Prudential

Prudential Financial, Inc.

2015 Resolution Plan

Public Section

December 30, 2015

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1. Introduction

Prudential Financial, Inc. ("PFI" or, together with its subsidiaries, "Prudential" or the "Company") became subject to supervision by the Board of Governors of the Federal Reserve System ("FRB") when it was designated as a "Designated Financial Company" by the Financial Stability Oversight Council ("FSOC") on September 19, 2013. The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") requires each Designated Financial Company, as well as certain other firms, to submit annual Resolution Plans which include a Confidential Section and a Public Section.

This is the Public Section of Prudential's 2015 Plan.

Prudential filed its initial Resolution Plan on June 30, 2014 and its second Resolution Plan on December 30, 2015 (the "2015 Plan"). Both Plans have been developed in accordance with the requirements of Section 165(d) of Title I of Dodd-Frank and the related implementing rule (the "Rule") of the FRB and the Federal Deposit Insurance Corporation (the "FDIC" and, together with the FRB, the "Agencies").

On July 27, 2015, the Agencies provided Prudential and the two other Designated Financial Companies that submitted initial Resolution Plans in 2014 with firm-specific feedback on those plans and guidance ("Guidance") for the 2015 Plans. Prudential's 2015 Plan has been prepared in accordance with this Guidance.

As required by the Rule and the Guidance, the 2015 Plan describes how Prudential would be resolved in a rapid and orderly manner in the unlikely event of material financial distress or failure based on a hypothetical failure scenario. The 2015 Plan provides information about Prudential and sets forth a road map for its rapid and orderly resolution under the three Dodd-Frank Act Stress Testing scenarios: baseline, adverse and severely adverse economic conditions.

The 2015 Plan does not rely on the provision of extraordinary support by the U.S. or any other government for the resolution of the Company and its material legal entities ("MLEs") and core business lines ("CBLs"). Further, although the actions taken in the event of an actual resolution and their consequences would depend on the facts and circumstances in effect at that time, the 2015 Plan demonstrates that Prudential could be resolved in a rapid and orderly manner that would not have serious adverse effects on the financial stability of the U.S.

The 2015 Plan is not binding on Prudential, a bankruptcy court, Prudential's regulators or any resolution authority in the event of actual financial distress. The 2015 Plan describes resolution strategies that are based on a hypothetical material financial distress scenario. The actions taken by Prudential, Prudential's regulators, any resolution authority or stakeholders in the unlikely event of actual material financial distress could differ materially from the actions described in the 2015 Plan.

Certain of the statements included in this Public Section and the reports or filings referenced herein constitute forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements are made based on management's current expectations and beliefs concerning future developments and their potential effects upon PFI and its subsidiaries. Actual results may differ from those set forth in the forward-looking statements. PFI does not intend, and is under no obligation, to update any particular forward-looking statement included in this Public Section or the reports or filings referenced herein.

Although Prudential believes that it is highly resolvable, important steps have been taken, and will continue to be taken, to reinforce its ability to be resolved in a rapid and orderly manner in the unlikely event of material financial distress. As further described in Section 16, "Steps to Improve Resolvability," certain actions to support resolvability have been completed, while others have been initiated or are being evaluated for commencement.

2. Overview of Prudential

For more than 140 years, Prudential has helped people grow and protect their wealth. Prudential offers individual and institutional clients a wide array of financial products and services. Prudential has approximately $1.176 trillion in assets under management and approximately $3.5 trillion of gross life insurance in force worldwide as of December 31, 2014. Headquartered in Newark, New Jersey, Prudential has operations (and investments) in the U.S., Asia, Europe, and Latin America. The Company measures its long-term success by its ability to deliver value to shareholders, and meet customers' needs. Prudential makes it a top priority to attract, develop and retain the best talent in the insurance and financial services industry by offering an inclusive work environment where employees have the opportunity to achieve their full potential, and it supports the communities where Prudential's employees live and work.

Prudential focuses on four key drivers for the Company's success:

1 A unique business mix

- has been developed by focusing on core strengths and on markets that present opportunities. The complementary nature of Prudential's portfolio of businesses provides a mix of growth and stability, helping balance risk.

2 High quality businesses

- have outstanding leadership and robust fundamentals and deliver high value products tailored to their customers' and clients' needs.

3 Financial strength

- enables the Company to continue delivering on the promises made to stakeholders while also seizing opportunities to innovate and grow. Prudential maintains a strong balance sheet and robust risk management policies.

4 The talent and integrity of the Company's people

- remain the most important point of differentiation in the market. The Company is committed to nurturing a diverse and inclusive culture, which helps attract, develop, and retain high quality employees.

PFI, the covered company, is a publicly traded holding company with its common stock listed on the New York Stock Exchange ("NYSE") and files annual, quarterly and current reports, and proxy statements and other information with the U.S. Securities and Exchange Commission (the "SEC"). Certain information in this Public Section, including information concerning the assets, liabilities, capital and funding sources of PFI, has been extracted from PFI's annual report on Form 10-K for the year ended December 31, 2014 (the "2014 Form 10-K") filed with the SEC. The information concerning the Company is as of December 31, 2014, unless otherwise noted. For further information about PFI, please refer to the 2014 Form 10-K. Information contained in reports and other filings with the SEC subsequent to its filing of the 2014 Form 10-K on February 20, 2015 may modify, supersede or update the information provided in the 2014 Form 10-K and this Public Section of the 2015 Plan.

3. Core Business Lines

The Rule defines CBLs as "those business lines of the covered company, including associated operations, services, functions and support that, in the view of the covered company, upon failure would result in a material loss of revenue, profit, or franchise value." Prudential has identified seven CBLs, as described below.

a. Individual Annuities

Individual Annuities issues and distributes individual variable[1] and fixed annuity products.

Individual Annuities offers variable annuities[1] that provide customers with tax-deferred asset accumulation, generally together with a base death benefit and, in some instances, optional living benefits. Individual Annuities' variable annuity products generally provide contract holders with the opportunity to allocate purchase payments to sub-accounts that invest in mutual funds managed by affiliates and by entities unaffiliated with Prudential, as well as fixed rate accounts for certain products. The fixed rate accounts are credited with interest at rates Prudential determines, subject to certain contractual minimums.

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1 Prudential Annuities Distributors, Inc., an affiliated broker-dealer, is the underwriter and distributor of these variable annuity products. Prudential Annuities Distributor, Inc. is registered with the SEC and is a member of the Financial Industry Regulatory Authority ("FINRA").

Additionally, Individual Annuities provides immediate annuities, in which a lump sum payment from the contract holder is converted to a guaranteed income stream of regular annuity payments. The regular annuity payments are calculated at the time of issue based on guaranteed interest and mortality rates. Annuity payments can be paid for a single life, joint lives, or for a guaranteed length of time referred to as a "period certain."

b. Individual Life

Individual Life issues and distributes individual variable life, term life, and universal life insurance products.

Individual Life offers universal life insurance products that feature flexible premiums, a choice of guarantees against lapse, and a crediting rate that Prudential determines, subject to contractual minimums. In addition, Individual Life offers universal life insurance products that allow policyholders to allocate a portion of their account balance into an indexed account that provides a return consistent with the S&P 500 index performance over the following year, subject to certain participation rates and contractual maximums and minimums. Universal life products also offer a policy rider which allows the policyholder to access accelerated death benefits when a chronic or terminal illness, meeting certain criteria, exists.

Individual Life offers several variable life insurance products[2] that generally provide contract holders with the opportunity to allocate purchase payments to sub-accounts that invest in mutual funds managed by affiliates and entities unaffiliated with Prudential, as well as fixed rate accounts for certain products. The policyholder generally has the option of investing premiums in a fixed rate option that is part of the general account or investing in separate account investment options consisting of equity and fixed income funds.

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2 Pruco Securities, LLC, an affiliated broker-dealer, is the underwriter and distributor of these variable life insurance products. Pruco Securities, LLC is registered with the SEC and is a member of FINRA.

Individual Life offers a variety of term life insurance products that provide insurance coverage for a specified time period. Additionally, most term products include a conversion feature that allows the policyholder to convert the policy into permanent life insurance coverage. Individual Life offers term life insurance that provides for a return of premium if the insured is alive at the end of the level premium period.

The Individual Life business also includes Prudential Advisors,[3] Prudential's captive sales force, which sells a menu of products developed by certain Prudential CBLs including life insurance, annuities, and mutual funds, as well as non-proprietary insurance and investment products.

c. Prudential Retirement

Prudential Retirement provides investment and income retirement products and services to retirement plan sponsors in the public, private, and not-for-profit sectors. Prudential Retirement consists of two major business lines, full service and institutional investment products, both of which provide solutions for defined contribution, defined benefit, and non-qualified retirement plans.

The full service business offers recordkeeping, plan administration, actuarial advisory services, tailored participant education and communication services, trustee services, and institutional and retail investments.

The institutional investment products business offers products primarily to retirement plans on a stand-alone basis. These include investment-only stable value products, pension risk transfer products ("PRT"), guaranteed investment contracts (GICs), funding agreements, institutional and retail notes, structured settlement annuities, and other group annuities.

PRT business in force includes U.S. general account and separate account group annuity contracts and general account non-U.S. longevity risk transfer reinsurance contracts. The U.S. PRT group annuity contracts, which are sold to plans and distributed by the plans to

[3] Prudential Advisors was previously known as Agency Distribution.

their participants, assume all of the associated investment and actuarial risk of the pension benefit obligations. These products have economic features similar to traditional general account annuity contracts but may also offer the added protection of an insulated separate account.

A longevity risk transfer involves the sale by Prudential Retirement of a longevity reinsurance contract to an insurer.[4] For these contracts, the pension plan or a third party retains responsibility for all asset-related performance and risk, but Prudential Retirement assumes the risks associated with annuity payments that continue because an annuitant lives beyond his or her projected life expectancy.

Prudential Retirement also provides certain brokerage services through an affiliated broker-dealer, Prudential Investment Management Services, LLC ("PIMS"), which is registered with the SEC and is a member of FINRA. Prudential Retirement also offers trust services through Prudential Bank & Trust, a limited purpose trust-only company.

d. Asset Management

Asset Management provides a broad array of investment management, financing, and advisory services by means of institutional portfolio management, retail funds management, private lending, asset securitization activity, and other structured products. These products and services are provided to third-party clients as well as internally to Prudential's other business lines. Asset Management offers asset management services for public and private fixed income, public equity and real estate investments, as well as commercial mortgage origination and servicing, and mutual funds and other retail services.

Asset Management also operates investment distribution and asset management businesses in targeted countries, through wholly owned subsidiaries and joint ventures, to expand the Company's customer base outside the U.S. and to gain more efficient access to emerging markets.

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4 Currently, all Longevity Risk Transfers are with non-U.S. insurers. However, such transfers could involve U.S. insurers.

e. International Insurance

International Insurance issues and distributes individual life insurance, retirement, and related products, including certain health products with fixed benefits. Prudential operates insurance companies in Japan, Korea, Taiwan, Mexico, Argentina, Brazil, Italy, and Poland and has insurance operations in India, China, and Malaysia through joint ventures. The majority of revenues, assets and liabilities of the International Insurance CBL derive from operations in Japan. International Insurance has a diversified product mix, primarily denominated in local currencies and emphasizing death protection, while supporting the growing demand for retirement and savings products. International Insurance classifies its products into four general categories: life insurance protection, retirement, annuity, and accident and health products.

International Insurance offers traditional whole life products that provide level or increasing coverage and limited or lifetime premium payment options. International Insurance also offers increasing, decreasing, and level benefit term insurance products that provide coverage for a specified time period, as well as protection-oriented variable universal life products. Some of these protection products are denominated in U.S. dollars, and some are sold as bundled products that, in addition to death protection, include health benefits or savings elements.

International Insurance offers a variety of retirement products, including endowments, savings-oriented variable universal life products, and retirement income products. Endowments provide payment of the face amount on the earlier of death or policy maturity. Savings-oriented variable universal life products provide a non-guaranteed return linked to an underlying investment portfolio of equity and fixed income funds selected by the customer. Retirement income products combine insurance protection with a lifetime income stream that commences at a predefined age. The annuity products sold in Japan by International Insurance are primarily U.S. and Australian dollar-denominated fixed deferred annuities.

In most of its operations, International Insurance offers accident and health products with fixed benefits. These products provide benefits to cover accidental death and dismemberment, hospitalization, and surgeries, as well as cancer and other diseases. Most of these products are sold as supplementary riders (*i.e.*, an additional feature attached to another insurance product) rather than stand-alone products. International Insurance also offers waiver of premium coverage, where required premiums for a life insurance product are waived in the event the customer suffers a qualifying disability.

f. Group Insurance

Group Insurance primarily issues and distributes a full range of group life, long-term and short-term group disability, and group corporate-owned life insurance (“COLI”), bank-owned life insurance (“BOLI”), and trust-owned life insurance (“TOLI”) in the U.S., primarily to institutional clients for use in connection with employee and affinity groups. Group Insurance also sells accidental death and dismemberment and other ancillary coverages, and provides plan administration services in connection with these insurance coverages.

Group life insurance products consist of employer-paid (basic) employee-paid (voluntary) coverages, including basic and supplemental term life insurance for employees, optional term life insurance for employees’ dependents, and group universal life insurance. Group insurance also offers group variable universal life insurance, basic and voluntary accidental death and dismemberment insurance, and business travel accident insurance. Many contracts provide a contractual right to allow employees to either convert or continue their coverage in the event that their coverage is reduced or eliminated due to a change in employment status (*e.g.*, termination or retirement).

Group Insurance offers short- and long-term group disability insurance, which protects against loss of wages due to illness or injury, as well as short- and long-term disability management and absence management services.

Group Insurance’s COLI, BOLI and TOLI products are group flexible premium variable life insurance contracts issued to corporations. These products are distributed through PIMS.

g. Closed Block

Prudential's demutualization in 2001 was carried out under a Plan of Reorganization dated December 15, 2000, as amended (the "Plan of Reorganization"). At that time, Prudential's businesses were separated into the Financial Services Businesses and the Closed Block Business, and Prudential ceased offering domestic participating individual life insurance and annuity products which provided policyholders with dividends reflecting the collective experience of the policies. However, Prudential had a significant number of existing participating individual policies that remained in force after the demutualization was completed. The Plan of Reorganization required Prudential to establish and operate a regulatory mechanism known as the Regulatory Closed Block (Closed Block) to protect the reasonable dividend expectations of these holders of participating individual life insurance policies and annuity contracts. The liabilities relating to these remaining in force participating products were segregated, together with assets to be used exclusively for the payment of benefits and policyholder dividends, expenses and taxes with respect to these products, in the Closed Block. From demutualization through December 31, 2014, the Closed Block Business consisted of the Closed Block, certain other assets and liabilities outside of the Closed Block and the Class B Stock issued by PFI in 2001.

Effective January 1, 2015, the Closed Block Business was restructured. In January 2015, Prudential completed a series of transactions that resulted in the elimination of the separation of the Financial Services Businesses and the Closed Block Business.[5] These transactions did not eliminate the Closed Block. The insurance policies and annuity contracts comprising the Closed Block continue to be managed in accordance with the Plan of Reorganization. The Prudential Insurance Company of America ("PICA"), an insurer MLE ("Insurer MLE") that is wholly owned by PFI, remains directly liable for the obligations of the insurance policies and annuity contracts in the Closed Block. The transactions did not change the Closed Block assets allocated to support the Closed Block's liabilities, policyholder dividend scales or the methodology for determining dividends. Accordingly, these transactions had no impact on the guaranteed benefits, premiums or dividends for Closed Block policyholders and contractholders.

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[5] See the 2014 Form 10-K for additional information on these transactions.

4. Material Legal Entities

The Rule defines a material legal entity as "a subsidiary or foreign office of the covered company that is significant to the activities" of a critical operation or a CBL. Prudential has identified nine MLEs as listed in Figure I-1.

Figure I-1 Names and description of MLEs

Name	Country	Type
The Prudential Insurance Company of America ("PICA")	United States	Insurance company
Prudential Retirement Insurance and Annuity Company ("PRIAC")	United States	Insurance company
Pruco Life Insurance Company ("PLAZ")	United States	Insurance company
Prudential Annuities Life Assurance Corporation ("PALAC")	United States	Insurance company
The Gibraltar Life Insurance Company, Ltd. ("GIB")	Japan	Insurance company
The Prudential Life Insurance Company, Ltd. ("POJ")	Japan	Insurance company
Prudential Investment Management, Inc. ("PIM")	United States	Asset management company
PMCC Holding Company ("PMCC")	United States	Asset management company
Prudential Global Funding LLC ("PGF")	United States	Prudential's central derivatives conduit

a. The Prudential Insurance Company of America

PICA is a New Jersey corporation that is one of the largest insurance companies in the U.S., providing a wide array of financial products and services, including life insurance, annuities, pension, and retirement-related services and administration. PICA and its subsidiaries offer these products and services to individual and institutional customers. PICA also operates the Closed Block. PICA directly employs the majority of Prudential's domestic personnel, participates in the majority of Prudential's CBLs, and provides services and support to Prudential's other MLEs.

On December 18, 2001, PICA converted from a mutual life insurance company owned by its policyholders to a stock life insurance company and became an indirect, wholly owned subsidiary of PFI. The demutualization was carried out under the Plan of Reorganization. On the date of demutualization, eligible policyholders, as defined in the Plan of Reorganization, received shares of PFI's Common Stock or the right to receive cash or policy credits, which are increases in policy values or increases in other policy benefits, upon the extinguishment of all membership interests in PICA.

As of December 31, 2014, PICA's total assets were $547.81 billion, and its total liabilities were $522.78 billion. For the year ended December 31, 2014, PICA's total revenue was $37.47 billion, and its net income was $3.63 billion.

b. Prudential Retirement Insurance and Annuity Company

PRIAC is a Connecticut corporation and insurance company. All business activity in PRIAC occurs in connection with the Prudential Retirement CBL. PRIAC provides retirement investment and income products and services to public, private, and not-for-profit organizations. PRIAC offers plan sponsors and their participants a broad range of products and services to assist in the delivery and administration of qualified and non-qualified defined contribution and defined benefit retirement plans. These include recordkeeping and administrative services, comprehensive investment and lifetime income offerings, and advisory services to assist plan sponsors in managing fiduciary obligations. PRIAC also offers group annuity products that provide risk transfer solutions to U.S. pension plan sponsors seeking to manage risk exposures and offers longevity reinsurance with respect to non-U.S. pension schemes.

PRIAC offers stable value products, which contain obligations to pay interest at a specified rate for a specific period of time and to repay account balances at book or market value upon contract termination. PRIAC also offers fee-based products through which customer funds are held in separate accounts, retail mutual funds, institutional funds, or client-owned trusts. These products generally pass all of the investment results to the customer, subject to any applicable contractual guaranteed interest rates.

PRIAC products are distributed through a variety of channels, including a dedicated sales and support team that manages Retirement distribution efforts in offices across the country, as well as third-party financial advisors, brokers, and benefits consultants and, to a lesser extent, directly to plan sponsors.

As of December 31, 2014, PRIAC's total assets were $79.30 billion, and its total liabilities were $78.10 billion. For the year ended December 31, 2014, PRIAC's total revenue was $1.88 billion, and its net income was $189 million.

c. Pruco Life Insurance Company

PLAZ is an Arizona corporation and insurance company that offers a wide array of individual annuities and life insurance products. PLAZ's annuity products include: (1) variable annuities that provide a return linked to an underlying investment portfolio selected by the policyholder, while generally providing death benefit protection and, for some products, optional guaranteed living benefits; and (2) fixed annuities with a fixed crediting rate that PLAZ determines and that may vary periodically, subject to certain minimums. PLAZ's life insurance products include: (1) term life insurance that provides coverage for a specified time period; (2) variable life insurance that provides a return linked to an underlying investment portfolio selected by the policyholder while, providing the policyholder with the flexibility to change both the death benefit and premium payments; and (3) universal life insurance that features a crediting rate determined by PLAZ and that may vary periodically (subject to certain minimums), flexible premiums, and a choice of guarantees against lapse.

As of December 31, 2014, PLAZ's total assets were $145.84 billion, and its total liabilities were $141.29 billion. For the year ended December 31, 2014, PLAZ's total revenue was $3.09 billion, and its net income was $786 million.

d. Prudential Annuities Life Assurance Corporation

PALAC is an Arizona corporation and insurance company that is closed to new business. Previously, it sold a wide array of annuities. These annuities were issued for individuals and groups in the U.S. and its territories and were sold by affiliated and unaffiliated broker/dealer companies.

Beginning in March 2010, PALAC ceased offering its existing variable and fixed annuity products to new contractholders. During 2012, PALAC limited additional customer contributions for variable annuities with certain optional living benefit riders. However, subject to applicable contractual provisions and administrative rules, PALAC continues to accept subsequent customer contributions on certain in force contracts. In addition, PALAC has a relatively small in force block of variable life insurance policies, which it no longer sells. Individual Annuities is the only CBL that is conducted in PALAC.

As of December 31, 2014, PALAC's total assets were $52.47 billion, and its total liabilities were $50.81 billion. For the year ended December 31, 2014, PALAC's total revenue was $1.24 billion, and its net income was $251 million.

e. The Gibraltar Life Insurance Company, Ltd.

GIB is a Japanese corporation and insurance company that offers a wide range of life insurance and individual annuity products to individuals and businesses in Japan.
GIB distributes life insurance products and services to individual and institutional customers through three distinct distribution channels. The first channel is its proprietary distribution network consisting of agents known as "Life Plan Consultants." The second distribution channel encompasses independent agencies. Finally, insurance products are also distributed by a GIB subsidiary through a network of Japanese financial institutions, primarily banks.

As of December 31, 2014, GIB’s total assets were $103.25 billion, and its total liabilities were $92.68 billion. For the year ended December 31, 2014, GIB’s total revenue was $6.60 billion, and its net income was ($1.77 billion).[6]

f. The Prudential Life Insurance Company, Ltd.

POJ is a Japanese corporation and insurance company that offers a wide range of life insurance products to individuals and businesses in Japan. POJ distributes life insurance products and services to individual and institutional customers through its proprietary distribution network consisting of agents known as “Life Planners.”

GIB and POJ are Prudential’s only non-U.S. Insurer MLEs.

As of December 31, 2014, POJ’s total assets were $45.01 billion, and its total liabilities were $38.97 billion. For the year ended December 31, 2014, POJ’s total revenue was $4.20 billion, and its net income was $184 million.

g. Prudential Investment Management, Inc.

PIM is a New Jersey corporation that provides a broad array of investment management, financing, and advisory services by means of institutional portfolio management, retail funds management, private lending, asset securitization activity and other structured products, strategic investments, and securities lending. These products and services are provided to third-party clients, affiliates (including Prudential’s CBLs and pension plans), and certain clients of Individual Life, Group Insurance, International Insurance, Individual Annuities, and Prudential Retirement. In developing certain investment products, affiliates of PIM make a small number of investments (in the form of seed or co-investment capital) to support the creation and management of funds offered to third-party investors in the real estate, fixed income, and public equities asset classes.

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6 Prudential considers foreign currency remeasurement, the primary driver of GIB’s negative net income, to be essentially an accounting geography mismatch, because GIB holds currency-matched assets to support its non-yen liabilities, and the impact of currency exchange rate fluctuations on the liabilities runs through GIB’s income statement while the offsetting impact on the assets is included when calculating Accumulated Other Comprehensive Income (AOCI) for GIB.

As of December 31, 2014, PIM's total assets were $9.95 billion, and its total liabilities were $8.53 billion. For the year ended December 31, 2014, PIM's total revenue was $2.00 billion, and its net income was $285 million.

h. PMCC Holding Company

PMCC is a New Jersey corporation that, through its subsidiaries, including Prudential Mortgage Capital Company, LLC, operates a domestic and international commercial and multifamily real estate finance business and agricultural equity and mortgage finance business. It provides mortgage origination, asset management and servicing for, among others, Prudential's proprietary insurance company general accounts and separate accounts, institutional client accounts, and government sponsored entities and government agencies such as the Federal National Mortgage Association, the Federal Housing Administration, and the Federal Home Loan Mortgage Corporation. PMCC's investment management products and services are provided primarily to affiliates (including Prudential's CBLs and pension plans) and third party institutional clients.

As of December 31, 2014, PMCC's total assets were $1.87 billion, and its total liabilities were $724 million. For the year ended December 31, 2014, PMCC's total revenue was $340 million, and its net income was $66 million.

i. Prudential Global Funding, LLC

PGF is a Delaware limited liability company that is Prudential's central derivatives conduit for executing interest rate, equity, foreign exchange, and credit default derivatives (*e.g.*, swaps and options) with third parties on behalf of Prudential's other legal entities, including the MLEs.

As Prudential's central derivatives conduit, PGF is utilized for originating derivatives transactions. Prudential legal entities enter into derivatives transactions with PGF, who in turn will trade with an internal or external counterparty. The use of PGF as a conduit has several advantages, such as centralized reporting and valuation, centralized collateral management, optimized netting, the centralization of operational risk management, the concentration of relevant specialized skills in one entity, and overall cost savings.

As of December 31, 2014, PGF's total assets were $4.56 billion, and its total liabilities were $4.49 billion. For the year ended December 31, 2014, PGF's total revenue was $51 million, and its net income was $42 million.

5. Prudential's Resolution Strategy

As required by Dodd-Frank and the Rule, the 2015 Plan discusses strategies for the resolution of PFI and its MLEs and CBLs, based on a hypothetical stress event that affects only Prudential. The 2015 Plan evaluates the effect of this hypothetical stress event on PFI, its MLEs and its CBLs, and it describes how the failure of PFI and certain of its MLEs would be addressed under the U.S. Bankruptcy Code or, for those MLEs that are insurance companies, the applicable state or foreign insurance laws. The 2015 Plan does not rely on the provision of extraordinary support by the U.S. or any other government. Although the actions taken in the event of an actual resolution and their consequences would depend on the facts and circumstances at the time of any actual material financial distress, the 2015 Plan shows that the resolution of Prudential could be executed in a rapid and orderly manner that would not have adverse effects on the financial stability of the U.S.

The preferred strategy in the 2015 Plan contemplates that PFI would be reorganized through a proceeding under Chapter 11 of the Bankruptcy Code, while the MLEs that are U.S. insurance companies would undergo rehabilitation under the respective state insurance statutes. PGF, Prudential's central derivatives conduit entity, would be liquidated under Chapter 11 of the Bankruptcy Code. These resolution strategies are described at a high-level below.

a. PFI and PGF

Under the hypothetical resolution scenario, each of PFI and PGF would voluntarily commence a bankruptcy proceeding under Chapter 11 of the Bankruptcy Code (a "Chapter 11 Proceeding") in the applicable federal court. In the course of the Chapter 11 Proceeding, PFI would, as necessary, sell certain businesses and reorganize around the businesses it retains, and, at the end of the proceeding, PFI would emerge from Chapter 11.

Following the commencement of the Chapter 11 Proceeding by PGF, most or all of PGF's outstanding derivatives positions would likely be terminated. PGF would then liquidate what limited assets would remain and settle any other liabilities pursuant to a Chapter 11 plan of liquidation. Following the completion of this process, PGF would be liquidated.

b. U.S. Insurer MLEs

The primary regulators of the U.S. Insurer MLEs have a broad range of regulatory authorities and tools available in the event of an insurance company stress. This includes, but is not limited to, Risk-Based Capital triggers or early warnings which allow the regulator to take preventative or corrective actions, the ability to place an insurer in administrative supervision and the ability to take control of an insurer through a receivership proceeding.

Pursuant to applicable law, an insurance company that fails would be resolved in accordance with the law of its state of domicile in a proceeding conducted by a rehabilitator appointed by the primary insurance regulator for that company, under the supervision of the applicable state court. Insurance companies are not eligible to commence proceedings under the Bankruptcy Code.

Under the hypothetical resolution scenario described in the 2015 Plan, the primary insurance regulators for each of PICA (the New Jersey Department of Banking and Insurance ("NJDOBI")), PRIAC (the Connecticut Insurance Department), PLAZ (the Arizona Department of Insurance (the "ADI")), and PALAC (the ADI) would file uncontested orders to commence rehabilitation proceedings against the relevant Insurer MLE in its state of domicile, and the respective courts would order the primary regulator to take control of the insurance company.

Rehabilitation proceedings would allow the regulators to develop rehabilitation plans that would seek to stabilize each U.S. Insurer MLE to the maximum extent possible and provide a viable road map for the preservation of the insurers as going concerns and their successful exit from rehabilitation. While not the preferred strategy, the 2015 Plan describes potential sales and dispositions of material assets and/or the run-off of certain businesses that could occur, as need be, during the hypothetical resolution period, as well as the retention of other businesses or parts of businesses following exit from resolution.

Under the hypothetical circumstances described in the 2015 Plan, each of the U.S. Insurer MLEs would remain in resolution for one or more years following the commencement of the rehabilitation process, and they would then emerge as operating insurers that return to providing life insurance and other products and services to customers.

c. PIM and PMCC

Under the hypothetical resolution scenario described in the 2015 Plan, neither PIM nor PMCC would commence a bankruptcy proceeding under the Bankruptcy Code. PIM's and PMCC's businesses would continue as going concerns and would continue to meet obligations to clients. Each of PIM's and PMCC's assets under management for third parties and, in turn, their asset management fee revenue, would be reduced as a result of the secondary effects of the hypothetical resolution scenario. As necessary, all or part of the Asset Management businesses could be sold by PFI in the course of its Chapter 11 proceeding, or those businesses could be retained by PFI as part of the reorganized business of PFI when it exits from bankruptcy.

d. GIB and POJ

POJ and GIB would not face material financial distress as a result of the hypothetical stress event described in the 2015 Plan and the commencement of rehabilitation proceedings and bankruptcy proceedings by some of the U.S. MLEs. However, Prudential assumes that the Japanese Financial Services Agency (the "JFSA") would subject each of GIB and POJ to heightened administrative supervision and monitoring and that POJ and GIB would no longer be subject to heightened administrative supervision and monitoring once PFI exits bankruptcy. The 2015 Plan assumes that POJ and GIB would be retained as part of the reorganization of PFI.

e. The Resulting State of the Company after Resolution

The resolution strategies presented in the 2015 Plan show that under the hypothetical resolution scenario, the MLEs, with the exception of PGF which would be liquidated, would remain funded, capitalized and operating upon exits from their respective resolutions, as applicable. The Company's preferred resolution strategy would not involve the sale of any businesses, or parts of businesses or legal entities. In the event that additional funding would be required in connection with PFI's reorganization and exit from Chapter 11, certain of the Company's CBLs or parts of CBLs would be sold. Businesses in the Asset Management CBL would be the most likely businesses to be sold. Also, certain CBLs may be run off, most likely, Group Insurance since it is the CBL that the hypothetical resolution event would most directly affect. PFI would be recapitalized in accordance with its Chapter 11 Plan of Reorganization and emerge from bankruptcy as a smaller organization. The ability of PFI to exit bankruptcy will depend on successful negotiations with its creditors and the confirmation of its Chapter 11 plan of reorganization by the Bankruptcy Court. It is assumed that the creditors would receive a mixture of cash, newly issued debt, warrants or other securities of PFI and/or equity in reorganized PFI in exchange for their claims against PFI. The assets of PFI and its MLEs are estimated, in a severely adverse economic environment, to be reduced by approximately 60% as of the time of PFI's estimated exit from Chapter 11 as compared to prior to the hypothetical stress event. The number of Prudential's employees, earnings, and assets under management would decline.

6. Material Legal Entity Interconnectivity

The Company's MLEs are interconnected both financially and operationally. Financial interconnectivity results from interdependencies among MLEs including those concerning funding and liquidity, capital, inter-affiliate guarantees and, for some MLEs, reinsurance. Operational interconnectivity results from interdependencies among MLEs, including those concerning the Company's use of people, facilities, shared services systems, and the provision of services by an MLE to another legal entity (*e.g.*, investment management services).

Financial Interconnectedness

Funding and Liquidity

The Company's Treasurers group seeks to ensure that the Company's expected and unexpected funding needs are met, generally at the enterprise level, with flexible sources of liquidity that are sufficient both in the ordinary course of business and under stress scenarios. The ability to transfer funds between legal entities can be limited by regulatory restrictions; as a result, Treasurers oversees liquidity at the individual MLE level as well. Liquidity related to the business operations resident within each MLE is managed directly by the related CBLs with oversight from Treasurers.

Sufficient funding and liquidity for all MLEs is provided by a variety of sources at the enterprise and legal entity levels. At the enterprise level, PFI regularly accesses public markets to provide funding, liquidity, and capital to its subsidiaries in the form of capital contributions or inter-affiliate loans. PFI itself is funded primarily by dividends and returns of capital paid by its subsidiaries. These sources of funds may be supplemented by PFI's access to the capital markets. PFI also has access to credit facilities and a contingent funding trust.

The primary sources of liquidity for the MLEs include asset portfolios, premiums and annuity considerations from policyholders, investment proceeds and income, and management fees.

Inter-affiliate funding

Inter-affiliate funding may occur via capital contributions/returns of capital, dividend payments, or inter-affiliate loans. Inter-affiliate loans may be utilized by any legal entity, subject to regulatory restrictions.

Figure I-2 Interconnectedness between MLEs due to outstanding inter-affiliate loans

Outstanding inter-affiliate borrowings by the MLEs as of December 31, 2014 are listed in Figure I-2 below.

Funding provider	Legal entity receiving funds									
	PFI	**PICA**	**PALAC**	**PRIAC**	**PLAZ**	**POJ**	**GIB**	**PMCC**	**PIM**	**Non-MLEs**
PFI					X			X		X
PICA					X				X	X
PALAC		X								
PRIAC									X	X
PLAZ									X	X
POJ	X						X	X		
GIB	X	X								X
PMCC	X									
PIM										X
Non-MLEs	X	X	X	X	X		X			

Capital

Treasurers develops and maintains a capital management framework for the MLEs. Prudential's primary basis for determining the appropriate level of capital to be maintained by each of its subsidiaries, and for the internal allocation of capital, is its determination of "Required Equity", an internal measure of capital adequacy that is based on internal and external methodologies and applicable regulatory requirements.

Inter-affiliate Guarantees

In the ordinary course of business, guarantees of obligations incurred by MLEs may be provided by PFI or PICA, but as of December 31, 2014, the only MLE guarantees were provided by PFI. These guarantees typically relate to affiliate debt obligations to internal and external parties. Net worth maintenance, liquidity support, portfolio maintenance, and similar types of guarantees may also be employed to ensure an affiliate's performance under an existing agreement.

Internally, guarantees may be provided in cases where the affiliate borrower is not externally rated and the guarantee from a rated affiliate allows the loans to be admitted as a statutory asset.

Figure I-3 Inter-affiliate guarantees between MLEs as of December 31, 2014

Guarantor	Beneficiary	Covered Entity	Type
PFI	PICA	Non-MLEs	Guarantee
		Non-MLEs	Liquidity Support
	PLAZ	Non-MLEs	Guarantee
	GIB	Non-MLEs	Guarantee
	POJ	PMCC	Guarantee
	Non MLE	PICA	Guarantee
	Third Parties	PICA	Guarantee
		PIM	Guarantee
		PMCC	Guarantee

Operational Interconnectedness

Inter-affiliate Agreements

PFI and the other MLEs enter into inter-affiliate agreements in the normal course of business. The primary types of inter-affiliate agreements between PFI and the MLEs concern the provision of investment management and advisory services, reinsurance, cash management services, administrative and other services and related materials and supplies, loans, support and guaranties, ISDA agreements and tax allocation agreements. Prudential internal policy and applicable laws for U.S. insurance companies require that individual legal entities that receive or provide these types of services do so pursuant to written inter-affiliate agreements.

People

The majority of Prudential's U.S.-based employees are employed by PICA, with the exception of a small number of management and executives of corporate functions who are primarily employed by PFI, and Asset Management employees who are primarily employed by PIM, PMCC, or their subsidiaries. U.S.-based employees who are primarily associated with International Insurance or corporate functions provide support to POJ and GIB.

Facilities

Prudential utilizes multiple types of facilities to conduct its day-to-day operations, including headquarters, operating facilities, data centers and field offices. The U.S. MLEs other than PICA do not own or lease any facilities, but instead rely upon facilities owned or leased primarily by PICA in the normal course of business. POJ and GIB own or lease many facilities in Japan, but they also rely upon facilities owned or leased by each other to conduct business activities.

Systems

PICA is the owner or contracting legal entity for the majority of the systems and applications used by U.S. MLEs that are licensed or purchased from third-party vendors. However, most of the contracts executed by PICA with third-party vendors typically contain contractual provisions that allow PICA affiliates to use the systems governed by the agreements. Generally, systems and applications used by GIB and POJ are owned or licensed to GIB or POJ, respectively, though certain systems are used by both entities.

7. Summary of Financial Information Regarding Assets, Liabilities, Capital and Major Funding Sources

Consolidated Statements of Financial Position

Figure I-4 presents PFI's consolidated statements of financial position from the 2014 Form 10-K. Please refer to the notes to the consolidated financial statements in the 2014 Form 10-K, which are an integral part of the consolidated financial statements, and Management's Discussion and Analysis in the 2014 Form 10-K regarding liquidity and capital resources, capital management, liquidity risk management, off-balance sheet arrangements, commitments, and applicable regulatory requirements as of December 31, 2014 (or if as of a later date, as specifically set forth in this Section).

Figure I-4 Consolidated statements of financial position of PFI (in $ millions)

ASSETS		
Fixed maturities, available-for-sale, at fair value	$	299,090
Fixed maturities, held-to-maturity, at amortized cost		2,575
Trading account assets supporting insurance liabilities, at fair value		20,263
Other trading account assets, at fair value		10,874
Equity securities, available-for-sale, at fair value		9,861
Commercial mortgage and other loans		46,432
Policy loans		11,712
Other long-term investments		10,921
Short-term investments		8,258
Total investments		419,986
Cash and cash equivalents		14,918
Accrued investment income		3,130
Deferred policy acquisition costs		15,971
Value of business acquired		2,836
Other assets		13,379
Separate Account Assets [2]		296,435
TOTAL ASSETS	$	766,655

LIABILITIES		
Future policy benefits [1]	$	217,766
Policyholders' account balances		136,150
Policyholders' dividends		7,661
Securities sold under agreements to repurchase		9,407
Cash collateral for loaned securities		4,241
Income taxes		9,881
Short-term debt		3,839
Long-term debt		19,831
Other liabilities		13,037
Notes issued by consolidated variable interest entities		6,058
Separate account liabilities		296,435
Total liabilities		724,306
EQUITY		
Total Prudential Financial, Inc. equity		41,770
Noncontrolling interests		579
Total equity		42,349
TOTAL LIABILITIES AND EQUITY	$	766,655

Notes:

(1) Because insurance company liabilities for future policy benefits are not known with certainty, in most cases, GAAP requires the Company to include a margin over and above the Company's best estimate of likely payments to policyholders in Future Policyholder benefits. This margin, which represents a provision for adverse deviation, includes deferred profits, is backed by assets, and is available to absorb losses.

(2) GAAP requires an insurance company to record all Separate Account assets on its balance sheets even when the insurance company does not bear the risk associated with these assets and the investment performance of the Separate Account assets is passed through the Separate Account policyholders or contractholders. These Separate Accounts assets, however, are offset by recording an identical amount as a Separate Account liability. To the extent an insurance company provides a guarantee related to such Separate Account assets, insurance company regulations require the insurer to hold sufficient assets in its General Account investment portfolio to back the insurance reserves and capital requirements for such guarantees, and these guarantees are separately accounted for under GAAP.

Overview of Capital and Liquidity

Effective and prudent capital and liquidity management is a priority across the organization. Prudential has a capital management framework in place that governs the allocation of capital and approval of capital uses, and the Company forecasts capital sources and uses. Prudential employs a "Capital Protection Framework" to ensure the availability of capital resources to maintain adequate capitalization on a consolidated basis and competitive risk-based capital ratios and solvency margin ratios for the Company's insurance subsidiaries under various stress scenarios. Prudential's management monitors the liquidity of PFI and its subsidiaries on a daily basis and projects borrowing and capital needs over a multi-year time horizon through its periodic planning process. Prudential believes that cash flows from the sources of funds available to it are sufficient to satisfy the current liquidity requirements of PFI and its subsidiaries, including under reasonably foreseeable stress scenarios.

Capital

Prudential's assessment of its capital management framework is primarily based on statutory risk-based capital and solvency margin measures. Due to its diverse mix of businesses and applicable regulatory requirements, Prudential applies certain refinements to the framework that are designed to more appropriately reflect risks associated with its businesses on a consistent basis across the Company.

Prudential seeks to capitalize all of its subsidiaries and businesses in accordance with their ratings targets, and the Company believes its capitalization and use of financial leverage are consistent with those ratings targets. Prudential's financial strength rating targets for its life insurance companies are "AA"/"Aa2"/"AA" for Standard & Poor's Ratings Services ("S&P"), Moody's Investor Service, Inc. ("Moody's"), and Fitch Ratings Ltd. ("Fitch"), and "A+" for A.M. Best Company ("A.M. Best"), though some entities may currently be rated below these targets and not all of its life insurance companies are rated by each of these ratings agencies. Prudential's long-term senior debt rating targets for PFI are "A+" for S&P, "A2" for Moody's, "A" for Fitch, and "a" for A.M. Best.

Capital Governance

Prudential's capital management framework is ultimately reviewed and approved by PFI's Board of Directors (the "Board"). The Board has adopted a capital policy that authorizes PFI's Chairman and Chief Executive Officer and Vice Chairman to approve certain capital actions on behalf of the Company and to further delegate authority with respect to capital actions to appropriate officers. Any capital commitment that exceeds the authority granted to senior management under the capital policy is separately authorized by the Board.

In addition, the Company's Capital and Finance Committee reviews the use and allocation of capital above certain threshold amounts to promote the efficient use of capital, consistent with the Company's strategic objectives, ratings aspirations and other goals and targets. This management committee provides a multi-disciplinary due diligence review of specific initiatives or transactions requiring the use of capital, including mergers and acquisitions. The Capital and Finance Committee also evaluates Prudential's annual capital and financing plan, as well as the Company's capital, liquidity and financial position, borrowing plans, and related matters prior to the discussion of these items with the Board.

Insurance Regulatory Capital

PICA, POJ, GIB and other domestic and international insurance subsidiaries are managed to regulatory capital levels believed by the Company to be consistent with the "AA" ratings targets.

The Risk-Based Capital, or "RBC", ratio is a primary measure of the capital adequacy of PICA and PFI's other domestic insurance subsidiaries. The RBC ratio is calculated based on statutory financial statements and risk formulas consistent with the practices of the National Association of Insurance Commissioners and approval from the state insurance regulators. The RBC ratio considers, among other things, risks related to the type and quality of the invested assets, insurance-related risks associated with an insurer's products and liabilities, interest rate risks and general business risks. RBC ratio calculations are intended to assist insurance regulators in measuring an insurer's solvency and ability to pay future claims. The reporting of RBC measures is not intended for the purpose of ranking any insurance company or for use in connection with any marketing, advertising or promotional activities but is available to the public. The RBC ratio for PICA was 498% as of December 31, 2014, the most recent statutory fiscal year-end and RBC reporting date for PICA.

Similar to the RBC ratios that are employed by U.S. insurance regulators, regulatory authorities in the international jurisdictions in which the Company operates generally establish some form of minimum solvency margin requirements for insurance companies based on local statutory accounting practices. These solvency margins are the primary measure that Prudential uses to measure the capital adequacy of Prudential's international insurance operations. Maintenance of its solvency margins at certain levels is also important to the Company's competitive positioning of these insurance operations, as in certain jurisdictions, such as Japan, these solvency margins are required to be disclosed to the public and therefore impact the public perception of an insurer's financial strength. The solvency margin ratios for each of POJ and GIB as of June 30, 2015, the most recent date for which this information is available, were 853% and 927%, respectively.

All of PFI's domestic and international insurance subsidiaries have capital levels that substantially exceed the minimum level required by applicable insurance regulations. Prudential evaluates the regulatory capital of its domestic and international insurance operations under reasonably foreseeable stress scenarios and believes it has adequate resources to maintain its capital levels comfortably above regulatory requirements under these scenarios.

Capital Protection Framework

As noted above, Prudential employs a "Capital Protection Framework" to ensure that sufficient capital resources are available to maintain adequate capitalization on a consolidated basis and competitive RBC ratios and solvency margins for its insurance subsidiaries under various stress scenarios. The Capital Protection Framework incorporates the potential impacts from market related stresses, including equity markets, real estate, interest rates, credit losses, and foreign currency exchange rates. Potential sources of capital include on-balance sheet capital, derivatives, reinsurance and contingent sources of capital. Although Prudential continues to enhance its approach, it believes it currently has access to sufficient resources to maintain adequate capitalization and competitive RBC ratios and solvency margins including under reasonably foreseeable stress scenarios.

Liquidity

Prudential performs liquidity management and stress testing on a legal entity basis, as the ability to transfer funds between subsidiaries is limited due in part to regulatory restrictions. Liquidity needs are determined through daily and quarterly cash flow forecasting at PFI and within PFI's operating subsidiaries. PFI seeks to maintain a minimum cash balance of $1.3 billion to ensure that adequate liquidity is available at PFI to cover fixed expenses in the event that it experiences reduced cash flows from its operating subsidiaries at a time when access to capital markets is also not available. This targeted minimum balance is reviewed and approved annually by the Board.

To mitigate the risk of having limited or no access to financing due to stressed market conditions, capital debt is generally prefunded in advance of maturity. The refinancing risk associated with debt that is used to fund operating needs is mitigated by matching the term of debt with the assets financed. To ensure adequate liquidity in stress scenarios, stress testing is performed on a quarterly basis for PFI's major operating subsidiaries. Liquidity risk is further mitigated by Prudential's access to the "Alternative Sources of Liquidity" discussed below.

Liquidity of PFI

The principal sources of funds available to PFI are dividends and returns of capital from subsidiaries, repayments of operating loans from subsidiaries and cash and short-term investments. These sources of funds may be supplemented by PFI's access to the capital markets as well as the "Alternative Sources of Liquidity" described below.

The primary uses of funds at PFI include servicing debt, paying operating expenses, making capital contributions and loans to subsidiaries, paying declared shareholder dividends and repurchasing outstanding shares of common stock executed under Board authority.

Restrictions on Dividends and Returns of Capital from Subsidiaries

Prudential's insurance companies are subject to limitations on the payment of dividends and other transfers of funds to PFI and other affiliates under applicable insurance laws and regulations. Also, more generally, the payment of dividends by any of PFI's subsidiaries is subject to declaration by their boards of directors and can be affected by market conditions and other factors.

- *Domestic insurance subsidiaries.* PFI's most significant domestic subsidiary, PICA, is permitted to pay ordinary dividends based on calculations specified under New Jersey insurance law, subject to prior notification to the NJDOBI. Any distributions above this amount in any 12-month period are considered to be "extraordinary" dividends, and NJDOBI's approval is required prior to payment. The laws regulating dividends of the states where Prudential's other domestic insurance companies are domiciled are similar, but not identical, to New Jersey's.

- *International insurance subsidiaries.* PFI's international insurance subsidiaries are subject to dividend restrictions imposed by the regulatory authorities in the international jurisdictions in which they operate. PFI's most significant international insurance subsidiaries, POJ and GIB, are permitted to pay common stock dividends based on calculations specified by Japanese insurance law, subject to prior notification to the JFSA. Dividends in excess of these amounts and other forms of capital distribution require the prior approval of the JFSA.

- *Other subsidiaries*. The ability of PFI's asset management subsidiaries and the majority of its other operating subsidiaries to pay dividends is largely unrestricted from a regulatory standpoint.

Liquidity of Insurance Subsidiaries

Prudential manages the liquidity of its insurance operations to ensure stable, reliable and cost-effective sources of cash flows to meet all of its obligations. Liquidity within each of PFI's insurance subsidiaries is provided by a variety of sources including portfolios of liquid assets. The investment portfolios of PFI's subsidiaries are integral to the overall liquidity of Prudential's insurance operations. Prudential segments its investment portfolios and employs an asset/liability management approach specific to the requirements of each of its product lines. This enhances the discipline applied in managing the liquidity, as well as the interest rate and credit risk profiles, of each portfolio in a manner consistent with the unique characteristics of the product liabilities. The Company uses a projection process for cash flows from operations to ensure sufficient liquidity is available to meet projected cash outflows, including claims.

Liquidity is measured against internally developed benchmarks that take into account the characteristics of both the asset portfolio and the liabilities that they support. The Company considers attributes of the various categories of liquid assets (for example, type of asset and credit quality) in calculating internal liquidity measures to evaluate the liquidity of insurance operations under various stress scenarios, including Company specific and market wide events. The Company believes it has adequate liquidity in each of PFI's insurance subsidiaries, including under severely adverse and adverse stress scenarios.

Cash Flow

The principal sources of liquidity for PFI's insurance subsidiaries are premiums and annuity considerations, investment and fee income, and investment maturities and sales associated with Prudential's insurance and annuity operations, as well as internal and external borrowings. The principal uses of that liquidity include benefits, claims, dividends paid to policyholders, and payments to policyholders and contractholders in connection with surrenders, withdrawals and net policy loan activity. Other uses of liquidity include commissions, general and administrative expenses, purchases of investments, hedging activity, payment of dividends and payments in connection with financing activities.

Liquidity Resources

Liquid assets include cash and cash equivalents, short-term investments, fixed maturities that are not designated as held-to-maturity and public equity securities. In addition to access to substantial investment portfolios, Prudential's insurance companies' liquidity is managed through access to a variety of instruments available for funding and/or managing cash flow mismatches, including from time to time those arising from claim levels in excess of projections. Prudential's ability to transfer assets and liquidity between PFI's subsidiaries is limited by regulatory and other constraints. Prudential believes that ongoing operations and the liquidity profile of its assets provide sufficient liquidity under reasonably foreseeable stress scenarios for each of PFI's insurance subsidiaries.

Alternative Sources of Liquidity

In addition to the sources of liquidity discussed above, PFI and certain subsidiaries have access to the alternative sources of liquidity described below:

- *Asset-Based Financing*
  Prudential conducts asset-based or secured financing within PFI's insurance and other subsidiaries, including transactions such as securities lending, repurchase agreements and mortgage dollar rolls to earn spread income, to borrow funds, or to facilitate trading activity. These programs are primarily driven by portfolio holdings of securities that are lendable based on counterparty demand for these securities in the marketplace. The collateral received in connection with these programs is primarily used to purchase securities in the short-term spread portfolios of the Company's insurance entities. Investments held in the short-term spread portfolios include cash and cash equivalents, short-term investments, mortgage loans and fixed maturities, including mortgage- and asset-backed securities, with a weighted average life at time of purchase by the short-term portfolios of four years or less.

- *Membership in the Federal Home Loan Banks*
  PICA is a member of the Federal Home Loan Bank of New York ("FHLBNY") and PRIAC is a member of the Federal Home Loan Bank of Boston ("FHLBB"). Membership in the Federal Home Loan Banks provides PICA and PRIAC with the ability to obtain loans and to issue funding agreements up to specified regulatory limits that are collateralized by qualifying mortgage-related assets or U.S. Treasury securities. As of September 30, 2015, PICA had an estimated maximum borrowing capacity of $7.4 billion, of which $2.0 billion was outstanding. PRIAC had an estimated maximum borrowing capacity of $0.2 billion with no advances outstanding. As of September 30, 2015, PICA and PRIAC had qualifying assets available but not pledged with fair value of $3.5 billion and $1.9 billion, respectively.

  Borrowings under these facilities are subject to the FHLBNY's and the FHLBB's discretion and require the availability of qualifying assets at PICA and PRIAC, respectively.

- *Commercial Paper Programs*
  PFI and Prudential Funding, LLC ("Prudential Funding"), a wholly-owned subsidiary of PICA, have commercial paper programs with an authorized issuance capacity of $3.0 billion and $7.0 billion, respectively. PFI's commercial paper borrowings generally have been used to fund the working capital needs of PFI's subsidiaries and provide short-term liquidity at PFI. Prudential Funding commercial paper borrowings generally have been used to fund certain working capital needs of PICA and its subsidiaries. Prudential Funding also lends to other subsidiaries of PFI up to limits agreed with NJDOBI. As of September 30, 2015, PFI and Prudential Funding had outstanding borrowings of $169 million and $620 million, respectively, under these commercial paper programs.

- *Credit Facilities*
  As of April 2015, Prudential has access to a $4 billion syndicated, committed credit facility, that has both PFI and Prudential Funding as borrowers. This credit facility expires in April 2020, and it may be used for general corporate purposes, including as backup liquidity for the Company's commercial paper programs. There were no outstanding borrowings under this credit facility as of September 30, 2015.

- *Put Option Agreement for Senior Debt Issuance*
  In November 2013, PFI entered into a ten-year put option agreement with an unaffiliated Delaware trust upon the completion of the sale of $1.5 billion of trust securities by that Delaware trust in a Rule 144A private placement. The trust invested the proceeds from the sale of the trust securities in a portfolio of principal and interest strips of U.S. Treasury securities. The put option agreement provides PFI the right to sell to the trust at any time up to $1.5 billion of 4.419% senior notes due November 2023 and receive in exchange a corresponding amount of the principal and interest strips of U.S. Treasury securities held by the trust.

8. Derivative and Hedging Activities

The Company uses derivative financial instruments primarily to reduce market risk from changes in interest rates, equity prices and foreign currency exchange rates, and to alter interest rate or foreign currency exposures arising from mismatches between assets and liabilities. The derivatives primarily used by the Company include swaps, futures, options and forward contracts that are exchange-traded or contracted in the over-the-counter market.

Prudential's derivatives also include embedded derivatives recognized under GAAP relating to certain product features, primarily optional living benefit features associated with the living benefit guarantees provided under the Company's variable annuity products and secondary guarantees provided under universal life products

Types of Derivative Instruments and Derivative Strategies

- *Interest Rate Contracts*

Interest rate swaps, options, and futures are used by the Company to reduce risks from changes in interest rates, to manage interest rate exposures arising from mismatches between assets and liabilities (including duration mismatches) and to hedge against changes in the value of assets it owns or anticipates acquiring or selling. Swaps may be attributed to specific assets or liabilities or may be used on a portfolio basis.

The Company also uses swaptions, interest rate caps, and interest rate floors (included in interest rate options in Figure I-5 below) to manage interest rate risk.

- *Equity Contracts*

Equity index options are contracts which will settle in cash based on differentials in the underlying indices at the time of exercise and the strike price. The Company uses combinations of purchases and sales of equity index options to hedge the effects of adverse changes in equity indices within a predetermined range.

- *Foreign Exchange Contracts*

Currency derivatives, including currency futures, options, forwards, and swaps, are used by the Company to reduce risks from changes in currency exchange rates with respect to investments denominated in foreign currencies that the Company either holds or intends to acquire or sell, and to hedge the currency risk associated with net investments in foreign operations and anticipated earnings of its foreign operations. The Company uses currency forwards to mitigate the impact of changes in currency exchange rates on U.S. dollar equivalent earnings generated by certain of its non-U.S. businesses, primarily its international insurance and investments operations.

- *Credit Contracts*

The Company writes credit default swaps for which it receives a premium to insure credit risk. These are used by the Company to enhance the return on the Company's investment portfolio by creating credit exposure similar to an investment in public fixed maturity cash instruments. With these derivatives, the Company sells credit protection on an identified name, or an index of names, and in return receives a quarterly premium. In addition to selling credit protection the Company has purchased credit protection using credit derivatives in order to hedge specific credit exposures in the Company's investment portfolio.

- *Other Contracts*
    - *"To Be Announced"("TBA")*

The Company uses TBA forward contracts to gain exposure to the investment risk and return of mortgage-backed securities. TBA transactions can help the Company enhance the return on its investment portfolio, and can provide a more liquid and cost effective method of achieving these goals than purchasing or selling individual mortgage-backed pools. Pursuant to the Company's mortgage dollar roll program, TBAs or mortgage-backed securities are transferred to counterparties with a corresponding agreement to repurchase them at a future date. These transactions do not qualify as secured borrowings and are accounted for as derivatives.

- *Loan Commitments*

In its mortgage operations, the Company enters into commitments to fund commercial mortgage loans at specified interest rates and other applicable terms within specified periods of time. These commitments are legally binding agreements to extend credit to a counterparty. Loan commitments for loans that will be held for sale are recognized as derivatives and recorded at fair value. Loan commitments that relate to the origination of mortgage loans that will be held for investment are not accounted for as derivatives and accordingly are not recognized in the Company's financial statements.

- *Embedded Derivatives*

The Company sells variable annuity products, which may include guaranteed benefit features that are accounted for as embedded derivatives. The Company maintains a portfolio of derivative instruments that is intended to economically hedge a portion of the risks related to the above products' features. The derivatives may include, but are not limited to equity options, total return swaps, interest rate swaptions, caps, floors, and other instruments.

The Company invests in fixed maturities that, in addition to a stated coupon, provide a return based upon the results of an underlying portfolio of fixed income investments and related investment activity. The Company accounts for these investments as available-for-sale fixed maturities containing embedded derivatives. Such embedded derivatives are marked to market based upon the change in value of the underlying portfolio.

- *Synthetic Guarantees*

The Company sells Synthetic Guaranteed Investment Contracts ("Synthetic GICs"), through both full service and investment-only sales channels, to investment vehicles used by qualified defined contribution pension plans. The Synthetic GICs are issued in respect of assets that are owned by the trustees of such plans, who invest the assets according to the contract terms agreed to with the Company. The contracts establish participant balances and credit interest thereon. The participant balances are supported by the underlying assets. In connection with certain participant-initiated withdrawals, the contract guarantees that after all underlying assets are liquidated, any remaining participant balances will be paid by the Company. Under U.S. GAAP, these contracts are accounted for as derivatives and recorded at fair value.

Figure I-5 below provides a summary of the gross notional amount and fair value of derivatives contracts by the primary underlying, excluding embedded derivatives and associated reinsurance recoveries. Many derivative instruments contain multiple underlyings. The fair value amounts below represent the gross fair value of derivative contracts prior to taking into account the netting effects of master netting agreements and cash collateral held with the same counterparty and non-performance risk. This netting impact results in total derivative assets of $2,748 million and $1,593 million as of September 30, 2015 and December 31, 2014, respectively and total derivative liabilities of $96 million and $158 million as of September 30, 2015 and December 31, 2014, respectively, as reflected in PFI's Consolidated Statements of Financial Position.

Prudential

Figure I-5 Summary of the gross notional amount and fair value of derivatives contracts, by the primary underlying/instrument type, excluding embedded derivatives which are recorded with the associated host (in $ millions)

Primary Underlying/ Instrument Type	September 30, 2015 Notional [1]	September 30, 2015 Gross Fair Value Assets	September 30, 2015 Gross Fair Value Liabilities	December 31, 2014 Notional [1] [2]	December 31, 2014 Gross Fair Value Assets [2]	December 31, 2014 Gross Fair Value Liabilities [2]
			(in millions)			
Derivatives Designated as Hedge Accounting Instruments:						
Interest Rate						
Interest Rate Swaps.........	$ 1,459	$ 21	$ (175)	$ 1,714	$ 21	$ (191)
Foreign Currency						
Foreign Currency Forwards.........................	426	10	(4)	443	5	(14)
Currency/Interest Rate						
Foreign Currency Swaps...	12,641	1,529	(17)	10,772	679	(161)
Total Qualifying Hedges	$ 14,526	$ 1,560	$ (196)	$ 12,929	$ 705	$ (366)
Derivatives Not Qualifying as Hedge Accounting Instruments:						
Interest Rate						
Interest Rate Swaps	$ 171,287	$ 11,442	$ (4,997)	$ 182,937	$ 9,904	$ (4,578)
Interest Rate Futures......	27,599	1	0	32,008	5	(3)
Interest Rate Options	39,186	635	(201)	27,561	663	(180)
Interest Rate Forwards...	324	7	0	877	2	(1)
Foreign Currency						
Foreign Currency Forwards.......................	17,240	3487	(125)	21,197	854	(1,011)
Foreign Currency Options	93	0	0	203	6	0
Currency/Interest Rate						
Foreign Currency Swaps ...	11,240	1,444	(185)	11,803	1,207	(145)
Credit						
Credit Default Swaps.........	1,578	5	(38)	2,622	7	(30)

Primary Underlying/ Instrument Type	September 30, 2015 Notional (1)	Gross Fair Value Assets	Gross Fair Value Liabilities	December 31, 2014 Notional (1) (2)	Gross Fair Value Assets (2)	Gross Fair Value Liabilities (2)
			(in millions)			
Equity						
Equity Futures	1,337	1	(14)	331	3	0
Equity Options	79,158	398	(127)	57,590	504	(41)
Total Return Swaps	18,752	1,081	(19)	15,217	65	(462)
Commodity						
Commodity Futures	54	0	0	18	1	0
Synthetic GICs	73,406	7	0	74,707	6	0
Total Non-Qualifying Derivatives [2]	$441,214	$ 15,369	$ (5,706)	$ 426,351	$ 13,227	$ (6,451)
Total Derivatives [3]	$455,740	$ 16,929	$ (5,902)	$ 439,280	$ 13,932	$ (6,817)

Notes:

(1) Notional amounts are presented on a gross basis and include derivatives used to offset existing positions.

(2) Based on notional amounts, most of the Company's derivatives do not qualify for hedge accounting as follows: (i) derivatives that economically hedge embedded derivatives do not qualify for hedge accounting because changes in the fair value of the embedded derivatives are already recorded in net income, (ii) derivatives that are utilized as macro hedges of the Company's exposure to various risks typically do not qualify for hedge accounting because they do not meet the criteria required under portfolio hedge accounting rules, and (iii) Synthetic GICs, which are product stand-alone derivatives do not qualify as hedging instruments under hedge accounting rules.

(3) Excludes embedded derivatives which contain multiple underlyings. The fair value of these embedded derivatives was a net liability of $9,135 million as of September 30, 2015 and a net liability of $8,162 million as of December 31, 2014, primarily included in "Future policy benefits."

9. Use of Third Party and Inter-affiliate Reinsurance

Prudential's insurance operations utilize both affiliated and unaffiliated reinsurance. Prudential uses affiliated reinsurance for various purposes, including the ability to more effectively manage risks. In addition, Prudential uses captive reinsurance companies in its domestic insurance operations to more effectively manage reserves and capital on an economic basis and to enable the aggregation and transfer of risk. These affiliated domestic reinsurance companies, or captives, assume business from affiliates only and are generally domiciled in the same jurisdiction as the ceding company. The decision to domicile the captive in this way means that the domiciliary regulator is the same for both the captive reinsurer and the primary ceding company and that the regulator has complete access to financial and other information of each entity, with full authority to intervene in the event of financial distress. Prudential uses external reinsurance to hedge insurance mortality and related risks, and for regulatory capital and reserve management.

10. Memberships in or Usage of Material Payment, Clearing and Settlement Systems

Figure I-6 below presents a list of Prudential's memberships in or usage of material payment, clearing and settlement systems.

Figure I-6 Memberships in or usage of material payment, clearing, and settlement systems

Payment, clearing, and settlement systems	Type
Bank of New York Mellon	Settlements (Tri-Party Repo)
BATS Exchange (BATS)*	Payment Clearinghouse
Bloomberg SEF (BSEF)	Trading
CBOE Futures Exchange (CFE)*	Central Counterparty ("CCP")
Chicago Board of Trade (ECBOT)*	CCP
Chicago Board Options Exchange (CBOE)*	CCP
Chicago Mercantile Exchange (CME)*	CCP
Chicago Mercantile Exchange (GLOBEX)*	CCP
CLS Bank International (CLS)*	Payment Clearinghouse
COMEX*	Clearinghouse
EPN (Electronic Payments Network)*	Payment Clearinghouse
Eurex (EUREX)*	Clearinghouse
Euronext Liffe (LIFFE)*	Clearinghouse
FedACH*	Payment Clearinghouse

Payment, clearing, and settlement systems	Type
Fedwire*	Payment Clearinghouse
Fixed Income Clearing Corporation*	Payment Clearinghouse
FX Connect	Trading
ICE Clear Credit LLC*	CCP
Intercontinental Exchange (ICE)*	CCP
International Monetary Market (IMM)*	CCP
Japan Securities Depository Center (JASDEC)*	Depository
Japan Securities Clearing Corp*	Depository
JP Morgan Chase	Settlements (Tri-Party Repo)
London Clearing House (LCH)*	CCP
MarkitWire	Trading
Misys CMS (FX Confirmation)	Trading
NASDAQ (including NASDAQ OMX BX and NASDAQ OMX PHLX)*	Trading
National Securities Clearing Corporation (NSCC)*	Payment Clearinghouse
New York Mercantile Exchange (NYMEX)*	Trading
New York Stock Exchange (NYSE MKT, NYSE Alternext and NYSE Arca)*	Trading
NYSE Euronext*	Trading
NYSE Liffe U.S. (Futures Exchange)*	Clearinghouse
Society for Worldwide Interbank Financial Telecommunication	Telecommunications
Sydney Futures Exchange (SFE)*	Clearinghouse
The Clearing House Payments Company, LLC*	Payments Clearinghouse
The Depository Trust Company (DTC)*	Depository
The Options Clearing Corporation (OCC)*	Clearinghouse
Tokyo Stock Exchange (TSE)*	Trading
TradeWeb	Trading

Notes:
Indirect access to the payment, clearing, and settlement systems designated with an asterisk (*) is available through relationships with third parties such as futures commission merchants and agent banks. Prudential accesses the NSCC and DTC both directly and indirectly through third parties such as agent banks.

11. Foreign Operations

Prudential operates in a number of non-U.S. markets, particularly Japan. International Insurance sells individual life insurance, retirement and related products, including certain health products with fixed benefits. Prudential operates insurance companies in Japan, Korea, Taiwan, Mexico, Argentina, Brazil, Italy and Poland. In addition to the operations discussed above, Prudential has a 26% interest in a life insurance joint venture in India and a 50% interest in a life insurance joint venture in China. The Company also has a 70% interest in an established life insurance business in Malaysia.
Each operation is managed on a stand-alone basis with local management and sales teams, with oversight by senior executives based in Asia, Latin America and the U.S. Each operation has its own marketing, underwriting, claims, investment management and actuarial functions.

In addition, significant portions of the general account investment portfolios for these international operations are managed by Asset Management, including through international subsidiaries. Operations generally invest in local currency securities, primarily bonds issued by the local government or its agencies. The Company's larger international operations have more diversified portfolios that also include U.S. dollar-denominated investments, in large part to support products issued in U.S. dollars and as part of Prudential's foreign exchange hedging strategy. In addition, GIB has Australian dollar-denominated investments that support products issued in that currency.

While much of the Company's international business is managed by International Insurance, other businesses also have international offices, products, clients, and other activities that are managed primarily by Asset Management.

12. Material Supervisory Authorities

Prudential's businesses are subject to comprehensive regulation and supervision. Figure I-7 shows the material supervisory authorities for Prudential's MLEs and certain non-MLEs.[7]

Figure I-7 Material Supervisory Authorities for Prudential's MLEs and Certain non-MLEs.

Supervisor	Jurisdiction
Arizona Department of Insurance	Arizona
Connecticut Insurance Department	Connecticut
Commodities Futures Trading Commission	U.S.
Department of Housing and Urban Development	U.S.
Department of Labor	U.S
Federal Reserve Board	U.S.
Financial Industry Regulatory Authority[8]	U.S.
National Futures Association	U.S.
New Jersey Department of Banking and Insurance	New Jersey
Securities and Exchange Commission	U.S.
Deposit Insurance Corporation of Japan	Japan
Japan Financial Services Agency	Japan
Japanese Ministry of Finance	Japan

7 These non-MLEs are PIMS, Prudential Annuities Distributor, Inc., and Pruco Securities, LLC, which are affiliated broker-dealers that are registered with the SEC and are members of FINRA.

8 FINRA is only a supervisory authority for the non-MLEs listed in Footnote 7 above. FINRA is not a supervisory authority for any MLE.

The Company's non-insurance international operations are also supervised primarily by regulatory authorities in the countries in which they operate. The Company's international businesses may also be subject to U.S. laws governing businesses controlled by U.S. companies such as the Foreign Corrupt Practices Act, various anti-money laundering laws and regulations, and certain regulations issued by the U.S. Office of Foreign Asset Control.

For additional information about the Company's Material Supervisory Authorities, please see the 2014 Form 10-K.

13. Principal Officers

Figure I-8 sets forth the names of the executive officers of PFI and their respective positions are set forth below.

Figure I-8 Names of Executive Officers of PFI

Name	Position at PFI
John R. Strangfeld, Jr.	Chairman, Chief Executive Officer and President
Mark B. Grier	Vice Chairman
Timothy P. Harris	Executive Vice President and General Counsel
Robert M. Falzon	Executive Vice President and Chief Financial Officer
Charles F. Lowrey	Executive Vice President and Chief Operating Officer, International Business
Stephen Pelletier	Executive Vice President and Chief Operating Officer, U.S. Business
Barbara G. Koster	Senior Vice President and Chief Information Officer
Richard F. Lambert	Senior Vice President and Chief Actuary
Nicholas C. Silitch	Senior Vice President and Chief Risk Officer
Scott G. Sleyster	Senior Vice President and Chief Investment Officer
Sharon C. Taylor	Senior Vice President Human Resources

14. Corporate Governance Structure and Processes Related to Resolution Planning

Prudential's resolution planning governance structure has been implemented to ensure, to the greatest extent possible, that the hypothetical implementation of the 2015 Plan (which would reflect the facts and circumstances in effect at the time of any material financial distress) would result in the rapid and orderly resolution of the Company in a manner that would not create systemic risk to the financial stability of the U.S. This resolution planning governance structure is as follows:

- The **Board** has the ultimate responsibility for approving the 2015 Plan. The Board has appointed its **Finance Committee** to provide oversight of the preparation and completion of the 2015 Plan. The Finance Committee serves as a bridge between the Steering Committee, the Office of the Chairman and the Board.

- The **Office of the Chairman** has ultimate executive management responsibility for the 2015 Plan.

- The **Steering Committee** serves as the executive oversight committee with regard to resolution planning. The Steering Committee oversees the work of, and receives regular reports and updates from the Program Sponsors and the 2015 Plan Leads.

- Two **Program Sponsors** set the strategic direction for the 2015 Plan, subject to the supervision of the Board, the Office of the Chairman and the Steering Committee, and ultimately review and approve the 2015 Plan before it is presented to the Steering Committee, the Office of the Chairman and the Board.

- The **Core Team** works closely with designated representatives from the CBLs, MLEs, and corporate functions with regard to Prudential's resolution planning initiatives. The Core Team is led by two **Resolution Plan Leads** who are responsible for the preparation and governance of the Resolution Plan and the compilation, review, and maintenance of all 2015 Plan information.

- The **Working Committee** consists of an officer or officers appointed by each CBL and corporate function. These representatives are accountable for reviewing applicable portions of the 2015 Plan, for ensuring that all requests for information in connection with the preparation and development of the 2015 Plan are appropriately addressed and that information provided to the Core team is accurate.

The Board and the Finance Committee of the Board have reviewed and approved the 2015 Plan.

15. Material Management Information Systems

Prudential's management information systems ("MIS") include applications which are used to generate reports to assist in the management of financial reporting, accounting, capital, funding liquidity management, compliance, operations, and risk.

Prudential maintains detailed business continuity (including disaster recovery) plans for each of its business lines and supporting MIS, which detail systems and application recovery times objectives as well as plans to maintain operations in the event key systems are not available. In order to identify the key MIS for the 2015 Plan, Prudential utilized business lines and disaster recovery plans as well as further input from business lines and corporate function users to identify systems and applications that would be necessary for the continued operation of Prudential's business operations and MIS for 2015 Plan purposes.

Prudential has data centers in the U.S. and abroad. While the majority of the systems/applications are hosted internally at sites owned and managed by Prudential's Global Business and Technology Solutions ("GBTS") corporate function, there is a small portion of systems/applications that are hosted through third-party providers. Information security is critical to Prudential's success, and all employees are expected to adhere to the standards prescribed within its Security for Business Information Policy. This policy defines the purpose and authority of the information security program, which lies within the purview of the Chief Information Security Officer and the Information Security Office of Prudential.

Prudential, with the support of Information Technology, or IT, strives to create long-term value for its stakeholders through strong business fundamentals that are consistent with its mission to help its customers achieve financial prosperity and peace of mind. Prudential relies on IT to support its mission and vision and facilitate its subsidiaries in providing insurance, investment management, and other financial products and services to its retail and institutional customers.

IT at Prudential is governed by a federated model with:

- The Corporate Chief Information Officer responsible for centralized IT policies and standards, architecture, infrastructure, and IT operations and services across Prudential.
- Individual corporate function and business unit Chief Information Officer responsible for local IT strategy implementation and application development.

The federated model enables alignment of IT with the needs of the business by leveraging economies of scale, thus ensuring efficient service delivery and effective IT governance and management across the corporate functions and business units.

The Corporate Chief Information Officer is responsible for GBTS, which delivers technology as a global shared service to Prudential’s corporate functions and business units.

The Corporate Chief Information Officer, with support from corporate function and business unit Chief Information Officers, GBTS, and other corporate governance functions, units, and shared services, promotes positive IT risk culture across Prudential which includes:

- delivering customer-focused technology solutions through innovation and collaboration with the corporate functions and business units;
- ensuring optimal business and IT strategy alignment to enable risk-intelligent decision making;
- growing, modernizing, and continuously strengthening the IT control environment across Prudential's corporate functions and business units;
- promoting organizational quality through integration of people, process, and technology; and
- developing reports and metrics for ongoing identification of risks and performance across IT-related capabilities.

16. Steps to Improve Resolvability

Although Prudential believes that it is highly resolvable, important steps have been taken, and will continue to be taken, to reinforce its ability to be resolved in a rapid and orderly manner in the unlikely event of material financial distress. As further described below, certain endeavors to support resolvability have been completed, while others have been initiated or are being evaluated for commencement.

Legal Entity Structure

The maintenance of an efficient legal entity structure for PFI and its subsidiaries is critical to enhancing shareholder value, meeting business objectives, complying with legal and regulatory requirements and providing assurance that Prudential's structure supports orderly resolution. Prudential endeavors to maintain the minimum number of legal entities that is required to operate the businesses of PFI effectively and efficiently and it periodically reviews its legal entity structure for efficiencies. Examples of such efforts in 2015 include the dissolution of two entities: Prudential Holdings, LLC on March 26, 2015 and Prudential New Jersey Captive Insurance Company on April 14, 2015.

The Company has adopted a Legal Entity Management Policy which addresses the major activities of each legal entity from its formation to its dissolution. This Policy establishes a multi-disciplinary, functional review and approval process for the formation, changes in status and dissolution of legal entities which Prudential believes is appropriate given the Company's obligations and objectives. Prudential has begun a formal assessment of its current legal entity management framework which will include an evaluation of the criteria – capital, funding and liquidity, legal and regulatory, business and operational and other factors – which are utilized to make determinations about the legal entity structure. The Company will also look for potential operational efficiencies and cost savings as part of this initiative.

Capital and Liquidity

Effective capital management remains a primary focus of Prudential and an essential element of its overall strategy. Maintaining strong capital and liquidity positions helps the Company retain the financial strength and flexibility needed to pursue new opportunities, while providing the Company with the means to address market volatility.

As part of its capital management strategy, Prudential redeemed its Intermediate Holding Company ("IHC") debt and repurchased and canceled its Class B Stock related to its Closed Block CBL. The Closed Block was created when Prudential converted from a mutual life insurance company to a stock life insurance company in December 2001. These transactions, which were completed in December 2014 and January 2015, respectively, have simplified the Company's operating structure and enhanced its financial flexibility by making available capital for general corporate purposes that previously supported the IHC debt and Class B Stock.

As a result of its capital management approach, Prudential has reduced its Total Leverage Ratio[9] from 46.6% as of December 31, 2013 to 42.8% as of September 30, 2015, which is within its target range.

In addition, Prudential strives to maintain the capitalization of its insurance entities at levels consistent with "AA" financial strength ratings, as well as its asset management business at levels consistent with "A" senior debt ratings targets, to ensure that they have the necessary capital to withstand stress events.

Risk Management

To help manage overall risk, in February 2015, the Board established a Risk Committee, comprised of the chairs of the other Board committees, to more closely coordinate the risk oversight functions of the Board.

Operational Enhancements

Prudential has also undertaken, or is evaluating, a number of operational enhancements to enhance resolvability.

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[9] Defined as total debt divided by total debt plus total equity including non-controlling interest adjusted to exclude the impact of foreign currency exchange rate remeasurement, non-performance risk (net of deferred policy acquisition costs), and accumulated other comprehensive income totaling $6.3 billion and $13.2 billion as of December 31, 2013 and September 30, 2015, respectively.

Inter-affiliate Agreements

For several years, the Company has had robust policies and procedures for the maintenance of information about inter-affiliate agreements. Prudential has recently enhanced those procedures to strengthen the collection of information on the affiliated legal entity providing and receiving services so that such information is readily available in the Company's Inter-Affiliate Agreement Database. This information would be critical in the event of a resolution.

Key Contracts

Prudential has inventoried and evaluated key vendor, inter-affiliate, financial and other contracts to determine whether such services would continue to be available during and after a resolution event. Prudential is currently evaluating whether certain contracts should be amended in order for Prudential's MLEs to have greater assurance that such arrangements would continue in the unlikely event of a resolution.

Intellectual Property

Prudential is taking measures to improve its ability to rely upon intellectual property rights in the context of a resolution. PICA generally is the owner or licensee of most of the Company's intellectual property. Since the other MLEs use this intellectual property, PICA is entering into inter-affiliate licensing agreements with these MLEs with provisions intended to facilitate continued access by these MLEs to such intellectual property in the event of a resolution event.

Operational Relationships

The Company has engaged in substantial efforts to map inter-affiliate and third-party operational relationships and expects to take additional steps to enhance information about these relationships.

Financial Market Utilities

Prudential's businesses need direct or indirect access to various financial market utilities ("FMUs"), such as payment and settlement services, clearinghouses and exchanges, to engage in financial transactions. As part of the resolution planning process, Prudential has created a centralized repository that contains information identifying the FMUs to which each CBL and MLE needs access. Identifying and centrally maintaining information concerning these FMU relationships supports Prudential's ability to be resolved in an orderly manner. Prudential has also begun to develop contingency plans to assure continued access to the few FMUs that it accesses directly and to those FMUs which it accesses indirectly.

Communications Plan and Key Employees

Prudential has developed a resolution-focused communications strategy and plan and has begun to evaluate methodologies for identifying those employees who would be key in the event of resolution as well as retention programs to support the continuity of services.

Resolution Governance Structure

Since its designation as a Designated Financial Company in September 2013, Prudential has devoted substantial resources to, and has established a robust governance structure to support, its resolution planning efforts, including actions to enhance resolvability. This governance structure includes the Board, the Finance Committee of the Board and senior management oversight, as well as an executive Steering Committee, designated Executive Sponsors and Resolution Planning Leads on a firm-wide basis. Prudential has also designated Resolution Plan leads for each CBL and Corporate Function, and a centralized core team and associates throughout Prudential have been assigned responsibilities with regard to resolution planning. Prudential has also implemented a formal Resolution Planning Policy as well as procedures for the preparation, review and submission of its Resolution Plans. These efforts have involved senior management, associates throughout the Company and support from external advisors with resolution planning expertise.

Prudential is committed to taking those actions appropriate to reinforce its resolvability, as well as enhancing its operational preparedness and capabilities for resolution in the unlikely event of material financial distress.