
Prudential Financial Nets \$536m in 1Q 2010

By Editor Test *Wed, May 12, 2010*

Individual annuity gross sales for the quarter just past were \$4.9 billion (up from \$2.2 billion a year ago), while net sales were \$3.2 billion (up from \$643 million a year ago.)

Prudential Financial's financial services businesses reported net income of \$536 million in the first quarter of 2010 (\$699 million in after-tax adjusted operating income, a non-GAAP measure), up from a net loss of \$5 million (or positive \$427 million in after-tax adjusted operating income) for the first quarter of 2009.

Earnings highlights for the quarter included:

Individual annuity gross sales for the quarter just past were \$4.9 billion (up from \$2.2 billion a year ago), while net sales were \$3.2 billion (up from \$643 million a year ago.)

Full-service retirement gross deposits and sales were \$5.6 billion, with net additions of \$1.1 billion. It was the 10th consecutive quarter of net additions. A year ago, gross deposits and sales were \$10.5 billion and net additions were \$6.3 billion a year ago.

Individual Life annualized new business premiums of \$68 million, compared to \$84 million a year ago. Group Insurance annualized new business premiums of \$346 million, compared to \$344 million a year ago.

International Insurance constant dollar basis annualized new business premiums reach record-high \$396 million, compared to \$337 million a year ago.

Assets under management of \$693 billion at March 31, 2010, compared to \$667 billion at December 31, 2009.

Gross unrealized losses on general account fixed maturity investments of the Financial Services Businesses of \$3.7 billion at March 31, 2010, compared to \$4.4 billion at December 31, 2009; net unrealized gains of \$2.4 billion at March 31, 2010 compared to \$998 million at December 31, 2009.

GAAP book value for Financial Services Businesses, \$25.7 billion or \$54.63 per Common share, compared to \$24.2 billion or \$51.52 per Common share at December 31, 2009.

The U.S. Retirement Solutions and Investment Management division reported adjusted operating income of \$514 million for the first quarter of 2010, up from \$175 million in the year-ago quarter. The Individual Annuities segment reported adjusted operating income of \$260 million in the current quarter, up from \$17 million.

Current quarter results benefited \$53 million from net reductions in reserves for guaranteed minimum death and income benefits and \$21 million from a net reduction in amortization of deferred policy acquisition and other costs, reflecting an updated estimate of profitability for this business.

These benefits to results were largely driven by increases in customer account values during the current quarter. Mark-to-market of embedded derivatives and related hedge positions associated with living benefits, after amortization of deferred policy acquisition and other costs, and hedging positions implemented in mid-2009 to mitigate exposure to declines in capital from adverse financial market conditions, resulted in a net benefit of \$16 million to current quarter adjusted operating income.

In addition, current quarter results include a net benefit of \$25 million from refinements based on review and settlement of reinsurance contracts related to acquired business. Results for the year-ago quarter included a net charge of \$327 million from adjustment of reserves and amortization to reflect an update of estimated profitability, largely driven by declines in customer account values associated with adverse financial market conditions during that quarter.

In addition, results for the year-ago quarter included a net benefit of \$261 million from mark-to-market of embedded derivatives and related hedge positions associated with living benefits, primarily driven by the required adjustment of embedded derivative liabilities for living benefits to recognize market-based non-performance risk associated with our own credit standing. Excluding the effect of the foregoing items, adjusted operating income for the Individual Annuities segment increased \$62 million from the year-ago quarter, primarily reflecting higher asset-based fees due to growth in variable annuity account values.

The Retirement segment reported adjusted operating income of \$171 million for the current quarter, compared to \$159 million in the year-ago quarter. Results for the year-ago quarter benefited \$13 million from the required adjustment of liabilities for contract guarantees to recognize market-based non-performance risk. Excluding this item, adjusted operating income of the Retirement segment increased \$25 million from the year-ago quarter. The increase resulted primarily from higher fees associated with growth in full service retirement account values and a greater contribution from investment results.

The Asset Management segment reported adjusted operating income of \$83 million for the current quarter, compared to a loss of \$1 million in the year-ago quarter. Investment results associated with proprietary investing activities contributed income of approximately \$5 million in the current quarter compared to losses of approximately \$40 million in the year-ago quarter. The remainder of the improvement in results came primarily from increased asset management fees and a greater contribution from performance-based fees.