



# Principal Financial Group

Third Quarter 2020 Earnings Results

October 26, 2020

# Use of non-GAAP financial measures

A non-GAAP financial measure is a numerical measure of performance, financial position, or cash flow that includes adjustments from a comparable financial measure presented in accordance with U.S. GAAP.

The company uses a number of non-GAAP financial measures management believes are useful to investors because they illustrate the performance of the company's normal, ongoing operations which is important in understanding and evaluating the company's financial condition and results of operations. While such measures are also consistent with measures utilized by investors to evaluate performance, they are not, however, a substitute for U.S. GAAP financial measures. Therefore, the company has provided reconciliations of the non-GAAP financial measures to the most directly comparable U.S. GAAP financial measure within the slides. The company adjusts U.S. GAAP financial measures for items not directly related to ongoing operations. However, it is possible these adjusting items have occurred in the past and could recur in future reporting periods. Management also uses non-GAAP financial measures for goal setting, as a basis for determining employee and senior management awards and compensation and evaluating performance on a basis comparable to that used by investors and securities analysts.

The company also uses a variety of other operational measures that do not have U.S. GAAP counterparts, and therefore do not fit the definition of non-GAAP financial measures. Assets under management is an example of an operational measure that is not considered a non-GAAP financial measure.

# Forward looking statements

Certain statements made by the company which are not historical facts may be considered forward-looking statements, including, without limitation, statements as to non-GAAP operating earnings, net income attributable to PFG, net cash flow, realized and unrealized gains and losses, capital and liquidity positions, sales and earnings trends, and management's beliefs, expectations, goals and opinions. The company does not undertake to update these statements, which are based on a number of assumptions concerning future conditions that may ultimately prove to be inaccurate. Future events and their effects on the company may not be those anticipated, and actual results may differ materially from the results anticipated in these forward-looking statements. The risks, uncertainties and factors that could cause or contribute to such material differences are discussed in the company's annual report on Form 10-K for the year ended Dec. 31, 2019, and in the company's quarterly report on Form 10-Q for the quarter ended Jun. 30, 2020, filed by the company with the U.S. Securities and Exchange Commission, as updated or supplemented from time to time in subsequent filings. These risks and uncertainties include, without limitation: adverse capital and credit market conditions may significantly affect the company's ability to meet liquidity needs, access to capital and cost of capital; conditions in the global capital markets and the economy generally; volatility or declines in the equity, bond or real estate markets; changes in interest rates or credit spreads or a sustained low interest rate environment; the elimination of the London Inter-Bank Offered Rate ("LIBOR"); the company's investment portfolio is subject to several risks that may diminish the value of its invested assets and the investment returns credited to customers; the company's valuation of investments and the determination of the amount of allowances and impairments taken on such investments may include methodologies, estimations and assumptions that are subject to differing interpretations; any impairments of or valuation allowances against the company's deferred tax assets; the company's actual experience for insurance and annuity products could differ significantly from its pricing and reserving assumptions; the pattern of amortizing the company's DAC asset and other actuarial balances on its universal life-type insurance contracts, participating life insurance policies and certain investment contracts may change; changes in laws, regulations or accounting standards; the company may not be able to protect its intellectual property and may be subject to infringement claims; the company's ability to pay stockholder dividends and meet its obligations may be constrained by the limitations on dividends Iowa insurance laws impose on Principal Life; litigation and regulatory investigations; from time to time the company may become subject to tax audits, tax litigation or similar proceedings, and as a result it may owe additional taxes, interest and penalties in amounts that may be material; applicable laws and the company's certificate of incorporation and by-laws may discourage takeovers and business combinations that some stockholders might consider in their best interests; competition, including from companies that may have greater financial resources, broader arrays of products, higher ratings and stronger financial performance; technological and societal changes may disrupt the company's business model and impair its ability to retain existing customers, attract new customers and maintain its profitability; damage to the company's reputation; a downgrade in the company's financial strength or credit ratings; client terminations, withdrawals or changes in investor preferences; the company's hedging or risk management strategies prove ineffective or insufficient; inability to attract and retain qualified employees and sales representatives and develop new distribution sources; an interruption in telecommunication, information technology or other systems, or a failure to maintain the confidentiality, integrity or availability of data residing on such systems; international business risks; fluctuations in foreign currency exchange rates; risks arising from participation in joint ventures; the company may need to fund deficiencies in its "Closed Block" assets; a pandemic, terrorist attack, military action or other catastrophic event; the ongoing COVID-19 pandemic and the resulting financial market impacts; the company's reinsurers could default on their obligations or increase their rates; risks arising from acquisitions of businesses; risks related to the company's acquisition of Wells Fargo Bank, N.A.'s IRT business; loss of key vendor relationships or failure of a vendor to protect information of our customers or employees; the company's enterprise risk management framework may not be fully effective in identifying all of the risks to which the company is exposed; and global climate change.

# 3Q 2020 financial results & highlights

## Operating earnings

- Quarterly non-GAAP operating earnings<sup>1</sup> of \$235M; quarterly non-GAAP operating earnings per diluted share<sup>1</sup> (EPS) of \$0.85
- Significant variances impacted non-GAAP pre-tax operating earnings by \$233M, non-GAAP operating earnings by \$182M, EPS by \$0.66; pre-tax impacts included (additional details on slide 7):
  - \$(142)M from our annual actuarial assumption review, impacting RIS-Fee, RIS-Spread, PI and Individual Life
  - \$(48)M from COVID-19 related claims and other impacts in RIS-Fee, RIS-Spread, Specialty Benefits and Individual Life
  - \$(17)M from Institutional Retirement & Trust (IRT) integration costs in RIS-Fee
  - \$(14)M from lower than expected variable investment income in PI, Specialty Benefits and Individual Life
  - \$(12)M from lower than expected encaje performance and lower than expected inflation in PI
- Reported non-GAAP operating earnings effective tax rate is 15.3%; adjusting for annual actuarial assumption review and other significant variances the effective tax rate is 18.3%

## Capital & liquidity

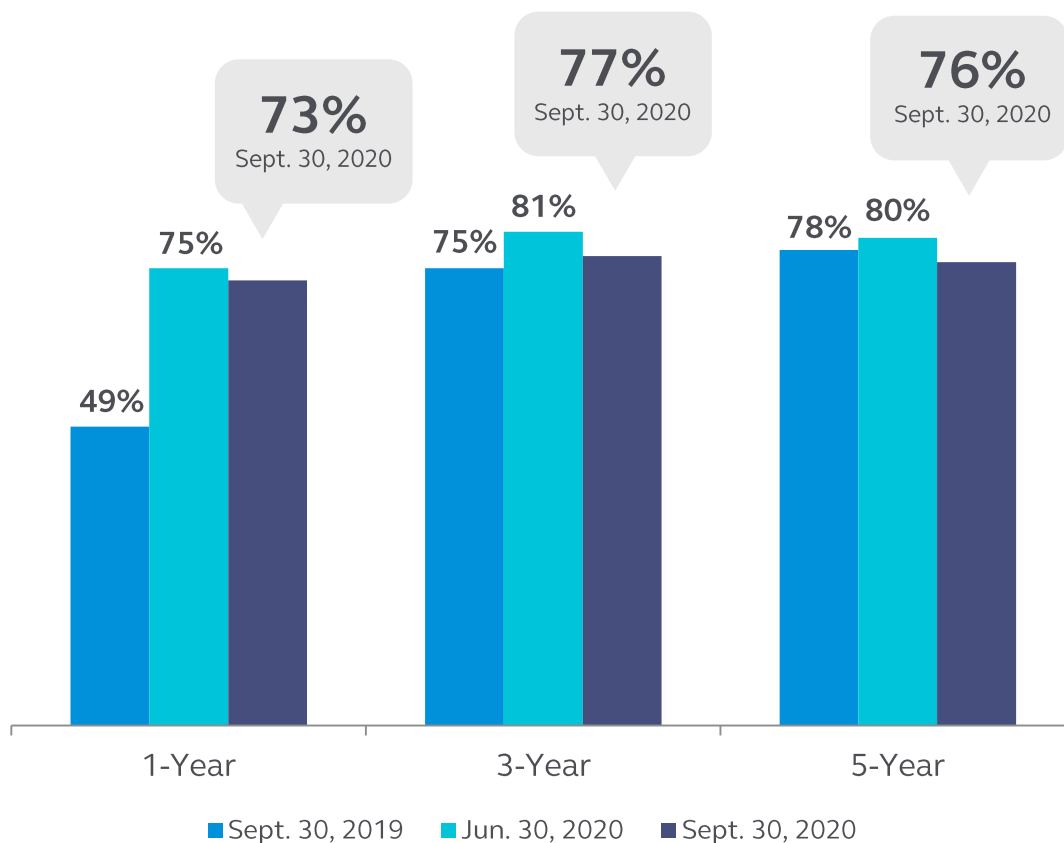
- Continue to be disciplined in our capital deployment
  - Deployed \$154M of capital in 3Q20 through common stock dividends
  - Announced 4Q20 common stock dividend of \$0.56 per share, a 2% increase over 4Q19
- \$3.4B of total company available cash and liquid assets
- \$2.6B of excess and available capital

## AUM, NCF & Investment Performance

- Total company AUM of \$731B; an increase of nearly \$30B compared to both 2Q20 and 3Q19
- Total company quarterly net cash flow \$2B; trailing twelve-month net cash flow \$18B
- Continued strong investment performance with percentage of fund in the top two Morningstar quartiles across asset classes were: 1-year (73%), 3-year (77%), 5-year (76%) and 10-year (91%)

# Investment performance

## Equal weighted<sup>1</sup>



## Asset weighted<sup>2</sup>

**74%**  
of rated fund AUM  
has a 4 or 5 star rating  
from Morningstar

4 or 5 stars	74%
3 stars	24%
2 stars	2%
1 star	0%

<sup>1</sup> Percentage of Principal actively managed mutual funds, exchange traded funds (ETFs), insurance separate accounts, and collective investment trusts (CITs) in the top two Morningstar quartiles. Excludes Money Market, Stable Value, Liability Driven Investment (Short, Intermediate and Extended Duration), Hedge Fund Separate Account, & U.S. Property Separate Account.

<sup>2</sup> Includes only funds with ratings assigned by Morningstar; non-rated funds excluded (90 total, 77 are ranked)

# IRT integration update

## Integration remains on track

- Migration of the IRT core retirement business is off to a very successful start with the first wave moving in early October; will continue through summer 2021
- Strategic and cultural benefits are confirmed and showing benefits
- Revenue and expense synergies will begin to emerge in the second half of 2021
  - Expense synergies, though delayed, are expected to be 50% higher than initially modeled and will help mitigate the impact of the IOER rate
- Investments in our capabilities and the platform are benefitting all our clients and participants

## Financial impacts

- 3Q20 integration expenses of \$17M
- Reminders related to 2020 guidance:
  - RIS-Fee's 2020 guidance ranges assumed flat IOER in 2020; in 1Q20 IOER decreased 145 basis points to 0.10%
  - \$55-65M of annual integration costs were excluded from the RIS-Fee 2020 margin guidance, but will be included in RIS-Fee's reported pre-tax operating earnings

## Significant variances related to the IRT acquisition

Combined integration expenses and earnout liability change<sup>1</sup> (RIS-Fee)

3Q20  
\$17M

Cumulative  
since  
acquisition  
\$36M

# Non-GAAP operating earnings excluding impacts from actuarial assumption review and other significant variances

3Q20 vs 3Q19

(in millions, except per share data)

	Impacts of 3Q20 significant variances				Impacts of 3Q19 significant variances				3Q20 vs 3Q19 excluding significant variances	
	3Q20 as reported	Actuarial assumption review	Other significant variances <sup>1</sup>	3Q20 excluding significant variances	3Q19 as reported	Actuarial assumption review	Other significant variances <sup>2</sup>	3Q19 excluding significant variances		
<b>Segment pre-tax operating earnings</b>										
RIS-Fee	\$ 134.7	\$ 36.8	\$ (25.0)	\$ 122.9	\$ 85.1	\$ (35.5)	\$ (3.4)	\$ 124.0	\$ (1.1)	-1%
RIS-Spread	146.4	33.3	5.0	108.1	84.6	1.2	-	83.4	24.7	30%
Retirement and Income Solutions	281.1	70.1	(20.0)	231.0	169.7	(34.3)	(3.4)	207.4	23.6	11%
Principal Global Investors	140.9	-	-	140.9	123.0	-	-	123.0	17.9	15%
Principal International	58.7	2.7	(20.1)	76.1	108.9	7.8	9.2	91.9	(15.8)	-17%
Specialty Benefits	31.4	-	(44.8)	76.2	101.5	20.5	-	81.0	(4.8)	-6%
Individual Life	(165.5)	(215.1)	(6.0)	55.6	18.6	(33.8)	-	52.4	3.2	6%
U.S. Insurance Solutions	(134.1)	(215.1)	(50.8)	131.8	120.1	(13.3)	-	133.4	(1.6)	-1%
Corporate	(69.7)	-	-	(69.7)	(102.1)	-	(7.3)	(94.8)	25.1	26%
<b>Non-GAAP pre-tax operating earnings</b>	<b>276.9</b>	<b>(142.3)</b>	<b>(90.9)</b>	<b>510.1</b>	<b>419.6</b>	<b>(39.8)</b>	<b>(1.5)</b>	<b>460.9</b>	<b>49.2</b>	<b>11%</b>
Income taxes	42.4	(29.2)	(21.8)	93.4	74.3	(6.9)	(0.1)	81.3	12.1	15%
<b>Non-GAAP operating earnings (losses)</b>	<b>\$ 234.5</b>	<b>\$ (113.1)</b>	<b>\$ (69.1)</b>	<b>\$ 416.7</b>	<b>\$ 345.3</b>	<b>\$ (32.9)</b>	<b>\$ (1.4)</b>	<b>\$ 379.6</b>	<b>\$ 37.1</b>	<b>10%</b>
Net realized capital gains (losses)	1.5	(5.1)	\$ -	6.6	(68.2)	(3.6)	\$ -	(64.6)	71.2	110%
<b>Net income (loss) attributable to Principal Financial Group, Inc.</b>	<b>\$ 236.0</b>	<b>\$ (118.2)</b>	<b>\$ (69.1)</b>	<b>\$ 423.3</b>	<b>\$ 277.1</b>	<b>\$ (36.5)</b>	<b>\$ (1.4)</b>	<b>\$ 315.0</b>	<b>\$ 108.3</b>	<b>34%</b>
Weighted average diluted shares outstanding	276.8			276.8	281.4			281.4	(4.6)	-2%
<b>Non-GAAP operating earnings per share (EPS)</b>	<b>\$0.85</b>	<b>(\$0.41)</b>	<b>(\$0.25)</b>	<b>\$1.51</b>	<b>\$1.23</b>	<b>(\$0.12)</b>	<b>\$0.00</b>	<b>\$1.35</b>	<b>\$0.16</b>	<b>12%</b>

<sup>1</sup> Other significant variances in 3Q20 include 1) COVID-19 related impacts in RIS-Fee, RIS-Spread, Specialty Benefits and Individual Life; 2) IRT integration costs in RIS-Fee; 3) lower than expected variable investment income in PI, Specialty Benefits and Individual Life; and 4) lower than expected encaje performance and lower than expected inflation in PI.

<sup>2</sup> Other significant variances in 3Q19 include 1) IRT transaction and integration costs in RIS-Fee and Corporate; and 2) higher than expected encaje performance and lower than expected inflation in PI.

# Impacts of 3Q20 significant variances

Income statement line item impacts of the annual actuarial assumption review and other significant variances  
(in millions)

Line Item	Actuarial assumption review				Other significant variances					Total significant variances
	RIS-Fee	RIS-Spread	Principal International	Individual Life	RIS-Fee	RIS-Spread	Principal International	Specialty Benefits	Individual Life	
Premiums and other considerations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees and other revenues	-	-	-	22.4	(8.3)	-	-	(21.5)	-	(7.4)
Net investment income	-	-	2.7	-	-	-	(20.1)	(2.7)	(3.7)	(23.8)
<b>Total operating revenues</b>	-	-	2.7	22.4	(8.3)	-	(20.1)	(24.2)	(3.7)	(31.2)
Benefits, claims and settlement expenses	(53.3)	(8.9)	-	154.1	-	(5.0)	-	20.6	2.3	109.8
Dividends to policyholders	-	-	-	1.1	-	-	-	-	-	1.1
Commissions	-	-	-	-	-	-	-	-	-	-
Capitalization of DAC	-	-	-	-	-	-	-	-	-	-
Amortization of DAC	16.5	(24.4)	-	82.3	-	-	-	-	-	74.4
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-
Interest expense on corporate debt	-	-	-	-	-	-	-	-	-	-
Compensation and other	-	-	-	-	16.7	-	-	-	-	16.7
<b>Total expenses</b>	(36.8)	(33.3)	-	237.5	16.7	(5.0)	-	20.6	2.3	202.0
<b>Non-GAAP pre-tax operating earnings (losses)</b>	<b>\$ 36.8</b>	<b>\$ 33.3</b>	<b>\$ 2.7</b>	<b>\$ (215.1)</b>	<b>\$ (25.0)</b>	<b>\$ 5.0</b>	<b>\$ (20.1)</b>	<b>\$ (44.8)</b>	<b>\$ (6.0)</b>	<b>\$ (233.2)</b>

## Details of other significant variances by business unit:

RIS-Fee	\$16.7M IRT integration costs; \$8.3M COVID-19 related fee waivers
RIS-Spread	\$5.0M favorable COVID-19 related mortality experience
Principal International	\$12.1M lower than expected encaje performance and lower than expected inflation in Latin America; \$8.0M lower than expected VII in Chile
Specialty Benefits	\$21.5M COVID-19 related dental premium credit; \$17.4M unfavorable COVID-19 claims experience; \$2.7M lower than expected VII; \$3.2M dental related personal protective equipment payments
Individual Life	\$2.3M unfavorable COVID-19 claims experience; \$3.7M lower than expected VII



# COVID-19 financial impacts – total company

	3Q20 pre-tax impacts	Expected ongoing impacts
<b>Total company</b>	<ul style="list-style-type: none"> <li>• Management actions reduced expenses by more than \$100M relative to beginning of year expectations</li> <li>• Direct mortality/morbidity impact of -\$4M pre-tax; -\$3M after-tax</li> </ul>	<ul style="list-style-type: none"> <li>• Management actions expected to reduce expenses by approximately \$250M in FY20 relative to beginning of year expectations</li> <li>• Direct mortality/morbidity impact on earnings of approximately -\$13M pre-tax, -\$10M after-tax for every 100,000 U.S. COVID-19 related deaths</li> </ul>
<b>Capital</b>	<ul style="list-style-type: none"> <li>• Announced 4Q20 common stock dividend of \$0.56; unchanged from 3Q20</li> <li>• Additional \$100M debt issuance enhances capital position</li> </ul>	<ul style="list-style-type: none"> <li>• Expect 2020 external deployments of \$800M - \$1.0B</li> <li>• Lower expected sales reduces capital needed to support organic growth</li> </ul>
<b>Investment portfolio</b>	<ul style="list-style-type: none"> <li>• \$6.5B pre-tax unrealized net gain on available-for-sale fixed maturity securities in U.S. investment portfolio</li> <li>• Realized \$50M of capital impacts from credit drift and losses (\$165M YTD)</li> <li>• Commercial loan LTV at 50% in U.S. investment portfolio; unchanged from 2Q20</li> <li>• Only 14 loans currently modified/granted forbearance representing less than 2% of the commercial mortgage loans in U.S. investment portfolio</li> </ul>	<ul style="list-style-type: none"> <li>• Lowered full-year 2020 baseline impact from credit drift and losses to \$200-\$300M; this is improved from previously forecasted \$300-\$500M</li> <li>• Significant government intervention causing impacts to emerge more slowly; credit drift and losses could be approximately \$400M in 2021</li> <li>• Estimated credit drift and credit losses manageable due to high quality nature of portfolio and strong capital position</li> </ul>

# COVID-19 financial impacts – business units

## 3Q20 pre-tax impacts

## Expected ongoing impacts

<b>RIS-Fee</b>	<ul style="list-style-type: none"> <li>• Roughly 3% of participants took COVID-19 withdrawals totaling \$1B</li> <li>• Pressured recurring deposit growth of 3% vs 3Q19</li> <li>• Fee waivers for COVID-19 related withdrawals of \$8M; fee waivers ceased as of the end of September</li> <li>• Lower sales</li> </ul>	<ul style="list-style-type: none"> <li>• Expect NCF to be flat, below our 1-3% target as a percent of beginning of period account values for full year 2020, due to lower sales partially offset by lower contract lapses, slower recurring deposit growth and higher participant withdrawals</li> </ul>
<b>RIS-Spread</b>	<ul style="list-style-type: none"> <li>• Higher mortality benefitted earnings by \$5M</li> <li>• Lower retail annuity sales due to pricing discipline and low interest rates</li> </ul>	<ul style="list-style-type: none"> <li>• Low interest rates impact income annuity and PRT sales demand, though PRT pipeline remains robust</li> <li>• ALM approach lessens impact from lower interest rates</li> <li>• Higher mortality could continue to benefit earnings</li> <li>• Lower investment income due to pressure on yields</li> </ul>
<b>PGI</b>	<ul style="list-style-type: none"> <li>• Fewer real estate transactions resulted in \$3M of lower transaction and borrower fees than 3Q19</li> </ul>	<ul style="list-style-type: none"> <li>• Yield oriented solutions in demand in low rate environment</li> <li>• Fewer real estate transactions expected to result in lower transaction and borrower fees</li> </ul>
<b>PI</b>	<ul style="list-style-type: none"> <li>• Chile AUM was reduced by \$1.4B due to COVID-19 hardship withdrawals. These withdrawals were excluded from NCF as they do not impact future fee revenue.</li> <li>• Lower variable investment income in Chile</li> </ul>	<ul style="list-style-type: none"> <li>• Historically low currency rates negatively impacting earnings</li> </ul>
<b>SBD</b>	<ul style="list-style-type: none"> <li>• \$42M net unfavorable impact to pre-tax earnings:               <ul style="list-style-type: none"> <li>◦ Dental 10% premium credit: \$22M</li> <li>◦ Dental pent-up demand: \$10M</li> <li>◦ Group life and group disability claims: \$7M</li> <li>◦ PPE payment for in-network dental providers: \$3M</li> </ul> </li> <li>• Premiums continue to be pressured – lower sales offset by significantly better retention; negative in-group growth</li> <li>• Lower variable investment income</li> </ul>	<ul style="list-style-type: none"> <li>• \$9-10M unfavorable impact in 4Q from continuation of 10% dental premium credit through October and PPE payments through December</li> <li>• Lower sales partially offset by higher retention</li> <li>• Moderation of negative in-group growth metrics as economy stabilizes</li> <li>• Return to more normal dental/vision claims; slightly higher life/disability claims continue</li> <li>• Lower investment income due to pressure on yields</li> </ul>
<b>Individual Life</b>	<ul style="list-style-type: none"> <li>• Lower sales despite increased interest in term</li> <li>• \$2M COVID-19 related claims, net of reinsurance</li> <li>• Lower variable investment income</li> </ul>	<ul style="list-style-type: none"> <li>• Lower overall sales with an ongoing interest in term</li> <li>• Slightly higher COVID-19 claims expected in 4Q20 vs 3Q20</li> <li>• Lower investment income due to pressure on yields</li> </ul>

# Coming from a position of financial strength

## Liquidity

**\$3.4B**

Total company available cash and liquid assets

- \$800M revolving credit facilities available
- Manage liquidity to meet business unit liabilities in cash (i.e. GIC/MTN maturities)
- Not a forced seller of assets due to long-dated, fixed maturity date liabilities

## Capital

**\$2.6B**

Excess and available capital

- Includes capital at holding company, subsidiaries, and excess above a 400% RBC ratio
- Nearly \$1B contingent capital facility with a book value of \$750M

## Estimated RBC ratio

**431%**

- Managing RBC higher than 400% long-term target during these uncertain times

## Leverage

**24%**

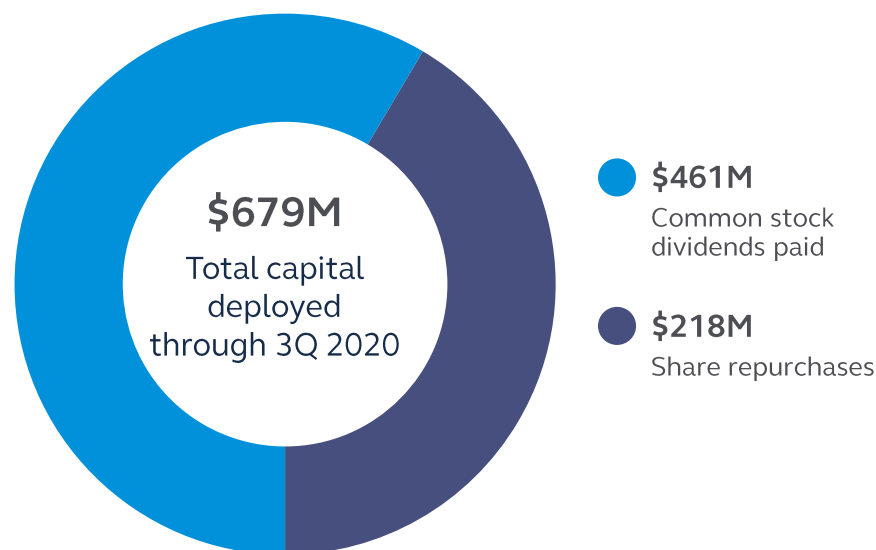
Low debt-to-capital ratio<sup>1</sup>

- No debt maturities until \$300M in 2022

# Capital deployment & management

## 3Q20 capital deployments and actions

- Deployed \$154M of capital in 3Q20 to common stock dividends
- Paused share buyback program in March 2020
- Expect to deploy \$800M - \$1.0B in 2020



## Capital management

### Potential sources

- Reduced use of capital from lower sales and natural capital release from liability portfolio
- Disciplined asset/liability management and use of derivatives to protect capital
- Expense management actions

### Potential uses

- Credit drift, credit losses, and other investment impacts
- Lower than expected operating earnings/net income
- Opportunistic capital deployment

# U.S. investment portfolio details

Intentionally managed key risks; high quality, diversified portfolio positioned well for the future

## Nearly 90% of total U.S. invested assets and cash is in Fixed Maturity Securities and Commercial Mortgage Loans

	12/31/2008	12/31/2019	09/30/2020
<b>Fixed Maturity Securities</b> (74% of total U.S. invested assets and cash)			
NAIC 1	57%	69%	67%
NAIC 2	38%	27%	28%
Below investment grade (NAIC 3 - 6)	5%	4%	5%

	12/31/2008	12/31/2019	09/30/2020
<b>Commercial Mortgage Loans</b> (15% of total U.S. invested assets and cash)			
A- and above	61%	93%	89%
Average loan-to-value (LTV)	62%	45%	50%
Average debt service coverage ratio	1.8x	2.6x	2.6x

## Investment portfolio highlights

- \$6.5B pre-tax net unrealized gains on available-for-sale fixed maturity securities
- The increase in below investment grade exposure from 12/31/2019 is primarily due to net purchase activity, not credit drift
- Energy sector defensively postured in integrated and midstream subsectors
- Consumer cyclicals: retailers predominantly quality names; entertainment-related subsector exposure modest and diversified
- 20% of U.S. invested assets and cash in structured securities, 99% designated NAIC 1; good fit for our liability profile
- Commercial Mortgage Loan portfolio is substantially underweight retail and hotel property types relative to NCREIF property indices and ACLI averages
- Core real estate is largest share of alternative asset exposure; carried at amortized cost, less earnings volatility; future opportunity to harvest capital gains
- Diverse, manageable exposure to other alternatives

Additional details of our U.S. Invested Asset portfolio are provided in the 3Q 2020 Supplemental U.S. Investment Portfolio Details slides available at [principal.com/investor](https://principal.com/investor)

# Retirement and Income Solutions – Fee (RIS – Fee)

## Highlights

- Pre-tax operating earnings excluding significant variances<sup>1</sup> decreased due to impacts associated with the IRT business, partially offset by disciplined expense management
- Quarterly net revenue excluding significant variances<sup>2</sup> decreased as benefits of higher equity markets were offset by reduction in IOER rate and competitive pressures

	Reported pre-tax operating earnings (\$M)	Significant variances <sup>1</sup> (\$M)	Pre-tax operating earnings ex significant variances (\$M)
3Q20	\$134.7	-\$11.8	<b>\$122.9</b>
3Q19	\$85.1	+\$38.9	<b>\$124.0</b>
Change	<b>+\$49.6 (+58%)</b>		<b>-\$1.1 (-1%)</b>

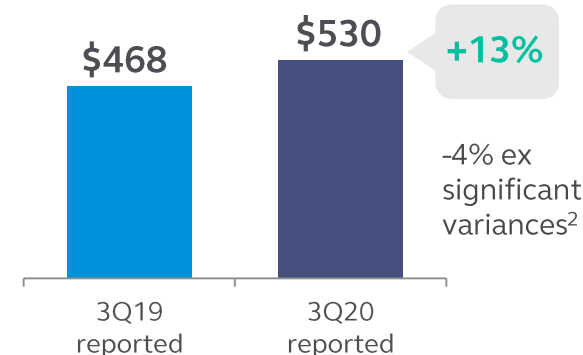
<sup>1</sup> Impact of actuarial assumption review, IRT integration costs, and COVID-19 related fee waivers in 3Q20; impact of actuarial assumption review and IRT integration costs in 3Q19.

<sup>2</sup> Excludes the impact of actuarial assumption review and COVID-19 related fee waivers in 3Q20; Excludes actuarial assumption review in 3Q19.

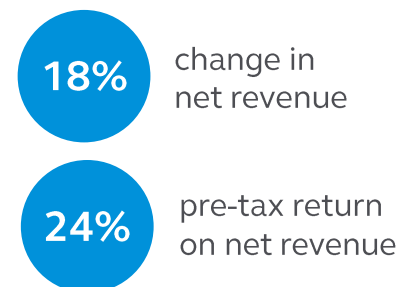
<sup>3</sup> Excludes impacts of 3Q20 and 3Q19 actuarial assumption reviews and other significant variances.

## Net revenue (\$M)

### Quarterly basis



### Trailing twelve month basis<sup>3</sup>



# Retirement and Income Solutions – Spread (RIS – Spread)

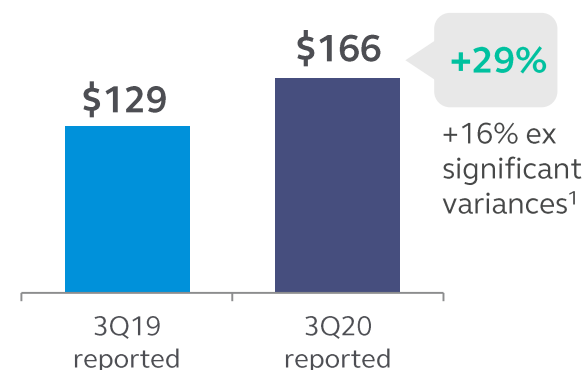
## Highlights

- Pre-tax operating earnings and quarterly net revenue excluding significant variances<sup>1</sup> increased due to growth in the business, higher net investment income and favorable reserve gains
- Quarterly sales of \$1.6B included \$0.7B opportunistic GIC and MTN issuances and \$0.5B Pension Risk Transfer (PRT) sales

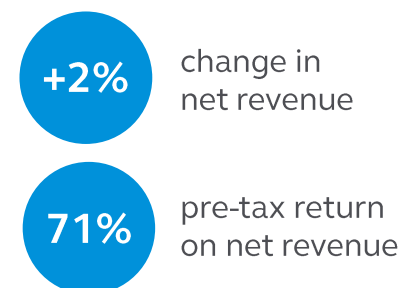
	Reported pre-tax operating earnings (\$M)	Significant variances <sup>1</sup> (\$M)	Pre-tax operating earnings ex significant variances (\$M)
3Q20	\$146.4	-\$38.3	\$108.1
3Q19	\$84.6	-\$1.2	\$83.4
Change	+\$61.8 (+73%)		+\$24.7 (+30%)

## Net revenue (\$M)

### Quarterly basis



### Trailing twelve month basis<sup>2</sup>



<sup>1</sup> Impact of actuarial assumption review and favorable COVID-19 related mortality in 3Q20; impact of actuarial assumption review in 3Q19.

<sup>2</sup> Excludes impacts of 3Q20 and 3Q19 actuarial assumption reviews and other significant variances.

# Principal Global Investors (PGI)

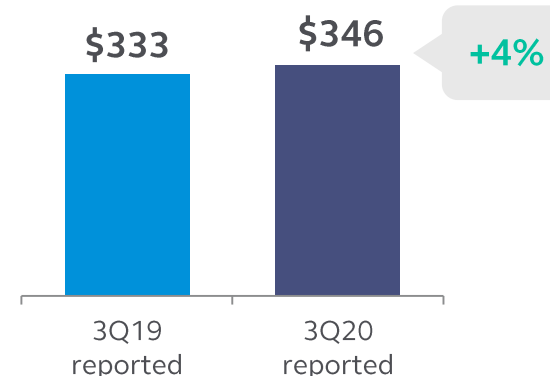
## Highlights

- Pre-tax operating earnings increased due to higher management fees and disciplined expense management
- Record managed AUM of \$468B and sourced AUM of \$226B. PGI managed AUM driven by strong investment performance of \$19B
- PGI sourced net cash flow of \$1B driven by diversified products and multiple distribution channels

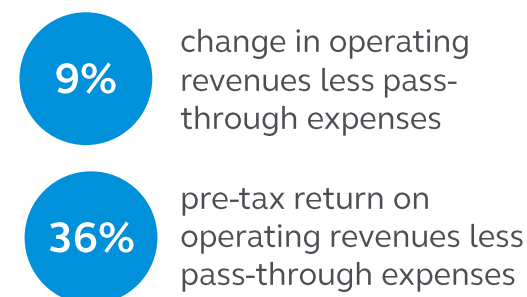
	Reported pre-tax operating earnings
3Q20	\$140.9
3Q19	\$123.0
Change	+\$17.9 (+15%)

## Operating revenues less pass-through expenses<sup>1</sup> (\$M)

### Quarterly basis



### Trailing twelve month basis<sup>2</sup>



<sup>1</sup> This is a non-GAAP financial measure; see reconciliation in appendix.

<sup>2</sup> Excludes impacts of significant variances.



# Principal International

## Highlights

- Pre-tax operating earnings excluding significant variances<sup>1</sup> decreased due to foreign currency headwinds of \$16M
- Combined net revenue (at PFG share) excluding significant variances<sup>1</sup> decreased due to foreign currency headwinds of \$29M
- AUM of \$147B increased 4% compared to prior year quarter on a constant currency basis<sup>2</sup>, not including China AUM of \$120B
- Net cash flow of \$1.8B in 3Q20, the 48<sup>th</sup> consecutive quarter of positive net cash flow

	Reported pre-tax operating earnings (\$M)	Significant variances <sup>1</sup> (\$M)	Pre-tax operating earnings ex significant variances (\$M)
3Q20	\$58.7	+\$17.4	\$76.1
3Q19	\$108.9	-\$17.0	\$91.9
Change	-\$50.2 (-46%)		-\$15.8 (-17%)

<sup>1</sup> Impact of actuarial assumption review, lower than expected VII in Chile, lower than expected encaje performance and inflation in 3Q20. Impact of actuarial assumption review, higher than expected encaje performance and lower than expected inflation in 3Q19.

<sup>2</sup> Prior period results translated using foreign exchange rates from the current period.

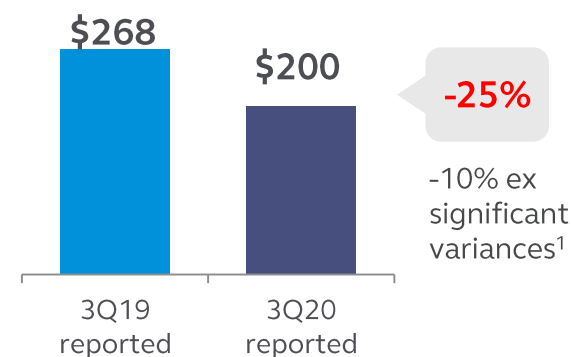
<sup>3</sup> Combined basis includes all Principal International companies at 100%.

<sup>4</sup> This is a non-GAAP financial measure; see reconciliation in appendix.

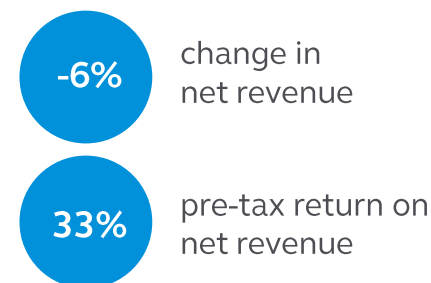
<sup>5</sup> Excludes impacts of significant variances.

## Combined<sup>3</sup> net revenue (at PFG share)<sup>4</sup> (\$M)

### Quarterly basis



### Trailing twelve month basis<sup>5</sup> (at PFG share)



# Specialty Benefits

## Highlights

- Pre-tax operating earnings excluding significant variances<sup>1</sup> decreased primarily due to slightly higher claims
- Quarterly premium and fees excluding significant variances<sup>2</sup> increased 2% as strong retention was partially offset by lower sales and negative in-group growth

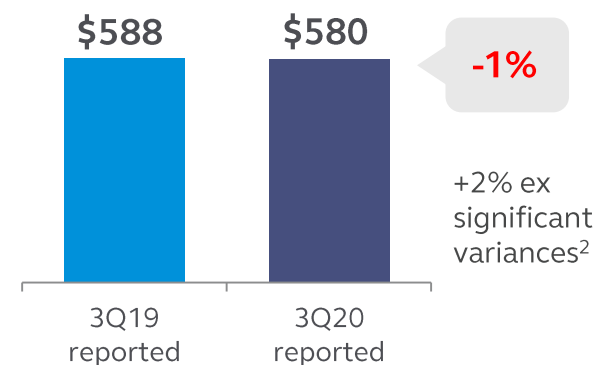
	Reported pre-tax operating earnings (\$M)	Significant variances <sup>1</sup> (\$M)	Pre-tax operating earnings ex significant variances (\$M)
3Q20	\$31.4	\$44.8	\$76.2
3Q19	\$101.5	-\$20.5	\$81.0
Change	-\$70.1 (-69%)		-\$4.8 (-6%)

<sup>1</sup> COVID-19 related claims and other impacts and lower than expected variable investment income in 3Q20; impact of actuarial assumption review in 3Q19.

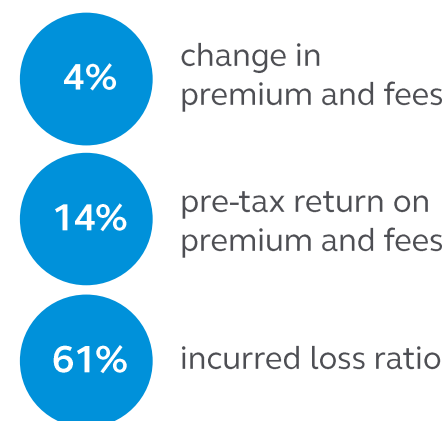
<sup>2</sup> Excludes impact of 3Q20 significant variances and 3Q19 actuarial assumption review and other significant variances.

## Premium and fees (\$M)

### Quarterly basis



### Trailing twelve month basis<sup>2</sup>



# Individual Life

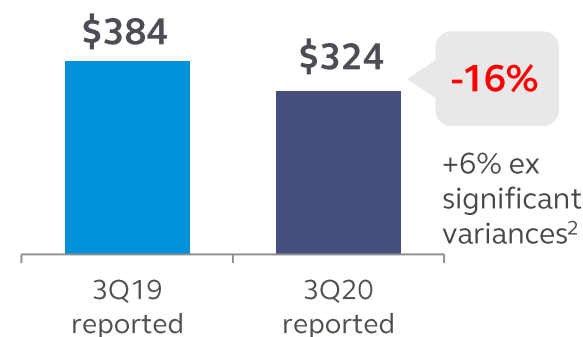
## Highlights

- Pre-tax operating earnings excluding significant variances<sup>1</sup> increased due to growth in premium and fees
- Premiums and fees excluding significant variances<sup>1</sup> increased 6% due to growth in the business
- COVID-19 pandemic highlighting the importance of life insurance; continued strong interest for term life

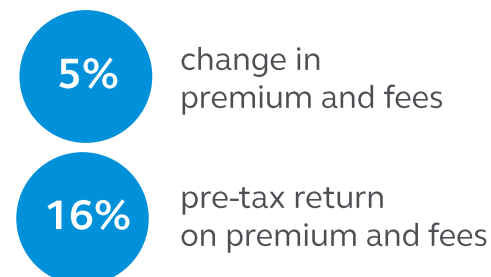
	Reported pre-tax operating earnings (\$M)	Significant variances <sup>1</sup> (\$M)	Pre-tax operating earnings ex significant variances (\$M)
3Q20	\$(165.5)	+\$221.1	\$55.6
3Q19	\$18.6	+\$33.8	\$52.4
Change	-\$184.1		+\$3.2 (+6%)

## Premium and fees (\$M)

### Quarterly basis



### Trailing twelve month basis<sup>2</sup>



<sup>1</sup> Impact of actuarial assumption review, lower than expected variable investment income and COVID-19 related claims in 3Q20; impact of actuarial assumption review in 3Q19.

<sup>2</sup> Excludes impacts of 3Q20 and 3Q19 actuarial assumption reviews and other significant variances.

# Appendix

# Non-GAAP operating earnings sensitivities

Estimated impacts of changes in key macroeconomic conditions on annual non-GAAP pre-tax operating earnings

If macroeconomics change by...	Equity market return +/- 10%	Interest rates +/- 100 bps	Interest Rate on Excess Reserves (IOER) rate +/- 50 bps	FX: U.S. dollar +/- 2%	Certain alternative investment valuation <sup>4</sup> +/- 10%
<b>Then Principal's annual non-GAAP pre-tax operating earnings will change by...</b>	+/- 5-7% <sup>1</sup>	+/- < 1% <sup>2</sup>	+/- < 0.5%	-/+ < 1% <sup>3</sup>	+/- < 7%
<b>And the primary businesses impacted are...</b>	RIS - Fee PGI	RIS - Spread Individual Life SBD	RIS - Fee	PI	RIS - Spread Individual Life SBD

<sup>1</sup> Assumes an immediate 10% change in the S&P 500 followed by 2% growth per quarter thereafter.

<sup>2</sup> Excludes the impact of actuarial unlockings.

<sup>3</sup> Principal is primarily impacted by changes in Latin American and Asian currencies. Inverse relationship between movement of the U.S. dollar and impact to Operating Earnings.

<sup>4</sup> Includes hedge funds, private equity, infrastructure, and direct lending assets. Separate and distinct from our equity risk associated with a decline in the S&P 500 index, assumes an immediate 10% decline in the value of these assets, followed by a 2% per quarter increase.

Note: The impact to income before income taxes is materially consistent with the impact to pre-tax operating earnings.

All sensitivities taken from Principal Financial Group's annual report on Form 10-K for the year ended Dec. 31, 2019

# Non-GAAP financial measure reconciliations

	Three Months Ended (in millions)	
Principal Global Investors Operating Revenues Less Pass-Through Expenses	9/30/20	9/30/19
Principal Global Investors operating revenues	\$382.8	\$369.9
Principal Global Investors commissions and other expenses	(37.2)	(37.3)
Principal Global Investors operating revenues less pass-through expenses	\$345.6	\$332.6

	Three Months Ended (in millions)	
Principal International Combined Net Revenue (at PFG Share)	9/30/20	9/30/19
Principal International pre-tax operating earnings	\$58.7	\$108.9
Principal International combined operating expenses other than pass-through commissions (at PFG share)	141.7	158.7
Principal International combined net revenue (at PFG share)	\$200.4	\$267.6

	Three Months Ended (in millions)	
Non-GAAP Operating Earnings (Losses)	9/30/20	9/30/19
Net income attributable to PFG	\$236.0	\$277.1
Net realized capital (gains) losses, as adjusted	(1.5)	68.2
Non-GAAP operating earnings	\$234.5	\$345.3

	Three Months Ended Per diluted share	
Diluted Earnings Per Common Share	9/30/20	9/30/19
Net income	\$0.85	\$0.98
Net realized capital (gains) losses, as adjusted	0.00	0.25
Non-GAAP operating earnings	\$0.85	\$1.23
Weighted-average diluted common shares outstanding (in millions)	276.8	281.4

# Non-GAAP financial measure reconciliations

	Period Ended (in millions)
<b>Stockholders' equity x-AOCI available to common stockholders</b>	<b>9/30/20</b>
Stockholders' equity	\$15,721.1
Noncontrolling interest	(70.2)
Accumulated other comprehensive income	(1,747.1)
Stockholders' equity x-AOCI available to common stockholders	\$13,903.8

	(in millions)	
	Three Months Ended	
<b>Income Taxes</b>	<b>9/30/20</b>	<b>9/30/19</b>
Total GAAP income taxes	\$39.2	\$61.1
Net realized capital gains (losses) tax adjustments	(10.2)	(5.5)
Income taxes attributable to noncontrolling interest	0.1	(0.1)
Income taxes related to equity method investments	13.3	18.8
Income taxes	\$42.4	\$74.3