, 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 Measure

Adjusted operating income is a non-GAAP measure of performance of our Financial Services Businesses. Adjusted operating income excludes "Realized investment gains (losses), net," as adjusted, and related charges and adjustments. A significant element of realized losses is impairments and losses from sales of credit-impaired securities, the timing of which depends largely on market credit cycles and can vary considerably across periods. The timing of other sales that would result in gains or losses is largely subject to our discretion and influenced by market opportunities. Realized investment gains (losses) 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 are included in adjusted operating income. Realized investment gains and losses from products that are free standing derivatives or contain embedded derivatives, and from associated derivative portfolios that are part of an economic hedging program related to the risk of those products, are included in adjusted operating income. Adjusted operating income also excludes investment gains and losses on trading account assets supporting insurance liabilities and changes in experience-rated contractholder liabilities due to asset value changes, because these recorded changes in asset and liability values will ultimately accrue to contractholders. Trends in the underlying profitability of our businesses can be more clearly identified without the fluctuating effects of these transactions. In addition, adjusted operating income excludes the results of divested businesses, which are not relevant to our ongoing operations. Discontinued operations, which is presented as a separate component of net income under GAAP, is also excluded from adjusted operating income.

We believe that the presentation of adjusted operating income as we measure it for management purposes enhances understanding of the results of operations of the Financial Services Businesses by highlighting the results from ongoing operations and the underlying profitability of our businesses. However, adjusted operating income is not a substitute for income determined in accordance with GAAP, and the excluded items are important to an understanding of our overall results of operations. The schedules on the following two pages provide a reconciliation of adjusted operating income for the Financial Services Businesses to income from continuing operations in accordance with GAAP.

ROE based on adjusted operating income is determined by dividing adjusted operating income after-tax (giving effect to the direct equity adjustment for earnings per share calculation), by average attributed equity for the Financial Services Businesses excluding accumulated other comprehensive income related to unrealized gains and losses on investments for all periods and accumulated other comprehensive income related to pension and postretirement benefits for 2006, 2005 and 2004. An alternative measure to ROE based on adjusted operating income is return on average equity based on income from continuing operations. Return on average equity based on income from continuing operations represents income from continuing operations after-tax as determined in accordance with GAAP (giving effect to the direct equity adjustment for earnings per share calculation), annualized for interim periods, divided by average total attributed equity for the Financial Services Businesses. Return on average equity based on income from continuing operations is 14.7%, 15.5%, 9.3%, 5.4% and 4.0% for the years ended December 31, 2006, 2005, 2004, 2003 and 2002, respectively.

Our expectations of Common Stock earnings per share and return on equity are based on after-tax adjusted operating income. Because we do not predict future realized investment gains / losses or recorded changes in asset and liability values that will ultimately accrue to contractholders, we cannot provide a measure of our Common Stock earnings per share or return on equity expectations based on income from continuing operations of the Financial Services Businesses, which is the GAAP measure most comparable to adjusted operating income.

For additional information about adjusted operating income and the comparable GAAP measure please refer to our Annual Report on Form 10-K for the year ended December 31, 2006, on the Investor Relations Web site at www.investor.prudential.com. Additional historical information relating to the Company's financial performance, including its fourth quarter 2006 Quarterly Financial Supplement, is also located on the Investor Relations website.

The information referred to above and on the prior page, as well as the risks of our businesses described in our Annual Report on Form 10-K for the year ended December 31, 2006, should be considered by readers when reviewing forward-looking statements contained in this presentation.

# Reconciliation Between Adjusted Operating Income and the Comparable GAAP Measure

**Prudential Financial, Inc.**

**(in millions, except per share data)**

| | Year ended December 31, 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|
| ***Financial Services Businesses:*** | | | | | |
| Pre-tax adjusted operating income by division: | | | | | |
| Insurance Division | $ 545 | $ 788 | $ 991 | $ 1,227 | $ 1,359 |
| Investment Division | 282 | 289 | 355 | 707 | 1,163 |
| International Insurance and Investments Division | 757 | 803 | 994 | 1,416 | 1,566 |
| Corporate and other operations | 148 | 90 | 176 | 202 | 86 |
| Total pre-tax adjusted operating income | 1,732 | 1,970 | 2,516 | 3,552 | 4,174 |
| Income taxes, applicable to adjusted operating income | 582 | 644 | 680 | 1,120 | 1,202 |
| **Financial Services Businesses after-tax adjusted operating income** | 1,150 | 1,326 | 1,836 | 2,432 | 2,972 |
| Realized investment gains (losses), net, and related charges and adjustments | (856) | (204) | 4 | 561 | 90 |
| Investment gains (losses) on trading account assets supporting insurance liabilities, net | - | - | (55) | (33) | 35 |
| Change in experience-rated contractholder liabilities due to asset value changes | - | - | 1 | (44) | 11 |
| Sales practices remedies and costs | (20) | - | - | - | - |
| Divested businesses | (10) | (171) | (24) | (16) | 12 |
| Equity in earnings of operating joint ventures | (7) | (71) | (72) | (214) | (322) |
| Total pre-tax adjustments | (893) | (446) | (146) | 254 | (174) |
| Income taxes, not applicable to adjusted operating income | (496) | (148) | (75) | (473) | (73) |
| Total adjustments, after income taxes | (397) | (298) | (71) | 727 | (101) |
| **Income from continuing operations (after-tax) of Financial Services Businesses before equity in earnings of operating joint ventures, extraordinary gain on acquisition and cumulative effect of accounting change** | 753 | 1,028 | 1,765 | 3,159 | 2,871 |
| Equity in earnings of operating joint ventures, net of taxes | 5 | 45 | 55 | 142 | 208 |
| **Income from continuing operations (after-tax) of Financial Services Businesses before extraordinary gain on acquisition and cumulative effect of accounting change** | 758 | 1,073 | 1,820 | 3,301 | 3,079 |
| Income (loss) from discontinued operations, net of taxes | (79) | (48) | (88) | (82) | 65 |
| Extraordinary gain on acquisition, net of taxes | - | - | 21 | - | - |
| Cumulative effect of accounting change, net of taxes | - | - | (79) | - | - |
| **Net income of Financial Services Businesses** | 679 | 1,025 | 1,674 | 3,219 | 3,144 |
| **Earnings per share of Common Stock (diluted):** | | | | | |
| Financial Services Businesses after-tax adjusted operating income | $ 2.06 | $ 2.53 | $ 3.61 | $ 4.83 | $ 6.15 |
| Realized investment gains (losses), net, and related charges and adjustments | (1.48) | (0.37) | 0.01 | 1.08 | 0.18 |
| Investment gains (losses) on trading account assets supporting insurance liabilities, net | - | - | (0.10) | (0.06) | 0.07 |
| Change in experience-rated contractholder liabilities due to asset value changes | - | - | - | (0.08) | 0.02 |
| Sales practices remedies and costs | (0.03) | - | - | - | - |
| Divested businesses | (0.02) | (0.31) | (0.05) | (0.03) | 0.02 |
| Equity in earnings of operating joint ventures | (0.01) | (0.13) | (0.13) | (0.42) | (0.64) |
| Total pre-tax adjustments | (1.54) | (0.81) | (0.27) | 0.49 | (0.35) |
| Income taxes, not applicable to adjusted operating income | (0.86) | (0.26) | (0.14) | (0.90) | (0.15) |
| Total adjustments, after income taxes | (0.68) | (0.55) | (0.13) | 1.39 | (0.20) |
| **Income from continuing operations (after-tax) of Financial Services Businesses before equity in earnings of operating joint ventures, extraordinary gain on acquisition and cumulative effect of accounting change** | 1.38 | 1.98 | 3.48 | 6.22 | 5.95 |
| Equity in earnings of operating joint ventures, net of taxes | 0.01 | 0.09 | 0.10 | 0.27 | 0.42 |
| **Income from continuing operations (after-tax) of Financial Services Businesses before extraordinary gain on acquisition and cumulative effect of accounting change** | 1.39 | 2.07 | 3.58 | 6.49 | 6.37 |
| Income (loss) from discontinued operations, net of taxes | (0.14) | (0.09) | (0.16) | (0.15) | 0.13 |
| Extraordinary gain on acquisition, net of taxes | - | - | 0.04 | - | - |
| Cumulative effect of accounting change, net of taxes | - | - | (0.15) | - | - |
| **Net income of Financial Services Businesses** | 1.25 | 1.98 | 3.31 | 6.34 | 6.50 |
| Weighted average number of outstanding Common shares (diluted basis) | 578.0 | 548.4 | 531.2 | 520.9 | 494.0 |
| ***Reconciliation to Consolidated Net Income of Prudential Financial, Inc:*** | | | | | |
| Net income of Financial Services Businesses (above) | $ 679 | $ 1,025 | $ 1,674 | $ 3,219 | $ 3,144 |
| Net income (loss) of Closed Block Business | (485) | 239 | 582 | 321 | 284 |
| Consolidated net income | 194 | 1,264 | 2,256 | 3,540 | 3,428 |
| Direct equity adjustments for earnings per share calculations | $ 43 | $ 60 | $ 84 | $ 82 | $ 68 |

# Reconciliation Between Adjusted Operating Income and the Comparable GAAP Measure (continued)

**Prudential Financial, Inc.**
**COMBINED STATEMENTS OF OPERATIONS - FINANCIAL SERVICES BUSINESSES**
**(in millions)**

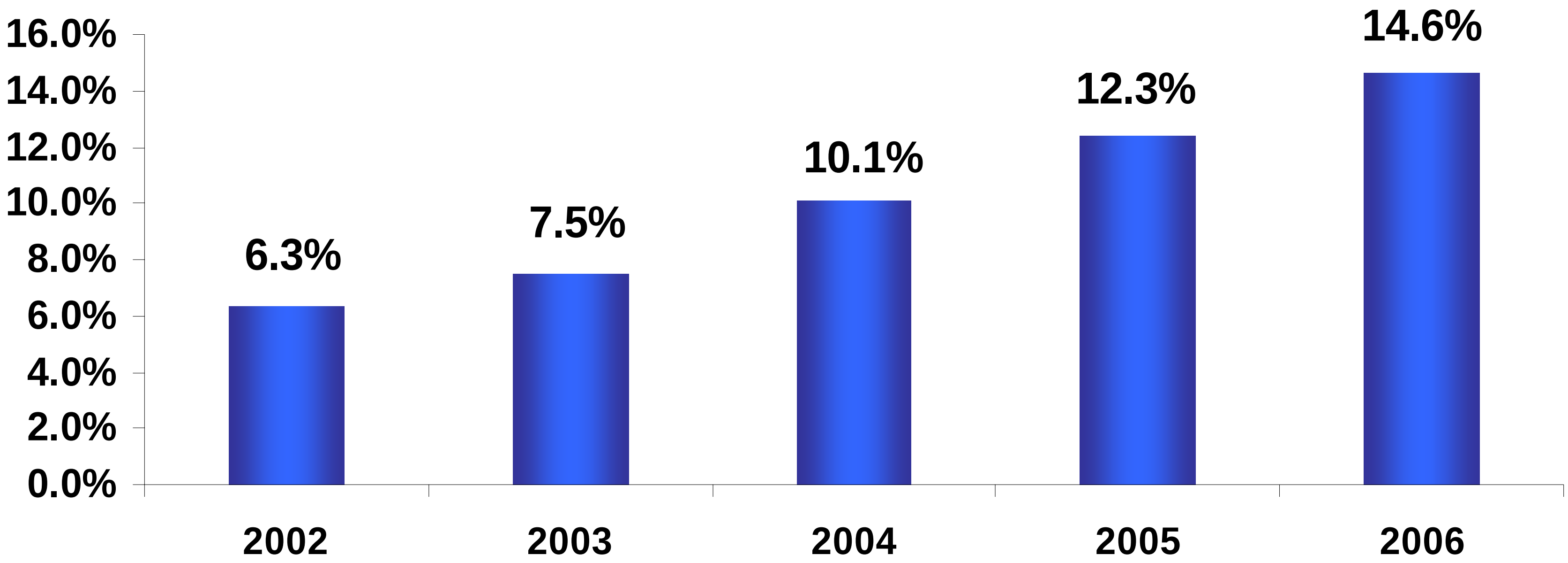
| | Year ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2002 | 2003 | 2004 | 2005 | 2006 |
| Revenues (1): | | | | | |
| Premiums | $ 7,195 | $ 7,848 | $ 8,736 | $ 10,128 | $ 10,287 |
| Policy charges and fee income | 1,815 | 1,978 | 2,385 | 2,529 | 2,649 |
| Net investment income | 5,020 | 4,913 | 5,772 | 6,863 | 7,660 |
| Asset management fees, commissions and other income | 3,979 | 3,258 | 3,065 | 3,608 | 4,250 |
| Total revenues | 18,009 | 17,997 | 19,958 | 23,128 | 24,846 |
| Benefits and Expenses (1): | | | | | |
| Insurance and annuity benefits | 7,662 | 8,158 | 8,897 | 9,990 | 10,423 |
| Interest credited to policyholders' account balances | 1,730 | 1,718 | 2,220 | 2,516 | 2,790 |
| Interest expense | 195 | 200 | 334 | 615 | 949 |
| Deferral of acquisition costs | (1,064) | (1,270) | (1,528) | (1,801) | (2,037) |
| Amortization of acquisition costs | 739 | 533 | 766 | 910 | 670 |
| General and administrative expenses | 7,015 | 6,688 | 6,753 | 7,346 | 7,877 |
| Total benefits and expenses | 16,277 | 16,027 | 17,442 | 19,576 | 20,672 |
| Adjusted operating income before income taxes | 1,732 | 1,970 | 2,516 | 3,552 | 4,174 |
| Realized investment gains (losses), net, and related adjustments | (862) | (161) | 62 | 669 | 73 |
| Related charges | 6 | (43) | (58) | (108) | 17 |
| Total realized investment gains (losses), net, and related charges and adjustments | (856) | (204) | 4 | 561 | 90 |
| Investment gains (losses) on trading account assets supporting insurance liabilities, net | - | - | (55) | (33) | 35 |
| Change in experience-rated contractholder liabilities due to asset value changes | - | - | 1 | (44) | 11 |
| Sales practices remedies and costs | (20) | - | - | - | - |
| Divested businesses | (10) | (171) | (24) | (16) | 12 |
| Equity in earnings of operating joint ventures | (7) | (71) | (72) | (214) | (322) |
| Total pre-tax adjustments | (893) | (446) | (146) | 254 | (174) |
| Income from continuing operations before income taxes, equity in earnings of operating joint ventures, extraordinary gain on acquisition and cumulative effect of accounting change | 839 | 1,524 | 2,370 | 3,806 | 4,000 |
| Income tax expense | 86 | 496 | 605 | 647 | 1,129 |
| Income from continuing operations before equity in earnings of operating joint ventures, extraordinary gain on acquisition and cumulative effect of accounting change | 753 | 1,028 | 1,765 | 3,159 | 2,871 |
| Equity in earnings of operating joint ventures, net of taxes | 5 | 45 | 55 | 142 | 208 |
| Income from continuing operations before extraordinary gain on acquisition and cumulative effect of accounting change | 758 | 1,073 | 1,820 | 3,301 | 3,079 |

(1) Revenues exclude realized investment gains, net of losses and related charges and adjustments; investment gains, net of losses, on trading account assets supporting insurance liabilities, and revenues of divested businesses, and include revenues representing equity in earnings of operating joint ventures. Benefits and expenses exclude charges related to realized investment gains, net of losses; change in experience-rated contractholder liabilities due to asset value changes and benefits and expenses of divested businesses.

# Prudential Financial
# Achievement of a Premium Valuation

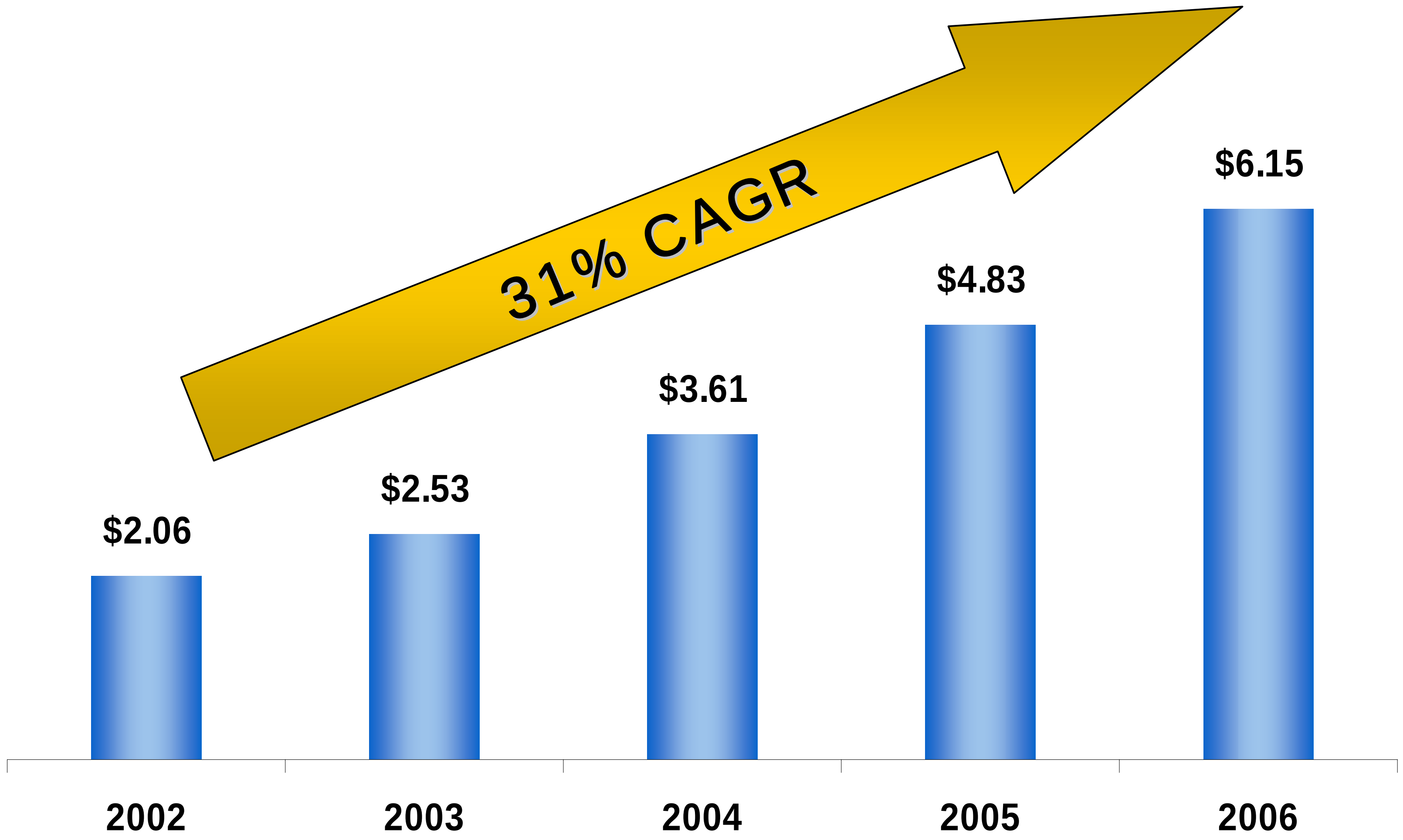
- First five years: established solid foundation; execution track record
- Value creation: returns on resources exceed market hurdles
- High value-added business models provide high returns with low risks
- Capital management enhances returns
- Focused growth: opportunity to employ more resources at above-market returns
- Business risks well diversified and largely uncorrelated

# ROE Progress [(1)]




1) For the Financial Services Businesses (FSB); based on after-tax adjusted operating income and on attributed equity excluding accumulated other comprehensive income related to unrealized gains and losses on investments for all years and accumulated other comprehensive income related to pension and postretirement benefits for 2006, 2005 and 2004

# Earnings Per Share Growth [1]




1) Based on after-tax adjusted operating income of the FSB

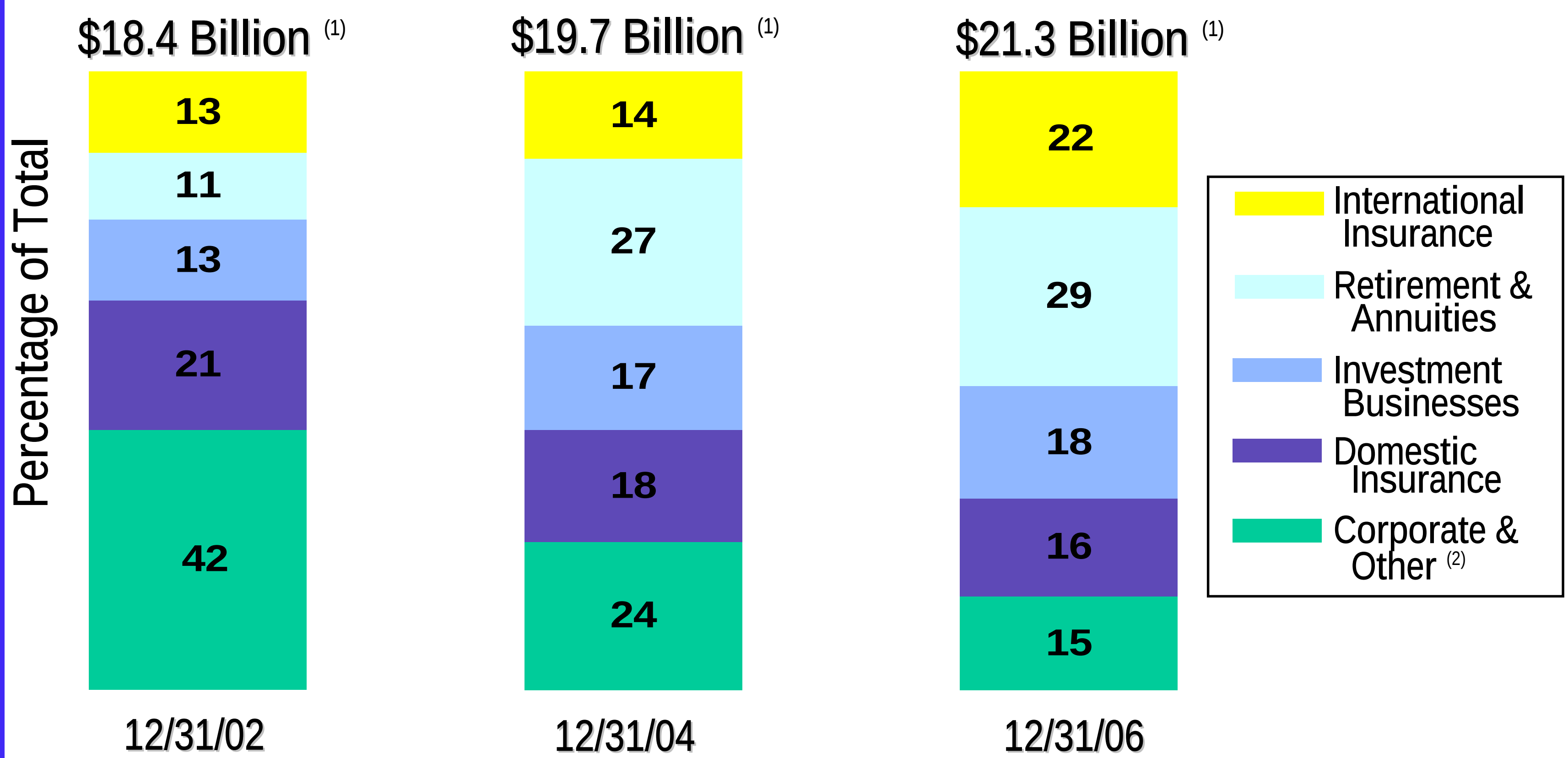
# Value Creation

- Earning returns on resources that exceed market hurdles creates value
- High return is valued; the opportunity to <u>grow</u> at high returns is more valuable
- Growth at low returns does not create value

# Premium Valuation

- ROE-Book Value Multiple regression does not define the world: we seek valuation “above the regression line”
- Thinking beyond ROE accretion: commit resources to businesses that command high earnings multiples because of opportunity to grow at attractive returns

# Equity Capital Migration ⇨ Businesses with Favorable Growth and Return Prospects




1) Attributed equity of FSB; excluding accumulated other comprehensive income related to unrealized gains and losses on investments for all years and accumulated other comprehensive income related to pension and postretirement benefits for 2006 and 2004

2) Includes divested businesses

# High Value-Added Business Models

| | | |
|---|---|---|
| Product Emphasis | Offer products with relatively low risk profile, attractive value proposition | • Retirement – Stable value<br>• International Insurance – Protection products |
| Product Design | Build risk management features into attractive products | • Annuities – Asset allocation requirements; self-hedging guarantees |
| Competitive Advantages In Distribution | Develop complementary distribution channels tailored to products and selected markets | • International Insurance – Life Planners, Life Advisors<br>• Annuities – Independent Financial Planners, Wirehouses, Insurance Agents |
| Capital Efficient Structures | Identify redundant regulatory reserves/capital and finance with alternatives to equity | • Life Insurance and annuities – internal reinsurance for "XXX", "A-XXX", "C-3 Phase II" |

# Summary

- History of successful execution as public company
- Beyond ROE accretion: committing resources to businesses that can grow at attractive returns
- High value-added business models; returns enhanced by capital management
- Business risks well diversified and largely uncorrelated
- Targeting a premium valuation – above the ROE-Book Value Multiple “regression line”

Prudential Financial