

PRUDENTIAL FINANCIAL INC
Form 10-Q/A
February 15, 2006
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A
AMENDMENT NO. 1

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2005

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period from to

Commission File Number 001-16707

Prudential Financial, Inc.

(Exact Name of Registrant as Specified in its Charter)

New Jersey
(State or Other Jurisdiction of
Incorporation or Organization)

22-3703799
(I.R.S. Employer
Identification Number)

751 Broad Street
Newark, New Jersey 07102
(973) 802-6000

(Address and Telephone Number of Registrant's Principal Executive Offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of April 29, 2005, 520 million shares of the registrant's Common Stock (par value \$0.01) were outstanding. In addition, 2 million shares of the registrant's Class B Stock, for which there is no established public trading market, were outstanding.

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EXPLANATORY NOTE

This Amendment No. 1 on Form 10-Q/A is being filed for the purpose of amending Items 1 and 4 of Part I of the Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 of Prudential Financial, Inc. ("Prudential Financial") to reflect the restatement of Prudential Financial's Unaudited Interim Consolidated Statements of Cash Flows for the three months ended March 31, 2005 and 2004, as described in Footnote 1 to the Unaudited Interim Consolidated Financial Statements included in this Form 10-Q/A. All other Items of the original filing on Form 10-Q made on May 5, 2005 are unaffected by the changes to the Unaudited Interim Consolidated Statements of Cash Flows and such Items have not been included in this Amendment. Information in this Form 10-Q/A is generally stated as of March 31, 2005 and does not reflect any subsequent information or events other than the restatement of the Unaudited Interim Consolidated Statements of Cash Flows. More current information with respect to Prudential Financial is contained within its Quarterly Report on Form 10-Q for the quarter ended September 30, 2005, and other filings with the Securities and Exchange Commission.

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Throughout this Quarterly Report on Form 10-Q/A, *Prudential Financial* and the *Registrant* refer to Prudential Financial, Inc., the ultimate holding company for all of our companies. *Prudential Insurance* refers to The Prudential Insurance Company of America, before and after its demutualization on December 18, 2001. *Prudential, the Company, we and our* refer to our consolidated operations before and after demutualization.

PART I FINANCIAL INFORMATION**ITEM 1. Financial Statements****PRUDENTIAL FINANCIAL, INC.****Unaudited Interim Consolidated Statements of Financial Position**

March 31, 2005 and December 31, 2004 (in millions, except share amounts)

	March 31, 2005	December 31, 2004
	<u> </u>	<u> </u>
ASSETS		
Fixed maturities:		
Available for sale, at fair value (amortized cost: 2005 \$147,745; 2004 \$143,156)	\$ 154,034	\$ 150,968
Held to maturity, at amortized cost (fair value: 2005 \$3,412; 2004 \$2,765)	3,389	2,747
Trading account assets supporting insurance liabilities, at fair value	13,239	12,964
Other trading account assets, at fair value	1,488	1,547
Equity securities, available for sale, at fair value (cost: 2005 \$3,824; 2004 \$3,589)	4,456	4,283
Commercial loans	23,814	24,389
Policy loans	8,372	8,373
Securities purchased under agreements to resell	171	127
Other long-term investments	5,639	5,981
Short-term investments	4,852	5,245
	<u> </u>	<u> </u>
Total investments	219,454	216,624
	<u> </u>	<u> </u>
Cash and cash equivalents	8,497	8,072
Accrued investment income	2,149	2,028
Reinsurance recoverables	3,767	32,790
Deferred policy acquisition costs	9,051	8,847
Other assets	17,682	17,129
Separate account assets	142,568	115,568
	<u> </u>	<u> </u>
TOTAL ASSETS	\$ 403,168	\$ 401,058
	<u> </u>	<u> </u>
LIABILITIES AND STOCKHOLDERS EQUITY		
LIABILITIES		
Future policy benefits	\$ 101,968	\$ 102,033
Policyholders' account balances	75,847	75,497
Unpaid claims and claim adjustment expenses	1,839	1,807

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Policyholders dividends	4,697	5,350
Reinsurance payables	3,345	32,386
Securities sold under agreements to repurchase	12,058	8,958
Cash collateral for loaned securities	6,111	7,269
Income taxes payable	2,642	2,681
Securities sold but not yet purchased	466	427
Short-term debt	7,010	4,044
Long-term debt	7,731	7,627
Other liabilities	14,467	15,067
Separate account liabilities	142,568	115,568
	<hr/>	<hr/>
Total liabilities	380,749	378,714
	<hr/>	<hr/>
COMMITMENTS AND CONTINGENCIES (See Note 9)		
STOCKHOLDERS EQUITY		
Preferred Stock (\$.01 par value; 10,000,000 shares authorized; none issued)		
Common Stock (\$.01 par value; 1,500,000,000 shares authorized; 604,896,123 and 604,894,558 shares issued as of March 31, 2005 and December 31, 2004, respectively)		
	6	6
Class B Stock (\$.01 par value; 10,000,000 shares authorized; 2,000,000 shares issued and outstanding as of March 31, 2005 and December 31, 2004, respectively)		
Additional paid-in capital	20,454	20,354
Common Stock held in treasury, at cost (82,603,670 and 77,549,848 shares as of March 31, 2005 and December 31, 2004, respectively)	(3,277)	(2,967)
Deferred compensation	(147)	(91)
Accumulated other comprehensive income	1,610	2,191
Retained earnings	3,773	2,851
	<hr/>	<hr/>
Total stockholders equity	22,419	22,344
	<hr/>	<hr/>
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 403,168	\$ 401,058
	<hr/>	<hr/>

See Notes to Unaudited Interim Consolidated Financial Statements

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	Three Months Ended March 31,	
	2005	2004
REVENUES		
Premiums	\$ 3,376	\$ 3,081
Policy charges and fee income	623	557
Net investment income	2,424	2,124
Realized investment gains (losses), net	430	197
Commissions and other income	925	792
Total revenues	7,778	6,751
BENEFITS AND EXPENSES		
Policyholders' benefits	3,474	3,240
Interest credited to policyholders' account balances	553	512
Dividends to policyholders	608	641
General and administrative expenses	1,834	1,652
Total benefits and expenses	6,469	6,045
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	1,309	706
Income tax expense	388	220
INCOME FROM CONTINUING OPERATIONS BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	921	486
Income (loss) from discontinued operations, net of taxes	8	(6)
Cumulative effect of accounting change, net of taxes		(79)
NET INCOME	\$ 929	\$ 401
EARNINGS PER SHARE (See Note 6)		
Financial Services Businesses		
Basic:		
Income from continuing operations before cumulative effect of accounting change per share of Common Stock	\$ 1.49	\$ 0.74
Income (loss) from discontinued operations, net of taxes	0.02	(0.01)
Cumulative effect of accounting change, net of taxes		(0.15)

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Net income per share of Common Stock	\$ 1.51	\$ 0.58
	<u> </u>	<u> </u>
Diluted:		
Income from continuing operations before cumulative effect of accounting change per share of Common Stock	\$ 1.47	\$ 0.73
Income (loss) from discontinued operations, net of taxes	0.02	(0.01)
Cumulative effect of accounting change, net of taxes		(0.15)
	<u> </u>	<u> </u>
Net income per share of Common Stock	\$ 1.49	\$ 0.57
	<u> </u>	<u> </u>
Closed Block Business		
Net income per share of Class B Stock basic and diluted	\$ 70.50	\$ 46.00
	<u> </u>	<u> </u>

See Notes to Unaudited Interim Consolidated Financial Statements

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PRUDENTIAL FINANCIAL, INC.

Unaudited Interim Consolidated Statement of Stockholders Equity

Three Months Ended March 31, 2005 (in millions)

	<u>Common Stock</u>			Additional Paid-in Capital	Retained Earnings	Common Stock Held In Treasury	Deferred Compensation	Accumulated Other Comprehensive Income	Total Stockholders Equity
	Shares	Amount	Class B Stock						
Balance, December 31, 2004	527.3	\$ 6	\$	\$ 20,354	\$ 2,851	\$ (2,967)	\$ (91)	\$ 2,191	\$ 22,344
Common Stock acquired	(6.5)					(367)			(367)
Stock-based compensation programs	1.5			100	(7)	57	(56)		94
Comprehensive income (loss):									
Net income					929				929
Other comprehensive loss, net of tax								(581)	(581)
Total comprehensive income									348
Balance, March 31, 2005	522.3	\$ 6	\$	\$ 20,454	\$ 3,773	\$ (3,277)	\$ (147)	\$ 1,610	