

Principal Financial Group

Third Quarter 2019 Earnings Results

October 24, 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 Jun. 30, 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.

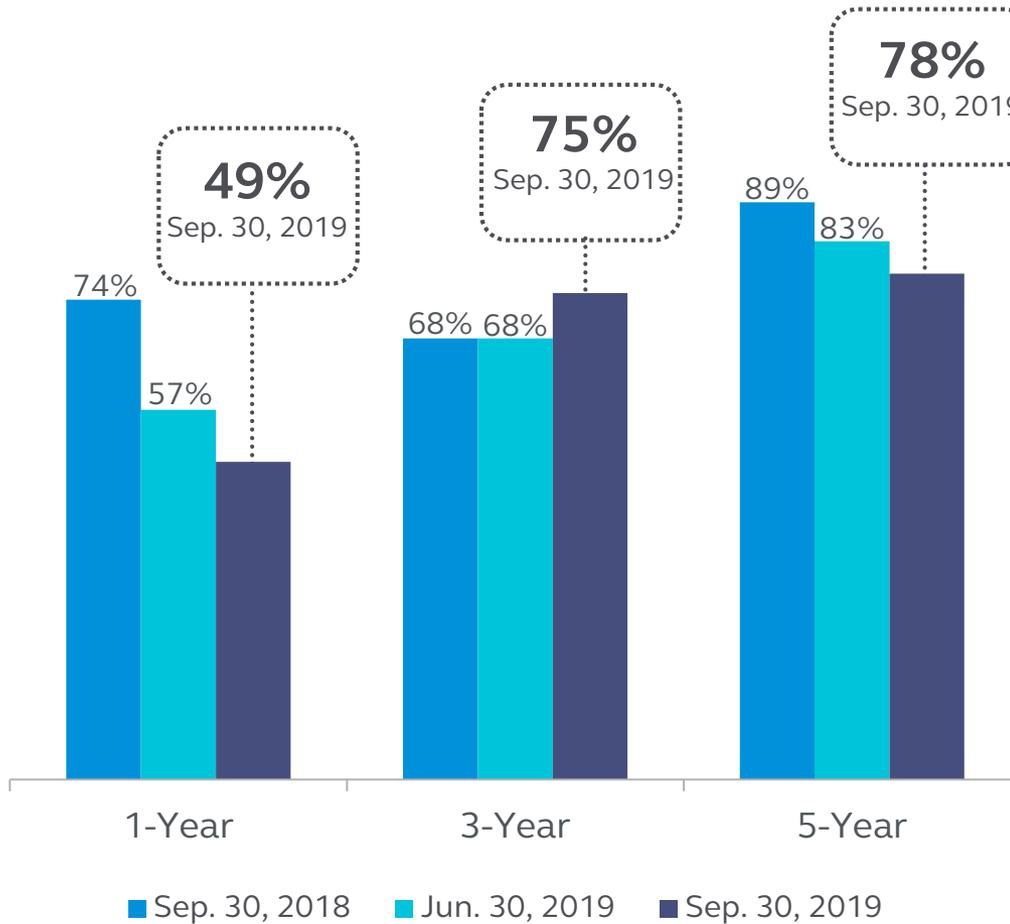
3Q 2019 results

- Quarterly non-GAAP operating earnings¹ of \$345M and quarterly non-GAAP operating earnings per diluted share¹ of \$1.23
- Significant variances in non-GAAP pre-tax operating earnings for 3Q19 included (details on slide 7):
 - Annual actuarial assumption review of \$(39.8)M, impacting RIS, USIS, and PI
 - Higher compensation and other expenses of \$(10.7)M, primarily transaction and integration costs from the Wells Fargo Institutional Retirement & Trust (IRT) acquisition, in RIS-Fee and Corporate
 - Net benefit of \$9.2M in Principal International from higher actual versus expected encaje performance partially offset by lower actual versus expected inflation, both in Latin America
- Acquisition of Wells Fargo IRT business closed on 7/1; financials reported in RIS-Fee
- Record AUM of \$703B with total company quarterly net cash flow of \$6.9B including positive net cash flow in all business units; AUM and net cash flow exclude acquired AUA² of \$876B
- Continued to generate and deploy capital to create long-term shareholder value
 - Deployed \$202M of capital in 3Q19 through \$153M of common stock dividends, \$44M of share repurchases, and \$5M of M&A
 - Announced 4Q19 common stock dividend of \$0.55 per share, a 2% increase over 4Q18

¹This is a non-GAAP financial measure; see reconciliation in appendix. ²Represents 9/30/2019 assets under administration from the IRT acquisition.

Investment performance

Equal weighted¹



Asset weighted²

81%

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

4 or 5 stars	81%
3 stars	16%
2 stars	1%
1 star	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)

A stronger combined retirement business

Focusing on customer and revenue retention; integration efforts on track

- Closed on the acquisition of the Wells Fargo Institutional Retirement & Trust business on 7/1/2019
- Announced combined leadership team and technology platforms
- Positive interactions with clients, advisors, and consultants
- Revenue lapses were in line with expectations

Financial impacts – largely in-line with announcement call

- \$876B of AUA as of 9/30/2019
- Net revenue negatively impacted by decline in interest on excess reserves (IOER) rate since announcement; additional Fed rate cuts are being considered in 4Q19
- \$546M of intangibles leading to increase in quarterly amortization expense in RIS-Fee of \$7M
- Immaterial impact to pre-tax operating earnings and EPS in 2019; will provide update on 2020 on our Outlook call

Significant variances related to the acquisition	3Q19	Cumulative
Combined integration expenses and earnout liability change (RIS-Fee)	\$4M	\$6
Transaction expenses (Corporate)	\$7M	\$16

Non-GAAP operating earnings excluding impacts from significant variances

3Q19 vs 3Q18

(in millions, except per share data)

	Impacts of 3Q19 significant variances				3Q19 excluding significant variances	Impacts of 3Q18 significant variances			3Q18 excluding significant variances	3Q19 vs 3Q18 excluding significant variances	
	3Q19 as reported	Actuarial assumption review	Transaction & integration costs	Encaje & inflation		3Q18 as reported	Actuarial assumption review	Other significant variances ¹		\$ change	% change
Segment pre-tax operating earnings											
RIS-Fee	\$ 85.1	\$ (35.5)	\$ (3.4)	\$ -	\$ 124.0	\$ 145.2	\$ 7.7	\$ 2.0	\$ 135.5	\$ (11.5)	-8%
RIS-Spread	84.6	1.2	-	-	83.4	121.6	11.5	15.0	95.1	(11.7)	-12%
Retirement and Income Solutions	169.7	(34.3)	(3.4)	-	207.4	266.8	19.2	17.0	230.6	(23.2)	-10%
Principal Global Investors	123.0	-	-	-	123.0	216.8	-	85.6	131.2	(8.2)	-6%
Principal International	108.9	7.8	-	9.2	91.9	37.0	(53.5)	-	90.5	1.4	2%
Specialty Benefits	101.5	20.5	-	-	81.0	82.5	6.2	6.0	70.3	10.7	15%
Individual Life	18.6	(33.8)	-	-	52.4	43.2	(15.5)	-	58.7	(6.3)	-11%
U.S. Insurance Solutions	120.1	(13.3)	-	-	133.4	125.7	(9.3)	6.0	129.0	4.4	3%
Corporate	(102.1)	-	(7.3)	-	(94.8)	(52.9)	-	-	(52.9)	(41.9)	-79%
Non-GAAP pre-tax operating earnings	419.6	(39.8)	(10.7)	9.2	460.9	593.4	(43.6)	108.6	528.4	(67.5)	-13%
Income taxes	74.3	(6.9)	(2.3)	2.2	81.3	112.2	(22.1)	27.9	106.4	(25.1)	-24%
Non-GAAP operating earnings (losses)	\$ 345.3	\$ (32.9)	\$ (8.4)	\$ 7.0	\$ 379.6	\$ 481.2	\$ (21.5)	\$ 80.7	\$ 422.0	\$ (42.4)	-10%
Net realized capital gains (losses)	(68.2)	(3.6)	-	\$ -	(64.6)	(24.9)	53.6	-	(78.5)	13.9	18%
Net income (loss) attributable to Principal Financial Group, Inc.	\$ 277.1	\$ (36.5)	\$ (8.4)	\$ 7.0	\$ 315.0	\$ 456.3	\$ 32.1	\$ 80.7	\$ 343.5	\$ (28.5)	-8%
Weighted average diluted shares outstanding	281.4				281.4	287.8			287.8	(6.4)	-2%
Non-GAAP operating earnings per share (EPS)	\$1.23	(\$0.12)	(\$0.03)	\$0.03	\$1.35	\$1.67	(\$0.08)	\$0.28	\$1.47	(\$0.12)	-8%

Impacts of 3Q19 significant variances

Income statement line item impacts of the annual actuarial assumption review, actual vs. expected encaje and inflation, and acquisition transaction and integration costs

(\$ in millions)

Line Item	Annual actuarial assumption review					Subtotal actuarial assumption review	Transaction and integration costs		Encaje & inflation ¹	Total
	RIS-Fee	RIS-Spread	Principal International	Specialty Benefits	Individual Life		RIS-Fee	Corporate	Principal International	
Premiums and other considerations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees and other revenues	-	-	-	-	100.2	100.2	-	-	-	100.2
Net investment income	-	-	7.8	-	-	7.8	-	-	9.2	17.0
<i>Total operating revenues</i>	-	-	7.8	-	100.2	108.0	-	-	9.2	117.2
Benefits, claims and settlement expenses	37.9	2.6	-	2.4	47.1	90.0	-	-	-	90.0
Dividends to policyholders	-	-	-	-	1.7	1.7	-	-	-	1.7
Commissions	-	-	-	-	-	-	-	-	-	-
Capitalization of DAC	-	-	-	(24.6)	-	(24.6)	-	-	-	(24.6)
Amortization of DAC	(2.4)	(3.8)	-	-	85.2	79.0	-	-	-	79.0
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-
Interest expense on corporate debt	-	-	-	-	-	-	-	-	-	-
Compensation and other	-	-	-	1.7	-	1.7	3.4	7.3	-	12.4
<i>Total expenses</i>	35.5	(1.2)	-	(20.5)	134.0	147.8	3.4	7.3	-	158.5
Non-GAAP pre-tax operating earnings (losses)	\$ (35.5)	\$ 1.2	\$ 7.8	\$ 20.5	\$ (33.8)	\$ (39.8)	\$ (3.4)	\$ (7.3)	\$ 9.2	\$ (41.3)

Retirement and Income Solutions – Fee (RIS – Fee)

Highlights

- Pre-tax operating earnings excluding significant variances¹ decreased primarily due to higher deferred acquisition cost (DAC) amortization expense and investments in the business
- Quarterly net revenues increased in large part due to acquisition of Wells Fargo IRT business
- Quarterly pre-tax return on net revenue excluding significant variances¹ declined to 25% primarily due to our recent acquisition
- Quarterly net cash flow of \$1.1B driven by sales of \$3.7B, favorable retention, and recurring deposit growth of 10%

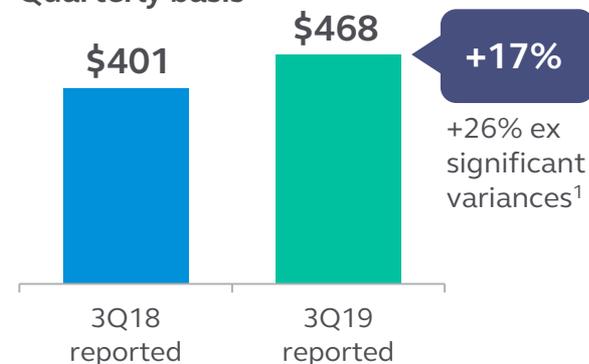
	Reported pre-tax operating earnings (\$M)	Significant variances ¹ (\$M)	Pre-tax operating earnings ex significant variances (\$M)
3Q19	\$85.1	+\$38.9	\$124.0
3Q18	\$145.2	-\$9.7	\$135.5
Change	-\$60.1 (-41%)		-\$11.5 (-8%)

¹ Impact of actuarial assumption review and integration expenses in 3Q19; higher variable investment income and impact of actuarial assumption review in 3Q18. 3Q18 significant variance impacted by financial recast.

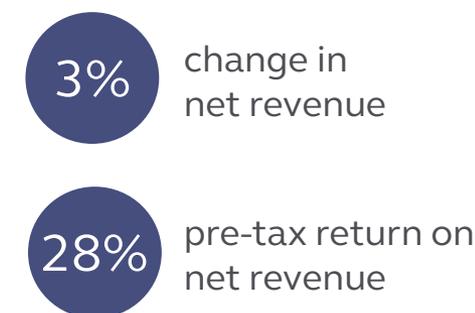
² Excludes impacts of 3Q19 and 3Q18 actuarial assumption reviews.

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 net revenue, higher DAC amortization expense, and investments in the business
- Quarterly net revenue decreased due to unfavorable mortality experience and lower variable investment income in the current quarter
- Quarterly sales of \$3.1B, including \$1.3B of pension risk transfer sales and \$0.8B of fixed annuity sales
- Pension risk transfer pipeline remains strong despite the decline in interest rates

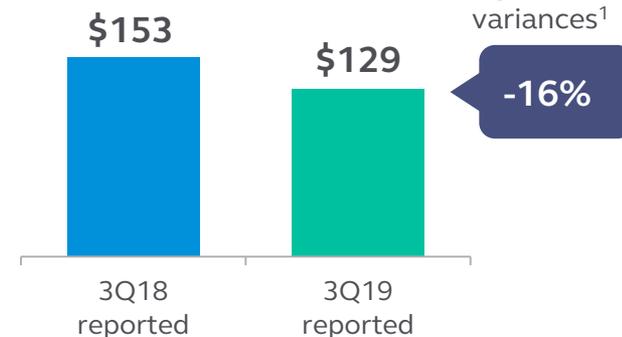
	Reported pre-tax operating earnings (\$M)	Significant variances ¹ (\$M)	Pre-tax operating earnings ex significant variances (\$M)
3Q19	\$84.6	-\$1.2	\$83.4
3Q18	\$121.6	-\$26.5	\$95.1
Change	-\$37.0 (-30%)		-\$11.7 (-12%)

¹ Impact of actuarial assumption review in 3Q19, impact of actuarial assumption review and higher variable investment income in 3Q18. 3Q18 significant variance impacted by financial recast.

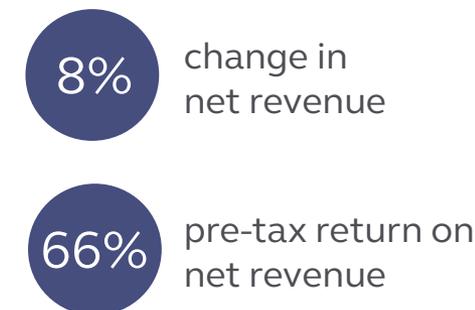
² Excludes impacts of 3Q19 and 3Q18 actuarial assumption reviews.

Net revenue (\$M)

Quarterly basis



Trailing twelve month basis²



Principal Global Investors

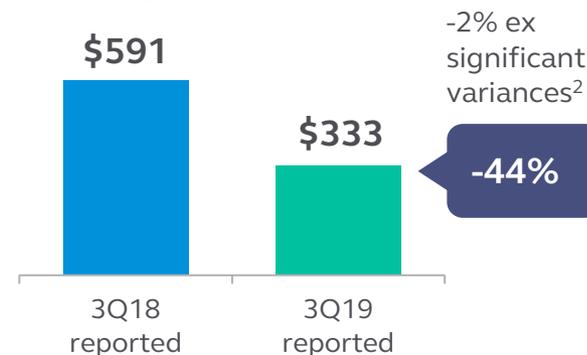
Highlights

- Pre-tax operating earnings excluding significant variances¹ decreased primarily due to lower operating revenues less pass-through expenses and investments in the business
- Quarterly operating revenues less pass-through expenses decreased due to the accelerated real estate performance fee in 3Q18
- AUM of \$442B, including PGI sourced AUM of \$212B
- Quarterly net cash flow of \$2.9B, including PGI sourced net cash flow of \$1.3B

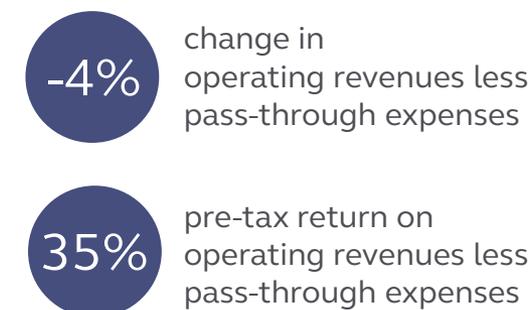
	Reported pre-tax operating earnings (\$M)	Significant variances ² (\$M)	Pre-tax operating earnings ex significant variances (\$M)
3Q19	\$123.0		\$123.0
3Q18	\$216.8	-\$85.6	\$131.2
Change	-\$93.8 (-43%)		-\$8.2 (-6%)

Operating revenues less pass-through expenses¹ (\$M)

Quarterly basis



Trailing twelve month basis²



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

² Excludes accelerated real estate performance fee in 3Q18.

Principal International

Highlights

- Pre-tax operating earnings excluding significant variances¹ increased slightly as growth in the business was partially offset by foreign currency headwinds of \$3.5M
- AUM of \$164B increased 10% compared to prior year quarter on a constant currency basis², not including China AUM of \$146B
- Net cash flow of \$1.6B driven by Brazil and Hong Kong, marking the 44th 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)
3Q19	\$108.9	-\$17.0	\$91.9
3Q18	\$37.0	+\$53.5	\$90.5
Change	+\$71.9 (+194%)		+\$1.4 (+2%)

¹ Impact of actuarial assumption review, higher actual vs. expected encaje and lower actual vs. expected Latin American inflation in 3Q19. Impact of actuarial assumption review in 3Q18.

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

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

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

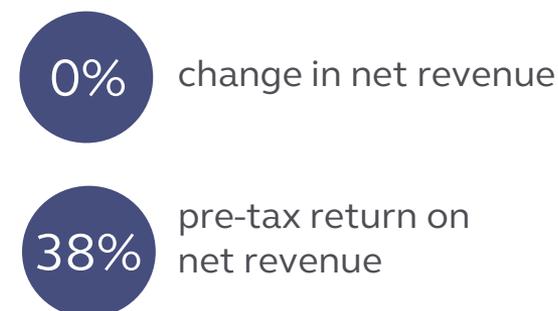
⁵ Excludes impacts of 3Q19 and 3Q18 actuarial assumption reviews.

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

Quarterly basis



Trailing twelve month combined⁵ 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
- Strong quarterly premium and fees growth of 7% over the prior year quarter reflects continued strong retention, sales, and in-group growth

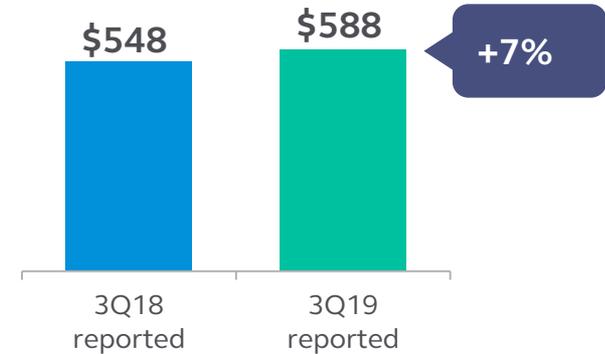
	Reported pre-tax operating earnings (\$M)	Significant variances ¹ (\$M)	Pre-tax operating earnings ex significant variances (\$M)
3Q19	\$101.5	-\$20.5	\$81.0
3Q18	\$82.5	-\$12.2	\$70.3
Change	+\$19.0 (+23%)		+\$10.7 (+15%)

¹ Impact of actuarial assumption review in 3Q19, impact of actuarial assumption review and higher variable investment income in 3Q18.

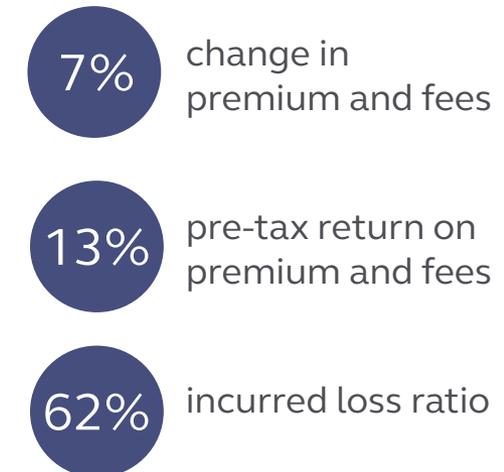
² Excludes impacts of 3Q19 and 3Q18 actuarial assumption reviews.

Premium and fees (\$M)

Quarterly basis



Trailing twelve month basis²



Individual Life

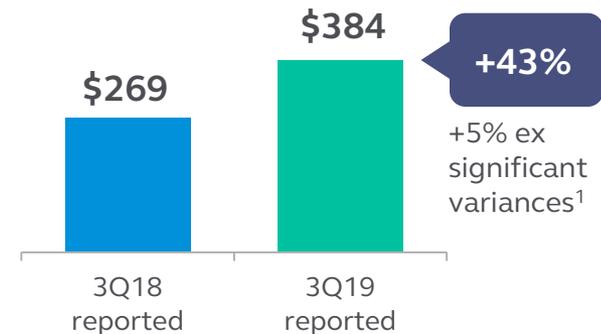
Highlights

- Pre-tax operating earnings excluding significant variances¹ decreased as claims returned to expected levels
- Sales increased 29% over the year ago quarter with business market representing over 60% of sales

	Reported pre-tax operating earnings (\$M)	Significant variances ¹ (\$M)	Pre-tax operating earnings ex significant variances (\$M)
3Q19	\$18.6	+\$33.8	\$52.4
3Q18	\$43.2	+\$15.5	\$58.7
Change	-\$24.6 (-57%)		-\$6.3 (-11%)

Premium and fees (\$M)

Quarterly basis



Trailing twelve month basis¹

4% change in premium and fees

17% pre-tax return on premium and fees

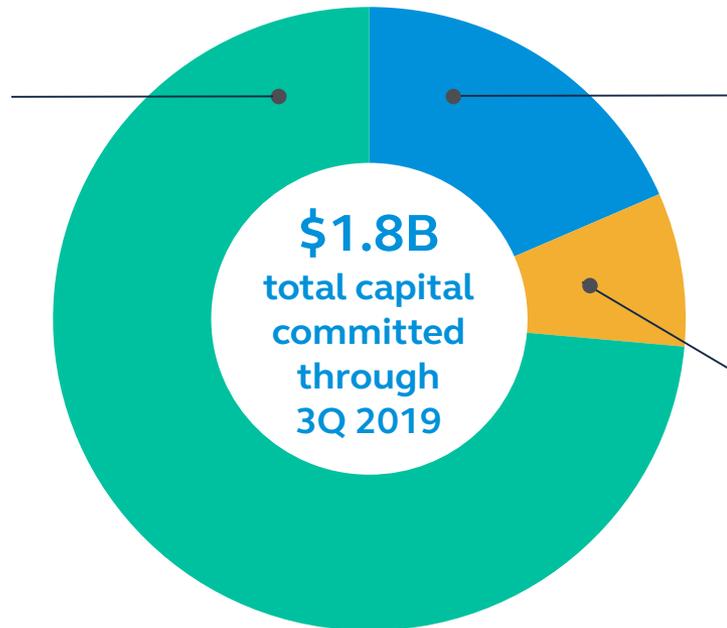
¹ Excludes impacts of 3Q19 and 3Q18 actuarial assumption reviews.

Capital deployment

\$1.2B

M&A

- \$5M - 3Q19
- \$1.2B - 2Q19



\$454M

Common stock dividends paid

- \$153M - 3Q19 (\$0.55 per share)
- \$150M - 2Q19 (\$0.54 per share)
- \$150M - 1Q19 (\$0.54 per share)

\$173M

Share repurchases

- \$44M - 3Q19
- \$130M - 1Q19

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- Have deployed above our guided range of \$1.0B to \$1.4B of capital in 2019
 - Announced 4Q19 common stock dividend of \$0.55 per share, or \$2.18 for 4Q19 TTM; a 4% increase compared to 4Q18 TTM
 - Resumed share buyback program in 3Q19

Appendix

Non-GAAP financial measure reconciliations

	<i>(in millions)</i>	
	Three Months Ended	
	9/30/19	9/30/18
Principal Global Investors Operating Revenues Less Pass-Through Expenses		
Principal Global Investors operating revenues	\$369.9	\$632.8
Principal Global Investors commissions and other expenses	(37.3)	(41.6)
Principal Global Investors operating revenues less pass-through expenses	\$332.6	\$591.2

	<i>(in millions)</i>	
	Three Months Ended	
	9/30/19	9/30/18
Principal International Combined Net Revenue (at PFG Share)		
Principal International pre-tax operating earnings	\$108.9	\$37.0
Principal International combined operating expenses other than pass-through commissions (at PFG share)	158.7	203.5
Principal International combined net revenue (at PFG share)	\$267.6	\$240.5

	<i>(in millions)</i>	
	Three Months Ended	
	9/30/19	9/30/18
Non-GAAP Operating Earnings (Losses)		
Net income attributable to PFG	\$277.1	\$456.3
Net realized capital (gains) losses, as adjusted	68.2	24.9
Non-GAAP operating earnings	\$345.3	\$481.2

	<i>Per diluted share</i>	
	Three Months Ended	
	9/30/19	9/30/18
Diluted Earnings Per Common Share		
Net income	\$0.98	\$1.59
Net realized capital (gains) losses, as adjusted	0.25	0.08
Non-GAAP operating earnings	\$1.23	\$1.67
Weighted-average diluted common shares outstanding <i>(in millions)</i>	281.4	287.8

Appendix

Non-GAAP financial measure reconciliations

Income Taxes	<i>(in millions)</i>	
	Three Months Ended	
	9/30/19	9/30/18
Total GAAP income taxes	\$61.1	\$109.1
Net realized capital gains (losses) tax adjustments	(5.5)	4.7
Income taxes attributable to noncontrolling interest	(0.1)	-
Income taxes related to equity method investments and noncontrolling interest	18.8	(1.6)
Income taxes	\$74.3	\$112.2

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.