THE RIGHT STRATEGY.  
THE RIGHT MARKETS.  
THE RIGHT TIME.

The Principal Financial Group® is a global leader in helping growing businesses and individuals save, invest, insure and achieve financial security at a time of historic growth and opportunity. We have proven expertise and partnerships in the world’s most attractive and fast growing long-term savings markets. We are executing on our strategy, giving our customers and shareholders an edge.
This 2012 Year Review provides a company overview and financial highlights. For complete financial statements, including notes and management’s discussion and analysis of financial condition and results of operations, please refer to the 2012 Form 10-K filed by the company with the Securities and Exchange Commission, which can be found at www.principal.com/10k.

Certain statements made by the company which are not historical facts may be considered forward-looking statements, including, without limitation, statements as to 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, 2012, filed by the company with the 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; continued difficult conditions in the global capital markets and the economy generally; continued volatility or further declines in the equity markets; changes in interest rates or credit spreads; 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 securities may include methodologies, estimations and assumptions that are subject to differing interpretations; the determination of the amount of allowances and impairments taken on the company’s investments requires estimations and assumptions that are subject to differing interpretations; gross unrealized losses may be realized or result in future impairments; competition 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; inability to attract and retain sales representatives and develop new distribution sources; international business risks; the company’s actual experience could differ significantly from its pricing and reserving assumptions; the company’s ability to pay stockholder dividends and meet its obligations may be constrained by the limitations on dividends or distributions Iowa insurance laws impose on Principal Life; the pattern of amortizing the company’s DPAC and other actuarial balances on its universal life-type insurance contracts, participating life insurance policies and certain investment contracts may change; the company may need to fund deficiencies in its “Closed Block” assets that support participating ordinary life insurance policies that had a dividend scale in force at the time of Principal Life’s 1998 conversion into a stock life insurance company; the company’s reinsurers could default on their obligations or increase their rates; risks arising from acquisitions of businesses; changes in laws, regulations or accounting standards; a computer system failure or security breach could disrupt the company’s business, and damage its reputation; results of 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; fluctuations in foreign currency exchange rates; and 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.

“The Principal Financial Group” and “The Principal” are registered service marks of Principal Financial Services, Inc., a member of the Principal Financial Group.
Investment Management Plus –
the right strategy in the
right markets at the right time.

More than an investment company, more than a retirement company, more than an insurance company, The Principal® is a global leader in helping our customers build long-term savings and invest to grow, while insuring and managing their lifetime incomes.

Our Investment Management Plus strategy guides our work each day – matching our strategic mix of interwoven businesses with the growing global need for long-term savings and investments.
Dear fellow shareholders:

As I reflect on 2012, three words come to mind – execute, execute, execute. We continued to focus on doing what we do best – helping our clients take action to achieve their financial dreams. We exercised discipline. We managed risk. And as a result, we achieved outstanding growth and success.

Understanding our clients. Serving their needs.

Since 1879, the Principal Financial Group has been investing clients' hard-earned dollars to help them achieve financial success and protection for their loved ones. We have always invested for the long-term – delivering on our promises through the best and worst of times.

2012 was no exception. Our Investment Management Plus strategy, supported by strong execution, continued to build momentum across our businesses and deliver strong financial results.

- Despite continued macroeconomic pressures, adjusted total company operating earnings grew 7 percent in 2012.
- Earnings per share rose 12 percent.
- Net income grew 25 percent.

These results – in yet another year of market uncertainty – underscore the soundness of our strategy, the synergy of our businesses, the strength of our global partnerships and the huge opportunities available in exploding middle class markets.

The most meaningful proof of our performance is in the stories of real people and businesses whose dreams we’ve helped achieve.

I hear these stories every day. I talk to financial advisors who work hard on their clients’ behalf. I read letters from clients who aspired and achieved. I listen to calls from baby boomers preparing to retire.

I understand the relief a business owner feels when her succession plan is in place. And I’m inspired by the millions of families in emerging markets who finally have the opportunity to dream, to plan and to save.

Larry Zimpleman
Chairman, President and Chief Executive Officer
Our work on behalf of the clients and advisors who rely on us delivers unparalleled long-term value – not only for them, but also for the shareholders who invest in us.

**Achieving strong organic growth.**

We ended 2012 with record assets under management – exceeding $400 billion and reflecting $30 billion in total net cash flows.

- Full Service Accumulation had record sales of $11.5 billion in 2012 and record full-year net cash flows of $7 billion.
- Driven by strong investment performance, Principal Funds rose to 19th in market share for advisor-sold funds and 11th in net cash flows, based on rankings by Strategic Insight.
- Both Principal Global Investors and Principal International closed the year with record assets under management.
- U.S. Insurance Solutions delivered growth in both Life Insurance and Specialty Benefits.

Contributing to these growth results is our unique and extensive U.S. distribution network – including proprietary agents, independent financial advisors and consultants, banks, and local market wholesale and service teams.

We also work with some of the leading wealth management firms, such as Edward Jones, UBS and Merrill Lynch. They choose The Principal because we’re a single source for a broad array of proven retirement, investment and insurance solutions. We share their commitment to make a difference in customers’ lives. And we’re focused on helping them achieve success.

In emerging international markets, we have enviable, long-term relationships with several of the world’s largest and most respected financial entities. In China, we partner with China Construction Bank, the second-largest commercial bank in the world. In Brazil, our partnership with Banco do Brasil, the largest bank in Latin America, extends until 2033. In key markets in Southeast Asia, we partner with CIMB Group, one of that region’s leading universal banking groups. And in India, we have a partnership with Punjab National Bank, the largest national bank in India. By building strong local relationships, these partnerships – and others – enable us to speak the language, share the dreams and serve the unique needs of each market and culture.

**Expanding our global footprint.**

Just two years ago, the world’s population surpassed 7 billion. Since 2010, The Principal has completed six strategic transactions that give us strong competitive positions in markets that comprise half that global population. What’s even more compelling is that, every minute, record numbers of people are entering the middle class in these emerging markets.

We continued to expand our global footprint in 2012. Two significant Latin America acquisitions solidified our position as a retirement leader in this region’s fast-growing emerging markets.

- In April, we acquired Claritas, a Brazilian retail mutual fund and asset management company. Claritas complements our existing pension leadership position in Brazil, where BrasilPrev, our joint venture with Banco do Brasil, is the fastest-growing pension company.
- In October, we announced our intent to acquire Cuprum, a premier mandatory and voluntary pension provider in Chile. The transaction closed in February 2013, further positioning The Principal as a retirement leader in that market.

**Staying the course. Rewarding investors.**

Our Investment Management Plus strategy has been in place for more than a decade. This strategy not only remains unchanged, it has proven itself to be more relevant and appropriate than ever. As a result of that strategy, we have achieved our goal of becoming a global investment management leader. And we are positioned for greater growth and success in the years ahead.

None of these accomplishments would be possible without the skills, experience and dedication of our employees.
around the world. And we are committed to providing a working environment that supports their growth and success.

• We are No. 1 in the largest employer category of Pensions & Investments Best Places to Work in Money Management.
• For the 11th consecutive year, IDG’s Computerworld named us to its List of 100 Best Places to Work in Information Technology.
• For the 10th straight year, we were named a Top 50 Company by the National Association of Female Executives.

On behalf of the board of directors, I’d like to thank our shareholders for your continued support and confidence going forward. As our business model continues to generate more fee-based operating earnings, we are able to extend a greater share of earnings back to shareholders, leading to increased long-term value for them.

To that end, The Principal moved to a quarterly dividend in 2012. Additionally, the total dividend in 2012 increased 11 percent over the previous year. Over time, we expect to increase our common stock dividend payout ratio, which was about 30 percent at the close of 2012.

Finally, please be sure to cast your vote in time for the Annual Meeting of Shareholders on May 21, 2013.

Larry Zimpleman
Chairman, President and Chief Executive Officer

From the Board of Directors:

Excellent corporate governance has been an important part of the Principal Financial Group heritage and success for 134 years. Effective independent oversight of management and company operations ensures that the organization is well governed.

Your board of directors is active, engaged and takes its role very seriously. We meet face-to-face five times each year, including a strategic retreat with senior management. Additionally, various board committees meet regularly to stay informed, collaborate and provide counsel.

The responsibilities of the board’s committees are described in the Proxy Statement and include these examples:

• Pay practices and executive compensation. The Human Resources committee annually evaluates and determines executive pay practices and compensation, using a third-party consultant to help ensure best practices. Executive compensation includes annual base pay and incentive pay, as well as long-term, performance-based compensation.
• Financial management. The Finance Committee meets several times each year to review company policies and practices related to capital management, investments and financial plans and projections.
• Social responsibility. In 2012, the charter of the Nominating and Governance Committee was expanded to include the review of environmental and corporate social responsibility matters.

Elizabeth E. Tallett
Principal, Hunter Partners, LLC / Presiding Director, Principal Financial Group
PRINCIPAL FINANCIAL GROUP, INC.
2012 Financial Highlights

1. Includes employees and their dependents under employee benefit arrangements.
2. Certain reclassifications have been made to 2008, 2009, 2010 and 2011 to conform to 2012 presentation.
3. See page 16 for a reconciliation of non-GAAP measures to U.S. GAAP.
4. Stockholders’ equity available to common stockholders excluding accumulated other comprehensive income (loss).
“Banco do Brasil and The Principal have enjoyed mutual success with our joint venture firm, BrasilPrev. Together, we’ve built BrasilPrev into one of Brazil’s top retirement services companies, combining the best of both our companies. The Principal is a first-rate partner – and our true collaboration enables us to offer quality financial services to Brazil’s growing middle class.”

**Alexandre Corrêa Abreu**  
Vice President-Retail Business  
Banco do Brasil
THE RIGHT STRATEGY.

“The acquisitions of Claritas and Cuprum underscore how we’re capitalizing on our expertise to grow and succeed in emerging countries with fast-growing middle class markets in Latin America and Asia.”

– Luis Valdés, President – Principal International, The Principal Financial Group

As a global leader in investment management, we help more than 18 million customers around the world save, invest, insure their assets and achieve their dreams. Our unique mix of businesses and distribution capabilities positions us to better serve the needs of our customers – every day. The synergies created by our expertise in retirement savings, retirement income, investment management and insurance set us apart from our competitors and provide unparalleled value for our clients.

In the U.S., we target growing businesses, their owners and employees. We offer integrated retirement savings, payout solutions, investment products and services, as well as individual insurance products. We are an attractive partner for advisors and alliance firms, who recognize the strength of our strategy and our commitment to helping them grow their businesses.

Outside the U.S., we’re exporting our successful retirement franchise into fast-growing, emerging markets with booming middle class populations. In key markets, we partner with large, respected financial institutions, whose local knowledge and powerful distribution complement our retirement and investment expertise. As a result, we’ve already established a top 10 market leadership position in five countries.

The engine underlying all of our success is our ability to deliver top-tier investment performance. Principal Global Investors’ multi-boutique investment management strategy offers deep and broad expertise across asset classes to meet investors’ varying needs. This includes investing on behalf of other lines of business at The Principal, as well as managing funds for unaffiliated institutional investors.

Our Investment Management Plus strategy – helping customers save, invest and insure their assets, and manage their lifetime income – is more relevant than ever before. Our execution of this strategy generates more fee-based operating earnings, generating capital to be returned to shareholders and to help us grow, both of which strengthen long-term value for shareholders.

The synergies among the distinct mix of businesses at The Principal multiply our growth opportunities.

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SHIFIT IN TOTAL COMPANY OPERATING EARNINGS FROM FEE-BASED BUSINESSES

<table>
<thead>
<tr>
<th>Year</th>
<th>Risk</th>
<th>Spread</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>30%</td>
<td>40%</td>
<td>30%</td>
</tr>
<tr>
<td>2012</td>
<td>20%</td>
<td>20%</td>
<td>60%</td>
</tr>
<tr>
<td>2017 (projected)</td>
<td>15%</td>
<td>15%</td>
<td>70%</td>
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</table>

2012 YEAR IN REVIEW | THE PRINCIPAL FINANCIAL GROUP 7
“In my role I have the ability to collaborate with colleagues in the world’s major financial cities – people with strong investment experience and local market knowledge. That breadth and depth of expertise helps me serve clients around the world. I’m able to help the portfolio management team deliver on clients’ current needs, anticipate where the investor appetite is going and help position Principal Global Investors for those eventual shifts. Our global footprint and global mindset are critical to this success.”

Seema Shah, Global Bond Strategist Principal Global Investors
All over the world, there’s a need for the mix of products, services and expertise provided by The Principal. We focus on select markets where what we offer – and how we offer it – matches the local culture and customers’ financial needs.

For decades, our U.S. operations have been focused on growing businesses and their owners – a largely underserved market – as well as their employees and other individuals. Serving “Main Street USA” is the right fit for The Principal. We understand the specific needs of small and medium-sized businesses, and we offer the kind of local service and personalized financial solutions that are typically available only to larger companies and high-wealth individuals.

The emerging markets of Latin America and Asia represent huge future growth potential for Principal International. Within these markets, 72,000 families are entering the middle class each day.1 There is an exploding need for asset accumulation and management. In fact, it’s projected that over the next 20 years, emerging market assets under management will grow four to five times faster than those in the U.S.2

Principal Global Investors provides asset management services for our customers. More than 400 investment professionals in major markets around the world share the resources of our multi-boutique strategy and global distribution platform to meet the varying demands and expectations of our diverse client base.

We have handpicked each of the markets in which we operate. And in each, we’re helping customers achieve their financial dreams.

“The Principal is uniquely positioned to deliver financial security in countries that account for more than 50 percent of the world’s population.”

— Jim McCaughan, President – Global Asset Management, The Principal Financial Group

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1Principal Global Investors, Principal International
2Boston Consulting Group, November 2010
3Credit Suisse emerging markets equity research, September 2010
“What makes our relationship with The Principal so successful is our shared commitment to put the client first. The Principal offers us full capabilities in the retirement marketplace today, along with the flexibility to create innovative and personalized solutions. Sustained by a persistent focus on client outcomes, the result is a win for our clients and for both of our companies.”

Andrew M. Sieg,
Head of Global Wealth and Retirement Solutions,
Bank of America Merrill Lynch
THE RIGHT TIME.

“This era of personal responsibility is the right time – the perfect time – to help our millions of customers around the world achieve financial security and realize their financial dreams. We’re honored to be a part of their success.”

– Dan Houston, President – Retirement, Insurance and Financial Services, The Principal Financial Group

There’s never been a better time to offer our unique mix of products, services and expertise in select markets around the world. Growing economic challenges, dramatic demographic changes and evolving governments are creating huge opportunities for The Principal.

Globally, as employers continue to face significant economic and competitive pressures, budgets for employee benefits are often constrained. We make it easier and more cost-effective to provide benefits that help businesses attract and retain key employees.

The changing U.S. demographics and the explosive global growth of middle class populations have created unprecedented demand for financial services. We are proven leaders in providing education, services and solutions to people with evolving financial needs and expectations.

Fiscally constrained governments are unable to maintain past levels of guaranteed assistance. Our solutions help people take charge of their own financial futures, reducing dependence on government systems and subsidies.

Wherever they live, people are becoming increasingly responsible for their own financial futures. Often, they’re unsure about where to turn or how to proceed. They need a trusted partner to guide them through the choices, so they can confidently make better decisions.

The Principal is that partner.

Through our employees, advisors, alliance firms and joint venture relationships, we help customers define their needs and chart a plan for success. We offer affordable solutions and a simplified process. We deliver investment returns that support their goals. We help them save, grow and insure their assets, create lifelong income and achieve financial security.

It may be the era of personal responsibility, but our customers never have to go it alone.
## THE PRINCIPAL AT A GLANCE

### SEGMENT OVERVIEW

**RETIRED AND INVESTOR SERVICES**
Long-term savings, investing and retirement income solutions for U.S.-based:
- Growing businesses
- Employees and other individuals
- Not-for-profit organizations
- Large institutions and employers

**PRINCIPAL GLOBAL INVESTORS**
Provide investment management capabilities to Principal Financial Group businesses and institutional investors through a network of specialized boutique asset managers. 475 investment professionals around the world with clients in nearly 60 countries.

**PRINCIPAL INTERNATIONAL**
Offer long-term savings and retirement solutions in select Latin American and Asian emerging markets.

**U.S. INSURANCE SOLUTIONS**
Protect the income and financial security of employers, business owners, employees and individuals.

### PRODUCTS & SERVICES

**RETIRED AND INVESTOR SERVICES**
- Full service accumulation (FSA) products and services:
  - Defined contribution retirement plans (including 401(k) and 403(b) plans)
  - Defined benefit pension plans
  - Employee stock ownership plans
  - Nonqualified executive benefit plans
- Mutual funds
- Annuities and payout solutions
- Bank and trust services
- Investment only

**PRINCIPAL GLOBAL INVESTORS**
- Equities
  - Growth, core and value U.S. equities
  - Small-, mid- and large-cap U.S. equities
  - Global, International Developed and Emerging markets equities
- Fixed income
  - U.S. fixed income
  - Global/Emerging markets fixed income
  - Speciality credit
  - Structured
  - Preferred
- Real estate
  - Equity
  - Debt
- Asset allocation
- Alternatives and currency management

**PRINCIPAL INTERNATIONAL**
- Brazil: Annuities, pensions, mutual funds, asset management
- Chile: Annuities, mutual funds, pensions
- China: Asset management, mutual funds
- Hong Kong: Asset management, mutual funds, pensions
- India: Asset management, mutual funds
- Indonesia: Asset management, mutual funds
- Malaysia: Conventional and Islamic asset management, mutual funds
- Mexico: Annuities, mutual funds, pensions
- Singapore: Asset management
- Thailand: Asset management, mutual funds

Joint venture partners
- Banco do Brasil (Brazil)
- China Construction Bank (China)
- CIMB Group (Malaysia)
- Punjab National Bank (India)

**U.S. INSURANCE SOLUTIONS**
- Individual Life: Solutions for business owners, key executives and individuals
- Specialty Benefits: Employer-paid and voluntary solutions
  - Group life insurance
  - Group dental and vision
  - Group and multi-life disability income
  - Wellness
  - Individual disability insurance
2012 FINANCIAL HIGHLIGHTS

- Retirement and Investor Services full-year 2012 operating earnings were $575 million.
- Full service accumulation had record sales of $11.5 billion and record net cash flows of $7 billion. Annualized net revenue on new sales is up 46 percent over 2011.
- Principal Funds had record sales of $15.8 billion for the year, up 41 percent, resulting in record net cash flows of $7 billion for the year.
- In the 2011 Chatham Partners Client Satisfaction Survey of defined benefit and defined contribution plans with more than $5 million in assets, The Principal outperformed the benchmark in client loyalty. The Principal continues to receive a “Best in Class” ranking for customer service and 97 percent overall satisfaction score. (April 2012)
- Received the DALBAR Communication Seal of Excellence in customer communications for our defined contribution statement. (January 2012)
- Principal Funds was named one of the “hottest fund firms this year” by InvestmentNews, a weekly newspaper for financial advisors. The rating is based on net inflows to mutual funds through Oct. 31, 2012, as tracked by Morningstar. (November 2012)
- Principal Funds is No. 19 on the list of top advisor-sold mutual fund companies in the U.S., according to Strategic Insight. (December 2012)

- Principal Global Investors 2012 operating earnings were $81 million.
- Record unaffiliated assets under management of $98.2 billion.
- Strong full-year unaffiliated net cash flows of $6.9 billion.
- Principal Global Investors manages assets for 13 of the 25 largest U.S. retirement plans. (Determined by comparing the Pensions & Investments “P&I 1,000” issued Feb. 4, 2013, with company internal data as of Dec. 31, 2012.)
- Principal Global Investors manages assets for 10 of the 25 world’s largest retirement funds. (Determined by comparing “P&I/Towers Watson World 300: The Largest Retirement Funds” issued Sept. 3, 2012, with company internal records as of Dec. 31, 2012.)
- Principal Global Investors is the 28th largest U.S. money manager out of 300 managers profiled. Managers ranked by total assets under management as of Dec. 31, 2011. “II 300 America’s Top 300 Money Managers,” Institutional Investor. (July 2012)

- Principal International 2012 operating earnings were $153 million.
- Record assets under management of $69.3 billion (excluding $11.3 billion of assets under management in our asset management joint venture in China, which is not included in reported assets under management).
- Record reported net cash flows of $9.3 billion in 2012.
- Expanded our retirement franchise with successful acquisitions in Latin America:
  - Claritas added mutual fund and asset management capabilities in Brazil. (Announced March 2012. Closed April 2012.)
  - Cuprum is a leading provider of mandatory and voluntary pension products in Chile. (Announced October 2012. Closed February 2013.)
  - Entered new pension markets in Asia:
    - CIMB-Principal Asset Management Bhd launched their Private Retirement Scheme (PRS) to encourage greater retirement savings in Malaysia. (October 2012)
    - Launched Principal Retirement Advisors (PRA) in India. The country’s first dedicated retirement solutions specialist. (October 2012)
  - Principal Trust in Hong Kong was named the “Best MPF Provider” by AsianInvestor. (April 2012)
  - BrasilPrev received the award for “Outstanding Performance in the Retirement Industry” by Brasil Notícias Editora e Comunicação Empresarial, Brazilian news and business communication publisher. (April 2012)
  - CIMB-Principal was named “Best Asset Manager in Southeast Asia” for the third year in a row by Alpha Southeast Asia. (August 2012)
  - FundPro selected two Principal AFORE Funds as the best among its categories in the Mexican pension industry. (November 2012)
  - Extended distribution of mandatory pension products in Mexico through an exclusive distribution agreement with HSBC. Principal AFORE products are now sold in more than 500 HSBC branches. (December 2012)

- U.S. Insurance Solutions 2012 operating earnings were $138 million.
- Adjusting for a third quarter 2012 actuarial assumption review, U.S. Insurance Solutions 2012 operating earnings were $198 million.
- Strong sales in U.S. Insurance Solutions:
  - Individual Life full-year sales up 22 percent over 2011.
  - Specialty Benefits premium and fee growth of 5 percent over full-year 2011 and favorable incurred loss ratio of 68.2 percent, which is at the midpoint of the targeted range.
- The Principal acquired First Dental Health, a California-based independent dental provider organization with more than 11,000 credentialed dentists in California, Nevada and Arizona. (August 2012)
- Recognized by PLANSPONSOR magazine as the No. 2 non-qualified deferred compensation provider based on number of plans. (December 2012)
- Recognized as the No. 4 provider of non-medical (dental, life and disability) insurance based on 2011 LIMRA data on fully insured employer contracts in force. (April 2012)
- Ranked as the No. 6 provider of non-cancelable individual disability income insurance based on 2011 LIMRA data of annualized new sale premium. (February 2012)

2012 YEAR IN REVIEW | THE PRINCIPAL FINANCIAL GROUP | 13
1) C. Daniel Gelatt
President
NMT Corporation

2) Gary E. Costley
Retired Chairman and
Chief Executive Officer
International Multifoods
Corporation

3) Jocelyn Carter-Miller
President
TechEd Ventures

4) Betsy J. Bernard
Past President
AT&T

5) Luca Maestri
Vice President
and Corporate Controller
Apple, Inc.

6) Richard L. Keyser
Retired Chairman and
Chief Executive Officer
W.W. Grainger, Inc.

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

8) Larry D. Zimpleman
Chairman, President and
Chief Executive Officer
Principal Financial Group

9) Elizabeth E. Tallett
Principal
Hunter Partners,
LLC

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

11) Dennis H. Ferro
Retired President and
Chief Executive Officer
Evergreen Investment
Management Company
## NON-GAAP FINANCIAL MEASURES

Principal Financial Group, Inc.

The company uses a number of non-GAAP financial measures that management believes are important in understanding and evaluating the normal, recurring operations of our businesses. Non-GAAP measures included in the Year in Review are operating earnings per diluted share, operating earnings and operating return on average equity excluding other comprehensive income. While such measures are also consistent with metrics utilized by the investment community to evaluate performance, they are not a substitute for U.S. GAAP financial measures. Therefore, we provide below a reconciliation of the non-GAAP measures to the comparable GAAP financial measures.

### For the year ended Dec. 31

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<td>(in millions, except as indicated)</td>
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<tr>
<td><strong>Net income available to common stockholders per diluted share</strong></td>
<td></td>
<td></td>
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<tr>
<td>Operating earnings per diluted share(^1)</td>
<td>$2.69</td>
<td>$2.66</td>
<td>$2.49</td>
<td>$2.28</td>
<td>$3.09</td>
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<td>Net realized capital gains (losses)</td>
<td>0.13</td>
<td>(0.45)</td>
<td>(0.58)</td>
<td>(0.76)</td>
<td>(1.69)</td>
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<td>Other after-tax adjustments</td>
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<td>(0.26)</td>
<td>0.04</td>
<td>0.23</td>
<td>0.32</td>
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<tr>
<td><strong>Net income available to common stockholders per diluted share(^1)</strong></td>
<td>$2.57</td>
<td>$1.95</td>
<td>$1.95</td>
<td>$1.75</td>
<td>$1.52</td>
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<td><strong>Net income available to common stockholders</strong></td>
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<tr>
<td>Operating earnings(^1)</td>
<td>$808.0</td>
<td>$843.8</td>
<td>$803.2</td>
<td>$681.6</td>
<td>$806.8</td>
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<tr>
<td>Net realized capital gains (losses)</td>
<td>39.1</td>
<td>(141.8)</td>
<td>(189.0)</td>
<td>(227.9)</td>
<td>(494.9)</td>
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<td>Other after-tax adjustments</td>
<td>(74.2)</td>
<td>(82.3)</td>
<td>15.7</td>
<td>69.8</td>
<td>84.0</td>
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<tr>
<td><strong>Net income available to common stockholders(^1)</strong></td>
<td>$772.9</td>
<td>$619.7</td>
<td>$629.9</td>
<td>$523.5</td>
<td>$395.9</td>
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<tr>
<td><strong>Stockholders’ equity attributable to Principal Financial Group, Inc.</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stockholders’ equity attributable to Principal Financial Group, Inc.(^1) x-OCl available to common stockholders(^2)</td>
<td>$8,579.3</td>
<td>$8,217.9</td>
<td>$8,300.5</td>
<td>$7,816.9</td>
<td>$6,332.1</td>
</tr>
<tr>
<td>Net unrealized capital gains (losses)</td>
<td>1,235.7</td>
<td>728.4</td>
<td>465.2</td>
<td>(663.6)</td>
<td>(4,272.5)</td>
</tr>
<tr>
<td>Foreign currency translation</td>
<td>(115.3)</td>
<td>(109.3)</td>
<td>29.7</td>
<td>(2.0)</td>
<td>(168.2)</td>
</tr>
<tr>
<td>Net unrecognized post-retirement benefit obligations</td>
<td>(488.5)</td>
<td>(361.1)</td>
<td>(188.2)</td>
<td>(396.2)</td>
<td>(567.3)</td>
</tr>
<tr>
<td>Preferred stock, at par</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Paid-in capital – preferred stock</td>
<td>541.9</td>
<td>541.9</td>
<td>541.9</td>
<td>541.9</td>
<td>541.9</td>
</tr>
<tr>
<td><strong>Stockholders’ equity attributable to Principal Financial Group, Inc.(^1)</strong></td>
<td>$9,753.2</td>
<td>$9,017.9</td>
<td>$9,149.2</td>
<td>$7,297.1</td>
<td>$1,866.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net income ROE available to common stockholders (including OCI)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating earnings ROE(^1) (x-OCl)</td>
<td>9.6%</td>
<td>10.2%</td>
<td>10.0%</td>
<td>9.6%</td>
<td>13.1%</td>
</tr>
<tr>
<td>Net realized capital gains (losses)</td>
<td>0.5%</td>
<td>-1.7%</td>
<td>-2.4%</td>
<td>-3.2%</td>
<td>-7.9%</td>
</tr>
<tr>
<td>Other after-tax adjustments</td>
<td>-0.9%</td>
<td>-1.0%</td>
<td>0.2%</td>
<td>1.0%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Net income ROE available to common stockholders (x-OCl)</td>
<td>9.2%</td>
<td>7.5%</td>
<td>7.8%</td>
<td>7.4%</td>
<td>6.4%</td>
</tr>
<tr>
<td>Net unrealized capital gains (losses)</td>
<td>-1.0%</td>
<td>-0.5%</td>
<td>0.1%</td>
<td>4.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Foreign currency translation</td>
<td>0.1%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.2%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Net unrecognized post-retirement benefit obligations</td>
<td>0.4%</td>
<td>0.3%</td>
<td>0.3%</td>
<td>1.4%</td>
<td>0.7%</td>
</tr>
<tr>
<td><strong>Net income ROE available to common stockholders(^1) (including OCI)</strong></td>
<td>8.7%</td>
<td>7.3%</td>
<td>8.2%</td>
<td>13.0%</td>
<td>10.3%</td>
</tr>
</tbody>
</table>

\(^1\) Certain reclassifications have been made to 2008, 2009, 2010 and 2011 to conform to 2012 presentation.

\(^2\) OCI, or Other Comprehensive Income, consists of three items — net unrealized gains (losses) on available-for-sale securities and derivative instruments, net foreign currency translation adjustments and unrecognized post-retirement benefit obligation.
### REPORTABLE SEGMENTS OF PRINCIPAL FINANCIAL GROUP, INC.  | As of Dec. 31, 2012

#### RETIREMENT AND INVESTOR SERVICES
- Delaware Charter Guarantee & Trust Company dba/Principal Trust Company
- Principal Bank
- Principal Financial Advisors, Inc.
- Principal Funds Distributor, Inc.
- Principal Life Insurance Company
- Principal Management Corporation
- Principal Shareholder Services, Inc.
- Princor Financial Services Corporation

#### PRINCIPAL GLOBAL INVESTORS
- Columbus Circle Investors
- Edge Asset Management, Inc.
- Finisterre Capital, LLP
- Morley Capital Management, Inc.
- Morley Financial Services, Inc.
- Origin Asset Management Post Advisory Group, LLC
- Principal Commercial Funding, LLC
- Principal Enterprise Capital, LLC
- Principal Global Investors, LLC
- Principal Real Estate Investors, LLC
- Spectrum Asset Management, Inc.
- Union Bond & Trust Company
- Principal Real Estate Portfolio, Inc.
- Principal Real Estate Fund Investors, LLC
- Principal Life Insurance Company
- Principal Global Services Private Limited
- Principal Development Investors, LLC
- Principal Commercial Acceptance, LLC

#### U.S. INSURANCE SOLUTIONS
- Diversified Dental Services, Inc.
- Employers Dental Services, Inc.
- First Dental Health
- Preferred Product Network, Inc.
- Principal Dental Services, Inc.
- Principal Life Insurance Company
- Principal Reinsurance Company of Delaware
- Principal Wellness Company

#### PRINCIPAL INTERNATIONAL
- Brazil
  - BrasilPrev Seguros e Previdência S.A.
  - Claritas Administración de Recursos Ltda
  - Hipotecaria Cruz de Sur Principal, S.A.
  - Principal Administradora General de Fondos S.A.
  - Principal Asset Management Chile S.A.
  - Principal Compañía de Seguros de Vida Chile S.A.
- China
  - CCB Principal Asset Management Company, LTD
  - Hong Kong
  - Principal Asset Management Company (Asia) Limited
  - Principal Insurance Company (Hong Kong) Limited
  - Principal Trust Company (Asia) Limited
  - Principal Global Investors (Asia) Limited
  - Principcorp Wealth Advisors (Asia) Limited
- India
  - Principal Retirement Advisors Private Limited
  - Principal PNB Asset Management Company Private Limited
  - Principal Trusstor Company Private Limited
- Indonesia
  - PT CIMB – Principal Asset Management
  - CIMB – Principal Asset Management Berhad
  - CIMB Wealth Advisors Berhad
- Mexico
  - Principal Afore, S.A. de C.V.
  - Principal Financial Group, S.A. de C.V. Grupo Financiero
  - Principal Fondos de Inversión, S.A. de C.V., Operadora de Fondos de Inversión
  - Principal Mexico Compañía de Seguros, S.A. de C.V.
  - Principal Pensiones, S.A. de C.V.
- Singapore
  - CIMB – Principal Asset Management (Singapore) Pte Ltd
- Thailand
  - CIMB – Principal Asset Management Company Ltd

#### PRINCIPAL INVESTMENTS
- Organized by Principal Life Insurance Company  | As of Dec. 31, 2012

#### LifeTime Funds
- LifeTime 2055 Fund
- LifeTime 2050 Fund
- LifeTime 2045 Fund
- LifeTime 2040 Fund
- LifeTime 2035 Fund
- LifeTime 2030 Fund
- LifeTime Strategic Income Fund
- MidCap Blend Fund
- MidCap Growth Fund
- MidCap Growth Fund III
- MidCap S&P 400 Index Fund
- MidCap Value Fund I
- MidCap Value Fund III
- Money Market Fund
- Opporutnistic Municipal Fund
- Overseas Fund
- Preferred Securities Fund
- Real Estate Securities Fund
- SAM Balanced Portfolio
- SAM Conservative Balanced Portfolio
- SAM Conservative Growth Portfolio
- SAM Flexible Income Portfolio
- SAM Strategic Growth Portfolio
- Short-Term Income Fund
- SmallCap Blend Fund
- SmallCap Growth Fund I
- SmallCap Growth Fund II
- SmallCap S&P 600 Index Fund
- SmallCap Value Fund II
- Small-MidCap Dividend Income Fund
- Tax-Exempt Bond Fund
- Principal Variable Contracts Fund, Inc.*

*The Principal Variable Contracts Fund investment options are available in certain variable annuity and variable life insurance contracts.

Mutual funds and variable contracts are distributed by Principal Funds Distributor, Inc. and Princoor Financial Services Corporation, members of the Principal Financial Group, Des Moines, Iowa 50392-6200. Phone 1-800-222-5852. The contents of this publication are for general information only and are not intended to solicit the purchase of products from companies of the Principal Financial Group.

2013 YEAR IN REVIEW | THE PRINCIPAL FINANCIAL GROUP  | 17
PRINCIPAL FINANCIAL GROUP, INC.

711 High St.
Des Moines, Iowa 50392
1-800-986-EDGE (3343)

THE PRINCIPAL FINANCIAL GROUP ON THE INTERNET
The Principal website at www.principal.com, is your source for a vast array of information including company news releases, investment and savings tools and details on our product and service solutions.

The Investor Relations portion of the site provides up-to-the-minute information for shareholders and the investment community, including access to Securities and Exchange Commission filings, stock information, overview of corporate responsibility, dividend history and credit ratings. It also includes information of interest on the governance of Principal Financial Group, Inc., including:

- Board of directors
- Corporate governance guidelines
- Board committee charters
- Director independence standards
- Corporate code of business conduct ethics

ANNUAL MEETING
The Annual Meeting of Shareholders will convene at 9 a.m. CT, May 21, 2013, in the auditorium at the corporate headquarters of Principal Financial Group, Inc.

711 High St.
Des Moines, Iowa 50392

CONTACT INVESTOR RELATIONS
If you have a question for Investor Relations, please contact:
The Principal Financial Group – Investor Relations
711 High Street, S-006-E41
Des Moines, Iowa 50392-0420
Phone: 1-800-986-3343 | Fax: 515-235-5491
Email: investor-relations@principal.com

TRANSFER AGENT
Principal Financial Group, Inc. shareholder inquiries should be addressed to our transfer agent, Computershare. Computershare can assist shareholders with a variety of services, including: address changes, certificate issuance, replacement of lost stock certificates, transfer of stock to another person, account statements, balance inquiries, shareholder dividend inquiries and selling of shares.
You can call or write to the transfer agent at:
Principal Financial Group, Inc.
c/o Computershare
P.O. Box 43078
Providence, RI 02940-3078
Toll-free phone: 866-781-1368
Phone for hearing impaired: 312-588-4110
Online: www-us.computershare.com/contactus

Registered shareholders can also access information about their Principal Financial Group, Inc. common stock accounts via the Internet using Computershare’s website at www-us.computershare.com/investor. The Principal does not maintain or provide information directly to this site, makes no representations or warranties with respect to the information contained therein and takes no responsibility for supplementing, correcting or updating any such information.

A SPECIAL THANKS
A special thanks to our 380,000 registered shareholders, who have owned Principal Financial Group, Inc. common stock since our initial public offering.

TOP 15 HOLDERS* OF PRINCIPAL FINANCIAL GROUP, INC.
COMMON STOCK
- Nippon Life Insurance Company
- Capital Research Global Investors (U.S.)
- The Vanguard Group, Inc.
- Wellington Management Company, LLP
- State Street Global Advisors (SSgA)
- Newton Investment Management, LTD
- BlackRock Fund Advisors
- Northern Trust Investments, Inc.
- Harris Associates, L.P.
- Goldman Sachs Asset Management, L.P. (U.S.)
- TIAA-CREF Investment Management
- Altrinch Global Advisors, LLC (U.S.)
- Columbia Management Investment Advisers, LLC
- Mairs & Power, Inc.
- Norges Bank Investment Management (Norway)

*Based on public filings as of Dec. 31, 2012

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PRINCIPAL FINANCIAL GROUP, INC.

711 High St.
Des Moines, Iowa 50392
1-800-986-EDGE (3343)

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The Principal website at www.principal.com, is your source for a vast array of information including company news releases, investment and savings tools and details on our product and service solutions.

The Investor Relations portion of the site provides up-to-the-minute information for shareholders and the investment community, including access to Securities and Exchange Commission filings, stock information, overview of corporate responsibility, dividend history and credit ratings. It also includes information of interest on the governance of Principal Financial Group, Inc., including:

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Phone: 1-800-986-3343 | Fax: 515-235-5491
Email: investor-relations@principal.com

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Principal Financial Group, Inc. shareholder inquiries should be addressed to our transfer agent, Computershare. Computershare can assist shareholders with a variety of services, including: address changes, certificate issuance, replacement of lost stock certificates, transfer of stock to another person, account statements, balance inquiries, shareholder dividend inquiries and selling of shares.
You can call or write to the transfer agent at:
Principal Financial Group, Inc.
c/o Computershare
P.O. Box 43078
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Toll-free phone: 866-781-1368
Phone for hearing impaired: 312-588-4110
Online: www-us.computershare.com/contactus

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