Principal to acquire Wells Fargo Institutional Retirement & Trust business

April 9, 2019
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Use of non-GAAP financial measures

The company uses a number of non-GAAP financial measures that management believes are useful to investors because they illustrate the performance of normal, ongoing operations, which is important in understanding and evaluating the company’s financial condition and results of operations. They are not, however, a substitute for U.S. GAAP financial measures. The company adjusts U.S. GAAP 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 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.
Overview of the acquisition

- Principal will acquire Wells Fargo’s defined contribution, defined benefit, executive deferred compensation (non-qualified plans), institutional trust and custody, and institutional asset advisory businesses; expected to close third quarter 2019
- Brings together two very successful businesses with deep expertise in helping customers achieve their retirement savings and investment goals

Strategic benefits
- Doubles the size of our retirement business
- Expands scale and capabilities in core U.S. retirement businesses
- Solidifies our footprint in the SMB market

Transaction details
- $1.2B upfront consideration, funded through:
  - $400-500M in new debt
  - Remainder in cash
- Earnout of up to $150M

Financial impact
- When fully integrated in 2022:
  - Annual net revenue of approximately $425M
  - Pre-tax return on net revenue of 28-32%
- Expected to be accretive to net income and non-GAAP operating diluted EPS in 2020

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1 Pro-Forma calculations based upon AUA and participant data as of December 31, 2017 provided by PLANSPONSOR 2018 Recordkeeping Survey and inclusive of shock lapse and new sales assumptions; 2 Net purchase price of $1.05B, reflecting approximately $150M cash tax benefit from asset acquisition; 3 Earnout payable 2 years post-closing if existing client fee revenue retention exceeds expectations; 4 Reflects assumed revenue and expense net synergies, excludes transaction and integration costs and earnout liability accounting.
Strengthening our position in the U.S. retirement market

Becoming the #3 Defined Contribution recordkeeper by participants

Source: PLANSPONSOR 2018 Recordkeeping survey. AUA and plan data as of December 31, 2017. Note: Bubble size represents plan assets ($mm). Principal going forward shown on a pro forma basis – reflects assumed shock lapse and new sales assumptions.
Wells Fargo Institutional Retirement and Trust business

By the numbers¹

- 5,000 plans
- 3.9 million participants
- $827 billion of assets under administration (AUA)
  - Includes $200 billion of legacy non-retirement Trust & Custody AUA with de minimis revenue
- $425 million of run-rate revenue²
  - 80% in retirement businesses
  - 20% in non-retirement trust & custody business
- Focus on the mid-size market ($10M-$1B of assets)
- Average client tenure of 15 years
- 2,500 employees

¹ Data as of December 31, 2018; ² Annual expected run-rate revenue by 2022; reflects assumed revenue and expense net synergies

<table>
<thead>
<tr>
<th>Description</th>
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<tbody>
<tr>
<td><strong>Defined Contribution (DC)</strong></td>
<td>• DC recordkeeping solution for plan sponsors and participants focused predominately on mid-case market</td>
</tr>
<tr>
<td><strong>Defined Benefit (DB)</strong></td>
<td>• Bundled retirement solutions, including plan administration, discretionary asset advisory, and trust &amp; custody services</td>
</tr>
<tr>
<td><strong>Executive Deferred Compensation (non-qualified plans)</strong></td>
<td>• Plan administration, participant services, and integrated administrative and trust support for non-qualified plans including Rabbi trust administration</td>
</tr>
<tr>
<td><strong>Institutional Asset Advisory</strong></td>
<td>• Discretionary asset management primarily for pensions</td>
</tr>
<tr>
<td><strong>Trust &amp; Custody</strong></td>
<td>• Specialized reporting, trust and custody services, and related products for retirement clients</td>
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</table>
| **Trust & Custody**                             | • Primarily custody of assets for endowments and other financial institutions
  - Leverages same platform as Retirement Trust and Custody segment |
Doubles the size of our retirement AUA and participants\(^1\)
- Solidifies our footprint in the SMB market
- Pro-forma rankings\(^1\):
  - #3 Defined Contribution recordkeeper (by number of participants)
  - #4 Defined Contribution recordkeeper (by number of plans)
  - #1 Defined Benefit recordkeeper (by number of plans)
  - #1 ESOP provider (by number of plans)
  - #1 provider of non-qualified deferred compensation plans

Added scale and capabilities drive revenue and expense synergies
- $60M of expected pre-tax run-rate net expense synergies by 2022
- Additional revenue generating opportunities consistent with our current retirement businesses
- Reduces per participant plan costs – benefits not only the acquired block but also our existing block
- Additional scale enhances our ability to maintain existing margins despite ongoing revenue pressures in the industry
- Deepens consultant relationships and adds offshore servicing capabilities

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\(^1\) Pro-Forma calculations based upon AUA and participant data as of December 31, 2017 provided by PLANSPONSOR 2018 Recordkeeping Survey and inclusive of shock lapse and new sales assumptions
Enhances Principal Total Retirement Suite℠

<table>
<thead>
<tr>
<th>Scale and diversification in Defined Contribution</th>
<th>Participant count</th>
<th>AUA</th>
<th>By plan size</th>
<th>Combined pro-forma</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small (&lt;$10M)</td>
<td>✓</td>
<td>-</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Mid-size ($10M - $1B)</td>
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<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Large ($1B+)</td>
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<tr>
<th>Breadth of other retirement services</th>
<th>DB plan services</th>
<th>Deferred comp</th>
<th>ESOP</th>
<th>Pension risk transfer</th>
<th>Combined pro-forma</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>✓</td>
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1 Source: PLANSPONSOR 2018 Recordkeeping survey. AUA, participant, and plan data as of December 31, 2017. Pro-Forma calculations based upon AUA and participant data as of December 31, 2017 provided by PLANSPONSOR 2018 Recordkeeping Survey and inclusive of shock lapse and new sales assumptions.
Defined Contribution: SMB market remains core

Over 80% of our AUA remains in the SMB market compared to 54% in the industry

(Split of DC AUA by plan size)

1 Defined Contribution and Non-Qualified AUA as of 6/30/2018; excludes AUA from other retirement products
2 Source: PLANSPONSOR 2018 DC Recordkeeping survey, data as of 12/31/2017
Key financial metrics

Excludes $95M pre-tax of expected transaction and integration costs over 3 years and estimated impacts of earnout liability accounting over 2 years

**Consideration**
- $1.2B purchase price
- Earnout of up to $150M if existing client fee revenue retention exceeds expectations, payable 2 years post-closing

**Cash tax benefit**
- Approximately $150M net present value of cash tax benefit from the asset acquisition, realized over 15 years

**Net expense synergies**
- $60M of expected pre-tax run-rate net expense synergies when fully integrated by 2022

**Accretion**
- Expected to be accretive to net income and non-GAAP operating earnings per diluted share in 2020\(^1\)

**IRR**
- Mid-to-high teens expected internal rate of return (IRR)\(^1\)

**Leverage**
- 22% estimated pro-forma leverage ratio
- Remains within our 20-25% long-term targeted range

**Free cash flow**
- 100% free cash flow conversion

**P/E multiple**
- ~10x after-tax price to run-rate earnings\(^1\) multiple, reflecting the cash tax benefit

\(^1\) Reflects assumed revenue and expense net synergies