

# Principal Financial Group<sup>®</sup>

August 2018

# Use of Non-GAAP financial measures

A non-GAAP financial measure is a numerical measure of performance, financial position, or cash flows 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 that 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, on [principal.com/investor](http://principal.com/investor), the company has provided reconciliations of the non-GAAP financial measures to the most directly comparable U.S. GAAP financial measure. 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

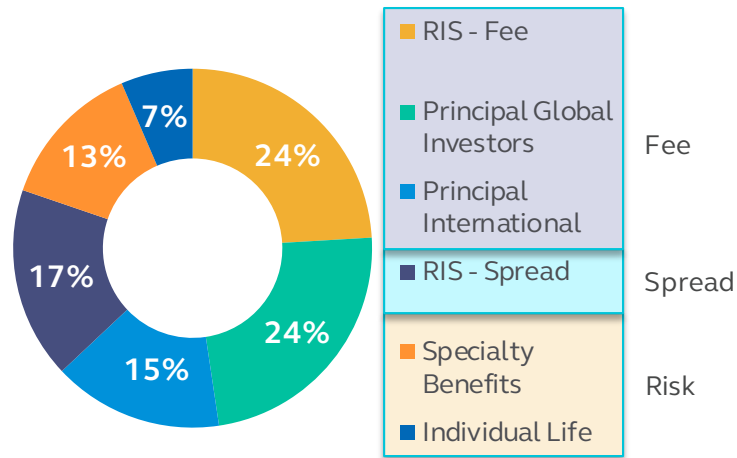
Certain statements made by the company which are not historical facts may be considered forward-looking statements, including, without limitation, statements as to non-GAAP operating earnings, net income available to common stockholders, net cash flows, realized and unrealized gains and losses, capital 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, 2017, and in the company's quarterly report on Form 10-Q for the quarter ended June. 30, 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; 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; 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.

# A leading financial services company

Fortune 500 company; 138 year history; customers in over 80 countries

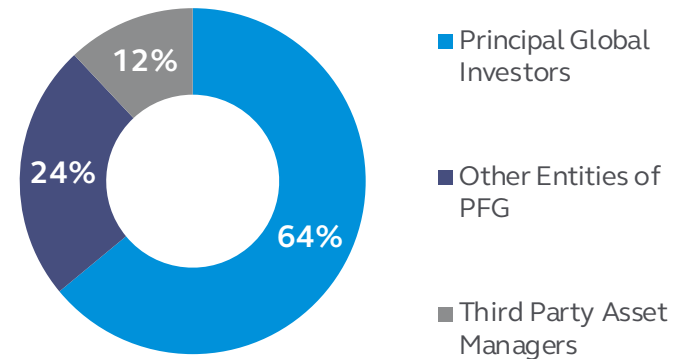
## Non-GAAP pre-tax operating earnings<sup>1</sup>

\$2,084.6 million  
As of Jun. 30, 2018



## Assets Under Management<sup>2</sup>

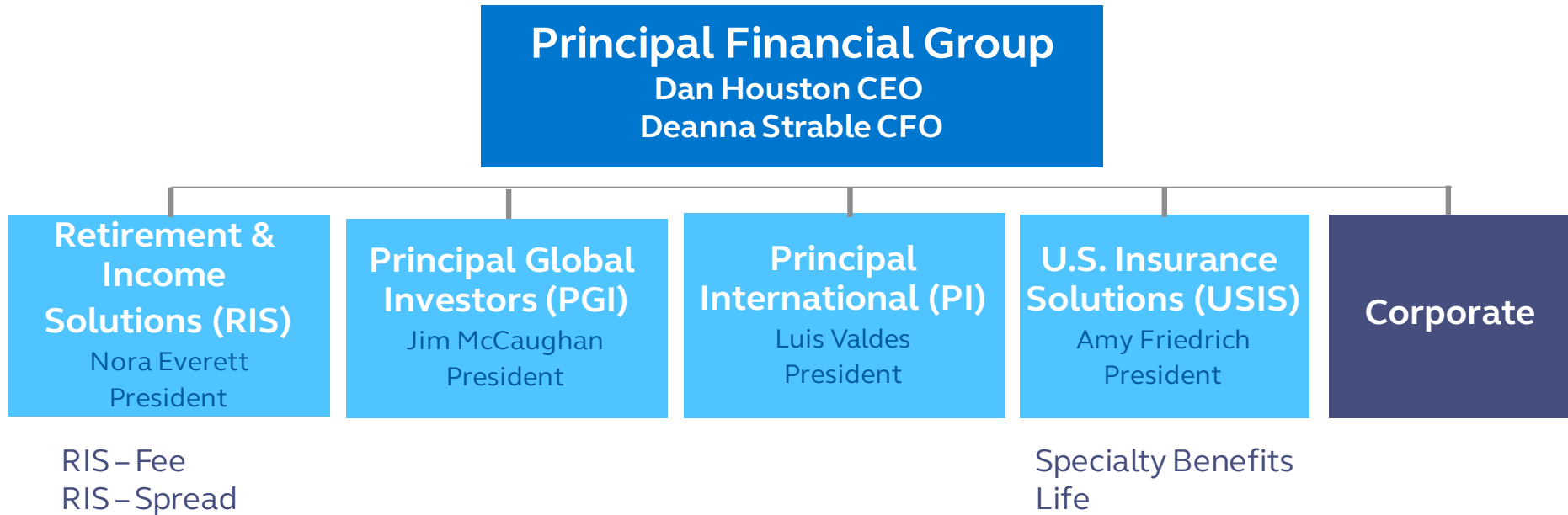
\$666.6 billion  
As of Jun. 30, 2018



<sup>1</sup> Trailing Twelve Months. Excludes Corporate.

<sup>2</sup> Assets under management by asset manager.

# Segment reporting structure



**Management team averages 30 years of industry experience**

## Experienced management team

<b>Name</b>	<b>Age<sup>1</sup></b>	<b>Title</b>	<b>(Industry/PFG)<sup>1</sup></b>
Daniel J. Houston	57	Chairman, President & Chief Executive Officer	34/34
Nora M. Everett	59	President - Retirement & Income Solutions	27/27
Amy C. Friedrich	48	President - U.S. Insurance Solutions	22/18
James P. McCaughan	65	President - Global Asset Management	44/16
Luis E. Valdes	61	President - International Asset Management and Accumulation	30/27
Timothy M. Dunbar	61	Executive VP & Chief Investment Officer	37/32
Gary P. Scholten	61	Executive VP, Chief Information Officer & Chief Digital Officer	38/38
Karen E. Shaff	64	Executive VP, General Counsel & Secretary	36/36
Deanna D. Strable	50	Executive VP & Chief Financial Officer	29/29
Elizabeth S. Brady	58	Senior VP & Chief Marketing Officer	34/5
Julia M. Lawler	58	Senior VP & Chief Risk Officer	36/34

# Industry leadership



Sources: <sup>1</sup>Pensions & Investments, “The Best Places to Work in Money Management”, PGI recognition 12/11/2017. <sup>2</sup>Asociacion de Administradoras de Fondos Mutuos De Chile, June 2017. <sup>3</sup>The 12th largest manager of worldwide real estate assets out of 100 managers profiled. “2017 IPE Real Estate Top 100 Investment Management Survey”, December 2017. “Largest Real Estate Managers”, PENSIONS & INVESTMENTS, October 16, 2017. <sup>4</sup>The 7th largest manager of high yield securities, out of 76 managers profiled. Managers ranked by U.S. institutional, tax-exempt assets managed internally, as of Dec. 31, 2017. “Largest Money Managers”, PENSIONS & INVESTMENTS, May 28, 2018. <sup>5</sup>April 2018, U.S. Environmental Protection Agency. <sup>6</sup>PLANSPPONSOR Defined Contribution Recordkeeping Survey, July 2018. <sup>7</sup>AUM among multi-country pension providers; Fenaprevi March 2018. <sup>8</sup>CONSAR in terms of AUM, April 2018. <sup>9</sup>Ranking in terms of AUM, Fenaprevi. May 2018. <sup>10</sup>In terms of AUM, Mercer, March 2018. <sup>11</sup>PLANSPPONSOR Defined Benefit Administration Survey, May 2018. <sup>12</sup>PLANSPPONSOR Defined Contribution Recordkeeping Survey, July 2018. <sup>13</sup>PLANSPPONSOR Defined Contribution Recordkeeping Survey, July 2018. <sup>14</sup>LIMRA 2017 survey: Non-medical based on fully insured employer contracts in force. Individual Disability Insurance (IDI) rank based on in-force premium. <sup>15</sup>LIMRA 2016 survey: Individual Disability Insurance (IDI) rank based on in-force premium.

## Current ratings (As of July 2018)

### Moody's Investors Service

'A1', Good – fifth highest of 21 rating levels.  
Outlook: Stable

### Fitch Ratings

'AA-', Very Strong – fourth highest of 19 rating levels.  
Outlook: Stable

### Standard & Poor's

'A+', Strong – fifth highest of 20 rating levels.  
Outlook: Stable

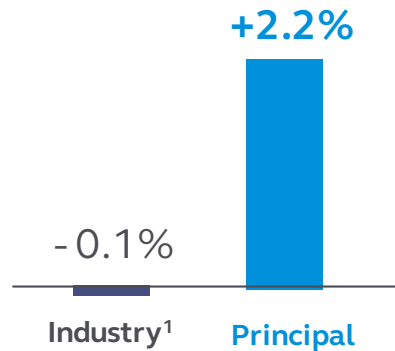
### A.M. Best

'A+', Superior – second highest of 13 rating levels.  
Outlook: Stable



# Strong business fundamentals

**Net cash flow as a percent of beginning of year account value**  
(2012-2016 average)



	4Q 2012	2Q 2018	CAGR
RIS total account value	\$172B	\$272B	9%
RIS-Fee return on net revenue <sup>2</sup>	30.6%	32.0%	
RIS-Spread return on net revenue <sup>2</sup>	56.8%	68.9%	
Participants <sup>3</sup>	3.9M	5.5M	6%

# U.S. retirement market potential remains immense

## Retirement market opportunities

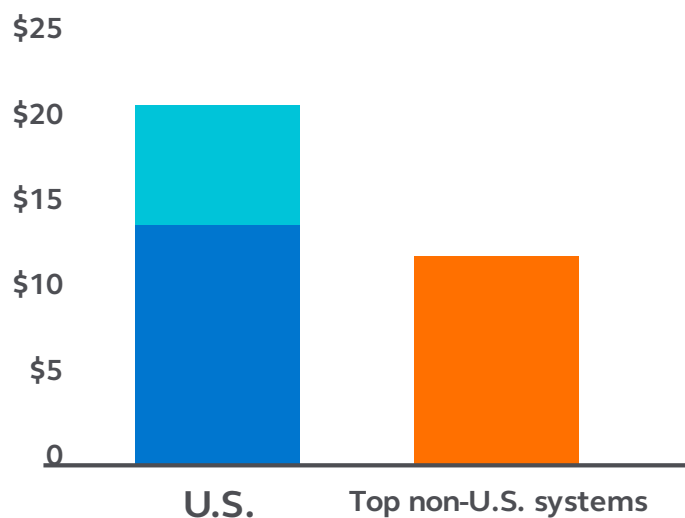
### RETIREMENT READINESS:

- New plan formation
- Non-participants
- Under-saved

### INCOME SOLUTIONS:

- Yield/Income
- Outcomes:
  - Longevity
  - Market volatility
  - Inflation

U.S. retirement system dominant, despite under-savings (in trillions)



- Defined Benefit (DB)
- Private Defined Contribution (DC) and Individual Retirement Account (IRA)
- 2<sup>nd</sup>-10<sup>th</sup> largest retirement systems combined

# Principal Total Retirement Suite <sup>SM</sup>

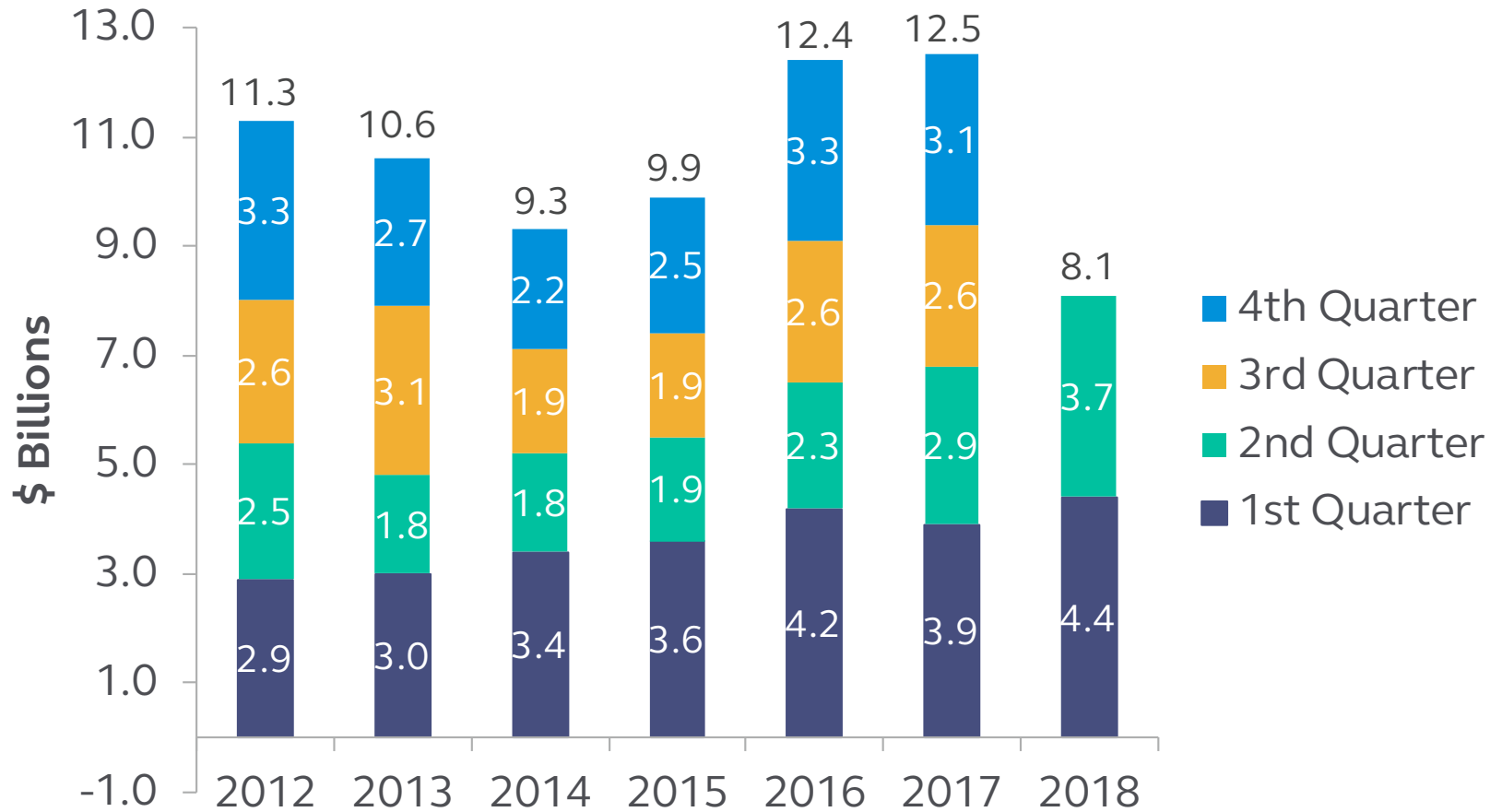
Still a differentiator

<b>Defined Benefit</b> #1 DB provider <i>(by # of clients)</i>	<b>Defined Contribution</b> #5 DC plan recordkeeper <i>(by # of plans)</i>
<b>Employee Stock Ownership Plan</b> #1 ESOP plan recordkeeper <i>(by # of plans)</i>	<b>Nonqualified Plans</b> #1 Deferred Comp provider <i>(by # of plans)</i>

All rankings sourced from PLANSPONSOR magazine as follows – Defined Benefit: DB Administration Survey 05/18; Defined Contribution and ESOP: Recordkeeping Survey 07/18; Nonqualified Deferred Compensation: PLANSPONSOR Recordkeeping Survey 07/18

# Balanced sales approach

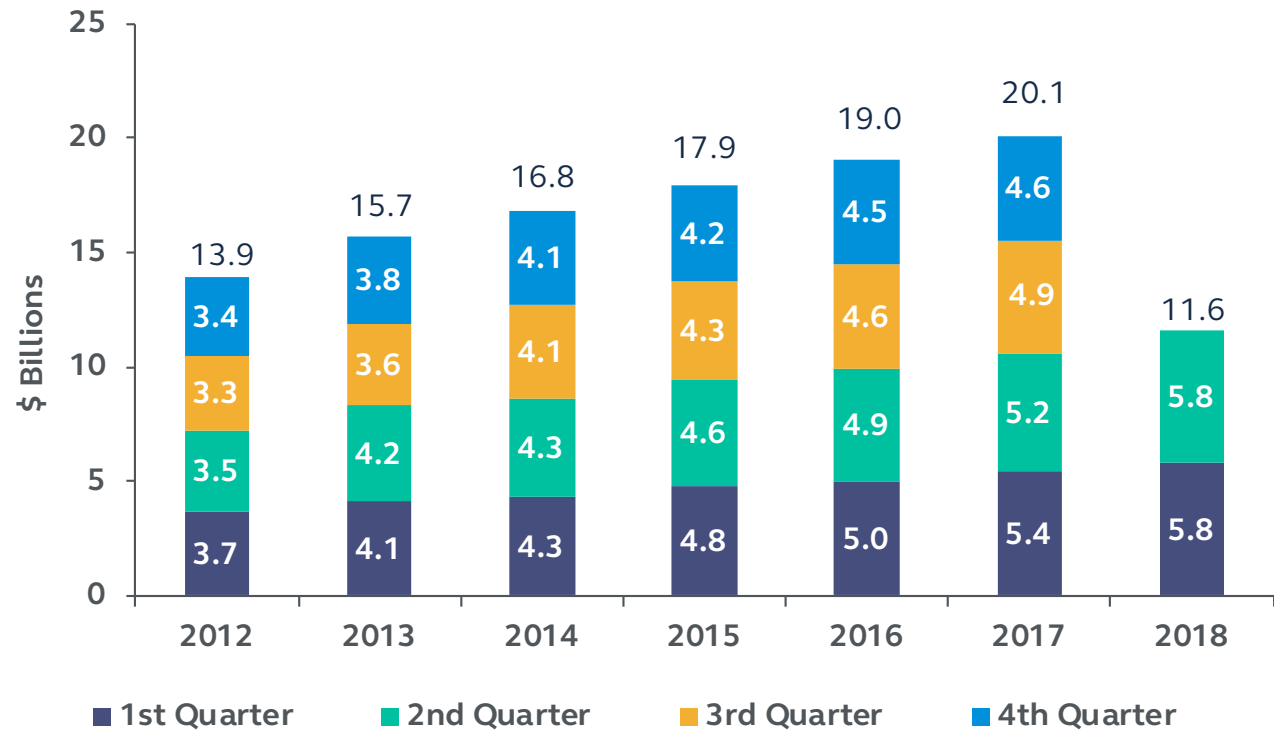
Transfer deposits



# The power of payroll deduction

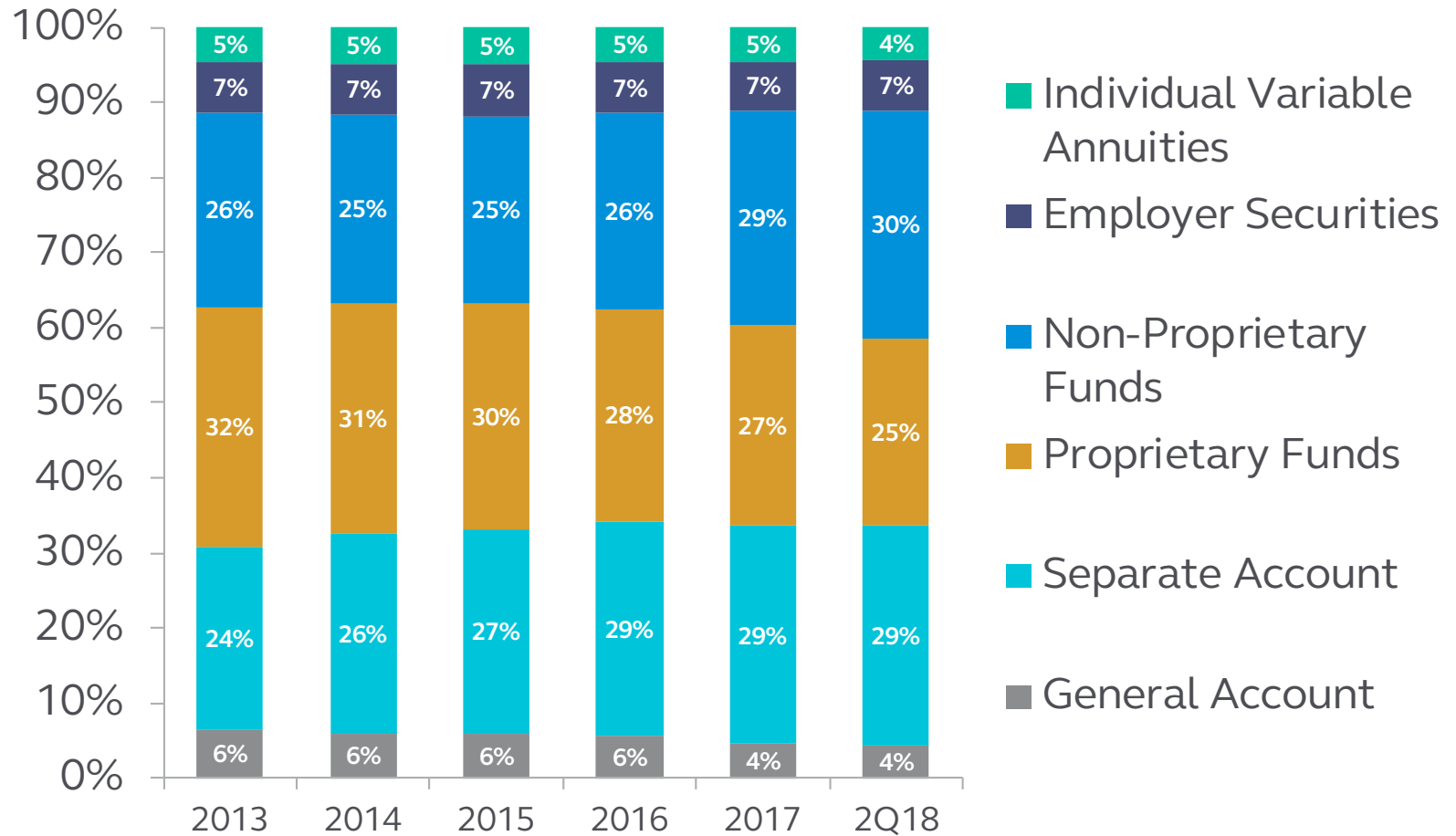
## Recurring deposits

- People making a deferral **+32%**<sup>1</sup>
- Avg deferral per member **+12%**<sup>1</sup>
- People receiving a match **+35%**<sup>1</sup>



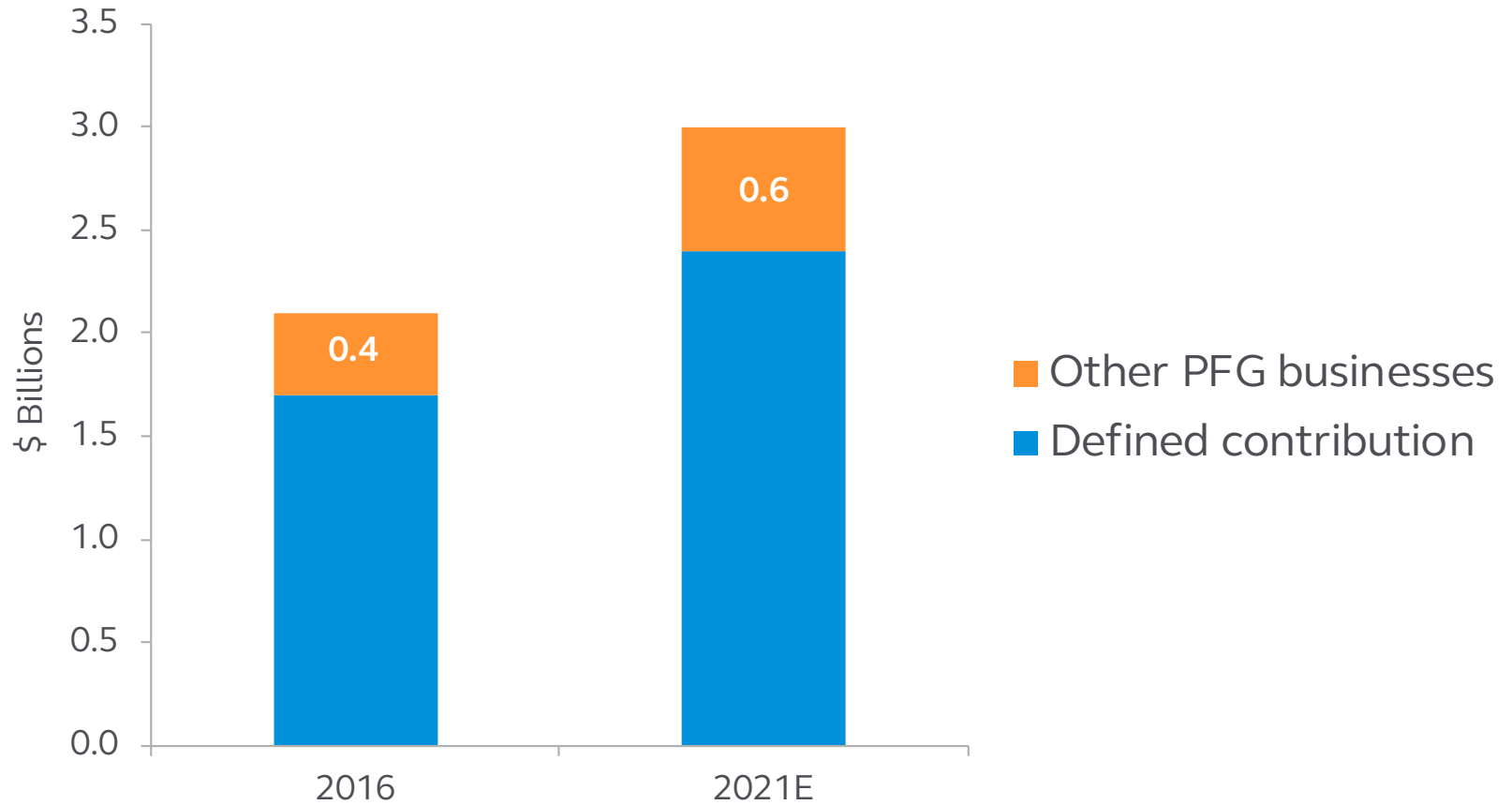
<sup>1</sup> 2Q18 compared to 2Q13

# Account value detail



# Multiple businesses leverage success

Revenue sourced from 401(k) platform

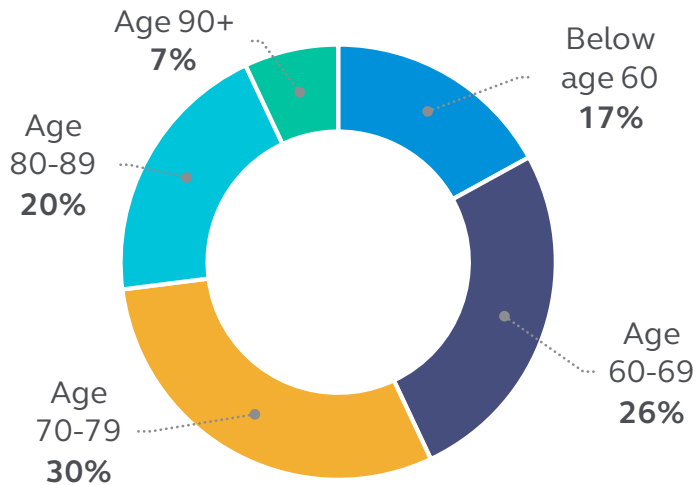


Variable Annuities, RIS – Spread, PGI, and Individual Life are all beneficiaries

# The diversified customers we serve

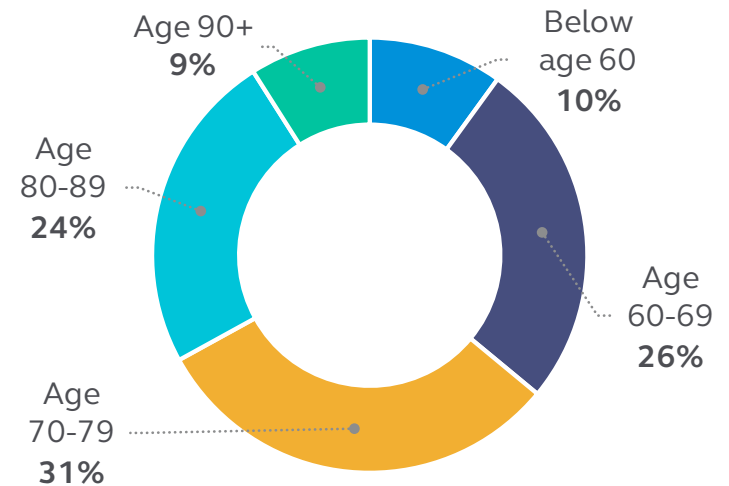
## Pension Risk Transfer customers

266,000 lives diversified by age



## Individual Annuity customers

191,000 lives diversified by age



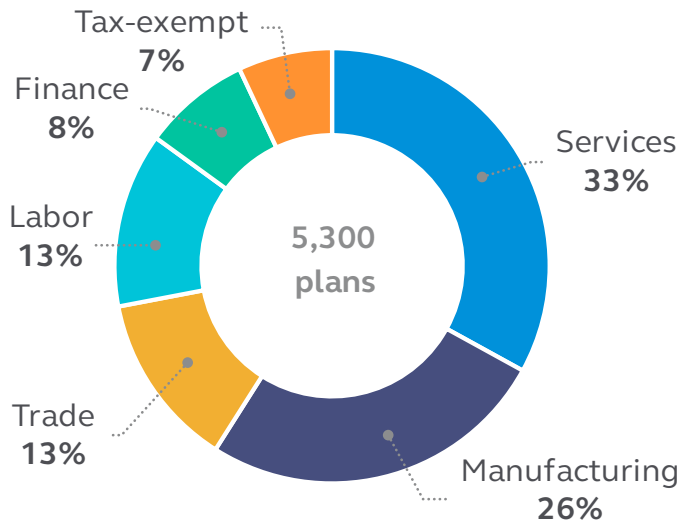
As of 9/30/2017



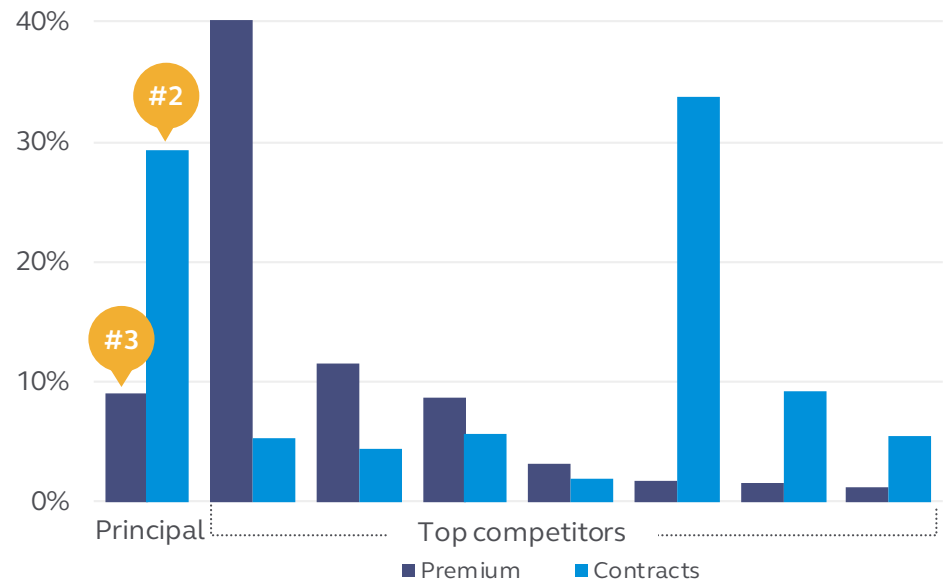
# Serving SMBs enhances diversification

## Principal's PRT plans by industry<sup>1</sup>

Over 90% of plans have under 100 lives



## PRT new sales market share by premium and contracts<sup>2</sup>



<sup>1</sup> As of 9/30/2017

<sup>2</sup> 2012 through 9/30/2017 sales; LIMRA Secure Retirement Institute

# Innovative solutions: solving income needs

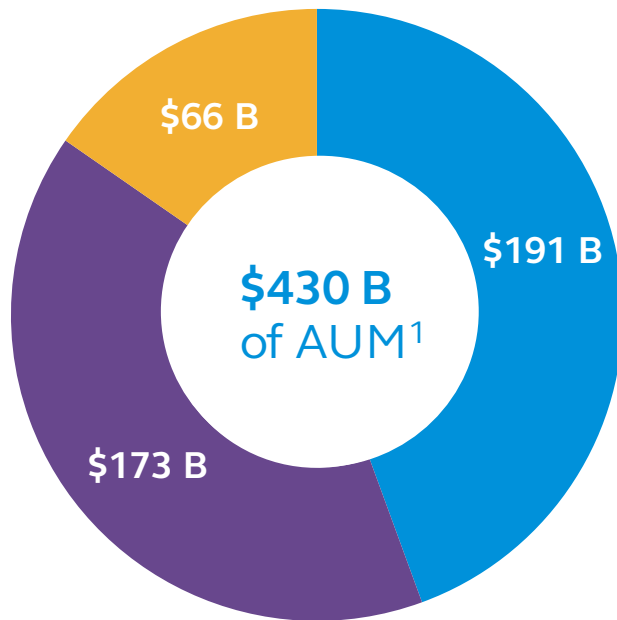


- **“Through Retirement” Lifecycle Funds**
- **Mutual Funds that:**
  - Generate income
  - Preserve capital
  - Protect against inflation
  - Address market volatility
- **Annuities to provide:**
  - Fixed returns
  - Guaranteed income
  - Protection against volatility
- **Bank products**
- **Full Service Payout**
  - Defined Benefit plan terminations

## OUR APPROACH:

- Education
- Planning assistance (RetireSecure®)
- Full array of options
- Innovative solutions

# Diversified global asset management organization



- Broad range of investors in over 80 countries
- Offices in major money centers worldwide
- Long commitment to corporate stewardship; signatory to United Nations' Principles for Responsible Investment (PRI)
- Principal ranked among top companies with 1,000+ employees in *Pensions & Investments' Best Places to Work in Money Management*, for the sixth year in a row<sup>2</sup>

- 
- Fixed Income
  - Equity
  - Alternatives

<sup>1</sup>AUM as of 06/30/2018. <sup>2</sup>Pensions & Investments, "The Best Places to Work in Money Management", PGI recognition 12/11/2017.

# Global leadership in funds

➤ **PGI/Funds integration makes Principal a global destination for funds**

- Strong performance across boutiques and strategies
  - Well positioned in Active and Smart Beta ETFs
- 

➤ **Key functions aligned globally**

- Distribution, governance and operations
- 

➤ **Capabilities compelling to big intermediaries**

- Focus on global consultants, global distributors, U.S. wirehouses, U.S. independent broker-dealers and RIAs<sup>1</sup>, private banks
- 

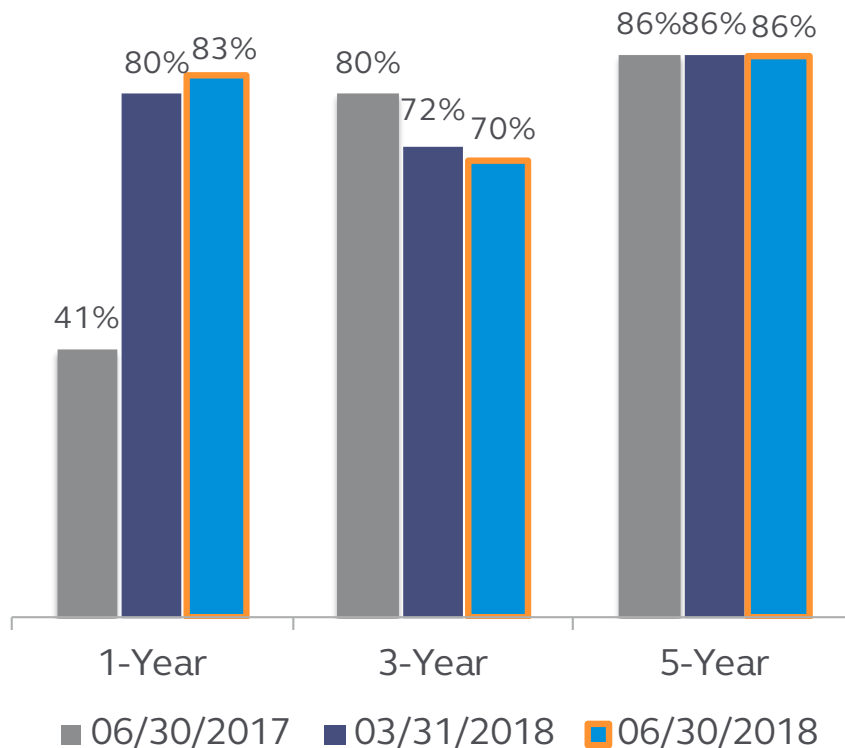
➤ **Work closely with PI in their local markets**

<sup>1</sup>RIA: Registered Investment Advisor.

# Top tier investment performance

## Morningstar rankings

Percentage of funds in the top two quartiles



# 54%

of rated funds have  
4 or 5 star rating

<b>4 OR 5 STARS</b>	<b>=</b>	<b>40 FUNDS</b>
3 STARS		28 FUNDS
2 STARS		5 FUNDS
1 STAR		1 FUND

Represents the 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, & US Property Separate Account.

# Principal Funds distribution

Success through engaging distributors and advisors across channels

## Top 5 distributors

Wells Fargo  
Merrill Lynch  
Morgan Stanley  
Ameriprise Financial  
Services, Inc.  
Raymond James &  
Associates

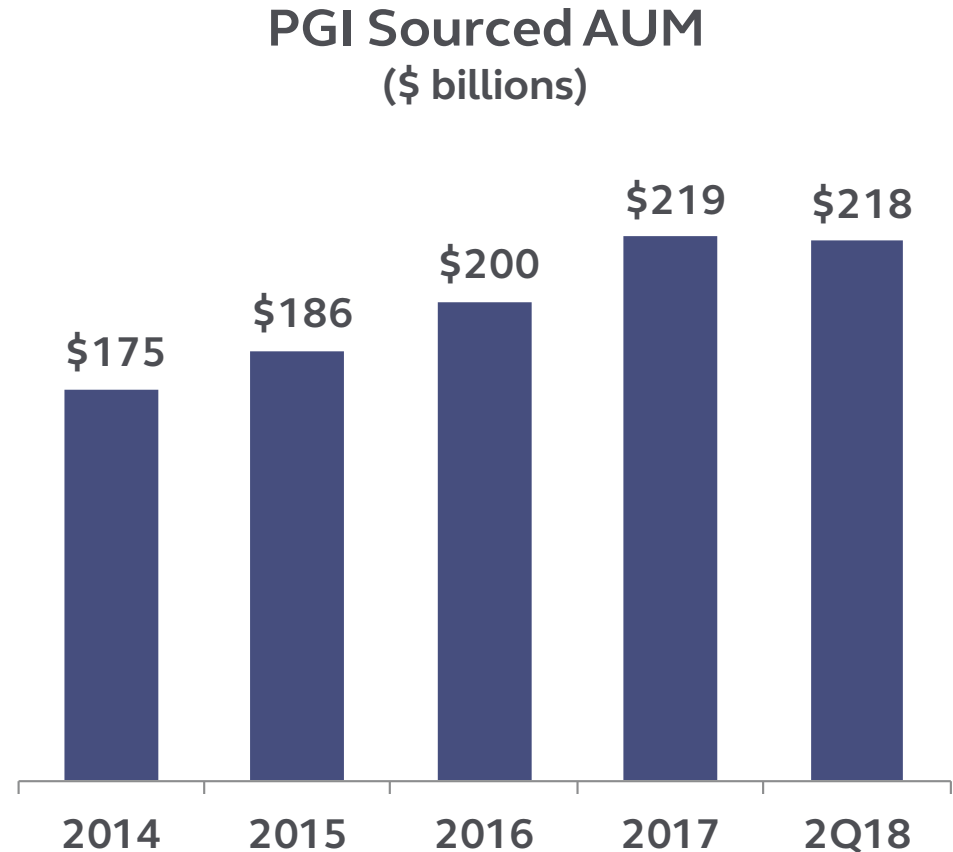
## Top 5 U.S. strategies

	AUM <sup>(1)</sup>	5-Yr AUM CAGR
Target Date	\$23.5B	0.4%
Strategic Asset Management	\$15.8B	6.2%
MidCap	\$15.3B	23.0%
Dynamic Outcome Strategies	\$14.8B	11.2%
Preferred Securities	\$5.3B	2.3%

<sup>1</sup> AUM figures include both Retail and Retirement AUM and remove double counting for fund-of-fund assets. As of 06/30/2018.

## Global distribution

- Strong teams, representing all boutiques
- Close partnership with product specialists in the boutiques
- Broad range of specialist investment capabilities enables us to attract top sales talent
- 40<sup>th</sup> largest manager of worldwide institutional assets<sup>1</sup>



<sup>1</sup> Out of 562 managers profiled. Managers ranked by total worldwide assets as of Dec. 31, 2017. “Largest Money Managers”, PENSIONS & INVESTMENTS, May 28, 2018.

# In-demand, specialist capabilities



Unique hybrid multi-boutique approach

Distinct investment processes

Leverage distribution

- Global institutional
- Global funds

Integrated business processes

- Drive scale
- Share best practices

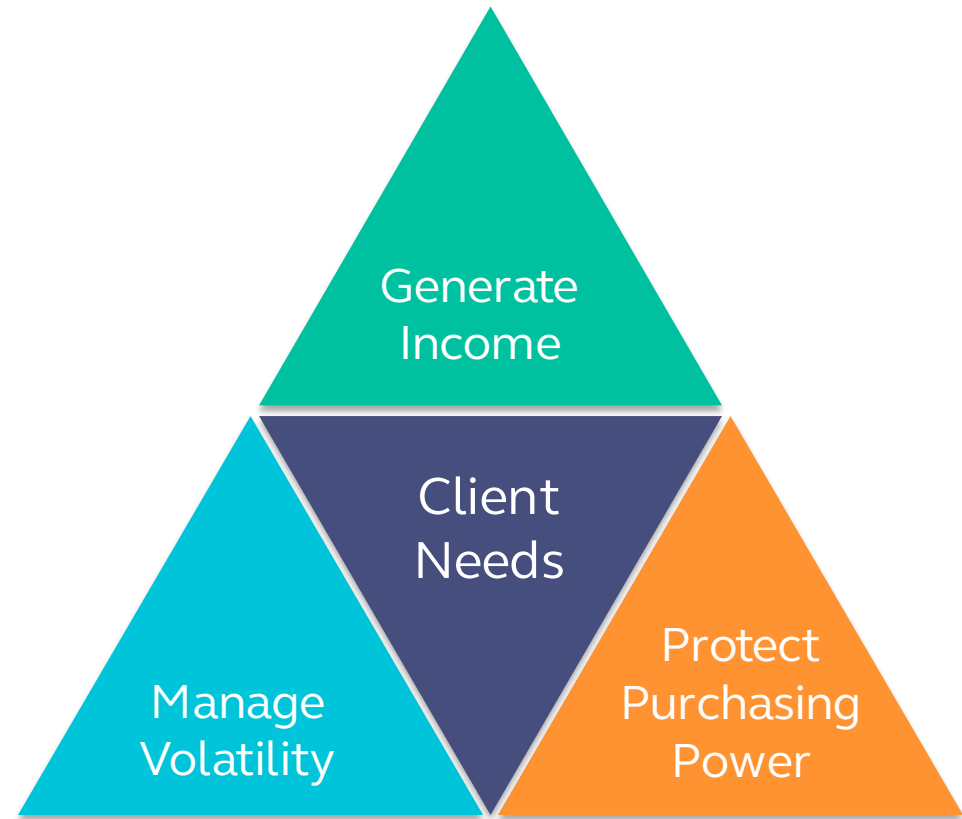
- Asset Allocation/Multi-Strategy
- Fixed Income
- Equity
- Alternatives

AUM in billions, as of 06/30/2018. <sup>1</sup>Principal Portfolio Strategies allocates investment dollars across PGI boutiques and third-party managers.



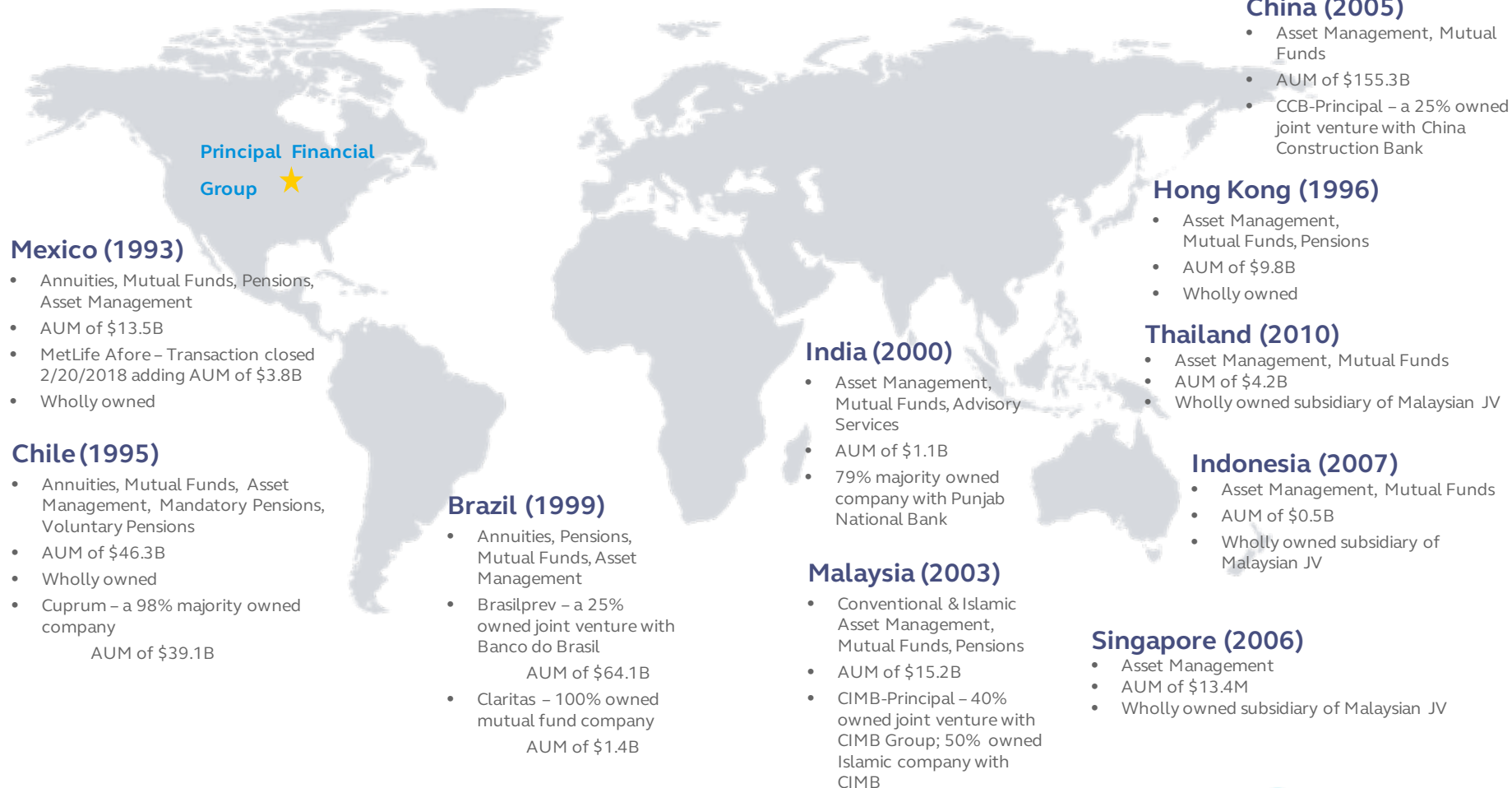
## Well-positioned for industry trends

- Industry leader in delivering solutions, including multi-asset solutions
- Strong and growing suite of alternatives
- Early entrant in the Active ETF space
- Hybrid, Passive and Indexed offerings on retirement platform of the Principal Financial Group
- With boutiques across asset classes, sector rotation presents opportunities



# Our locations

We operate in emerging markets with a fast growing middle class

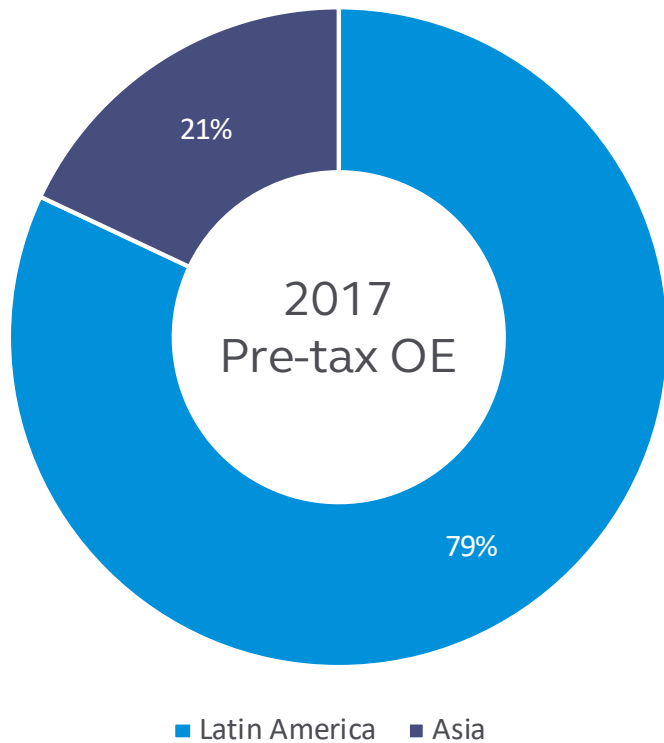


**(Year) = Principal entered**

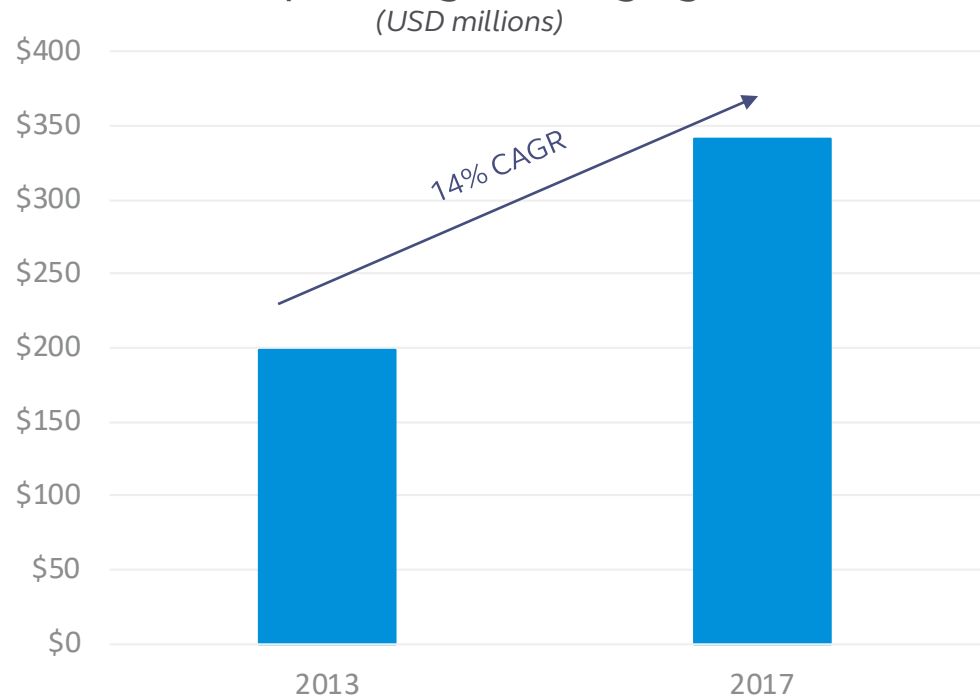
PI Sourced AUM as of 06/30/2018

# Strong growth

## Increasing diversification



## Pre-tax operating earnings growth<sup>2</sup>

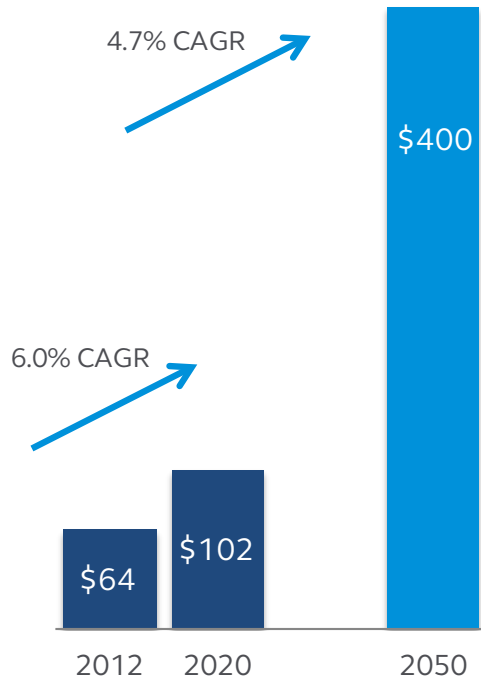


<sup>1</sup> In 2013, Asia and Latin America contributed 5% and 95%, respectively.

<sup>2</sup> Pre-tax operating earnings are adjusted for the impact of the actuarial assumption review in 2017 (-\$12 million). 2013 is adjusted to reflect 2017 exchange rates (-\$95 million).

# High growth high potential markets

**Global Asset Management Industry**  
Projected AUM  
In Trillions



Country	2014 rank	2019E rank	2024E rank	2030E rank
U.S.	#1	#1	#1	#2
China	#2	#2	#2	#1
Brazil	#7	#7	#6	#5
India	#9	#5	#4	#3
Mexico	#15	#14	#13	#13
Indonesia	#16	#15	#15	#12

**Total GDP for Six Listed Countries**

2014	2030	16 year CAGR
\$34 Trillion	\$100 Trillion	7%

Sources: Asset Management 2020: A Brave New World, PwC, 2014; The age of asset management? Speech by Andrew G Haldane, Executive Director, Financial Stability, Bank of England, at the London Business School, London, 4 April 2014.; <http://www.cebr.com/reports/world-economic-league-table-2015/>

## Current joint venture partners

	<b>Brasilprev</b>	<b>CCBPAM</b>	<b>CIMB-Principal</b>
<b>Partner</b>	Banco do Brasil	China Construction Bank	CIMB Group
<b>Market(s)</b>	Brazil	China	Malaysia, Thailand, Indonesia, Singapore
<b>Products</b>	Pension	Mutual funds, asset management	Pension, mutual funds, asset management
<b>Partner's distribution reach</b>	66M retail customers <sup>1</sup> 4,770 branches <sup>1</sup>	360M retail customers <sup>2</sup> 14,920 branches <sup>2</sup>	13.5M retail customers <sup>3</sup> 851 branches <sup>3</sup>
<b>JV customers</b> <sup>4</sup>	2.4M customers	9.3M customers	0.7M customers

<sup>1</sup> Banco do Brasil 2017 Annual Report. <sup>2</sup> CCB 2017 Annual Report. <sup>3</sup> CIMB Group 2017 Annual Report. <sup>4</sup> As of 6/30/2018; counts customers based on the number of products they have

## Recent notable achievements

### China

CCBPAM is the 4<sup>th</sup> largest retail mutual fund company<sup>1</sup>

### Chile

Cuprum was recognized as the #1 AFP service provider<sup>2</sup> and as a top 100 most reputable company<sup>3</sup>

### Brasilprev

Brasilprev captured 34% of industry net cash flows<sup>4</sup> and is #1 in total market share<sup>5</sup>

### Strategic Acquisitions

Announced acquisition of MetLife Afore in Mexico and the purchase of additional ownership interest in CIMB-Principal

<sup>1</sup> Ranking in terms of AUM; Source: AMAC, December 2017

<sup>2</sup> Ranking from Praxis consulting firm released in 2017

<sup>3</sup> Chile 100 Most Reputable Companies ranking by Merco – 2017 ranking

<sup>4</sup> Percent of P/VGBL industry net cash flows for full year 2017

<sup>5</sup> Ranking is of market leadership in reserves of P/VGBL; Source: Fenaprevi, December 2017

# Focus on the SMB market

## Solutions for business owners, employers, and individuals



**Business  
Owners**

- Business Owner Executive Solutions (life & disability)



**Employers**

- Group Insurance (dental, vision, disability, life)
- Multi-life Disability
- Nonqualified Deferred Compensation



**Individuals**

- Group Voluntary Insurance (dental, vision, disability, life, critical illness)
- Individual Disability Insurance
- Individual Life Insurance
- Individual Dental

# Success reflects expertise serving SMB market

	2017 Market Share	2017 Industry Rank
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## Specialty Benefits

• Total Group In-Force Contracts	7.8%	#3
• Life	11.2%	#2
• Disability	8.8%	#4
• Dental	5.2%	#6
• Individual Disability In-Force Premium*	10.1%	#5
• Individual Disability New Sales Premium	16.9%	#3

## Individual Life

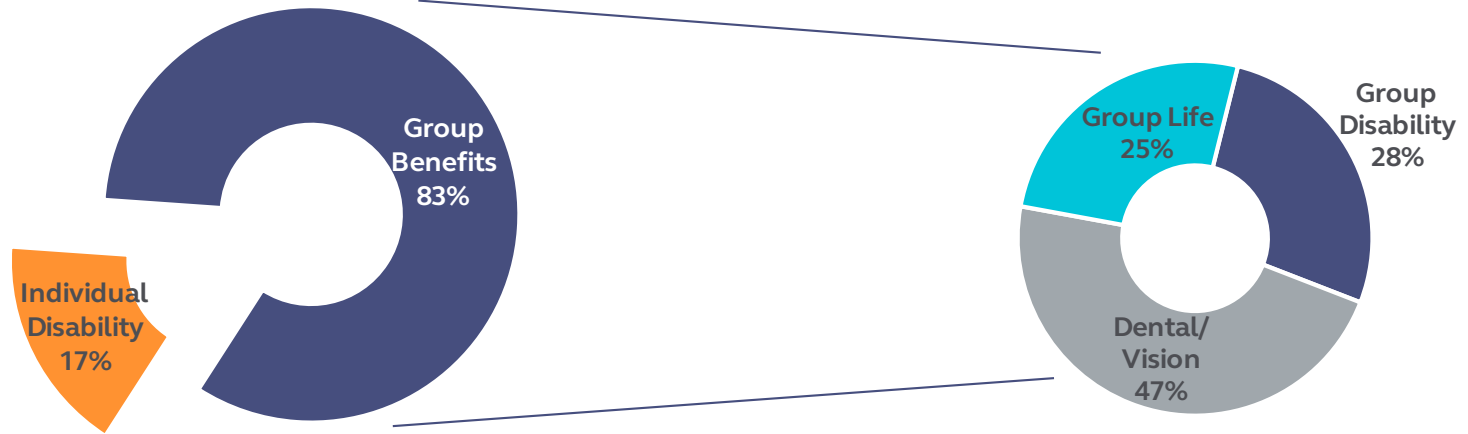
• Non-Qualified Plans <sup>1</sup>	16.4%	#1
• Total Life New Sales Premium	1.8%	#18

Sources: LIMRA, 2017, <sup>1</sup>PlanSponsor Record-Keeper's Survey Buyer's Guide, June 2017, excluding governmental 457 plans  
 \*IDI In-Force market share and rank based on 2016 LIMRA results.

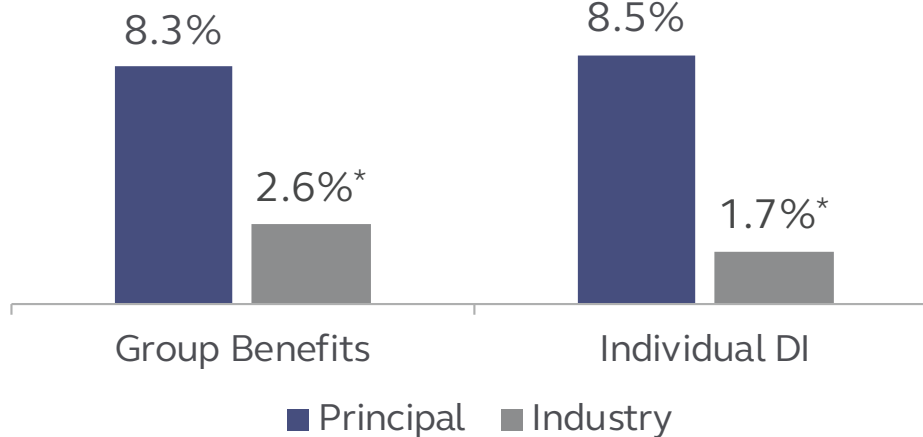


# Balanced portfolio and above industry premium growth

## 2Q18 TTM Total Premium & Fees



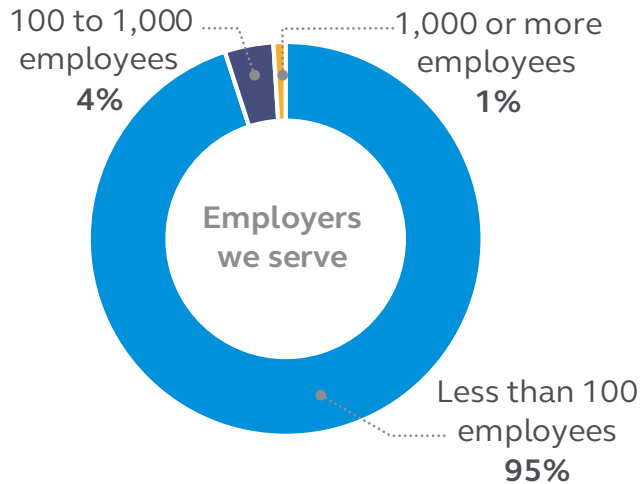
## 3 Year In-Force Premium Growth (2014-2017 CAGR)



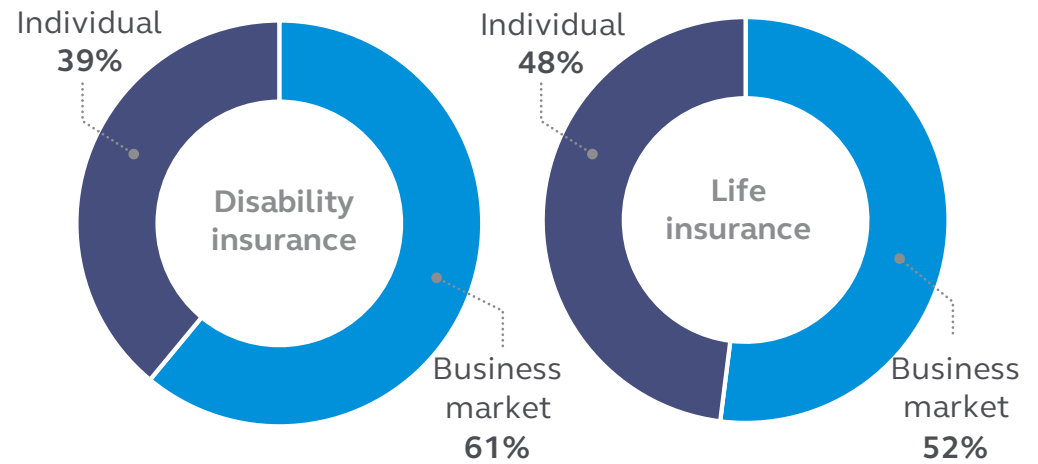
- Stable loss ratios
- Attractive margins

# SMB focus

## Group Benefits in-force cases



## New sales premium and fees



As of 9/30/2017

# Diversification in Group Benefits

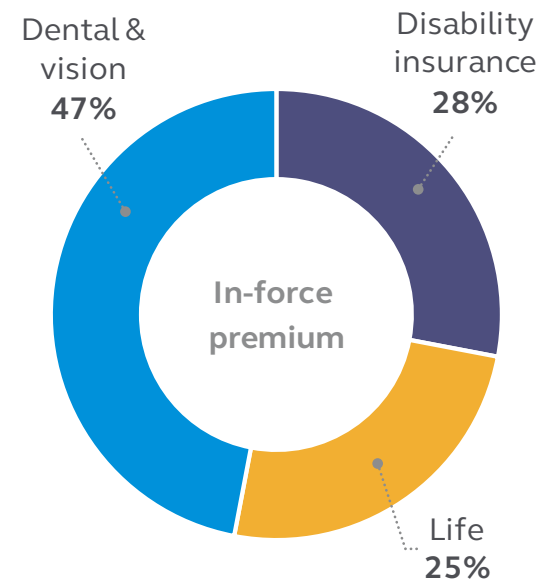
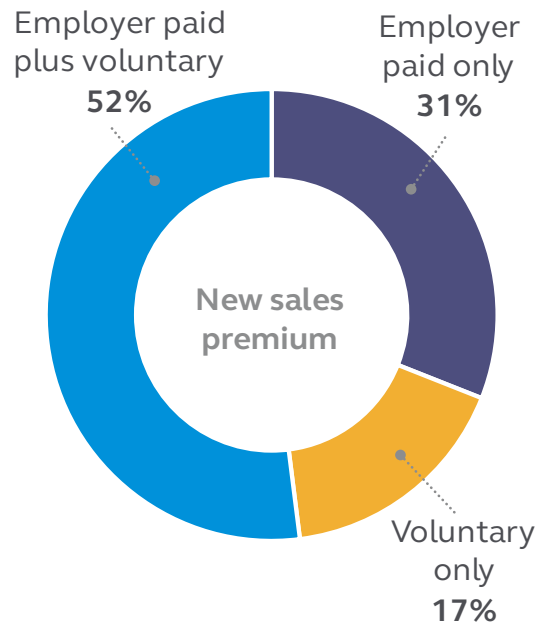
Number of employer customers  
**67,000**

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Average case size  
**38**

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Case retention<sup>1</sup>  
**88%**



34% of all new cases sold include "first-time" benefits

As of 9/30/2017

<sup>1</sup> Average retention for the period 1/1/2015 – 9/30/2017

## Focus on the business market

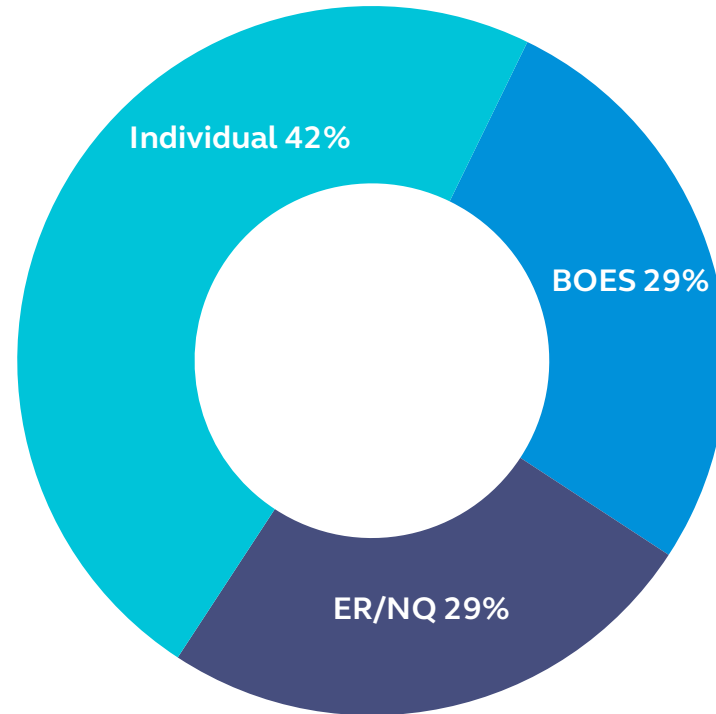
### Solutions for businesses, business owners and key executives

Business owners' financial challenges

- Exiting the business
- Business transition
- Retaining key employees
- Retirement planning

Solutions for key employees

- Retirement income
- Survivor income
- Business protection



TTM June 2018 Sales

BOES = Business Owner/Executive Solutions  
ER/NQ = Employer/Non-qualified

# U.S. distribution overview

## AFFILIATED

**PRINCIPAL ADVISOR NETWORK**

- 1,600 advisors
- Sell all products
- Financial Planning Focused

## THIRD PARTY

**INVESTMENT-ORIENTED**

- Wirehouses
- Regional Broker/Dealers
- Planners

**INSURANCE-ORIENTED**

- Brokerage General Agents
- Independent Marketing Organizations
- Financial Advisors/Broker/Dealers

**BANKS**

- Banks
- Broker/Dealers
- Marketers

**Global Firm Relations**  
Select 3<sup>rd</sup> party distributors with dedicated support  
**STRENGTHENS RELATIONSHIPS AND FUELS SALES GROWTH**



## WHOLESALE CHANNELS

- Retirement    Investment Solutions    Annuities    ESOP    NQDC    Retail Life    Disability Insurance    Group Benefits

All supported by **DEDICATED SERVICE TEAMS** providing education, training, counseling and retention

# Broad and deep distribution

Proprietary provides foundation; 3<sup>rd</sup> party provides accelerated growth

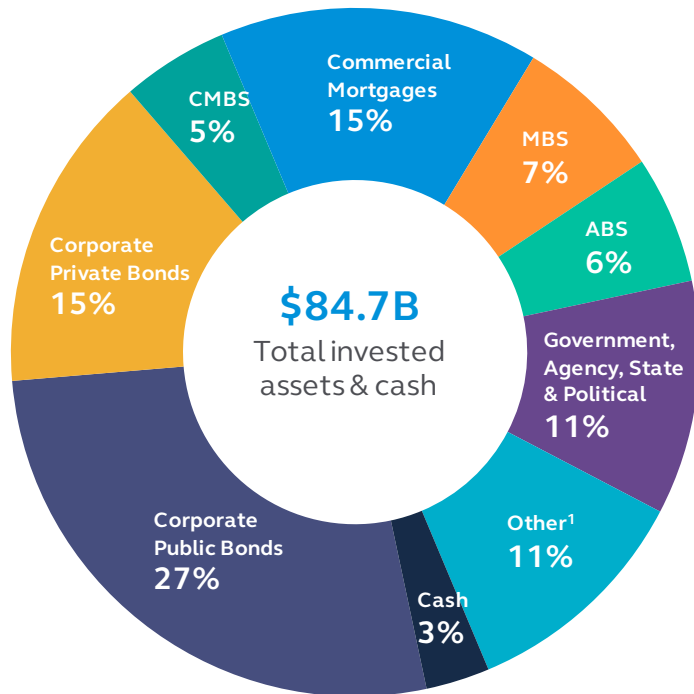
Product Line New Sales	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	Top 3 Represent
NQ Life	 LOCKTON	 Morgan Stanley Smith Barney	 Bank of America Merrill Lynch	49%
Retail Life	 Principal™ Principal Advisor Network	 Crump® Life Insurance Services	 LifeMark PARTNERS	55%
Individual Disability	<b>Plus Group</b>	 Principal™ Principal Advisor Network	 Crump® Life Insurance Services	36%
Group Benefits	 NFP™ Benefits Insurance Wealth Management	 UBA United Benefit Advisors	 Digital Insurance, Inc	10%
Fixed Annuities	 Fidelity INVESTMENTS	 Principal™ Principal Advisor Network	 Capital One	74%
Variable Annuities	 Principal™ Principal Advisor Network	<b>KeyCorp Ins. Agency</b>	<b>RAYMOND JAMES</b>	97%
Mutual Funds	 WELLS FARGO ADVISORS	 Fidelity INVESTMENTS	 Principal™ Principal Advisor Network	29%
FSA – New Sales Assets	 LPL Financial	 Bank of America Merrill Lynch	 UBS	30%
FSA – New Sales Case Counts	<b>Edward Jones</b>	 Bank of America Merrill Lynch	 Principal™ Principal Advisor Network	33%

Rankings and percentages as of 12/31/2017

# Investment philosophy & strategy

Diversified investment portfolio

## Total invested assets & cash



Total PFG as of 06/30/2018  
GAAP carrying value

### Our strategy hasn't changed:

High quality, well-diversified portfolio

Liability-driven investment approach

Active asset/liability management

Optimized risk adjusted yields and returns

Global collaboration and best practices

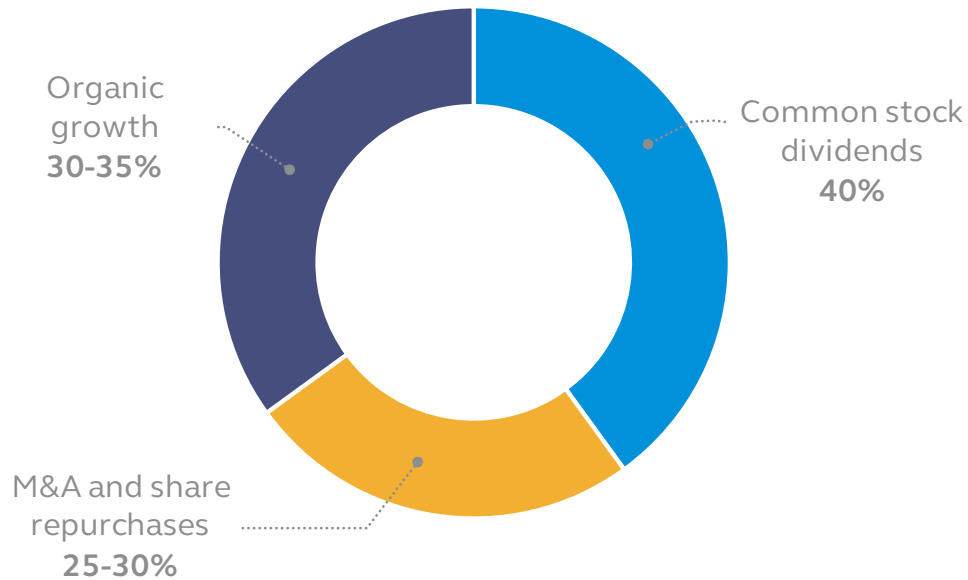
Portfolio responsibility remains at local country

<sup>1</sup>Other includes Equity Securities, Residential Mortgages, Real Estate, Policy Loans, Investment in Equity Method subs, Direct Finance Leases and Other Investments

# Balanced approach to capital deployment

## Targeted long-term capital deployment strategy

Capital deployed as a percent of net income



- Capital is deployed to:
  - Grow the company
  - Return to shareholders
- Every capital deployment opportunity is evaluated against a **minimum** return of our cost of capital



## Balanced capital deployment strategy

### Grow capital

- Organic growth
- Mergers and acquisitions (M&A)

### Return capital

- Common stock dividends
- Share repurchases

### Optimize capital structure

- Financial flexibility

Expect to deploy 65–70% of our net income over the long-term, with fluctuations in any given year

## Driving ROE growth

30-60 bps average annual ROE improvement



### Earnings

- + 4-5% for market performance
- + 4-5% for growth from sales/NCF
- + 1-2% operational efficiency


ROE =



### Equity

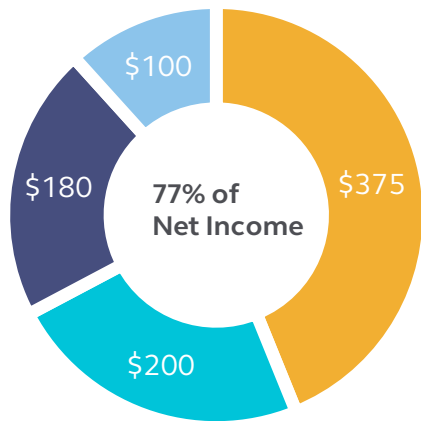
- Organic growth
- Dividend growth
- Opportunistic share repurchases

# Increasing our global footprint through M&A

Opportunity	Year Announced	Rationale
INTERNOS	2017	✓ Expand our real estate investment capabilities in Europe
 MetLife Afore	2017	✓ Strengthen position in Mexico Afore market by becoming the 5 <sup>th</sup> largest provider
AXA Hong Kong Pension	2014	✓ 15 year exclusive distribution with 4,440 agents ✓ Gateway into China
 Cuprum AFP <small>Miembro de Principal Financial Group</small>	2012	✓ Complete offering in Chile with marquee pension and savings franchise
 CLARITAS <small>A member of Principal Financial Group</small>	2012	✓ Entry into Brazil mutual fund and asset management market
 Origin <small>Asset Management</small>	2011	✓ Enhance global equity investment capabilities
 FINISTERRE <small>CAPITAL LLP</small>	2011	✓ Establish leadership in emerging markets fixed income investing
HSBC  AFORE	2011	✓ Solidify position as a leader in Mexican Afore market
BrasilPrev	2010	✓ 23 year extension of successful JV with Banco do Brasil

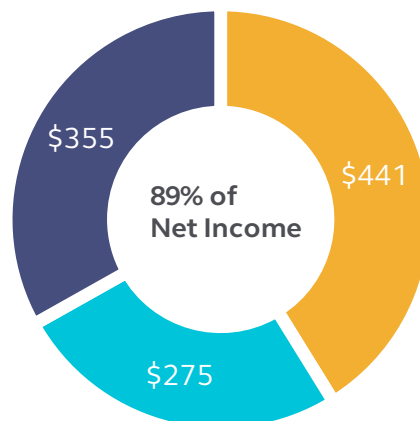
# Capital deployment

\$ in millions



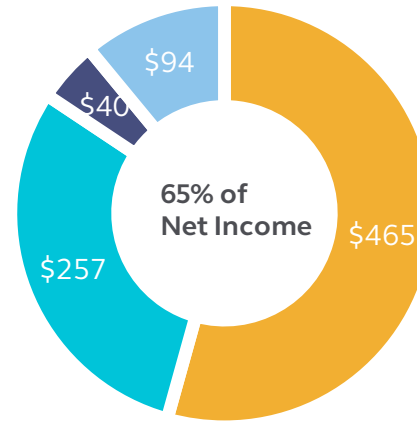
2014

Deployed \$855 million



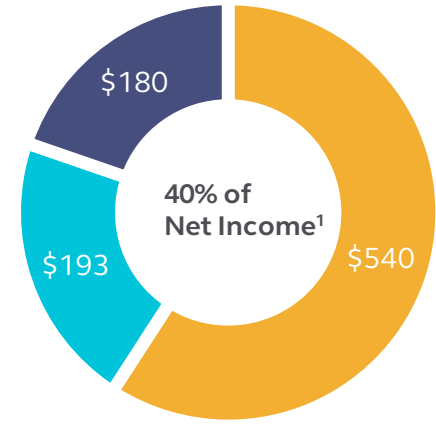
2015

Deployed \$1.1 billion



2016

Deployed \$856 million



2017

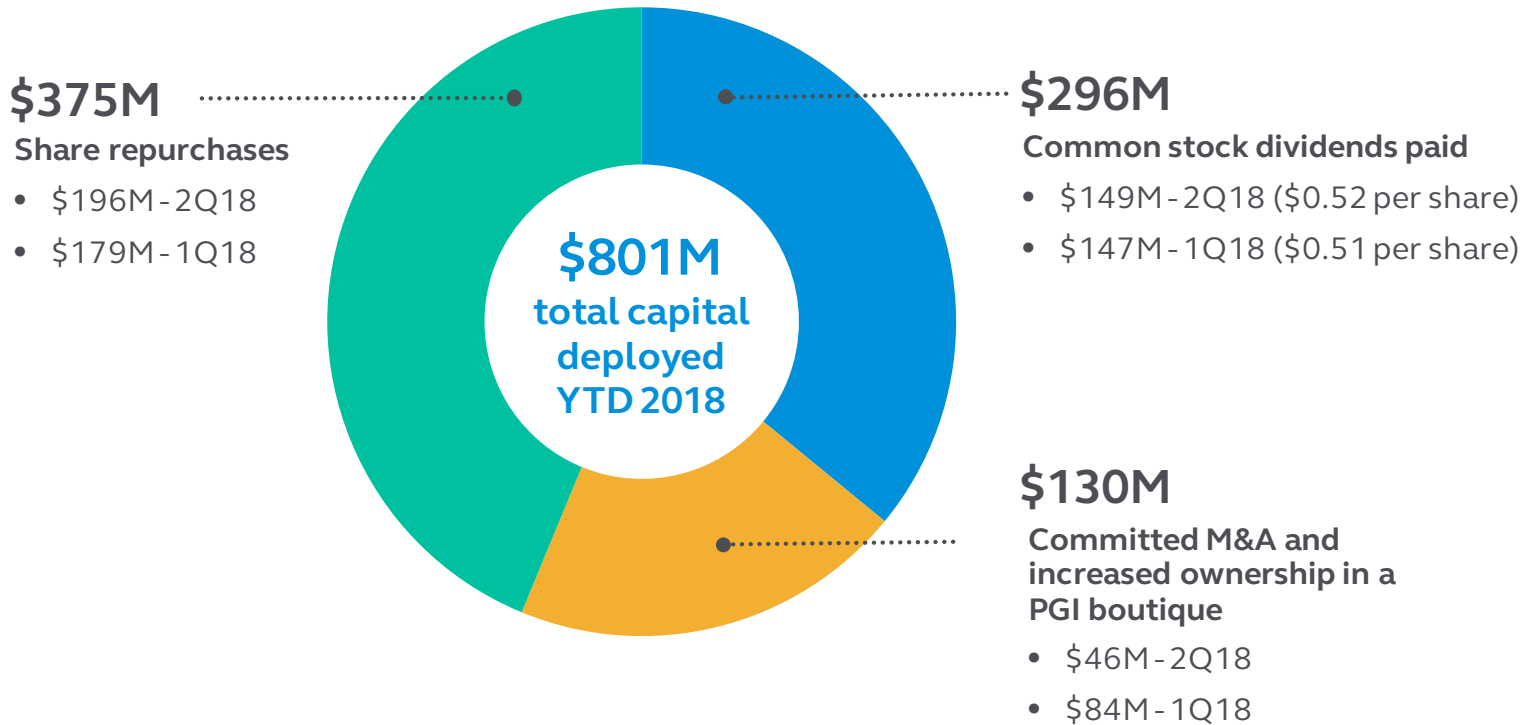
Deployed \$913 million

- Common Stock Dividends
- Share Repurchases
- Strategic Acquisition
- Debt reduction

**Long term: expect to deploy 65–70 percent of our net income with fluctuations in any given year**

<sup>1</sup>2017 net income included benefits from a large real estate transaction and the U.S. Tax Cuts and Jobs Act

# Capital deployment



Expect to deploy at the high end of our guided range of \$900M to \$1.3B of capital in 2018

## 10<sup>th</sup> consecutive increase in quarterly dividend

- Announced 3Q18 common stock dividend of \$0.53 per share, or \$2.05 for TTM; a 13% increase compared to 3Q17 TTM

# What if things don't go as expected?

Changes in key macroeconomic conditions have an impact on Principal's annual non-GAAP pre-tax operating earnings

If macroeconomics change by...	Equity market return +/- 10%	Interest rates +/- 100 bps	FX: US dollar changes +/- 2%
Then Principal's annual non-GAAP pre-tax operating earnings will change by...	+/- 4-6% <sup>1</sup>	+/- < 1% <sup>2</sup>	-/+ < 1% <sup>3</sup>
And the primary businesses impacted are...	RIS – Fee PGI	RIS – Spread Individual Life SBD	PI

<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 US dollar and impact to Operating Earnings.



# Key business drivers outlook

Retirement and Income Solutions		2018 outlook	Long-term outlook
RIS-Fee	Net revenue growth CAGR	2-5%	3-7%
	Pre-tax return on net revenue	30-34%	28-32%
RIS-Spread	Net revenue growth CAGR	5-10%	5-10%
	Pre-tax return on net revenue	60-65%	55-60%

Principal International		2018 outlook	Long-term outlook
Combined net revenue growth CAGR (at PFG share, in reported USD)		11-14%	11-14%
Combined pre-tax return on net revenue (at PFG share, reported USD)		38-42%	40-45%

Principal Global Investors		2018 outlook	Long-term outlook
Operating revenues less pass-through commissions growth CAGR		4-8%	5-8%
Pre-tax return on operating revenues less pass-through commissions		34-38%	33-36%

U.S. Insurance Solutions		2018 outlook	Long-term outlook
Specialty Benefits	Premium & fees growth CAGR	7-9%	7-9%
	Pre-tax return on premium & fees	10-13%	10-13%
	Loss ratio	62-68%	62-68%
Individual Life	Premium & fees growth CAGR	3-6%	3-6%
	Pre-tax return on premium & fees	14-18%	15-20%

## Estimated pre-tax operating losses for Corporate of \$190-\$210 million in 2018 Total company non-GAAP operating earnings effective tax rate of 18-21% in 2018

Net revenue = operating revenues less benefits, claims & settlement expenses less dividends to policyholders.  
RONR = Return on Net Revenue.

## Non-GAAP financial measure reconciliations

	<b>Trailing Twelve Months, 30-Jun-18</b>
<b>Pre-tax Operating Earnings (Losses)</b>	
Non-GAAP pre-tax operating earnings, excluding Corporate Corporate	\$ 2,084.6 (196.0)
Non-GAAP pre-tax operating earnings (losses)	\$ 1,888.6
Pre-tax net realized capital gains (losses)	695.4
Pre-tax other adjustments	(70.0)
Certain adjustments related to equity method investments and noncontrolling interest	(69.0)
Income (loss) before income taxes	\$ 2,445.0