



## **Prudential Financial, Inc. (PRU)**

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### **Quarterly Financial Supplement**

FINANCIAL SERVICES BUSINESSES  
SECOND QUARTER 2003

Reference is made to Prudential Financial, Inc.'s filings with the Securities and Exchange Commission for general information, and consolidated financial information, regarding Prudential Financial, Inc., including its Closed Block Business.

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In May 2003, Prudential Financial, Inc. announced its agreements to sell its National and New Jersey property and casualty insurance businesses.

This Quarterly Financial Supplement presents historical results of the Company's Financial Services Businesses, reflecting the classification of results for the National and New Jersey property and casualty insurance businesses as well as its Merastar personal lines property and casualty business as divested business. Results of the specialty automobile insurance business, for which the Company announced an agreement to sell in March 2003, are classified as discontinued operations.

In addition, this Quarterly Financial Supplement reflects the classification of certain operations of two Japanese asset management units of the International Investments segment (Prudential Asset Management Japan and Prudential Investment Management Japan) as divested businesses for all periods presented, as a result of the company's decision to exit these operations.

FINANCIAL HIGHLIGHTS  
(in millions, except per share data)

Year-to-date		% Change					
2003	2002		2002		2003		
			2Q	3Q	4Q	1Q	2Q
<b>Financial Services Businesses:</b>							
Pre-tax adjusted operating income by division:							
399	332	20%	149	76	137	163	236
152	196	-22%	92	52	36	74	78
395	387	2%	183	188	176	178	217
19	53	-64%	41	114	1	19	-
965	968	-	465	430	350	434	531
314	362	-13%	175	126	100	141	173
651	606	7%	290	304	250	293	358
<b>Financial Services Businesses after-tax adjusted operating income</b>							
Items excluded from adjusted operating income:							
(124)	(441)	72%	(345)	(142)	(284)	(113)	(11)
-	-	-	-	-	(20)	-	-
(399)	49	-914%	31	(13)	(59)	3	(402)
(523)	(392)	-33%	(314)	(155)	(363)	(110)	(413)
(205)	(151)	-36%	(122)	(231)	(120)	(36)	(169)
(318)	(241)	-32%	(192)	76	(243)	(74)	(244)
333	365	-9%	98	380	7	219	114
(9)	(7)	-29%	(3)	12	(78)	(22)	13
324	358	-9%	95	392	(71)	197	127
<b>Income from continuing operations (after-tax) of Financial Services Businesses</b>							
<b>Net income (loss) of Financial Services Businesses</b>							
<b>Earnings per share of Common Stock (diluted):</b>							
1.22	1.07		0.52	0.54	0.47	0.56	0.67
Financial Services Businesses after-tax adjusted operating income							
Items excluded from adjusted operating income:							
(0.22)	(0.75)		(0.59)	(0.25)	(0.50)	(0.20)	(0.02)
-	-		-	-	(0.04)	-	-
(0.72)	0.08		0.05	(0.02)	(0.10)	-	(0.73)
(0.94)	(0.67)		(0.54)	(0.27)	(0.64)	(0.20)	(0.75)
(0.37)	(0.26)		(0.21)	(0.40)	(0.21)	(0.07)	(0.30)
(0.57)	(0.41)		(0.33)	0.13	(0.43)	(0.13)	(0.45)
0.65	0.66		0.19	0.67	0.04	0.43	0.22
(0.02)	(0.01)		-	0.03	(0.14)	(0.04)	0.03
0.63	0.65		0.19	0.70	(0.10)	0.39	0.25
<b>Income from continuing operations (after-tax) of Financial Services Businesses</b>							
<b>Net income (loss) of Financial Services Businesses</b>							
552.9	585.2		585.2	576.8	565.0	556.5	549.4
Weighted average number of outstanding Common shares (diluted basis)							
7.37%	6.60%		6.37%	6.58%	5.64%	6.76%	7.98%
Operating Return on Average Equity (based on adjusted operating income)							
<b>Reconciliation to Consolidated Net Income of Prudential Financial, Inc.:</b>							
324	358		95	392	(71)	197	127
68	(273)		(163)	(90)	(122)	(1)	69
392	85		(68)	302	(193)	196	196
Consolidated net income (loss)							
26	21		14	9	13	18	8
Direct equity adjustments for earnings per share calculations							

FINANCIAL HIGHLIGHTS  
 (in millions, except per share data)

Year-to-date		2002			2003	
2003	2002	2Q	3Q	4Q	1Q	2Q
<b>Financial Services Businesses Capitalization Data (1):</b>						
		4,221	3,852	3,469	4,212	5,416
		3,003	3,077	3,007	2,582	2,663
		690	690	690	690	690
Equity Security Units (2)						
Attributed Equity (3):						
		20,258	21,039	20,562	21,059	21,768
		19,144	18,931	18,394	18,388	18,318
		19,321	19,153	18,621	18,596	18,523
Including accumulated other comprehensive income						
Excluding unrealized gains and losses on investments						
Excluding accumulated other comprehensive income						
Total Capitalization:						
		23,951	24,806	24,259	24,331	25,121
		22,837	22,698	22,091	21,660	21,671
		23,014	22,920	22,318	21,868	21,876
Including accumulated other comprehensive income						
Excluding unrealized gains and losses on investments						
Excluding accumulated other comprehensive income						
Book value per share of Common Stock:						
		34.72	37.03	36.67	38.12	39.83
		32.81	33.32	32.80	33.28	33.52
		33.12	33.71	33.20	33.66	33.89
Including accumulated other comprehensive income						
Excluding unrealized gains and losses on investments						
Excluding accumulated other comprehensive income						
		583.4	568.1	560.8	552.5	546.5
Number of diluted shares at end of period						
<b>Common Stock Price Range (based on closing price):</b>						
34.50	35.75	35.75	32.99	32.10	33.93	34.50
27.56	30.05	31.05	27.35	25.50	27.56	29.84
33.65	33.36	33.36	28.56	31.74	29.25	33.65
		19,448	16,235	17,782	16,153	18,405
<b>Common Stock market capitalization (1)</b>						

(1) As of end of period.

(2) Guaranteed beneficial interest in Trust holding solely debentures of Parent, as reported in combined balance sheet.

(3) During the third quarter of 2002, in conjunction with the Company's review of its allocation of deferred taxes between the Closed Block and Financial Services Businesses, the Company determined that deferred taxes that had been included in the Closed Block Business were more appropriately reflected within the Financial Services Businesses. Accordingly, deferred taxes of \$130 million were transferred from the Closed Block Business to the Financial Services Businesses resulting in a \$130 million decrease in "Other attributed equity" of the Financial Services Businesses and a corresponding increase in "Other attributed equity" of the Closed Block Business.

OPERATIONS HIGHLIGHTS



Year-to-date		2002			2003	
2003	2002	2Q	3Q	4Q	1Q	2Q
<b>Assets Under Management and Administration (\$ billions) (1) (2):</b>						
Assets Under Management :						
Managed by Investment Division:						
Investment Management Segment - Investment Management & Advisory Services						
		84.8	77.3	79.9	78.9	82.5
		83.5	79.8	85.2	84.2	89.2
		116.0	119.5	122.9	123.6	127.1
		284.3	276.6	288.0	286.7	298.8
		38.2	32.7	33.0	32.7	40.7
		322.5	309.3	321.0	319.4	339.5
		37.9	46.6	47.9	47.6	50.0
		8.0	7.2	8.8	8.5	32.9
		368.4	363.1	377.7	375.5	422.4
		188.4	173.7	177.9	174.4	186.5
		556.8	536.8	555.6	549.9	608.9
		70.5	77.9	83.6	83.4	89.6
<b>Distribution Representatives (1):</b>						
		4,551	4,478	4,389	4,327	4,290
		5,306	4,960	4,731	4,519	4,233
		4,207	4,353	4,505	4,552	4,689
		5,525	5,233	5,155	4,993	4,877
<b>Distribution Representative Productivity:</b>						
36	37	38	36	43	34	39
410	375	372	378	357	390	429
<b>Third Party Distribution - Retail Products (\$ millions) (6):</b>						
41	33	17	15	24	21	20
18	85	76	21	15	4	14
757	35	24	50	48	58	699
1,399	1,475	1,019	970	1,207	616	783

(1) As of end of period.

(2) At fair market value.

(3) Reflects inclusion in assets managed by International Insurance and Investments Division of \$3.9 billion at September 30, 2002 and \$4.3 billion at December 31, 2002, representing amounts relating to recently acquired entities and formerly classified as client assets under administration, to conform to current presentation based on internal management criteria.

(4) Assets under administration and Assets managed or administered for customers outside of the United States at end of period at June 30, 2003 include approximately \$155 billion and \$8 billion, respectively associated with businesses that were combined into Wachovia Securities, LLC effective July 1, 2003. As a result, Prudential Financial, Inc. will no longer report these assets as a component of its assets under management and administration, for periods after June 30, 2003.

(5) All periods exclude financial advisors associated with our discontinued international securities operations. June 30, 2003, includes approximately 3,900 financial advisors of our Financial Advisory segment that were combined into Wachovia Securities, LLC effective July 1, 2003. As a result, Prudential Financial, Inc. will no longer include these financial advisors in reported amounts for periods after June 30, 2003.

(6) Represents statutory first year premiums and deposits for Individual Life Insurance, including corporate-owned life insurance, and gross sales for Individual Annuities, Mutual Funds and Wrap-fee products.

(7) Excludes corporate-owned life insurance sales.

COMBINED STATEMENTS OF OPERATIONS - FINANCIAL SERVICES BUSINESSES  
(in millions)

Year-to-date		%	Change	2002			2003	
2003	2002			2Q	3Q	4Q	1Q	2Q
Revenues (1):								
3,998	3,600	11%	Premiums	1,815	1,870	1,991	2,015	1,983
867	846	2%	Policy charges and fee income	412	400	407	416	451
2,505	2,517	-	Net investment income	1,313	1,282	1,256	1,253	1,252
1,965	2,106	-7%	Commissions, investment management fees, and other income	1,031	996	974	899	1,066
<u>9,335</u>	<u>9,069</u>	3%	Total revenues	<u>4,571</u>	<u>4,548</u>	<u>4,628</u>	<u>4,583</u>	<u>4,752</u>
Benefits and Expenses (1):								
4,090	3,750	9%	Insurance and annuity benefits	1,912	1,913	2,130	2,107	1,983
839	829	1%	Interest credited to policyholders' account balances	415	434	444	418	421
74	91	-19%	Interest expense	43	43	36	37	37
(605)	(505)	-20%	Deferral of acquisition costs	(263)	(275)	(284)	(285)	(320)
302	318	-5%	Amortization of acquisition costs	179	263	158	160	142
1,166	1,281	-9%	Securities operations non-interest expenses	641	609	599	550	616
2,504	2,337	7%	General and administrative expenses	1,179	1,131	1,195	1,162	1,342
<u>8,370</u>	<u>8,101</u>	3%	Total benefits and expenses	<u>4,106</u>	<u>4,118</u>	<u>4,278</u>	<u>4,149</u>	<u>4,221</u>
<u>965</u>	<u>968</u>	-	Adjusted operating income before income taxes	<u>465</u>	<u>430</u>	<u>350</u>	<u>434</u>	<u>531</u>
Items excluded from adjusted operating income before income taxes:								
(105)	(442)	76%	Realized investment gains (losses), net, and related adjustments	(341)	(141)	(290)	(114)	9
(19)	1	-2000%	Related charges	(4)	(1)	6	1	(20)
<u>(124)</u>	<u>(441)</u>	72%	Total realized investment losses, net, and related charges and adjustments	<u>(345)</u>	<u>(142)</u>	<u>(284)</u>	<u>(113)</u>	<u>(11)</u>
-	-	-	Sales practices remedies and costs	-	-	(20)	-	-
(399)	49	-914%	Divested businesses	31	(13)	(59)	3	(402)
<u>(523)</u>	<u>(392)</u>	-33%	Total items excluded from adjusted operating income before income taxes	<u>(314)</u>	<u>(155)</u>	<u>(363)</u>	<u>(110)</u>	<u>(413)</u>
442	576	-23%	Income (loss) from continuing operations before income taxes	151	275	(13)	324	118
109	211	-48%	Income tax expense (benefit)	53	(105)	(20)	105	4
<u>333</u>	<u>365</u>	-9%	Income from continuing operations, after-tax	<u>98</u>	<u>380</u>	<u>7</u>	<u>219</u>	<u>114</u>

(1) Revenues exclude realized investment gains, net of losses and related adjustments, and revenues of divested businesses and discontinued operations. Benefits and expenses exclude charges related to realized investment gains, net of losses, sales practices remedies and costs, and benefits and expenses of divested businesses and discontinued operations.

COMBINED BALANCE SHEETS - FINANCIAL SERVICES BUSINESSES  
(in millions)

	<u>06/30/2002</u>	<u>09/30/2002</u>	<u>12/31/2002</u>	<u>03/31/2003</u>	<u>06/30/2003</u>
<b>Assets:</b>					
<b>Investments:</b>					
Fixed maturities, available for sale, at fair value (amortized cost \$70,745; \$72,962; \$74,665; \$76,766; \$77,995)	72,700	76,815	79,230	82,311	85,283
Fixed maturities, held to maturity, at amortized cost (fair value \$2,293; \$2,385; \$2,673; \$2,859; \$2,867)	2,268	2,376	2,612	2,772	2,793
Trading account assets, at fair value	6,038	4,419	3,449	3,359	3,831
Equity securities, available for sale, at fair value (cost \$1,748; \$1,815; \$1,313; \$1,101; \$991)	1,868	1,714	1,286	1,038	1,044
Commercial loans	12,752	12,649	12,300	12,234	12,040
Policy loans	2,982	3,036	3,146	2,923	2,992
Securities purchased under agreements to resell	5,136	5,256	4,844	5,990	5,424
Cash collateral for borrowed securities	5,530	5,691	4,978	4,429	5,440
Other long-term investments	4,216	4,329	4,333	4,476	4,546
Short-term investments	2,848	2,082	2,840	1,671	1,960
Total investments	<u>116,338</u>	<u>118,367</u>	<u>119,018</u>	<u>121,203</u>	<u>125,353</u>
Cash and cash equivalents	8,344	9,115	7,470	7,339	6,743
Accrued investment income	1,069	1,084	1,021	1,095	1,095
Broker-dealer related receivables	7,091	5,486	5,631	5,126	6,425
Deferred policy acquisition costs	5,859	5,750	5,875	5,926	5,997
Other assets	16,213	14,699	13,730	15,001	17,369
Separate account assets	75,101	69,900	70,555	70,710	99,116
Total assets	<u>230,015</u>	<u>224,401</u>	<u>223,300</u>	<u>226,400</u>	<u>262,098</u>
<b>Liabilities:</b>					
Future policy benefits	40,319	41,395	42,213	43,243	43,792
Policyholders' account balances	38,916	40,325	40,799	41,487	42,345
Unpaid claims and claim adjustment expenses	3,352	3,363	3,428	3,513	3,494
Securities sold under agreements to repurchase	10,557	10,675	10,250	10,907	9,835
Cash collateral for loaned securities	8,959	7,645	7,517	7,300	7,289
Income taxes payable	1,609	1,967	1,910	2,259	2,352
Broker-dealer related payables	6,076	4,498	4,838	4,915	6,099
Securities sold but not yet purchased	3,185	2,417	1,996	2,076	2,220
Short-term debt	4,221	3,852	3,469	4,212	5,416
Long-term debt	3,003	3,077	3,007	2,582	2,663
Other liabilities	13,769	13,558	12,066	11,447	15,019
Separate account liabilities	75,101	69,900	70,555	70,710	99,116
Total liabilities	<u>209,067</u>	<u>202,672</u>	<u>202,048</u>	<u>204,651</u>	<u>239,640</u>
Guaranteed beneficial interest in Trust holding solely debentures of Parent	690	690	690	690	690
<b>Attributed Equity:</b>					
Accumulated other comprehensive income	937	1,886	1,941	2,463	3,245
Other attributed equity	19,321	19,153	18,621	18,596	18,523
Total attributed equity	<u>20,258</u>	<u>21,039</u>	<u>20,562</u>	<u>21,059</u>	<u>21,768</u>
Total liabilities and attributed equity	<u>230,015</u>	<u>224,401</u>	<u>223,300</u>	<u>226,400</u>	<u>262,098</u>



FINANCIAL SERVICES BUSINESSES COMBINING STATEMENTS OF OPERATIONS - BY DIVISION  
(in millions)

	Six Months Ended June 30, 2003				
	Total			International	
	Financial	Insurance	Investment	Insurance &	Corporate
	Services	Division	Division	Investments	and Other
	Businesses			Division	Operations
Revenues (1) :					
Premiums	3,998	1,718	22	2,270	(12)
Policy charges and fee income	867	725	37	112	(7)
Net investment income	2,505	724	1,116	398	267
Commissions, investment management fees, and other income	1,965	139	1,724	161	(59)
Total revenues	<u>9,335</u>	<u>3,306</u>	<u>2,899</u>	<u>2,941</u>	<u>189</u>
Benefits and Expenses (1):					
Insurance and annuity benefits	4,090	1,847	414	1,771	58
Interest credited to policyholders' account balances	839	318	469	52	-
Interest expense	74	(2)	8	1	67
Deferral of acquisition costs	(605)	(261)	(15)	(352)	23
Amortization of acquisition costs	302	154	36	145	(33)
Securities operations non-interest expenses	1,166	-	1,141	-	25
General and administrative expenses	2,504	851	694	929	30
Total benefits and expenses	<u>8,370</u>	<u>2,907</u>	<u>2,747</u>	<u>2,546</u>	<u>170</u>
Adjusted operating income before income taxes	<u>965</u>	<u>399</u>	<u>152</u>	<u>395</u>	<u>19</u>

	Six Months Ended June 30, 2002				
	Total			International	
	Financial	Insurance	Investment	Insurance &	Corporate
	Services	Division	Division	Investments	and Other
	Businesses			Division	Operations
Revenues (1):					
Premiums	3,600	1,549	29	2,022	-
Policy charges and fee income	846	708	38	106	(6)
Net investment income	2,517	689	1,168	339	321
Commissions, investment management fees, and other income	2,106	116	1,925	191	(126)
Total revenues	<u>9,069</u>	<u>3,062</u>	<u>3,160</u>	<u>2,658</u>	<u>189</u>
Benefits and Expenses (1):					
Insurance and annuity benefits	3,750	1,682	428	1,582	58
Interest credited to policyholders' account balances	829	300	481	48	-
Interest expense	91	(1)	8	-	84
Deferral of acquisition costs	(505)	(219)	(28)	(298)	40
Amortization of acquisition costs	318	206	48	109	(45)
Securities operations non-interest expenses	1,281	-	1,280	-	1
General and administrative expenses	2,337	762	747	830	(2)
Total benefits and expenses	<u>8,101</u>	<u>2,730</u>	<u>2,964</u>	<u>2,271</u>	<u>136</u>
Adjusted operating income before income taxes	<u>968</u>	<u>332</u>	<u>196</u>	<u>387</u>	<u>53</u>

(1) Revenues exclude realized investment gains, net of losses and related adjustments, and revenues of divested businesses and discontinued operations. Benefits and expenses exclude charges related to realized investment gains, net of losses, and benefits and expenses of divested businesses and discontinued operations.

FINANCIAL SERVICES BUSINESSES COMBINING BALANCE SHEETS - BY DIVISION  
(in millions)

As of June 30, 2003

	Total Financial Services Businesses	Insurance Division	Investment Division	International Insurance & Investments Division	Corporate and Other Operations
<b>Assets:</b>					
Total investments	125,353	26,837	47,847	38,090	12,579
Broker-dealer related receivables	6,425	-	5,407	779	239
Deferred policy acquisition costs	5,997	3,647	18	2,301	31
Other assets	25,207	4,570	10,759	4,002	5,876
Separate account assets	99,116	58,325	41,202	541	(952)
<b>Total assets</b>	<b>262,098</b>	<b>93,379</b>	<b>105,233</b>	<b>45,713</b>	<b>17,773</b>
<b>Liabilities:</b>					
Future policy benefits	43,792	4,712	13,383	24,571	1,126
Policyholders' account balances	42,345	15,806	16,854	9,676	9
Debt	8,079	188	3,749	709	3,433
Other liabilities	46,308	7,466	25,795	5,866	7,181
Separate account liabilities	99,116	58,325	41,202	541	(952)
<b>Total liabilities</b>	<b>239,640</b>	<b>86,497</b>	<b>100,983</b>	<b>41,363</b>	<b>10,797</b>
Guaranteed beneficial interest in Trust holding solely debentures of Parent	690	-	-	-	690
<b>Attributed Equity:</b>					
Accumulated other comprehensive income	3,245	831	833	1,190	391
Other attributed equity	18,523	6,051	3,417	3,160	5,895
<b>Total attributed equity</b>	<b>21,768</b>	<b>6,882</b>	<b>4,250</b>	<b>4,350</b>	<b>6,286</b>
<b>Total liabilities and attributed equity</b>	<b>262,098</b>	<b>93,379</b>	<b>105,233</b>	<b>45,713</b>	<b>17,773</b>

As of December 31, 2002

	Total Financial Services Businesses	Insurance Division	Investment Division	International Insurance & Investments Division	Corporate and Other Operations
<b>Assets:</b>					
Total investments	119,018	25,091	44,947	36,358	12,622
Broker-dealer related receivables	5,631	-	4,516	399	716
Deferred policy acquisition costs	5,875	3,640	28	2,158	49
Other assets	22,221	3,128	7,898	4,141	7,054
Separate account assets	70,555	31,175	39,715	499	(834)
<b>Total assets</b>	<b>223,300</b>	<b>63,034</b>	<b>97,104</b>	<b>43,555</b>	<b>19,607</b>
<b>Liabilities:</b>					
Future policy benefits	42,213	4,634	12,835	23,624	1,120
Policyholders' account balances	40,799	14,947	16,252	9,598	2
Debt	6,476	-	3,551	849	2,076
Other liabilities	42,005	6,789	20,873	5,484	8,859
Separate account liabilities	70,555	31,175	39,715	499	(834)
<b>Total liabilities</b>	<b>202,048</b>	<b>57,545</b>	<b>93,226</b>	<b>40,054</b>	<b>11,223</b>
Guaranteed beneficial interest in Trust holding solely debentures of Parent	690	-	-	-	690
<b>Attributed Equity:</b>					
Accumulated other comprehensive income (loss)	1,941	885	587	480	(11)
Other attributed equity	18,621	4,604	3,291	3,021	7,705
<b>Total attributed equity</b>	<b>20,562</b>	<b>5,489</b>	<b>3,878</b>	<b>3,501</b>	<b>7,694</b>
<b>Total liabilities and attributed equity</b>	<b>223,300</b>	<b>63,034</b>	<b>97,104</b>	<b>43,555</b>	<b>19,607</b>

SHORT TERM DEBT - FINANCIAL SERVICES BUSINESSES  
 (in millions)

	As of June 30, 2003				As of December 31, 2002			
	Prudential Financial, Inc.	The Prudential Insurance Co. of America(a)	Other Affiliates	Total	Prudential Financial, Inc.	The Prudential Insurance Co. of America(a)	Other Affiliates	Total
<b>Borrowings by use of proceeds:</b>								
General corporate purposes	-	49	-	49	-	306	-	306
Investment related	443	254	-	697	-	154	-	154
Securities business related	9	1,957	1,748	3,714	-	959	1,256	2,215
Specified other businesses	47	744	164	955	-	514	279	793
Limited recourse and non-recourse borrowing	-	-	1	1	-	-	1	1
<b>Total short-term debt</b>	<b>499</b>	<b>3,004</b>	<b>1,913</b>	<b>5,416</b>	<b>-</b>	<b>1,933</b>	<b>1,536</b>	<b>3,469</b>
<b>Borrowings by type:</b>								
Long-term debt due within one year	-	546	-	546	-	637	-	637
Commercial paper	499	2,442	-	2,941	-	1,265	-	1,265
Bank borrowings	-	-	1,406	1,406	-	-	913	913
Other short-term debt	-	16	506	522	-	31	622	653
Total general obligations	499	3,004	1,912	5,415	-	1,933	1,535	3,468
Limited recourse and non-recourse borrowing	-	-	1	1	-	-	1	1
<b>Total short-term debt</b>	<b>499</b>	<b>3,004</b>	<b>1,913</b>	<b>5,416</b>	<b>-</b>	<b>1,933</b>	<b>1,536</b>	<b>3,469</b>

(a) Includes Prudential Funding, LLC.

LONG TERM DEBT  
(in millions)

As of June 30, 2003

	General Corporate Purposes	Investment Related	Securities Business Related	Specified Other Businesses	Total General Obligations	Limited Recourse and non- Recourse	Total Borrowing
<b>Financial Services Businesses:</b>							
Prudential Financial, Inc.:							
Long-term fixed and floating rate notes	388	-	21	103	512	-	512
Hybrid notes	-	-	-	-	-	-	-
Total	<u>388</u>	<u>-</u>	<u>21</u>	<u>103</u>	<u>512</u>	<u>-</u>	<u>512</u>
The Prudential Insurance Company of America (a):							
Surplus notes	691	-	-	-	691	-	691
Long-term fixed and floating rate notes	600	318	-	-	918	-	918
Commercial paper backed by long-term credit agreements	-	-	-	-	-	-	-
Total	<u>1,291</u>	<u>318</u>	<u>-</u>	<u>-</u>	<u>1,609</u>	<u>-</u>	<u>1,609</u>
Long-term debt of other affiliated companies	-	-	-	-	-	542	542
Total long-term debt of Financial Services Businesses	<u>1,679</u>	<u>318</u>	<u>21</u>	<u>103</u>	<u>2,121</u>	<u>542</u>	<u>2,663</u>
Ratio of long-term and short-term corporate debt to capitalization	<u>9.0%</u>						

**Closed Block Business:**

Limited recourse notes of Prudential Holdings, LLC	-	-	-	-	-	1,750	1,750
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As of December 31, 2002

	General Corporate Purposes	Investment Related	Securities Business Related	Specified Other Businesses	Total General Obligations	Limited Recourse and non- Recourse	Total Borrowing
<b>Financial Services Businesses:</b>							
Prudential Financial, Inc.:							
Long-term fixed and floating rate notes	-	-	-	-	-	-	-
Hybrid notes	-	-	-	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
The Prudential Insurance Company of America (a):							
Surplus notes	690	-	-	-	690	-	690
Long-term fixed and floating rate notes	600	745	399	-	1,744	-	1,744
Commercial paper backed by long-term credit agreements	-	-	-	-	-	-	-
Total	<u>1,290</u>	<u>745</u>	<u>399</u>	<u>-</u>	<u>2,434</u>	<u>-</u>	<u>2,434</u>
Long-term debt of other affiliated companies	-	-	-	-	-	573	573
Total long-term debt of Financial Services Businesses	<u>1,290</u>	<u>745</u>	<u>399</u>	<u>-</u>	<u>2,434</u>	<u>573</u>	<u>3,007</u>
Ratio of long-term and short-term corporate debt to capitalization	<u>8.4%</u>						

**Closed Block Business:**

Limited recourse notes of Prudential Holdings, LLC	-	-	-	-	-	1,750	1,750
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(a) Includes Prudential Funding, LLC.

COMBINED STATEMENTS OF OPERATIONS - INSURANCE DIVISION  
(in millions)

Year-to-date		% Change		2002			2003	
2003	2002			2Q	3Q	4Q	1Q	2Q
1,718	1,549	11%	Revenues (1):					
725	708	2%	Premiums					
724	689	5%	Policy charges and fee income					
139	116	20%	Net investment income					
3,306	3,062	8%	Commissions, investment management fees, and other income					
			Total revenues					
			Benefits and Expenses (1):					
1,847	1,682	10%	Insurance and annuity benefits					
318	300	6%	Interest credited to policyholders' account balances					
(2)	(1)	-102%	Interest expense					
(261)	(219)	-19%	Deferral of acquisition costs					
154	206	-25%	Amortization of acquisition costs					
851	762	12%	General and administrative expenses					
2,907	2,730	6%	Total benefits and expenses					
399	332	20%	Adjusted operating income before income taxes					

(1) Revenues exclude realized investment gains, net of losses and related adjustments. Benefits and expenses exclude charges related to realized investment gains, net of losses.

COMBINING STATEMENTS OF OPERATIONS - INSURANCE DIVISION  
(in millions)

	Quarter Ended June 30, 2003				
	Total Insurance Division	Individual Life and Annuities	Group Insurance	Individual Life and Annuities	
				Individual Life	Individual Annuities
Revenues (1):					
Premiums	852	111	741	96	15
Policy charges and fee income	378	366	12	258	108
Net investment income	365	215	150	101	114
Commissions, investment management fees, and other income	84	77	7	31	46
Total revenues	<u>1,679</u>	<u>769</u>	<u>910</u>	<u>486</u>	<u>283</u>
Benefits and Expenses (1):					
Insurance and annuity benefits	891	219	672	178	41
Interest credited to policyholders' account balances	161	104	57	38	66
Interest expense	(1)	(1)	-	(1)	-
Deferral of acquisition costs	(149)	(139)	(10)	(74)	(65)
Amortization of acquisition costs	69	69	-	49	20
General and administrative expenses (2)	472	339	133	183	156
Total benefits and expenses	<u>1,443</u>	<u>591</u>	<u>852</u>	<u>373</u>	<u>218</u>
Adjusted operating income before income taxes	<u>236</u>	<u>178</u>	<u>58</u>	<u>113</u>	<u>65</u>

	Quarter Ended June 30, 2002				
	Total Insurance Division	Individual Life and Annuities	Group Insurance	Individual Life and Annuities	
				Individual Life	Individual Annuities
Revenues (1):					
Premiums	790	86	704	65	21
Policy charges and fee income	350	308	42	252	56
Net investment income	348	201	147	101	100
Commissions, investment management fees, and other income	59	53	6	37	16
Total revenues	<u>1,547</u>	<u>648</u>	<u>899</u>	<u>455</u>	<u>193</u>
Benefits and Expenses (1):					
Insurance and annuity benefits	851	165	686	128	37
Interest credited to policyholders' account balances	153	96	57	36	60
Interest expense	(1)	-	(1)	-	-
Deferral of acquisition costs	(123)	(115)	(8)	(80)	(35)
Amortization of acquisition costs	133	133	-	63	70
General and administrative expenses	385	256	129	178	78
Total benefits and expenses	<u>1,398</u>	<u>535</u>	<u>863</u>	<u>325</u>	<u>210</u>
Adjusted operating income before income taxes	<u>149</u>	<u>113</u>	<u>36</u>	<u>130</u>	<u>(17)</u>

(1) Revenues exclude realized investment gains, net of losses and related adjustments. Benefits and expenses exclude charges related to realized investment gains, net of losses.

(2) General and administrative expenses for Individual Annuities include \$11 million for the quarter ended June 30, 2003 for the amortization of value of business acquired (VOBA) associated with the May 1, 2003 acquisition of American Skandia.

COMBINING STATEMENTS OF OPERATIONS - INSURANCE DIVISION  
(in millions)

	Six Months Ended June 30, 2003				
	Total	Individual	Group	Individual Life and Annuities	
	Insurance	Life and		Individual	Individual
	Division	Annuities	Insurance	Life	Annuities
<b>Revenues (1):</b>					
Premiums	1,718	224	1,494	190	34
Policy charges and fee income	725	664	61	512	152
Net investment income	724	423	301	202	221
Commissions, investment management fees, and other income	139	124	15	65	59
<b>Total revenues</b>	<b>3,306</b>	<b>1,435</b>	<b>1,871</b>	<b>969</b>	<b>466</b>
<b>Benefits and Expenses (1):</b>					
Insurance and annuity benefits	1,847	435	1,412	351	84
Interest credited to policyholders' account balances	318	201	117	74	127
Interest expense	(2)	(2)	-	(2)	-
Deferral of acquisition costs	(261)	(243)	(18)	(151)	(92)
Amortization of acquisition costs	154	153	1	116	37
General and administrative expenses (2)	851	584	267	362	222
<b>Total benefits and expenses</b>	<b>2,907</b>	<b>1,128</b>	<b>1,779</b>	<b>750</b>	<b>378</b>
<b>Adjusted operating income before income taxes</b>	<b>399</b>	<b>307</b>	<b>92</b>	<b>219</b>	<b>88</b>

	Six Months Ended June 30, 2002				
	Total	Individual	Group	Individual Life and Annuities	
	Insurance	Life and		Individual	Individual
	Division	Annuities	Insurance	Life	Annuities
<b>Revenues (1):</b>					
Premiums	1,549	151	1,398	121	30
Policy charges and fee income	708	614	94	502	112
Net investment income	689	406	283	206	200
Commissions, investment management fees, and other income	116	102	14	69	33
<b>Total revenues</b>	<b>3,062</b>	<b>1,273</b>	<b>1,789</b>	<b>898</b>	<b>375</b>
<b>Benefits and Expenses (1):</b>					
Insurance and annuity benefits	1,682	322	1,360	257	65
Interest credited to policyholders' account balances	300	189	111	69	120
Interest expense	(1)	-	(1)	-	-
Deferral of acquisition costs	(219)	(209)	(10)	(146)	(63)
Amortization of acquisition costs	206	209	(3)	116	93
General and administrative expenses	762	503	259	355	148
<b>Total benefits and expenses</b>	<b>2,730</b>	<b>1,014</b>	<b>1,716</b>	<b>651</b>	<b>363</b>
<b>Adjusted operating income before income taxes</b>	<b>332</b>	<b>259</b>	<b>73</b>	<b>247</b>	<b>12</b>

(1) Revenues exclude realized investment gains, net of losses and related adjustments. Benefits and expenses exclude charges related to realized investment gains, net of losses.  
(2) General and administrative expenses for Individual Annuities include \$11 million for the six months ended June 30, 2003 for the amortization of value of business acquired (VOBA) associated with the May 1, 2003 acquisition of American Skandia.

INSURANCE DIVISION - INDIVIDUAL LIFE AND ANNUITIES SALES RESULTS AND ACCOUNT VALUES  
 (in millions)

Year-to-date		2002			2003	
2003	2002	2Q	3Q	4Q	1Q	2Q
<b>INDIVIDUAL LIFE INSURANCE SALES (1):</b>						
Excluding corporate-owned life insurance:						
51	85	41	35	33	25	26
49	27	16	16	27	26	23
48	28	15	17	17	23	25
148	140	72	68	77	74	74
18	86	76	21	15	4	14
166	226	148	89	92	78	88
<b>ANNUITY SALES AND ACCOUNT VALUES</b>						
Variable Annuities:						
15,338	18,689	18,435	16,802	14,961	15,338	14,965
1,401	780	406	339	276	331	1,070
(1,460)	(1,224)	(627)	(546)	(497)	(473)	(987)
2,070	(1,443)	(1,412)	(1,634)	598	(231)	2,301
22,431	-	-	-	-	-	22,431
39,780	16,802	16,802	14,961	15,338	14,965	39,780
(59)	(444)	(221)	(207)	(221)	(142)	83
Fixed Annuities:						
3,396	2,975	2,909	3,048	3,260	3,396	3,473
167	218	181	224	163	110	57
(100)	(95)	(45)	(42)	(47)	(49)	(51)
35	(50)	3	30	20	16	19
3,498	3,048	3,048	3,260	3,396	3,473	3,498
67	123	136	182	116	61	6
<b>SALES BY DISTRIBUTION CHANNEL</b>						
<u>Life Insurance (1):</u>						
Excluding corporate-owned life insurance:						
107	107	55	53	53	53	54
41	33	17	15	24	21	20
18	86	76	21	15	4	14
166	226	148	89	92	78	88
<u>Variable and Fixed Annuities (2):</u>						
706	742	405	392	315	326	380
188	230	165	141	101	79	109
674	26	17	30	23	36	638
1,568	998	587	563	439	441	1,127

(1) Statutory first year premiums and deposits.  
 (2) Amounts represent gross sales.  
 (3) Including bank distribution.

INSURANCE DIVISION - INDIVIDUAL LIFE AND ANNUITIES SEGMENT ACCOUNT VALUE ACTIVITY  
(in millions)

Year-to-date		2002			2003	
2003	2002	2Q	3Q	4Q	1Q	2Q
<b>INDIVIDUAL LIFE INSURANCE:</b>						
<i>Policyholders' Account Balances:</i>						
4,112	3,826	3,924	3,992	4,033	4,112	4,205
486	453	226	223	226	249	237
49	43	23	25	24	23	26
(265)	(273)	(138)	(157)	(137)	(122)	(143)
(9)	28	14	5	(4)	(7)	(2)
(54)	(38)	(22)	(21)	(19)	(25)	(29)
(44)	(47)	(35)	(34)	(11)	(25)	(19)
<u>4,275</u>	<u>3,992</u>	<u>3,992</u>	<u>4,033</u>	<u>4,112</u>	<u>4,205</u>	<u>4,275</u>
<i>Separate Account Liabilities:</i>						
11,412	13,010	13,129	12,117	10,702	11,412	11,235
752	864	468	430	563	373	379
1,157	(986)	(1,097)	(1,385)	624	(154)	1,311
(334)	(256)	(132)	(209)	(245)	(157)	(177)
(52)	(75)	(37)	(44)	(14)	(29)	(23)
(411)	(418)	(207)	(203)	(209)	(205)	(206)
(13)	(22)	(7)	(4)	(9)	(5)	(8)
<u>12,511</u>	<u>12,117</u>	<u>12,117</u>	<u>10,702</u>	<u>11,412</u>	<u>11,235</u>	<u>12,511</u>
<b>INDIVIDUAL ANNUITIES:</b>						
<i>Account Values in General Account (1):</i>						
6,795	6,152	5,825	6,093	6,533	6,795	7,073
600	600	372	403	292	270	330
149	143	71	77	80	72	77
(252)	(262)	(129)	(119)	(127)	(129)	(123)
85	(345)	(7)	105	52	100	(15)
(4)	(3)	(2)	(2)	(2)	(2)	(2)
(74)	(192)	(37)	(24)	(33)	(33)	(41)
158	-	-	-	-	-	158
<u>7,457</u>	<u>6,093</u>	<u>6,093</u>	<u>6,533</u>	<u>6,795</u>	<u>7,073</u>	<u>7,457</u>
<i>Account Values in Separate Account:</i>						
11,939	15,512	15,519	13,757	11,688	11,939	11,365
968	398	215	160	147	171	797
2,221	(1,341)	(1,392)	(1,613)	614	(213)	2,434
(1,308)	(1,057)	(543)	(469)	(417)	(393)	(915)
(85)	345	7	(105)	(52)	(100)	15
(133)	(100)	(49)	(42)	(41)	(39)	(94)
(54)	-	-	-	-	-	(54)
22,273	-	-	-	-	-	22,273
<u>35,821</u>	<u>13,757</u>	<u>13,757</u>	<u>11,688</u>	<u>11,939</u>	<u>11,365</u>	<u>35,821</u>

(1) Premiums and deposits, and surrenders and withdrawals, are classified within the general account and separate account for purposes of this presentation based on the allocation of customer funds. For example, premiums allocated by customers to separate account investments at the time of sale, while remitted through the company's general account, are shown as separate account premium in this display, rather than as general account premium and transfers to the separate account. Activity for periods prior to the second quarter of 2003 has been reclassified to conform to the current presentation.

INSURANCE DIVISION - DEFERRED POLICY ACQUISITION COSTS  
(in millions)

Year-to-date			2002			2003	
2003	2002		2Q	3Q	4Q	1Q	2Q
<b>INDIVIDUAL LIFE INSURANCE:</b>							
3,110	3,133	Beginning balance	3,160	3,155	3,111	3,110	3,104
151	146	Capitalization	80	76	79	77	74
(116)	(116)	Amortization - operating results	(63)	(92)	(71)	(67)	(49)
-	-	Amortization - realized investment gains and losses	-	-	-	-	-
(43)	(8)	Impact of unrealized gains on AFS securities	(22)	(28)	(9)	(16)	(27)
<u>3,102</u>	<u>3,155</u>	Ending balance	<u>3,155</u>	<u>3,111</u>	<u>3,110</u>	<u>3,104</u>	<u>3,102</u>
<b>INDIVIDUAL ANNUITIES:</b>							
473	628	Beginning balance	654	598	485	473	471
92	63	Capitalization	35	34	25	27	65
(37)	(93)	Amortization - operating results	(70)	(105)	(23)	(17)	(20)
(3)	2	Amortization - realized investment gains and losses	1	3	10	(2)	(1)
(54)	(2)	Impact of unrealized gains on AFS securities	(22)	(45)	(24)	(10)	(44)
<u>471</u>	<u>598</u>	Ending balance	<u>598</u>	<u>485</u>	<u>473</u>	<u>471</u>	<u>471</u>
<b>GROUP INSURANCE (1):</b>							
57	26	Beginning balance	31	39	45	57	64
18	10	Capitalization	8	7	12	8	10
(1)	3	Amortization - operating results	-	(1)	-	(1)	-
-	-	Amortization - realized investment gains and losses	-	-	-	-	-
-	-	Impact of unrealized losses on AFS securities	-	-	-	-	-
<u>74</u>	<u>39</u>	Ending balance	<u>39</u>	<u>45</u>	<u>57</u>	<u>64</u>	<u>74</u>
<b>TOTAL INSURANCE DIVISION:</b>							
3,640	3,787	Beginning balance	3,845	3,792	3,641	3,640	3,639
261	219	Capitalization	123	117	116	112	149
(154)	(206)	Amortization - operating results	(133)	(198)	(94)	(85)	(69)
(3)	2	Amortization - realized investment gains and losses	1	3	10	(2)	(1)
(97)	(10)	Impact of unrealized gains on AFS securities	(44)	(73)	(33)	(26)	(71)
<u>3,647</u>	<u>3,792</u>	Ending balance	<u>3,792</u>	<u>3,641</u>	<u>3,640</u>	<u>3,639</u>	<u>3,647</u>

(1) Represents long-term care products.

INSURANCE DIVISION - SUPPLEMENTARY INFORMATION FOR INDIVIDUAL LIFE INSURANCE  
 (dollar amounts in millions)

Year-to-date			2002			2003	
2003	2002		2Q	3Q	4Q	1Q	2Q
<b>Individual Life Insurance:</b>							
Policy Surrender Experience:							
352	310	Cash value of surrenders	148	185	197	170	182
4.2%	3.8%	Cash value of surrenders as a percentage of mean future policy benefits, policyholders' account balances, and separate account balances	3.6%	4.7%	5.0%	4.2%	4.4%
Death claims per \$1,000 of in force (1):							
2.36	2.06	Variable and universal life	2.06	1.85	3.30	2.13	2.59
1.11	1.49	Term life	1.56	1.92	2.12	1.36	0.88
1.95	1.90	Total, Individual Life Insurance	1.94	1.96	2.90	1.93	1.99

(1) Annualized, for interim reporting periods.

INSURANCE DIVISION - SUPPLEMENTARY INFORMATION FOR GROUP INSURANCE  
(dollar amounts in millions)

Year-to-date		2002			2003	
2003	2002	2Q	3Q	4Q	1Q	2Q
<b>GROUP INSURANCE NEW ANNUALIZED PREMIUMS:</b>						
123	189	27	36	44	88	35
96	86	33	25	49	67	29
<u>219</u>	<u>275</u>	<u>60</u>	<u>61</u>	<u>93</u>	<u>155</u>	<u>64</u>
<b>Future Policy Benefits (2):</b>						
		1,609	1,580	1,742	1,754	1,730
		138	148	151	191	201
		<u>1,747</u>	<u>1,728</u>	<u>1,893</u>	<u>1,945</u>	<u>1,931</u>
<b>Policyholders' Account Balances (2):</b>						
		4,238	4,512	4,684	4,471	4,729
		63	68	67	61	60
		<u>4,301</u>	<u>4,580</u>	<u>4,751</u>	<u>4,532</u>	<u>4,789</u>
<b>Separate Account Liabilities (2):</b>						
		7,745	7,260	7,824	8,977	9,994
		-	-	-	-	-
		<u>7,745</u>	<u>7,260</u>	<u>7,824</u>	<u>8,977</u>	<u>9,994</u>
<b>Group Life Insurance:</b>						
1,327	1,331	664	654	677	691	636
1,229	1,203	600	578	607	638	591
90.9%	92.3%	92.8%	93.3%	88.8%	91.9%	89.9%
9.1%	10.1%	10.2%	9.6%	9.9%	9.1%	9.1%
		96.1%	95.2%	94.5%	96.4%	95.6%
<b>Group Disability Insurance (1):</b>						
332	299	149	153	152	171	161
326	289	146	147	149	164	162
90.5%	86.2%	87.7%	91.8%	87.3%	93.9%	87.0%
21.7%	22.7%	22.8%	21.6%	21.1%	20.5%	23.0%
		93.0%	90.1%	86.8%	92.1%	89.2%

(1) Group disability amounts include long-term care products.

(2) As of end of period.

(3) Before returns of premiums to participating policyholders for favorable claims experience.

COMBINED STATEMENTS OF OPERATIONS - INVESTMENT DIVISION  
(in millions)

Year-to-date		% Change		2002			2003	
2003	2002			2Q	3Q	4Q	1Q	2Q
			<b>Revenues (1):</b>					
22	29	-24%	Premiums	21	10	38	14	8
37	38	-3%	Policy charges and fee income	19	15	18	18	19
1,116	1,168	-4%	Net investment income	603	570	571	559	557
1,724	1,925	-10%	Commissions, investment management fees, and other income	958	893	864	816	908
<u>2,899</u>	<u>3,160</u>	-8%	<b>Total revenues</b>	<u>1,601</u>	<u>1,488</u>	<u>1,491</u>	<u>1,407</u>	<u>1,492</u>
			<b>Benefits and Expenses (1):</b>					
414	428	-3%	Insurance and annuity benefits	231	220	232	210	204
469	481	-2%	Interest credited to policyholders' account balances	238	247	250	236	233
8	8	-	Interest expense	5	4	2	4	4
(15)	(28)	46%	Deferral of acquisition costs	(14)	(8)	(8)	(7)	(8)
36	48	-25%	Amortization of acquisition costs	27	21	23	19	17
1,141	1,280	-11%	Securities operations non-interest expenses	645	601	583	541	600
694	747	-7%	General and administrative expenses	377	351	373	330	364
<u>2,747</u>	<u>2,964</u>	-7%	<b>Total benefits and expenses</b>	<u>1,509</u>	<u>1,436</u>	<u>1,455</u>	<u>1,333</u>	<u>1,414</u>
<u>152</u>	<u>196</u>	-22%	<b>Adjusted operating income before income taxes</b>	<u>92</u>	<u>52</u>	<u>36</u>	<u>74</u>	<u>78</u>

(1) Revenues exclude realized investment gains, net of losses and related adjustments. Benefits and expenses exclude charges related to realized investment gains, net of losses.

COMBINING STATEMENTS OF OPERATIONS - INVESTMENT DIVISION  
(in millions)

	Quarter Ended June 30, 2003				
	Total	Investment	Financial		Other
	Investment	Investment	Financial	Retirement	Asset
	Division	Management	Advisory		Management
Revenues (1):					
Premiums	8	-	-	8	-
Policy charges and fee income	19	-	-	19	-
Net investment income	557	7	34	511	5
Commissions, investment management fees, and other income	908	296	555	31	26
Total revenues	1,492	303	589	569	31
Benefits and Expenses (1):					
Insurance and annuity benefits	204	-	-	204	-
Interest credited to policyholders' account balances	233	-	-	233	-
Interest expense	4	1	-	-	3
Deferral of acquisition costs	(8)	(5)	-	(3)	-
Amortization of acquisition costs	17	14	-	3	-
Securities operations non-interest expenses	600	-	600	-	-
General and administrative expenses	364	256	9	87	12
Total benefits and expenses	1,414	266	609	524	15
Adjusted operating income before income taxes	78	37	(20)	45	16

	Quarter Ended June 30, 2002				
	Total	Investment	Financial		Other
	Investment	Investment	Financial	Retirement	Asset
	Division	Management	Advisory		Management
Revenues (1):					
Premiums	21	-	-	21	-
Policy charges and fee income	19	-	-	19	-
Net investment income	603	7	48	542	6
Commissions, investment management fees, and other income	958	309	599	35	15
Total revenues	1,601	316	647	617	21
Benefits and Expenses (1):					
Insurance and annuity benefits	231	-	-	231	-
Interest credited to policyholders' account balances	238	-	-	238	-
Interest expense	5	3	-	2	-
Deferral of acquisition costs	(14)	(12)	-	(2)	-
Amortization of acquisition costs	27	19	-	8	-
Securities operations non-interest expenses	645	-	645	-	-
General and administrative expenses	377	270	8	90	9
Total benefits and expenses	1,509	280	653	567	9
Adjusted operating income before income taxes	92	36	(6)	50	12

(1) Revenues exclude realized investment gains, net of losses and related adjustments. Benefits and expenses exclude charges related to realized investment gains, net of losses.

COMBINING STATEMENTS OF OPERATIONS - INVESTMENT DIVISION  
(in millions)

	Six Months Ended June 30, 2003				
	Total	Investment	Financial		Other
	Investment	Investment	Financial	Retirement	Asset
	Division	Management	Advisory		Management
Revenues (1):					
Premiums	22	-	-	22	-
Policy charges and fee income	37	-	-	37	-
Net investment income	1,116	14	68	1,024	10
Commissions, investment management fees, and other income	1,724	574	1,046	63	41
Total revenues	<u>2,899</u>	<u>588</u>	<u>1,114</u>	<u>1,146</u>	<u>51</u>
Benefits and Expenses (1):					
Insurance and annuity benefits	414	-	-	414	-
Interest credited to policyholders' account balances	469	-	-	469	-
Interest expense	8	2	-	1	5
Deferral of acquisition costs	(15)	(10)	-	(5)	-
Amortization of acquisition costs	36	30	-	6	-
Securities operations non-interest expenses	1,141	-	1,141	-	-
General and administrative expenses	694	493	17	163	21
Total benefits and expenses	<u>2,747</u>	<u>515</u>	<u>1,158</u>	<u>1,048</u>	<u>26</u>
Adjusted operating income before income taxes	<u>152</u>	<u>73</u>	<u>(44)</u>	<u>98</u>	<u>25</u>

	Six Months Ended June 30, 2002				
	Total	Investment	Financial		Other
	Investment	Investment	Financial	Retirement	Asset
	Division	Management	Advisory		Management
Revenues (1):					
Premiums	29	-	-	29	-
Policy charges and fee income	38	-	-	38	-
Net investment income	1,168	13	96	1,044	15
Commissions, investment management fees, and other income	1,925	620	1,200	70	35
Total revenues	<u>3,160</u>	<u>633</u>	<u>1,296</u>	<u>1,181</u>	<u>50</u>
Benefits and Expenses (1):					
Insurance and annuity benefits	428	-	-	428	-
Interest credited to policyholders' account balances	481	-	-	481	-
Interest expense	8	3	-	3	2
Deferral of acquisition costs	(28)	(22)	-	(6)	-
Amortization of acquisition costs	48	37	-	11	-
Securities operations non-interest expenses	1,280	-	1,280	-	-
General and administrative expenses	747	532	15	180	20
Total benefits and expenses	<u>2,964</u>	<u>550</u>	<u>1,295</u>	<u>1,097</u>	<u>22</u>
Adjusted operating income before income taxes	<u>196</u>	<u>83</u>	<u>1</u>	<u>84</u>	<u>28</u>

(1) Revenues exclude realized investment gains, net of losses and related adjustments. Benefits and expenses exclude charges related to realized investment gains, net of losses.

INVESTMENT DIVISION - SUPPLEMENTARY REVENUE INFORMATION FOR INVESTMENT MANAGEMENT AND FINANCIAL ADVISORY SEGMENTS

(dollar amounts in millions unless otherwise noted)

Year-to-date		%	Change	2002			2003	
2003	2002			2Q	3Q	4Q	1Q	2Q
<b>Investment Management Segment:</b>								
Analysis of revenues by source:								
Investment Management and Advisory Services:								
88	97	-9%	48	43	44	43	45	
166	171	-3%	87	79	85	79	87	
105	111	-5%	57	51	59	55	50	
359	379	-5%	192	173	188	177	182	
229	254	-10%	124	120	121	108	121	
<u>588</u>	<u>633</u>	-7%	<u>316</u>	<u>293</u>	<u>309</u>	<u>285</u>	<u>303</u>	
Analysis of commissions, investment management fees and other revenues by type:								
Investment Management and Advisory Services:								
327	354	-8%	178	160	167	165	162	
19	13	46%	8	7	11	5	14	
346	367	-6%	186	167	178	170	176	
228	253	-10%	123	119	121	108	120	
<u>574</u>	<u>620</u>	-7%	<u>309</u>	<u>286</u>	<u>299</u>	<u>278</u>	<u>296</u>	
<b>Financial Advisory Segment:</b>								
Non-Interest Revenues:								
623	722	-14%	364	335	326	288	335	
338	396	-15%	199	189	165	166	172	
85	82	4%	36	34	31	37	48	
<u>1,046</u>	<u>1,200</u>	-13%	<u>599</u>	<u>558</u>	<u>522</u>	<u>491</u>	<u>555</u>	
Recurring revenue as a percentage of total non-interest revenue (2)			38.1%	38.2%	39.2%	39.5%	38.7%	
Average customer margin lending balances (\$ in billions)			3.1	2.6	2.4	2.3	2.3	

(1) Represents mutual fund revenues other than asset management fees paid to affiliates, which are included in appropriate categories above.

(2) Calculated on a trailing 12 month basis excluding Consumer Banking and Equity sales and trading revenue.

INVESTMENT DIVISION - ASSETS UNDER MANAGEMENT FOR INVESTMENT MANAGEMENT AND ADVISORY SERVICES OPERATIONS  
 (in billions)

	June 30, 2003			Total
	Equity	Fixed Income	Real Estate	
Retail customers	36.7	44.4	1.4	82.5
Institutional customers	26.7	49.7	12.8	89.2
General account	2.9	123.0	1.2	127.1
<b>Total</b>	<b>66.3</b>	<b>217.1</b>	<b>15.4</b>	<b>298.8</b>

	June 30, 2002			Total
	Equity	Fixed Income	Real Estate	
Retail customers	38.0	46.7	0.1	84.8
Institutional customers	28.5	44.9	10.1	83.5
General account	2.2	112.4	1.4	116.0
<b>Total</b>	<b>68.7</b>	<b>204.0</b>	<b>11.6</b>	<b>284.3</b>

Year-to-date	
2003	2002
62.0	67.9
4.7	5.9
(5.7)	(10.9)
4.2	(2.3)
(0.8)	3.6
-	(4.0)
<b>64.4</b>	<b>60.2</b>
<b>24.8</b>	<b>23.3</b>
<b>89.2</b>	<b>83.5</b>

**Institutional Assets Under Management (1):**

Assets gathered by Investment Management & Advisory Services sales force (2):

	2002			2003	
	2Q	3Q	4Q	1Q	2Q
Beginning assets under management	62.6	60.2	56.9	62.0	60.8
Additions to managed portfolio	2.9	2.9	7.2	2.6	2.1
Withdrawals	(2.5)	(3.1)	(4.3)	(3.1)	(2.6)
Change in market value	(2.4)	(2.0)	1.7	-	4.2
Net money market flows	(0.4)	(1.1)	0.5	(0.7)	(0.1)
Other (2)	-	-	-	-	-
Ending assets under management	60.2	56.9	62.0	60.8	64.4
Other institutional assets under management (2)	23.3	22.9	23.2	23.4	24.8
<b>Total assets managed for institutional customers at end of period</b>	<b>83.5</b>	<b>79.8</b>	<b>85.2</b>	<b>84.2</b>	<b>89.2</b>

(1) Reflects reclassification of amounts by client category as of January 1, 2002, based on internal management criteria which increased the amounts attributable to institutional customers by \$2.8 billion.

(2) Reflects reclassification of amounts by asset gatherer category as of January 1, 2002, based on internal management criteria, which reduced the amount attributed to assets gathered by Investment Management & Advisory Services sales force and increased the amount attributed to other institutional assets under management by \$4.0 billion.

INVESTMENT DIVISION - MUTUAL FUNDS AND WRAP-FEE PRODUCTS SALES RESULTS AND ASSETS UNDER MANAGEMENT  
(in millions)

Year-to-date		2002			2003	
2003	2002	2Q	3Q	4Q	1Q	2Q
<b>MUTUAL FUNDS AND WRAP-FEE PRODUCTS SALES AND ASSETS UNDER MANAGEMENT</b>						
Mutual Funds:						
49,756	57,809	56,743	52,459	48,639	49,756	48,170
2,186	2,374	1,460	1,146	1,356	1,086	1,100
(2,320)	(2,455)	(1,339)	(1,259)	(1,421)	(962)	(1,358)
2,686	(2,418)	(2,450)	(2,620)	1,188	103	2,583
(4,605)	(2,851)	(1,955)	(1,087)	(6)	(1,813)	(2,792)
4,132	-	-	-	-	-	4,132
<u>51,835</u>	<u>52,459</u>	<u>52,459</u>	<u>48,639</u>	<u>49,756</u>	<u>48,170</u>	<u>51,835</u>
(134)	(81)	121	(113)	(65)	124	(258)
Wrap-fee Products (1):						
15,153	17,955	18,192	16,676	14,383	15,153	14,860
2,749	3,543	1,876	1,223	1,361	1,287	1,462
(2,523)	(2,979)	(1,618)	(1,440)	(1,275)	(1,178)	(1,345)
1,323	(1,843)	(1,774)	(2,076)	684	(402)	1,725
16,702	16,676	16,676	14,383	15,153	14,860	16,702
18,089	16,827	16,827	15,424	16,394	16,712	18,089
34,791	33,503	33,503	29,807	31,547	31,572	34,791
<u>226</u>	<u>564</u>	<u>258</u>	<u>(217)</u>	<u>86</u>	<u>109</u>	<u>117</u>
<b>MUTUAL FUNDS AND WRAP-FEE PRODUCTS GROSS SALES BY DISTRIBUTION CHANNEL</b>						
<u>Mutual funds, excluding wrap-fee products (3):</u>						
218	314	158	107	98	99	119
826	746	407	168	162	469	357
1,117	1,277	890	866	1,090	501	616
25	37	5	5	6	17	8
<u>2,186</u>	<u>2,374</u>	<u>1,460</u>	<u>1,146</u>	<u>1,356</u>	<u>1,086</u>	<u>1,100</u>
<u>Wrap-fee products (1):</u>						
198	247	132	104	90	118	80
2,269	3,098	1,615	1,015	1,154	1,054	1,215
282	198	129	104	117	115	167
<u>2,749</u>	<u>3,543</u>	<u>1,876</u>	<u>1,223</u>	<u>1,361</u>	<u>1,287</u>	<u>1,462</u>

(1) Excludes other managed accounts.

(2) All of these assets are associated with businesses that were combined into Wachovia Securities, LLC effective July 1, 2003. Prudential Financial, Inc. owns a 38% interest in Wachovia Securities, LLC. As a result, Prudential Financial, Inc. will no longer report these assets as a component of its mutual fund and wrap-fee assets under management, for periods after June 30, 2003.

(3) Other than money market.

INVESTMENT DIVISION - RETIREMENT SALES RESULTS AND ACCOUNT VALUES  
(in millions)

Year-to-date			2002			2003	
2003	2002		2Q	3Q	4Q	1Q	2Q
<b>RETIREMENT SALES AND ACCOUNT VALUES</b>							
<b>Defined Contribution:</b>							
22,914	24,640	Beginning total account value	25,337	24,036	21,911	22,914	22,757
1,904	1,914	Sales	904	859	1,085	1,028	876
(1,908)	(1,572)	Withdrawals	(755)	(770)	(906)	(638)	(1,270)
1,405	(946)	Change in market value and interest credited (1)	(1,450)	(2,214)	824	(547)	1,952
<u>24,315</u>	<u>24,036</u>	Ending total account value	<u>24,036</u>	<u>21,911</u>	<u>22,914</u>	<u>22,757</u>	<u>24,315</u>
<u>(4)</u>	<u>342</u>	Net sales (withdrawals)	<u>149</u>	<u>89</u>	<u>179</u>	<u>390</u>	<u>(394)</u>
Asset management of ending total account value:							
		Proprietary	17,075	15,752	16,152	15,927	17,023
		Non-proprietary	6,961	6,159	6,762	6,830	7,292
		Total	<u>24,036</u>	<u>21,911</u>	<u>22,914</u>	<u>22,757</u>	<u>24,315</u>
<b>Guaranteed Products:</b>							
39,058	39,825	Beginning total account value	39,400	39,172	38,647	39,058	38,925
1,202	765	Sales	506	291	411	554	648
(2,065)	(1,857)	Withdrawals and benefits	(993)	(775)	(958)	(1,045)	(1,020)
2,001	750	Change in market value and interest income	395	553	863	481	1,520
176	(311)	Other (2)	(136)	(594)	95	(123)	299
<u>40,372</u>	<u>39,172</u>	Ending total account value	<u>39,172</u>	<u>38,647</u>	<u>39,058</u>	<u>38,925</u>	<u>40,372</u>
<u>(863)</u>	<u>(1,092)</u>	Net withdrawals	<u>(487)</u>	<u>(484)</u>	<u>(547)</u>	<u>(491)</u>	<u>(372)</u>
Product composition of ending total account value:							
		Spread-based products	18,869	18,702	18,729	18,791	18,994
		Fee-based products	20,303	19,945	20,329	20,134	21,378
		Total	<u>39,172</u>	<u>38,647</u>	<u>39,058</u>	<u>38,925</u>	<u>40,372</u>

(1) Includes increases to account values of \$8 million in the quarter ended December 31, 2002, \$4 million in the quarter ended September 30, 2002, \$247 million in the quarter ended June 30, 2002 and \$101 million in the quarter ended March 31, 2002, added to customer accounts due to Common Stock received as demutualization consideration. Year-to-date 2002 results also includes \$448 million added to customer accounts from inclusion of amounts not previously reflected in this segment.

(2) Represents changes in asset balances for externally managed accounts.

COMBINED STATEMENTS OF OPERATIONS - INTERNATIONAL INSURANCE AND INVESTMENTS DIVISION  
(in millions)

Year-to-date		% Change		2002			2003	
2003	2002			2Q	3Q	4Q	1Q	2Q
			<b>Revenues (1):</b>					
2,270	2,022	12%	1,006	1,061	1,054	1,141	1,129	
112	106	6%	49	46	52	54	58	
398	339	17%	181	195	185	193	205	
161	191	-16%	93	68	79	74	87	
<u>2,941</u>	<u>2,658</u>	11%	<u>1,329</u>	<u>1,370</u>	<u>1,370</u>	<u>1,462</u>	<u>1,479</u>	
			<b>Benefits and Expenses (1):</b>					
1,771	1,582	12%	799	830	866	906	865	
52	48	8%	24	24	24	25	27	
1	-	-	-	-	1	-	1	
(352)	(298)	-18%	(147)	(162)	(170)	(177)	(175)	
145	109	33%	44	65	60	74	71	
929	830	12%	426	425	413	456	473	
<u>2,546</u>	<u>2,271</u>	12%	<u>1,146</u>	<u>1,182</u>	<u>1,194</u>	<u>1,284</u>	<u>1,262</u>	
<u>395</u>	<u>387</u>	2%	<u>183</u>	<u>188</u>	<u>176</u>	<u>178</u>	<u>217</u>	

(1) Revenues exclude realized investment gains, net of losses. Benefits and expenses exclude charges related to realized investment gains, net of losses.



INTERNATIONAL INSURANCE AND INVESTMENTS DIVISION - SALES RESULTS AND SUPPLEMENTARY INFORMATION  
(dollar amounts in millions unless otherwise noted)

Year-to-date						
2003	2002	2002			2003	
		2Q	3Q	4Q	1Q	2Q
<b>INTERNATIONAL INSURANCE OPERATING DATA:</b>						
<b>Actual exchange rate basis (1):</b>						
Net premiums, policy charges and fee income:						
935	769	374	424	413	484	451
1,088	1,097	539	528	525	536	552
359	262	142	155	168	175	184
<u>2,382</u>	<u>2,128</u>	<u>1,055</u>	<u>1,107</u>	<u>1,106</u>	<u>1,195</u>	<u>1,187</u>
Annualized new business premiums:						
191	144	67	79	84	106	85
153	108	59	62	63	64	89
96	104	51	44	55	50	46
<u>440</u>	<u>356</u>	<u>177</u>	<u>185</u>	<u>202</u>	<u>220</u>	<u>220</u>
<b>Constant exchange rate basis (2):</b>						
Net premiums, policy charges and fee income:						
888	797	378	405	404	462	426
1,038	1,144	558	506	513	512	526
350	269	144	150	166	171	179
<u>2,276</u>	<u>2,210</u>	<u>1,080</u>	<u>1,061</u>	<u>1,083</u>	<u>1,145</u>	<u>1,131</u>
Annualized new business premiums:						
182	149	67	75	83	101	81
146	112	61	60	62	62	84
94	107	53	43	53	49	45
<u>422</u>	<u>368</u>	<u>181</u>	<u>178</u>	<u>198</u>	<u>212</u>	<u>210</u>

(1) Translated based on applicable average exchange rates for the period shown.

(2) Translated based on average exchange rates for the year ended December 31, 2002.

INTERNATIONAL INSURANCE AND INVESTMENTS DIVISION - SALES RESULTS AND SUPPLEMENTARY INFORMATION

	2002			2003	
	2Q	3Q	4Q	1Q	2Q
Face amount of individual policies in force at end of period (in billions) (1): (Constant exchange rate basis)					
Japan, excluding Gibraltar Life	136	138	141	145	147
Gibraltar Life	222	217	213	208	204
All other countries	45	47	49	52	55
Total	<u>403</u>	<u>402</u>	<u>403</u>	<u>405</u>	<u>406</u>
Number of individual policies in force at end of period (in thousands):					
Japan, excluding Gibraltar Life	990	1,011	1,037	1,069	1,099
Gibraltar Life	4,666	4,602	4,537	4,461	4,380
All other countries	609	643	682	716	745
Total	<u>6,265</u>	<u>6,256</u>	<u>6,256</u>	<u>6,246</u>	<u>6,224</u>
International insurance policy persistency (2):					
13 months	93.8%	93.2%	93.0%	93.3%	93.1%
25 months	86.9%	86.4%	86.3%	86.9%	87.1%
Number of Life Planners at end of period (3):					
Japan	1,985	2,055	2,119	2,159	2,175
All other countries	2,222	2,298	2,386	2,393	2,514
Total	<u>4,207</u>	<u>4,353</u>	<u>4,505</u>	<u>4,552</u>	<u>4,689</u>

(1) Translated based on exchange rates as of December 31, 2002.

(2) Excluding Gibraltar Life.

(3) Excluding Gibraltar Life Advisors.

INVESTMENT PORTFOLIO COMPOSITION  
(in millions)

	June 30, 2003				December 31, 2002			
	Consolidated Portfolio (1)	Closed Block Business	Financial Services Businesses		Consolidated Portfolio (1)	Closed Block Business	Financial Services Businesses	
			Amount	% of Total			Amount	% of Total
Fixed maturities:								
Public, available for sale, at fair value	100,944	32,833	68,111	61.9%	92,966	30,991	61,975	59.0%
Public, held to maturity, at amortized cost	2,733	-	2,733	2.5%	2,563	-	2,563	2.5%
Private, available for sale, at fair value	32,851	15,681	17,170	15.6%	32,490	15,242	17,248	16.4%
Private, held to maturity, at amortized cost	57	-	57	0.1%	46	-	46	0.0%
Trading account assets, at fair value	200	-	200	0.2%	96	-	96	0.1%
Equity securities, available for sale, at fair value	3,001	1,975	1,026	0.9%	2,788	1,521	1,267	1.2%
Commercial loans	18,301	6,996	11,305	10.3%	18,593	6,987	11,606	11.1%
Policy loans	8,574	5,582	2,992	2.7%	8,827	5,681	3,146	3.0%
Cash collateral for borrowed securities	350	-	350	0.3%	323	-	323	0.3%
Other long-term investments (2)	5,138	1,042	4,096	3.7%	4,951	1,075	3,876	3.7%
Short-term investments	3,728	1,768	1,960	1.8%	5,420	2,579	2,841	2.7%
Subtotal	175,877	65,877	110,000	100.0%	169,063	64,076	104,987	100.0%
Invested assets of other entities and operations (3)	15,353	-	15,353		14,031	-	14,031	
Total investments	191,230	65,877	125,353		183,094	64,076	119,018	

Fixed Maturities by Credit Quality (1):

	NAIC Rating (4)	Rating Agency Equivalent	June 30, 2003					December 31, 2002				
			Financial Services		Businesses		Amortized Cost	Financial Services		Businesses		Amortized Cost
			Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	% of Total		Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	% of Total	
Public Fixed Maturities:												
1	Aaa, Aa, A		50,150	4,497	37	54,610	77.0%	47,430	2,968	35	50,363	78.0%
2	Baa		12,434	1,151	34	13,551	19.1%	11,281	671	110	11,842	18.3%
3	Ba		1,717	147	17	1,847	2.6%	1,730	68	56	1,742	2.7%
4	B		671	67	7	731	1.0%	519	20	23	516	0.8%
5	C and lower		89	26	1	114	0.2%	94	5	17	82	0.1%
6	In or near default		61	6	2	65	0.1%	50	3	1	52	0.1%
Total			65,122	5,894	98	70,918	100.0%	61,104	3,735	242	64,597	100.0%
Private Fixed Maturities:												
1	Aaa, Aa, A		4,752	557	4	5,305	30.8%	4,945	457	5	5,397	31.2%
2	Baa		7,267	833	14	8,086	46.9%	7,519	632	23	8,128	47.0%
3	Ba		2,262	163	21	2,404	14.0%	2,275	99	41	2,333	13.5%
4	B		513	30	12	531	3.1%	597	21	13	605	3.5%
5	C and lower		586	33	9	610	3.5%	700	20	24	696	4.0%
6	In or near default		281	16	6	291	1.7%	135	4	3	136	0.8%
Total			15,661	1,632	66	17,227	100.0%	16,171	1,233	109	17,295	100.0%

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

(2) Other long-term investments consist of real estate and non-real estate related investments in joint ventures and partnerships, investment real estate held through direct ownership, our interest in separate account investments and other miscellaneous investments.

(3) 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.

(4) Reflects equivalent ratings for investments of international insurance operations that are not rated by United States insurance regulatory authorities. Includes, as of June 30, 2003 and December 31, 2002, respectively, 383 securities with amortized cost of \$2,577 million (fair value \$2,679 million) and 345 securities with amortized cost of \$2,683 million (fair value, \$2,727 million) that have been categorized based on expected NAIC designations pending receipt of SVO ratings.

FINANCIAL SERVICES BUSINESSES INVESTMENT PORTFOLIO COMPOSITION  
(in millions)

	June 30, 2003		December 31, 2002	
	Amount	% of Total	Amount	% of Total
<b>Japanese Insurance Operations:</b>				
Fixed maturities:				
Public, available for sale, at fair value	26,868	74.7%	25,288	73.2%
Public, held to maturity, at amortized cost	2,733	7.6%	2,563	7.4%
Private, available for sale, at fair value	229	0.6%	387	1.1%
Private, held to maturity, at amortized cost	57	0.2%	46	0.1%
Trading account assets, at fair value	77	0.2%	75	0.2%
Equity securities, available for sale, at fair value	822	2.3%	901	2.6%
Commercial loans	2,934	8.2%	3,158	9.1%
Policy loans	729	2.0%	685	2.0%
Cash collateral for borrowed securities	350	1.0%	318	1.0%
Other long-term investments (2)	1,129	3.1%	1,125	3.3%
Short-term investments	29	0.1%	6	0.0%
<b>Total</b>	<b>35,957</b>	<b>100.0%</b>	<b>34,552</b>	<b>100.0%</b>

	June 30, 2003		December 31, 2002	
	Amount	% of Total	Amount	% of Total
<b>Financial Services Businesses excluding Japanese Insurance Operations (1):</b>				
Fixed maturities:				
Public, available for sale, at fair value	41,243	55.6%	36,687	52.1%
Public, held to maturity, at amortized cost	-	0.0%	-	0.0%
Private, available for sale, at fair value	16,941	22.9%	16,861	24.0%
Private, held to maturity, at amortized cost	-	0.0%	-	0.0%
Trading account assets, at fair value	123	0.2%	21	0.0%
Equity securities, available for sale, at fair value	204	0.3%	366	0.5%
Commercial loans	8,371	11.3%	8,448	12.0%
Policy loans	2,263	3.1%	2,461	3.5%
Cash collateral for borrowed securities	-	0.0%	5	0.0%
Other long-term investments (2)	2,967	4.0%	2,751	3.9%
Short-term investments	1,931	2.6%	2,835	4.0%
<b>Total</b>	<b>74,043</b>	<b>100.0%</b>	<b>70,435</b>	<b>100.0%</b>

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

(2) Other long-term investments consist of real estate and non-real estate related investments in joint ventures and partnerships, investment real estate held through direct ownership, our interest in separate account investments and other miscellaneous investments.

FINANCIAL SERVICES BUSINESSES INVESTMENT RESULTS  
(in millions)

	Quarter Ended June 30					
	2003			2002		
	Investment Income		Realized	Investment Income		Realized
	Yield (3)	Amount	Gains / (Losses)	Yield (3)	Amount	Gains / (Losses)
Financial Services Businesses (1):						
Fixed maturities	4.85%	940	17	5.24%	910	(86)
Equity securities	1.63%	4	(52)	1.58%	7	9
Commercial loans	6.95%	196	12	8.24%	251	17
Policy loans	5.40%	40	-	5.68%	41	-
Short-term investments and cash equivalents	1.70%	25	-	2.68%	59	(9)
Other investments	8.11%	94	31	7.58%	84	(245)
Gross investment income before investment expenses	5.10%	1,299	8	5.48%	1,352	(314)
Investment expenses	-0.21%	(68)	-	-0.12%	(50)	-
Subtotal	<u>4.89%</u>	<u>1,231</u>	<u>8</u>	<u>5.36%</u>	<u>1,302</u>	<u>(314)</u>
Investment results of other entities and operations (2)		56	-		59	(1)
Less, investment income relating to divested businesses		(35)	-		(48)	-
Total		<u>1,252</u>	<u>8</u>		<u>1,313</u>	<u>(315)</u>

	Six Months Ended June 30					
	2003			2002		
	Investment Income		Realized	Investment Income		Realized
	Yield (3)	Amount	Gains / (Losses)	Yield (3)	Amount	Gains / (Losses)
Financial Services Businesses (1):						
Fixed maturities	4.90%	1,867	(63)	5.30%	1,795	(194)
Equity securities	1.33%	7	(96)	1.51%	13	(53)
Commercial loans	7.01%	395	18	7.58%	467	18
Policy loans	5.63%	84	-	5.63%	80	-
Short-term investments and cash equivalents	1.79%	53	-	2.02%	117	8
Other investments	8.22%	188	41	4.88%	122	(163)
Gross investment income before investment expenses	5.14%	2,594	(100)	5.21%	2,594	(384)
Investment expenses	-0.19%	(130)	-	-0.16%	(118)	-
Subtotal	<u>4.95%</u>	<u>2,464</u>	<u>(100)</u>	<u>5.05%</u>	<u>2,476</u>	<u>(384)</u>
Investment results of other entities and operations (2)		107	-		123	(1)
Less, investment income relating to divested businesses		(66)	-		(82)	-
Total		<u>2,505</u>	<u>(100)</u>		<u>2,517</u>	<u>(385)</u>

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

(2) Investment income of securities brokerage, securities trading, and banking operations.

(3) Yields are annualized, for interim periods, and based on quarterly average carrying values except for fixed maturities, equity securities and securities lending activity.

Yields for fixed maturities are based on amortized cost. Yields for equity securities are based on cost. Yields for securities lending activity are calculated net of corresponding liabilities and rebate expenses. Yields for periods prior to the fourth quarter of 2002 are presented on a basis consistent with our current reporting practices, including reclassification of investment income among certain investment categories.

FINANCIAL SERVICES BUSINESSES INVESTMENT RESULTS - JAPANESE INSURANCE OPERATIONS

(in millions)

	Quarter Ended June 30					
	2003			2002		
	Investment Income		Realized	Investment Income		Realized
	Yield (1)	Amount	Gains / (Losses)	Yield (1)	Amount	Gains / (Losses)
Japanese Insurance Operations:						
Fixed maturities	1.83%	127	1	1.51%	97	(24)
Equity securities	1.07%	2	(54)	0.24%	-	(17)
Commercial loans	4.70%	36	12	4.67%	42	12
Policy loans	2.81%	5	-	2.79%	4	-
Short-term investments and cash equivalents	3.54%	1	-	1.05%	1	(10)
Other investments	6.76%	23	(43)	5.66%	17	21
Gross investment income before investment expenses	2.29%	194	(84)	2.00%	161	(18)
Investment expenses	-0.25%	(21)	-	-0.12%	(9)	-
Total	2.04%	173	(84)	1.88%	152	(18)

	Six Months Ended June 30					
	2003			2002		
	Investment Income		Realized	Investment Income		Realized
	Yield (1)	Amount	Gains / (Losses)	Yield (1)	Amount	Gains / (Losses)
Japanese Insurance Operations:						
Fixed maturities	1.76%	243	9	1.48%	174	(4)
Equity securities	0.94%	4	(96)	0.62%	3	(73)
Commercial loans	4.78%	73	20	4.56%	86	14
Policy loans	2.87%	10	-	2.66%	8	-
Short-term investments and cash equivalents	1.13%	1	-	0.59%	5	8
Other investments	6.49%	46	(45)	6.10%	35	(54)
Gross investment income before investment expenses	2.23%	377	(112)	1.96%	311	(109)
Investment expenses	-0.26%	(44)	-	-0.11%	(17)	-
Total	1.97%	333	(112)	1.85%	294	(109)

(1) Yields are annualized, for interim periods, and based on quarterly average carrying values except for fixed maturities, equity securities and securities lending activity.

Yields for fixed maturities are based on amortized cost. Yields for equity securities are based on cost. Yields for securities lending activity are calculated net of corresponding liabilities and rebate expenses. Yields for periods prior to the fourth quarter of 2002 are presented on a basis consistent with our current reporting practices, including reclassification of investment income among certain investment categories.

FINANCIAL SERVICES BUSINESSES INVESTMENT RESULTS - EXCLUDING JAPANESE INSURANCE OPERATIONS  
(in millions)

	Quarter Ended June 30					
	2003			2002		
	Investment Income		Realized	Investment Income		Realized
	Yield (2)	Amount	Gains / (Losses)	Yield (2)	Amount	Gains / (Losses)
Financial Services Businesses excluding Japanese Insurance Operations (1):						
Fixed maturities	6.55%	813	16	7.31%	813	(62)
Equity securities	4.80%	2	2	3.55%	7	26
Commercial loans	7.77%	160	-	9.72%	209	5
Policy loans	6.25%	35	-	6.45%	37	-
Short-term investments and cash equivalents	1.66%	24	-	2.86%	58	1
Other investments	8.74%	71	74	8.40%	67	(266)
Gross investment income before investment expenses	6.53%	1,105	92	7.18%	1,191	(296)
Investment expenses	-0.18%	(47)	-	-0.12%	(41)	-
Total	6.35%	1,058	92	7.06%	1,150	(296)

	Six Months Ended June 30					
	2003			2002		
	Investment Income		Realized	Investment Income		Realized
	Yield (2)	Amount	Gains / (Losses)	Yield (2)	Amount	Gains / (Losses)
Financial Services Businesses excluding Japanese Insurance Operations (1):						
Fixed maturities	6.68%	1,624	(72)	7.35%	1,621	(190)
Equity securities	2.82%	3	-	2.94%	10	20
Commercial loans	7.84%	322	(2)	8.91%	381	4
Policy loans	6.47%	74	-	6.43%	72	-
Short-term investments and cash equivalents	1.81%	52	-	2.36%	112	-
Other investments	9.06%	142	86	4.39%	87	(109)
Gross investment income before investment expenses	6.64%	2,217	12	6.78%	2,283	(275)
Investment expenses	-0.16%	(86)	-	-0.18%	(101)	-
Total	6.48%	2,131	12	6.60%	2,182	(275)

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

(2) Yields are annualized, for interim periods, and based on quarterly average carrying values except for fixed maturities, equity securities and securities lending activity. Yields for fixed maturities are based on amortized cost. Yields for equity securities are based on cost. Yields for securities lending activity are calculated net of corresponding liabilities and rebate expenses. Yields for periods prior to the fourth quarter of 2002 are presented on a basis consistent with our current reporting practices, including reclassification of investment income among certain investment categories.

RECLASSIFIED STATEMENTS OF OPERATIONS - FINANCIAL SERVICES BUSINESSES  
(in millions)

Year ended December 31		2002				2003
2000	2001	1Q	2Q	3Q	4Q	1Q
<b>Revenues (1):</b>						
4,227	6,343	1,785	1,815	1,870	1,991	2,015
1,639	1,803	434	412	400	407	416
4,991	5,038	1,204	1,313	1,282	1,256	1,253
5,034	4,247	1,075	1,031	996	974	899
<u>15,891</u>	<u>17,431</u>	<u>4,498</u>	<u>4,571</u>	<u>4,548</u>	<u>4,628</u>	<u>4,583</u>
<b>Benefits and Expenses (1):</b>						
5,058	6,925	1,838	1,912	1,913	2,130	2,107
1,618	1,670	414	415	434	444	418
448	326	48	43	43	36	37
(821)	(935)	(242)	(263)	(275)	(284)	(285)
469	538	139	179	263	158	160
3,010	2,889	640	641	609	599	550
4,609	4,849	1,158	1,179	1,131	1,195	1,162
<u>14,391</u>	<u>16,262</u>	<u>3,995</u>	<u>4,106</u>	<u>4,118</u>	<u>4,278</u>	<u>4,149</u>
<u>1,500</u>	<u>1,169</u>	<u>503</u>	<u>465</u>	<u>430</u>	<u>350</u>	<u>434</u>
<b>Items excluded from adjusted operating income before income taxes:</b>						
(378)	(165)	(101)	(341)	(141)	(290)	(114)
(29)	26	5	(4)	(1)	6	1
<u>(407)</u>	<u>(139)</u>	<u>(96)</u>	<u>(345)</u>	<u>(142)</u>	<u>(284)</u>	<u>(113)</u>
-	-	-	-	-	(20)	-
(426)	23	18	31	(13)	(59)	3
(143)	(588)	-	-	-	-	-
<u>(976)</u>	<u>(704)</u>	<u>(78)</u>	<u>(314)</u>	<u>(155)</u>	<u>(363)</u>	<u>(110)</u>
524	465	425	151	275	(13)	324
290	125	158	53	(105)	(20)	105
<u>234</u>	<u>340</u>	<u>267</u>	<u>98</u>	<u>380</u>	<u>7</u>	<u>219</u>

(1) Revenues exclude realized investment gains, net of losses and related adjustments, and revenues of divested businesses and discontinued operations. Benefits and expenses exclude charges related to realized investment gains, net of losses, sales practices remedies and costs, and benefits and expenses of divested businesses, discontinued operations and demutualization costs and expenses.

RECLASSIFIED STATEMENTS OF OPERATIONS - INSURANCE DIVISION  
(in millions)

Year ended December 31		2002				2003
2000	2001	1Q	2Q	3Q	4Q	1Q
<b>Revenues (1):</b>						
2,461	2,945	759	790	802	899	866
1,479	1,423	358	350	342	347	347
1,330	1,378	341	348	359	363	359
<u>272</u>	<u>222</u>	<u>57</u>	<u>59</u>	<u>58</u>	<u>54</u>	<u>55</u>
<u>5,542</u>	<u>5,968</u>	<u>1,515</u>	<u>1,547</u>	<u>1,561</u>	<u>1,663</u>	<u>1,627</u>
<b>Benefits and Expenses (1):</b>						
2,835	3,299	831	851	863	989	956
595	620	147	153	163	170	157
7	1	-	(1)	(2)	(2)	(1)
(430)	(418)	(96)	(123)	(117)	(116)	(112)
306	370	73	133	198	94	85
<u>1,810</u>	<u>1,646</u>	<u>377</u>	<u>385</u>	<u>380</u>	<u>391</u>	<u>379</u>
<u>5,123</u>	<u>5,518</u>	<u>1,332</u>	<u>1,398</u>	<u>1,485</u>	<u>1,526</u>	<u>1,464</u>
<u>419</u>	<u>450</u>	<u>183</u>	<u>149</u>	<u>76</u>	<u>137</u>	<u>163</u>

(1) Revenues exclude realized investment gains, net of losses and related adjustments. Benefits and expenses exclude charges related to realized investment gains, net of losses.

RECLASSIFIED STATEMENTS OF OPERATIONS - INTERNATIONAL INSURANCE AND INVESTMENTS DIVISION  
(in millions)

Year ended December 31		2002				2003
2000	2001	1Q	2Q	3Q	4Q	1Q
<b>Revenues (1):</b>						
1,680	3,337	1,016	1,006	1,061	1,054	1,141
92	307	57	49	46	52	54
161	483	158	181	195	185	193
<u>342</u>	<u>315</u>	<u>98</u>	<u>93</u>	<u>68</u>	<u>79</u>	<u>74</u>
<u>2,275</u>	<u>4,442</u>	<u>1,329</u>	<u>1,329</u>	<u>1,370</u>	<u>1,370</u>	<u>1,462</u>
<b>Benefits and Expenses (1):</b>						
1,266	2,674	783	799	830	866	906
2	72	24	24	24	24	25
4	4	-	-	-	1	-
(404)	(539)	(151)	(147)	(162)	(170)	(177)
146	164	65	44	65	60	74
<u>989</u>	<u>1,500</u>	<u>404</u>	<u>426</u>	<u>425</u>	<u>413</u>	<u>456</u>
<u>2,003</u>	<u>3,875</u>	<u>1,125</u>	<u>1,146</u>	<u>1,182</u>	<u>1,194</u>	<u>1,284</u>
<u>272</u>	<u>567</u>	<u>204</u>	<u>183</u>	<u>188</u>	<u>176</u>	<u>178</u>

(1) Revenues exclude realized investment gains, net of losses. Benefits and expenses exclude charges related to realized investment gains, net of losses.

RECLASSIFIED STATEMENTS OF OPERATIONS - INTERNATIONAL INVESTMENTS SEGMENT  
(in millions)

Year ended December 31		2002				2003
2000	2001	1Q	2Q	3Q	4Q	1Q
<b>Revenues (1):</b>						
-	-	-	-	-	-	-
-	-	-	-	-	-	-
32	33	8	10	9	10	12
<u>323</u>	<u>263</u>	<u>72</u>	<u>71</u>	<u>74</u>	<u>71</u>	<u>77</u>
<u>355</u>	<u>296</u>	<u>80</u>	<u>81</u>	<u>83</u>	<u>81</u>	<u>89</u>
<b>Benefits and Expenses (1):</b>						
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(1)	-	-	-	-	-	-
1	1	-	-	1	-	-
<u>379</u>	<u>339</u>	<u>80</u>	<u>85</u>	<u>80</u>	<u>85</u>	<u>86</u>
<u>379</u>	<u>340</u>	<u>80</u>	<u>85</u>	<u>81</u>	<u>85</u>	<u>86</u>
<u>(24)</u>	<u>(44)</u>	<u>-</u>	<u>(4)</u>	<u>2</u>	<u>(4)</u>	<u>3</u>

(1) Revenues exclude realized investment gains, net of losses. Benefits and expenses exclude charges related to realized investment gains, net of losses.

RECLASSIFIED STATEMENTS OF OPERATIONS - CORPORATE AND OTHER OPERATIONS  
(in millions)

Year ended December 31		2002				2003
2000	2001	1Q	2Q	3Q	4Q	1Q
<b>Revenues (1):</b>						
15	41	2	(2)	(3)	-	(6)
(10)	(7)	-	(6)	(3)	(10)	(3)
825	686	140	181	158	137	142
<u>(313)</u>	<u>(306)</u>	<u>(47)</u>	<u>(79)</u>	<u>(23)</u>	<u>(23)</u>	<u>(46)</u>
<u>517</u>	<u>414</u>	<u>95</u>	<u>94</u>	<u>129</u>	<u>104</u>	<u>87</u>
<b>Benefits and Expenses (1):</b>						
27	39	27	31	-	43	35
(3)	1	-	-	-	-	-
385	289	45	39	41	35	34
105	82	19	21	12	10	11
(84)	(82)	(20)	(25)	(21)	(19)	(18)
54	37	5	(4)	8	16	9
<u>57</u>	<u>66</u>	<u>7</u>	<u>(9)</u>	<u>(25)</u>	<u>18</u>	<u>(3)</u>
<u>541</u>	<u>432</u>	<u>83</u>	<u>53</u>	<u>15</u>	<u>103</u>	<u>68</u>
<u>(24)</u>	<u>(18)</u>	<u>12</u>	<u>41</u>	<u>114</u>	<u>1</u>	<u>19</u>

(1) Revenues exclude realized investment gains, net of losses and related adjustments, and revenues of divested businesses and discontinued operations. Benefits and expenses exclude charges related to realized investment gains, net of losses, sales practices remedies and costs, and benefits and expenses of divested businesses, discontinued operations and demutualization costs and expenses.

FINANCIAL SERVICES BUSINESSES RECONCILIATION OF ADJUSTED OPERATING INCOME TO INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES  
(in millions)

Year-to-date			2002			2003	
2003	2002		2Q	3Q	4Q	1Q	2Q
<b>Financial Services Businesses:</b>							
307	259	Individual Life and Annuities	113	46	85	129	178
92	73	Group Insurance	36	30	52	34	58
<u>399</u>	<u>332</u>	Insurance Division	<u>149</u>	<u>76</u>	<u>137</u>	<u>163</u>	<u>236</u>
73	83	Investment Management	36	29	27	36	37
(44)	1	Financial Advisory	(6)	(14)	(28)	(24)	(20)
98	84	Retirement	50	24	33	53	45
25	28	Other Asset Management	12	13	4	9	16
<u>152</u>	<u>196</u>	Investment Division	<u>92</u>	<u>52</u>	<u>36</u>	<u>74</u>	<u>78</u>
382	391	International Insurance	187	186	180	175	207
13	(4)	International Investments	(4)	2	(4)	3	10
<u>395</u>	<u>387</u>	International Insurance and Investments Division	<u>183</u>	<u>188</u>	<u>176</u>	<u>178</u>	<u>217</u>
19	53	Corporate and Other	41	114	1	19	-
<u>965</u>	<u>968</u>	Sub-total	<u>465</u>	<u>430</u>	<u>350</u>	<u>434</u>	<u>531</u>
Items excluded from adjusted operating income:							
Realized investment gains (losses), net, and related charges and adjustments							
(61)	(111)	Insurance Division	(90)	(84)	(81)	(51)	(10)
(15)	(93)	Investment Division	(124)	(99)	(120)	(32)	17
(108)	(120)	International Insurance and Investments Division	(35)	(30)	(23)	(33)	(75)
60	(117)	Corporate and Other	(96)	71	(60)	3	57
<u>(124)</u>	<u>(441)</u>	Total	<u>(345)</u>	<u>(142)</u>	<u>(284)</u>	<u>(113)</u>	<u>(11)</u>
-	-	Sales practices remedies and costs - Corporate and Other	-	-	(20)	-	-
(399)	49	Divested businesses - Corporate and Other	31	(13)	(59)	3	(402)
<u>(523)</u>	<u>(392)</u>	Total items excluded from adjusted operating income	<u>(314)</u>	<u>(155)</u>	<u>(363)</u>	<u>(110)</u>	<u>(413)</u>
<u>442</u>	<u>576</u>	Income (loss) from continuing operations before income taxes - Financial Services Businesses	<u>151</u>	<u>275</u>	<u>(13)</u>	<u>324</u>	<u>118</u>

## KEY DEFINITIONS AND FORMULAS

### **1. Adjusted operating income before income taxes:**

Adjusted operating income is a non-GAAP measure that excludes realized investment gains, net of losses, and related charges and adjustments; results of divested businesses and discontinued operations; sales practices remedies and costs and the related tax effects thereof. Revenues and benefits and expenses shown as components of adjusted operating income, and for the divisions of the Financial Services Businesses, are presented on the same basis as pre-tax adjusted operating income and exclude these items as well. Adjusted operating income should not be viewed as a substitute for net income determined in accordance with GAAP, and our definition of adjusted operating income may differ from that used by other companies. The excluded items 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 factors of our businesses.

### **2. After-tax adjusted operating income:**

Adjusted operating income before taxes, as defined above, less the income tax effect applicable to adjusted operating income before taxes.

### **3. Assets Under Management:**

Fair market value or account value of assets which Prudential manages directly in proprietary products, such as mutual funds and variable annuities, in separate accounts, wrap-fee products and the general account, and assets invested in investment options included in the Company's products that are managed by third party sub-managers (i.e., the non-proprietary investment options in the Company's products).

### **4. Attributed Equity:**

Amount of capital assigned to each of the Company's segments for purposes of measuring segment adjusted operating income before income taxes, established at a level which management considers necessary to support the segment's risks. Attributed equity for the Financial Services Businesses represents all of the Company's equity that is not included in the Closed Block Business.

### **5. Book value per share of Common Stock:**

Equity attributed to Financial Services Businesses divided by the number of Common shares outstanding at end of period, on a diluted basis.

### **6. Borrowings - General Corporate Purposes:**

Amounts used for corporate purposes including uses for cash flow timing mismatches at Prudential Financial and investments in equity and debt securities of subsidiaries including amounts utilized for regulatory capital purposes.

### **7. Borrowings - Investment Related:**

Debt issued to finance specific investment assets or portfolios of investment assets, including institutional spread lending investment portfolios, real estate, and real estate related investments held in consolidated joint ventures, as well as institutional and insurance company portfolio cash flow timing differences.

### **8. Borrowings - Securities Business Related:**

Debt issued to finance primarily the liquidity of our broker-dealers, and our capital markets and other securities business related operations.

### **9. Borrowings - Specified Other Businesses:**

Borrowings associated with consumer banking activities, real estate franchises, and relocation services.

### **10. Client Assets:**

Fair market value of assets in client accounts of Prudential Securities and Prudential Bank, and trust client accounts, that are not included in Assets Under Management. Prudential does not receive a management or administrative fee on these assets, but may receive a fee for executing trades, custody or recordkeeping services.

## KEY DEFINITIONS AND FORMULAS

### **11. Earned Premiums:**

The portion of a premium, net of any amount ceded, that represents coverage already provided or that belongs to the insurer based on the part of the policy period that has passed.

### **12. Earnings Per Share of Common Stock:**

Net income for the Financial Services Businesses and the Closed Block Business is determined in accordance with GAAP and includes general and administrative expenses charged to each of the businesses based on the Company's methodology for the allocation of such expenses. Cash flows between the Financial Services Businesses and the Closed Block Business related to administrative expenses are determined by a policy servicing fee arrangement that is based upon insurance and policies in force and statutory cash premiums. To the extent reported administrative expenses vary from these cash flow amounts, the differences are recorded, on an after-tax basis, as direct equity adjustments to the equity balances of each business. The direct equity adjustments modify earnings available to holders of Common Stock and Class B Stock for earnings per share purposes. Earnings per share of Common Stock based on adjusted operating income of the Financial Services Businesses reflects these adjustments as well.

### **13. Financial Advisors:**

Financial advisors and securities brokers in our Financial Advisory and International Investments segments.

### **14. Financial Advisor Productivity:**

Financial Advisory segment total non-interest revenues, excluding revenues generated by the consumer bank and by the segment's retail fixed income and equity sales and trading operations, divided by the average number of retail Financial Advisors for the period. For interim reporting periods, the productivity measures are annualized.

### **15. General Account:**

Invested assets and policyholder liabilities and reserves for which the Company bears the investment risk. Excludes assets recognized for statutory purposes that are specifically allocated to a separate account. General account assets also include assets of the parent company, Prudential Financial, Inc.

### **16. Gibraltar Life Advisors:**

Insurance representatives for Gibraltar Life.

### **17. Group Life Insurance and Group Disability Insurance Administrative Operating Expense Ratios:**

Ratio of administrative operating expenses (excluding commissions) to gross premiums, policy charges and fee income.

### **18. Group Life Insurance and Group Disability Insurance Benefits Ratios:**

Ratio of policyholder benefits to earned premiums, policy charges and fee income.

### **19. Insurance and Annuity Benefits:**

Total death benefits, annuity benefits, disability benefits, other policy benefits, and losses paid or incurred, under insurance and annuity contracts, plus the change in reserves for future policy benefits and losses.

### **20. International Life Planners:**

Insurance agents in our insurance operations outside the United States, excluding Gibraltar Life Advisors.

## KEY DEFINITIONS AND FORMULAS

### **21. New annualized premiums:**

Premiums from new sales that are expected to be collected over a one year period. Group insurance new annualized premiums exclude new premiums resulting from rate changes on existing policies, from additional coverage issued under our Servicemembers' Group Life Insurance contract, and from excess premiums on group universal life insurance that build cash value but do not purchase face amounts.

### **22. Non-recourse and Limited-recourse Debt:**

Limited and non-recourse borrowing is where the holder is entitled to collect only against the assets pledged to the debt as collateral or has only very limited rights to collect against other assets.

### **23. Operating return on average equity (based on adjusted operating income):**

Adjusted operating income after-tax (giving effect to the direct equity adjustment for earnings per share calculation), annualized for interim periods, divided by average attributed equity for the Financial Services Businesses excluding unrealized gains and losses on investments.

An alternative measure to operating return on average equity (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 3.40% for the six months ended June 30, 2003, 3.90% for the six months ended June 30, 2002, 2.28% for the three months ended June 30, 2003, 2.26% for the three months ended June 30, 2002, 7.54% for the three months ended September 30, 2002, 0.38% for the three months ended December 31, 2002 and 4.56% for the three months ended March 31, 2003.

### **24. Policy Persistency - Group Insurance:**

Percentage of the premiums in force at the end of the prior year that are still in force at the end of the period (excluding Servicemembers' Group Life Insurance and Prudential Employee Benefit Plan).

### **25. Policy Persistency - International Insurance:**

13 month persistency represents the percentage of policies issued that are still in force at the beginning of their second policy year. 25 month persistency represents the percentage of policies issued that are still in force at the beginning of their third policy year.

### **26. Prudential Agents:**

Insurance agents in our insurance operations in the United States.

### **27. Prudential Agent productivity:**

Commissions on new sales of all products by Prudential Agents under contract for the entire period, divided by the number of those Prudential Agents. Excludes commissions on new sales by Prudential Agents hired or departed during the period. For interim reporting periods, the productivity measures are annualized.

### **28. Ratio of corporate debt to total capitalization:**

For purposes of this ratio, we measure "debt" as the sum of borrowings for general corporate purposes and 20% of the stated aggregate liquidation amount of the Equity Security Units, and we measure "total capitalization" as the sum of equity excluding unrealized gains and losses on investments, corporate debt and the stated aggregate liquidation amount of the Equity Security Units. The ratio is calculated by dividing debt by total capitalization.

### **29. Redeemable Capital Securities:**

Capital Trust Certificates of Prudential Financial Capital Trust I (element of Equity Security Units).

### **30. Separate Accounts:**

Assets of our insurance companies allocated under certain policies and contracts that are segregated from the general account and other separate accounts. The policyholder or contractholder predominantly bears the risk of investments held in a separate account.

### **31. Wrap-Fee Products:**

Investment products generating asset-based fees in which the funds of the customer are generally invested in other investment products such as mutual funds.

**RATINGS AND INVESTOR INFORMATION**

**INSURANCE CLAIMS PAYING RATINGS**

as of August 5, 2003

	A.M. Best	Standard & Poor's	Moody's	Fitch Ratings
The Prudential Insurance Company of America	A	A+	A1	AA-
PRUCO Life Insurance Company	A	A+	A1	NR*
PRUCO Life Insurance Company of New Jersey	A	A+	NR	NR
Prudential Property and Casualty Insurance Company	A-	BBB+	A2	NR
The Prudential Property & Casualty Insurance Company of New Jersey	A-	NR	NR	NR
The Prudential Life Insurance Co., Ltd. (Prudential of Japan)	A+	AA-	NR	NR
Gibraltar Life Insurance Company, Ltd.	NR	A	A2	NR
American Skandia Life Assurance Corporation	A-	A	NR	A+

**CREDIT RATINGS:**

as of August 5, 2003

Prudential Financial, Inc.:				
Short-Term Borrowings	AMB-1	A-2	P-2	F1
Long-Term Senior Debt	a-	A-	A3	A
Redeemable Capital Securities	a-	A-	A3	A
The Prudential Insurance Company of America :				
Capital and surplus notes	a-	A-	A3	NR
Prudential Funding, LLC:				
Commercial Paper	AMB-1	A-1	P-1	NR
Long-Term Senior Debt	a	A+	A2	NR
American Skandia Life Assurance Corporation	NR	A	NR	NR

\* NR indicates not rated.

**INVESTOR INFORMATION:**

*Corporate Offices:*

Prudential Financial, Inc.  
 751 Broad Street  
 Newark, New Jersey 07102

*Investor Information Hotline:*

Dial 877-998-ROCK for additional printed information or inquiries.

*Web Site:*

[www.prudential.com](http://www.prudential.com)

*Publicly Traded Securities:*

Common Stock of Prudential Financial, Inc. is traded on the New York Stock Exchange under the symbol PRU.

Equity Security Units of Prudential Financial, Inc. are traded on the New York Stock Exchange under the symbol PFA.