



Prudential Financial, Inc. (PRU)

Quarterly Financial Supplement

FINANCIAL SERVICES BUSINESSES
FIRST 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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The Quarterly Financial Supplement for the period ended March 31, 2003 reflects the classification of results for the Company's specialty automobile insurance business, THI Holdings, as discontinued operations for all periods presented.

FINANCIAL HIGHLIGHTS
(in millions, except per share data)

| Year-to-date | | % Change | 2002 | | | | 2003 |
|---|-------|-------------|-------|-------|-------|--------|-------|
| 2003 | 2002 | | 1Q | 2Q | 3Q | 4Q | 1Q |
| Financial Services Businesses: | | | | | | | |
| Pre-tax adjusted operating income by division: | | | | | | | |
| 172 | 203 | -15% | 203 | 165 | 73 | 141 | 172 |
| 74 | 104 | -29% | 104 | 92 | 52 | 36 | 74 |
| 175 | 202 | -13% | 202 | 183 | 188 | 174 | 175 |
| 28 | 20 | 40% | 20 | 46 | 118 | 8 | 28 |
| 449 | 529 | -15% | 529 | 486 | 431 | 359 | 449 |
| 146 | 193 | -24% | 193 | 179 | 128 | 106 | 146 |
| 303 | 336 | -10% | 336 | 307 | 303 | 253 | 303 |
| Financial Services Businesses after-tax adjusted operating income | | | | | | | |
| Items excluded from adjusted operating income: | | | | | | | |
| (113) | (96) | -18% | (96) | (345) | (142) | (284) | (113) |
| - | - | - | - | - | - | (20) | - |
| (12) | (8) | -50% | (8) | 10 | (14) | (68) | (12) |
| (125) | (104) | -20% | (104) | (335) | (156) | (372) | (125) |
| (41) | (35) | -17% | (35) | (126) | (233) | (126) | (41) |
| (84) | (69) | -22% | (69) | (209) | 77 | (246) | (84) |
| 219 | 267 | -18% | 267 | 98 | 380 | 7 | 219 |
| (22) | (4) | -450% | (4) | (3) | 12 | (78) | (22) |
| 197 | 263 | -25% | 263 | 95 | 392 | (71) | 197 |
| Income from continuing operations (after-tax) of Financial Services Businesses | | | | | | | |
| Net income (loss) of Financial Services Businesses | | | | | | | |
| Earnings per share of Common Stock (diluted): | | | | | | | |
| 0.58 | 0.59 | | 0.59 | 0.55 | 0.54 | 0.47 | 0.58 |
| 0.43 | 0.47 | | 0.47 | 0.19 | 0.67 | 0.04 | 0.43 |
| 0.39 | 0.46 | | 0.46 | 0.19 | 0.70 | (0.10) | 0.39 |
| 556.5 | 585.1 | | 585.1 | 585.2 | 576.8 | 565.0 | 556.5 |
| 6.98% | 7.25% | | 7.25% | 6.73% | 6.56% | 5.70% | 6.98% |
| Reconciliation to Consolidated Net Income of Prudential Financial, Inc.: | | | | | | | |
| 197 | 263 | | 263 | 95 | 392 | (71) | 197 |
| (1) | (110) | | (110) | (163) | (90) | (122) | (1) |
| 196 | 153 | | 153 | (68) | 302 | (193) | 196 |
| 18 | 7 | | 7 | 14 | 9 | 13 | 18 |
| Direct equity adjustments for earnings per share calculations | | | | | | | |

FINANCIAL HIGHLIGHTS
(in millions, except per share data)

| Year-to-date | | 2002 | | | | 2003 | |
|---|-------|--------|--------|--------|--------|--------|-------|
| 2003 | 2002 | 1Q | 2Q | 3Q | 4Q | 1Q | |
| Financial Services Businesses Capitalization Data (1): | | | | | | | |
| | | 6,515 | 4,221 | 3,852 | 3,469 | 4,212 | |
| | | 3,350 | 3,003 | 3,077 | 3,007 | 2,582 | |
| | | 690 | 690 | 690 | 690 | 690 | |
| Attributed Equity (3): | | | | | | | |
| | | 19,453 | 20,258 | 21,039 | 20,562 | 21,059 | |
| | | 19,034 | 19,144 | 18,931 | 18,394 | 18,388 | |
| | | 19,289 | 19,321 | 19,153 | 18,621 | 18,596 | |
| Total Capitalization: | | | | | | | |
| | | 23,493 | 23,951 | 24,806 | 24,259 | 24,331 | |
| | | 23,074 | 22,837 | 22,698 | 22,091 | 21,660 | |
| | | 23,329 | 23,014 | 22,920 | 22,318 | 21,868 | |
| Book value per share of Common Stock: | | | | | | | |
| | | 33.25 | 34.72 | 37.03 | 36.67 | 38.12 | |
| | | 32.53 | 32.81 | 33.32 | 32.80 | 33.28 | |
| | | 32.97 | 33.12 | 33.71 | 33.20 | 33.66 | |
| | | 585.1 | 583.4 | 568.1 | 560.8 | 552.5 | |
| Common Stock Price Range (based on closing price): | | | | | | | |
| 33.93 | 32.09 | High | 32.09 | 35.75 | 32.99 | 32.10 | 33.93 |
| 27.56 | 30.05 | Low | 30.05 | 31.05 | 27.35 | 25.50 | 27.56 |
| 29.25 | 31.05 | Close | 31.05 | 33.36 | 28.56 | 31.74 | 29.25 |
| Common Stock market capitalization (1) | | 18,143 | 19,448 | 16,235 | 17,782 | 16,153 | |

(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 | 1Q | 2Q | 3Q | 4Q | 1Q |
| Assets Under Management and Administration (\$ billions) (1) (2): | | | | | | |
| Assets Under Management : | | | | | | |
| Managed by Investment Division (3): | | | | | | |
| Investment Management Segment - Investment Management & Advisory Services | | | | | | |
| | | 92.3 | 84.8 | 77.3 | 79.9 | 78.9 |
| | | 86.2 | 83.5 | 79.8 | 85.2 | 84.2 |
| | | 111.7 | 116.0 | 119.5 | 122.9 | 123.6 |
| | | 290.2 | 284.3 | 276.6 | 288.0 | 286.7 |
| Total Investment Management and Advisory Services | | | | | | |
| | | 41.9 | 38.2 | 32.7 | 33.0 | 32.7 |
| | | 332.1 | 322.5 | 309.3 | 321.0 | 319.4 |
| Managed by International Insurance and Investments Division (3) (4): | | | | | | |
| | | 38.0 | 37.9 | 46.6 | 47.9 | 47.6 |
| Managed by Insurance Division | | | | | | |
| | | 8.7 | 8.0 | 7.2 | 8.8 | 8.5 |
| | | 378.8 | 368.4 | 363.1 | 377.7 | 375.5 |
| | | 201.2 | 188.4 | 173.7 | 177.9 | 174.4 |
| | | 580.0 | 556.8 | 536.8 | 555.6 | 549.9 |
| Client assets under administration (4) | | | | | | |
| | | 580.0 | 556.8 | 536.8 | 555.6 | 549.9 |
| Total assets under management and administration | | | | | | |
| | | 67.3 | 70.5 | 77.9 | 83.6 | 83.4 |
| Assets managed or administered for customers outside of the United States at end of period | | | | | | |
| Distribution Representatives (1): | | | | | | |
| | | 4,469 | 4,551 | 4,478 | 4,389 | 4,327 |
| | | 5,656 | 5,306 | 4,960 | 4,731 | 4,519 |
| | | 4,098 | 4,207 | 4,353 | 4,505 | 4,552 |
| | | 5,726 | 5,525 | 5,233 | 5,155 | 4,993 |
| Distribution Representative Productivity: | | | | | | |
| 34 | 34 | 34 | 38 | 36 | 43 | 34 |
| 390 | 378 | 378 | 372 | 378 | 357 | 390 |
| Third Party Distribution - Retail Products (\$ millions) (6): | | | | | | |
| 21 | 16 | 16 | 17 | 15 | 24 | 21 |
| 4 | 9 | 9 | 76 | 21 | 15 | 4 |
| 58 | 11 | 11 | 24 | 50 | 48 | 58 |
| 616 | 456 | 456 | 1,019 | 970 | 1,207 | 616 |

(1) As of end of period.

(2) At fair market value.

(3) Reflects the Investment division's assumption, as of June 30, 2002, of management of \$3.5 billion of assets which were previously reflected in assets managed by the International Insurance and Investments division.

(4) 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.

(5) All periods exclude financial advisors associated with our discontinued international securities operations.

(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 | | | | 1Q | 2Q | 3Q | 4Q | 1Q |
| Revenues (1): | | | | | | | | | |
| 2,468 | 2,212 | 12% | | Premiums | 2,212 | 2,266 | 2,320 | 2,448 | 2,468 |
| 416 | 434 | -4% | | Policy charges and fee income | 434 | 412 | 400 | 407 | 416 |
| 1,284 | 1,236 | 4% | | Net investment income | 1,236 | 1,343 | 1,312 | 1,288 | 1,284 |
| 902 | 1,075 | -16% | | Commissions, investment management fees, and other income | 1,075 | 1,036 | 996 | 976 | 902 |
| <u>5,070</u> | <u>4,957</u> | 2% | | Total revenues | <u>4,957</u> | <u>5,057</u> | <u>5,028</u> | <u>5,119</u> | <u>5,070</u> |
| Benefits and Expenses (1): | | | | | | | | | |
| 2,467 | 2,156 | 14% | | Insurance and annuity benefits | 2,156 | 2,267 | 2,278 | 2,496 | 2,467 |
| 418 | 414 | 1% | | Interest credited to policyholders' account balances | 414 | 415 | 434 | 444 | 418 |
| 37 | 48 | -23% | | Interest expense | 48 | 43 | 43 | 36 | 37 |
| (364) | (321) | -13% | | Deferral of acquisition costs | (321) | (347) | (360) | (374) | (364) |
| 244 | 224 | 9% | | Amortization of acquisition costs | 224 | 260 | 347 | 245 | 244 |
| 550 | 640 | -14% | | Securities operations non-interest expenses | 640 | 641 | 609 | 599 | 550 |
| 1,269 | 1,267 | 0% | | General and administrative expenses | 1,267 | 1,292 | 1,246 | 1,314 | 1,269 |
| <u>4,621</u> | <u>4,428</u> | 4% | | Total benefits and expenses | <u>4,428</u> | <u>4,571</u> | <u>4,597</u> | <u>4,760</u> | <u>4,621</u> |
| <u>449</u> | <u>529</u> | -15% | | Adjusted operating income before income taxes | <u>529</u> | <u>486</u> | <u>431</u> | <u>359</u> | <u>449</u> |
| Items excluded from adjusted operating income before income taxes: | | | | | | | | | |
| (114) | (101) | -13% | | Realized investment losses, net, and related adjustments | (101) | (341) | (141) | (290) | (114) |
| 1 | 5 | -80% | | Related charges | 5 | (4) | (1) | 6 | 1 |
| <u>(113)</u> | <u>(96)</u> | -18% | | Total realized investment losses, net, and related charges and adjustments | <u>(96)</u> | <u>(345)</u> | <u>(142)</u> | <u>(284)</u> | <u>(113)</u> |
| - | - | - | | Sales practices remedies and costs | - | - | - | (20) | - |
| <u>(12)</u> | <u>(8)</u> | -50% | | Divested businesses | <u>(8)</u> | <u>10</u> | <u>(14)</u> | <u>(68)</u> | <u>(12)</u> |
| <u>(125)</u> | <u>(104)</u> | -20% | | Total items excluded from adjusted operating income before income taxes | <u>(104)</u> | <u>(335)</u> | <u>(156)</u> | <u>(372)</u> | <u>(125)</u> |
| 324 | 425 | -24% | | Income (loss) from continuing operations before income taxes | 425 | 151 | 275 | (13) | 324 |
| 105 | 158 | -34% | | Income tax expense (benefit) | 158 | 53 | (105) | (20) | 105 |
| <u>219</u> | <u>267</u> | -18% | | Income from continuing operations, after-tax | <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 and discontinued operations.

COMBINED BALANCE SHEETS - FINANCIAL SERVICES BUSINESSES
(in millions)

| | 03/31/2002 | 06/30/2002 | 09/30/2002 | 12/31/2002 | 03/31/2003 |
|--|------------|------------|------------|------------|------------|
| Assets: | | | | | |
| Investments: | | | | | |
| Fixed maturities, available for sale, at fair value (amortized cost \$69,840; \$70,745; \$72,962; \$74,665; \$76,766) | 70,687 | 72,700 | 76,815 | 79,230 | 82,311 |
| Fixed maturities, held to maturity, at amortized cost (fair value \$373; \$2,293; \$2,385; \$2,673; \$2,859) | 354 | 2,268 | 2,376 | 2,612 | 2,772 |
| Trading account assets, at fair value | 6,286 | 6,038 | 4,419 | 3,449 | 3,359 |
| Equity securities, available for sale, at fair value (cost \$1,620; \$1,748; \$1,815; \$1,313; \$1,101) | 1,687 | 1,868 | 1,714 | 1,286 | 1,038 |
| Commercial loans | 13,011 | 12,752 | 12,649 | 12,300 | 12,234 |
| Policy loans | 2,854 | 2,982 | 3,036 | 3,146 | 2,923 |
| Securities purchased under agreements to resell | 7,137 | 5,136 | 5,256 | 4,844 | 5,990 |
| Cash collateral for borrowed securities | 5,628 | 5,530 | 5,691 | 4,978 | 4,429 |
| Other long-term investments | 4,253 | 4,216 | 4,329 | 4,333 | 4,476 |
| Short-term investments | 3,095 | 2,848 | 2,082 | 2,840 | 1,671 |
| Total investments | 114,992 | 116,338 | 118,367 | 119,018 | 121,203 |
| Cash and cash equivalents | 10,282 | 8,344 | 9,115 | 7,470 | 7,339 |
| Accrued investment income | 1,027 | 1,069 | 1,084 | 1,021 | 1,095 |
| Broker-dealer related receivables | 7,017 | 7,091 | 5,486 | 5,631 | 5,126 |
| Deferred policy acquisition costs | 5,660 | 5,859 | 5,750 | 5,875 | 5,926 |
| Other assets | 15,692 | 16,213 | 14,699 | 13,730 | 15,001 |
| Separate account assets | 78,515 | 75,101 | 69,900 | 70,555 | 70,710 |
| Total assets | 233,185 | 230,015 | 224,401 | 223,300 | 226,400 |
| Liabilities: | | | | | |
| Future policy benefits | 38,403 | 40,319 | 41,395 | 42,213 | 43,243 |
| Policyholders' account balances | 37,559 | 38,916 | 40,325 | 40,799 | 41,487 |
| Unpaid claims and claim adjustment expenses | 3,353 | 3,352 | 3,363 | 3,428 | 3,513 |
| Securities sold under agreements to repurchase | 11,704 | 10,557 | 10,675 | 10,250 | 10,907 |
| Cash collateral for loaned securities | 8,256 | 8,959 | 7,645 | 7,517 | 7,300 |
| Income taxes payable | 1,102 | 1,609 | 1,967 | 1,910 | 2,259 |
| Broker-dealer related payables | 5,581 | 6,076 | 4,498 | 4,838 | 4,915 |
| Securities sold but not yet purchased | 4,561 | 3,185 | 2,417 | 1,996 | 2,076 |
| Short-term debt | 6,515 | 4,221 | 3,852 | 3,469 | 4,212 |
| Long-term debt | 3,350 | 3,003 | 3,077 | 3,007 | 2,582 |
| Other liabilities | 14,143 | 13,769 | 13,558 | 12,066 | 11,447 |
| Separate account liabilities | 78,515 | 75,101 | 69,900 | 70,555 | 70,710 |
| Total liabilities | 213,042 | 209,067 | 202,672 | 202,048 | 204,651 |
| Guaranteed beneficial interest in Trust holding solely debentures of Parent | 690 | 690 | 690 | 690 | 690 |
| Attributed Equity: | | | | | |
| Accumulated other comprehensive income | 164 | 937 | 1,886 | 1,941 | 2,463 |
| Other attributed equity | 19,289 | 19,321 | 19,153 | 18,621 | 18,596 |
| Total attributed equity | 19,453 | 20,258 | 21,039 | 20,562 | 21,059 |
| Total liabilities and attributed equity | 233,185 | 230,015 | 224,401 | 223,300 | 226,400 |

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

| | Three Months Ended March 31, 2003 | | | | |
|---|-----------------------------------|--------------|--------------|---------------|-----------|
| | Total | | | International | |
| | Financial | Insurance | Investment | Insurance & | Corporate |
| | Services | Division | Division | Investments | and Other |
| Businesses | Division | Division | Division | Operations | |
| Revenues (1) : | | | | | |
| Premiums | 2,468 | 1,319 | 14 | 1,141 | (6) |
| Policy charges and fee income | 416 | 347 | 18 | 54 | (3) |
| Net investment income | 1,284 | 392 | 559 | 193 | 140 |
| Commissions, investment management fees, and other income | 902 | 57 | 816 | 75 | (46) |
| Total revenues | <u>5,070</u> | <u>2,115</u> | <u>1,407</u> | <u>1,463</u> | <u>85</u> |
| Benefits and Expenses (1): | | | | | |
| Insurance and annuity benefits | 2,467 | 1,316 | 210 | 906 | 35 |
| Interest credited to policyholders' account balances | 418 | 157 | 236 | 25 | - |
| Interest expense | 37 | (1) | 4 | - | 34 |
| Deferral of acquisition costs | (364) | (191) | (7) | (177) | 11 |
| Amortization of acquisition costs | 244 | 169 | 19 | 74 | (18) |
| Securities operations non-interest expenses | 550 | - | 541 | - | 9 |
| General and administrative expenses | 1,269 | 493 | 330 | 460 | (14) |
| Total benefits and expenses | <u>4,621</u> | <u>1,943</u> | <u>1,333</u> | <u>1,288</u> | <u>57</u> |
| Adjusted operating income before income taxes | <u>449</u> | <u>172</u> | <u>74</u> | <u>175</u> | <u>28</u> |

| | Three Months Ended March 31, 2002 | | | | |
|---|-----------------------------------|--------------|--------------|---------------|-----------|
| | Total | | | International | |
| | Financial | Insurance | Investment | Insurance & | Corporate |
| | Services | Division | Division | Investments | and Other |
| Businesses | Division | Division | Division | Operations | |
| Revenues (1): | | | | | |
| Premiums | 2,212 | 1,186 | 8 | 1,016 | 2 |
| Policy charges and fee income | 434 | 358 | 19 | 57 | - |
| Net investment income | 1,236 | 376 | 565 | 158 | 137 |
| Commissions, investment management fees, and other income | 1,075 | 57 | 967 | 98 | (47) |
| Total revenues | <u>4,957</u> | <u>1,977</u> | <u>1,559</u> | <u>1,329</u> | <u>92</u> |
| Benefits and Expenses (1): | | | | | |
| Insurance and annuity benefits | 2,156 | 1,149 | 197 | 783 | 27 |
| Interest credited to policyholders' account balances | 414 | 147 | 243 | 24 | - |
| Interest expense | 48 | - | 3 | - | 45 |
| Deferral of acquisition costs | (321) | (175) | (14) | (151) | 19 |
| Amortization of acquisition costs | 224 | 158 | 21 | 65 | (20) |
| Securities operations non-interest expenses | 640 | - | 635 | - | 5 |
| General and administrative expenses | 1,267 | 495 | 370 | 406 | (4) |
| Total benefits and expenses | <u>4,428</u> | <u>1,774</u> | <u>1,455</u> | <u>1,127</u> | <u>72</u> |
| Adjusted operating income before income taxes | <u>529</u> | <u>203</u> | <u>104</u> | <u>202</u> | <u>20</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.

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

As of March 31, 2003

| | Total Financial Services Businesses | Insurance Division | Investment Division | International Insurance & Investments Division | Corporate and Other Operations |
|---|--|-----------------------|------------------------|---|--------------------------------------|
| Assets: | | | | | |
| Total investments | 121,203 | 27,839 | 46,586 | 37,235 | 9,543 |
| Broker-dealer related receivables | 5,126 | - | 4,065 | 412 | 649 |
| Deferred policy acquisition costs | 5,926 | 3,748 | 19 | 2,224 | (65) |
| Other assets | 23,435 | 4,785 | 9,323 | 3,993 | 5,334 |
| Separate account assets | 70,710 | 31,582 | 39,501 | 502 | (875) |
| Total assets | 226,400 | 67,954 | 99,494 | 44,366 | 14,586 |
| Liabilities: | | | | | |
| Future policy benefits | 43,243 | 5,220 | 12,916 | 24,543 | 564 |
| Policyholders' account balances | 41,487 | 15,097 | 16,477 | 9,913 | - |
| Debt | 6,794 | 316 | 3,647 | 416 | 2,415 |
| Other liabilities | 42,417 | 8,938 | 22,557 | 5,018 | 5,904 |
| Separate account liabilities | 70,710 | 31,582 | 39,501 | 502 | (875) |
| Total liabilities | 204,651 | 61,153 | 95,098 | 40,392 | 8,008 |
| Guaranteed beneficial interest in Trust holding solely debentures of Parent | 690 | - | - | - | 690 |
| Attributed Equity: | | | | | |
| Accumulated other comprehensive income | 2,463 | 718 | 658 | 810 | 277 |
| Other attributed equity | 18,596 | 6,083 | 3,738 | 3,164 | 5,611 |
| Total attributed equity | 21,059 | 6,801 | 4,396 | 3,974 | 5,888 |
| Total liabilities and attributed equity | 226,400 | 67,954 | 99,494 | 44,366 | 14,586 |

As of December 31, 2002

| | Total Financial Services Businesses | Insurance Division | Investment Division | International Insurance & Investments Division | Corporate and Other Operations |
|---|--|-----------------------|------------------------|---|--------------------------------------|
| Assets: | | | | | |
| Total investments | 119,018 | 28,101 | 44,947 | 36,358 | 9,612 |
| Broker-dealer related receivables | 5,631 | - | 4,516 | 399 | 716 |
| Deferred policy acquisition costs | 5,875 | 3,754 | 28 | 2,158 | (65) |
| Other assets | 22,221 | 4,102 | 7,898 | 4,141 | 6,080 |
| Separate account assets | 70,555 | 31,175 | 39,715 | 499 | (834) |
| Total assets | 223,300 | 67,132 | 97,104 | 43,555 | 15,509 |
| Liabilities: | | | | | |
| Future policy benefits | 42,213 | 5,207 | 12,835 | 23,624 | 547 |
| Policyholders' account balances | 40,799 | 14,947 | 16,252 | 9,598 | 2 |
| Debt | 6,476 | - | 3,551 | 849 | 2,076 |
| Other liabilities | 42,005 | 8,813 | 20,873 | 5,484 | 6,835 |
| Separate account liabilities | 70,555 | 31,175 | 39,715 | 499 | (834) |
| Total liabilities | 202,048 | 60,142 | 93,226 | 40,054 | 8,626 |
| Guaranteed beneficial interest in Trust holding solely debentures of Parent | 690 | - | - | - | 690 |
| Attributed Equity: | | | | | |
| Accumulated other comprehensive income (loss) | 1,941 | 981 | 587 | 480 | (107) |
| Other attributed equity | 18,621 | 6,009 | 3,291 | 3,021 | 6,300 |
| Total attributed equity | 20,562 | 6,990 | 3,878 | 3,501 | 6,193 |
| Total liabilities and attributed equity | 223,300 | 67,132 | 97,104 | 43,555 | 15,509 |

SHORT TERM DEBT - FINANCIAL SERVICES BUSINESSES
 (in millions)

| | As of March 31, 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 |
| Borrowings by use of proceeds: | | | | | | | | |
| General corporate purposes | - | 306 | - | 306 | - | 306 | - | 306 |
| Investment related | - | 213 | - | 213 | - | 154 | - | 154 |
| Securities business related | - | 1,429 | 1,236 | 2,665 | - | 959 | 1,256 | 2,215 |
| Specified other businesses | - | 799 | 228 | 1,027 | - | 514 | 279 | 793 |
| Limited recourse and non-recourse borrowing | - | - | 1 | 1 | - | - | 1 | 1 |
| Total short-term debt | - | 2,747 | 1,465 | 4,212 | - | 1,933 | 1,536 | 3,469 |
| Borrowings by type: | | | | | | | | |
| Long-term debt due within one year | - | 459 | - | 459 | - | 637 | - | 637 |
| Commercial paper | - | 2,272 | - | 2,272 | - | 1,265 | - | 1,265 |
| Bank borrowings | - | - | 893 | 893 | - | - | 913 | 913 |
| Other short-term debt | - | 16 | 571 | 587 | - | 31 | 622 | 653 |
| Total general obligations | - | 2,747 | 1,464 | 4,211 | - | 1,933 | 1,535 | 3,468 |
| Limited recourse and non-recourse borrowing | - | - | 1 | 1 | - | - | 1 | 1 |
| Total short-term debt | - | 2,747 | 1,465 | 4,212 | - | 1,933 | 1,536 | 3,469 |

(a) Includes Prudential Funding, LLC.

LONG TERM DEBT
 (in millions)

As of March 31, 2003

| | General Corporate Purposes | Investment Related | Securities Business Related | Specified Other Businesses | Total General Obligations | Limited Recourse and non- Recourse | Total Borrowing |
|--|----------------------------------|-----------------------|-----------------------------------|----------------------------------|---------------------------------|---|--------------------|
| Financial Services Businesses: | | | | | | | |
| Prudential Financial, Inc.: | | | | | | | |
| Long-term fixed and floating rate notes | - | - | - | - | - | - | - |
| Hybrid notes | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - |
| The Prudential Insurance Company of America (a): | | | | | | | |
| Surplus notes | 691 | - | - | - | 691 | - | 691 |
| Long-term fixed and floating rate notes | 599 | 318 | 400 | - | 1,317 | - | 1,317 |
| Commercial paper backed by long-term credit agreements | - | - | - | - | - | - | - |
| Total | 1,290 | 318 | 400 | - | 2,008 | - | 2,008 |
| Long-term debt of other affiliated companies | - | - | - | - | - | 574 | 574 |
| Total long-term debt of Financial Services Businesses | 1,290 | 318 | 400 | - | 2,008 | 574 | 2,582 |
| 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 |

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 |
|--|----------------------------------|-----------------------|-----------------------------------|----------------------------------|---------------------------------|---|--------------------|
| Financial Services Businesses: | | | | | | | |
| Prudential Financial, Inc.: | | | | | | | |
| Long-term fixed and floating rate notes | - | - | - | - | - | - | - |
| Hybrid notes | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - |
| 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 | 1,290 | 745 | 399 | - | 2,434 | - | 2,434 |
| Long-term debt of other affiliated companies | - | - | - | - | - | 573 | 573 |
| Total long-term debt of Financial Services Businesses | 1,290 | 745 | 399 | - | 2,434 | 573 | 3,007 |
| 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 |

(a) Includes Prudential Funding, LLC.

COMBINED STATEMENTS OF OPERATIONS - INSURANCE DIVISION
(in millions)

| Year-to-date | | % Change | | 2002 | | | | 2003 |
|--------------|-------|-------------|---|-------|-------|-------|-------|-------|
| 2003 | 2002 | | | 1Q | 2Q | 3Q | 4Q | 1Q |
| 1,319 | 1,186 | 11% | Revenues (1): | | | | | |
| 347 | 358 | -3% | Premiums | 1,186 | 1,241 | 1,252 | 1,356 | 1,319 |
| 392 | 376 | 4% | Policy charges and fee income | 358 | 350 | 342 | 347 | 347 |
| 57 | 57 | 0% | Net investment income | 376 | 383 | 395 | 401 | 392 |
| 2,115 | 1,977 | 7% | Commissions, investment management fees, and other income | 57 | 63 | 58 | 55 | 57 |
| | | | Total revenues | 1,977 | 2,037 | 2,047 | 2,159 | 2,115 |
| | | | Benefits and Expenses (1): | | | | | |
| 1,316 | 1,149 | 15% | Insurance and annuity benefits | 1,149 | 1,206 | 1,228 | 1,355 | 1,316 |
| 157 | 147 | 7% | Interest credited to policyholders' account balances | 147 | 153 | 163 | 170 | 157 |
| (1) | - | - | Interest expense | - | (1) | (2) | (2) | (1) |
| (191) | (175) | -9% | Deferral of acquisition costs | (175) | (207) | (202) | (206) | (191) |
| 169 | 158 | 7% | Amortization of acquisition costs | 158 | 214 | 282 | 181 | 169 |
| 493 | 495 | 0% | General and administrative expenses | 495 | 507 | 505 | 520 | 493 |
| 1,943 | 1,774 | 10% | Total benefits and expenses | 1,774 | 1,872 | 1,974 | 2,018 | 1,943 |
| 172 | 203 | -15% | Adjusted operating income before income taxes | 203 | 165 | 73 | 141 | 172 |

(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)

Three Months Ended March 31, 2003

| | Total Insurance Division | Individual Life and Annuities | Group Insurance | Property & Casualty Insurance | Individual Life and Annuities | |
|---|--------------------------------|-------------------------------------|--------------------|-------------------------------------|-------------------------------|-------------------------|
| | | | | | Individual Life | Individual Annuities |
| Revenues (1): | | | | | | |
| Premiums | 1,319 | 113 | 753 | 453 | 94 | 19 |
| Policy charges and fee income | 347 | 298 | 49 | - | 254 | 44 |
| Net investment income | 392 | 208 | 151 | 33 | 101 | 107 |
| Commissions, investment management fees, and other income | 57 | 47 | 8 | 2 | 34 | 13 |
| Total revenues | <u>2,115</u> | <u>666</u> | <u>961</u> | <u>488</u> | <u>483</u> | <u>183</u> |
| Benefits and Expenses (1): | | | | | | |
| Insurance and annuity benefits | 1,316 | 216 | 740 | 360 | 173 | 43 |
| Interest credited to policyholders' account balances | 157 | 97 | 60 | - | 36 | 61 |
| Interest expense | (1) | (1) | - | - | (1) | - |
| Deferral of acquisition costs | (191) | (104) | (8) | (79) | (77) | (27) |
| Amortization of acquisition costs | 169 | 84 | 1 | 84 | 67 | 17 |
| General and administrative expenses | 493 | 245 | 134 | 114 | 179 | 66 |
| Total benefits and expenses | <u>1,943</u> | <u>537</u> | <u>927</u> | <u>479</u> | <u>377</u> | <u>160</u> |
| Adjusted operating income before income taxes | <u>172</u> | <u>129</u> | <u>34</u> | <u>9</u> | <u>106</u> | <u>23</u> |

Three Months Ended March 31, 2002

| | Total Insurance Division | Individual Life and Annuities | Group Insurance | Property & Casualty Insurance | Individual Life and Annuities | |
|---|--------------------------------|-------------------------------------|--------------------|-------------------------------------|-------------------------------|-------------------------|
| | | | | | Individual Life | Individual Annuities |
| Revenues (1): | | | | | | |
| Premiums | 1,186 | 65 | 694 | 427 | 56 | 9 |
| Policy charges and fee income | 358 | 306 | 52 | - | 250 | 56 |
| Net investment income | 376 | 205 | 136 | 35 | 105 | 100 |
| Commissions, investment management fees, and other income | 57 | 49 | 8 | - | 32 | 17 |
| Total revenues | <u>1,977</u> | <u>625</u> | <u>890</u> | <u>462</u> | <u>443</u> | <u>182</u> |
| Benefits and Expenses (1): | | | | | | |
| Insurance and annuity benefits | 1,149 | 157 | 674 | 318 | 129 | 28 |
| Interest credited to policyholders' account balances | 147 | 93 | 54 | - | 33 | 60 |
| Interest expense | - | - | - | - | - | - |
| Deferral of acquisition costs | (175) | (94) | (2) | (79) | (66) | (28) |
| Amortization of acquisition costs | 158 | 76 | (3) | 85 | 53 | 23 |
| General and administrative expenses | 495 | 247 | 130 | 118 | 177 | 70 |
| Total benefits and expenses | <u>1,774</u> | <u>479</u> | <u>853</u> | <u>442</u> | <u>326</u> | <u>153</u> |
| Adjusted operating income before income taxes | <u>203</u> | <u>146</u> | <u>37</u> | <u>20</u> | <u>117</u> | <u>29</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.

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

| Year-to-date | | 2002 | | | | 2003 |
|---|--------|--------|---------|---------|--------|--------|
| 2003 | 2002 | 1Q | 2Q | 3Q | 4Q | 1Q |
| INDIVIDUAL LIFE INSURANCE SALES (1): | | | | | | |
| Excluding corporate-owned life insurance: | | | | | | |
| 25 | 44 | 44 | 41 | 35 | 33 | 25 |
| 26 | 11 | 11 | 16 | 16 | 27 | 26 |
| 23 | 13 | 13 | 15 | 17 | 17 | 23 |
| 74 | 68 | 68 | 72 | 68 | 77 | 74 |
| 4 | 10 | 10 | 76 | 21 | 15 | 4 |
| 78 | 78 | 78 | 148 | 89 | 92 | 78 |
| ANNUIITY SALES AND ACCOUNT VALUES | | | | | | |
| Variable Annuities: | | | | | | |
| 15,338 | 18,689 | 18,689 | 18,435 | 16,802 | 14,961 | 15,338 |
| 331 | 374 | 374 | 406 | 339 | 276 | 331 |
| (473) | (597) | (597) | (627) | (546) | (497) | (473) |
| (231) | (31) | (31) | (1,412) | (1,634) | 598 | (231) |
| 14,965 | 18,435 | 18,435 | 16,802 | 14,961 | 15,338 | 14,965 |
| (142) | (223) | (223) | (221) | (207) | (221) | (142) |
| Fixed Annuities: | | | | | | |
| 3,396 | 2,975 | 2,975 | 2,909 | 3,048 | 3,260 | 3,396 |
| 110 | 37 | 37 | 181 | 224 | 163 | 110 |
| (49) | (50) | (50) | (45) | (42) | (47) | (49) |
| 16 | (53) | (53) | 3 | 30 | 20 | 16 |
| 3,473 | 2,909 | 2,909 | 3,048 | 3,260 | 3,396 | 3,473 |
| 61 | (13) | (13) | 136 | 182 | 116 | 61 |
| SALES BY DISTRIBUTION CHANNEL | | | | | | |
| <u>Life Insurance (1):</u> | | | | | | |
| Excluding corporate-owned life insurance: | | | | | | |
| 53 | 52 | 52 | 55 | 53 | 53 | 53 |
| 21 | 16 | 16 | 17 | 15 | 24 | 21 |
| 4 | 10 | 10 | 76 | 21 | 15 | 4 |
| 78 | 78 | 78 | 148 | 89 | 92 | 78 |
| <u>Variable and Fixed Annuities (3):</u> | | | | | | |
| 326 | 337 | 337 | 405 | 392 | 315 | 326 |
| 57 | 63 | 63 | 158 | 121 | 76 | 57 |
| 58 | 11 | 11 | 24 | 50 | 48 | 58 |
| 441 | 411 | 411 | 587 | 563 | 439 | 441 |

(1) Statutory first year premiums and deposits.

(2) The quarter ended March 31, 2002 includes decreases in policyholder account balances of \$45 million for variable annuities and \$56 million for fixed annuities due to the distribution of policy credits, subsequently paid out in cash, as demutualization consideration in connection with the Company's demutualization.

(3) Amounts represent gross sales.

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

| Year-to-date | | 2002 | | | | 2003 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| 2003 | 2002 | 1Q | 2Q | 3Q | 4Q | 1Q |
| INDIVIDUAL LIFE INSURANCE: | | | | | | |
| <i>Policyholders' Account Balances:</i> | | | | | | |
| 4,112 | 3,826 | 3,826 | 3,924 | 3,992 | 4,033 | 4,112 |
| 249 | 227 | 227 | 226 | 223 | 226 | 249 |
| 23 | 20 | 20 | 23 | 25 | 24 | 23 |
| (122) | (135) | (135) | (138) | (157) | (137) | (122) |
| (7) | 14 | 14 | 14 | 5 | (4) | (7) |
| (25) | (16) | (16) | (22) | (21) | (19) | (25) |
| (25) | (12) | (12) | (35) | (34) | (11) | (25) |
| <u>4,205</u> | <u>3,924</u> | <u>3,924</u> | <u>3,992</u> | <u>4,033</u> | <u>4,112</u> | <u>4,205</u> |
| <i>Separate Account Liabilities:</i> | | | | | | |
| 11,412 | 13,010 | 13,010 | 13,129 | 12,117 | 10,702 | 11,412 |
| 373 | 396 | 396 | 468 | 430 | 563 | 373 |
| (154) | 111 | 111 | (1,097) | (1,385) | 624 | (154) |
| (157) | (124) | (124) | (132) | (209) | (245) | (157) |
| (29) | (38) | (38) | (37) | (44) | (14) | (29) |
| (205) | (211) | (211) | (207) | (203) | (209) | (205) |
| (5) | (15) | (15) | (7) | (4) | (9) | (5) |
| <u>11,235</u> | <u>13,129</u> | <u>13,129</u> | <u>12,117</u> | <u>10,702</u> | <u>11,412</u> | <u>11,235</u> |
| INDIVIDUAL ANNUITIES: | | | | | | |
| <i>Account Values in General Account:</i> | | | | | | |
| 6,795 | 6,152 | 6,152 | 5,825 | 6,093 | 6,533 | 6,795 |
| 441 | 411 | 411 | 587 | 563 | 439 | 441 |
| 72 | 72 | 72 | 71 | 77 | 80 | 72 |
| (522) | (647) | (647) | (672) | (588) | (544) | (522) |
| 322 | (7) | (7) | 321 | 414 | 322 | 322 |
| (2) | (1) | (1) | (2) | (2) | (2) | (2) |
| (33) | (155) | (155) | (37) | (24) | (33) | (33) |
| <u>7,073</u> | <u>5,825</u> | <u>5,825</u> | <u>6,093</u> | <u>6,533</u> | <u>6,795</u> | <u>7,073</u> |
| <i>Account Values in Separate Account:</i> | | | | | | |
| 11,939 | 15,512 | 15,512 | 15,519 | 13,757 | 11,688 | 11,939 |
| 171 | 183 | 183 | 215 | 160 | 147 | 171 |
| (213) | 51 | 51 | (1,392) | (1,613) | 614 | (213) |
| (393) | (514) | (514) | (543) | (469) | (417) | (393) |
| (100) | 338 | 338 | 7 | (105) | (52) | (100) |
| (39) | (51) | (51) | (49) | (42) | (41) | (39) |
| - | - | - | - | - | - | - |
| <u>11,365</u> | <u>15,519</u> | <u>15,519</u> | <u>13,757</u> | <u>11,688</u> | <u>11,939</u> | <u>11,365</u> |

- (1) The quarter ended March 31, 2002 includes \$314 million of policyholder credits, issued in connection with the Company's demutualization, applied to customer account balances held in the separate account.
- (2) The quarter ended March 31, 2002 includes a decrease in policyholder account balances of \$101 million due to the distribution of policy credits, subsequently paid out in cash, as demutualization consideration in connection with the Company's demutualization.

INSURANCE DIVISION - DEFERRED POLICY ACQUISITION COSTS
 (in millions)

| Year-to-date | | 2002 | | | | 2003 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| 2003 | 2002 | 1Q | 2Q | 3Q | 4Q | 1Q |
| INDIVIDUAL LIFE INSURANCE: | | | | | | |
| 3,110 | 3,133 | 3,133 | 3,160 | 3,155 | 3,111 | 3,110 |
| 77 | 66 | 66 | 80 | 76 | 79 | 77 |
| (67) | (53) | (53) | (63) | (92) | (71) | (67) |
| - | - | - | - | - | - | - |
| (16) | 14 | 14 | (22) | (28) | (9) | (16) |
| <u>3,104</u> | <u>3,160</u> | <u>3,160</u> | <u>3,155</u> | <u>3,111</u> | <u>3,110</u> | <u>3,104</u> |
| INDIVIDUAL ANNUITIES: | | | | | | |
| 473 | 628 | 628 | 654 | 598 | 485 | 473 |
| 27 | 28 | 28 | 35 | 34 | 25 | 27 |
| (17) | (23) | (23) | (70) | (105) | (23) | (17) |
| (2) | 1 | 1 | 1 | 3 | 10 | (2) |
| (10) | 20 | 20 | (22) | (45) | (24) | (10) |
| <u>471</u> | <u>654</u> | <u>654</u> | <u>598</u> | <u>485</u> | <u>473</u> | <u>471</u> |
| GROUP INSURANCE (1): | | | | | | |
| 57 | 26 | 26 | 31 | 39 | 45 | 57 |
| 8 | 2 | 2 | 8 | 7 | 12 | 8 |
| (1) | 3 | 3 | - | (1) | - | (1) |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| <u>64</u> | <u>31</u> | <u>31</u> | <u>39</u> | <u>45</u> | <u>57</u> | <u>64</u> |
| PROPERTY & CASUALTY INSURANCE: | | | | | | |
| 114 | 113 | 113 | 107 | 110 | 111 | 114 |
| 79 | 79 | 79 | 84 | 85 | 90 | 79 |
| (84) | (85) | (85) | (81) | (84) | (87) | (84) |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| <u>109</u> | <u>107</u> | <u>107</u> | <u>110</u> | <u>111</u> | <u>114</u> | <u>109</u> |
| TOTAL INSURANCE DIVISION: | | | | | | |
| 3,754 | 3,900 | 3,900 | 3,952 | 3,902 | 3,752 | 3,754 |
| 191 | 175 | 175 | 207 | 202 | 206 | 191 |
| (169) | (158) | (158) | (214) | (282) | (181) | (169) |
| (2) | 1 | 1 | 1 | 3 | 10 | (2) |
| (26) | 34 | 34 | (44) | (73) | (33) | (26) |
| <u>3,748</u> | <u>3,952</u> | <u>3,952</u> | <u>3,902</u> | <u>3,752</u> | <u>3,754</u> | <u>3,748</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 | | 1Q | 2Q | 3Q | 4Q | 1Q |
| Individual Life Insurance: | | | | | | | |
| Policy Surrender Experience: | | | | | | | |
| 170 | 162 | Cash value of surrenders | 162 | 148 | 185 | 197 | 170 |
| 4.2% | 3.9% | Cash value of surrenders as a percentage of mean future policy benefits, policyholders' account balances, and separate account balances | 3.9% | 3.6% | 4.7% | 5.0% | 4.2% |
| Death claims per \$1,000 of in force (1): | | | | | | | |
| 2.13 | 2.06 | Variable and universal life | 2.06 | 2.06 | 1.85 | 3.30 | 2.13 |
| 1.36 | 1.43 | Term life | 1.43 | 1.56 | 1.92 | 2.12 | 1.36 |
| 1.93 | 1.87 | Total, Individual Life Insurance | 1.87 | 1.94 | 1.96 | 2.90 | 1.93 |

(1) Annualized, for interim reporting periods.

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

| Year-to-date | | 2002 | | | | 2003 |
|---|------------|--------------|--------------|--------------|--------------|--------------|
| 2003 | 2002 | 1Q | 2Q | 3Q | 4Q | 1Q |
| GROUP INSURANCE NEW ANNUALIZED PREMIUMS: | | | | | | |
| 88 | 162 | 162 | 27 | 36 | 44 | 88 |
| 67 | 53 | 53 | 33 | 25 | 49 | 67 |
| <u>155</u> | <u>215</u> | <u>215</u> | <u>60</u> | <u>61</u> | <u>93</u> | <u>155</u> |
| Future Policy Benefits (2): | | | | | | |
| | | 1,617 | 1,609 | 1,580 | 1,742 | 1,754 |
| | | 137 | 138 | 148 | 151 | 191 |
| | | <u>1,754</u> | <u>1,747</u> | <u>1,728</u> | <u>1,893</u> | <u>1,945</u> |
| Policyholders' Account Balances (2): | | | | | | |
| | | 3,928 | 4,238 | 4,512 | 4,684 | 4,471 |
| | | 58 | 63 | 68 | 67 | 61 |
| | | <u>3,986</u> | <u>4,301</u> | <u>4,580</u> | <u>4,751</u> | <u>4,532</u> |
| Separate Account Liabilities (2): | | | | | | |
| | | 8,097 | 7,745 | 7,260 | 7,824 | 8,977 |
| | | - | - | - | - | - |
| | | <u>8,097</u> | <u>7,745</u> | <u>7,260</u> | <u>7,824</u> | <u>8,977</u> |
| Group Life Insurance: | | | | | | |
| 691 | 667 | 667 | 664 | 654 | 677 | 691 |
| 638 | 603 | 603 | 600 | 578 | 607 | 638 |
| 91.9% | 91.8% | 91.8% | 92.8% | 93.3% | 88.8% | 91.9% |
| 9.1% | 10.0% | 10.0% | 10.2% | 9.6% | 9.9% | 9.1% |
| | | 97.2% | 96.1% | 95.2% | 94.5% | 96.4% |
| Group Disability Insurance (1): | | | | | | |
| 171 | 150 | 150 | 149 | 153 | 152 | 171 |
| 164 | 143 | 143 | 146 | 147 | 149 | 164 |
| 93.9% | 84.6% | 84.6% | 87.7% | 91.8% | 87.3% | 93.9% |
| 20.5% | 22.7% | 22.7% | 22.8% | 21.6% | 21.1% | 20.5% |
| | | 94.7% | 93.0% | 90.1% | 86.8% | 92.1% |

(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.

INSURANCE DIVISION - SUPPLEMENTARY INFORMATION FOR PROPERTY AND CASUALTY INSURANCE
(dollar amounts in millions)

| Year-to-date | | | 2002 | | | | 2003 |
|--------------|------------|---|------------|------------|------------|------------|------------|
| 2003 | 2002 | | 1Q | 2Q | 3Q | 4Q | 1Q |
| | | Earned premium: | | | | | |
| 325 | 306 | Automobile | 306 | 327 | 323 | 329 | 325 |
| 119 | 113 | Homeowners' | 113 | 116 | 118 | 119 | 119 |
| 9 | 8 | Other | 8 | 8 | 9 | 9 | 9 |
| <u>453</u> | <u>427</u> | Total earned premium | <u>427</u> | <u>451</u> | <u>450</u> | <u>457</u> | <u>453</u> |
| | | Loss ratio (1) (2): | | | | | |
| 78.7% | 75.8% | Automobile | 75.8% | 77.2% | 78.1% | 86.7% | 78.7% |
| 79.5% | 72.1% | Homeowners' | 72.1% | 76.4% | 96.7% | 75.7% | 79.5% |
| 79.6% | 74.7% | Overall | 74.7% | 77.4% | 83.4% | 82.8% | 79.6% |
| | | Expense ratio (1) (3): | | | | | |
| 25.6% | 27.6% | Automobile | 27.6% | 25.6% | 26.6% | 27.7% | 25.6% |
| 31.2% | 35.3% | Homeowners' | 35.3% | 31.4% | 30.3% | 33.0% | 31.2% |
| 26.9% | 29.4% | Overall | 29.4% | 27.2% | 27.7% | 29.2% | 26.9% |
| | | Combined ratio (4): | | | | | |
| 104.3% | 103.4% | Automobile | 103.4% | 102.8% | 104.7% | 114.4% | 104.3% |
| 110.7% | 107.4% | Homeowners' | 107.4% | 107.8% | 127.0% | 108.7% | 110.7% |
| 106.5% | 104.1% | Overall | 104.1% | 104.6% | 111.1% | 112.0% | 106.5% |
| 15.0 | 4.2 | Current accident year catastrophe losses (5) | 4.2 | 8.0 | 8.5 | 10.6 | 15.0 |
| 3.3% | 1.0% | Effect of current accident year catastrophic losses on combined ratio | 1.0% | 1.8% | 1.9% | 2.3% | 3.3% |
| | | Accident year combined ratio (6) | 104.6% | 106.1% | 106.8% | 108.8% | 107.0% |

(1) Based on statutory data.

(2) Represents ratio of incurred losses and loss adjustment expenses to net earned premium.

(3) Represents ratio of operating expenses to net written premium.

(4) Represents the sum of loss ratio and expense ratio above.

(5) Represents losses and loss adjustment expenses attributable to catastrophes that are included in the combined ratio. We classify catastrophes as those events that are declared catastrophes by Property Claims Services, which is an industry organization that declares and tracks all property-related catastrophes causing insured property damage in the United States.

(6) Accident year combined ratios for annual periods reflect the combined ratios for accidents that occur in the indicated calendar year, restated to reflect subsequent changes in loss estimates for those claims based on cumulative loss data through the most recent balance sheet date. Accident year combined ratios for interim periods reflect the combined ratios for policies written in those periods, based on cumulative loss data through the respective balance sheet date of the indicated year. These ratios reflect any recoveries from stop-loss reinsurance contracts during the indicated periods.

COMBINED STATEMENTS OF OPERATIONS - INVESTMENT DIVISION
(in millions)

| Year-to-date | | % Change | | 2002 | | | | 2003 |
|--------------|--------------|-------------|---|--------------|--------------|--------------|--------------|--------------|
| 2003 | 2002 | | | 1Q | 2Q | 3Q | 4Q | 1Q |
| | | | Revenues (1): | | | | | |
| 14 | 8 | 75% | Premiums | 8 | 21 | 10 | 38 | 14 |
| 18 | 19 | -5% | Policy charges and fee income | 19 | 19 | 15 | 18 | 18 |
| 559 | 565 | -1% | Net investment income | 565 | 603 | 570 | 571 | 559 |
| 816 | 967 | -16% | Commissions, investment management fees, and other income | 967 | 958 | 893 | 864 | 816 |
| <u>1,407</u> | <u>1,559</u> | -10% | Total revenues | <u>1,559</u> | <u>1,601</u> | <u>1,488</u> | <u>1,491</u> | <u>1,407</u> |
| | | | Benefits and Expenses (1): | | | | | |
| 210 | 197 | 7% | Insurance and annuity benefits | 197 | 231 | 220 | 232 | 210 |
| 236 | 243 | -3% | Interest credited to policyholders' account balances | 243 | 238 | 247 | 250 | 236 |
| 4 | 3 | 33% | Interest expense | 3 | 5 | 4 | 2 | 4 |
| (7) | (14) | 50% | Deferral of acquisition costs | (14) | (14) | (8) | (8) | (7) |
| 19 | 21 | -9% | Amortization of acquisition costs | 21 | 27 | 21 | 23 | 19 |
| 541 | 635 | -15% | Securities operations non-interest expenses | 635 | 645 | 601 | 583 | 541 |
| 330 | 370 | -11% | General and administrative expenses | 370 | 377 | 351 | 373 | 330 |
| <u>1,333</u> | <u>1,455</u> | -8% | Total benefits and expenses | <u>1,455</u> | <u>1,509</u> | <u>1,436</u> | <u>1,455</u> | <u>1,333</u> |
| <u>74</u> | <u>104</u> | -29% | Adjusted operating income before income taxes | <u>104</u> | <u>92</u> | <u>52</u> | <u>36</u> | <u>74</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)

| | Three Months Ended March 31, 2003 | | | | |
|---|-----------------------------------|------------|-----------|------------|------------|
| | Total | Investment | Financial | | Other |
| | Investment | Investment | Financial | Retirement | Asset |
| | Division | Management | Advisory | | Management |
| Revenues (1): | | | | | |
| Premiums | 14 | - | - | 14 | - |
| Policy charges and fee income | 18 | - | - | 18 | - |
| Net investment income | 559 | 7 | 34 | 513 | 5 |
| Commissions, investment management fees, and other income | 816 | 278 | 491 | 32 | 15 |
| Total revenues | 1,407 | 285 | 525 | 577 | 20 |
| Benefits and Expenses (1): | | | | | |
| Insurance and annuity benefits | 210 | - | - | 210 | - |
| Interest credited to policyholders' account balances | 236 | - | - | 236 | - |
| Interest expense | 4 | 1 | - | 1 | 2 |
| Deferral of acquisition costs | (7) | (5) | - | (2) | - |
| Amortization of acquisition costs | 19 | 16 | - | 3 | - |
| Securities operations non-interest expenses | 541 | - | 541 | - | - |
| General and administrative expenses | 330 | 237 | 8 | 76 | 9 |
| Total benefits and expenses | 1,333 | 249 | 549 | 524 | 11 |
| Adjusted operating income before income taxes | 74 | 36 | (24) | 53 | 9 |

| | Three Months Ended March 31, 2002 | | | | |
|---|-----------------------------------|------------|-----------|------------|------------|
| | 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 | 565 | 6 | 48 | 502 | 9 |
| Commissions, investment management fees, and other income | 967 | 311 | 601 | 35 | 20 |
| Total revenues | 1,559 | 317 | 649 | 564 | 29 |
| Benefits and Expenses (1): | | | | | |
| Insurance and annuity benefits | 197 | - | - | 197 | - |
| Interest credited to policyholders' account balances | 243 | - | - | 243 | - |
| Interest expense | 3 | - | - | 1 | 2 |
| Deferral of acquisition costs | (14) | (10) | - | (4) | - |
| Amortization of acquisition costs | 21 | 18 | - | 3 | - |
| Securities operations non-interest expenses | 635 | - | 635 | - | - |
| General and administrative expenses | 370 | 262 | 7 | 90 | 11 |
| Total benefits and expenses | 1,455 | 270 | 642 | 530 | 13 |
| Adjusted operating income before income taxes | 104 | 47 | 7 | 34 | 16 |

(1) Revenues exclude realized investment gains, net of losses. 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 | | | 1Q | 2Q | 3Q | 4Q | 1Q |
| Investment Management Segment: | | | | | | | | |
| Analysis of revenues by source: | | | | | | | | |
| Investment Management and Advisory Services: | | | | | | | | |
| 43 | 49 | -12% | Retail customers | 49 | 48 | 43 | 44 | 43 |
| 79 | 84 | -6% | Institutional customers | 84 | 87 | 79 | 85 | 79 |
| 55 | 54 | 2% | General account | 54 | 57 | 51 | 59 | 55 |
| 177 | 187 | -5% | Subtotal | 187 | 192 | 173 | 188 | 177 |
| 108 | 130 | -17% | Mutual Fund revenues (1) | 130 | 124 | 120 | 121 | 108 |
| 285 | 317 | -10% | Total Investment Management segment revenues | 317 | 316 | 293 | 309 | 285 |
| Analysis of commissions, investment management fees and other revenues by type: | | | | | | | | |
| Investment Management and Advisory Services: | | | | | | | | |
| 165 | 176 | -6% | Asset-based fees | 176 | 178 | 160 | 167 | 165 |
| 5 | 5 | 0% | Transaction-based and other revenues | 5 | 8 | 7 | 11 | 5 |
| 170 | 181 | -6% | Subtotal | 181 | 186 | 167 | 178 | 170 |
| 108 | 130 | -17% | Mutual Fund revenues (1) | 130 | 123 | 119 | 121 | 108 |
| 278 | 311 | -11% | Total | 311 | 309 | 286 | 299 | 278 |
| Financial Advisory Segment: | | | | | | | | |
| Non-Interest Revenues: | | | | | | | | |
| 288 | 358 | -20% | Commissions | 358 | 364 | 335 | 326 | 288 |
| 166 | 197 | -16% | Fees | 197 | 199 | 189 | 165 | 166 |
| 37 | 46 | -20% | Other non-interest revenues | 46 | 36 | 34 | 31 | 37 |
| 491 | 601 | -18% | Total non-interest revenues | 601 | 599 | 558 | 522 | 491 |
| | | | Recurring revenue as a percentage of total non-interest revenue (2) | 37.0% | 38.1% | 38.2% | 39.2% | 39.5% |
| 2.3 | 3.4 | | Average customer margin lending balances (\$ in billions) | 3.4 | 3.1 | 2.6 | 2.4 | 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)

| | March 31, 2003 | | | Total |
|-------------------------|----------------|--------------|-------------|--------------|
| | Equity | Fixed Income | Real Estate | |
| Retail customers | 31.7 | 46.2 | 1.0 | 78.9 |
| Institutional customers | 23.5 | 48.1 | 12.6 | 84.2 |
| General account | 2.5 | 119.7 | 1.4 | 123.6 |
| Total | 57.7 | 214.0 | 15.0 | 286.7 |

| | March 31, 2002 | | | Total |
|-------------------------|----------------|--------------|-------------|--------------|
| | Equity | Fixed Income | Real Estate | |
| Retail customers | 44.5 | 47.7 | 0.1 | 92.3 |
| Institutional customers | 33.0 | 43.3 | 9.9 | 86.2 |
| General account | 2.3 | 108.0 | 1.4 | 111.7 |
| Total | 79.8 | 199.0 | 11.4 | 290.2 |

| Year-to-date | |
|--------------|-------------|
| 2003 | 2002 |
| 62.0 | 67.9 |
| 2.6 | 3.0 |
| (3.1) | (8.4) |
| - | 0.1 |
| (0.7) | 4.0 |
| - | (4.0) |
| 60.8 | 62.6 |
| 23.4 | 23.6 |
| 84.2 | 86.2 |

Institutional Assets Under Management (1):

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

| | 2002 | | | | 2003 |
|--|-------------|-------------|-------------|-------------|-------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q |
| Beginning assets under management | 67.9 | 62.6 | 60.2 | 56.9 | 62.0 |
| Additions to managed portfolio | 3.0 | 2.9 | 2.9 | 7.2 | 2.6 |
| Withdrawals | (8.4) | (2.5) | (3.1) | (4.3) | (3.1) |
| Change in market value | 0.1 | (2.4) | (2.0) | 1.7 | - |
| Net money market flows | 4.0 | (0.4) | (1.1) | 0.5 | (0.7) |
| Other (2) | (4.0) | - | - | - | - |
| Ending assets under management | 62.6 | 60.2 | 56.9 | 62.0 | 60.8 |
| Other institutional assets under management (2) | 23.6 | 23.3 | 22.9 | 23.2 | 23.4 |
| Total assets managed for institutional customers at end of period | 86.2 | 83.5 | 79.8 | 85.2 | 84.2 |

(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 | 1Q | 2Q | 3Q | 4Q | 1Q |
| MUTUAL FUNDS AND WRAP-FEE PRODUCTS SALES AND ASSETS UNDER MANAGEMENT | | | | | | |
| Mutual Funds: | | | | | | |
| 49,756 | 57,809 | 57,809 | 56,743 | 52,459 | 48,639 | 49,756 |
| 1,086 | 914 | 914 | 1,460 | 1,146 | 1,356 | 1,086 |
| (962) | (1,116) | (1,116) | (1,339) | (1,259) | (1,421) | (962) |
| 103 | 32 | 32 | (2,450) | (2,620) | 1,188 | 103 |
| (1,813) | (896) | (896) | (1,955) | (1,087) | (6) | (1,813) |
| <u>48,170</u> | <u>56,743</u> | <u>56,743</u> | <u>52,459</u> | <u>48,639</u> | <u>49,756</u> | <u>48,170</u> |
| <u>124</u> | <u>(202)</u> | <u>(202)</u> | <u>121</u> | <u>(113)</u> | <u>(65)</u> | <u>124</u> |
| Net Mutual Funds sales (redemptions) other than money market | | | | | | |
| Wrap-fee Products (1): | | | | | | |
| 15,153 | 17,955 | 17,955 | 18,192 | 16,676 | 14,383 | 15,153 |
| 1,287 | 1,667 | 1,667 | 1,876 | 1,223 | 1,361 | 1,287 |
| (1,178) | (1,361) | (1,361) | (1,618) | (1,440) | (1,275) | (1,178) |
| (402) | (69) | (69) | (1,774) | (2,076) | 684 | (402) |
| <u>14,860</u> | <u>18,192</u> | <u>18,192</u> | <u>16,676</u> | <u>14,383</u> | <u>15,153</u> | <u>14,860</u> |
| <u>16,712</u> | <u>18,006</u> | <u>18,006</u> | <u>16,827</u> | <u>15,424</u> | <u>16,394</u> | <u>16,712</u> |
| <u>31,572</u> | <u>36,198</u> | <u>36,198</u> | <u>33,503</u> | <u>29,807</u> | <u>31,547</u> | <u>31,572</u> |
| <u>109</u> | <u>306</u> | <u>306</u> | <u>258</u> | <u>(217)</u> | <u>86</u> | <u>109</u> |
| Net wrap-fee product sales (redemptions) (1) | | | | | | |
| MUTUAL FUNDS AND WRAP-FEE PRODUCTS GROSS SALES BY DISTRIBUTION CHANNEL | | | | | | |
| Mutual funds, excluding wrap-fee products (3): | | | | | | |
| 99 | 156 | 156 | 158 | 107 | 98 | 99 |
| 469 | 339 | 339 | 407 | 168 | 162 | 469 |
| 501 | 387 | 387 | 890 | 866 | 1,090 | 501 |
| 17 | 32 | 32 | 5 | 5 | 6 | 17 |
| <u>1,086</u> | <u>914</u> | <u>914</u> | <u>1,460</u> | <u>1,146</u> | <u>1,356</u> | <u>1,086</u> |
| Wrap-fee products (1): | | | | | | |
| 118 | 115 | 115 | 132 | 104 | 90 | 118 |
| 1,054 | 1,483 | 1,483 | 1,615 | 1,015 | 1,154 | 1,054 |
| 115 | 69 | 69 | 129 | 104 | 117 | 115 |
| <u>1,287</u> | <u>1,667</u> | <u>1,667</u> | <u>1,876</u> | <u>1,223</u> | <u>1,361</u> | <u>1,287</u> |

(1) Excludes other managed accounts.

(2) Includes amounts under both management and administration for certain Prudential Securities' programs and unit investment trusts.

(3) Other than money market.

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

| Year-to-date | | | 2002 | | | | 2003 |
|--|---------------|--|---------------|---------------|---------------|---------------|---------------|
| 2003 | 2002 | | 1Q | 2Q | 3Q | 4Q | 1Q |
| RETIREMENT SALES AND ACCOUNT VALUES | | | | | | | |
| Defined Contribution: | | | | | | | |
| 22,914 | 24,640 | Beginning total account value | 24,640 | 25,337 | 24,036 | 21,911 | 22,914 |
| 1,028 | 1,010 | Sales | 1,010 | 904 | 859 | 1,085 | 1,028 |
| (638) | (817) | Withdrawals | (817) | (755) | (770) | (906) | (638) |
| (547) | 504 | Change in market value and interest credited (1) | 504 | (1,450) | (2,214) | 824 | (547) |
| <u>22,757</u> | <u>25,337</u> | Ending total account value | <u>25,337</u> | <u>24,036</u> | <u>21,911</u> | <u>22,914</u> | <u>22,757</u> |
| <u>390</u> | <u>193</u> | Net sales | <u>193</u> | <u>149</u> | <u>89</u> | <u>179</u> | <u>390</u> |
| Asset management of ending total account value: | | | | | | | |
| | | Proprietary | 18,107 | 17,075 | 15,752 | 16,152 | 15,927 |
| | | Non-proprietary | 7,230 | 6,961 | 6,159 | 6,762 | 6,830 |
| | | Total | <u>25,337</u> | <u>24,036</u> | <u>21,911</u> | <u>22,914</u> | <u>22,757</u> |
| Guaranteed Products: | | | | | | | |
| 39,058 | 39,825 | Beginning total account value | 39,825 | 39,400 | 39,172 | 38,647 | 39,058 |
| 554 | 259 | Sales | 259 | 506 | 291 | 411 | 554 |
| (1,045) | (864) | Withdrawals and benefits | (864) | (993) | (775) | (958) | (1,045) |
| 481 | 355 | Change in market value and interest income | 355 | 395 | 553 | 863 | 481 |
| (123) | (175) | Other (2) | (175) | (136) | (594) | 95 | (123) |
| <u>38,925</u> | <u>39,400</u> | Ending total account value | <u>39,400</u> | <u>39,172</u> | <u>38,647</u> | <u>39,058</u> | <u>38,925</u> |
| <u>(491)</u> | <u>(605)</u> | Net withdrawals | <u>(605)</u> | <u>(487)</u> | <u>(484)</u> | <u>(547)</u> | <u>(491)</u> |
| Product composition of ending total account value: | | | | | | | |
| | | Spread-based products | 18,915 | 18,869 | 18,702 | 18,729 | 18,791 |
| | | Fee-based products | 20,485 | 20,303 | 19,945 | 20,329 | 20,134 |
| | | Total | <u>39,400</u> | <u>39,172</u> | <u>38,647</u> | <u>39,058</u> | <u>38,925</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. The quarter ended March 31, 2002 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 | | | 1Q | 2Q | 3Q | 4Q | 1Q |
| 1,141 | 1,016 | 12% | Revenues (1): | | | | | 1,141 |
| 54 | 57 | -5% | 1,016 | 1,006 | 1,061 | 1,054 | 1,141 | |
| 193 | 158 | 22% | 57 | 49 | 46 | 52 | 54 | |
| 75 | 98 | -23% | 158 | 181 | 195 | 185 | 193 | |
| 1,463 | 1,329 | 10% | 98 | 94 | 68 | 80 | 75 | |
| | | | 1,329 | 1,330 | 1,370 | 1,371 | 1,463 | |
| | | | Benefits and Expenses (1): | | | | | |
| 906 | 783 | 16% | 783 | 799 | 830 | 866 | 906 | |
| 25 | 24 | 4% | 24 | 24 | 24 | 24 | 25 | |
| - | - | - | - | - | - | 1 | - | |
| (177) | (151) | -17% | (151) | (147) | (162) | (170) | (177) | |
| 74 | 65 | 14% | 65 | 44 | 65 | 60 | 74 | |
| 460 | 406 | 13% | 406 | 427 | 425 | 416 | 460 | |
| 1,288 | 1,127 | 14% | 1,127 | 1,147 | 1,182 | 1,197 | 1,288 | |
| 175 | 202 | -13% | 202 | 183 | 188 | 174 | 175 | |
| | | | Adjusted operating income before income taxes | | | | | |

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

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

| | Three Months Ended March 31, 2003 | | | |
|---|-----------------------------------|--------------------------------|----------------------------|---------------|
| | Total | | | |
| | International | International | International | International |
| | Insurance & Investments Division | Insurance excl. Gibraltar Life | Insurance - Gibraltar Life | Investments |
| Revenues (1): | | | | |
| Premiums | 1,141 | 626 | 515 | - |
| Policy charges and fee income | 54 | 33 | 21 | - |
| Net investment income | 193 | 49 | 132 | 12 |
| Commissions, investment management fees, and other income | 75 | (1) | (2) | 78 |
| Total revenues | <u>1,463</u> | <u>707</u> | <u>666</u> | <u>90</u> |
| Benefits and Expenses (1): | | | | |
| Insurance and annuity benefits | 906 | 474 | 432 | - |
| Interest credited to policyholders' account balances | 25 | 3 | 22 | - |
| Interest expense | - | 3 | (3) | - |
| Deferral of acquisition costs | (177) | (130) | (47) | - |
| Amortization of acquisition costs | 74 | 64 | 10 | - |
| General and administrative expenses | 460 | 193 | 177 | 90 |
| Total benefits and expenses | <u>1,288</u> | <u>607</u> | <u>591</u> | <u>90</u> |
| Adjusted operating income before income taxes | <u>175</u> | <u>100</u> | <u>75</u> | <u>-</u> |

| | Three Months Ended March 31, 2002 | | | |
|---|-----------------------------------|--------------------------------|----------------------------|---------------|
| | Total | | | |
| | International | International | International | International |
| | Insurance & Investments Division | Insurance excl. Gibraltar Life | Insurance - Gibraltar Life | Investments |
| Revenues (1): | | | | |
| Premiums | 1,016 | 486 | 530 | - |
| Policy charges and fee income | 57 | 29 | 28 | - |
| Net investment income | 158 | 41 | 109 | 8 |
| Commissions, investment management fees, and other income | 98 | 10 | 16 | 72 |
| Total revenues | <u>1,329</u> | <u>566</u> | <u>683</u> | <u>80</u> |
| Benefits and Expenses (1): | | | | |
| Insurance and annuity benefits | 783 | 356 | 427 | - |
| Interest credited to policyholders' account balances | 24 | 1 | 23 | - |
| Interest expense | - | 1 | (1) | - |
| Deferral of acquisition costs | (151) | (113) | (38) | - |
| Amortization of acquisition costs | 65 | 52 | 13 | - |
| General and administrative expenses | 406 | 169 | 155 | 82 |
| Total benefits and expenses | <u>1,127</u> | <u>466</u> | <u>579</u> | <u>82</u> |
| Adjusted operating income before income taxes | <u>202</u> | <u>100</u> | <u>104</u> | <u>(2)</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 | | 2002 | | | | 2003 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| 2003 | 2002 | 1Q | 2Q | 3Q | 4Q | 1Q |
| INTERNATIONAL INSURANCE OPERATING DATA: | | | | | | |
| Actual exchange rate basis (1): | | | | | | |
| Net premiums, policy charges and fee income: | | | | | | |
| 484 | 395 | 395 | 374 | 424 | 413 | 484 |
| 536 | 558 | 558 | 539 | 528 | 525 | 536 |
| 175 | 120 | 120 | 142 | 155 | 168 | 175 |
| <u>1,195</u> | <u>1,073</u> | <u>1,073</u> | <u>1,055</u> | <u>1,107</u> | <u>1,106</u> | <u>1,195</u> |
| Annualized new business premiums: | | | | | | |
| 106 | 77 | 77 | 67 | 79 | 84 | 106 |
| 64 | 49 | 49 | 59 | 62 | 63 | 64 |
| 50 | 53 | 53 | 51 | 44 | 55 | 50 |
| <u>220</u> | <u>179</u> | <u>179</u> | <u>177</u> | <u>185</u> | <u>202</u> | <u>220</u> |
| Constant exchange rate basis (2): | | | | | | |
| Net premiums, policy charges and fee income: | | | | | | |
| 462 | 419 | 419 | 378 | 405 | 404 | 462 |
| 512 | 586 | 586 | 558 | 506 | 513 | 512 |
| 171 | 125 | 125 | 144 | 150 | 166 | 171 |
| <u>1,145</u> | <u>1,130</u> | <u>1,130</u> | <u>1,080</u> | <u>1,061</u> | <u>1,083</u> | <u>1,145</u> |
| Annualized new business premiums: | | | | | | |
| 101 | 82 | 82 | 67 | 75 | 83 | 101 |
| 62 | 51 | 51 | 61 | 60 | 62 | 62 |
| 49 | 54 | 54 | 53 | 43 | 53 | 49 |
| <u>212</u> | <u>187</u> | <u>187</u> | <u>181</u> | <u>178</u> | <u>198</u> | <u>212</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 |
|---|--------------|--------------|--------------|--------------|--------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q |
| Face amount of individual policies in force at end of period (in billions) (1): (Constant exchange rate basis) | | | | | |
| Japan, excluding Gibraltar Life | 133 | 136 | 138 | 141 | 145 |
| Gibraltar Life | 229 | 222 | 217 | 213 | 208 |
| All other countries | 42 | 45 | 47 | 49 | 52 |
| Total | <u>404</u> | <u>403</u> | <u>402</u> | <u>403</u> | <u>405</u> |
| Number of individual policies in force at end of period (in thousands): | | | | | |
| Japan, excluding Gibraltar Life | 973 | 990 | 1,011 | 1,037 | 1,069 |
| Gibraltar Life | 4,787 | 4,666 | 4,602 | 4,537 | 4,461 |
| All other countries | 571 | 609 | 643 | 682 | 716 |
| Total | <u>6,331</u> | <u>6,265</u> | <u>6,256</u> | <u>6,256</u> | <u>6,246</u> |
| International insurance policy persistency (2): | | | | | |
| 13 months | 93.4% | 93.8% | 93.2% | 93.0% | 93.3% |
| 25 months | 87.8% | 86.9% | 86.4% | 86.3% | 86.9% |
| Number of Life Planners at end of period (3): | | | | | |
| Japan | 1,994 | 1,985 | 2,055 | 2,119 | 2,159 |
| All other countries | 2,104 | 2,222 | 2,298 | 2,386 | 2,393 |
| Total | <u>4,098</u> | <u>4,207</u> | <u>4,353</u> | <u>4,505</u> | <u>4,552</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)

| | March 31, 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 | 97,103 | 31,847 | 65,256 | 61.3% | 92,966 | 30,991 | 61,975 | 59.0% |
| Public, held to maturity, at amortized cost | 2,731 | - | 2,731 | 2.6% | 2,563 | - | 2,563 | 2.5% |
| Private, available for sale, at fair value | 32,538 | 15,487 | 17,051 | 16.1% | 32,490 | 15,242 | 17,248 | 16.4% |
| Private, held to maturity, at amortized cost | 39 | - | 39 | 0.0% | 46 | - | 46 | 0.0% |
| Trading account assets, at fair value | 131 | - | 131 | 0.1% | 96 | - | 96 | 0.1% |
| Equity securities, available for sale, at fair value | 2,606 | 1,586 | 1,020 | 1.0% | 2,788 | 1,521 | 1,267 | 1.2% |
| Commercial loans | 18,565 | 7,050 | 11,515 | 10.8% | 18,593 | 6,987 | 11,606 | 11.1% |
| Policy loans | 8,549 | 5,627 | 2,922 | 2.8% | 8,827 | 5,681 | 3,146 | 3.0% |
| Cash collateral for borrowed securities | - | - | - | 0.0% | 323 | - | 323 | 0.3% |
| Other long-term investments (2) | 4,950 | 1,075 | 3,875 | 3.7% | 4,951 | 1,075 | 3,876 | 3.7% |
| Short-term investments | 2,985 | 1,314 | 1,671 | 1.6% | 5,420 | 2,579 | 2,841 | 2.7% |
| Subtotal | 170,197 | 63,986 | 106,211 | 100.0% | 169,063 | 64,076 | 104,987 | 100.0% |
| Invested assets of other entities and operations (3) | 14,992 | - | 14,992 | | 14,031 | - | 14,031 | |
| Total investments | 185,189 | 63,986 | 121,203 | | 183,094 | 64,076 | 119,018 | |

Fixed Maturities by Credit Quality (1):

| | March 31, 2003 | | | | | December 31, 2002 | | | | | |
|----------------------------------|-------------------------------|------------------------|-------------------------|------------|---------------|-------------------------------|------------------------|-------------------------|------------|---------------|---------------|
| | Financial Services Businesses | | | | | Financial Services Businesses | | | | | |
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value | % of Total | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value | % of Total | |
| Public Fixed Maturities: | | | | | | | | | | | |
| NAIC Rating (4) | Rating Agency Equivalent | | | | | | | | | | |
| 1 | Aaa, Aa, A | 49,552 | 3,605 | 37 | 53,120 | 78.0% | 47,430 | 2,968 | 35 | 50,363 | 78.0% |
| 2 | Baa | 11,817 | 785 | 90 | 12,512 | 18.4% | 11,281 | 671 | 110 | 11,842 | 18.3% |
| 3 | Ba | 1,633 | 88 | 36 | 1,685 | 2.5% | 1,730 | 68 | 56 | 1,742 | 2.7% |
| 4 | B | 608 | 31 | 18 | 621 | 0.9% | 519 | 20 | 23 | 516 | 0.8% |
| 5 | C and lower | 68 | 6 | 2 | 72 | 0.1% | 94 | 5 | 17 | 82 | 0.1% |
| 6 | In or near default | 61 | 2 | - | 63 | 0.1% | 50 | 3 | 1 | 52 | 0.1% |
| Total | | 63,739 | 4,517 | 183 | 68,073 | 100.0% | 61,104 | 3,735 | 242 | 64,597 | 100.0% |
| Private Fixed Maturities: | | | | | | | | | | | |
| NAIC Rating (4) | Rating Agency Equivalent | | | | | | | | | | |
| 1 | Aaa, Aa, A | 4,830 | 508 | 4 | 5,334 | 31.2% | 4,945 | 457 | 5 | 5,397 | 31.2% |
| 2 | Baa | 7,438 | 667 | 14 | 8,091 | 47.3% | 7,519 | 632 | 23 | 8,128 | 47.0% |
| 3 | Ba | 2,161 | 118 | 22 | 2,257 | 13.2% | 2,275 | 99 | 41 | 2,333 | 13.5% |
| 4 | B | 592 | 27 | 8 | 611 | 3.6% | 597 | 21 | 13 | 605 | 3.5% |
| 5 | C and lower | 636 | 25 | 14 | 647 | 3.8% | 700 | 20 | 24 | 696 | 4.0% |
| 6 | In or near default | 135 | 18 | 2 | 151 | 0.9% | 135 | 4 | 3 | 136 | 0.8% |
| Total | | 15,792 | 1,363 | 64 | 17,091 | 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.

FINANCIAL SERVICES BUSINESSES INVESTMENT PORTFOLIO COMPOSITION
(in millions)

| | March 31, 2003 | | December 31, 2002 | |
|--|----------------|---------------|-------------------|---------------|
| | Amount | % of Total | Amount | % of Total |
| Japanese Insurance Operations: | | | | |
| Fixed maturities: | | | | |
| Public, available for sale, at fair value | 26,461 | 75.0% | 25,288 | 73.2% |
| Public, held to maturity, at amortized cost | 2,731 | 7.7% | 2,563 | 7.4% |
| Private, available for sale, at fair value | 191 | 0.5% | 387 | 1.1% |
| Private, held to maturity, at amortized cost | 39 | 0.1% | 46 | 0.1% |
| Trading account assets, at fair value | 72 | 0.2% | 75 | 0.2% |
| Equity securities, available for sale, at fair value | 830 | 2.3% | 901 | 2.6% |
| Commercial loans | 3,158 | 8.9% | 3,158 | 9.1% |
| Policy loans | 725 | 2.1% | 685 | 2.0% |
| Cash collateral for borrowed securities | - | 0.0% | 318 | 1.0% |
| Other long-term investments (2) | 1,126 | 3.2% | 1,125 | 3.3% |
| Short-term investments | - | 0.0% | 6 | 0.0% |
| Total | 35,333 | 100.0% | 34,552 | 100.0% |

| | March 31, 2003 | | December 31, 2002 | |
|--|----------------|---------------|-------------------|---------------|
| | Amount | % of Total | Amount | % of Total |
| Financial Services Businesses excluding Japanese Insurance Operations (1): | | | | |
| Fixed maturities: | | | | |
| Public, available for sale, at fair value | 38,795 | 54.6% | 36,687 | 52.1% |
| Public, held to maturity, at amortized cost | - | 0.0% | - | 0.0% |
| Private, available for sale, at fair value | 16,860 | 23.8% | 16,861 | 24.0% |
| Private, held to maturity, at amortized cost | - | 0.0% | - | 0.0% |
| Trading account assets, at fair value | 59 | 0.1% | 21 | 0.0% |
| Equity securities, available for sale, at fair value | 190 | 0.3% | 366 | 0.5% |
| Commercial loans | 8,357 | 11.8% | 8,448 | 12.0% |
| Policy loans | 2,197 | 3.1% | 2,461 | 3.5% |
| Cash collateral for borrowed securities | - | 0.0% | 5 | 0.0% |
| Other long-term investments (2) | 2,749 | 3.9% | 2,751 | 3.9% |
| Short-term investments | 1,671 | 2.4% | 2,835 | 4.0% |
| Total | 70,878 | 100.0% | 70,435 | 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.

FINANCIAL SERVICES BUSINESSES INVESTMENT RESULTS

(in millions)

| | Three Months Ended March 31 | | | | | |
|---|-----------------------------|--------|---------------------|-------------------|--------|---------------------|
| | 2003 | | | 2002 | | |
| | Investment Income | | Realized | Investment Income | | Realized |
| | Yield (3) | Amount | Gains / (Losses) | Yield (3) | Amount | Gains / (Losses) |
| Financial Services Businesses (1): | | | | | | |
| Fixed maturities | 4.88% | 927 | (80) | 5.30% | 885 | (108) |
| Equity securities | 0.98% | 3 | (44) | 1.50% | 6 | (62) |
| Commercial loans | 6.94% | 199 | 6 | 6.83% | 216 | 1 |
| Policy loans | 5.83% | 44 | - | 5.53% | 39 | - |
| Short-term investments and cash equivalents | 1.91% | 28 | - | 1.71% | 58 | 17 |
| Other investments | 8.92% | 94 | 10 | 2.16% | 38 | 82 |
| Gross investment income before investment expenses | 5.15% | 1,295 | (108) | 4.92% | 1,242 | (70) |
| Investment expenses | -0.18% | (62) | - | -0.19% | (68) | - |
| Subtotal | 4.97% | 1,233 | (108) | 4.73% | 1,174 | (70) |
| Investment results of other entities and operations (2) | | 51 | - | | 64 | - |
| Less amount relating to divested businesses | | - | - | | (2) | - |
| Total | | 1,284 | (108) | | 1,236 | (70) |

(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)

| | Three Months Ended March 31 | | | | | |
|--|-----------------------------|--------|---------------------|-------------------|--------|---------------------|
| | 2003 | | | 2002 | | |
| | Investment Income | | Realized | Investment Income | | Realized |
| | Yield (1) | Amount | Gains / (Losses) | Yield (1) | Amount | Gains / (Losses) |
| Japanese Insurance Operations: | | | | | | |
| Fixed maturities | 1.69% | 116 | 8 | 1.47% | 77 | 20 |
| Equity securities | 0.82% | 2 | (42) | 1.01% | 3 | (56) |
| Commercial loans | 4.74% | 37 | 8 | 4.49% | 44 | 2 |
| Policy loans | 2.89% | 5 | - | 2.57% | 4 | - |
| Short-term investments and cash equivalents | 0.54% | - | - | 0.55% | 4 | 18 |
| Other investments | 6.65% | 23 | (2) | 7.00% | 18 | (75) |
| Gross investment income before investment expenses | 2.16% | 183 | (28) | 1.96% | 150 | (91) |
| Investment expenses | -0.27% | (23) | - | -0.11% | (8) | - |
| Total | 1.89% | 160 | (28) | 1.85% | 142 | (91) |

(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)

| | Three Months Ended March 31 | | | | | |
|--|-----------------------------|--------|---------------------|-------------------|--------|---------------------|
| | 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 | 6.72% | 811 | (88) | 7.24% | 808 | (128) |
| Equity securities | 1.51% | 1 | (2) | 2.42% | 3 | (6) |
| Commercial loans | 7.77% | 162 | (2) | 7.89% | 172 | (1) |
| Policy loans | 6.72% | 39 | - | 6.32% | 35 | - |
| Short-term investments and cash equivalents | 2.00% | 28 | - | 2.07% | 54 | (1) |
| Other investments | 10.03% | 71 | 12 | 0.53% | 20 | 157 |
| Gross investment income before investment expenses | 6.71% | 1,112 | (80) | 6.31% | 1,092 | 21 |
| Investment expenses | -0.13% | (39) | - | -0.23% | (60) | - |
| Total | 6.58% | 1,073 | (80) | 6.08% | 1,032 | 21 |

(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 2000 | | 2001 | | | | 2002 | | | |
|-----------------------------------|--|-------|-------|-------|-------|-------|-------|-------|-------|
| | | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q |
| | Revenues (1): | | | | | | | | |
| 5,658 | Premiums | 1,549 | 1,948 | 2,176 | 2,297 | 2,212 | 2,266 | 2,320 | 2,448 |
| 1,639 | Policy charges and fee income | 392 | 483 | 474 | 454 | 434 | 412 | 400 | 407 |
| 5,195 | Net investment income | 1,290 | 1,344 | 1,280 | 1,295 | 1,236 | 1,343 | 1,312 | 1,288 |
| 5,043 | Commissions, investment management fees, and other income | 1,082 | 1,140 | 974 | 1,067 | 1,075 | 1,036 | 996 | 976 |
| 17,535 | Total revenues | 4,313 | 4,915 | 4,904 | 5,113 | 4,957 | 5,057 | 5,028 | 5,119 |
| | Benefits and Expenses (1): | | | | | | | | |
| 5,979 | Insurance and annuity benefits | 1,563 | 2,025 | 2,229 | 2,246 | 2,156 | 2,267 | 2,278 | 2,496 |
| 1,618 | Interest credited to policyholders' account balances | 382 | 422 | 432 | 434 | 414 | 415 | 434 | 444 |
| 448 | Interest expense | 108 | 100 | 70 | 48 | 48 | 43 | 43 | 36 |
| (1,161) | Deferral of acquisition costs | (296) | (333) | (313) | (333) | (321) | (347) | (360) | (374) |
| 800 | Amortization of acquisition costs | 229 | 201 | 244 | 211 | 224 | 260 | 347 | 245 |
| 3,010 | Securities operations non-interest expenses | 726 | 778 | 678 | 707 | 640 | 641 | 609 | 599 |
| 5,131 | General and administrative expenses | 1,121 | 1,349 | 1,293 | 1,585 | 1,267 | 1,292 | 1,246 | 1,314 |
| 15,825 | Total benefits and expenses | 3,833 | 4,542 | 4,633 | 4,898 | 4,428 | 4,571 | 4,597 | 4,760 |
| 1,710 | Adjusted operating income before income taxes | 480 | 373 | 271 | 215 | 529 | 486 | 431 | 359 |
| | Items excluded from adjusted operating income before income taxes: | | | | | | | | |
| (378) | Realized investment gains (losses), net, and related adjustments | 246 | 82 | (327) | (166) | (101) | (341) | (141) | (290) |
| (29) | Related charges | (4) | (7) | 4 | 33 | 5 | (4) | (1) | 6 |
| (407) | Total realized investment gains (losses), net, and related charges and adjustments | 242 | 75 | (323) | (133) | (96) | (345) | (142) | (284) |
| - | Sales practices remedies and costs | - | - | - | - | - | - | - | (20) |
| (636) | Divested businesses | (22) | (60) | (40) | (25) | (8) | 10 | (14) | (68) |
| (143) | Demutualization costs and expenses | (45) | (117) | (37) | (389) | - | - | - | - |
| (1,186) | Total items excluded from adjusted operating income before income taxes | 175 | (102) | (400) | (547) | (104) | (335) | (156) | (372) |
| 524 | Income (loss) from continuing operations before income taxes | 655 | 271 | (129) | (332) | 425 | 151 | 275 | (13) |
| 290 | Income tax expense (benefit) | 247 | 13 | (191) | 56 | 158 | 53 | (105) | (20) |
| 234 | Income (loss) from continuing operations, after-tax | 408 | 258 | 62 | (388) | 267 | 98 | 380 | 7 |

(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.

RECLASSIFIED STATEMENTS OF OPERATIONS - INSURANCE DIVISION
(in millions)

| Year ended December 31 2000 | | 2001 | | | | 2002 | | | |
|-----------------------------------|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q |
| | Revenues (1): | | | | | | | | |
| 3,892 | Premiums | 1,075 | 1,128 | 1,154 | 1,215 | 1,186 | 1,241 | 1,252 | 1,356 |
| 1,479 | Policy charges and fee income | 349 | 356 | 355 | 363 | 358 | 350 | 342 | 347 |
| 1,512 | Net investment income | 394 | 377 | 371 | 377 | 376 | 383 | 395 | 401 |
| 281 | Commissions, investment management fees, and other income | 57 | 56 | 65 | 53 | 57 | 63 | 58 | 55 |
| <u>7,164</u> | Total revenues | <u>1,875</u> | <u>1,917</u> | <u>1,945</u> | <u>2,008</u> | <u>1,977</u> | <u>2,037</u> | <u>2,047</u> | <u>2,159</u> |
| | Benefits and Expenses (1): | | | | | | | | |
| 3,756 | Insurance and annuity benefits | 970 | 1,101 | 1,193 | 1,173 | 1,149 | 1,206 | 1,228 | 1,355 |
| 595 | Interest credited to policyholders' account balances | 156 | 152 | 153 | 159 | 147 | 153 | 163 | 170 |
| 7 | Interest expense | (2) | 4 | - | (1) | - | (1) | (2) | (2) |
| (770) | Deferral of acquisition costs | (188) | (197) | (185) | (188) | (175) | (207) | (202) | (206) |
| 637 | Amortization of acquisition costs | 190 | 164 | 199 | 164 | 158 | 214 | 282 | 181 |
| 2,377 | General and administrative expenses | 529 | 527 | 504 | 631 | 495 | 507 | 505 | 520 |
| <u>6,602</u> | Total benefits and expenses | <u>1,655</u> | <u>1,751</u> | <u>1,864</u> | <u>1,938</u> | <u>1,774</u> | <u>1,872</u> | <u>1,974</u> | <u>2,018</u> |
| <u>562</u> | Adjusted operating income before income taxes | <u>220</u> | <u>166</u> | <u>81</u> | <u>70</u> | <u>203</u> | <u>165</u> | <u>73</u> | <u>141</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 - PROPERTY & CASUALTY INSURANCE
(in millions)

| Year ended December 31 2000 | | 2001 | | | | 2002 | | | |
|-----------------------------------|---|------|------|------|------|------|------|------|------|
| | | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q |
| | Revenues (1): | | | | | | | | |
| 1,431 | Premiums | 383 | 400 | 413 | 431 | 427 | 451 | 450 | 457 |
| - | Policy charges and fee income | - | - | - | - | - | - | - | - |
| 182 | Net investment income | 39 | 35 | 35 | 32 | 35 | 35 | 36 | 38 |
| 9 | Commissions, investment management fees, and other income | 2 | 2 | 6 | (1) | - | 4 | - | 1 |
| 1,622 | Total revenues | 424 | 437 | 454 | 462 | 462 | 490 | 486 | 496 |
| | Benefits and Expenses (1): | | | | | | | | |
| 921 | Insurance and annuity benefits | 227 | 281 | 311 | 319 | 318 | 355 | 365 | 366 |
| - | Interest credited to policyholders' account balances | - | - | - | - | - | - | - | - |
| - | Interest expense | - | - | - | - | - | - | - | - |
| (340) | Deferral of acquisition costs | (83) | (92) | (83) | (82) | (79) | (84) | (85) | (90) |
| 331 | Amortization of acquisition costs | 87 | 87 | 88 | 85 | 85 | 81 | 84 | 87 |
| 567 | General and administrative expenses | 134 | 133 | 134 | 144 | 118 | 122 | 125 | 129 |
| 1,479 | Total benefits and expenses | 365 | 409 | 450 | 466 | 442 | 474 | 489 | 492 |
| 143 | Adjusted operating income before income taxes | 59 | 28 | 4 | (4) | 20 | 16 | (3) | 4 |

(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 - CORPORATE AND OTHER OPERATIONS
(in millions)

| Year ended December 31 2000 | | 2001 | | | | 2002 | | | |
|-----------------------------------|---|-------|------|-------|------|------|------|------|------|
| | | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q |
| | Revenues (1): | | | | | | | | |
| 15 | Premiums | 2 | - | 10 | 29 | 2 | (2) | (3) | - |
| (10) | Policy charges and fee income | - | (4) | (1) | (2) | - | (6) | (3) | (10) |
| 847 | Net investment income | 200 | 216 | 133 | 167 | 137 | 176 | 152 | 131 |
| (313) | Commissions, investment management fees, and other income | (131) | 4 | (116) | (63) | (47) | (79) | (23) | (23) |
| 539 | Total revenues | 71 | 216 | 26 | 131 | 92 | 89 | 123 | 98 |
| | Benefits and Expenses (1): | | | | | | | | |
| 27 | Insurance and annuity benefits | 7 | 9 | 11 | 12 | 27 | 31 | - | 43 |
| (3) | Interest credited to policyholders' account balances | (1) | 1 | 1 | - | - | - | - | - |
| 385 | Interest expense | 98 | 87 | 60 | 44 | 45 | 39 | 41 | 35 |
| 105 | Deferral of acquisition costs | 26 | 23 | 17 | 16 | 19 | 21 | 12 | 10 |
| (84) | Amortization of acquisition costs | (21) | (20) | (21) | (20) | (20) | (25) | (21) | (19) |
| 54 | Securities operations non-interest expenses | 12 | 15 | (3) | 13 | 5 | (4) | 8 | 16 |
| 12 | General and administrative expenses | (49) | 25 | (38) | 78 | (4) | (19) | (35) | 5 |
| 496 | Total benefits and expenses | 72 | 140 | 27 | 143 | 72 | 43 | 5 | 90 |
| 43 | Adjusted operating income before income taxes | (1) | 76 | (1) | (12) | 20 | 46 | 118 | 8 |

(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.

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 and sales practices remedies and costs. 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 number of Common shares outstanding at end of period, on a diluted basis.

6. Borrowings - General Corporate Purposes:

Amounts used for corporate purposes include those used 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, losses and loss adjustment expenses paid or incurred, under insurance and annuity contracts, plus the change in reserves for future policy benefits, losses and loss adjustment expenses.

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 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:

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.

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 May 6, 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 (1) | A- | A | NR | A+ |

CREDIT RATINGS:
 as of May 6, 2003

| | | | | |
|---|-------|-----|----|----|
| Prudential Financial, Inc.: | | | | |
| Short-Term Borrowings | AMB-1 | A2 | P2 | 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 | A1 | P1 | NR |
| Long-Term Senior Debt | a | A+ | A2 | NR |
| Prudential Securities Group, Inc | NR | BBB | NR | NR |
| American Skandia Life Assurance Corporation (1) | NR | A | NR | NR |

* NR indicates not rated.

(1) Acquired on May 1, 2003. Results of American Skandia Life Assurance Corporation will be included in the results of the Company commencing with the date of acquisition.

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

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.