

Principal Financial Group

Second Quarter 2019 Earnings Results

July 25, 2019



Use of non-GAAP financial measures

A non-GAAP financial measure is a numerical measure of performance, financial position, or cash flow 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

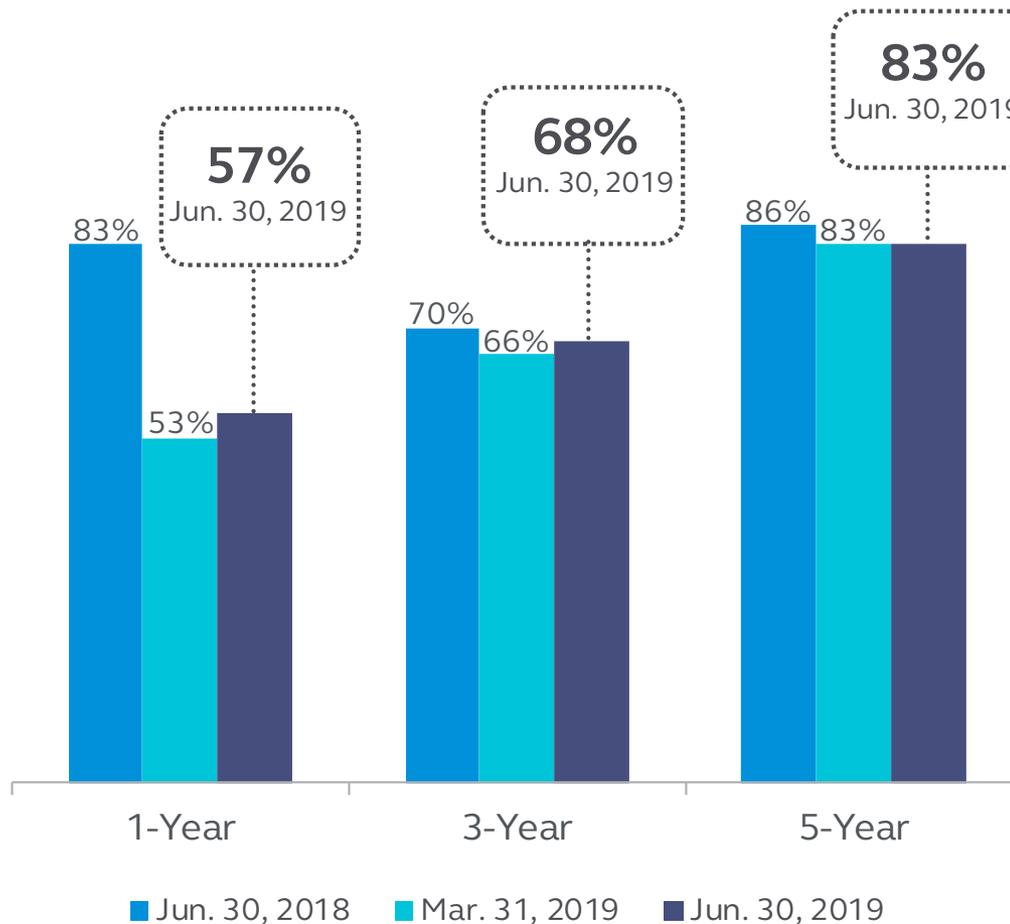
Certain statements made by the company which are not historical facts may be considered forward-looking statements, including, without limitation, statements as to non-GAAP operating earnings, net income attributable to PFG, net cash flow, realized and unrealized gains and losses, capital and liquidity positions, sales and earnings trends, and management's beliefs, expectations, goals and opinions. The company does not undertake to update these statements, which are based on a number of assumptions concerning future conditions that may ultimately prove to be inaccurate. Future events and their effects on the company may not be those anticipated, and actual results may differ materially from the results anticipated in these forward-looking statements. The risks, uncertainties and factors that could cause or contribute to such material differences are discussed in the company's annual report on Form 10-K for the year ended Dec. 31, 2018, and in the company's quarterly report on Form 10-Q for the quarter ended Mar. 31, 2019, 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 for insurance and annuity products could differ significantly from its pricing and reserving assumptions; the pattern of amortizing the company's DAC and other actuarial balances on its universal life-type insurance contracts, participating life insurance policies and certain investment contracts may change; changes in laws, regulations or accounting standards; the company may not be able to protect its intellectual property and may be subject to infringement claims; the company's ability to pay stockholder dividends and meet its obligations may be constrained by the limitations on dividends Iowa insurance laws impose on Principal Life; litigation and regulatory investigations; from time to time the company may become subject to tax audits, tax litigation or similar proceedings, and as a result it may owe additional taxes, interest and penalties in amounts that may be material; applicable laws and the company's certificate of incorporation and by-laws may discourage takeovers and business combinations that some stockholders might consider in their best interests; competition, including from companies that may have greater financial resources, broader arrays of products, higher ratings and stronger financial performance; technological and societal changes may disrupt the company's business model and impair its ability to retain existing customers, attract new customers and maintain its profitability; a downgrade in the company's financial strength or credit ratings; client terminations, withdrawals or changes in investor preferences; inability to attract and retain qualified employees and sales representatives and develop new distribution sources; an interruption in telecommunication, information technology or other systems, or a failure to maintain the confidentiality, integrity or availability of data residing on such systems; international business risks; fluctuations in foreign currency exchange rates; risks arising from participation in joint ventures; the company may need to fund deficiencies in its "Closed Block" assets; the company's reinsurers could default on their obligations or increase their rates; risks arising from acquisitions of businesses; and loss of key vendor relationships or failure of a vendor to protect information of our customers or employees.

2Q 2019 results

- Quarterly non-GAAP operating earnings¹ of \$427M and quarterly non-GAAP operating earnings per diluted share¹ of \$1.52, an increase of 9% and 13%, respectively, compared to 2Q18
- Significant variances benefited non-GAAP operating earnings in 2Q19 by \$27M and included:
 - \$25M of higher than expected variable investment income in RIS and USIS
 - \$7M of net benefit in PI, comprised of \$10M higher actual versus expected encaje performance partially offset by \$3M of lower actual versus expected inflation, both in Latin America
 - \$6M of lower DAC amortization in RIS-Fee due to better than expected point-to-point equity market performance
 - \$11M of higher compensation and other expenses, including \$9M in Corporate, primarily transaction costs from the Wells Fargo Institutional Retirement & Trust (IRT) acquisition, and \$2M of integration costs in RIS-Fee
- Record AUM of \$696B; total company quarterly net cash flow of -\$2.0B, including the \$3.2B investment grade mandate withdrawal that was previously identified as at-risk in 1Q18
- Continued to generate and deploy capital to create long-term shareholder value
 - Committed and deployed \$1.4B of capital in 2Q19 through \$1.2B of M&A and \$150M of common stock dividends
 - On July 1st, we closed on the acquisition of the Wells Fargo IRT business
 - Announced 3Q19 common stock dividend of \$0.55 per share, a 4% increase over 3Q18

Investment performance

Equal weighted¹



Asset weighted²

88%

of rated fund AUM has a 4 or 5 star rating from Morningstar

4 or 5 stars	88%
3 stars	9%
2 stars	1%
1 stars	2%

¹ 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.

² Includes only funds with ratings assigned by Morningstar; non-rated funds excluded (78 total funds with I-shares, 74 are ranked)

Retirement and Income Solutions – Fee (RIS – Fee)

Highlights

- Pre-tax operating earnings excluding significant variances¹ decreased due to a slight decline in net revenue and higher operating expenses
- Quarterly net revenue decreased as growth in the business was more than offset by lower fees due to competitive pressures and the shift of commissions to fee-based compensation agreements
- Quarterly net cash flow of \$1.4B with sales of \$4.1B, favorable retention, and recurring deposit growth
- Trailing twelve month recurring deposits grew 9% driven by increased deferral rates and strong growth in employer matches

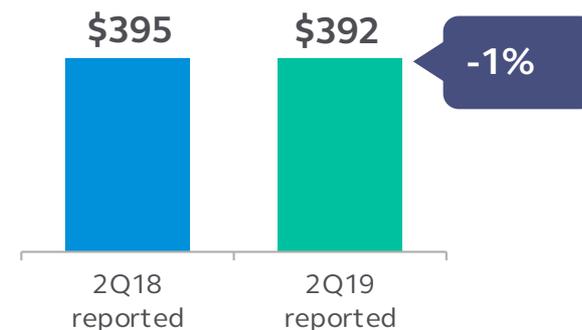
	Reported pre-tax operating earnings (\$M)	Significant variances ¹ (\$M)	Pre-tax operating earnings ex significant variances (\$M)
2Q19	\$132.8	-\$5.6	\$127.2
2Q18	\$130.7	+\$3.0	\$133.7
Change	+\$2.1 (+2%)		-\$6.5 (-5%)

¹ Higher variable investment income, lower DAC amortization, and higher compensation and other expenses in 2Q19; lower variable investment income in 2Q18. 2Q18 significant variance impacted by financial recast.

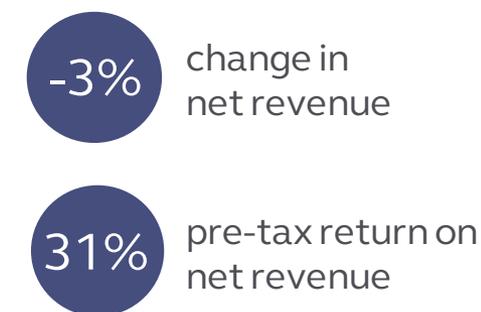
² Excludes impacts of 3Q18 and 3Q17 actuarial assumption reviews. Growth rates calculated using data from financial supplement.

Net revenue (\$M)

Quarterly basis



Trailing twelve month basis²



Retirement and Income Solutions - Spread (RIS - Spread)

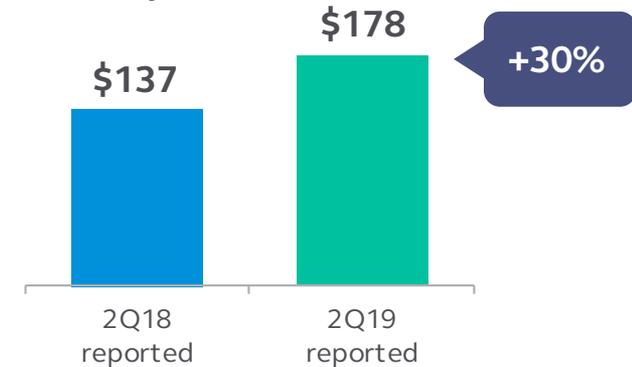
Highlights

- Pre-tax operating earnings excluding significant variances¹ increased due to growth in the business
- Quarterly net revenue increased due to higher variable investment income and growth in the business
- Quarterly sales of \$2.0B, including \$0.9B of pension risk transfer sales and \$0.6B of fixed annuity sales
- Pension risk transfer pipeline remains strong despite the decline in interest rates

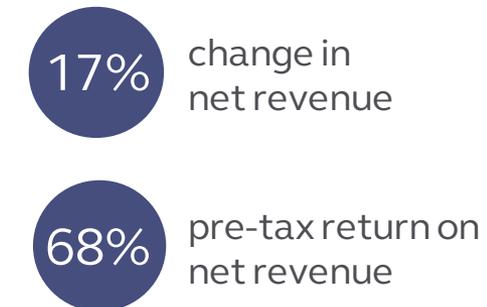
	Reported pre-tax operating earnings (\$M)	Significant variances ¹ (\$M)	Pre-tax operating earnings ex significant variances (\$M)
2Q19	\$123.4	-\$15.0	\$108.4
2Q18	\$96.9	+\$7.0	\$103.9
Change	+\$26.5 (+27%)		+\$4.5 (+4%)

Net revenue (\$M)

Quarterly basis



Trailing twelve month basis²



¹ Higher variable investment income in 2Q19 and lower variable investment income in 2Q18. 2Q18 significant variance impacted by financial recast.

² Excludes impacts of 3Q18 and 3Q17 actuarial assumption reviews. Growth rates calculated using data from financial supplement.

Principal Global Investors

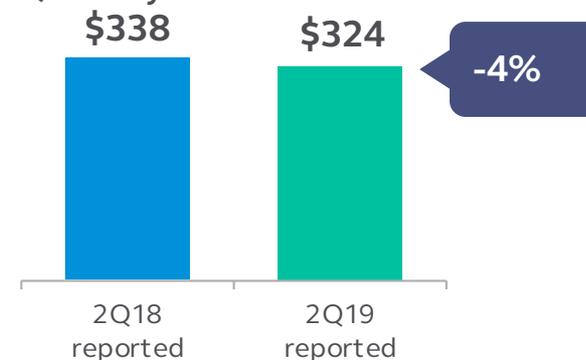
Highlights

- Pre-tax operating earnings decreased primarily due to investments in the business, lower performance fees, and mix of business
- AUM of \$432B, including PGI sourced AUM of \$208B
- Quarterly net cash flow of -\$5.0B, including the \$3.2B investment grade mandate withdrawal that was previously identified as at-risk in 1Q18

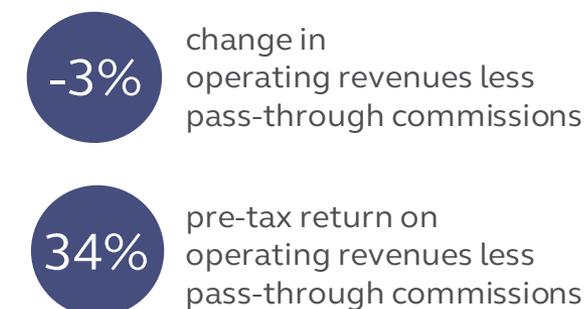
	Reported pre-tax operating earnings (\$M)
2Q19	\$115.6
2Q18	\$129.2
Change	-\$13.6 (-11%)

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

Quarterly basis



Trailing twelve month basis²



¹This is a non-GAAP financial measure; see reconciliation in appendix.

²Excludes accelerated real estate performance fee.

Growth rates calculated using data from financial supplement.

Principal International

Highlights

- Pre-tax operating earnings excluding significant variances¹ decreased primarily due to foreign currency translation headwinds of \$7M
- AUM of \$168B increased 7% compared to prior year quarter, not including China AUM of \$147B
- Net cash flow of \$0.6B for the quarter, marking the 43rd consecutive quarter of positive net cash flow

	Reported pre-tax operating earnings (\$M)	Significant variances ¹ (\$M)	Pre-tax operating earnings ex significant variances (\$M)
2Q19	\$93.2	-\$6.9	\$86.3
2Q18	\$86.3	+\$10.3	\$96.6
Change	+\$6.9 (+8%)		-\$10.3 (-11%)

¹2Q19 includes higher actual vs. expected encaje and lower actual vs. expected Latin American inflation. 2Q18 includes lower actual vs. expected encaje and additional integration costs from the Mexico Afore acquisition.

²Combined basis includes all Principal International companies at 100%.

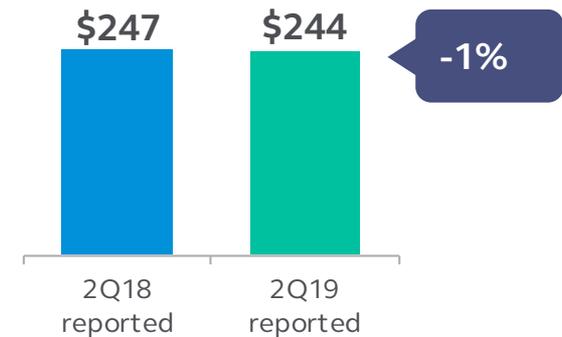
³This is a non-GAAP financial measure; see reconciliation in appendix.

⁴Excludes impacts of 3Q18 and 3Q17 actuarial assumption reviews.

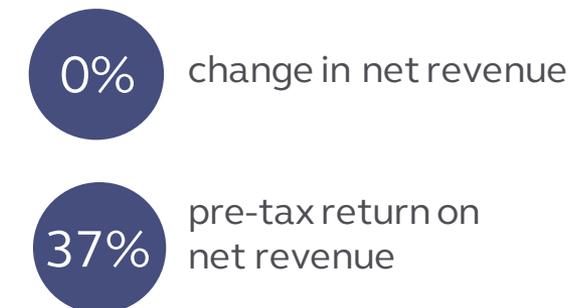
Growth rates calculated using data from financial supplement.

Combined² net revenue (at PFG share)³ (\$M)

Quarterly basis



Trailing twelve month combined⁴ basis (at PFG share)



Specialty Benefits

Highlights

- Pre-tax operating earnings excluding significant variances¹ increased due to favorable claims experience and growth in the business
- Loss ratio benefited \$9M from very favorable Group Life claims experience
- Strong quarterly premium and fees growth of 8% over the prior year quarter reflects continued strong retention and sales

	Reported pre-tax operating earnings (\$M)	Significant variances ¹ (\$M)	Pre-tax operating earnings ex significant variances (\$M)
2Q19	\$93.2	-\$5.0	\$88.2
2Q18	\$63.4	+\$3.0	\$66.4
Change	+\$29.8 (+47%)		+\$21.8 (+33%)

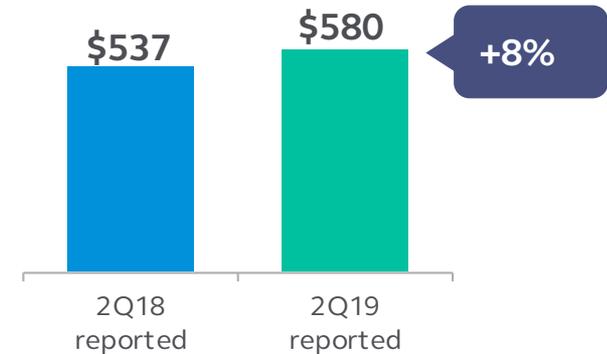
¹Higher variable investment income in 2Q19 and lower variable investment income in 2Q18.

²Excludes impacts of 3Q18 and 3Q17 actuarial assumption reviews.

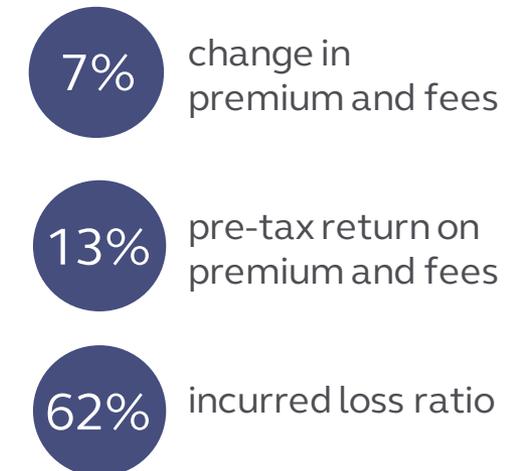
Growth rates calculated using data from financial supplement.

Premium and fees (\$M)

Quarterly basis



Trailing twelve month basis²



Individual Life

Highlights

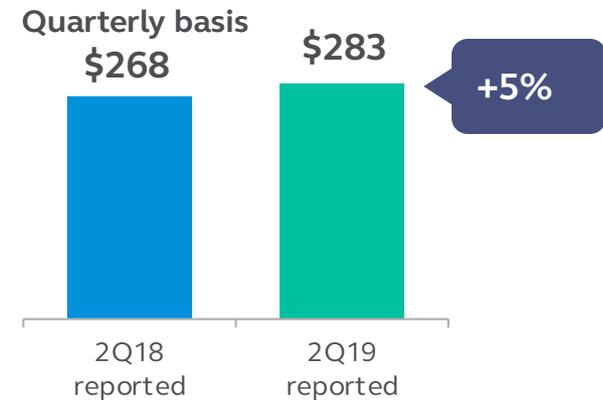
- Pre-tax operating earnings excluding significant variances¹ increased slightly as growth in the business was offset by higher, but in-line, claims experience
- Sales increased 12% over the year ago quarter with business market representing nearly 60% of sales

	Reported pre-tax operating earnings (\$M)	Significant variances ¹ (\$M)	Pre-tax operating earnings ex significant variances (\$M)
2Q19	\$53.1	-\$3.0	\$50.1
2Q18	\$49.9		\$49.9
Change	+\$3.2 (+6%)		+\$0.2 (+0%)

¹Higher variable investment income.

²Excludes impacts of 3Q18 and 3Q17 actuarial assumption reviews. Growth rates calculated using data from financial supplement.

Premium and fees (\$M)



Trailing twelve month basis²

4% change in premium and fees

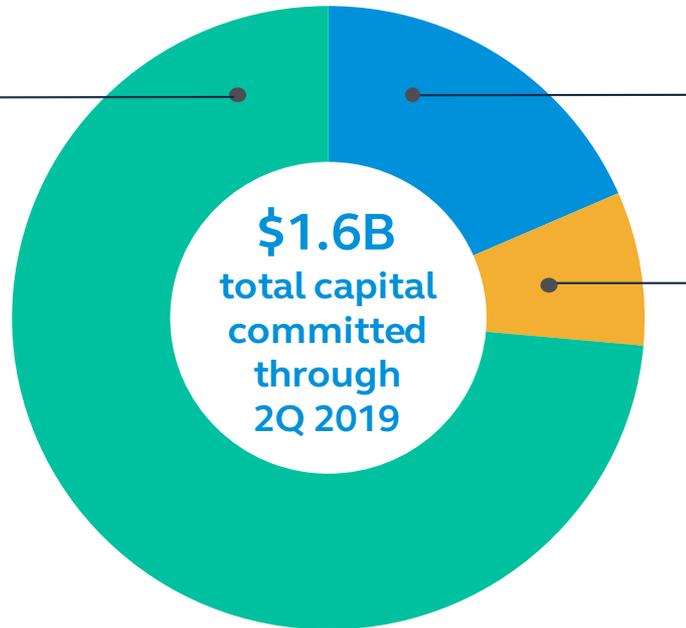
18% pre-tax return on premium and fees

Capital deployment

\$1.2B

Committed M&A

- \$1.2B-2Q19



\$300M

Common stock dividends paid

- \$150M-2Q19 (\$0.54 per share)
- \$150M-1Q19 (\$0.54 per share)

\$130M

Share repurchases

- \$130M-1Q19

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- Have deployed above our guided range of \$1.0B to \$1.4B of capital in 2019
 - Announced 3Q19 common stock dividend of \$0.55 per share, or \$2.17 for 3Q19 TTM; a 6% increase compared to 3Q18 TTM
 - Plan to resume share buybacks no later than 1Q20

Appendix

Non-GAAP financial measure reconciliations

	<i>(in millions)</i>	
	Three Months Ended	
	6/30/19	6/30/18
Principal Global Investors Operating Revenues Less Pass-Through Commissions		
Principal Global Investors operating revenues	\$359.5	\$379.6
Principal Global Investors commission expense	(35.9)	(41.9)
Principal Global Investors operating revenues less pass-through commissions	\$323.6	\$337.7

	<i>(in millions)</i>	
	Three Months Ended	
	6/30/19	6/30/18
Principal International Combined Net Revenue (at PFG Share)		
Principal International pre-tax operating earnings	\$93.2	\$86.3
Principal International combined operating expenses other than pass-through commissions (at PFG share)	151.2	160.5
Principal International combined net revenue (at PFG share)	\$244.4	\$246.8

	<i>(in millions)</i>	
	Three Months Ended	
	6/30/19	6/30/18
Non-GAAP Operating Earnings (Losses)		
Net income attributable to PFG	\$386.3	\$456.6
Net realized capital (gains) losses, as adjusted	40.8	(65.2)
Non-GAAP operating earnings	\$427.1	\$391.4

	<i>Per diluted share</i>	
	Three Months Ended	
	6/30/19	6/30/18
Diluted Earnings Per Common Share		
Net income	\$1.37	\$1.58
Net realized capital (gains) losses, as adjusted	0.15	(0.23)
Non-GAAP operating earnings	\$1.52	\$1.35
Weighted-average diluted common shares outstanding (<i>in millions</i>)	281.2	289.2

Macroeconomic sensitivities

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% ¹	+/- < 1% ²	-/+ < 1% ³
And the primary businesses impacted are...	RIS – Fee PGI	RIS – Spread Individual Life SBD	PI

¹ Assumes an immediate 10% change in the S&P 500 followed by 2% growth per quarter thereafter. ² Excludes the impact of actuarial unlockings. ³ Principal is primarily impacted by changes in Latin American and Asian currencies. Inverse relationship between movement of the US dollar and impact to non-GAAP pre-tax operating earnings.

Note: The impact to net income attributable to Principal Financial Group, Inc. is materially consistent with the impact to non-GAAP pre-tax operating earnings.