

PRUDENTIAL FINANCIAL INC
Form DEF 14A
March 22, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No. __)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Prudential Financial, Inc.

(Name of Registrant as Specified In Its Charter)

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Prudential Financial, Inc.

751 Broad Street, Newark NJ 07102

March 22, 2011

LETTER FROM THE BOARD OF DIRECTORS TO OUR SHAREHOLDERS

We welcome this opportunity to communicate with you, our shareholders, and share our approach to governance in 2010. Our primary focus in these times of continuing economic uncertainty has been to see Prudential strategically positioned for strong long-term performance. Appropriate risk management, dedication to talent management, oversight of executive compensation, and a commitment to the interests of our shareholders are key components of our governance strategy.

Prudential's solid performance in 2010 validates the effectiveness of this strategy. The efforts of our executives and employees, with guidance and oversight from the Board, have strengthened the solid foundation from which Prudential can produce current and future shareholder value.

We regard you as key participants in the governance of our Company. We are committed to shareholder communication and engagement and have made great strides toward that goal. Our 2010 voting incentive program which we tied to the Company's commitment to environmental stewardship was a huge success. This program generated a 23 percent increase in registered shares voted and resulted in approximately 68,000 shareholders voting who did not vote the prior year. We are continuing the campaign this year and seek even more engagement with our registered shareholders. We value your views about how Prudential is governed and managed, and we encourage all shareholders to submit your very important proxy vote.

Although we believe that the Company's performance in 2010 reflects a strong governance environment, we continue to evaluate and review our policies and processes. The following highlights elements of our governance philosophy and activities, which are also described in the Proxy Statement.

Focus on Strategy and Maintaining Strong Performance: We provide business and strategic advice to management on Prudential's long-term strategic direction, which requires a balance between risk and return in Prudential's strategic plans and operations. Throughout 2010, the Company executed its strategies and bolstered its financial strength through the growth of our international businesses; a commitment to maintaining strong capital and liquidity positions; and dedication to operating high-quality, competitive businesses.

Oversight of Risk Management: Effective risk management is critical to Prudential's continuing success. We devoted a significant amount of time and attention in 2010 to oversight of policies and practices that the Company uses to manage its operational and financial risks.

In 2009, we reviewed the risks arising from our compensation policies and practices. This review focused on, among other things, an analysis of how the primary features of our programs could encourage or mitigate risk-taking. In 2010, we reviewed an updated study on our compensation plans and received reports from Compliance and Enterprise Risk Management on control structures and the major risks of the enterprise and continued our committee level oversight of operational, investment and financial risks.

Talent Management and Succession Planning: Recruiting and retaining high caliber executives and employees are important to delivering high performance and shareholder value. We believe the talent and leadership of our people have enabled the Company to differentiate itself in these difficult times.

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In 2010, we oversaw management development processes, including development opportunities for managers as part of succession planning for key senior officers. Recognizing that the talent of all Prudential employees is key to the Company's success, the Board engaged in discussions with senior management about key talent indicators for the overall workforce including climate, diversity, recruiting, and development programs.

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Executive Compensation and Shareholder Say on Pay : Our goal is to provide an attractive, flexible, and market-based executive compensation program grounded in our philosophy of pay for measurable performance and aligned with both the short- and long-term interests of our shareholders. Changes made to the compensation program allowed the Compensation Committee to consider strategic performance factors, such as performance relative to the financial targets related to our 2010 guidance, capital and liquidity management, risk management, and competitive performance.

Prudential was one of the first companies to voluntarily adopt a shareholder advisory vote on executive compensation. Shareholders who participated in the 2010 advisory vote expressed satisfaction with our approach on our executive compensation program. This year, we ask you to again submit your advisory vote, as well as provide feedback on how often such an advisory vote should be held. We recommend that this vote should occur annually. We hope you recognize the value of our approach to executive compensation and provide your endorsement when voting your proxy.

Setting the Cultural Tone: Prudential has a strong commitment to promoting a culture of ethics and integrity, and our values define the way we do business. The Board is committed to fostering a strong ethical tone at the Company and expecting employees to fulfill their responsibilities in a demanding compliance environment. We recently approved a major revision of Prudential's Code of Conduct, which provides guidance in making the right choices and reflects Prudential's high expectations of ethical behavior. Our talent management program includes a competency of Demonstrating a Strong Moral Compass as part of measuring employees' performance at all levels of the company. Having ethics as a foundational expectation of our employees helps keep ethics a priority. We are committed to helping management emphasize these standards throughout the organization, and believe that the right tone at the top should be apparent in all of our actions.

Focus on Environmental and Social Responsibility: Prudential is proud of its long history of social responsibility and environmental awareness. We are pleased to report that the Company has reduced its carbon footprint in a variety of creative ways, such as installing solar panels in certain Prudential facilities. The Company's continued efforts through Global Volunteer Day, Community Initiatives and the Prudential Foundation with several of our Board members serving on the board of the Prudential Foundation underscore our commitment to the communities in which we operate. In addition, we are particularly proud of our Company's sponsorship of training programs and other initiatives to support our nation's veterans.

Engagement, Communication & Transparency: The Board continues to challenge itself and Prudential's management to communicate with stakeholders. In 2010, we solicited feedback from our shareholders on governance and executive compensation policies and practices and participated in discussions with key groups and individuals on similar issues.

Our efforts to solicit feedback during the 2010 proxy season resulted in the receipt of over 2,600 shareholder comments. As a shareholder, your perspective is of great value to us, and we will continue to seek ways to enhance the channels of communication going forward.

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We value your opinions, interests and concerns and invite you to write to us with your reactions and suggestions at the address below. You can also email the Independent Directors at IndependentDirectors@prudential.com or provide feedback on executive compensation at www.prudential.com/executivecomp. By continuing to have an open dialogue with you our shareholders we are better positioned to fulfill our obligations to you and to Prudential.

The Board of Directors of Prudential Financial, Inc.

Thomas J. Baltimore, Jr.

Gordon M. Bethune

Gaston Caperton

Gilbert F. Casellas

James G. Cullen

William H. Gray III

Mark B. Grier

Jon F. Hanson

Constance J. Horner

Martina Hund-Mejean

Karl J. Krapek

Christine A. Poon

John R. Strangfeld

James A. Unruh

Write to us at:

Prudential Financial, Inc. Board of Directors c/o Margaret M. Foran, Chief Governance Officer, Vice President and Corporate Secretary, 751 Broad Street, 21st Floor, Newark, NJ 07102

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Prudential Financial, Inc.

751 Broad Street, Newark NJ 07102

March 22, 2011

Dear Fellow Shareholders:

We are pleased to invite you to the Annual Meeting of Shareholders on May 10, 2011, at our Corporate Headquarters, 751 Broad Street, Newark, New Jersey 07102 at 2:00 p.m. We hope that you will attend the meeting, but whether or not you are planning to attend, we encourage you to designate the proxies on the proxy card to vote your shares. As always, every shareholder's vote is important to the Company. We continue to improve our outreach to shareholders to give you more information about the Company. Last year, we offered an incentive to registered shareholders, which we are doing again this year, to encourage shareholders to vote. I'm pleased to report that, as a result, voting increased last year and over 112,000 trees were planted.

Once again I thank you for your commitment to the Company and urge you to vote your shares.

Sincerely,

John R. Strangfeld

Chairman and Chief Executive Officer

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Prudential Financial, Inc.

751 Broad Street, Newark NJ 07102

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

OF PRUDENTIAL FINANCIAL, INC.

Date: May 10, 2011

Time: 2:00 p.m.

Place: Prudential Corporate Headquarters
751 Broad Street, Newark, NJ 07102

Matters to be voted on:

1. To elect the 13 directors named in the proxy statement;
 2. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2011;
 3. To approve, on a non-binding advisory basis, executive compensation;
 4. To vote, on a non-binding advisory basis, on the frequency of future executive compensation votes;
 5. To consider two shareholder proposals set forth in the proxy statement, if properly presented at the Annual Meeting; and
 6. To transact such other business as may properly be brought before the meeting.
- Shareholders of record at the close of business on March 11, 2011, will be entitled to notice of and to vote at the Annual Meeting and at any adjournments or postponements thereof.

If you are attending the meeting, you will be asked to present your admission ticket and photo identification, such as a driver's license as described in the proxy statement.

By Order of the Board of Directors,

Margaret M. Foran

Chief Governance Officer, Vice President and Corporate Secretary

March 22, 2011

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To assist you in reviewing the Company's 2010 performance, we would like to call your attention to key elements of our proxy statement. The following description is only a summary. For more complete information about these topics, please review the Company's Annual Report on Form 10-K and the complete proxy statement.

BUSINESS HIGHLIGHTS

Financial Performance. 2010 was a year of major progress and accomplishment for our Company on many fronts:

Our Financial Services Businesses reported net income of \$2.7 billion, or \$5.75 per share of Common Stock, compared to \$3.4 billion, or \$7.63 per share of Common Stock in 2009 which included a non-recurring after-tax gain of \$1.4 billion or \$2.95 per share of Common Stock from the sale of our interest in a retail securities brokerage joint venture;

On an after-tax adjusted operating income basis, we recorded \$3.0 billion for our Financial Services Businesses and posted earnings per share of Common Stock of \$6.27 compared to \$2.4 billion or \$5.51 per share of Common Stock in 2009;

Reported book value for the Financial Services Businesses, excluding accumulated other comprehensive income related to unrealized gains and losses on investments and pension/post-retirement benefits as of year end 2010, of \$59.48 per share of Common Stock, compared to \$54.18 per share of Common Stock a year earlier;

Increased assets under management to \$784 billion as of year end 2010, a record level.

Dividend Increase. Given our strong financial performance, our Board restored our Common Stock dividend to 2007 levels; which we consider to be a significant milestone in repositioning the Company in a challenging economic environment.

Strategic Acquisition. In February 2011, we completed the acquisition of AIG Star Life Insurance Co., Ltd. and AIG Edison Life Insurance Company from the American International Group, Inc. for approximately \$4.8 billion; an acquisition that we announced in 2010. This acquisition is the largest by far that we have undertaken as a public company. The addition of these operations will significantly increase Prudential's presence in Japan, our largest and most successful market outside the United States, and one where we continue to see strong prospects for growth. With this acquisition and our continued attention to fundamentals, we believe that we have enhanced our longer-term strategic trajectory, while taking significant actions during the year to make our Company stronger.

Table of Contents**COMPENSATION HIGHLIGHTS**

This strong performance is reflected in the compensation that our senior executives earned in 2010, as described in the Compensation Discussion and Analysis in this proxy statement.

The Board reported that they awarded John Strangfeld, your CEO, incentive compensation for 2010 which was commensurate with business results, including an annual incentive award of \$6.1 million and a long-term incentive award value of \$8 million. Consistent with our executive compensation philosophy, the significant majority of his total direct compensation of \$15.1 million for 2010 was incentive-based and at risk, as illustrated by the following chart:

The compensation of our other senior executive officers further reflects both our strong 2010 performance and our compensation philosophy:

Named Executive Officer	2010 Base Salary	2010 Annual Incentive Award	2010 Long-Term Incentive Award Value	2010 Total Direct Compensation
Richard J. Carbone	\$500,000	\$2,550,000	\$1,400,000	\$4,450,000
Mark B. Grier	\$850,000	\$5,200,000	\$6,200,000	\$12,250,000
Edward P. Baird	\$550,000	\$2,600,000	\$3,000,000	\$6,150,000
Bernard B. Winograd	\$600,000	\$4,800,000	\$3,500,000	\$8,900,000

SHAREHOLDER ACTIONS**ELECTION OF DIRECTORS (Item 1)**

You will find important information about the qualifications and experience of each of the director nominees that you are being asked to elect. The Corporate Governance and Business Ethics Committee performs an annual assessment to see that our directors have the skills and experience to effectively oversee the Company. All of our directors have proven leadership, sound judgment, integrity, and a commitment to the success of our Company.

ADVISORY VOTES ON EXECUTIVE COMPENSATION (Items 3 and 4)

For the second year, our shareholders have the opportunity to cast a non-binding, advisory vote on our executive compensation program, as set forth in **Item 3**. We were gratified that last year shareholders supported the design of our compensation program. In evaluating this so-called "say on pay" proposal, we recommend that you review our Compensation Discussion and Analysis, which explains how and why the Compensation Committee of our Board arrived at its executive compensation actions and decisions for 2010.

We are also asking our shareholders to cast a non-binding, advisory vote on the frequency of future "say on pay" votes every one, two, or three years, as set forth in **Item 4**. We believe that an advisory vote every year will allow shareholders to give us their valuable input in the timeliest manner.

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Further, in connection with the say on pay vote, please see the letter from our Board, which summarizes key corporate governance developments from the last year and describes how we strive to align our governance policies and practices with the interests of our shareholders. Additional information about our corporate governance policies is also contained in the proxy statement.

SHAREHOLDER PROPOSALS (Items 5 and 6)

Finally, you are also being asked to consider two shareholder proposals contained in the proxy statement. The first proposal is on supermajority voting and the second proposal is on lobbying contributions and expenditures.

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PROXY STATEMENT

The Board of Directors of Prudential Financial, Inc. (Prudential Financial or the Company) is providing this proxy statement in connection with the Annual Meeting of Shareholders to be held on May 10, 2011, at 2:00 p.m., at Prudential Financial's Corporate Headquarters, 751 Broad Street, Newark, New Jersey 07102, and at any adjournment or postponement thereof. Proxy materials or a Notice of Internet Availability were first sent to shareholders on or about March 22, 2011.

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Our Board of Directors has nominated 13 directors for election at this Annual Meeting to hold office until the next annual meeting and the election of their successors. All of the nominees currently are directors. Each agreed to be named in this proxy statement and to serve if elected. All of the nominees are expected to attend the 2011 Annual Meeting. All directors attended the 2010 Annual Meeting.

Jon F. Hanson, a member of the Board and our Lead Director has attained the age of 74 and will not stand for election. As a result, the Board will be reduced to 13 subsequent to the Annual Meeting.

We have no reason to believe that any of the nominees will be unable or unwilling for good cause to serve if elected. However, if any nominee should become unable for any reason or unwilling for good cause to serve, proxies may be voted for another person nominated as a substitute by the Board, or the Board may reduce the number of Directors.

DIRECTOR CRITERIA,

QUALIFICATIONS AND EXPERIENCE

The Corporate Governance and Business Ethics Committee performs an assessment of the skills and the experience needed to properly oversee the interests of the Company. Generally, the Committee reviews both the short- and long-term strategies of the Company to determine what current and future skills and experience are required of the Board in exercising its oversight function. The Committee then compares those skills to the skills of the current directors and potential director candidates. The Committee conducts targeted efforts to identify and recruit individuals who have the qualifications identified through this process, keeping in mind its commitment to diversity. While the Company does not have a formal policy on Board diversity, diversity is an integral part of our Corporate Governance Principles, and the Committee actively considers diversity in recruitment and nominations of directors. The current composition of our Board reflects those efforts and the importance of diversity to the Board.

Prudential Financial is a financial services company that offers a variety of products and services, including life insurance, annuities, retirement-related services, mutual funds, investment management and real estate services. As such, the Committee looks for its current and potential directors collectively to have a mix of skills and qualifications, some of which are described in more detail below:

Directors Skills and Qualifications

academia/education
business ethics
business head/administration
business operations
corporate governance
finance/capital allocation
financial expert/literacy
financial services
government/public policy

insurance industry
international
investment
marketing/sales
real estate
risk management
talent management
technology/systems

The Committee seeks directors who have qualities to achieve the ultimate goal of a well-rounded, diverse Board that functions collegially as a unit, which is of critical importance to the Company.

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Additionally, the Committee expects each of the Company's directors to have proven leadership, sound judgment, integrity and a commitment to the success of the Company.

In evaluating director candidates and considering incumbent directors for renomination to the Board, the Committee considers a variety of factors. These include each nominee's independence, financial literacy, personal and professional accomplishments, and experience in light of the needs of the Company. For incumbent directors, the factors include past performance on the Board and contributions to their respective committees. With respect to the Board's slate of director nominees, the Board has also considered whether the slate, taken as a whole, has representatives with the above listed skills and qualifications.

Below each nominee's biography, we have included an assessment of the skills and experience of such nominee. We have also included a chart immediately after the biographies that covers the assessment for the full Board.

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DIRECTOR NOMINEES

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE FOR ALL OF THE NOMINEES.

Thomas J. Baltimore, Jr.	Prudential Committees:	Public Directorships:
Age: 47	Finance	Integra Life Sciences Corporation
Director Since: October 2008	Investment	Duke Realty Corporation

Mr. Baltimore has served as Co-Founder and President of RLJ Development, LLC (a privately-held real estate investment company) since 2000, with nearly \$2 billion in equity under management. He served as Vice President, Gaming Acquisitions of Hilton Hotels Corporation (a global lodging company), from 1997 to 1998 and later as Vice President, Development and Finance, from 1999 to 2000. He also served in various management positions with Host Marriott Services, including Vice President, Business Development, from 1994 to 1996.

SKILLS AND QUALIFICATIONS

Business Operations Over a decade as Co-Founder and President of RLJ Development, where Mr. Baltimore has been responsible for developing, implementing and assessing the company's operating plan. Mr. Baltimore is also responsible for the day-to-day oversight of its \$3 billion portfolio, which includes 140 hotels in major markets in North America.

Corporate Governance Experience serving as a director of two public companies in addition to Prudential.

Investments Through his company, RLJ Development, Mr. Baltimore has been responsible for overseeing the management of nearly \$2 billion in equity; formerly served as Vice President - Development and Finance of Hilton Hotels.

Real Estate Co-Founder and President of RLJ Development and currently a director of Duke Realty, one of the largest commercial real estate companies in the United States.

Gordon M. Bethune	Prudential Committees:	Public Directorships:
Age: 69	Compensation	Honeywell International Inc.

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Director Since: February 2005

Corporate Governance
and Business Ethics

Sprint Nextel Corporation

Former Directorships Held During the Past Five Years:

Aloha Airgroup, Inc. (Chairman, March 2008)

Willis Group Holdings (February 2008)

Mr. Bethune has served as Managing Director of g-b1 Partners (a travel advisory firm) since January 2005. Mr. Bethune was Chairman and CEO of Continental Airlines, Inc. (an international commercial airline company) from 1996 until his retirement in December 2004. Mr. Bethune was the President and CEO of Continental Airlines from November 1994 to 1996 and served as President and Chief Operating Officer from February 1994 to November 1994. Prior to joining Continental, Mr. Bethune held senior management positions with The Boeing Company, Piedmont Airlines, Western Air Lines, Inc. and Braniff Airlines (various airline companies).

SKILLS AND QUALIFICATIONS

Business Head/Administration A decade of service as CEO of Continental Airlines.

Business Operations Served as CEO and Chief Operating Officer of Continental Airlines.

Corporate Governance Experience serving as a director of several large public companies in addition to Prudential.

International Experience in the travel industry, including with g-b1 Partners and several major airlines and as a director of two large public companies with international operations.

Marketing/Sales As Chairman and CEO of Continental Airlines, transformed the company into an industry leader through innovative marketing initiatives.

Talent Management Extensive experience in developing and implementing strategies and policies for the acquisition and development of employee talent.

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Gaston Caperton

Age: 71

Director Since: June 2004

Prudential Committees:

Finance

Investment

Public Directorships:

Owens Corning

United Bankshares, Inc.

Private Directorships:

Energy Corporation of America

Mr. Caperton has served since 1999 as President of The College Board (a non-profit membership association of more than 5,900 schools, colleges and universities). Mr. Caperton served as the Governor of the State of West Virginia from 1988 to 1996. From 1963 to 1987, he was an entrepreneur and was CEO and owner of the tenth largest privately owned insurance brokerage firm in the United States. From 1997 to 1999, he was a fellow at the Harvard University's John F. Kennedy Institute of Politics and taught and was an Executive Director of Columbia University's Institute on Education & Government at Teachers College from 1997 to 1999. Mr. Caperton was the 1996 Chair of the Democratic Governors Association, and served on the National Governors' Association executive committee and as a member of the Intergovernmental Policy Advisory Committee on U.S. Trade. He also was the Chairman of the Appalachian Regional Commission, Southern Regional Education Board and the Southern Growth Policy Board.

SKILLS AND QUALIFICATIONS

Academia/Education Experience through his role as President of The College Board where he reshaped the mission to connect greater numbers of students to college success and opportunity while raising educational standards. Mr. Caperton taught as a fellow at the John F. Kennedy Institute of Politics at Harvard University and then at Columbia University, where he founded and managed the Institute on Education and Government.

Business Head/Administration Serves as President of The College Board.

Corporate Governance Experience serving as a director of several large public and private companies.

Government/Public Policy Served two terms as Governor of West Virginia; former fellow at Harvard University's John F. Kennedy Institute of Politics; former teacher and Executive Director of Columbia University's Institute on Education & Government at Teachers College.

Insurance Industry Insurance industry experience through service as CEO and owner of the tenth largest privately owned insurance brokerage firm in the United States.

International Experience as a director on the boards of several international companies.

Marketing/Sales Over two decades of experience as an entrepreneur, CEO and owner of a privately owned insurance brokerage firm, where he oversaw the company's sales and marketing efforts.

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Gilbert F. Casellas

Age: 58

Director Since: January 2001

(Director of Prudential Insurance since April 1998)

Prudential Committees:

Audit

Private Directorships: