Stronger. Better.

Here's why.

2018 Annual Report
Principal Financial Group®

Principal®

To our shareholders

From the chairman, president, and chief executive officer

Despite rocky financial markets in 2018 and persistent revenue pressures, I offer two words:

Stronger. Better.

Those words perfectly capture how I feel about Principal and our year of progress toward lasting success.

We've launched an accelerated digital strategy. We're expanding our global asset management franchise. A volatile business environment didn’t discourage us.

Over 140 years, Principal has endured war, depression, recession, volatility, and disruption. Edward Temple had already rebounded from more than one financial panic when, on June 25, 1879, he established Bankers Life, offering Midwestern bankers the security of life insurance. His company would grow and thrive to become Principal Financial Group.[1]

We've always adapted, seeking better ways to do business. We've transformed more in the last 25 years than in our entire prior history through global expansion, advanced technology, and our 2001 initial public offering.

committed.

Today, we deliver investment expertise and financial solutions to individuals, small-to-medium-sized businesses, and institutions worldwide. We're taking bold and deliberate steps forward on strategic projects and investments that will enable us to deliver better results for our customers and power our businesses for decades.

We're well diversified and committed to our mix of asset management, asset accumulation, and protection businesses. We're going digital in the right way. And global demographics tilt in our favor.

Still, the essential character of Principal hasn't changed. We're grounded in dependable performance. We act on core company values. We prioritize customer service and financial security.

For a deeper dive into how that's happening and how it benefits you, keep reading.

2018 markets versus our fundamentals

We closed 2018 with the worst December for U.S. stock markets since the Great Depression and the worst year for stocks in a decade.[2] Our international operations faced macroeconomic headwinds that dampened our earnings.

Throughout 2018, our assets under management (AUM) declined $42 billion, mostly due to unfavorable market performance and foreign currency exchange.

We weren't alone in experiencing pressure on AUM. The retail mutual funds industry last year saw a wave of outflows from active U.S. equity funds, as some investors shifted to passive or cash in response to market volatility.

Our total company net cash flow was a negative $2 billion in 2018 despite positive net cash flow from both Retirement and Income Solutions and Principal International.

More broadly, our AUM since 2013 has grown by more than $140 billion, or 30 percent. In the past five years, this fact helped drive a 9 percent compounded annual growth in non-GAAP diluted operating earnings per share.[3]

1 "Policies and People: The First Hundred Years of The Bankers Life," Joseph Frazier Wall, 1979.
2 "U.S. stocks post worst year in a decade as the S&P 500 falls more than 6% in 2018," CNBC, Jan. 7, 2019.
3 This is a non-GAAP financial measure. See non-GAAP financial measure reconciliations on pages 18-19.

Despite 2018's volatility, we still added 1.4 million net new customers. We also delivered a record $1.6 billion in non-GAAP operating earnings,[4] an 8 percent increase in 2017.

Like most companies, we face stiff competition. Like most industries, we feel the pressure on margins. Digital access is transforming financial services at exponential speed. People have long since adapted to online shopping and streaming video. These are our clients, who demand similar convenience and value from us.

It's up to us to cultivate technology that not only meets but exceeds their expectations.

Digital development is more complicated than merely rushing to keep pace with rapid change or lower fees; in a minute, I'll share with you why our strategy adds to my optimism about our future.

We're in the throes of the largest middle-class expansion in history, much of that centered in Asia. Half the world's population already is, or soon will be, considered middle class.[5] A rapidly aging globe will hold 1.6 billion people 65 and older by 2050.[6]

We're long established in regions where these demographic shifts should help us continue to deliver above-market growth.

5 strategies to power long-term growth

To better prepare for that future, 2018 was a year in which we rededicated ourselves to a set of five clear strategies that capitalize on Principal's traditional strengths.

1. Remain good stewards of shareholder capital.

We deploy our capital with balance and discipline, last year to the tune of nearly $1.4 billion.

Our priorities are to:

- invest in our existing businesses to drive organic growth,
- acquire new businesses that are a strategic, cultural, and financial fit, and
- return capital to shareholders.

We repurchased $650 million in shares in 2018 for antidilutive purposes and to capitalize on valuation of our stock. We've raised our quarterly common stock dividend 11 consecutive times in recent years to target a payout ratio of 40 percent of net income.

At year-end, we had more than $1 billion in available capital at the holding companies and $400 million of available cash in our subsidiaries. The $750 million of contingent funding arrangements that we added in 2018, along with a low leverage ratio and no significant debt maturities until 2022, gives us significant financial flexibility.

4 This is a non-GAAP financial measure. See non-GAAP financial measure reconciliations on pages 18-19.
5 "A global tipping point: Half the world is now middle class or wealthier," Homi Kharas and Kristofer Hamel, Brookings, Sept. 27, 2018; and "The unprecedented expansion of the global middle class," Homi Kharas, Brookings, Feb. 28, 2017.
6 "An Aging World: 2015," Wan He, Daniel Goodkind, and Paul Kowal, Census Bureau, March 28, 2016.

We plan to deploy from $1 billion to $1.4 billion of net income externally in 2019.

Last year we completed the purchase of MetLife AFORE (now Principal AFORE) in Mexico. We're now the fifth-largest mandatory pension provider in Mexico, with 7 percent market share. Through Principal AFORE, we now manage about 3 million individual retirement accounts and $11.3 billion in assets.

We also completed the purchase of INTERNOS Global Investors (now Principal Real Estate Europe), expanding our investment network in European real estate and bringing Principal Real Estate Investors to more than $70 billion in AUM at year-end.

In July, we acquired RobustWealth, bringing us a digital advice platform, goal-based investment tools, and more efficient client enrollment. We're also building planning features that will allow advisors to configure their own digital experience for clients.

But RobustWealth is just one component of a much broader digital strategy.

2. Accelerate our digital investment.

Investments in digital and technology are nothing new for Principal. Our work with technology, like everything we do, is grounded in improving the customer experience. We don't chase that one killer app. No tech fad or gimmick can single-handedly deliver lasting success.

So we've outlined a comprehensive digital investment plan to sharpen our competitive edge. The underlying goal is simple: Reach more clients who demand convenient and efficient—yet fully secure—digital solutions.

In 2017, we named a chief digital officer to design our next generation of digital capabilities and help chart the best path forward.

This acceleration in 2018 boosted our annual technology investment to nearly $600 million. Forty-five percent of this ongoing budget is a discretionary spend for product innovation and digital strategies. This is a serious commitment to research and development, enabled by 3,000 technology employees in offices and innovation labs worldwide.

aligned.

We've embarked on a multiyear accelerated spend on strategies to transform our customers' experience, provide direct advice and sales, and build our future investment process. We expect an internal rate of return on this investment of at least 20 percent, with revenue and expense gains beginning to emerge in 2019. Rest assured, we remain committed to aligning expense growth with revenue growth. We'll continue to take appropriate expense actions in 2019 to improve our cost structure.

The acquisition of RobustWealth was one of the more noticeable pieces of this strategy. The platform allows individuals to better manage their financial lives or advisors to offer fine-tuned customization to their clients. The technology harnesses more than

6,000 different asset allocation outcomes to help meet each client's unique financial goals and risk tolerance. This development complements the ongoing expansion of our distribution through wirehouses, broker dealers, and other traditional channels.

Whatever we offer must be simple, personalized, and secure for our customers. We want to put their financial goals within reach, not complicate their lives. We pursue a variety of digital innovations in four main areas:

Next generation customer experience: Last year we launched an online chat tool for retirement plan sponsors. This year we're delivering an enhanced Principal mobile app that allows account holders to sign in with a thumbprint or facial recognition. But effective digital customer experience also includes less visible work behind the scenes. A life insurance policy traditionally required nearly a month to buy. Now through the use of Accelerated Underwriting℠ and digital improvements, it takes on average less than half that time. Often we can put a policy in the customer's hands within a few days.

Direct to consumer: Most people don't have access to a traditional financial advisor. But we can reach even more clients through digital sales and advice. In the U.S., we offer advice to retirement participants with benefit events, including when they change jobs or transition to retirement. Ciclic, our joint venture with Banco do Brasil's insurance and pension operation, is one of Brazil's first digital retirement sales platforms. Claritas, our investment company in Brazil, now sells mutual funds through 13 digital platforms. In 2018, our China joint venture added more than 2 million investors and more than $4 billion in AUM through Alibaba and Tencent. By the end of 2018, we totaled 4.4 million digital customers in China, more than half of them under age 35, which is another indication of how we can benefit from a demographic wave.

Effective investment management: We're building an "analyst cockpit" to help Principal Global Equities and other teams boost investment performance. This will magnify the impact of our analysts, giving them the capacity to evaluate dozens more companies—more efficiently and in greater detail. The new system predicts earnings surprise by managing a constant stream of data and prioritizing critical information. It zeroes in on long-term expectation gaps that are likelier to bring success to a portfolio.

New efficiencies: In little more than a year of implementing robotics process automation across Principal, we've saved more than 77,000 manual hours and more than $2 million.

Robotics process automation is just one example of the array of work housed at our most unique and comprehensive innovation lab in Pune, India. Principal Global Services teams work there across the boundaries of IT, high-end business services, and data analytics. The staff of 1,400 includes not only analysts and actuaries but also medical doctors. The work in Pune enhances the account data used by several countries and serves Principal's global data analytics needs.

Despite this broad digital investment, we never forget that it's merely a means to an end. We always start by asking a basic question: *How will this improve our customers' financial lives?*

3. Expand our global asset management franchise.

Our investment management expertise bolsters our accelerated digital spend.

Today, we think of ourselves as a solutions provider. That means connecting better with clients to understand exactly what they want to achieve.

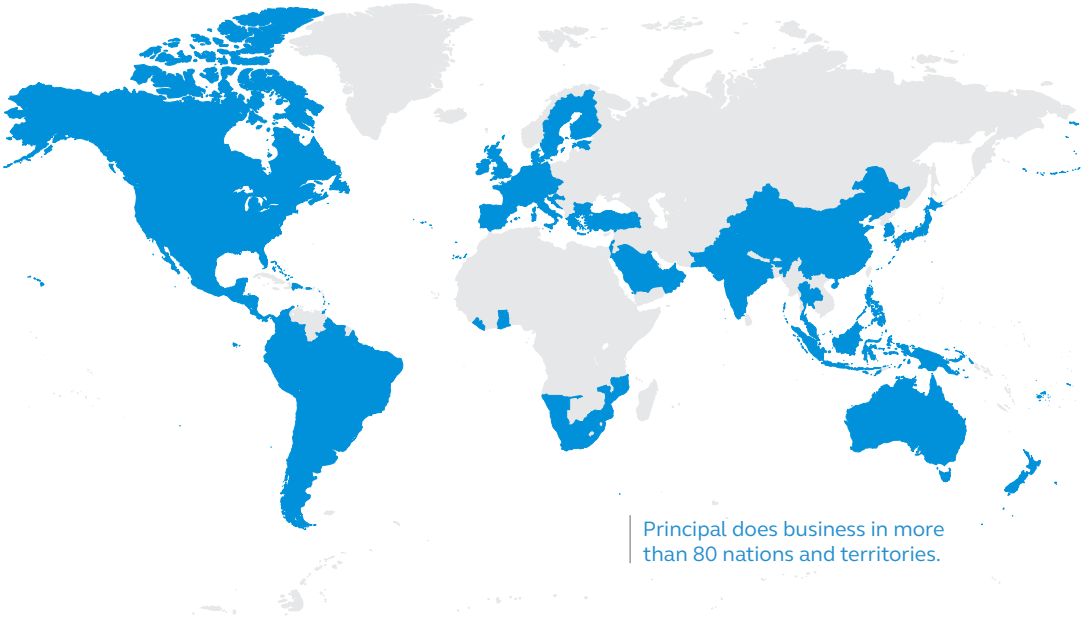
At year-end, Principal had $627 billion in AUM. We manage assets for institutional clients in more than 80 nations and territories.

Principal Global Investors collaborates effectively with Principal International, Retirement and Income Solutions, and U.S. Insurance Solutions to make sure we're doing more to tailor our offerings based on investor need, whether that's for retirement and other long-term strategies, income solutions, or other outcomes such as capital preservation and protection against inflation.

We help millions of workers save for retirement and other long-term needs in the U.S., Latin America, and Asia. And we manage assets to meet ongoing obligations to our insurance and annuity customers.

In short, we operate as one Principal.

Responding to demand for lower-cost options, we've built a strong network for systematic investing with Principal Global Equities and are building a similar structure in Principal Global Fixed Income. That positions us well in active, systematic, and passive strategies. In 2018, we launched more than 50 new investment options across our domestic and international platforms. We also earned more than 120 total placements on various third-party distribution platforms—more than 50 different offerings on nearly 40 different platforms.



Principal does business in more than 80 nations and territories.

In the U.S., we're also working with Retirement and Income Solutions to take greater advantage of the opportunities in the IRA rollover and defined contribution investment-only markets.

Through Principal International, we're becoming more effective at making local investment capabilities available to global portfolios and vice versa. We have a team based in Hong Kong that's adept at cross-pollinating local and global investments. Our domestic experts in commercial real estate investing have worked closely with their counterparts in Chile, building our franchise there.

4. Capitalize on emerging markets.

A generation ago, Principal International was aspirational. Today, we have 19 million customers across 10 international locations. In 2018, this division generated more than $250 million in pretax operating earnings.

Principal International at the end of 2018 notched its 41st consecutive quarter of positive net cash flow. When that streak began a decade ago, its AUM stood at $29 billion. That figure has grown to $156 billion.

connect.

And that excludes our AUM in China, which has grown from $4 billion to nearly $150 billion over this same period.[7]

Including China, that's nearly tenfold growth overall in AUM, from $33 billion to more than $300 billion.

This is the consistent story of Principal: With foresight and resolve, we plant the seeds for long-term growth. Millions of people around the globe are reaching an income threshold that makes voluntary savings possible—and necessary. Our effective management of both accumulation and de-accumulation helps us serve them.

Citizens around the globe want investments they can understand, which is why much of the world's population still invests heavily in cash and real assets. As their economies develop and societies support longer lifespans (I'll elaborate on this later), we can help provide the equities, fixed income, and other solutions they may need for financially secure retirements.

This is why Principal International and Principal Global Investors are working hand in hand.

For instance, we first established an office in Beijing in 1995. In 2005, we launched our joint venture with China Construction Bank, CCB Principal Asset Management Company. In a relatively short time, our joint venture has become China's third-largest retail mutual fund company.

7 China AUM is not included in total company-reported AUM.

As proof of our traction in 2018 compared to 2017, net cash flow in China increased 80 percent to $33 billion.[8] We also nearly tripled the net cash flow in Asia (excluding China), to $3 billion.

Principal International has put us at the heart of a massive demographic boom in markets where our investment expertise is well suited to help millions of people achieve financial security.

As we did in 2018, we'll continue to invest to build scale and capabilities. I already mentioned our purchase of Principal AFORE in Mexico. We also increased our ownership of CIMB-Principal Asset Management Group in Southeast Asia to 60 percent, expanding a partnership begun 12 years ago.

5. Act on our ESG ideals.

Environmental, social, and governance (ESG) have long been top of mind at Principal and are well-integrated into our core values and management. An ESG committee drives these efforts across six categories:

Governance, ethics, and risk: This encompasses everything from the Board of Directors to shareholder rights and data. The board oversees management's execution and performance of its risk management responsibilities—including oversight of credit, market, liquidity, product, operational, cybersecurity, and general business risks.

Employee engagement and development: We're proud to be routinely cited as a welcome and supportive workplace. Forbes in 2018 ranked us as America's Best Employer for Women and No. 6 among the Best Employers for Diversity.

Responsible investing: We integrate ESG into our investment philosophy and process. We're a leader in creating and managing real estate funds focused on environmentally efficient projects ("green funds").

Operational environmental impact: We strive to be responsible stewards of our environment by reducing water usage and taking other steps to minimize our carbon footprint.

Consumer protection: We educate our customers on what they purchase and focus on providing fair marketing of our products.

Community investments: Wherever we do business around the globe, we strive to be a good corporate citizen through ethical business practices, employee volunteerism, and philanthropy. Our Principal Foundation, for instance, has a goal within the next five years to help 50,000 youth in communities worldwide to earn and save more.

8 China net cash flow is not included in total company-reported net cash flow.

These strategies turn the global retirement challenge into opportunity.

With our global expansion, we've embraced the responsibility of helping to alleviate the global pension savings gap, because people of every nation are increasingly responsible for their own financial security. The notion that governments can save the day and close this gap is long over. Workers must take control of their own savings and retirement—with guidance from the private sector.

Meanwhile, the fundamental structures of economies and employment are shifting. In the U.S., where 10,000 baby boomers retire every day,[9] the demographic imperative of global aging is clear. But it's equally clear in countries like Brazil, Chile, China, India, Indonesia, Malaysia, and Mexico, where the ratio of elderly (those 65 and older) to workers (ages 20 to 64) is projected to double, and in some cases triple, between now and 2050.[10] And 61 percent of the world is informally employed—the vast majority of those workers (93 percent) in emerging and developing markets.[11]

We have much to offer from our experience in the U.S. retirement industry. Consider that U.S. workers have amassed more than $24 trillion in retirement savings, primarily in individual retirement accounts and defined contribution plans. The U.S. by far is the world's largest retirement market among 22 of the top nations, with 62 percent of assets, followed distantly by Japan (7.7 percent) and the U.K. (7.1 percent).[12]

The U.S. retirement system has given tens of millions of workers the structure to save. Auto-enrollment and auto-escalation in retirement plans continue to encourage the discipline that makes workers more financially secure. We promote similar savings tools as we advocate for pension reform around the world.

future.

Internationally, the pension gap is especially challenging because these emerging markets are getting older before they've gotten as wealthy as developed nations.[13]

But this is why we're in the right business for sustained growth. We're connecting with people who may never have access to a traditional financial advisor. We're successful at our job only if workers around the world become more secure retirees.

9 "Baby boomers retire," Pew Research Center, Dec. 29, 2010.
10 Voluntary Pension in Emerging Markets, Global Aging Institute, 2017.
11 "Women and men in the informal economy: A statistical picture" (third edition), International Labour Office, April 30, 2018.
12 Global Pension Assets Study 2019, Thinking Ahead Institute.
13 "Voluntary Pensions in Emerging Markets: New Strategies for Meeting the Retirement Security Challenge," Richard Jackson, Global Aging Institute, 2017.

We press on to promote financial security.

Our successful protection and retirement businesses in the U.S., and our focus on small- and medium-sized businesses (SMBs), continue to show our investment in the growing middle class.

We're more committed than ever to our relationships with 140,000 SMBs. For instance, the average company that we serve with a retirement plan employs about 140 workers. Our average group benefits customer employs around 40. That epitomizes the economic backbone of Main Street America.

At the end of the 19th century, connected by rail and telegraph, our company spread across the Midwest to enable the financial security of an underserved population far removed from the established commercial capitals.

In the early 21st century, connected digitally around the globe, we've spread far beyond the Midwest and the sole business of life insurance. But what was true in the 19th century is even truer in the 21st: We help deliver financial security to more clients than ever.

Twenty-five years ago, we couldn't foresee exactly how international markets would transform us. But we saw the clear trends and acted on our conviction.

Today, we follow a similar strategy of sustained investment with technology and global asset management.

We have a lot more work to do. But our 2018 milestones define our path ahead.

We will be nimbler for all our customers.

Valuable to our shareholders.

Stronger.
Better.

Sincerely,

Dan Houston
Chairman, president, and chief executive officer

To our shareholders

From the Board of Directors

To create long-term shareholder value, management must continuously address new challenges and capitalize on emerging opportunities. As your Board of Directors, we are committed to representing your interests, and we take our oversight responsibilities very seriously. On behalf of the board, I'm pleased to provide an update on our key areas of focus and share some thoughts on company performance.

Strategic oversight: The board not only evaluates company strategy, but also shares perspectives, provides advice, and oversees and assesses management's implementation. Each quarter, and at our annual strategy retreat with management, we discuss and debate topics critical to the company's long-term success. At our 2018 retreat, we focused on global growth strategies and capital planning. This involved an in-depth look at key challenges, opportunities, and risks created by changing customer expectations, demographic shifts, further expansion of a global middle class, technology (including Principal's data strategy and digital transformation), and industry regulation. Management continues to evolve and refine company strategy, invest in growth, and take appropriate actions to further strengthen its long-term competitive positioning.

Risk oversight: We have a coordinated, comprehensive approach to overseeing the company's enterprise risk management. The board regularly reviews strategic threats, opportunities, and key risks, including financial, product, cybersecurity, regulatory, and reputational risk, as well as risks that could potentially emerge or increase in the future. Both your board and management are fully engaged in risk management and have made it a fundamental aspect of company strategy, operations, and culture.

Social responsibility: Principal has long understood the importance of making a positive impact on the global communities in which it operates and has long been committed to ESG initiatives. Management reports to the Board of Directors regularly on ESG focus areas.

Principal's commitment to social responsibility continues to be recognized by the financial press, human rights campaigns, and representatives of military and gender-equality associations and advocates. This includes being named one of the World's Most Ethical Companies by the Ethisphere Institute for an eighth straight year in 2018, ranking No. 6 on Forbes 2018 list of America's Best Employers for Diversity, and ranking No. 1 on Forbes 2018 list of America's Best Employers for Women.

Talent and succession planning: Our role in talent and succession planning applies to both company leadership and the board. In September 2018, Tim Dunbar was named head of Global Asset Management, and Pat Halter was named Principal Global Investors' chief executive officer after having served as its chief operating officer since 2016.

While there were no additions to the board in 2018, we remain committed to regular board refreshment and continue to strive for balance between introducing new perspectives and maintaining continuity. Our board is composed of 11 directors, 10 of whom are independent, with broad expertise, skills, and viewpoints to help the company advance and execute its strategy. The board values diversity in all aspects including gender, race, age, and experience. Half of our independent directors are women.

Company performance: The board remains focused on sustainable performance. While unfavorable macroeconomic conditions negatively impacted company performance in 2018, long-term growth remains strong. Since 2013, the company has increased AUM by more than $140 billion, or 30 percent. This has helped drive a 9 percent compounded annual growth in non-GAAP diluted operating earnings per share over the past five years. Again, through strategic investment, the company continues to make important strides in meeting customers' needs, positioning Principal for long-term success.

Let me close by thanking you again for your continued support. I appreciate the opportunity to serve as your lead director. Please contact me with your questions, thoughts, and opinions at principal.com/contactliz.

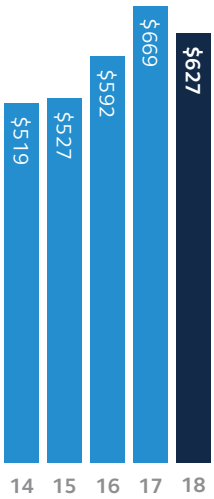
Sincerely,

Elizabeth Tallett
Lead director, Principal Financial Group

Financial highlights

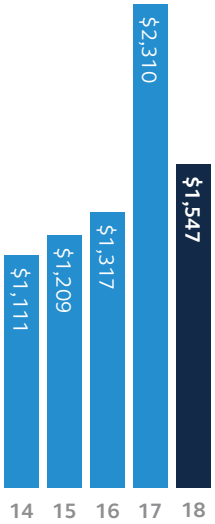
Total assets under management

(in billions)



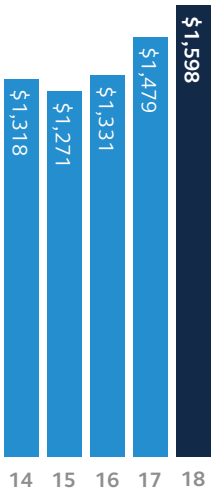
Net income available to common stockholders[1]

(in millions)



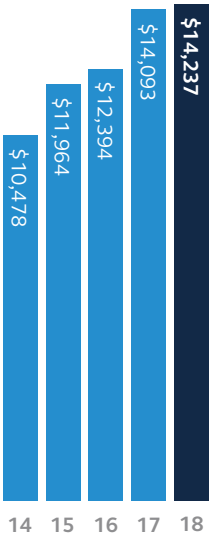
Non-GAAP operating earnings[2]

(in millions)



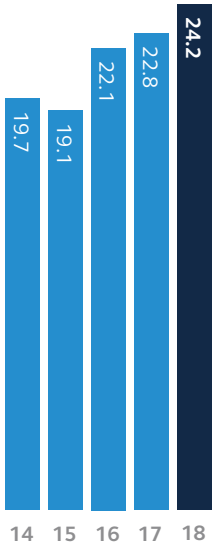
Total revenue

(in millions)



Total customers[3]

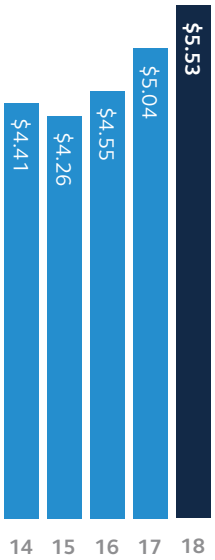
(in millions)



1 2017 net income available to common stockholders reflects a $568 million net benefit from the U.S. Tax Cuts and Jobs Act and a $411 million benefit from a real estate transaction.
2 This is a non-GAAP financial measure. See non-GAAP financial measure reconciliations on pages 18-19.
3 The number of customers to whom we provide a product or service, including employees and their dependents; some duplication occurs.

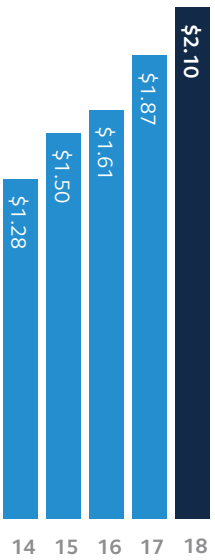
Non-GAAP operating earnings per diluted common share[4]

(in dollars)



Dividends declared per common share

(in dollars)

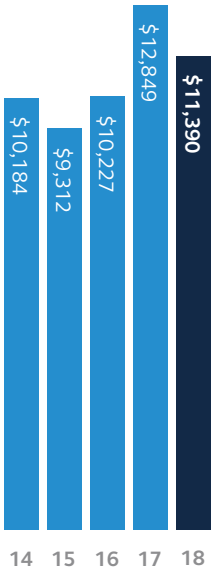


Closing PFG common stock price

(in dollars, as of 12/31)

Total shareholders' equity attributable to PFG

(in millions)



Non-GAAP operating earnings ROE available to common stockholders, excluding AOCI other than FCTA[4,5]

4 This is a non-GAAP financial measure. See non-GAAP financial measure reconciliations on pages 18-19.

5 Non-GAAP operating earnings return on equity equals trailing 12 months non-GAAP operating earnings divided by average stockholders' equity available to common stockholders excluding accumulated other comprehensive income (AOCI) (loss) other than foreign currency translation adjustment (FCTA).

Executive Management Group

Daniel J. Houston
Chairman, President, and
Chief Executive Officer

Deanna D. Strable
Executive Vice President and
Chief Financial Officer

Timothy M. Dunbar
President
Global Asset Management

Amy C. Friedrich
President
U.S. Insurance Solutions

Renee V. Schaaf
President
Retirement and
Income Solutions

Luis Valdés
President and
Chief Executive Officer
Principal International

Patrick G. Halter
President and
Chief Executive Officer
Principal Global Investors

Julia M. Lawler
Executive Vice President
and Chief Risk Officer

Gary P. Scholten
Executive Vice President,
Chief Information Officer,
and Chief Digital Officer

Karen E. Shaff
Executive Vice President,
General Counsel,
and Secretary

Jon N. Couture
Senior Vice President and
Chief Human Resources Officer

Board of Directors

Betsy J. Bernard
Past President
AT&T

Jocelyn Carter-Miller
President
TechEd Ventures

Michael T. Dan
Retired Chairman, President,
and Chief Executive Officer
The Brink's Company

C. Daniel Gelatt , Ph.D.
President
NMT Corporation

Sandra L. Helton
Past Executive Vice President
and Chief Financial Officer
Telephone and
Data Systems, Inc.

Roger C. Hochschild
Chief Executive Officer
and President
Discover Financial Services

Daniel J. Houston
Chairman, President, and
Chief Executive Officer
Principal Financial Group

Scott M. Mills
President
BET Networks

Diane C. Nordin
Former Partner
Wellington Management
Company, LLP

Blair C. Pickerell
Retired Chairman
Asia Nikko Asset
Management
Hong Kong, Ltd

Elizabeth E. Tallett
Lead Director
Principal Financial Group
Independent Consultant
and Past Principal
Hunter Partners, LLC

Non-GAAP Financial Measure Reconciliations

(in millions, except as indicated)

	For the year ended Dec. 31				
	2018	2017	2016	2015	2014
Net income available to common stockholders					
Net income available to common stockholders	$1,546.5	$2,310.4	$1,316.5	$1,209.3	$1,111.1
Net realized capital (gains) losses, as adjusted[1]	51.0	(307.3)	(37.4)	133.8	100.5
Other after-tax adjustments	-	(524.5)	52.0	(72.6)	106.3
Non-GAAP operating earnings	$1,597.5	$1,478.6	$1,331.1	$1,270.5	$1,317.9

[1]This is a non-GAAP financial measure. See reconciliation below.

Net realized capital gains (losses)					
GAAP net realized capital gains (losses)	$(75.4)	$524.2	$171.1	$(51.1)	$14.7
Recognition of front-end fee revenues	0.4	(0.2)	0.2	(0.1)	0.7
Market value adjustments to fee revenues	0.1	(0.1)	(2.5)	(1.1)	-
Net realized capital gains (losses) related to equity method investments	(5.4)	1.4	0.1	-	-
Derivative and hedging-related adjustments	(64.9)	(59.4)	(94.1)	(111.7)	(92.8)
Sponsored investment fund adjustments	12.9	6.3	6.1	1.3	-
Amortization of deferred acquisition costs	(25.6)	47.4	(66.2)	(12.2)	(37.7)
Capital gains distributed – operating expenses	15.7	(38.9)	3.7	15.4	(10.6)
Amortization of other actuarial balances	(1.4)	7.6	(11.2)	(1.8)	(11.6)
Market value adjustments of embedded derivatives	18.5	48.1	50.0	(0.2)	4.8
Capital gains distributed – cost of interest credited	(1.3)	(16.1)	(10.9)	(9.2)	(10.6)
Net realized capital gains (losses) tax adjustments	71.4	(209.1)	6.6	45.6	43.6
Net realized capital gains (losses) attributable to noncontrolling interest, after-tax	4.0	(3.9)	(15.5)	(8.8)	(1.0)
Net realized capital gains (losses) associated with exited group medical insurance business, after-tax	-	-	-	0.1	-
Total net realized capital gains (losses) after-tax adjustments	24.4	(216.9)	(133.7)	(82.7)	(115.2)
Net realized capital gains (losses), as adjusted	$(51.0)	$307.3	$37.4	$(133.8)	$(100.5)

Diluted earnings per common share					
Net income	$5.36	$7.88	$4.50	$4.06	$3.65
Net realized capital (gains) losses, as adjusted	0.17	(1.05)	(0.13)	0.44	0.34
Other after-tax adjustments	-	(1.79)	0.18	(0.24)	0.36
Adjustment for redeemable noncontrolling interest	-	-	-	-	0.06
Non-GAAP operating earnings	$5.53	$5.04	$4.55	$4.26	$4.41

	For the year ended Dec. 31				
	2018	2017	2016	2015	2014
Stockholders' equity					
Stockholders' equity	$11,456.0	$12,921.9	$10,293.8	$9,377.4	$10,232.0
Noncontrolling interest	(66.0)	(72.6)	(66.5)	(65.8)	(48.0)
Stockholders' equity attributable to Principal Financial Group, Inc.	11,390.0	12,849.3	10,227.3	9,311.6	10,184.0
Net unrealized capital (gains) losses	(207.3)	(1,455.1)	(827.0)	(715.9)	(1,148.3)
Net unrecognized postretirement benefit obligation	512.9	371.1	408.4	450.2	411.1
Preferred stock, at par	-	-	-	-	(0.1)
Paid-in capital - preferred stock	-	-	-	-	(541.9)
Stockholders' equity, excluding AOCI other than FCTA, available to common stockholders	$11,695.6	$11,765.3	$9,808.7	$9,045.9	$8,904.8
Net income ROE available to common stockholders (including AOCI)					
Net income ROE available to common stockholders (including AOCI)	12.8%	20.0%	13.5%	12.8%	11.8%
Net unrealized capital (gains) losses	0.9%	2.1%	1.1%	1.3%	1.2%
Net unrecognized postretirement benefit obligation	-0.5%	-0.7%	-0.6%	-0.6%	-0.3%
Net income ROE available to common stockholders (x-AOCI other than FCTA)	13.2%	21.4%	14.0%	13.5%	12.7%
Net realized capital (gains) losses	0.4%	-2.8%	-0.5%	1.5%	1.2%
Other after-tax adjustments	0.0%	-4.9%	0.6%	-0.8%	1.2%
Non-GAAP operating earnings ROE (x-AOCI other than FCTA)	13.6%	13.7%	14.1%	14.2%	15.1%

Principal Financial Group®
711 High Street
Des Moines, Iowa 50392

principal.com

Forward looking and cautionary 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 available 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, 2018, 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 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 could differ significantly from its pricing and reserving assumptions; the pattern of amortizing the company's DAC 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 maintain profitability; a downgrade in the company's financial strength or credit ratings; client terminations, withdrawals, or changes in investor preferences; 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; the company's reinsurers could default on their obligations or increase their rates; risks arising from acquisitions of businesses; and loss of key vendor relationships or failure of a vendor to protect information of our customers or employees.

EE1190ABR-02