

Principal Financial Group

Second Quarter 2018 Earnings Results

July 26, 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 management believes are useful to investors because they illustrate the performance of the company's normal, ongoing operations which is important in understanding and evaluating the company's financial condition and results of operations. While such measures are also consistent with measures utilized by investors to evaluate performance, they are not, however, a substitute for U.S. GAAP financial measures. Therefore, the company has provided reconciliations of the non-GAAP financial measures to the most directly comparable U.S. GAAP financial measure within the slides. The company adjusts U.S. GAAP financial measures for items not directly related to ongoing operations. However, it is possible these adjusting items have occurred in the past and could recur in future reporting periods. Management also uses non-GAAP financial measures for goal setting, as a basis for determining employee and senior management awards and compensation, and evaluating performance on a basis comparable to that used by investors and securities analysts.

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

Forward looking statements

Certain statements made by the company which are not historical facts may be considered forward-looking statements, including, without limitation, statements as to non-GAAP operating earnings, net income attributable to PFG, net cash 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 Mar. 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; 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.

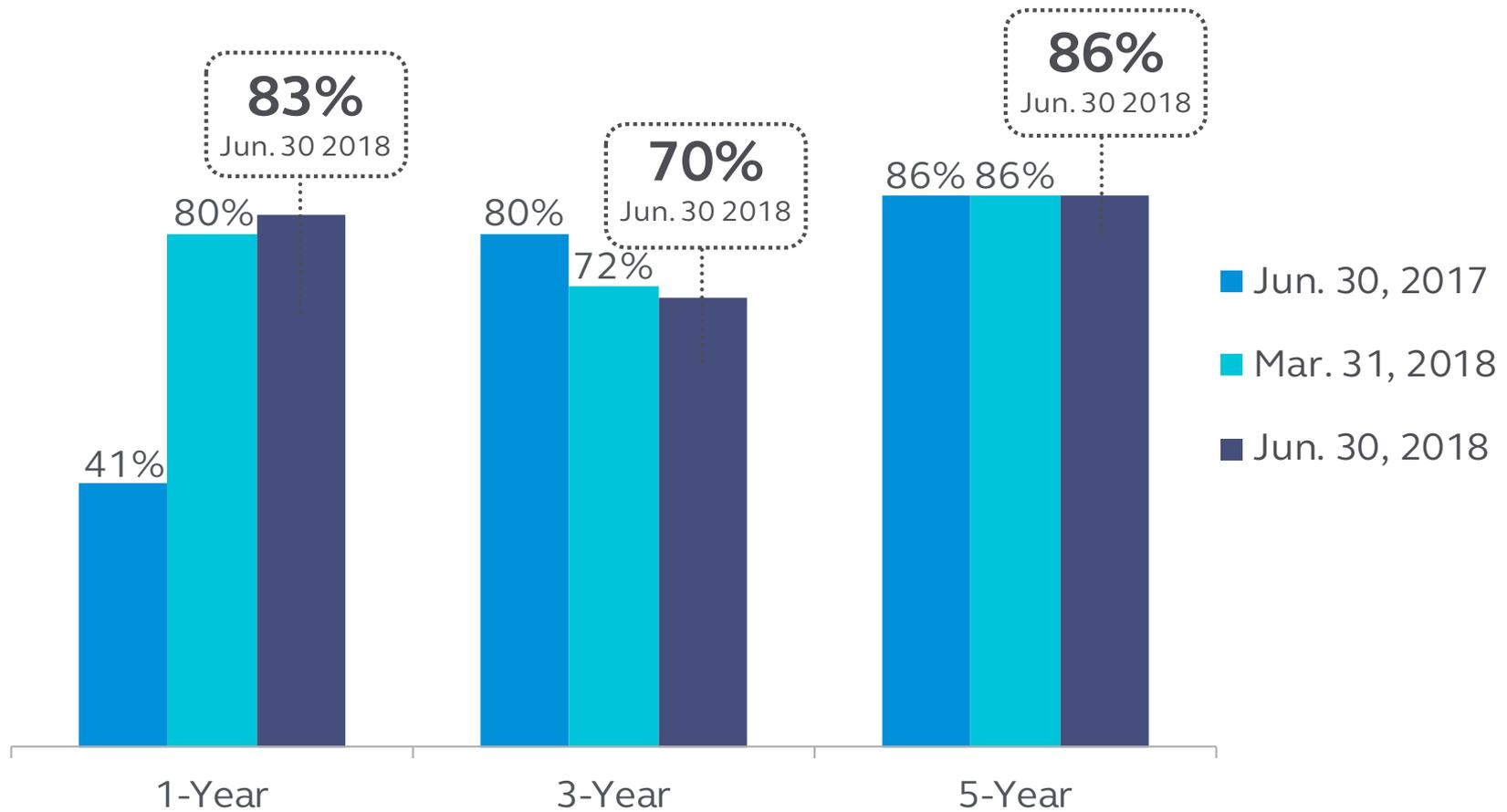
2Q 2018 earnings call key themes

Business fundamentals remain strong

- Quarterly non-GAAP operating earnings¹ of \$391M and quarterly non-GAAP operating earnings per diluted share¹ of \$1.35
- Despite \$16B of FX headwinds, AUM of \$667B; total company net cash flows of \$2.3B
- Significant variances in non-GAAP operating earnings for 2Q18 included:
 - Lower variable investment income in RIS-Fee, RIS-Spread, and SBD
 - Lower than expected encaje returns in PI
 - Integration costs associated with the Mexico AFORE acquisition in PI
- Continued to generate and deploy capital to create long-term shareholder value
 - Deployed \$391M of capital in 2Q18 through \$196M of share repurchases, \$149M of common stock dividends, and \$46M of committed M&A and increased ownership in an investment boutique
 - Announced 3Q18 common stock dividend of \$0.53 per share, a 13% increase over 3Q17 and our 10th consecutive quarterly dividend increase
 - Expect to be at the high end of the guided capital deployment range for 2018

Strong investment performance continues

Percentage of Principal actively managed mutual funds, exchange traded funds (ETFs), insurance separate accounts, and collective investment trusts (CITs)¹ in the top two Morningstar quartiles



¹Excludes Money Market, Stable Value, Liability Driven Investment (Short, Intermediate and Extended Duration), Hedge Fund Separate Account, & US Property Separate Account.

Retirement and Income Solutions – Fee (RIS – Fee)

Highlights

- Despite a 4% increase in fees and other revenue, pre-tax operating earnings excluding significant variances¹ decreased due to flat net revenue and higher operating expenses
- Quarterly net cash flows of \$1.2B driven by strong sales of \$3.1B and recurring deposit growth
- Quarterly recurring deposits grew 11% driven by underlying employment growth, increased deferral rates, and double digit growth in employer matches

	Reported pre-tax operating earnings (\$M)	Significant variances ¹ (\$M)	Pre-tax operating earnings ex significant variances (\$M)
2Q18	\$136	+\$6	\$142
2Q17	\$148		\$148
Change	-\$12 (-8%)		-\$6 (-4%)

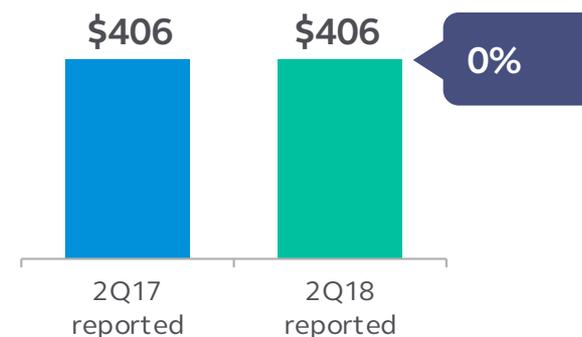
¹ Lower variable investment income.

² Excludes 3Q16 and 3Q17 actuarial assumption reviews.

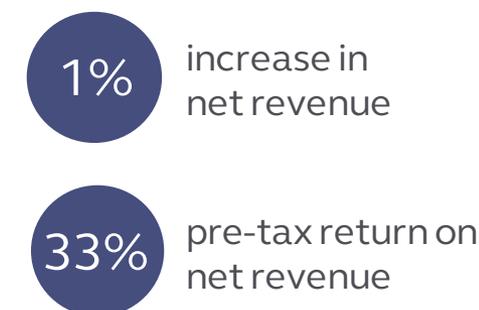
All financial information rounded to the nearest million. Change and growth rates calculated using data from financial supplement.

Net revenue (\$M)

Quarterly basis



Trailing twelve month basis²



Retirement and Income Solutions - Spread (RIS - Spread)

Highlights

- Pre-tax operating earnings excluding significant variances¹ decreased primarily due to lower reserve gains
- Sales of \$2.1B including \$1.5B of Fixed Annuity sales
- Continue to be opportunistic and remain disciplined in pricing
- Quarterly net revenue decreased as growth in the business was offset by lower variable investment income, lower reserve gains, and spread compression

	Reported pre-tax operating earnings (\$M)	Significant variances ¹ (\$M)	Pre-tax operating earnings ex significant variances (\$M)
2Q18	\$81	+\$4	\$85
2Q17	\$96	-\$7	\$89
Change	-\$15 (-16%)		-\$4 (-5%)

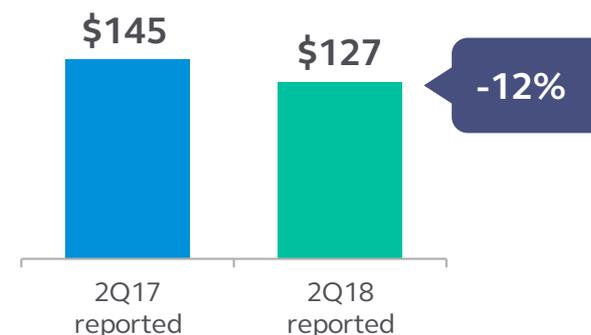
¹ Lower variable investment income in 2Q18 and higher variable investment income in 2Q17.

² Excludes 3Q16 and 3Q17 actuarial assumption reviews.

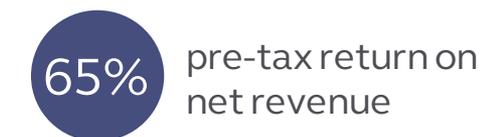
All financial information rounded to the nearest million. Change and growth rates calculated using data from financial supplement.

Net revenue (\$M)

Quarterly basis



Trailing twelve month basis²



Principal Global Investors

Highlights

- Pre-tax operating earnings increased due to higher management fees and performance fees and disciplined expense management
- AUM of \$430B increased 5% compared to the prior year quarter, including PGI sourced AUM of \$218B
- Pre-tax return on operating revenues less pass-through commissions was above the guided range on a trailing twelve month basis due to continued expense management

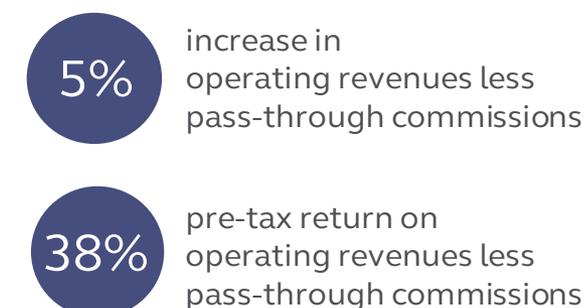
	Reported pre-tax operating earnings (\$M)
2Q18	\$127
2Q17	\$115
Change	+\$12 (+10%)

Operating revenues less pass-through commissions¹ (\$M)

Quarterly basis



Trailing twelve month basis



¹This is a non-GAAP financial measure; see reconciliation in appendix.
All financial information rounded to the nearest million. Change and growth rates calculated using data from financial supplement.

Principal International

Highlights

- Pre-tax operating earnings excluding significant variances¹ improved due to growth in the business, with record earnings in China and Southeast Asia
- Reported AUM of \$156B, including \$1.4B of net cash flows, increased 6% compared to prior year quarter and 13% on a constant currency basis², not including record China AUM of \$155B
- Volatile macroeconomic and political environment in Brazil with fluctuations in FX rates, interest rates, and inflation
- Mexico AFORE and Southeast Asia CIMB transactions closed in the first half of 2018; both expected to be accretive for 2018

	Reported pre-tax operating earnings (\$M)	Significant variances ¹ (\$M)	Pre-tax operating earnings ex significant variances (\$M)
2Q18	\$82	+\$10	\$92
2Q17	\$78	+\$5	\$83
Change	+\$4 (+5%)		+\$9 (+10%)

¹Excludes the impact of actual vs. expected encaje returns in 2Q18 and elevated expenses in Mexico.

²Prior period results translated using foreign exchange rates from the current period

³Combined basis includes all Principal International companies at 100%.

⁴This is a non-GAAP financial measure; see reconciliation in appendix.

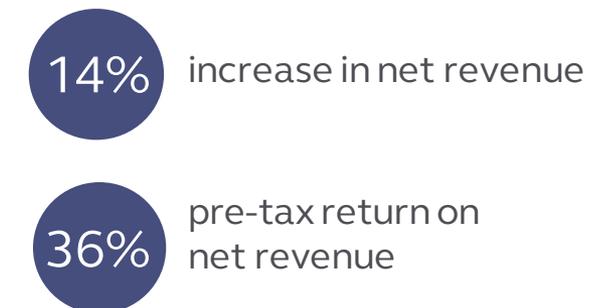
⁵Excludes 3Q16 and 3Q17 actuarial assumption reviews and the impact of actual vs. expected encaje. All financial information rounded to the nearest million. Change and growth rates calculated using data from financial supplement.

Combined³ net revenue (at PFG share)⁴ (\$M)

Quarterly basis



Trailing twelve month combined basis⁵ (at PFG share)



Specialty Benefits

Highlights

- Pre-tax operating earnings excluding significant variances¹ increased primarily due to growth in the business and favorable claims experience
- Strong premium and fee growth of 8% over the prior year quarter reflects continued strong retention and sales
- Loss ratio at the low end of the guided range due to continued favorable claims experience

	Reported pre-tax operating earnings (\$M)	Significant variances ¹ (\$M)	Pre-tax operating earnings excluding significant variances (\$M)
2Q18	\$64	+\$3	\$67
2Q17	\$64		\$64
Change	+\$0 (+0%)		+\$3 (+5%)

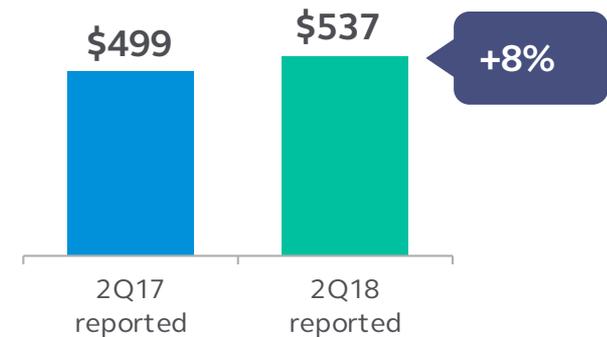
¹Lower variable investment income.

²Excludes 3Q16 and 3Q17 actuarial assumption reviews.

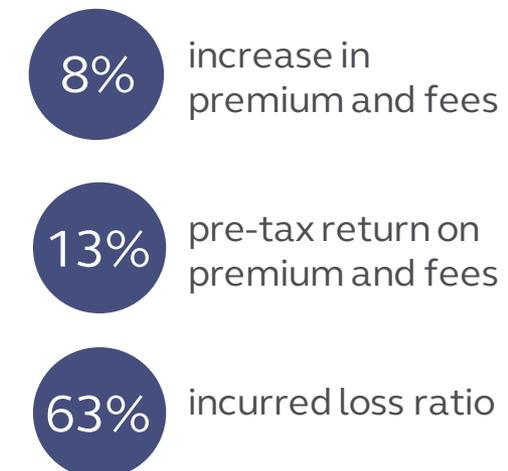
All financial information rounded to the nearest million. Change and growth rates calculated using data from financial supplement.

Premium and fees (\$M)

Quarterly basis



Trailing twelve month basis²



Individual Life

Highlights

- Pre-tax operating earnings excluding significant variances¹ increased primarily due to favorable claims
- Premium and fees decreased over the prior year quarter due to volatility in reinsurance premiums
- Business market represented 65% of sales in the quarter

	Reported pre-tax operating earnings (\$M)	Significant variances ¹ (\$M)	Pre-tax operating earnings ex significant variances (\$M)
2Q18	\$45		\$45
2Q17	\$41	-\$3	\$38
Change	+\$5 (+11%)		+\$7 (+20%)

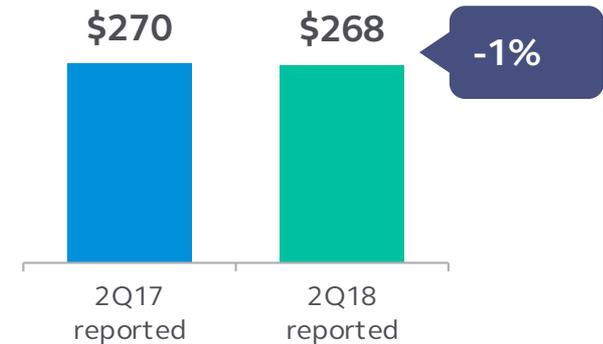
¹Higher variable investment income.

²Excludes 3Q16 and 3Q17 actuarial assumption reviews.

All financial information rounded to the nearest million. Change and growth rates calculated using data from financial supplement.

Premium and fees (\$M)

Quarterly basis

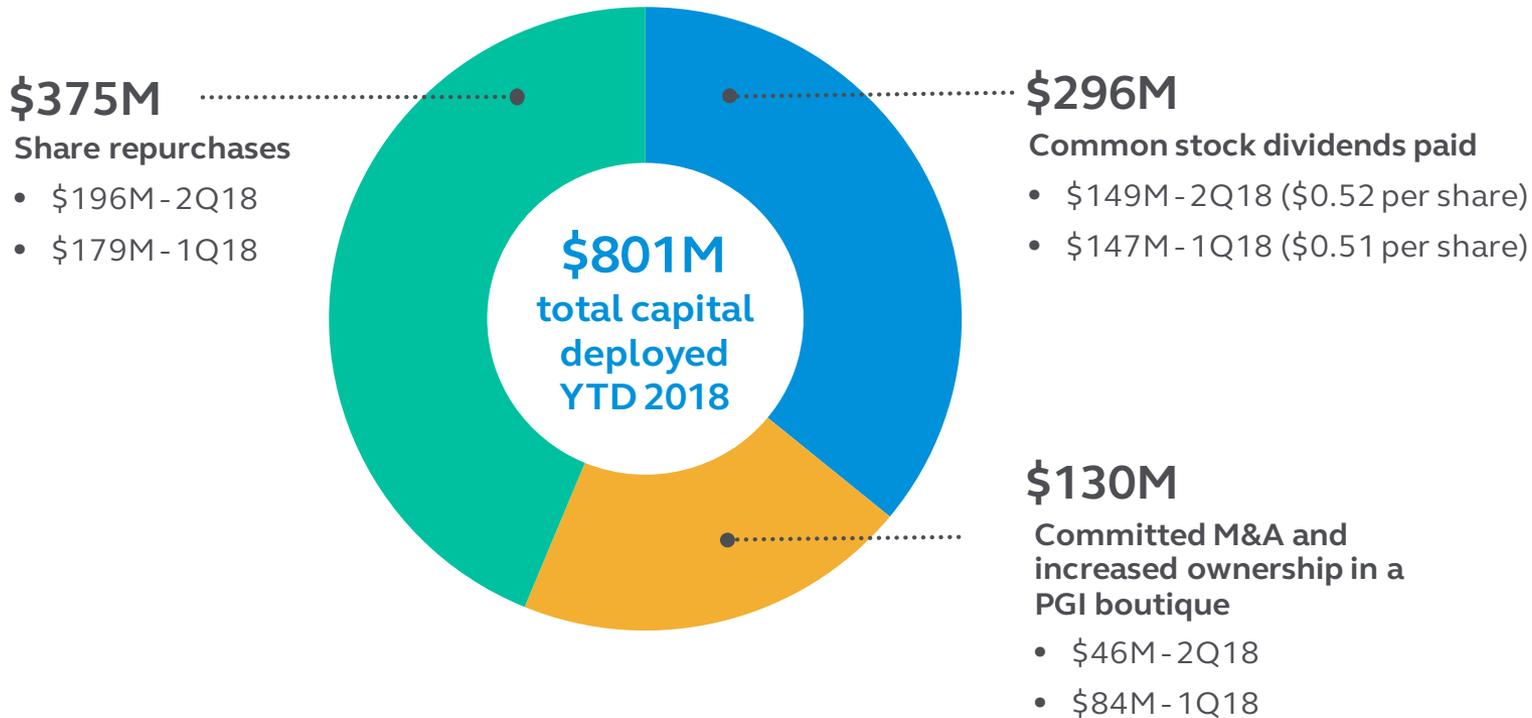


Trailing twelve month basis²

4% increase in premium and fees

17% pre-tax return on premium and fees

Capital deployment



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

10th 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

Appendix

Non-GAAP financial measure reconciliations

	<i>(in millions)</i>	
	Three Months Ended	Three Months Ended
Principal Global Investors Operating Revenues Less Pass-Through Commissions	6/30/18	6/30/17
Principal Global Investors operating revenues	\$379.6	\$355.5
Principal Global Investors commission expense	(41.9)	(39.8)
Principal Global Investors operating revenues less pass-through commissions	\$337.7	\$315.7

	<i>(in millions)</i>	
	Three Months Ended	Three Months Ended
Principal International Combined Net Revenue (at PFG Share)	6/30/18	6/30/17
Principal International pre-tax operating earnings	\$82.1	\$78.4
Principal International combined operating expenses other than pass-through commissions (at PFG share)	164.7	141.8
Principal International combined net revenue (at PFG share)	\$246.8	\$220.2

	<i>(in millions)</i>	
	Three Months Ended	Three Months Ended
Non-GAAP Operating Earnings (Losses)	6/30/18	6/30/17
Net income attributable to PFG	\$456.6	\$309.5
Net realized capital (gains) losses, as adjusted	(65.2)	74.1
Non-GAAP operating earnings	\$391.4	\$383.6

	<i>Per diluted share</i>	
	Three Months Ended	Three Months Ended
Diluted Earnings Per Common Share	6/30/18	6/30/17
Net income	\$1.58	\$1.06
Net realized capital (gains) losses, as adjusted	(0.23)	0.25
Non-GAAP operating earnings	\$1.35	\$1.31
Weighted-average diluted common shares outstanding (<i>in millions</i>)	289.2	292.7

Definitions

Variable investment income includes certain types of investment returns such as prepayment fees and income (loss) from certain elements of our alternative asset classes, including results of value-add real estate sales activity.