FIRST NATIONAL CORP /VA/
Form 4
September 14, 2005

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
OMB Number: 3235-0287
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(Print or Type Responses)

1. Name and Address of Reporting Person *
WILKINS III JAMES R

(Last) (First) (Middle)

112 W KING STREET

(Street)

STRASBURG, VA 22657

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
FIRST NATIONAL CORP /VA/ [FXNC]

3. Date of Earliest Transaction (Month/Day/Year)
09/13/2005

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	09/13/2005		P		10,000	A	$ 25.9	86,768 (1)	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
WILKINS III JAMES R 112 W KING STREET STRASBURG, VA 22657	X			

Signatures

Nancy T Fitchett, By Power of Attorney DIRECTOR	09/14/2005
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Additional Shares Owned Indirectly: 76,924 Wilkins Investments LP 800 Custodian for Son

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Three Months Ended
June 30,

Six Months Ended
June 30,

2015

2014

2015

2014

(in millions)

U.S. GAAP results:

Revenues
$
1,525

$
1,835

$
3,244

$
3,401

Benefits and expenses
1,473

1,779

3,214

3,332

Income (loss) from continuing operations before income taxes and equity in earnings of operating joint ventures
$
52

$
56

$
30

$
69

Income (loss) from Continuing Operations Before Income Taxes and Equity in Earnings of Operating Joint Ventures

Three Month Comparison. Income from continuing operations before income taxes and equity in earnings of operating joint ventures decreased $4 million. Results for the second quarter of 2015 reflected a decrease in net realized investment gains of $203 million primarily due to unfavorable changes in the value of derivatives and lower gains from sales of fixed maturities. Net investment income decreased $96 million primarily reflecting the sale and transfer of invested assets as a result of the restructuring of the former Closed Block Business and lower income from non-coupon investments. As a result of the above and other variances, a $67 million reduction in the policyholder dividend obligation was recorded in the second quarter of 2015, compared to a $201 million increase in the second quarter of 2014. As noted above, as of June 30, 2015, the excess of actual cumulative earnings over the expected cumulative earnings was $1,766 million. If actual cumulative earnings fall below expected cumulative earnings in future periods, earnings volatility in the Closed Block division, which is primarily due to changes in investment results, may not be offset by changes in the cumulative earnings policyholder dividend obligation. For a discussion of Closed Block division realized investment gains (losses), net, see "—Realized Investment Gains and Losses."

Six Month Comparison. Income from continuing operations before income taxes and equity in earnings of operating joint ventures decreased $39 million. Results for the first six months of 2015 reflected a $162 million decrease in net investment income primarily due to the sale and transfer of invested assets as a result of the restructuring of the former Closed Block Business and lower income from non-coupon investments. Net insurance activity results declined $43 million primarily reflecting higher dividends to policyholders as a result of an increase in the 2015 dividend scale and unfavorable mortality in the first quarter of 2015, partially offset by the runoff of policies in force. Net realized investment gains increased $33 million reflecting favorable changes in the value of derivatives. As a result of the above and other variances, a $208 million increase in the policyholder dividend obligation was recorded in the first six months of 2015, compared to a $300 million increase in the first six months of 2014.

Revenues, Benefits and Expenses

Three Month Comparison. Revenues, as shown in the table above under "—Operating Results," decreased $310 million, primarily driven by a $203 million decrease in net realized investment gains and a $96 million decrease in net investment income, as discussed above. In addition, premiums declined $9 million, primarily due to the runoff of policies in force.

Benefits and expenses, as shown in the table above under "—Operating Results," decreased $306 million, primarily driven by a $263 million decrease in dividends to policyholders, including a $268 million decrease in the policyholder dividend obligation expense reflecting lower cumulative earnings and a $5 million increase in dividends paid and accrued to policyholders as a result of an increase in the 2015 dividend scale. The decrease in benefits and expenses also reflected a $16 million decrease in policyholders' benefits, including changes in reserves, due to the runoff of policies in force. General and administrative expenses, inclusive of interest expense, decreased $28 million, primarily driven by the decrease in interest expense related to the senior secured notes issued by Prudential Holdings LLC, which were redeemed in the fourth quarter of 2014.

Six Month Comparison. Revenues decreased $157 million, primarily driven by a $162 million decrease in net investment income, partially offset by a $33 million increase in net realized investment gains, as discussed above. In addition, premiums declined $14 million, primarily due to the runoff of policies in force.

Benefits and expenses decreased $118 million, primarily driven by a $77 million decrease in dividends to policyholders including a $92 million decrease in the policyholder dividend obligation expense reflecting lower cumulative earnings and a $15 million increase in dividends paid and accrued to policyholders as a result of an increase in the 2015 dividend scale. General and

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administrative expenses, inclusive of interest expense, decreased $54 million, primarily driven by the decrease in interest expense related to the senior secured notes issued by Prudential Holdings LLC, which were redeemed in the fourth quarter of 2014.

Income Taxes

Our income tax provision, on a consolidated basis, amounted to an income tax expense of $679 million in the second quarter of 2015, compared to an expense of $404 million in the second quarter of 2014. The increased expense was primarily due to an increase in “Income (loss) from continuing operations before income taxes and equity in earnings of operating joint ventures” in the current quarter compared to the year ago quarter. In addition, during the fourth quarter of 2014, we changed the repatriation assertion for our Japanese insurance companies with respect to post-2013 operating earnings and AOCI, except realized and unrealized capital gains and losses. On March 31, 2015, the government of Japan enacted a reduction in the Japanese tax rate by approximately 2%, effective April 1, 2015. Our income tax provision for the second quarter of 2015 includes $70 million of additional tax expense related to re-measurement of Japan deferred tax assets as a result of the tax rate reduction that was partially offset by a tax benefit from the lower Japan tax rate for permanently reinvested earnings of our Japanese insurance operations.

Our income tax provision, on a consolidated basis, amounted to an income tax expense of $1,378 million in the first six months of 2015 compared to an expense of $877 million in the first six months of 2014. The increased expense was primarily due an increase in “Income (loss) from continuing operations before income taxes and equity in earnings of operating joint ventures” in the first six months of 2015 compared to the first six months of 2014. In addition, due to the change in repatriation assertion for our Japanese insurance companies and tax rate reduction discussed above, our income tax provision for the first six months in 2015 includes $75 million of additional tax expense related to re-measurement of Japan deferred tax assets that was partially offset by a tax benefit from the lower Japan tax rate for permanently reinvested earnings of our Japanese insurance operations.

For additional information regarding income taxes, see Note 12 to the Unaudited Interim Consolidated Financial Statements.

Discontinued Operations

Included within net income are the results of businesses that are reflected as discontinued operations under U.S. GAAP. Income (loss) from discontinued operations, net of taxes, was $0 million and $4 million for the three months ended June 30, 2015 and 2014, respectively, and $0 million and $8 million for the six months ended June 30, 2015 and 2014, respectively. For additional information regarding discontinued operations, see Note 3 to the Consolidated Financial Statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014.

Experience-Rated Contractholder Liabilities,
Trading Account Assets Supporting Insurance Liabilities and Other Related Investments

Certain products included in the Retirement and International Insurance segments are experience-rated in that investment results associated with these products are expected to ultimately accrue to contractholders. The majority of investments supporting these experience-rated products are classified as trading and are carried at fair value. These trading investments are reflected on the statements of financial position as “Trading account assets supporting insurance liabilities, at fair value” (“TAASIL”). Realized and unrealized gains and losses for these investments are reported in “Other income.” Interest and dividend income for these investments is reported in “Net investment income.” To a lesser extent, these experience-rated products are also supported by derivatives and commercial mortgage and other loans. The derivatives that support these experience-rated products are reflected on the statement of financial position as “Other long-term investments” and are carried at fair value, and the realized and unrealized gains and losses are reported in “Realized investment gains (losses), net.” The commercial mortgage and other loans that support these experience-rated products are carried at unpaid principal, net of unamortized discounts and an allowance for losses, and are reflected on the statements of financial position as “Commercial mortgage and other loans.” Gains and losses on sales and changes in the valuation allowance for commercial mortgage and other loans are reported in “Realized investment gains (losses), net.”

Our Retirement segment has two types of experience-rated products that are supported by TAASIL and other related investments. Fully participating products are those for which the entire return on underlying investments is passed back to the policyholders through a corresponding adjustment to the related liability. The adjustment to the liability is based on changes in the fair value of all of the related assets, including commercial mortgage and other loans, which are carried at amortized cost, less any valuation allowance. Partially participating products are those for which only a portion of the return on underlying investments is passed back to the policyholders over time through changes to the contractual crediting rates. The crediting rates are typically reset semiannually, often subject to a minimum crediting rate, and returns are required to be passed back within ten years.

In our International Insurance segment, the experience-rated products are fully participating. As a result, the entire return on the underlying investments is passed back to policyholders through a corresponding adjustment to the related liability.

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Adjusted operating income excludes net investment gains and losses on TAASIL, related derivatives and commercial mortgage and other loans. This is consistent with the exclusion of realized investment gains and losses with respect to other investments supporting insurance liabilities managed on a consistent basis. In addition, to be consistent with the historical treatment of charges related to realized investment gains and losses on investments, adjusted operating income also excludes the change in contractholder liabilities due to asset value changes in the pool of investments (including changes in the fair value of commercial mortgage and other loans) supporting these experience-rated contracts, which are reflected in "Interest credited to policyholders' account balances." The result of this approach is that adjusted operating income for these products includes net fee revenue and interest spread we earn on these experience-rated contracts, and excludes changes in fair value of the pool of investments, both realized and unrealized, that we expect will ultimately accrue to the contractholders.

The following tables set forth the impact on results for the periods indicated of these items that are excluded from adjusted operating income:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(in millions)			
Retirement Segment:				
Investment gains (losses) on:				
Trading account assets supporting insurance liabilities, net	$(270)	$172	$(243)	$345
Derivatives	12	(36)	122	(82)
Commercial mortgages and other loans	1	(2)	4	(3)
Change in experience-rated contractholder liabilities due to asset value changes(1)(2)	284	(136)	143	(251)
Net gains (losses)	$27	$(2)	$26	$9
International Insurance Segment:				
Investment gains (losses) on trading account assets supporting insurance liabilities, net	$50	$53	$106	$(19)
Change in experience-rated contractholder liabilities due to asset value changes	(50)	(53)	(106)	19
Net gains (losses)	$0	$0	$0	$0
Total:				
Investment gains (losses) on:				
Trading account assets supporting insurance liabilities, net	$(220)	$225	$(137)	$326
Derivatives	12	(36)	122	(82)
Commercial mortgages and other loans	1	(2)	4	(3)
Change in experience-rated contractholder liabilities due to asset value changes(1)(2)	234	(189)	37	(232)
Net gains (losses)	$27	$(2)	$26	$9

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(1) Decreases to contractholder liabilities due to asset value changes are limited by certain floors and therefore do not reflect cumulative declines in recorded asset values of $3 million as of both June 30, 2015 and 2014. We have recovered and expect to recover in future periods these declines in recorded asset values through subsequent increases in recorded asset values or reductions in crediting rates on contractholder liabilities.

(2) Included in the amounts above related to the change in the liability to contractholders as a result of commercial mortgage and other loans are decreases of $30 million and increases of $10 million for the three months ended June 30, 2015 and 2014, respectively, and decreases of $25 million and increases of $17 million for the six months ended June 30, 2015 and 2014, respectively. As prescribed by U.S. GAAP, changes in the fair value of commercial

mortgage and other loans held for investment in our general account, other than when associated with impairments, are not recognized in income in the current period, while the impact of these changes in fair value are reflected as a change in the liability to fully participating contractholders in the current period.

The net impacts for the Retirement segment of changes in experience-rated contractholder liabilities and investment gains and losses on trading account assets supporting insurance liabilities and other related investments reflect timing differences between the recognition of the mark-to-market adjustments and the recognition of the recovery of these adjustments in future periods through subsequent increases in asset values or reductions in crediting rates on contractholder liabilities for partially participating products. These impacts also reflect the difference between the fair value of the underlying commercial mortgage and other loans and the amortized cost, less any valuation allowance, of these loans, as described above.

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Valuation of Assets and Liabilities

Fair Value of Assets and Liabilities

The authoritative guidance related to fair value measurement establishes a framework that includes a three-level hierarchy used to classify the inputs used in measuring fair value. The level in the hierarchy within which the fair value falls is determined based on the lowest level input that is significant to the measurement. The fair values of assets and liabilities classified as Level 3 include at least one or more significant unobservable input in the measurement. See Note 13 to the Unaudited Interim Consolidated Financial Statements for an additional description of the valuation hierarchy levels as well as for the balances of assets and liabilities measured at fair value on a recurring basis by hierarchy level presented on a consolidated basis.

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis, as of the periods indicated, and the portion of such assets and liabilities that are classified in Level 3 of the valuation hierarchy. The table also provides details about these assets and liabilities excluding those held in the Closed Block division. We believe the amounts excluding the Closed Block division are most relevant to an understanding of our operations that are pertinent to investors in Prudential Financial because substantially all Closed Block division assets support obligations and liabilities relating to the Closed Block policies only. See Note 6 to the Unaudited Interim Consolidated Financial Statements for further information on the Closed Block.

	As of June 30, 2015				As of December 31, 2014			
	PFI excluding Closed Block Division		Closed Block Division		PFI excluding Closed Block Division		Closed Block Division	
	Total at Fair Value	Total Level 3(1)	Total at Fair Value	Total Level 3(1)	Total at Fair Value	Total Level 3(1)	Total at Fair Value	Total Level 3(1)
	(in millions)							
Fixed maturities, available-for-sale	$250,739	$ 4,478	$39,324	$ 869	$255,424	$ 4,655	$43,666	$ 1,011
Trading account assets:								
Fixed maturities	27,857	787	190	0	26,965	550	198	0
Equity securities	2,287	544	121	60	2,139	555	152	108
All other(2)	2,561	12	0	0	1,683	7	0	0
Subtotal	32,705	1,343	311	60	30,787	1,112	350	108
Equity securities, available-for-sale	6,671	257	3,230	2	6,339	272	3,522	3
Commercial mortgage and other loans	391	0	0	0	380	0	0	0
Other long-term investments	1,514	1,284	430	430	1,441	1,216	331	331
Short-term investments	4,226	0	898	0	5,898	0	1,837	0
Cash equivalents	11,478	0	969	0	10,647	0	1,198	0
Other assets	115	2	0	0	115	2	0	0
Subtotal excluding separate account assets	307,839	7,364	45,162	1,361	311,031	7,257	50,904	1,453
Separate account assets	296,341	25,855	0	0	296,435	24,662	0	0
Total assets	$604,180	$ 33,219	$45,162	$ 1,361	$607,466	$ 31,919	$50,904	$ 1,453
Future policy benefits	$5,478	$ 5,478	$0	$ 0	$8,182	$ 8,182	$0	$ 0
Other liabilities(2)	152	2	1	0	228	5	0	0
Notes issued by consolidated variable interest entities (“VIE”)	7,434	7,434	0	0	6,033	6,033	0	0
Total liabilities	$13,064	$ 12,914	$1	$ 0	$14,443	$ 14,220	$0	$ 0

(1) The amount of Level 3 assets taken as a percentage of total assets measured at fair value on a recurring basis for PFI excluding the Closed Block division and for the Closed Block division totaled 5.5% and 3.0%, respectively, as of June 30, 2015, and 5.3% and 2.9%, respectively, as of December 31, 2014.

(2) "All other" and "Other liabilities" primarily include derivatives. The amounts classified as Level 3 exclude the impact of netting.

The determination of fair value, which for certain assets and liabilities is dependent on the application of estimates and assumptions, can have a significant impact on our results of operations and may require the application of a greater degree of

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judgment depending on market conditions, as the ability to value assets and liabilities can be significantly impacted by a decrease in market activity or a lack of transactions executed in an orderly manner. The following sections provide information regarding certain assets and liabilities which are valued using Level 3 inputs and could have a significant impact on our results of operations.

Fixed Maturity and Equity Securities

Fixed maturity securities included in Level 3 in our fair value hierarchy are generally priced based on internally-developed valuations or indicative broker quotes. For certain private fixed maturity and equity securities, the internally-developed valuation model uses significant unobservable inputs and, accordingly, such securities are included in Level 3 in our fair value hierarchy. Level 3 fixed maturity securities for PFI excluding the Closed Block division included approximately $4.3 billion of public fixed maturities as of June 30, 2015 with values primarily based on indicative broker quotes, and approximately $1.0 billion of private fixed maturities, with values primarily based on internally-developed models. Significant unobservable inputs used included: issue specific credit adjustments, material non-public financial information, management judgment, estimation of future earnings and cash flows, default rate assumptions, liquidity assumptions and indicative quotes from market makers. These inputs are usually considered unobservable, as not all market participants have access to this data.

The impact our determination of fair value for fixed maturity and equity securities has on our results of operations is dependent on our classification of the security as either trading, available-for-sale, or held-to-maturity. For our investments classified as trading, the impact of changes in fair value is recorded within “Other income.” For our investments classified as available-for-sale, the impact of changes in fair value is recorded as an unrealized gain or loss in AOCI, a separate component of equity. Our investments classified as held-to-maturity are carried at amortized cost.

Other Long-Term Investments

Other long-term investments classified in Level 3 primarily include real estate held in consolidated investment funds and fund investments where the fair value option has been elected. The fair value of real estate held in consolidated investment funds is determined through an independent appraisal process. The appraisals generally utilize a discounted cash flow model. The appraisals also include replacement cost estimates and recent sales data as alternate methods of fair value. These appraisals and the related assumptions are updated at least annually. Since many of the assumptions utilized are unobservable and are considered to be significant inputs to the valuation, the real estate investments within other long-term investments are reflected within Level 3. Consolidated real estate investment funds classified as Level 3 for PFI excluding the Closed Block division totaled approximately $0.4 billion as of June 30, 2015. The fair value of fund investments, where the fair value option has been elected, is primarily determined by the fund managers. Since the valuations may be based on unobservable market inputs and cannot be validated by the Company, these investments are included within Level 3. Investments in these funds for PFI excluding the Closed Block division included in Level 3 totaled approximately $0.9 billion as of June 30, 2015.

Separate Account Assets

Separate account assets included in Level 3 primarily include real estate investments for which values are determined as described above under “Other Long-Term Investments.” Separate account liabilities are reported at contract value and not at fair value.

Variable Annuity Living Benefit Features

Future policy benefits classified in Level 3 primarily include liabilities related to guarantees associated with the living benefit features of certain variable annuity contracts offered by our Individual Annuities segment, including GMAB, guaranteed minimum withdrawal benefits (“GMWB”) and guaranteed minimum income and withdrawal benefits (“GMIWB”). These benefits are accounted for as embedded derivatives and carried at fair value with changes in fair value included in “Realized investment gains (losses), net.” The fair values of the GMAB, GMWB and GMIWB liabilities are calculated as the present value of future expected benefit payments to customers less the present value of assessed rider fees attributable to the embedded derivative feature. This methodology could result in either a liability or contra-liability balance, based on capital market conditions and various policyholder behavior assumptions. Since there is no observable active market for the transfer of these obligations, the valuations are calculated using internally-developed models with option pricing techniques. These models utilize significant assumptions that are primarily unobservable, including assumptions as to lapse rates, NPR, utilization rates, withdrawal rates, mortality rates and equity market volatility. Future policy benefits classified as Level 3 for PFI excluding the Closed Block division were a net liability of $5.5 billion as of June 30, 2015. For additional information, see “—Results of Operations by Segment—U.S. Retirement Solutions and Investment Management Division—Individual Annuities.”

Notes Issued by Consolidated VIEs

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As discussed in Note 5 to the Unaudited Interim Consolidated Financial Statements, notes issued by consolidated VIEs represent non-recourse notes issued by certain asset-backed investment vehicles, primarily collateralized loan obligations, which we are required to consolidate. We have elected the fair value option for these notes, which are valued based on broker quotes.

For additional information about the key estimates and assumptions used in our determination of fair value, see Note 13 to the Unaudited Interim Consolidated Financial Statements.

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Realized Investment Gains and Losses

Realized investment gains and losses are generated from numerous sources, including the following significant items:

- sale of investments;
- maturities of foreign denominated investments;
- adjustments to the cost basis of investments for other-than-temporary impairments;
- recognition of other-than-temporary impairments in earnings for foreign denominated securities that are approaching maturity and are in an unrealized loss position due to foreign currency exchange rate movements;
- prepayment premiums received on private fixed maturity securities;
- net changes in the allowance for losses, certain restructurings and foreclosures on commercial mortgage and other loans; and
- fair value changes on embedded derivatives and free-standing derivatives that do not qualify for hedge accounting treatment.

The level of other-than-temporary impairments generally reflects economic conditions and is expected to increase when economic conditions worsen and to decrease when economic conditions improve. Historically, the causes of other-than-temporary impairments have been specific to each individual issuer and have not directly resulted in impairments to other securities within the same industry or geographic region. We may also realize additional credit and interest rate related losses through sales of investments pursuant to our credit risk and portfolio management objectives. For additional information regarding our policies regarding other-than-temporary-impairments for fixed maturity and equity securities, see Note 2 to the Company’s Consolidated Financial Statements included in the Annual Report on Form 10-K for the year ended December 31, 2014.

We use interest rate and currency swaps and other derivatives to manage interest and currency exchange rate exposures arising from mismatches between assets and liabilities, including duration mismatches. We use derivative contracts to mitigate the risk that unfavorable changes in currency exchange rates will materially affect U.S. dollar equivalent earnings generated by certain of our non-U.S. businesses. We also use equity-based and interest rate derivatives to hedge a portion of the risks embedded in certain variable annuity products with living benefit guarantees. Derivative contracts also include forward purchases and sales of “to be announced” (“TBA”) mortgage-backed securities primarily related to our dollar roll program. Many of these derivative contracts do not qualify for hedge accounting and, consequently, we recognize the changes in fair value of such contracts from period to period in current earnings, although we do not necessarily account for the related assets or liabilities the same way.

Accordingly, realized investment gains and losses from our derivative activities can contribute significantly to fluctuations in net income. For a further discussion of living benefit guarantees and related hedge positions in our Individual Annuities segment, see “—Results of Operations by Segment—U.S. Retirement Solutions and Investment Management Division—Individual Annuities” above.

Adjusted operating income generally excludes “Realized investment gains (losses), net,” subject to certain exceptions. These exceptions primarily include realized investment gains or losses within certain of our businesses for which such gains or losses are a principal source of earnings, gains or losses associated with terminating hedges of foreign currency earnings and current period yield adjustments, and related charges and adjustments. Other-than-temporary impairments, interest rate related losses and credit related losses on sales (other than those related to certain of our businesses which primarily originate investments for sale or syndication to unrelated investors) are excluded from adjusted operating income.

The following table sets forth “Realized investment gains (losses), net,” by investment type as well as related charges and adjustments for the periods indicated. For additional details regarding adjusted operating income, see Note 11 to the Unaudited Interim Consolidated Financial Statements.

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(in millions)			
Realized investment gains (losses), net:				
PFI excluding Closed Block division	$(36)	$241	$1,952	$312
Closed Block division	165	368	538	505
Consolidated realized investment gains (losses), net	$129	$609	$2,490	$817
PFI excluding Closed Block Division:				
Realized investment gains (losses), net:				
Fixed maturity securities	$312	$183	$672	$379
Equity securities	33	31	78	64
Commercial mortgage and other loans	20	8	30	16
Derivative instruments	(415)	14	1,129	(155)
Other	14	5	43	8
Total	$(36)	$241	$1,952	$312
Related adjustments	(24)	(443)	(350)	(465)
Realized investment gains (losses), net, and related adjustments	(60)	(202)	1,602	(153)
Related charges	346	(71)	(265)	(128)
Realized investment gains (losses), net, and related charges and adjustments	$286	$(273)	$1,337	$(281)
Closed Block Division:				
Realized investment gains (losses), net:				
Fixed maturity securities	$59	$185	$168	$246
Equity securities	194	137	269	189
Commercial mortgage and other loans	0	0	1	0
Derivative instruments	(88)	46	106	70
Other	0	0	(6)	0
Total	$165	$368	$538	$505

2015 to 2014 Three Month Comparison

PFI excluding Closed Block Division

Net realized investment losses were $36 million in the second quarter of 2015, compared to net realized investment gains of $241 million in the second quarter of 2014.

Net realized gains on fixed maturity securities were $312 million and $183 million in the second quarter of 2015 and 2014, respectively, as set forth in the following table:

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	Three Months Ended June 30,	
	2015	2014
	(in millions)	
Realized investment gains (losses), net—Fixed Maturity Securities—PFI excluding Closed Block Division		
Gross realized investment gains:		
Gross gains on sales and maturities(1)	$350	$250
Private bond prepayment premiums	9	21
Total gross realized investment gains	359	271
Gross realized investment losses:		
Net other-than-temporary impairments recognized in earnings(2)	(18)	(17)
Gross losses on sales and maturities(1)	(29)	(67)
Credit related losses on sales	0	(4)
Total gross realized investment losses	(47)	(88)
Realized investment gains (losses), net—Fixed Maturity Securities	$312	$183
Net gains (losses) on sales and maturities—Fixed Maturity Securities(1)	$321	$183

(1) Amounts exclude prepayment premiums, other-than-temporary impairments, and credit related losses through sales of investments pursuant to our credit risk objectives.

(2) Excludes the portion of other-than-temporary impairments recorded in "Other comprehensive income (loss)," representing any difference between the fair value of the impaired debt security and the net present value of its projected future cash flows at the time of impairment.

Net gains on sales and maturities of fixed maturity securities were $321 million and $183 million in the second quarter of 2015 and 2014, respectively, primarily due to sales and maturities of U.S. dollar-denominated securities within our International Insurance segment. Gains associated with foreign exchange remeasurement on assets that were transferred under the new structure in Gibraltar Life will be recognized in earnings over time as these assets mature or are sold. See "Results of Operations by Segment–International Insurance Division" above. See below for additional information regarding the other-than-temporary impairments of fixed maturity securities in the second quarter of 2015 and 2014.

Net realized gains on equity securities were $33 million and $31 million in the second quarter of 2015 and 2014, respectively, and included net gains on sales of equity securities of $42 million and $37 million, respectively. The gains were offset by other-than-temporary impairments of $9 million and $6 million in 2015 and 2014, respectively. See below for additional information regarding other-than-temporary impairments of equity securities in the second quarter of 2015 and of 2014.

Net realized gains on commercial mortgage and other loans in the second quarter of 2015 were $20 million, primarily driven by servicing revenue of $10 million in our Asset Management business and a net decrease in the loan loss reserve of $6 million. For additional information regarding our commercial mortgage and other loan loss reserves see "—General Account Investments—Commercial Mortgage and Other Loans—Commercial Mortgage and Other Loan Quality."

Net realized losses on derivatives were $415 million in the second quarter of 2015, compared to net realized gains of $14 million in the second quarter of 2014. The net losses in the second quarter of 2015 primarily reflect $520 million of losses on interest rate derivatives used to manage duration as interest rates increased and $300 million of losses on foreign currency derivatives used to hedge portfolio assets in our Japan operations due to the weakening of the Japanese yen against the U.S. dollar and in our U.S. businesses due to the U.S. dollar weakening against the euro. Partially offsetting these losses were net gains of $393 million on product related embedded derivatives and related hedge positions mainly associated with certain variable annuity contracts, and $41 million of gains primarily representing risk fees earned on synthetic guaranteed investment contracts which are accounted for as derivatives under U.S. GAAP. The net gains in the second quarter of 2014 primarily reflect $309 million of gains on interest rate derivatives used to manage duration as interest rates decreased and $43 million of gains representing risk fees earned on synthetic guaranteed investment contracts. Offsetting these gains were net losses of $354 million on product related embedded derivatives and related hedge positions mainly associated with certain variable annuity contracts.

Related adjustments include the portions of “Realized investment gains (losses), net” that are included in adjusted operating income and the portions of “Other income” and “Net investment income” that are excluded from adjusted operating income. These adjustments are made to arrive at “Realized investment gains (losses), net, and related adjustments” which are excluded from adjusted operating income. Results for the second quarter of 2015 include net negative related adjustments of $24 million driven by settlements on interest rate and currency derivatives, partially offset by the impact of foreign currency exchange rate movements

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on certain non-yen denominated assets and liabilities within our Japan insurance operations. Results for the second quarter of 2014 include net negative related adjustments of $443 million driven by the impact of foreign currency exchange rate movements on certain non-yen denominated assets and liabilities within our Japan insurance operations, and by settlements on interest rate and currency derivatives. We implemented a new structure in Gibraltar Life, effective for financial reporting beginning in the first quarter of 2015, which has minimized volatility in reported U.S. GAAP earnings arising from foreign currency remeasurement. For additional information, see "—Results of Operations by Segment—International Insurance Division" above.

Charges that relate to "Realized investment gains (losses), net" are also excluded from adjusted operating income, and may be reflected as net charges or net benefits. Results for the second quarter of 2015 include a net related benefit of $346 million, compared to a net related charge of $71 million for the second quarter of 2014. Both periods' results were driven by the impact of derivative activity on the amortization of DAC and other costs and certain policyholder reserves. For additional information, see Note 11 to the Unaudited Interim Consolidated Financial Statements.
During the second quarter of 2015, we recorded other-than-temporary impairments of $34 million in earnings, compared to $23 million in the second quarter of 2014. The following tables set forth, for the periods indicated, the composition of other-than-temporary impairments recorded in earnings attributable to the PFI excluding the Closed Block division by asset type, and for fixed maturity securities, by reason.

	Three Months Ended June 30,	
	2015	2014
	(in millions)	
Other-than-temporary impairments recorded in earnings—PFI excluding Closed Block Division(1)		
Public fixed maturity securities	$3	$10
Private fixed maturity securities	15	7
Total fixed maturity securities	18	17
Equity securities	9	6
Other invested assets(2)	7	0
Total	$34	$23

(1) Excludes the portion of other-than-temporary impairments recorded in "Other comprehensive income (loss)," representing any difference between the fair value of the impaired debt security and the net present value of its projected future cash flows at the time of impairment.
(2) Includes other-than-temporary impairments relating to investments in joint ventures and partnerships.

	Three Months Ended June 30,	
	2015	2014
	(in millions)	
Other-than-temporary impairments on fixed maturity securities recorded in earnings—PFI excluding Closed Block Division(1)		
Due to credit events or adverse conditions of the respective issuer(2)	$17	$11
Due to other accounting guidelines(3)	1	6
Total	$18	$17

(1) Excludes the portion of other-than-temporary impairment recorded in "Other comprehensive income (loss)," representing any difference between the fair value of the impaired debt security and the net present value of its projected future cash flows at the time of impairment.
(2) Represents circumstances where we believe credit events or other adverse conditions of the respective issuers have caused, or will lead to, a deficiency in the contractual cash flows related to the investment. The amount of the

impairment recorded in earnings is the difference between the amortized cost of the debt security and the net present value of its projected future cash flows discounted at the effective interest rate implicit in the debt security prior to impairment.

(3) Primarily represents circumstances where securities with losses from foreign currency exchange rate movements approach maturity.

Fixed maturity security other-than-temporary impairments in the second quarter of 2015 were concentrated in the industrial other, utility and consumer non-cyclical sectors within corporate securities. Fixed maturity security other-than-temporary impairments in the second quarter of 2014 were concentrated in the consumer cyclical, finance, and utility sectors within corporate securities and asset backed securities. In both periods, these other-than-temporary impairments were primarily related to securities with liquidity concerns, downgrades in credit, bankruptcy or other adverse financial conditions of the respective issuers.

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Equity security other-than-temporary impairments in the second quarter of 2015 and 2014 were primarily driven by the extent and duration of declines in values.

Other invested assets other-than-temporary impairments in the second quarter of 2015 were primarily due to a decline in value of investments in limited partnerships within the energy sector.

Closed Block Division

Net realized investment gains were $165 million and $368 million in the second quarter of 2015 and 2014, respectively.

Net realized gains on fixed maturity securities were $59 million and $185 million in the second quarter of 2015 and 2014, respectively, as set forth in the following table.

	Three Months Ended June 30,	
	2015	2014
	(in millions)	
Realized investment gains (losses), net—Fixed Maturity Securities—Closed Block Division		
Gross realized investment gains:		
Gross gains on sales and maturities(1)	$76	$198
Private bond prepayment premiums	6	7
Total gross realized investment gains	82	205
Gross realized investment losses:		
Net other-than-temporary impairments recognized in earnings(2)	(11)	(9)
Gross losses on sales and maturities(1)	(12)	(9)
Credit related losses on sales	0	(2)
Total gross realized investment losses	(23)	(20)
Realized investment gains (losses), net—Fixed Maturity Securities	$59	$185
Net gains (losses) on sales and maturities—Fixed Maturity Securities(1)	$64	$189

(1) Amounts exclude prepayment premiums, other-than-temporary impairments, and credit related losses through sales of investments pursuant to our credit risk objectives.

(2) Excludes the portion of other-than-temporary impairments recorded in "Other comprehensive income (loss)," representing any difference between the fair value of the impaired debt security and the net present value of its projected future cash flows at the time of impairment.

Net realized gains on equity securities were $194 million and $137 million in the second quarter of 2015 and 2014, respectively, primarily driven by net gains on sales of equity securities. See below for additional information regarding other-than-temporary impairments of fixed maturity securities in the second quarter of 2015 and 2014.

Net realized losses on derivatives were $88 million in the second quarter of 2015, compared to net realized gains of $46 million in the second quarter of 2014. The net losses in the second quarter of 2015 primarily reflect net losses of $66 million on currency derivatives used to hedge foreign denominated investments as the U.S. dollar weakened against the euro and net losses of $20 million on interest rate derivatives primarily used to manage duration as interest rates increased. The net gains in the second quarter of 2014 primarily reflect net gains of $28 million on interest rate derivatives primarily used to manage duration and net gains of $17 million on TBA forward contracts as interest rates decreased.

During the second quarter of 2015, we recorded other-than-temporary impairments of $18 million in earnings, compared to $10 million in the second quarter of 2014. The following tables set forth, for the periods indicated, the composition of other-than-temporary impairments recorded in earnings attributable to the Closed Block division by asset type, and for fixed maturity securities, by reason.

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	Three Months Ended June 30,	
	2015	2014
	(in millions)	
Other-than-temporary impairments recorded in earnings—Closed Block Division(1)		
Public fixed maturity securities	$2	$4
Private fixed maturity securities	9	5
Total fixed maturity securities	11	9
Equity securities	2	1
Other invested assets(2)	5	0
Total	$18	$10

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(1) Excludes the portion of other-than-temporary impairments recorded in "Other comprehensive income (loss)," representing any difference between the fair value of the impaired debt security and the net present value of its projected future cash flows at the time of impairment.

(2) Includes other-than-temporary impairments relating to investments in joint ventures and partnerships.

	Three Months Ended June 30,	
	2015	2014
	(in millions)	
Other-than-temporary impairments on fixed maturity securities recorded in earnings—Closed Block Division(1)		
Due to credit events or adverse conditions of the respective issuer(2)	$11	$9
Due to other accounting guidelines	0	0
Total	$11	$9

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(1) Excludes the portion of other-than-temporary impairment recorded in "Other comprehensive income (loss)," representing any difference between the fair value of the impaired debt security and the net present value of its projected future cash flows at the time of impairment.

(2) Represents circumstances where we believe credit events or other adverse conditions of the respective issuers have caused, or will lead to, a deficiency in the contractual cash flows related to the investment. The amount of the impairment recorded in earnings is the difference between the amortized cost of the debt security and the net present value of its projected future cash flows discounted at the effective interest rate implicit in the debt security prior to impairment.

Fixed maturity security other-than-temporary impairments in the second quarter of 2015 were concentrated in the industrial other, utility and consumer non-cyclical sectors within corporate securities. Fixed maturity security other-than-temporary impairments in the second quarter of 2014 were concentrated in the consumer cyclical, communications and utility sectors within corporate securities. In both periods these other-than-temporary impairments reflect adverse financial conditions of the respective issuers.

Equity security other-than-temporary impairments in the second quarter of 2015 were primarily due to the extent and duration of declines in values.

Other-than-temporary impairments in the second quarter of 2015 were primarily due to declines in value of investments in limited partnerships in the energy sector.

2015 to 2014 Six Month Comparison

PFI excluding Closed Block Division

Net realized investment gains were $1,952 million and $312 million in the first six months of 2015 and 2014, respectively.

Net realized gains on fixed maturity securities were $672 million and $379 million in the first six months of 2015 and 2014, respectively, as set forth in the following table.

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	Six Months Ended June 30, 2015	2014
	(in millions)	
Realized investment gains (losses), net—Fixed Maturity Securities—PFI excluding Closed Block Division		
Gross realized investment gains:		
Gross gains on sales and maturities(1)	$737	$572
Private bond prepayment premiums	29	33
Total gross realized investment gains	766	605
Gross realized investment losses:		
Net other-than-temporary impairments recognized in earnings(2)	(22)	(27)
Gross losses on sales and maturities(1)	(69)	(176)
Credit related losses on sales	(3)	(23)
Total gross realized investment losses	(94)	(226)
Realized investment gains (losses), net—Fixed Maturity Securities	$672	$379
Net gains (losses) on sales and maturities—Fixed Maturity Securities(1)	$668	$396

(1) Amounts exclude prepayment premiums, other-than-temporary impairments, and credit related losses through sales of investments pursuant to our credit risk objectives.

(2) Excludes the portion of other-than-temporary impairments recorded in "Other comprehensive income (loss)," representing any difference between the fair value of the impaired debt security and the net present value of its projected future cash flows at the time of impairment.

Net gains on sales and maturities of fixed maturity securities in the first six months of 2015 and 2014 were $668 million and $396 million, respectively, primarily due to maturities of U.S. dollar-denominated securities within our International Insurance segment. Gains associated with foreign exchange remeasurement on assets that were transferred under the new structure in Gibraltar Life will be recognized in earnings over time as these assets mature or are sold. See "Results of Operations by Segment–International Insurance Division" above. See below for additional information regarding the other-than-temporary impairments of fixed maturity securities in the first six months of 2015 and 2014.

Net realized gains on equity securities were $78 million and $64 million in the first six months of 2015 and 2014, respectively, and included net gains on sales of equity securities of $92 million and $78 million, respectively. Both periods' gains were primarily offset by other-than-temporary impairments of $14 million. See below for additional information regarding other-than-temporary impairments of equity securities in the first six months of 2014 and of 2013.

Net realized gains on commercial mortgage and other loans in the first six months of 2015 were $30 million, primarily driven by servicing revenue of $19 million in our Asset Management businesses and a net decrease in the loan loss reserve of $9 million. For additional information regarding our commercial mortgage and other loan loss reserves, see "—General Account Investments—Commercial Mortgage and Other Loans—Commercial Mortgage and Other Loan Quality."

Net realized gains on derivatives were $1,129 million in the first six months of 2015, compared to net realized losses of $155 million in the first six months of 2014. The net gains in the first six months of 2015 primarily reflect net gains of $1,117 million on product related embedded derivatives and related hedge positions mainly associated with certain variable annuity contracts. The net losses in the first six months of 2014 primarily reflect net losses of $1,040 million on product related embedded derivatives and related hedge positions mainly associated with certain variable annuity contracts. Partially offsetting these losses are net gains of $746 million on interest rate derivatives used to manage duration as interest rates decreased, and $86 million of gains representing risk fees earned on synthetic guaranteed investment contracts.

Related adjustments for the first six months of 2015 include net negative related adjustments of $350 million compared to net negative related adjustments of $465 million for the first six months of 2014. Results for the first six months of 2015 were driven by settlements on interest rate and currency derivatives, partially offset by the impact of foreign currency exchange rate movements on certain non-yen denominated assets and liabilities within our Japan insurance operations. Results for the first six months of 2014 were driven by settlements on interest rate and currency derivatives.

Related charges include net related charges of $265 million for the first six months of 2015 compared to net related charges of $128 million for the first six months of 2014. Both periods' results were driven by the impact of derivative activity on the amortization of DAC and other costs and certain policyholder reserves.

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During the first six months of 2015, we recorded other-than-temporary impairments of $62 million in earnings, compared to $41 million in the first six months of 2014. The following tables set forth, for the periods indicated, the composition of other-than-temporary impairments recorded in earnings attributable to the PFI excluding the Closed Block division by asset type, and for fixed maturity securities, by reason.

	Six Months Ended June 30,	
	2015	2014
	(in millions)	
Other-than-temporary impairments recorded in earnings—PFI excluding Closed Block Division(1)		
Public fixed maturity securities	$6	$16
Private fixed maturity securities	16	11
Total fixed maturity securities	22	27
Equity securities	14	14
Other invested assets(2)	26	0
Total	$62	$41

(1) Excludes the portion of other-than-temporary impairments recorded in "Other comprehensive income (loss)," representing any difference between the fair value of the impaired debt security and the net present value of its projected future cash flows at the time of impairment.
(2) Includes other-than-temporary impairments relating to investments in joint ventures and partnerships.

	Six Months Ended June 30,	
	2015	2014
	(in millions)	
Other-than-temporary impairments on fixed maturity securities recorded in earnings—PFI excluding Closed Block Division(1)		
Due to credit events or adverse conditions of the respective issuer(2)	$21	$18
Due to other accounting guidelines(3)	1	9
Total	$22	$27

(1) Excludes the portion of other-than-temporary impairment recorded in "Other comprehensive income (loss)," representing any difference between the fair value of the impaired debt security and the net present value of its projected future cash flows at the time of impairment.
(2) Represents circumstances where we believe credit events or other adverse conditions of the respective issuers have caused, or will lead to, a deficiency in the contractual cash flows related to the investment. The amount of the impairment recorded in earnings is the difference between the amortized cost of the debt security and the net present value of its projected future cash flows discounted at the effective interest rate implicit in the debt security prior to impairment.
(3) Primarily represents circumstances where securities with losses from foreign currency exchange rate movements approach maturity.

Fixed maturity security other-than-temporary impairments in the first six months of 2015 were concentrated in the industrial other, consumer cyclical and utility sectors within corporate securities. Fixed maturity security other-than-temporary impairments in the first six months of 2014 were concentrated in the communications, utility and consumer non-cyclical sectors within corporate securities. In both periods, these other-than-temporary impairments were primarily related to securities with liquidity concerns, downgrades in credit, bankruptcy or other adverse financial conditions of the respective issuers.

Equity security other-than-temporary impairments in the first six months of 2015 and 2014, were primarily due to the extent and duration of declines in values.

Other invested assets other-than-temporary impairments in the first six months of 2015 were primarily due to declines in value of investments in limited partnerships in the energy sector.

Closed Block Division

Net realized investment gains were $538 million and $505 million in the first six months of 2015 and 2014, respectively.

Net realized gains on fixed maturity securities were $168 million and $246 million in the first six months of 2015 and 2014, respectively, as set forth in the following table.

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	Six Months Ended June 30,	
	2015	2014
	(in millions)	
Realized investment gains (losses), net—Fixed Maturity Securities—Closed Block Division		
Gross realized investment gains:		
Gross gains on sales and maturities(1)	$188	$281
Private bond prepayment premiums	20	15
Total gross realized investment gains	208	296
Gross realized investment losses:		
Net other-than-temporary impairments recognized in earnings(2)	(15)	(15)
Gross losses on sales and maturities(1)	(25)	(27)
Credit related losses on sales	0	(8)
Total gross realized investment losses	(40)	(50)
Realized investment gains (losses), net—Fixed Maturity Securities	$168	$246
Net gains (losses) on sales and maturities—Fixed Maturity Securities(1)	$163	$254

(1) Amounts exclude prepayment premiums, other-than-temporary impairments, and credit related losses through sales of investments pursuant to our credit risk objectives.

(2) Excludes the portion of other-than-temporary impairments recorded in "Other comprehensive income (loss)," representing any difference between the fair value of the impaired debt security and the net present value of its projected future cash flows at the time of impairment.

Net realized gains on equity securities were $269 million and $189 million in the first six months of 2015 and 2014, respectively, resulting from net gains on sales of equity securities. See below for additional information regarding the other-than-temporary impairments of equity securities in the first six months of 2015 and 2014.

Net realized gains on derivatives were $106 million in the first six months of 2015, compared to net realized gains of $70 million in the first six months of 2014. The net gains in the first six months of 2015 primarily reflect net gains of $110 million on currency derivatives used to hedge foreign denominated investments as the U.S. dollar strengthened against the euro. The net gains in the first six months of 2014 primarily reflect net gains of $47 million on interest rate derivatives primarily used to manage duration and net gains of $30 million on TBA forward contracts as interest rates decreased.

During the first six months of 2015, we recorded other-than-temporary impairments of $29 million in earnings, compared to $18 million in the first six months of 2014. The following tables set forth, for the periods indicated, the composition of other-than-temporary impairments recorded in earnings attributable to the Closed Block division by asset type, and for fixed maturity securities, by reason.

	Six Months Ended June 30,	
	2015	2014
	(in millions)	
Other-than-temporary impairments recorded in earnings—Closed Block Division(1)		
Public fixed maturity securities	$4	$9
Private fixed maturity securities	11	6
Total fixed maturity securities	15	15
Equity securities	3	3
Other invested assets(2)	11	0

Total	$29	$18

(1) Excludes the portion of other-than-temporary impairments recorded in "Other comprehensive income (loss)," representing any difference between the fair value of the impaired debt security and the net present value of its projected future cash flows at the time of impairment.

(2) Includes other-than-temporary impairments relating to investments in joint ventures and partnerships.

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	Six Months Ended June 30,	
	2015	2014
	(in millions)	
Other-than-temporary impairments on fixed maturity securities recorded in earnings—Closed Block Division(1)		
Due to credit events or adverse conditions of the respective issuer(2)	$15	$14
Due to other accounting guidelines	0	1
Total	$15	$15

(1) Excludes the portion of other-than-temporary impairment recorded in “Other comprehensive income (loss),” representing any difference between the fair value of the impaired debt security and the net present value of its projected future cash flows at the time of impairment.

(2) Represents circumstances where we believe credit events or other adverse conditions of the respective issuers have caused, or will lead to, a deficiency in the contractual cash flows related to the investment. The amount of the impairment recorded in earnings is the difference between the amortized cost of the debt security and the net present value of its projected future cash flows discounted at the effective interest rate implicit in the debt security prior to impairment.

Fixed maturity security other-than-temporary impairments in the first six months of 2015 were concentrated in the industrial other, capital goods and utility sectors within corporate securities. Fixed maturity security other-than-temporary impairments in the first six months of 2014 were concentrated in the consumer cyclical and communications sectors within corporate securities. In both periods these other-than-temporary impairments reflect adverse financial conditions of the respective issuers.

Equity security other-than-temporary impairments in the first six months of both 2015 and 2014 were primarily due to the extent and duration of declines in values.

General Account Investments

Portfolio Composition

Our investment portfolio consists of public and private fixed maturity securities, commercial mortgage and other loans, policy loans, and non-coupon investments, which include equity securities and other long-term investments such as joint ventures and limited partnerships, real estate held through direct ownership and seed money in separate accounts. The composition of our general account reflects, within the discipline provided by our risk management approach, our need for competitive results and the selection of diverse investment alternatives available primarily through our Asset Management segment. The size of our portfolio enables us to invest in asset classes that may be unavailable to the typical investor.

The following tables set forth the composition of the investments of our general account apportioned between PFI excluding the Closed Block division and the Closed Block division as of the dates indicated.

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	June 30, 2015				
	PFI excluding Closed Block Division ($ in millions)			Closed Block Division	Consolidated
Fixed maturities:					
Public, available-for-sale, at fair value	$215,100	63.7	%	$24,582	$239,682
Public, held-to-maturity, at amortized cost	1,887	0.6		0	1,887
Private, available-for-sale, at fair value	35,491	10.5		14,742	50,233
Private, held-to-maturity, at amortized cost	509	0.1		0	509
Trading account assets supporting insurance liabilities, at fair value	20,267	6.0		0	20,267
Other trading account assets, at fair value	1,455	0.4		310	1,765
Equity securities, available-for-sale, at fair value	6,663	2.0		3,230	9,893
Commercial mortgage and other loans, at book value	38,297	11.3		9,838	48,135
Policy loans, at outstanding balance	6,804	2.0		4,848	11,652
Other long-term investments(1)	6,929	2.1		2,837	9,766
Short-term investments	4,419	1.3		1,098	5,517
Total general account investments	337,821	100.0	%	61,485	399,306
Invested assets of other entities and operations(2)	12,638			0	12,638
Total investments	$350,459			$61,485	$411,944

	December 31, 2014				
	PFI excluding Closed Block Division ($ in millions)			Closed Block Division	Consolidated
Fixed maturities:					
Public, available-for-sale, at fair value	$220,539	64.4	%	$28,626	$249,165
Public, held-to-maturity, at amortized cost	2,000	0.6		0	2,000
Private, available-for-sale, at fair value	34,738	10.1		15,039	49,777
Private, held-to-maturity, at amortized cost	575	0.2		0	575
Trading account assets supporting insurance liabilities, at fair value	20,263	5.9		0	20,263
Other trading account assets, at fair value	1,456	0.5		350	1,806
Equity securities, available-for-sale, at fair value	6,331	1.8		3,522	9,853
Commercial mortgage and other loans, at book value	36,538	10.7		9,475	46,013
Policy loans, at outstanding balance	6,798	2.0		4,914	11,712
Other long-term investments(1)	7,169	2.1		2,766	9,935
Short-term investments	5,874	1.7		2,037	7,911
Total general account investments	342,281	100.0	%	66,729	409,010
Invested assets of other entities and operations(2)	10,976			0	10,976
Total investments	$353,257			$66,729	$419,986

(1) Other long-term investments consist of real estate and non-real estate-related investments in joint ventures and partnerships, investment real estate held through direct ownership and other miscellaneous investments. For additional information regarding these investments, see "—Other Long-Term Investments" below.

(2) Includes invested assets of our asset management and derivative operations. Excludes assets of our asset management operations that are managed for third parties and those assets classified as "Separate account assets" on our balance sheet. For additional information regarding these investments, see "—Invested Assets of Other Entities and Operations" below.

The decrease in general account investments attributable to PFI excluding the Closed Block division in the first six months of 2015 was primarily due to a net decrease in fair value driven by an increase in interest rates in the U.S. and Japan, partially offset by the reinvestment of net investment income, net business inflows, and the transfer of assets from the former Closed Block Business. The general account investments attributable to the Closed Block division also decreased in the first six months of 2015, primarily due to an increase in interest rates in the U.S. and the transfer of assets related to the former Closed Block Business. For

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information regarding the methodology used in determining the fair value of our fixed maturities, see Note 13 to the Unaudited Interim Consolidated Financial Statements.

As of both June 30, 2015 and December 31, 2014, 41% of our general account investments, other than those of the Closed Block division, relate to our Japanese insurance operations.

Although the majority of the Japanese general account is invested in yen-denominated investments, our Japanese insurance operations also hold significant investments denominated in U.S. and Australian dollars, including those that support liabilities denominated in these currencies. As a result of continued growth in these portfolios, we have implemented a new reporting structure in Gibraltar Life that disaggregates the U.S. and Australian dollar-denominated businesses into separate divisions, each with its own functional currency that aligns with the underlying products and investments. The new structure was effective for financial reporting beginning in the first quarter of 2015. For additional information, see "—Results of Operations by Segment—International Insurance Division," above.

The following table sets forth the composition related to the investments of our Japanese insurance operations' general account as of the dates indicated.

	June 30, 2015	December 31, 2014
	(in millions)	
Fixed maturities:		
Public, available-for-sale, at fair value	$106,894	$111,991
Public, held-to-maturity, at amortized cost	1,887	2,000
Private, available-for-sale, at fair value	9,368	8,835
Private, held-to-maturity, at amortized cost	509	575
Trading account assets supporting insurance liabilities, at fair value	2,000	1,910
Other trading account assets, at fair value	650	672
Equity securities, available-for-sale, at fair value	2,697	2,504
Commercial mortgage and other loans, at book value	8,821	8,215
Policy loans, at outstanding balance	2,129	2,146
Other long-term investments(1)	1,731	1,606
Short-term investments	366	406
Total Japanese general account investments	$137,052	$140,860

(1) Other long-term investments consist of real estate and non-real estate-related investments in joint ventures and partnerships, investment real estate held through direct ownership, derivatives, and other miscellaneous investments.

The decrease in general account investments related to our Japanese insurance operations in the first six months of 2015 was primarily attributable to the translation impact of the yen and the Australian dollar weakening against the U.S. dollar, and a net decrease in fair value driven by an increase in interest rates.

As of June 30, 2015, our Japanese insurance operations had $49.7 billion, at fair value, of investments denominated in U.S. dollars, including $4.2 billion that were hedged to yen through third party derivative contracts and $32.0 billion that support liabilities denominated in U.S. dollars, with the remainder hedging our foreign currency exchange rate exposure on U.S. dollar-equivalent equity. As of December 31, 2014, our Japanese insurance operations had $48.9 billion, at fair value, of investments denominated in U.S. dollars, including $3.6 billion that were hedged to yen through third party derivative contracts and $31.9 billion that support liabilities denominated in U.S. dollars, with the remainder hedging our foreign currency exchange rate exposure on U.S. dollar-equivalent equity. The $0.8 billion increase in the fair value of U.S. dollar-denominated investments from December 31, 2014, is primarily attributable to portfolio growth as a result of business inflows and the reinvestment of net investment income, partially offset by a net decrease in fair value driven by higher interest rates.

Our Japanese insurance operations had $10.0 billion and $10.4 billion, at fair value, of investments denominated in Australian dollars that support liabilities denominated in Australian dollars as of June 30, 2015 and December 31, 2014, respectively. The $0.4 billion decrease in the fair value of Australian dollar-denominated investments from December 31, 2014, is primarily attributable to the translation impact of the Australian dollar weakening against the U.S. dollar, partially offset by portfolio growth as a result of business inflows and the reinvestment of net investment income.

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For additional information regarding U.S. and Australian dollar investments held in our Japanese insurance operations and a discussion of our yen hedging strategy, see "—Results of Operations by Segment—International Insurance Division," above.

Investment Results

The following tables set forth the income yield and investment income for each major investment category of our general account for the periods indicated. The yields are based on net investment income as reported under U.S. GAAP and as such do not include certain interest related items, such as settlements of duration management swaps which are included in realized gains and losses.

	Three Months Ended June 30, 2015											
	PFI Excluding Closed Block Division				Closed Block Division				Consolidated			
	Yield(1)		Amount		Yield(1)		Amount		Yield(1)		Amount	
	($ in millions)											
Fixed maturities	4.01	%	$2,234		5.02	%	$432		4.14	%	$2,666	
Trading account assets supporting insurance liabilities	3.50		178		0.00		0		3.50		178	
Equity securities	6.31		75		1.10		5		4.68		80	
Commercial mortgage and other loans	4.51		426		5.26		127		4.67		553	
Policy loans	4.92		83		5.91		71		5.33		154	
Short-term investments and cash equivalents	0.20		8		2.29		3		0.24		11	
Other investments	4.20		89		4.54		36		4.29		125	
Gross investment income before investment expenses	3.91		3,093		4.93		674		4.06		3,767	
Investment expenses	(0.15	)	(97	)	(0.25	)	(35	)	(0.16	)	(132	)
Investment income after investment expenses	3.76	%	2,996		4.68	%	639		3.90	%	3,635	
Investment results of other entities and operations(2)			36				0				36	
Total investment income			$3,032				$639				$3,671	

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	Three Months Ended June 30, 2014					
	PFI Excluding Closed Block Division		Closed Block Division		Consolidated	
	Yield(1)	Amount	Yield(1)	Amount	Yield(1)	Amount
	($ in millions)					
Fixed maturities	3.82 %	$2,210	5.07 %	$484	4.00 %	$2,694
Trading account assets supporting insurance liabilities	3.59	188	0.00	0	3.59	188
Equity securities	6.64	80	4.22	25	5.83	105
Commercial mortgage and other loans	4.83	390	5.24	130	4.92	520
Policy loans	4.93	85	5.90	73	5.34	158
Short-term investments and cash equivalents	0.22	6	1.47	2	0.27	8
Other investments	5.99	129	9.08	60	6.72	189
Gross investment income before investment expenses	3.93	3,088	5.29	774	4.14	3,862
Investment expenses	(0.13)	(101)	(0.26)	(39)	(0.15)	(140)
Investment income after investment expenses	3.80 %	2,987	5.03 %	735	3.99 %	3,722
Investment results of other entities and operations(2)		32		0		32
Total investment income		$3,019		$735		$3,754

(1) Yields are annualized, for interim periods, and are based on quarterly average carrying values except for fixed maturities, equity securities and securities lending activity. Yields for fixed maturities are based on amortized cost. Yields for equity securities are based on cost. Yields for fixed maturities and short-term investments and cash equivalents are calculated net of liabilities and rebate expenses corresponding to securities lending activity. Yields exclude investment income on assets other than those included in invested assets. Prior period's yields are presented on a basis consistent with the current period presentation.

(2) Includes investment income of our asset management operations and derivative operations.

See below for a discussion of the change in the yields for PFI excluding the Closed Block division. The net investment income yield attributable to the Closed Block division for the three months ended June 30, 2015 decreased compared to the three months ended June 30, 2014 due to lower income on non-coupon investments and lower fixed income reinvestment rates.

The following table sets forth the income yield and investment income for each major investment category of our general account investments, excluding the Closed Block division, other than the Japanese insurance operations' portion of the general account which is presented separately below, for the periods indicated. The yields are based on net investment income as reported under U.S. GAAP and as such do not include certain interest related items, such as settlements of duration management swaps which are included in realized gains and losses.

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	Six Months Ended June 30, 2015					
	PFI Excluding Closed Block Division		Closed Block Division		Consolidated	
	Yield(1)	Amount	Yield(1)	Amount	Yield(1)	Amount
	($ in millions)					
Fixed maturities	4.00 %	$4,434	4.90 %	$859	4.13 %	$5,293
Trading account assets supporting insurance liabilities	3.62	365	0.00	0	3.62	365
Equity securities	5.80	136	3.77	40	5.16	176
Commercial mortgage and other loans	4.56	845	5.24	249	4.70	1,094
Policy loans	4.93	166	5.92	142	5.34	308
Short-term investments and cash equivalents	0.22	17	1.43	6	0.26	23
Other investments	6.10	258	7.72	120	6.53	378
Gross investment income before investment expenses	3.97	6,221	5.11	1,416	4.14	7,637
Investment expenses	(0.15)	(190)	(0.23)	(68)	(0.15)	(258)
Investment income after investment expenses	3.82 %	6,031	4.88 %	1,348	3.99 %	7,379
Investment results of other entities and operations(2)		61		0		61
Total investment income		$6,092		$1,348		$7,440

	Six Months Ended June 30, 2014					
	PFI Excluding Closed Block Division		Closed Block Division		Consolidated	
	Yield(1)	Amount	Yield(1)	Amount	Yield(1)	Amount
	($ in millions)					
Fixed maturities	3.83 %	$4,367	5.12 %	$966	4.01 %	$5,333
Trading account assets supporting insurance liabilities	3.72	387	0.00	0	3.72	387
Equity securities	6.12	143	3.82	46	5.34	189
Commercial mortgage and other loans	4.76	753	5.38	262	4.90	1,015
Policy loans	4.92	167	5.91	145	5.33	312
Short-term investments and cash equivalents	0.23	12	1.13	3	0.28	15
Other investments	8.97	379	13.15	164	9.93	543
Gross investment income before investment expenses	4.00	6,208	5.48	1,586	4.23	7,794
Investment expenses	(0.13)	(173)	(0.26)	(76)	(0.15)	(249)
Investment income after investment expenses	3.87 %	6,035	5.22 %	1,510	4.08 %	7,545
Investment results of other entities and operations(2)		47		0		47
Total investment income		$6,082		$1,510		$7,592

(1)

Yields are annualized, for interim periods, and are based on quarterly average carrying values except for fixed maturities, equity securities and securities lending activity. Yields for fixed maturities are based on amortized cost. Yields for equity securities are based on cost. Yields for fixed maturities and short-term investments and cash equivalents are calculated net of liabilities and rebate expenses corresponding to securities lending activity. Yields exclude investment income on assets other than those included in invested assets. Prior period's yields are presented on a basis consistent with the current period presentation.

(2) Includes investment income of our asset management operations and derivative operations.

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See below for a discussion of the change in the yields for PFI excluding the Closed Block division. The net investment income yield attributable to the Closed Block division for the six months ended June 30, 2015, decreased compared to the six months ended June 30, 2014, due to lower income on non-coupon investments and lower fixed income reinvestment rates.

The following table sets forth the income yield and investment income for each major investment category of our general account investments, excluding the Closed Block division, other than the Japanese insurance operations' portion of the general account which is presented separately below, for the periods indicated. The yields are based on net investment income as reported under U.S. GAAP and as such do not include certain interest related items, such as settlements of duration management swaps which are included in realized gains and losses.

	Three Months Ended June 30, 2015		Three Months Ended June 30, 2014	
	Yield(1)	Amount	Yield(1)	Amount
	($ in millions)			
Fixed maturities	4.57 %	$1,423	4.62 %	$1,373
Trading account assets supporting insurance liabilities	3.77	173	3.85	183
Equity securities	6.60	55	6.73	51
Commercial mortgage and other loans	4.51	327	4.86	310
Policy loans	5.40	63	5.53	62
Short-term investments and cash equivalents	0.20	7	0.23	5
Other investments	3.78	56	6.15	98
Gross investment income before investment expenses	4.22	2,104	4.49	2,082
Investment expenses	(0.16)	(56)	(0.16)	(63)
Investment income after investment expenses	4.06 %	2,048	4.33 %	2,019
Investment results of other entities and operations(2)		36		32
Total investment income		$2,084		$2,051

(1) Yields are annualized, for interim periods, and are based on quarterly average carrying values except for fixed maturities, equity securities and securities lending activity. Yields for fixed maturities are based on amortized cost. Yields for equity securities are based on cost. Yields for fixed maturities and short-term investments and cash equivalents are calculated net of liabilities and rebate expenses corresponding to securities lending activity. Yields exclude investment income on assets other than those included in invested assets. Prior period's yields are presented on a basis consistent with the current period presentation.
(2) Includes investment income of our asset management operations and derivative operations.

The decrease in net investment income yield attributable to our general account investments, excluding the Closed Block division, other than the Japanese operations' portfolio, for the three months ended June 30, 2015, compared to the three months ended June 30, 2014, was primarily the result of lower income from non-coupon investments and lower fixed income reinvestment rates.

The following table sets forth the income yield and investment income for each major investment category of our general account investments, excluding the Closed Block division, other than the Japanese insurance operations' portion of the general account which is presented separately below, for the periods indicated. The yields are based on net investment income as reported under U.S. GAAP and as such do not include certain interest related items, such as settlements of duration management swaps which are included in realized gains and losses.

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	Six Months Ended June 30, 2015		Six Months Ended June 30, 2014	
	Yield(1)	Amount	Yield(1)	Amount
	($ in millions)			
Fixed maturities	4.62 %	$2,834	4.65 %	$2,733
Trading account assets supporting insurance liabilities	3.81	348	3.90	368
Equity securities	6.31	102	6.61	98
Commercial mortgage and other loans	4.58	654	4.85	606
Policy loans	5.42	125	5.51	123
Short-term investments and cash equivalents	0.21	15	0.23	10
Other investments	5.62	170	9.73	300
Gross investment income before investment expenses	4.31	4,248	4.61	4,238
Investment expenses	(0.16)	(109)	(0.15)	(99)
Investment income after investment expenses	4.15 %	4,139	4.46 %	4,139
Investment results of other entities and operations(2)		61		47
Total investment income		$4,200		$4,186

(1) Yields are annualized, for interim periods, and are based on quarterly average carrying values except for fixed maturities, equity securities and securities lending activity. Yields for fixed maturities are based on amortized cost. Yields for equity securities are based on cost. Yields for fixed maturities and short-term investments and cash equivalents are calculated net of liabilities and rebate expenses corresponding to securities lending activity. Yields exclude investment income on assets other than those included in invested assets. Prior period's yields are presented on a basis consistent with the current period presentation.

(2) Includes investment income of our asset management operations and derivative operations.

The decrease in net investment income yield attributable to our general account investments, excluding the Closed Block division, other than the Japanese operations' portfolio, for the six months ended June 30, 2015, compared to the six months ended June 30, 2014, was primarily the result of lower income from non-coupon investments and lower fixed income reinvestment rates.

The following table sets forth the income yield and investment income for each major investment category of our Japanese insurance operations' general account for the periods indicated. The yields are based on net investment income as reported under U.S. GAAP and as such do not include certain interest related items, such as settlements of duration management swaps which are included in realized gains and losses.

	Three Months Ended June 30, 2015		Three Months Ended June 30, 2014	
	Yield(1)	Amount	Yield(1)	Amount
	($ in millions)			
Fixed maturities	3.29 %	$811	2.98 %	$837
Trading account assets supporting insurance liabilities	1.06	5	1.08	5
Equity securities	5.64	20	6.49	29
Commercial mortgage and other loans	4.54	99	4.72	80
Policy loans	3.87	20	3.81	23
Short-term investments and cash equivalents	0.26	1	0.21	1
Other investments	5.19	33	5.53	31

Gross investment income before investment expenses	3.40	989	3.12	1,006
Investment expenses	(0.14)	(41)	(0.13)	(38)
Total investment income	3.26 %	$948	2.99 %	$968

(1) Yields are annualized, for interim periods, and are based on quarterly average carrying values except for fixed maturities, equity securities and securities lending activity. Yields for fixed maturities are based on amortized cost. Yields for equity securities are based on cost. Yields for fixed maturities and short-term investments and cash equivalents are calculated net of liabilities and rebate expenses corresponding to securities lending activity. Yields exclude investment income on assets other than those included in invested assets. Prior period's yields are presented on a basis consistent with the current period presentation.

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The increase in net investment income yield on the Japanese insurance portfolio for the three months ended June 30, 2015, compared to the three months ended June 30, 2014, was primarily attributable to a higher allocation of U.S. dollar-denominated investments and higher income from non-coupon investments.

Both the U.S. dollar-denominated and Australian dollar-denominated fixed maturities that are not hedged to yen through third party derivative contracts provide a yield that is substantially higher than the yield on comparable yen-denominated fixed maturities. The average amortized cost of U.S. dollar-denominated fixed maturities that are not hedged to yen through third party derivative contracts was approximately $35.5 billion and $33.3 billion, for the three months ended June 30, 2015 and 2014, respectively. The majority of U.S. dollar-denominated fixed maturities support liabilities that are denominated in U.S. dollars. The average amortized cost of Australian dollar-denominated fixed maturities that are not hedged to yen through third party derivative contracts was approximately $9.0 billion and $8.5 billion, for the three months ended June 30, 2015 and 2014, respectively. The Australian dollar-denominated fixed maturities support liabilities that are denominated in Australian dollars.

The following table sets forth the income yield and investment income for each major investment category of our Japanese insurance operations' general account for the periods indicated. The yields are based on net investment income as reported under U.S. GAAP and as such do not include certain interest related items, such as settlements of duration management swaps which are included in realized gains and losses.

	Six Months Ended June 30, 2015				Six Months Ended June 30, 2014			
	Yield(1)		Amount		Yield(1)		Amount	
	($ in millions)							
Fixed maturities	3.23	%	$1,600		2.95	%	$1,634	
Trading account assets supporting insurance liabilities	1.78		17		1.96		19	
Equity securities	4.67		34		5.31		45	
Commercial mortgage and other loans	4.51		191		4.39		147	
Policy loans	3.87		41		3.78		44	
Short-term investments and cash equivalents	0.26		2		0.26		2	
Other investments	7.28		88		6.91		79	
Gross investment income before investment expenses	3.39		1,973		3.11		1,970	
Investment expenses	(0.14	)	(81	)	(0.13	)	(74	)
Total investment income	3.25	%	$1,892		2.98	%	$1,896	

(1) Yields are annualized, for interim periods, and are based on quarterly average carrying values except for fixed maturities, equity securities and securities lending activity. Yields for fixed maturities are based on amortized cost. Yields for equity securities are based on cost. Yields for fixed maturities and short-term investments and cash equivalents are calculated net of liabilities and rebate expenses corresponding to securities lending activity. Yields exclude investment income on assets other than those included in invested assets. Prior period's yields are presented on a basis consistent with the current period presentation.

The increase in net investment income yield on the Japanese insurance portfolio for the six months ended June 30, 2015, compared to the six months ended June 30, 2014, was primarily attributable to a higher allocation of U.S. dollar-denominated investments and higher income from non-coupon investments.

Both the U.S. dollar-denominated and Australian dollar-denominated fixed maturities that are not hedged to yen through third party derivative contracts provide a yield that is substantially higher than the yield on comparable yen-denominated fixed maturities. The average amortized cost of U.S. dollar-denominated fixed maturities that are not hedged to yen through third party derivative contracts was approximately $35.5 billion and $33.3 billion, for the six months ended June 30, 2015, and 2014, respectively. The majority of U.S. dollar-denominated fixed maturities support liabilities that are denominated in U.S. dollars. The average amortized cost of Australian dollar-denominated fixed maturities that are not hedged to yen through third party derivative contracts was approximately $9.4 billion and $8.3 billion for the six months ended June 30, 2015, and 2014, respectively. The Australian dollar-denominated fixed maturities support liabilities that are denominated in Australian dollars.

For additional information regarding U.S. and Australian dollar investments held in our Japanese insurance operations see, "—Results of Operations by Segment—International Insurance Division."

General Account Investments of PFI excluding Closed Block Division

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In the following sections, we provide details about our investment portfolio, excluding investments held in the Closed Block division. We believe the details of the composition of our investment portfolio excluding the Closed Block division are most relevant to an understanding of our operations that are pertinent to investors in Prudential Financial because substantially all Closed Block division assets support obligations and liabilities relating to the Closed Block policies only. See Note 6 to the Unaudited Interim Consolidated Financial Statements for further information on the Closed Block.

Fixed Maturity Securities

Fixed Maturity Securities and Unrealized Gains and Losses by Industry Category

The following table sets forth the composition of the portion of our fixed maturity securities portfolio by industry category attributable to PFI excluding the Closed Block division as of the dates indicated and the associated gross unrealized gains and losses.

	June 30, 2015				December 31, 2014			
Industry(1)	Amortized Cost	Gross Unrealized Gains(2)	Gross Unrealized Losses(2)	Fair Value	Amortized Cost	Gross Unrealized Gains(2)	Gross Unrealized Losses(2)	Fair Value
	(in millions)							
Corporate securities:								
Finance	$20,876	$1,594	$215	$22,255	$20,569	$1,984	$55	$22,498
Consumer non-cyclical	20,879	2,370	358	22,891	20,956	2,822	141	23,637
Utility	16,554	1,652	309	17,897	16,144	2,149	82	18,211
Capital goods	10,493	1,162	185	11,470	10,170	1,348	67	11,451
Consumer cyclical	9,351	1,005	117	10,239	9,447	1,129	37	10,539
Foreign agencies	5,346	1,226	49	6,523	5,186	1,227	38	6,375
Energy	11,382	1,028	361	12,049	11,395	1,135	275	12,255
Communications	6,590	842	162	7,270	6,465	1,021	41	7,445
Basic industry	5,945	561	155	6,351	6,003	640	71	6,572
Transportation	5,938	668	74	6,532	5,718	769	18	6,469
Technology	3,551	352	63	3,840	3,474	389	30	3,833
Industrial other	3,281	252	52	3,481	2,746	333	21	3,058
Total corporate securities	120,186	12,712	2,100	130,798	118,273	14,946	876	132,343
Foreign government(3)	69,094	10,453	152	79,395	70,327	11,286	111	81,502
Residential mortgage-backed	5,225	407	6	5,626	5,747	466	4	6,209
Asset-backed securities(4)	7,323	331	56	7,598	7,094	292	78	7,308
Commercial mortgage-backed	8,652	233	25	8,860	9,688	344	24	10,008
U.S. Government	10,604	3,034	8	13,630	11,493	3,468	5	14,956
State & Municipal(5)	6,918	542	102	7,358	5,163	693	3	5,853
Total(6)	$228,002	$27,712	$2,449	$253,265	$227,785	$31,495	$1,101	$258,179

(1)

Investment data has been classified based on standard industry categorizations for domestic public holdings and similar classifications by industry for all other holdings.

(2) Includes $280 million of gross unrealized gains and $2 million of gross unrealized losses as of June 30, 2015, compared to $328 million of gross unrealized gains and $1 million of gross unrealized losses as of December 31, 2014, on securities classified as held-to-maturity.

(3) As of June 30, 2015 and December 31, 2014, based on amortized cost, 75% and 76% represent Japanese government bonds held by our Japanese insurance operations, respectively, with no other individual country representing more than 10% of the balance.

(4) Includes securities collateralized by sub-prime mortgages. See "—Asset-Backed Securities" below.

(5) Includes securities related to the Build America Bonds program.

(6) Excluded from the table above are securities held outside the general account in other entities and operations. For additional information regarding investments held outside the general account, see "—Invested Assets of Other Entities and Operations" below. Also excluded from the table above are fixed maturity securities classified as trading. See "—Trading Account Assets Supporting Insurance Liabilities" and "—Other Trading Account Assets" for additional information.

The decrease in net unrealized gains from December 31, 2014 to June 30, 2015, was primarily due to a net increase in interest rates in both the U.S. and Japan.

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As of June 30, 2015, PFI excluding the Closed Block division had direct and indirect energy exposure of approximately $15 billion on a market value basis with a carrying value of approximately $14 billion, primarily through public and private corporate bonds, substantially all of which are investment grade. We could be exposed to future valuation declines or impairments if oil prices remain at current or lower levels for an extended period of time.

Asset-Backed Securities

The following tables set forth the amortized cost and fair value of our asset-backed securities attributable to PFI excluding the Closed Block division, by credit quality, as of the dates indicated.

Asset-Backed Securities at Amortized Cost

	June 30, 2015 Lowest Rating Agency Rating						
	AAA	AA	A	BBB	BB and below	Total Amortized Cost	Total December 31, 2014
	(in millions)						
Collateralized by sub-prime mortgages	$0	$1	$91	$86	$1,341	$ 1,519	$1,627
Collateralized loan obligations	4,130	34	0	0	0	4,164	3,821
Collateralized by education loans(1)	29	416	0	0	0	445	382
Collateralized by credit cards	262	0	7	0	0	269	268
Collateralized by auto loans	518	0	0	0	0	518	492
Other asset-backed securities(2)	85	111	79	23	110	408	504
Total asset-backed securities(3)	$5,024	$562	$177	$109	$1,451	$ 7,323	$7,094

(1) Approximately 99% of the $445 million of education loans included above carry a Department of Education guaranty as of June 30, 2015.
(2) Includes asset-backed securities collateralized by aircraft, equipment leases, franchises, and timeshares.
(3) Excluded from the table above are asset-backed securities held outside the general account in other entities and operations. Also excluded from the table above are asset-backed securities classified as trading.

Asset-Backed Securities at Fair Value

	June 30, 2015 Lowest Rating Agency Rating						
	AAA	AA	A	BBB	BB and below	Total Fair Value	Total December 31, 2014
	(in millions)						
Collateralized by sub-prime mortgages	$0	$1	$89	$85	$1,490	$1,665	$ 1,742
Collateralized loan obligations	4,193	35	0	0	4	4,232	3,867
Collateralized by education loans(1)	29	438	0	0	0	467	398
Collateralized by credit cards	269	0	7	0	0	276	277
Collateralized by auto loans	519	0	0	0	0	519	493
Other asset-backed securities(2)	100	112	87	25	115	439	531
Total asset-backed securities(3)	$5,110	$586	$183	$110	$1,609	$7,598	$ 7,308

(1)

Approximately 99% of the $467 million of education loans included above carry a Department of Education guaranty as of June 30, 2015.

(2) Includes asset-backed securities collateralized by aircraft, equipment leases, franchises, and timeshares.

(3) Excluded from the table above are asset-backed securities held outside the general account in other entities and operations. Also excluded from the table above are asset-backed securities classified as trading.

The tables above provide ratings as assigned by nationally recognized rating agencies as of June 30, 2015, including Standard & Poor's, Moody's and Fitch. In making our investment decisions, rather than relying solely on the rating agencies' evaluations, we assign internal ratings to our asset-backed securities based upon our dedicated asset-backed securities unit's independent evaluation of the underlying collateral and securitization structure, including any guarantees from monoline bond insurers.

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While there is no market standard definition for securities collateralized by sub-prime mortgages, we define sub-prime mortgages as residential mortgages that are originated to weaker-quality obligors as indicated by weaker credit scores, as well as mortgages with higher loan-to-value ratios or limited documentation.

On an amortized cost basis, asset-backed securities collateralized by sub-prime mortgages attributable to PFI excluding the Closed Block division decreased from $1.627 billion as of December 31, 2014, to $1.519 billion as of June 30, 2015, primarily reflecting sales and principal paydowns. Gross unrealized losses related to our asset-backed securities collateralized by sub-prime mortgages were $45 million as of June 30, 2015, and $55 million as of December 31, 2014. For information regarding the methodology used in determining the fair value of our asset-backed securities collateralized by sub-prime mortgages, see Note 13 to the Unaudited Interim Consolidated Financial Statements.

Residential Mortgage-Backed Securities

The following tables set forth the amortized cost of our residential mortgage-backed securities attributable to PFI excluding the Closed Block division as of the dates indicated.

	June 30, 2015			December 31, 2014		
	Amortized Cost	% of Total		Amortized Cost	% of Total	
	($ in millions)					
By security type:						
Agency pass-through securities(1)	$4,686	89.7	%	$5,118	89.1	%
Collateralized mortgage obligations	539	10.3		629	10.9	
Total residential mortgage-backed securities	$5,225	100.0	%	$5,747	100.0	%
Portion rated AA or higher(2)	$5,148	98.5	%	$5,672	98.7	%

(1) As of June 30, 2015, of these securities, $3.512 billion are supported by U.S. government and $1.174 billion are supported by foreign governments. As of December 31, 2014, of these securities, $3.855 billion were supported by the U.S. government and $1.263 billion were supported by foreign governments.

(2) Based on lowest external rating agency rating.

Commercial Mortgage-Backed Securities

The following tables set forth the amortized cost and fair value of our commercial mortgage-backed securities attributable to PFI excluding the Closed Block division as of the dates indicated, by credit quality and by year of issuance (vintage).

Commercial Mortgage-Backed Securities at Amortized Cost

	June 30, 2015						Total
	Lowest Rating Agency Rating(1)					Total	December
	AAA	AA	A	BBB	BB and below	Amortized Cost	31, 2014
Vintage	(in millions)						
2015	$58	$21	$0	$0	$0	$79	$0
2014	2,393	1	0	0	0	2,394	2,383
2013	2,435	99	0	9	0	2,543	2,481

2012—2009	217	309	0	0	0	526	529
2008—2007	140	43	16	5	0	204	301
2006	2,270	88	7	3	0	2,368	2,576
2005 & Prior	532	1	4	0	1	538	1,418
Total commercial mortgage-backed securities(2)(3)(4)	$8,045	$562	$27	$17	$1	$8,652	$9,688

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(1) The table above provides ratings as assigned by nationally recognized rating agencies as of June 30, 2015, including Standard & Poor's, Moody's, Fitch and Realpoint.

(2) Excluded from the table above are commercial mortgage-backed securities held outside the general account in other entities and operations. Also excluded from the table above are commercial mortgage-backed securities classified as trading.

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(3) Included in the table above, as of June 30, 2015, are downgraded super senior securities with amortized cost of $96 million in AA and $23 million in A.

(4) Included in the table above, as of June 30, 2015, are agency commercial mortgage-backed securities with amortized cost of $465 million, all rated AA.

Commercial Mortgage-Backed Securities at Fair Value

	June 30, 2015 Lowest Rating Agency Rating(1)						Total December 31, 2014
	AAA	AA	A	BBB	BB and below	Total Fair Value	
Vintage	(in millions)						
2015	$56	$21	$0	$0	$0	$77	$0
2014	2,460	1	0	0	0	2,461	2,474
2013	2,507	102	0	9	0	2,618	2,571
2012—2009	215	329	0	0	0	544	547
2008—2007	142	46	16	4	0	208	305
2006	2,297	91	6	4	0	2,398	2,642
2005 & Prior	548	2	4	0	0	554	1,469
Total commercial mortgage-backed securities(2)(3)	$8,225	$592	$26	$17	$0	$8,860	$10,008

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(1) The table above provides ratings as assigned by nationally recognized rating agencies as of June 30, 2015, including Standard & Poor's, Moody's, Fitch and Realpoint.

(2) Excluded from the table above are commercial mortgage-backed securities held outside the general account in other entities and operations. Also excluded from the table above are commercial mortgage-backed securities classified as trading.

(3) Included in the table above, as of June 30, 2015, are agency commercial mortgage-backed securities with fair value of $492 million, all rated AA.

Fixed Maturity Securities Credit Quality

The Securities Valuation Office ("SVO") of the National Association of Insurance Commissioners ("NAIC"), evaluates the investments of insurers for statutory reporting purposes and assigns fixed maturity securities to one of six categories called "NAIC Designations." In general, NAIC Designations of "1" highest quality, or "2" high quality, include fixed maturities considered investment grade, which include securities rated Baa3 or higher by Moody's or BBB- or higher by Standard & Poor's. NAIC Designations of "3" through "6" generally include fixed maturities referred to as below investment grade, which include securities rated Ba1 or lower by Moody's and BB+ or lower by Standard & Poor's. The NAIC Designations for commercial mortgage-backed securities and non-agency residential mortgage-backed securities, including our asset-backed securities collateralized by sub-prime mortgages, are based on security level expected losses as modeled by an independent third-party (engaged by the NAIC) and the statutory carrying value of the security, including any purchase discounts or impairment charges previously recognized.

As a result of time lags between the funding of investments, the finalization of legal documents, and the completion of the SVO filing process, the fixed maturity portfolio generally includes securities that have not yet been rated by the SVO as of each balance sheet date. Pending receipt of SVO ratings, the categorization of these securities by NAIC Designation is based on the expected ratings indicated by internal analysis.

Investments of our international insurance companies are not subject to NAIC guidelines. Investments of our Japanese insurance operations are regulated locally by the Financial Services Agency, an agency of the Japanese government. The Financial Services Agency has its own investment quality criteria and risk control standards. Our Japanese insurance companies comply with the Financial Services Agency's credit quality review and risk monitoring guidelines. The credit quality ratings of the investments of our Japanese insurance companies are based on ratings assigned by nationally recognized credit rating agencies, including Moody's, Standard & Poor's, or rating equivalents based on ratings assigned by Japanese credit ratings agencies.

The following table sets forth our fixed maturity portfolio by NAIC Designation or equivalent ratings attributable to PFI excluding the Closed Block division as of the dates indicated.

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	June 30, 2015				December 31, 2014			
NAIC Designation(1)(2)	Amortized Cost	Gross Unrealized Gains(3)	Gross Unrealized Losses(3)(4)	Fair Value	Amortized Cost	Gross Unrealized Gains(3)	Gross Unrealized Losses(3)(4)	Fair Value
	(in millions)							
1	$173,839	$22,384	$ 1,398	$194,825	$176,122	$25,715	$ 564	$201,273
2	43,947	4,452	880	47,519	42,111	4,934	402	46,643
Subtotal High or Highest Quality Securities(5)	217,786	26,836	2,278	242,344	218,233	30,649	966	247,916
3	7,189	546	109	7,626	6,619	537	58	7,098
4	2,193	208	42	2,359	2,228	204	50	2,382
5	529	96	17	608	441	83	24	500
6	305	26	3	328	264	22	3	283
Subtotal Other Securities(6)(7)	10,216	876	171	10,921	9,552	846	135	10,263
Total Fixed Maturities	$228,002	$27,712	$ 2,449	$253,265	$227,785	$31,495	$ 1,101	$258,179

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(1) Reflects equivalent ratings for investments of the international insurance operations.

(2) Includes, as of June 30, 2015 and December 31, 2014, 791 securities with amortized cost of $3,473 million (fair value, $3,538 million) and 1,330 securities with amortized cost of $6,864 million (fair value, $7,342 million), respectively, that have been categorized based on expected NAIC Designations pending receipt of SVO ratings.

(3) Includes $280 million of gross unrealized gains and $2 million of gross unrealized losses as of June 30, 2015, compared to $328 million of gross unrealized gains and $1 million of gross unrealized losses as of December 31, 2014, on securities classified as held-to-maturity.

(4) As of June 30, 2015, includes gross unrealized losses of $98 million on public fixed maturities and $73 million on private fixed maturities considered to be other than high or highest quality and, as of December 31, 2014, includes gross unrealized losses of $71 million on public fixed maturities and $64 million on private fixed maturities considered to be other than high or highest quality.

(5) On amortized cost basis, as of June 30, 2015, includes $188,212 million of public fixed maturities and $29,574 million of private fixed maturities and, as of December 31, 2014, includes $189,713 million of public fixed maturities and $28,520 million of private fixed maturities.

(6) On an amortized cost basis, as of June 30, 2015, includes $6,231 million of public fixed maturities and $3,985 million of private fixed maturities and, as of December 31, 2014, includes $5,712 million of public fixed maturities and $3,840 million of private fixed maturities.

(7) On an amortized cost basis, as of June 30, 2015, securities considered below investment grade based on lowest of external rating agency ratings, total $11,890 million, or 5% of the total fixed maturities, and include securities considered high or highest quality by the NAIC based on the rules described above.

Credit Derivative Exposure to Public Fixed Maturities

In addition to the credit exposure from public fixed maturities noted above, we sell credit derivatives to enhance the return on our investment portfolio by creating credit exposure similar to an investment in public fixed maturity cash instruments.

In a credit derivative, we may sell credit protection on an identified name or a broad based index, and in return receive a quarterly premium. The majority of the underlying reference names in single name and index credit derivatives where we have sold credit protection, as well as all the counterparties to these agreements, are investment grade credit quality and our credit derivatives have a remaining term to maturity of ten years or less. The premium or credit spread generally corresponds to the difference between the yield on the reference name's (or index's underlying reference names) public fixed maturity cash instruments and swap rates at the time the agreement is executed. Credit derivative contracts are recorded at fair value with changes in fair value, including the premium received, recorded in "Realized investment gains (losses), net."

As of June 30, 2015 and December 31, 2014, PFI excluding Closed Block division had $349 million and $1.5 billion notional amounts of exposure, respectively, where we have sold credit protection through credit derivatives, reported at fair value as an asset of less than $1 million and a liability of $2 million, respectively. Adjusted operating income from credit derivatives we sold was $2 million and $3 million for the three and six months ended June 30, 2015, respectively, which represents net premiums received attributable to each period. There were no premiums received for the credit derivatives we sell for the three and six months ended June 30, 2014. This excludes a credit derivative related to surplus notes issued by a subsidiary of Prudential Insurance. See Note 14 to the Unaudited Interim Consolidated Financial Statements for additional information regarding this derivative.

In addition to selling credit protection, we have purchased credit protection using credit derivatives in order to hedge specific credit exposures in our investment portfolio. As of June 30, 2015 and December 31, 2014, PFI excluding the Closed Block division had $459 million and $405 million of notional amounts, respectively, reported at fair value as a liability of $9 million and $11 million, respectively. Adjusted operating income from credit derivatives we purchased was a loss of $2 million and $5 million for

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the three and six months ended June 30, 2015 and was a loss of $6 million and $13 million for the three and six months ended June 30, 2014, respectively, which represents net premiums paid attributable to each period. See Note 14 to the Unaudited Interim Consolidated Financial Statements for additional information regarding credit derivatives and an overall description of our derivative activities.

Other-Than-Temporary Impairments of Fixed Maturity Securities

We maintain separate monitoring processes for public and private fixed maturities and create watch lists to highlight securities that require special scrutiny and management. Our public fixed maturity asset managers formally review all public fixed maturity holdings on a quarterly basis and more frequently when necessary to identify potential credit deterioration whether due to ratings downgrades, unexpected price variances, and/or company or industry specific concerns.

For private placements, our credit and portfolio management processes help ensure prudent controls over valuation and management. We have separate pricing and authorization processes to establish “checks and balances” for new investments. We apply consistent standards of credit analysis and due diligence for all transactions, whether they originate through our own in-house origination staff or through agents. Our regional offices closely monitor the portfolios in their regions. We set all valuation standards centrally, and we assess the fair value of all investments quarterly. Our private fixed maturity asset managers formally review all private fixed maturity holdings on a quarterly basis and more frequently when necessary to identify potential credit deterioration whether due to ratings downgrades, unexpected price variances, and/or company or industry specific concerns. For additional information regarding our policies regarding other-than-temporary impairments for fixed maturity securities, see Note 2 to the Company’s Consolidated Financial Statements included in the Annual Report on Form 10-K for the year ended December 31, 2014.

Other-than-temporary impairments of general account fixed maturity securities attributable to PFI excluding the Closed Block division that were recognized in earnings were $18 million and $17 million for the three months ended June 30, 2015 and 2014, respectively, and $22 million and $27 million for the six months ended June 30, 2015 and 2014, respectively.

Trading Account Assets Supporting Insurance Liabilities

The following table sets forth the composition of the TAASIL portfolio attributable to PFI excluding the Closed Block division as of the dates indicated.

	June 30, 2015		December 31, 2014	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(in millions)			
Short-term investments and cash equivalents	$423	$422	$196	$196
Fixed maturities:				
Corporate securities	12,251	12,566	11,922	12,439
Commercial mortgage-backed securities	2,055	2,078	2,505	2,546
Residential mortgage-backed securities	1,488	1,508	1,640	1,676
Asset-backed securities	1,417	1,440	1,180	1,198
Foreign government bonds	635	647	621	650
U.S. government authorities and agencies and obligations of U.S. states	290	333	303	372
Total fixed maturities	18,136	18,572	18,171	18,881
Equity securities	974	1,273	896	1,186
Total trading account assets supporting insurance liabilities	$19,533	$20,267	$19,263	$20,263

As a percentage of amortized cost, 76% and 75% of the portfolio was publicly traded as of June 30, 2015 and December 31, 2014, respectively. As of June 30, 2015 and December 31, 2014, 90% and 92%, respectively, of the fixed maturity portfolio was considered high or highest quality based on NAIC or equivalent rating. As of June 30, 2015, $1.448 billion of the residential mortgage-backed securities were publicly traded agency pass-through securities, which are supported by implicit or explicit government guarantees, of which more than 99% have credit ratings of A or higher. Collateralized mortgage obligations, including approximately $31 million secured by “ALT-A” mortgages, represented the remaining $40 million of residential mortgage-backed securities, of which 46% have credit ratings of A or better and 54% are BBB and below. For a discussion of this portfolio and

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changes in the fair value, see "—Experience-Rated Contractholder Liabilities, Trading Account Assets Supporting Insurance Liabilities and Other Related Investments," above.

Other Trading Account Assets

Other trading account assets consist primarily of certain financial instruments that contain an embedded derivative where we elected to classify the entire instrument as a trading account asset rather than bifurcate. These instruments are carried at fair value, with realized and unrealized gains and losses reported in "Other income," and excluded from adjusted operating income. Interest and dividend income from these investments is reported in "Net investment income," and is included in adjusted operating income.

The following table sets forth the composition of our other trading account assets attributable to PFI excluding the Closed Block division as of the dates indicated.

	June 30, 2015		December 31, 2014	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(in millions)			
Short-term investments and cash equivalents	$1	$1	$1	$1
Fixed maturities	841	845	849	878
Equity securities(1)	535	609	502	577
Total other trading account assets	$1,377	$1,455	$1,352	$1,456

(1) Included in equity securities are perpetual preferred stock securities that have characteristics of both debt and equity securities.

Included in the $841 million of fixed maturities as of June 30, 2015, on an amortized cost basis, are $30 million of asset-backed securities, 61% of which have credit ratings of A or above, 19% have BBB credit ratings, and the remaining 20% have BB and below credit ratings.

Commercial Mortgage and Other Loans

Investment Mix

As of both June 30, 2015 and December 31, 2014, we held approximately 11% of our general account investments attributable to PFI excluding the Closed Block division in commercial mortgage and other loans. This percentage is net of a $91 million and $99 million allowance for losses as of June 30, 2015 and December 31, 2014, respectively.

The following table sets forth the composition of our commercial mortgage and other loans portfolio, before the allowance for losses, attributable to PFI excluding the Closed Block division as of the dates indicated.

	June 30, 2015	December 31, 2014
	(in millions)	
Commercial and agricultural mortgage loans	$36,755	$34,882
Uncollateralized loans	992	1,045
Residential property loans	327	392
Other collateralized loans	314	318
Total commercial mortgage and other loans(1)	$38,388	$36,637

(1) Excluded from the table above are commercial mortgage and other loans held outside the general account in other entities and operations. For additional information regarding commercial mortgage and other loans held outside the

general account, see “—Invested Assets of Other Entities and Operations” below.

We originate commercial and agricultural mortgage loans using a dedicated investment staff and a network of independent companies through our various regional offices. All loans are underwritten consistently to our standards using a proprietary quality rating system that has been developed from our experience in real estate and mortgage lending.

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Uncollateralized loans primarily represent reverse dual currency loans and corporate loans which do not meet the definition of a security under authoritative accounting guidance.

Residential property loans primarily include Japanese recourse loans. Upon default of these recourse loans we can make a claim against the personal assets of the property owner, in addition to the mortgaged property. These loans are also backed by third party guarantors.

Other collateralized loans include collateralized structured loans and consumer loans.

Composition of Commercial and Agricultural Mortgage Loans

Our commercial and agricultural mortgage loan portfolio strategy emphasizes diversification by property type and geographic location. The following tables set forth the breakdown of the gross carrying values of our general account investments in commercial and agricultural mortgage loans attributable to PFI excluding the Closed Block division by geographic region and property type as of the dates indicated.

	June 30, 2015			December 31, 2014		
	Gross Carrying Value	% of Total		Gross Carrying Value	% of Total	
	($ in millions)					
Commercial and agricultural mortgage loans by region:						
U.S. Regions:						
Pacific	$11,786	32.1	%	$10,951	31.4	%
South Atlantic	7,426	20.2		6,939	19.9	
Middle Atlantic	4,651	12.7		4,595	13.2	
East North Central	2,654	7.2		2,662	7.6	
West South Central	3,655	9.9		3,671	10.5	
Mountain	1,695	4.6		1,646	4.7	
New England	1,722	4.7		1,736	5.0	
West North Central	698	1.9		580	1.7	
East South Central	534	1.5		258	0.7	
Subtotal-U.S.	34,821	94.8		33,038	94.7	
Asia	405	1.1		693	2.0	
Other	1,529	4.1		1,151	3.3	
Total commercial and agricultural mortgage loans	$36,755	100.0	%	$34,882	100.0	%

	June 30, 2015			December 31, 2014		
	Gross Carrying Value	% of Total		Gross Carrying Value	% of Total	
	($ in millions)					
Commercial and agricultural mortgage loans by property type:						
Industrial	$6,232	17.0	%	$6,266	18.0	%
Retail	6,633	18.0		6,515	18.7	
Office	8,126	22.1		7,111	20.4	
Apartments/Multi-Family	9,099	24.8		8,536	24.4	
Other	2,884	7.8		2,972	8.5	

Agricultural properties	1,950	5.3		1,787	5.1	
Hospitality	1,831	5.0		1,695	4.9	
Total commercial and agricultural mortgage loans	$36,755	100.0	%	$34,882	100.0	%

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Loan-to-value and debt service coverage ratios are measures commonly used to assess the quality of commercial and agricultural mortgage loans. The loan-to-value ratio compares the amount of the loan to the fair value of the underlying property collateralizing the loan, and is commonly expressed as a percentage. Loan-to-value ratios greater than 100% indicate that the loan amount is greater than the collateral value. A smaller loan-to-value ratio indicates a greater excess of collateral value over the loan amount. The debt service coverage ratio compares a property's net operating income to its debt service payments. Debt service coverage ratios less than 1.0 times indicate that property operations do not generate enough income to cover the loan's current debt payments. A larger debt service coverage ratio indicates a greater excess of net operating income over the debt service payments.

As of June 30, 2015, our general account investments in commercial and agricultural mortgage loans attributable to PFI excluding the Closed Block division had a weighted average debt service coverage ratio of 2.34 times, and a weighted average loan-to-value ratio of 55%. As of June 30, 2015, approximately 96% of commercial and agricultural mortgage loans were fixed rate loans. For those general account commercial and agricultural mortgage loans that were originated in 2015, the weighted average debt service coverage ratio was 2.46 times and the weighted average loan-to-value ratio was 63%.

The values utilized in calculating these loan-to-value ratios are developed as part of our periodic review of the commercial and agricultural mortgage loan portfolio, which includes an internal evaluation of the underlying collateral value. Our periodic review also includes a quality re-rating process, whereby we update the internal quality rating originally assigned at underwriting based on the proprietary quality rating system mentioned above. As discussed below, the internal quality rating is a key input in determining our allowance for loan losses.

For loans with collateral under construction, renovation or lease-up, a stabilized value and projected net operating income are used in the calculation of the loan-to-value and debt service coverage ratios. Our commercial and agricultural mortgage loan portfolio included approximately $1.5 billion and $1.3 billion of such loans as of June 30, 2015 and December 31, 2014, respectively. All else being equal, these loans are inherently more risky than those collateralized by properties that have already stabilized. As of June 30, 2015, there are no loan-specific reserves related to these loans. In addition, these unstabilized loans are included in the calculation of our portfolio reserve as discussed below. For information regarding similar loans we hold as part of our commercial and agricultural mortgage operations, see "—Invested Assets of Other Entities and Operations" below.

The following tables set forth the gross carrying value of our general account investments in commercial and agricultural mortgage loans attributable to PFI excluding the Closed Block division as of the dates indicated by loan-to-value and debt service coverage ratios.

Commercial and Agricultural Mortgage Loans by Loan-to-Value and Debt Service Coverage Ratios

	June 30, 2015 Debt Service Coverage Ratio			
	Greater than 1.2x	1.0x to < 1.2x	Less than 1.0x	Total Commercial and Agricultural Mortgage Loans
Loan-to-Value Ratio	(in millions)			
0%-59.99%	$19,138	$437	$246	$ 19,821
60%-69.99%	11,193	389	46	11,628
70%-79.99%	4,496	390	60	4,946
Greater than 80%	96	108	156	360

Total commercial and agricultural mortgage loans	$34,923	$1,324	$508	$ 36,755

The following table sets forth the breakdown of our commercial and agricultural mortgage loans attributable to PFI excluding the Closed Block division by year of origination as of June 30, 2015.

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Year of Origination	June 30, 2015 Gross Carrying Value ($ in millions)	% of Total	
2015	$3,707	10.1	%
2014	7,532	20.5	
2013	8,239	22.4	
2012	4,427	12.0	
2011	4,560	12.4	
2010	2,718	7.4	
2009	683	1.9	
2008 & prior	4,889	13.3	
Total commercial and agricultural mortgage loans	$36,755	100.0	%

Commercial Mortgage and Other Loan Quality

Ongoing review of the portfolio is performed and loans are placed on watch list status based on a predefined set of criteria, where they are assigned to one of the following categories. We place loans on early warning status in cases where, based on our analysis of the loan's collateral, the financial situation of the borrower or tenants or other market factors, we believe a loss of principal or interest could occur. We classify loans as closely monitored when we determine there is a collateral deficiency or other credit events that may lead to a potential loss of principal or interest. Loans not in good standing are those loans where we have concluded that there is a high probability of loss of principal, such as when the loan is in the process of foreclosure or the borrower is in bankruptcy. Our workout and special servicing professionals manage the loans on the watch list. As described below, in determining our allowance for losses we evaluate each loan on the watch list to determine if it is probable that amounts due according to the contractual terms of the loan agreement will not be collected.

We establish an allowance for losses to provide for the risk of credit losses inherent in the lending process. The allowance includes loan specific reserves for loans that are determined to be impaired as a result of our loan review process, and a portfolio reserve for probable incurred but not specifically identified losses for loans which are not on the watch list. We define an impaired loan as a loan for which we estimate it is probable that amounts due according to the contractual terms of the loan agreement will not be collected. The loan specific portion of the loss allowance is based on our assessment as to ultimate collectability of loan principal and interest. Valuation allowances for an impaired loan are recorded based on the present value of expected future cash flows discounted at the loan's effective interest rate or based on the fair value of the collateral if the loan is collateral dependent. The portfolio reserve for incurred but not specifically identified losses considers the current credit composition of the portfolio based on the internal quality ratings mentioned above. The portfolio reserves are determined using past loan experience, including historical credit migration, loss probability, and loss severity factors by property type. These factors are reviewed and updated as appropriate. The valuation allowance for commercial mortgage and other loans can increase or decrease from period to period based on these factors.

Our general account investments in commercial mortgage and other loans attributable to PFI excluding the Closed Block division, based upon the recorded investment gross of allowance for credit losses, was $38,388 million and $36,637 million as of June 30, 2015 and December 31, 2014, respectively. As a percentage of recorded investment gross of allowance, more than 99.8% of these assets were current for both periods.
The following table sets forth the change in valuation allowances for our commercial mortgage and other loan portfolio as of the dates indicated.

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	June 30, 2015	December 31, 2014
	(in millions)	
Allowance, beginning of year	$99	$164
Addition to (release of) allowance for losses	(8)	(55)
Charge-offs, net of recoveries	0	(8)
Change in foreign exchange	0	(2)
Allowance, end of period	$91	$99
Loan specific reserve	$2	$5
Portfolio reserve	$89	$94

Equity Securities

Investment Mix

The equity securities attributable to PFI excluding the Closed Block division consist principally of investments in common and preferred stock of publicly-traded companies, as well as mutual fund shares. The following table sets forth the composition of our equity securities portfolio and the associated gross unrealized gains and losses as of the dates indicated.

	June 30, 2015				December 31, 2014			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in millions)							
Non-redeemable preferred stocks	$22	$3	$2	$23	$23	$3	$1	$25
Mutual fund common stocks(1)	2,788	460	35	3,213	2,638	468	30	3,076
Other common stocks	1,994	1,449	16	3,427	2,064	1,190	24	3,230
Total equity securities(2)	$4,804	$1,912	$53	$6,663	$4,725	$1,661	$55	$6,331

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(1) Includes mutual fund shares representing our interest in the underlying assets of certain of our separate account investments supporting corporate-owned life insurance. These mutual funds invest primarily in high yield bonds.

(2) Amounts presented exclude hedge funds and other alternative investments which are reported in "Other long-term investments."

Other-Than-Temporary Impairments of Equity Securities

For those equity securities classified as available-for-sale, we record unrealized gains and losses to the extent cost is different from estimated fair value. All securities with unrealized losses are subject to our review to identify other-than-temporary impairments in value. For additional information regarding our policies regarding other-than-temporary impairments for equity securities, see Note 2 to the Company's Consolidated Financial Statements included in the Annual Report on Form 10-K for the year ended December 31, 2014.

Impairments of equity securities attributable to PFI excluding the Closed Block division were $9 million and $6 million for the three months ended June 30, 2015 and 2014, respectively, and $14 million for both the six months ended June 30, 2015 and 2014. For a further discussion of impairments, see "—Realized Investment Gains and Losses" above.

Other Long-Term Investments

The following table sets forth the composition of “Other long-term investments,” which primarily consists of investments in joint ventures and limited partnerships, other than operating joint ventures, as well as wholly-owned investment real estate and other investments attributable to PFI excluding the Closed Block division, as of the dates indicated.

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	June 30, 2015 (in millions)	December 31, 2014
Joint ventures and limited partnerships:		
Non-real estate-related(1)	$4,117	$4,267
Real estate-related	268	235
Real estate held through direct ownership	1,669	1,795
Other(2)	875	872
Total other long-term investments	$6,929	$7,169

(1) Primarily includes investments in private equity and hedge funds.

(2) Primarily includes derivatives and member and activity stock held in the Federal Home Loan Banks of New York and Boston. For additional information regarding our holdings in the Federal Home Loan Banks of New York and Boston, see Note 9 to the Unaudited Interim Consolidated Financial Statements.

Other-Than Temporary Impairments of Other Long-Term Investments

Other long-term investments consist of the Company's non-coupon investments in joint ventures and limited partnerships, other than operating joint ventures, as well as wholly-owned real estate and other investments. For joint ventures and limited partnerships, the carrying value of these investments is written down, or impaired to fair value when a decline in value is considered to be other-than-temporary.

Impairments on joint ventures and limited partnerships attributable to PFI excluding the Closed Block division were $7 million and $26 million for the three and six months ended June 30, 2015, respectively. There were no impairments for the three and six months ended June 30, 2014. For a further discussion of impairments, see "—Realized Investment Gains and Losses" above.

For additional information regarding our policies regarding other-than-temporary impairments for joint ventures and limited partnerships, other than operating joint ventures, as well as wholly-owned investment real estate and other investments, see Note 2 to the Company's Consolidated Financial Statements included in the Annual Report on Form 10-K for the year ended December 31, 2014.

Invested Assets of Other Entities and Operations

"Invested Assets of Other Entities and Operations" presented below includes investments held outside the general account and primarily represents investments associated with our asset management operations and derivative operations. Our derivative operations act on behalf of affiliates primarily to manage interest rates, foreign currency, credit and equity exposures. Assets within our asset management operations that are managed for third parties and those assets classified as "Separate account assets" on our balance sheet are not included below.

	June 30, 2015 (in millions)	December 31, 2014
Fixed Maturities:		
Public, available-for-sale, at fair value	$93	$96
Private, available-for-sale, at fair value	55	52
Other trading account assets, at fair value	10,984	9,068
Equity securities, available-for-sale, at fair value	8	8
Commercial mortgage and other loans, at book value(1)	434	419
Other long-term investments	912	986
Short-term investments	152	347
Total investments	$12,638	$10,976

(1) Book value is generally based on unpaid principal balance net of any allowance for losses, the lower of cost or fair value, or fair value, depending on the loan.

Other Trading Account Assets

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Other trading account assets are primarily related to assets associated with consolidated variable interest entities, for which the Company is the investment manager, as well as our derivative operations used to manage interest rate, foreign currency, credit and equity exposures. The assets of the consolidated variable interest entities are generally offset by liabilities for which the fair value option has been elected. For further information on these consolidated variable interest entities, see Note 5 to the Unaudited Interim Consolidated Financial Statements.

Commercial Mortgage and Other Loans

Our asset management operations include our commercial mortgage operations, which provide mortgage origination, asset management and servicing for our general account, institutional clients, and government sponsored entities such as Fannie Mae, the Federal Housing Administration, and Freddie Mac.

The mortgage loans of our commercial mortgage operations are included in "Commercial mortgage and other loans," with related derivatives and other hedging instruments primarily included in "Other trading account assets" and "Other long-term investments."

Other Long-Term Investments

Other long-term investments primarily include strategic investments made as part of our asset management operations. We make these strategic investments in real estate, as well as fixed income, public equity and real estate securities, including controlling interests. Certain of these investments are made primarily for purposes of co-investment in our managed funds and structured products. Other strategic investments are made with the intention to sell or syndicate to investors, including our general account, or for placement in funds and structured products that we offer and manage (seed investments). As part of our asset management operations, we also make loans to our managed funds that are secured by equity commitments from investors or assets of the funds. Other long-term investments also include certain assets in consolidated investment funds where the Company is deemed to exercise control over the funds.

Liquidity and Capital Resources

This section supplements, and should be read in conjunction with, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" included in our Annual Report on Form 10-K for the year ended December 31, 2014.

Overview

Liquidity refers to the ability to generate sufficient cash resources to meet the payment obligations of the Company. Capital refers to the long-term financial resources available to support the operations of our businesses, fund business growth, and provide a cushion to withstand adverse circumstances. Our ability to generate and maintain sufficient liquidity and capital depends on the profitability of our businesses, general economic conditions and our access to the capital markets and the alternate sources of liquidity and capital described herein.

Effective and prudent liquidity and capital management is a priority across the organization. Management monitors the liquidity of Prudential Financial and its subsidiaries on a daily basis and projects borrowing and capital needs over a multi-year time horizon through our quarterly planning process. We believe that cash flows from the sources of funds available to us are sufficient to satisfy the current liquidity requirements of Prudential Financial and its subsidiaries, including under reasonably foreseeable stress scenarios. We have a capital management framework in place that governs the allocation of capital and approval of capital uses, and we forecast capital sources and uses on a quarterly basis. We also employ 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 margins for our insurance subsidiaries under various stress scenarios.

Prudential Financial is a non-bank financial company under the Dodd-Frank Act ("Dodd-Frank"). As a non-bank financial company, Prudential Financial is subject to supervision and examination by the Federal Reserve Bank of Boston and to prudential regulatory standards, which include or will include requirements and limitations (some of which are the subject of ongoing rule-making) relating to risk-based capital, leverage, liquidity, stress-testing, overall risk management, resolution plans and early remediation; and may also include additional standards regarding capital, public disclosure, short-term debt limits, and other related subjects. In addition, the FSB has identified the Company as a G-SII. For information on the potential impact of this regulation on us, see "Business—Regulation" and "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2014.

During the six months ended June 30, 2015, we took the following significant actions that impacted our liquidity and capital position:

- On January 2, 2015, we repurchased and canceled all of the outstanding shares of our Class B Stock for a cash purchase price of $651 million. In accordance with the terms of the Class B Stock repurchase agreement, the holders of a majority of the Class B Stock have exercised their right to dispute the calculation of the purchase price. Accordingly, the final purchase price of the Class B Stock could change;
- We repurchased $500 million of shares of our Common Stock and declared aggregate Common Stock dividends of $532 million;
- We issued $1.0 billion of junior subordinated notes to be utilized for general corporate purposes; and
- We obtained additional financing for Regulation XXX and Guideline AXXX reserves by increasing the amount outstanding under our captive financing facilities by $308 million and $262 million, respectively.

Capital

The primary components of the Company's capitalization consist of equity and outstanding capital debt, including junior subordinated debt. As shown in the table below, as of June 30, 2015, the Company had $39.8 billion in capital, all of which was available to support the aggregate capital requirements of its divisions and its Corporate and Other operations. Based on our assessment of these businesses and operations, we believe this level of capital is consistent with our ratings targets.

	June 30, 2015	December 31, 2014
	(in millions)	
Equity(1)	$28,319	$25,720
Junior subordinated debt (i.e. hybrid securities)	5,884	4,884
Other capital debt	5,603	8,451
Total capital	$39,806	$39,055

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(1) Amounts attributable to Prudential Financial excluding AOCI.

The decrease in other capital debt from December 31, 2014, primarily reflects a reduction in capital required as a result of positive net cash flows, including proceeds from the Closed Block restructuring received as part of the Prudential Insurance dividend, and a reduction in capital debt due to proceeds received from an issuance of junior subordinated debt.

We manage Prudential Insurance, Prudential of Japan, Gibraltar Life, and our other domestic and international insurance subsidiaries to regulatory capital levels consistent with our "AA" ratings targets. We utilize the Risk-Based Capital ("RBC") ratio as a primary measure of the capital adequacy of our domestic insurance subsidiaries and the Solvency Margin ratio as a primary measure of the capital adequacy of our Japanese insurance subsidiaries.

The table below presents the RBC ratios of our most significant domestic insurance subsidiaries as of December 31, 2014, the most recent statutory fiscal year-end and RBC reporting date for these subsidiaries.

	Ratio(1)	
Prudential Insurance(2)	498	%
Prudential Annuities Life Assurance Corporation ("PALAC")	647	%

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(1) The 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.

(2) Includes Prudential Retirement Insurance and Annuity Company (“PRIAC”), Pruco Life Insurance Company (“Pruco Life”) and Pruco Life Insurance Company of New Jersey (“PLNJ”), a subsidiary of Pruco Life.

The table below presents the Solvency Margin ratios of our most significant international insurance subsidiaries as of March 31, 2015, their most recent statutory fiscal year end.

	Ratio	
Prudential of Japan	844	%
Gibraltar Life consolidated(1)	882	%

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(1) Includes Prudential Gibraltar Financial Life Insurance Co., Ltd., a wholly-owned subsidiary of Gibraltar Life.

All of our domestic and international insurance subsidiaries have capital levels that substantially exceed the minimum level required by applicable insurance regulations.

The regulatory capital levels of our domestic and international insurance subsidiaries can be materially impacted by interest rate, equity market and real estate market fluctuations, changes in the values of derivatives, the level of impairments recorded, credit quality migration of our investment portfolio, foreign exchange rate movements and business growth, among other items. In addition, particularly for our domestic insurance subsidiaries, the recapture of business subject to third-party reinsurance arrangements due to, for example, defaults by, or credit quality migration affecting, the third-party reinsurers could negatively impact regulatory capital. Our regulatory capital levels are also affected by statutory accounting rules, which are subject to change by each applicable insurance regulator. We evaluate the regulatory capital of our domestic and international insurance operations under reasonably foreseeable stress scenarios and believe we have adequate resources to maintain our capital levels comfortably above regulatory requirements under these scenarios.

Capital Protection Framework

We employ a “Capital Protection Framework” (“the 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 our insurance subsidiaries under various stress scenarios. The Framework incorporates the potential impacts from market related stresses, including equity markets, real estate, interest rates, credit losses, and foreign currency exchange rates. In evaluating these potential impacts, we assess risk holistically at the enterprise level, recognizing that our business mix may produce results that partially offset on a net basis. The Framework addresses the potential capital consequences, under stress scenarios, of certain of these net risks and the strategies we use to mitigate them, including the following:

- Equity market exposure affecting the statutory capital of the Company as a whole, which we manage through our equity hedge program and on-balance sheet and contingent sources of capital;
- Our decision to manage a portion of our interest rate risk internally, on a net basis, at an enterprise level. In implementing this strategy, we execute intercompany derivative transactions between our Corporate and Other operations and certain business segments. We limit our exposure to the resulting net interest rate risk at the enterprise level through options embedded in our hedging strategy that may be exercised if interest rates decline below certain thresholds. The results of this strategy are described under “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Corporate and Other”; and
- Activities of our business segments, including those for which specific risk mitigation strategies have been implemented, such as our living benefits hedging program that covers certain risks associated with our variable annuity products.

We periodically recalibrate our hedging strategies in response to changing market conditions. The Framework accommodates periodic volatility within ranges that we deem acceptable, while also providing for additional potential sources of capital, including on-balance sheet capital, derivatives, and contingent sources of capital. Although we continue to enhance our approach, we believe we currently have access to sufficient resources to maintain adequate capitalization and competitive RBC ratios and solvency margins under a range of potential stress scenarios.

Captive Reinsurance Companies

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital—Captive Reinsurance Companies” included in our Annual Report on Form 10-K for the year ended

December 31, 2014, for a discussion of our use of captive reinsurance companies.

Shareholder Distributions

In June 2015, our Board of Directors authorized the Company to repurchase at management's discretion up to $1.0 billion of its outstanding Common Stock during the period from July 1, 2015 through June 30, 2016. This authorization succeeds the Board's previous $1.0 billion repurchase authority, which covered the prior twelve month period. The timing and amount of share repurchases will be determined by management based on market conditions and other considerations, including any increased capital needs of our businesses due to, among other things, changes in regulatory capital requirements and opportunities for growth and acquisitions. Repurchases may be effected in the open market, through derivative, accelerated repurchase and other negotiated transactions and through plans designed to comply with Rule 10b5-1(c) under the Exchange Act. The following table sets forth information about declarations of Common Stock dividends, as well as repurchases of shares of Prudential Financial's Common Stock, for the three months ended March 31 and June 30, 2015.

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Three months ended:	Dividend Amount		Shares Repurchased	
	Per Share	Aggregate	Shares	Total Cost
	(in millions, except per share data)			
March 31, 2015	$0.58	$267	3.1	$250
June 30, 2015	$0.58	$265	2.9	$250

As a non-bank financial company under Dodd-Frank, Prudential Financial expects to be subject to minimum risk-based capital and leverage requirements and to the submission of annual capital plans to the Federal Reserve System. Our compliance with these and other requirements under Dodd-Frank could limit our ability to pay Common Stock dividends and repurchase shares in the future.

Liquidity

Liquidity management and stress testing are performed 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 the holding company and within our operating subsidiaries. A minimum cash balance of at least $1.3 billion is targeted to ensure that adequate liquidity is available at Prudential Financial to cover fixed expenses in the event that we experience reduced cash flows from our operating subsidiaries. This targeted minimum balance is reviewed and approved annually by the Board of Directors.

We seek to mitigate the risk of having limited or no access to financing due to stressed market conditions by generally pre-funding capital debt in advance of maturity. We mitigate the refinancing risk associated with our debt that is used to fund operating needs 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 our major operating subsidiaries. We seek to further mitigate liquidity risk by maintaining our access to alternative sources of liquidity, as discussed below.

Liquidity of Prudential Financial

The principal sources of funds available to Prudential Financial, the parent holding company, 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 Prudential Financial’s access to the capital markets as well as the “—Alternative Sources of Liquidity” described below.

The primary uses of funds at Prudential Financial 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 authority from our Board of Directors.

As of June 30, 2015, Prudential Financial had cash and short-term investments of $9,758 million, a decrease of $1,306 million from December 31, 2014. We maintain an intercompany liquidity account that is designed to optimize the use of cash by facilitating the lending and borrowing of funds between Prudential Financial and its subsidiaries on a daily basis. Excluding net borrowings from this intercompany liquidity account, Prudential Financial had cash and short-term investments of $5,716 million as of June 30, 2015, an increase of $1,400 million from December 31, 2014.

The following table sets forth Prudential Financial’s principal sources and uses of cash and short-term investments, excluding net borrowings from our intercompany liquidity account, for the period indicated.

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	Six Months Ended June 30, 2015 (in millions)
Sources:	
Dividends and/or returns of capital from subsidiaries(1)	$2,940
Net receipts under intercompany loan agreements(2)	2,644
Proceeds from the issuance of junior subordinated debt (hybrid securities)	1,000
Proceeds from stock-based compensation and exercise of stock options	216
Proceeds from the issuance of retail medium-term notes	180
Interest income from subsidiaries on intercompany agreements, net of interest paid	53
Proceeds from short-term debt, net of repayments	45
Total sources	7,078
Uses:	
Capital contributions to subsidiaries(3)	1,598
Maturities of medium-term notes, excluding retail medium-term notes	1,248
Class B Stock repurchase(4)	651
Common Stock dividends(5)	537
Share repurchases(6)	502
Interest paid on external debt	484
Net income tax payments	463
Repayment of retail medium-term notes	59
Other, net	136
Total uses	5,678
Net increase (decrease) in cash and short-term investments	$1,400

(1) Includes dividends and/or returns of capital of $1,950 million from Prudential Insurance, $480 million from International subsidiaries, $336 million from Prudential Annuities Holding Company, of which $270 million was from PALAC, $144 million from Asset Management subsidiaries, and $30 million from other subsidiaries.

(2) Includes net receipts from subsidiaries of $2,113 million from Pruco Reinsurance, Ltd. ("Pruco Re") and $292 million from Asset Management subsidiaries, and net proceeds of $561 million from the issuance of notes to International subsidiaries, offset by net borrowing of $22 million by Pruco Life, and net repayments of $200 million to Pruco Re, and $100 million to Prudential Mortgage Capital Company.

(3) Includes capital contributions of $1,562 million to Pruco Re, $33 million to International subsidiaries, and $3 million to Asset Management subsidiaries.

(4) Class B Stock repurchase settlement.

(5) Includes cash payments made on dividends declared in prior periods.

(6) Includes $13 million related to trades that settled in January 2015 and excludes $11 million related to trades that settled in July 2015.

Restrictions on Dividends and Returns of Capital from Subsidiaries

Our insurance companies are subject to limitations on the payment of dividends and other transfers of funds to Prudential Financial and other affiliates under applicable insurance law and regulation. In the United States, dividends above thresholds calculated under applicable insurance laws are considered "extraordinary" and require the approval of the relevant state insurance regulator. Also, more generally, the payment of dividends by any of our subsidiaries is subject to declaration by their Board of Directors and can be affected by market conditions and other factors. See Note 15 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2014, for details on specific dividend restrictions.

Domestic insurance subsidiaries. In May 2015, Prudential Insurance paid an extraordinary dividend in the amount of $1.95 billion to its parent, Prudential Financial. In June 2015, PALAC paid an extraordinary dividend of $270 million to Prudential Financial.

International insurance subsidiaries. During the first six months of 2015, Prudential of Korea paid a dividend of 35.0 billion, or approximately $30 million, to its parent, Prudential International Insurance Holding Ltd., which was ultimately sent to Prudential Financial.

Other subsidiaries. The ability of our asset management subsidiaries and the majority of our other operating subsidiaries to pay dividends is largely unrestricted from a regulatory standpoint.

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Liquidity of Insurance Subsidiaries

We continue to believe that cash generated by ongoing operations and the liquidity profile of our assets provide sufficient liquidity under reasonably foreseeable stress scenarios for each of our insurance subsidiaries.

The principal sources of liquidity for our insurance subsidiaries are premiums and certain annuity considerations, investment and fee income, and investment maturities and sales associated with our insurance and annuity operations, as well as internal and external borrowings. The principal uses of that liquidity include benefits, claims and 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, the payment of dividends to the parent holding company, hedging activity and payments in connection with financing activities. We use a projection process for cash flows from operations to ensure sufficient liquidity is available to meet projected cash outflows, including claims.

We manage the liquidity of our insurance operations to ensure stable, reliable and cost-effective sources of cash flows to meet all of our obligations. Liquidity within each of our insurance subsidiaries is provided by a variety of sources, including portfolios of liquid assets. The investment portfolios of our subsidiaries are integral to the overall liquidity of our insurance operations. We segment our investment portfolios and employ an asset/liability management approach specific to the requirements of each of our 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 following table sets forth the fair value of certain of our domestic insurance operations' portfolio of liquid assets, including cash and short-term investments, fixed maturity investments other than those designated as held-to-maturity, classified by NAIC or equivalent rating, and public equity securities, as of the dates indicated.

	June 30, 2015					
	Prudential Insurance (in billions)	PLIC(1)	PRIAC	Other(2)	Total	December 31, 2014
Cash and short-term investments	$3.9	$2.0	$0.5	$0.5	$6.9	$7.7
Fixed maturity investments:						
High or highest quality	90.4	33.7	18.0	8.4	150.5	157.8
Other than high or highest quality	6.1	3.9	1.9	0.7	12.6	11.6
Subtotal	96.5	37.6	19.9	9.1	163.1	169.4
Public equity securities	0.2	3.3	0.0	0.1	3.6	4.0
Total	$100.6	$42.9	$20.4	$9.7	$173.6	$181.1

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(1) Prudential Legacy Insurance Company of New Jersey.
(2) Includes PALAC and Pruco Life.

The following table sets forth the fair value of our international insurance operations' portfolio of liquid assets, including cash and short-term investments, fixed maturity investments other than those designated as held-to-maturity, classified by NAIC or equivalent rating, and public equity securities, as of the dates indicated.

	June 30, 2015				
	Prudential of Japan (in billions)	Gibraltar Life(1)	All Other(2)	Total	December 31, 2014

Cash and short-term investments	$1.0	$1.8	$1.5	$4.3	$2.1
Fixed maturity investments:					
High or highest quality(3)	26.7	78.8	14.7	120.2	123.9
Other than high or highest quality	0.5	2.7	0.2	3.4	3.0
Subtotal	27.2	81.5	14.9	123.6	126.9
Public equity securities	1.8	2.4	0.5	4.7	4.3
Total	$30.0	$85.7	$16.9	$132.6	$133.3

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(1) Includes Prudential Gibraltar Financial Life Insurance Co., Ltd., a wholly-owned subsidiary of Gibraltar Life.
(2) Represents our international insurance operations, excluding Japan.

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(3) Of the $120.2 billion of fixed maturity investments that are not designated as held-to-maturity and considered high or highest quality as of June 30, 2015, $81.9 billion, or 68%, were invested in government or government agency bonds.

Liquidity associated with other activities

Hedging activities associated with living benefit guarantees

We reinsure living benefit guarantees on certain variable annuity and retirement products from our domestic life insurance companies to Pruco Re. This enables us to execute our living benefit hedging program primarily within a single legal entity. As part of the living benefit hedging program, we enter into a range of exchange-traded, cleared and other OTC equity and interest rate derivatives to hedge certain living benefit features accounted for as embedded derivatives against changes in certain capital market conditions such as interest rates and equity index levels. For a full discussion of our living benefits hedging program, see "—Results of Operations by Segment—U.S. Retirement Solutions and Investment Management Division—Individual Annuities." Pruco Re requires access to liquidity to meet its payment obligations under this program, such as payments for periodic settlements, purchases, maturities, terminations and breakage. Pruco Re's liquidity needs can vary materially due to, among other items, changes in interest rates, equity markets, mortality and policyholder behavior. Currently, we fund these liquidity needs with a combination of capital contributions and loans from Prudential Financial and other affiliates.

The living benefits hedging activity in Pruco Re may also result in collateral postings on derivatives to or from counterparties. The net collateral position depends on changes in interest rates and equity markets related to the amount of the exposures hedged. Depending on market conditions, the collateral posting requirements can result in material liquidity needs. Also, certain derivatives entered into on or after June 10, 2013, are subject to mandatory clearing requirements under Dodd-Frank and, as a result, typically have additional collateral requirements. As of June 30, 2015, the living benefit hedging derivatives were in a net receive position of $3.4 billion compared to a net receive position of $4.7 billion as of December 31, 2014. The change in collateral position was primarily driven by an increase in interest rates.

Foreign exchange hedging activities

We employ various hedging strategies to manage potential exposure to foreign currency exchange rate movements, particularly those associated with the yen. Our overall yen hedging strategy calibrates the hedge level to preserve the relative contribution of our yen-based business to the Company's overall return on equity on a leverage neutral basis. The hedging strategy includes two primary components:

Income Hedges—We hedge a portion of our prospective yen-based earnings streams by entering into external forward currency derivative contracts that effectively fix the currency exchange rates for that portion of earnings, thereby reducing volatility from foreign currency exchange rate movements. As of June 30, 2015, we have hedged 100%, 92%, 50% and 8% of expected yen-based earnings for 2015, 2016, 2017 and 2018 respectively.

Equity Hedges—We hold both internal and external hedges primarily to hedge our U.S. dollar-equivalent equity. These hedges also mitigate volatility in the solvency margins of yen-based subsidiaries resulting from changes in the market value of their U.S. dollar-denominated investments hedging our U.S. dollar-equivalent equity attributable to changes in the yen-U.S. dollar exchange rate.

For additional information on our hedging strategy, see "—Results of Operations by Segment—International Insurance Division."

Cash settlements from these hedging activities result in cash flows between subsidiaries of Prudential Financial and either yen-based subsidiaries or external parties. The cash flows are dependent on changes in foreign currency exchange rates and the notional amount of the exposures hedged. A significant yen depreciation over an extended period of time could result in net cash inflows, while a significant yen appreciation could result in net cash outflows. The following tables set forth information about net cash settlements and the net asset or liability resulting from these hedging activities.

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Cash Settlements:	Six months ended June 30, 2015	2014
	(in millions)	
Income Hedges (External)(1)	$161	$144
Equity Hedges:		
Internal	615	274
External	(151)	56
Total Equity Hedges	464	330
Total Cash Settlements	$625	$474

Assets/Liabilities:	As of June 30, 2015	December 31, 2014
	(in millions)	
Income Hedges (External)(2)	$286	$404
Equity Hedges:		
Internal	1,540	1,841
External	774	597
Total Equity Hedges(3)	2,314	2,438
Total Assets/Liabilities	$2,600	$2,842

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(1) Includes Korean won related cash settlements of $(4) million and $(12) million for the six months ended June 30, 2015 and 2014, respectively.

(2) Includes a Korean won related asset of $10 million and $2.5 million as of June 30, 2015 and December 31, 2014, respectively.

(3) As of June 30, 2015, approximately 13%, 23% and 64% of the net asset is scheduled to settle in the remainder of 2015, 2016 and thereafter, respectively. The net market value of the assets/liabilities will vary with changing market conditions to the extent there are no corresponding offsetting positions.

Asset Management operations

The principal sources of liquidity for our fee-based asset management businesses include asset management fees and commercial mortgage origination and servicing fees. The principal uses of liquidity include general and administrative expenses and distributions of dividends and returns of capital to Prudential Financial. The primary liquidity risks for our fee-based asset management businesses relate to their profitability, which is impacted by market conditions and our investment management performance. We believe the cash flows from our fee-based asset management businesses are adequate to satisfy the current liquidity requirements of these operations, as well as requirements that could arise under reasonably foreseeable stress scenarios, which are monitored through the use of internal measures.

The principal sources of liquidity for our strategic investments held in our asset management businesses are cash flows from investments, the ability to liquidate investments, and available borrowing lines from internal sources, including Prudential Financial and Prudential Funding, LLC (“Prudential Funding”), a wholly-owned subsidiary of Prudential Insurance. The primary liquidity risks include the inability to sell assets in a timely manner, declines in the value of assets and credit defaults. There have been no material changes to the liquidity position of our asset management operations since December 31, 2014.

Alternative Sources of Liquidity

In addition to the sources of liquidity discussed throughout this section, Prudential Financial and certain subsidiaries have access to the following alternative sources of liquidity:

- Asset-based financing, as discussed further below.
- Membership in the Federal Home Loan Banks, which provides Prudential Insurance and PRIAC 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 June 30, 2015, Prudential Insurance had an estimated maximum borrowing capacity of $7.4 billion, of which $2.0 billion was outstanding, and PRIAC had an estimated maximum borrowing capacity of $0.2 billion with no advances outstanding. As of June 30, 2015, Prudential Insurance and PRIAC had qualifying assets available but not pledged with fair value of $4.5 billion and $1.9 billion, respectively.
- Commercial paper programs maintained by Prudential Financial and Prudential Funding, with authorized issuance capacity of $3.0 billion and $7.0 billion, respectively, of which $141 million and $731 million, respectively, were outstanding as of June 30, 2015.
- A $4.0 billion syndicated, committed credit facility that expires in April 2020, and has Prudential Financial and Prudential Funding as borrowers. This credit facility, which was entered into on April 14, 2015, amends and restates our previously-

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existing $2.0 billion five-year credit facility and $1.75 billion three-year credit facility. There were no outstanding borrowings under this credit facility as of June 30, 2015, or as of the date of this filing.

- A put option agreement giving Prudential Financial the right to issue up to $1.5 billion in senior notes due November 2023 to a trust entity at any time in return for principal and interest strips of U.S. Treasury securities.

For further information on our Federal Home Loan Bank memberships, commercial paper programs, credit facilities and the put option agreement, see Note 9 to our Unaudited Interim Consolidated Financial Statements.

Asset-based Financing

We conduct asset-based or secured financing within our 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 our 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. Floating rate assets comprise the majority of our short-term spread portfolio. These short-term portfolios are subject to specific investment policy statements, which among other things, do not allow for significant asset/liability interest rate duration mismatch.

The following table sets forth our liabilities under asset-based or secured financing programs as of the dates indicated.

	June 30, 2015			December 31, 2014		
	PFI Excluding Closed Block Division	Closed Block Division	Consolidated	PFI Excluding Closed Block Division	Closed Block Division	Consolidated
	($ in millions)					
Securities sold under agreements to repurchase	$4,592	$3,271	$ 7,863	$5,492	$3,915	$ 9,407
Cash collateral for loaned securities	2,679	1,129	3,808	3,064	1,177	4,241
Securities sold but not yet purchased	62	0	62	77	0	77
Total(1)	$7,333	$4,400	$ 11,733	$8,633	$5,092	$ 13,725
Portion of above securities that may be returned to the Company overnight requiring immediate return of the cash collateral	$5,304	$1,708	$ 7,012	$6,610	$1,975	$ 8,585
Weighted average maturity, in days(2)	17	25		23	52	

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(1) The daily weighted average outstanding balance for the three and six months ended June 30, 2015, was $7,994 million and $8,399 million, respectively, for PFI excluding the Closed Block division, and $5,014 million and $5,119 million, respectively, for the Closed Block division.

(2) Excludes securities that may be returned to the Company overnight.

As of June 30, 2015, our domestic insurance entities had assets eligible for the asset-based or secured financing programs of $101.4 billion, of which $11.5 billion were on loan. Taking into account market conditions and outstanding loan balances as of June 30, 2015, we believe approximately $15.8 billion of the remaining eligible assets are readily lendable, including approximately $12.2 billion relating to PFI excluding the Closed Block division, of which $2.0 billion relates to certain separate accounts and may only be used for financing activities related to those accounts, and the remaining $3.6 billion relating to the Closed Block division.

Financing Activities

As of June 30, 2015, total short- and long-term debt of the Company on a consolidated basis was $23.9 billion, an increase of $0.2 billion from December 31, 2014. The following table sets forth total consolidated borrowings of the Company as of the dates indicated. We may, from time to time, seek to redeem or repurchase our outstanding debt securities through open market purchases, individually negotiated transactions or otherwise. Any such repurchases will depend on prevailing market conditions, our liquidity position and other factors.

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	June 30, 2015			December 31, 2014		
	Prudential Financial (in millions)	Other Subsidiaries	Consolidated	Prudential Financial	Other Subsidiaries	Consolidated
General obligation short-term debt:						
Commercial paper	$141	$ 731	$ 872	$97	$ 386	$ 483
Current portion of long-term debt and other(1)(2)	1,666	1,083	2,749	2,222	1,134	3,356
Subtotal	1,807	1,814	3,621	2,319	1,520	3,839
General obligation long-term debt:						
Senior debt	10,606	1,923	12,529	11,177	1,927	13,104
Junior subordinated debt	5,884	0	5,884	4,884	0	4,884
Surplus notes(3)	0	1,341	1,341	0	1,341	1,341
Subtotal	16,490	3,264	19,754	16,061	3,268	19,329
Total general obligations	18,297	5,078	23,375	18,380	4,788	23,168
Limited recourse borrowing(4):						
Long-term debt	0	510	510	0	502	502
Total limited recourse borrowings	0	510	510	0	502	502
Total borrowings	$18,297	$ 5,588	$ 23,885	$18,380	$ 5,290	$ 23,670

(1) Does not include $2,705 million of medium-term notes of consolidated trust entities secured by funding agreements purchased with the proceeds of such notes at both June 30, 2015 and December 31, 2014, or $1,697 million and $1,947 million of collateralized funding agreements issued to the Federal Home Loan Bank of New York as of June 30, 2015 and December 31, 2014, respectively. These notes and funding agreements are included in "Policyholders' account balances." For additional information on these obligations, see Note 9 to our Unaudited Interim Consolidated Financial Statements contained herein and Note 10 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2014.

(2) Includes collateralized borrowings from the Federal Home Loan Bank of New York of $280 million at both June 30, 2015 and December 31, 2014. For additional information on these borrowings, see Note 9 to our Unaudited Interim Consolidated Financial Statements.

(3) Amounts are net of assets under set-off arrangements of $4,543 million and $3,973 million as of June 30, 2015 and December 31, 2014, respectively.

(4) Limited and non-recourse borrowing primarily represents mortgage debt of our subsidiaries that has recourse only to real estate investment property.

As of June 30, 2015 and December 31, 2014, we were in compliance with all debt covenants related to the borrowings in the table above. For further information on our short- and long-term debt obligations, see Note 9 to our Unaudited Interim Consolidated Financial Statements contained herein and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" included in our Annual Report on Form 10-K for the year ended December 31, 2014.

Prudential Financial's borrowings of $18.3 billion decreased $83 million from December 31, 2014, driven by the maturity of $1.3 billion of medium-term notes and retail notes, partially offset by the issuance of $1.0 billion of junior subordinated notes and $0.2 billion of retail notes. Borrowings of our subsidiaries of $5.6 billion increased $298 million from December 31, 2014, primarily driven by an increase in commercial paper issuances.

Term and Universal Life Reserve Financing

We use captive reinsurance subsidiaries to finance the portion of the statutory reserves required to be held by our domestic life insurance companies under Regulation XXX and Guideline AXXX that we consider to be non-economic. The financing arrangements involve the reinsurance of term and universal life business to our captive reinsurers and the issuance of surplus notes by those captives that are treated as capital for statutory purposes.

To date, we have entered into agreements with external counterparties providing for the issuance of up to an aggregate of $8.25 billion of surplus notes by our captive reinsurers in return for the receipt of credit-linked notes ("Credit-Linked Note Structures"). Under the agreements, the captive receives in exchange for the surplus notes one or more credit-linked notes issued by a special-purpose affiliate of the Company with an aggregate principal amount equal to the surplus notes outstanding. The captive holds the credit-linked notes as assets supporting Regulation XXX or Guideline AXXX non-economic reserves, as applicable. As of June 30, 2015, an aggregate of $5.543 billion of surplus notes was outstanding under our Credit-Linked Note Structures, reflecting an increase of $570 million since December 31, 2014. For more information on our Credit-Linked Note Structures, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Financing Activities" in our Annual Report on Form 10-K for the year ended December 31, 2014.

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The following table summarizes our Credit-Linked Note Structures, which are reported on a net basis, as of June 30, 2015.

Credit-Linked Note Structures:	Surplus Notes Original Issue Dates	Maturity Dates	Outstanding as of June 30, 2015		Facility Size
	($ in millions)				
XXX	2011-2014	2021-2024	$1,750	(1)	$2,000
AXXX	2013	2033	2,100		3,500
XXX	2014	2034	1,000	(1)(2)	1,000
XXX	2014	2024	693		1,750
Total Credit-Linked Note Structures			$5,543		$8,250

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(1) Prudential Financial has agreed to reimburse any amounts paid under the credit-linked notes issued in these structures.

(2) The $1 billion surplus note represents an intercompany transaction that eliminates upon consolidation.

As of June 30, 2015, we also had outstanding an aggregate of $4.0 billion of debt issued for the purpose of financing Regulation XXX and Guideline AXXX non-economic reserves, of which approximately $2.4 billion relates to Regulation XXX reserves and approximately $1.6 billion relates to Guideline AXXX reserves, all of which was issued directly by or guaranteed by Prudential Financial. Under certain of the financing arrangements pursuant to which this debt was issued, Prudential Financial has agreed to make capital contributions to the applicable captive reinsurance subsidiary to reimburse it for investment losses or to maintain its capital above prescribed minimum levels. In addition, as of June 30, 2015, for purposes of financing Guideline AXXX reserves, our captives had outstanding approximately $4.0 billion of surplus notes that were issued to affiliates.

In December 2014, the NAIC adopted a new actuarial guideline, known as “AG 48,” that governs the reinsurance of term and universal life insurance business to captives by prescribing requirements for the types of assets that may be held by captives to support the reserves. The requirements in AG 48 became effective on January 1, 2015, and apply in respect of term and universal life insurance policies written from and after January 1, 2015, or written prior to January 1, 2015, but not included in a captive reserve financing arrangement as of December 31, 2014. AG 48 will, for a period of time, require us to hold cash or rated securities in greater amounts than we currently hold to support economic reserves for certain of our term and universal life policies. We may seek to finance all or a portion of this requirement, but we have not yet finalized our funding plans.

Other Insurance Financing

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Financing Activities—Secured Borrowings” included in our Annual Report on Form 10-K for the year ended December 31, 2014, for a discussion of our use of captive reinsurance companies.

Ratings

The following is an update of the discussion included under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Ratings" in our Annual Report on Form 10-K for the year ended December 31, 2014, and should be read in conjunction with the Form 10-K.

On May 13, 2015, A.M. Best affirmed Prudential Financial’s long-term senior debt rating at “a-” and short-term debt rating at “AMB-1”. A.M. Best also affirmed the “A+” financial strength ratings of Prudential Financial’s core subsidiaries, including Prudential Insurance, PALAC and PRIAC, with stable outlooks.

On May 15, 2015, Fitch affirmed Prudential Financial's long-term senior debt rating at "A-" and the financial strength ratings of our U.S. operating entities at "A+", with positive outlooks.

Off-Balance Sheet Arrangements

Guarantees and Other Contingencies

In the course of our business, we provide certain guarantees and indemnities to third parties pursuant to which we may be contingently required to make payments in the future. See "Commitments and Guarantees" within Note 15 to the Unaudited Interim Consolidated Financial Statements for additional information.

Other Contingent Commitments

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We also have other commitments, some of which are contingent upon events or circumstances not under our control, including those at the discretion of our counterparties. See "Commitments and Guarantees" within Note 15 to the Unaudited Interim Consolidated Financial Statements for additional information regarding these commitments. For further discussion of certain of these commitments that relate to our separate accounts, also see "—Liquidity—Liquidity associated with other activities—Asset Management operations."

Other Off-Balance Sheet Arrangements

In November 2013, we entered into a put option agreement with a Delaware trust that gives Prudential Financial the right, at any time over a ten-year period, to issue up to $1.5 billion of senior notes to the trust in return for principal and interest strips of U.S. Treasury securities that are held by the trust. See Note 9 to our Unaudited Interim Consolidated Financial Statements for more information on this put option agreement. In 2014, Prudential Financial entered into financing transactions, pursuant to which it issued $500 million of limited recourse notes and, in return, obtained $500 million of asset-backed notes from a Delaware master trust and ultimately contributed the asset-backed notes to its subsidiary, PRIAC. As of June 30, 2015, no principal payments have been received or are currently due on the asset-backed notes and, as a result, there was no payment obligation under the limited recourse notes. Accordingly, neither of the notes is reflected in the Company's Unaudited Interim Consolidated Financial Statements as of that date.

Other than as described above, we do not have retained or contingent interests in assets transferred to unconsolidated entities, or variable interests in unconsolidated entities or other similar transactions, arrangements or relationships that serve as credit, liquidity or market risk support, that we believe are reasonably likely to have a material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or our access to or requirements for capital resources. In addition, other than the agreements referred to above, we do not have relationships with any unconsolidated entities that are contractually limited to narrow activities that facilitate our transfer of or access to associated assets.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of fluctuations in the value of financial instruments as a result of absolute or relative changes in interest rates, foreign currency exchange rates, equity prices or commodity prices. To varying degrees, our products and services, and the investment activities supporting them, generate exposure to market risk. The market risk incurred, and our strategies for managing this risk, vary by product. There have been no material changes in our market risk exposures from December 31, 2014, a description of which may be found in our Annual Report on Form 10-K, for the year ended December 31, 2014, Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," filed with the Securities and Exchange Commission. See Item 1A, "Risk Factors" included in the Annual Report on Form 10-K for the year ended December 31, 2014, for a discussion of how difficult conditions in the financial markets and the economy generally may materially adversely affect our business and results of our operations.

ITEM 4. CONTROLS AND PROCEDURES

In order to ensure that the information we must disclose in our filings with the SEC is recorded, processed, summarized, and reported on a timely basis, the Company's management, including our Chief Executive Officer and Chief Financial Officer, have reviewed and evaluated the effectiveness of our disclosure controls and procedures, as defined in Exchange Act Rule 13a-15(e), as of June 30, 2015. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of June 30, 2015, our disclosure controls and procedures were effective. No change in our internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f), occurred during the quarter ended June 30, 2015, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 15 to the Unaudited Interim Consolidated Financial Statements under "—Litigation and Regulatory Matters" for a description of material pending litigation and regulatory matters affecting us, and certain risks to our businesses presented by such matters, which is incorporated herein by reference.

ITEM 1A. RISK FACTORS

You should carefully consider the risks described under "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2014. These risks could materially affect our business, results of operations or financial condition, cause the trading price of our Common Stock to decline materially or cause our actual results to differ materially from those expected or those expressed in any forward looking statements made by or on behalf of the Company. These risks are not exclusive, and additional risks to which we are subject include, but are not limited to, the factors mentioned under "Forward-Looking Statements" above and the risks of our businesses described elsewhere in this Quarterly Report on Form 10-Q.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(c) The following table provides information about purchases by the Company during the three months ended June 30, 2015, of its Common Stock:

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program(2)	Approximate Dollar Value of Shares that May Yet be Purchased under the Program(2)(3)
April 1, 2015 through April 30, 2015	1,037,838	$ 80.53	1,034,779	
May 1, 2015 through May 31, 2015	974,742	$ 85.65	972,983	
June 1, 2015 through June 30, 2015	950,789	$ 88.80	938,425	
Total	2,963,369	$ 84.87	2,946,187	$0

(1) Includes shares of Common Stock withheld from participants for income tax withholding purposes whose shares of restricted stock units vested during the period. Such restricted stock units were originally issued to participants pursuant to the Prudential Financial, Inc. Omnibus Incentive Plan that was adopted by the Company's Board of Directors in March 2003 (as subsequently amended and restated).

(2) In June 2014, the Board authorized the Company to repurchase up to $1.0 billion of its outstanding Common Stock during the twelve month period from July 1, 2014 through June 30, 2015.

(3) The stock repurchase program authorized in June 2014 expired on June 30, 2015; therefore, the Company can no longer purchase any additional shares of Common Stock under this authorization. In June 2015, the Board authorized the Company to repurchase up to $1.0 billion of its outstanding Common Stock during the twelve month period from July 1, 2015 through June 30, 2016.

Explanation of Responses:

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ITEM 6. EXHIBITS

See accompanying Exhibit Index.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Prudential Financial, Inc.
By: /S/ ROBERT M. FALZON
Robert M. Falzon
Executive Vice President and Chief Financial Officer
(Authorized signatory and principal financial officer)

Date: August 6, 2015

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EXHIBIT INDEX

10.1	Amended and Restated Credit Agreement dated as of April 14, 2015 among Prudential Financial, Inc., Prudential Funding, LLC, as Borrowers, The Prudential Insurance Company of America, JP Morgan, as Administrative Agent and Several L/C Agent, and the lenders party thereto. Incorporated by reference to Exhibit 10.1 to the Registrant's April 17, 2015 Current Report on Form 8-K.
12.1	Statement of Ratio of Earnings to Fixed Charges.
31.1	Section 302 Certification of the Chief Executive Officer.
31.2	Section 302 Certification of the Chief Financial Officer.
32.1	Section 906 Certification of the Chief Executive Officer.
32.2	Section 906 Certification of the Chief Financial Officer.
101.INS - XBRL	Instance Document.
101.SCH - XBRL	Taxonomy Extension Schema Document.
101.CAL - XBRL	Taxonomy Extension Calculation Linkbase Document.
101.LAB - XBRL	Taxonomy Extension Label Linkbase Document.
101.PRE - XBRL	Taxonomy Extension Presentation Linkbase Document.
101.DEF - XBRL	Taxonomy Extension Definition Linkbase Document.

Prudential Financial, Inc. will furnish upon request a copy of any exhibit listed above upon the payment of a reasonable fee covering the expense of furnishing the copy. Requests should be directed to:

Shareholder Services
Prudential Financial, Inc.
751 Broad Street, 21st Floor
Newark, New Jersey 07102