



Principal Financial Group

First Quarter 2020 Earnings Results

April 27, 2020

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, 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 elimination of the London Inter-Bank Offered Rate ("LIBOR"); 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 asset 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; damage to the company's reputation; a downgrade in the company's financial strength or credit ratings; client terminations, withdrawals or changes in investor preferences; the company's hedging or risk management strategies prove ineffective or insufficient; 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; a pandemic, terrorist attack, military action or other catastrophic event; the ongoing COVID-19 pandemic and the resulting financial market impacts; the company's reinsurers could default on their obligations or increase their rates; risks arising from acquisitions of businesses; risks related to the company's acquisition of Wells Fargo Bank, N.A.'s IRT business; loss of key vendor relationships or failure of a vendor to protect information of our customers or employees; the company's enterprise risk management framework may not be fully effective in identifying all of the risks to which the company is exposed; and global climate change.

COVID-19 care and response

We're taking action and between Principal and the Principal Foundation, we're contributing over \$25M toward support and relief for our customers, to protect our employees, and to aid our communities



Employees

95% of global employees working remotely and employees are pleased with the limited impact to productivity and customer service

90% of employees expressed positive sentiment related to level of support and conditions related to remote work

Prior to the shut down, restricted non-essential business travel and initiated strict screening protocol for visitors to Principal offices

Holding frequent all employee and leader meetings to directly answer employee questions

Implemented temporary paid time off policy to ensure employees continue to be paid if they have to miss work

Launched the Principal Foundation Global Relief Fund to offer hardship grants for employees of Principal, majority-owned member companies, and U.S. service staff providers¹



Customers

Continue to operate in 80 global markets

Offering relief to customers impacted by COVID-19:

- Waived fees for retirement plan participants to access funds
- Waived fees for retirement plan changes²
- Extended insurance payment grace periods
- Temporarily halted rate increases for group benefits³
- Offering virtual notary access to our retirement plan participants⁴

Increased our customer support staff to respond to significantly higher call volume

Equipped our sales teams with virtual capabilities to help support customers and advisors

Dedicated resources on Principal.com to help educate customers on the CARES Act as well as other implications for their plans, policies and portfolios



Communities

Launched the Principal Giving Chain:

- Helping local business with cash flow by purchasing goods and meals
- These goods and meals are then donated through local non-profits to individuals and families most impacted by COVID-19
- Reaching more than 30 global communities including Des Moines, Principal expects to donate thousands of meals to those in need
- Creating a spark for employees, community members, and businesses to join the effort and expand the impact, using #thegivingchain

Rescheduled the Principal Charity Classic, a PGA TOUR Classic golf tournament which has raised more than \$23 million for Iowa children's charities since 2007, to Sept. 1-6, 2020

¹ Administered by the not-for-profit Principal Foundation

² For plans drafted and maintained by Principal and Wells Fargo IRT.

³ For employers with fewer than 500 employees with policy renewal dates coming due between May 1 and August 15 of this year.

⁴ Through Sept. 30, 2020, for participants of planholders that opt into the program.

COVID-19 financial impacts

Business Unit	1Q20 impacts	Expected ongoing impacts
Total company	<ul style="list-style-type: none"> • Compensation and other expenses lower than expected (travel, staffing, etc.) despite COVID-19 related expenses of less than \$1M • While January and February were strong, March sales and net cash flow were pressured • Strong capital and liquidity position; limited impacts in 1Q20 	<ul style="list-style-type: none"> • Macroeconomic impacts will depress ongoing earnings • Unprecedented federal fiscal and monetary stimulus • Management actions to reduce expenses • Estimated mortality/morbidity impact of approximately \$20M after-tax earnings for every 100,000 U.S. COVID-related deaths
RIS-Fee	<ul style="list-style-type: none"> • Lower sales pipeline and lower lapse in times of market volatility • Higher DAC amortization expense due to equity market drop • Roughly 2% of participants have taken action by moving money, predominantly to fixed income/guaranteed options 	<ul style="list-style-type: none"> • Reduced fee revenue due to lower account values • Near zero interest on excess reserves (IOER) rate further reduces Trust and Custody deposit revenue • Expect NCF of 1-3% as a percent of beginning of period account values for full year 2020 • Closely monitoring plan sponsor and participant activity
RIS-Spread	<ul style="list-style-type: none"> • Lower fixed annuity sales due to low interest rates 	<ul style="list-style-type: none"> • Low interest rates impact fixed annuity sales/PRT sales demand; resulting in a reduction in expected capital needed to support organic growth • Higher mortality would benefit earnings • ALM approach lessens impact from lower interest rates
PGI	<ul style="list-style-type: none"> • Record sales for mutual fund platform in March and 1Q20 • Investment performance remains strong 	<ul style="list-style-type: none"> • Management fees pressured due to lower average AUM • Real estate transactions slow resulting in lower transaction and borrower fees; lower performance fees • Uncertainty around timing of funding of institutional mandates
PI	<ul style="list-style-type: none"> • Lower actual vs. expected encaje due to market disruption • Severe depreciation in emerging market currencies resulted in negative Fx impacts on AUM and pre-tax operating earnings 	<ul style="list-style-type: none"> • Historically low currency rates negatively impacting earnings • Latin America in earlier stages of pandemic impacts than North Asia
SBD	<ul style="list-style-type: none"> • Lower claims in dental/vision in 1Q20 due to provider office closures 	<ul style="list-style-type: none"> • Seasonality patterns significantly changed • Higher unemployment rates negatively impact in-group growth metrics • Lower sales moderated by lower lapse rates • Higher life/disability claims more than offset by lower dental/vision claims
Individual Life		<ul style="list-style-type: none"> • Lower overall sales with an increased interest in term sales • Slightly higher claims
Capital Deployment	<ul style="list-style-type: none"> • Paused share repurchase program in early March 2020 • Announced 2Q20 common stock dividend of \$0.56; unchanged from 1Q20 	<ul style="list-style-type: none"> • Slowing of M&A activity • Expect 2020 external deployments of \$800M - \$1.0B
Investment portfolio	<ul style="list-style-type: none"> • Pre-tax unrealized net gain of \$1.7B related to U.S. Fixed Maturities portfolio • Conservative positioning in high risk sectors 	<ul style="list-style-type: none"> • Variable investment income negatively impacted by economic environment • Estimated credit impairments and credit drift manageable

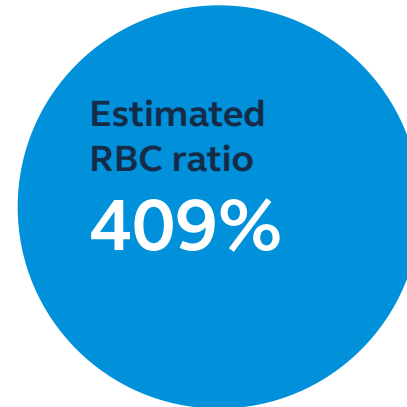
Coming from a position of financial strength



- \$800M revolving credit facilities available
- Manage liquidity to meet business unit liabilities in cash (i.e. GIC/MTN maturities)
- Not a forced seller of assets due to long-dated, fixed maturity date liabilities



- Includes capital at holding company, subsidiaries, and excess above a 400% RBC ratio
- Nearly \$1B contingent capital facility²



- 400% long-term RBC target



- No debt maturities until \$300M in 2022

As of 3/31/2020

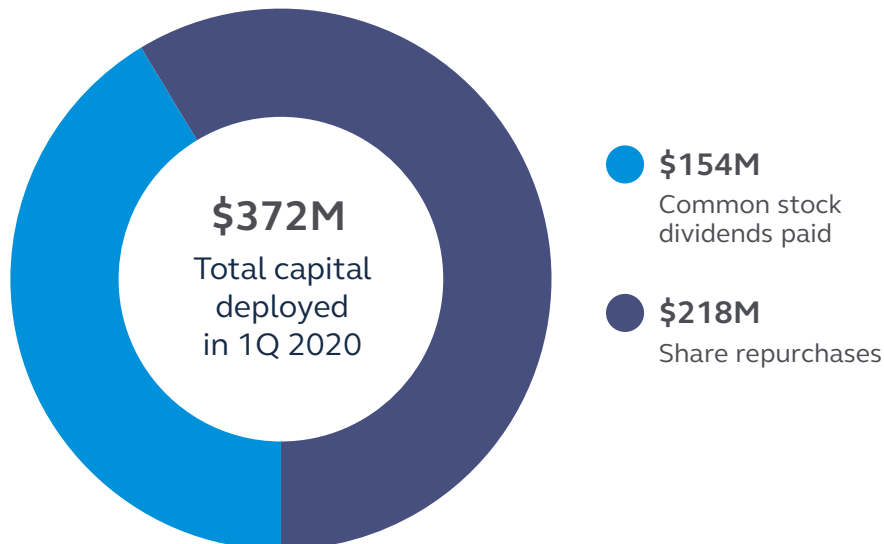
¹ This is a non-GAAP financial measure. Debt-to-capital ratio excludes AOCI.

² On March 8, 2018, we entered into two contingent funding agreements that give us the right at any time over a ten-year or thirty-year period to issue up to \$400.0 million or \$350.0 million, respectively, of senior notes.

Capital deployment & management

1Q20 capital deployments and actions

- Deployed \$372M of capital in 1Q20
- Paused share buyback program in March 2020
- Expect to deploy \$800M - \$1.0B in 2020



Capital management

Potential sources

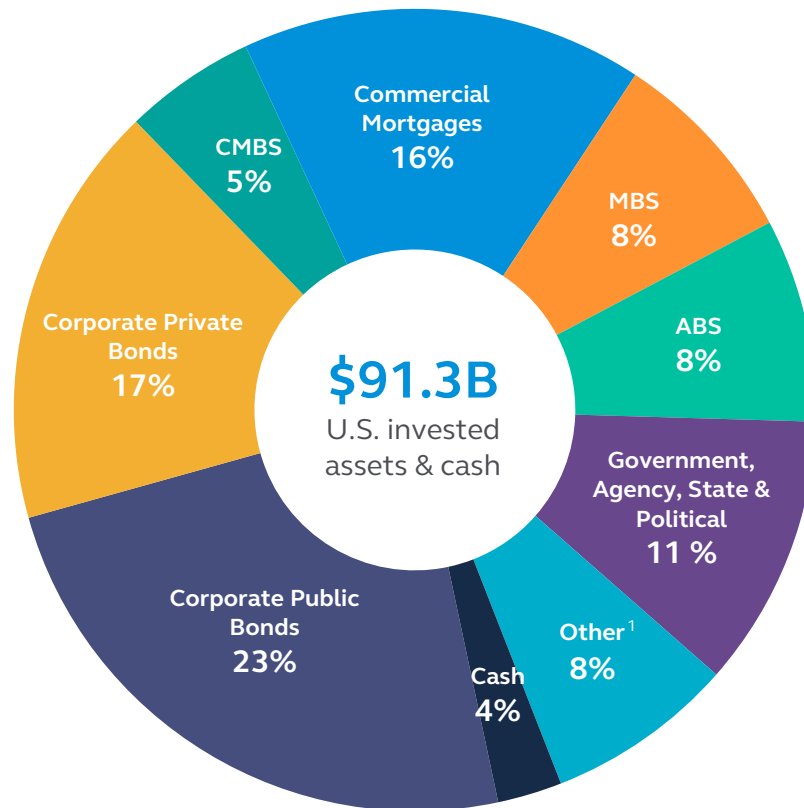
- Lower external capital deployment
- Reduced use of capital from lower sales and natural capital release from liability portfolio
- Disciplined asset/liability management and use of derivatives to protect capital
- Expense management actions

Potential uses

- Credit drift, credit losses, and other investment impacts
- Lower operating earnings/net income

Investment philosophy & strategy

U.S. Investment Portfolio
GAAP carrying value as of 03/31/2020



Our strategy hasn't changed:

- High quality, well-diversified portfolio
- Liability-driven investment approach
- Active asset/liability management
- Optimized risk adjusted yields and returns
- Global collaboration and best practices

¹Other includes Equity Securities, Residential Mortgages, Real Estate, Policy Loans, Investment in Equity Method subs, Direct Finance Leases and Other Investments

U.S. investment portfolio details

Intentionally managed key risks; high quality, diversified portfolio positioned well for the future

Nearly 90% of total U.S. invested assets and cash is in U.S. Fixed Maturities, Commercial Mortgage Loans, and cash

	12/31/2008	03/31/2020
U.S. Fixed Maturities (72% of total U.S. invested assets and cash)		
NAIC 1	57%	69%
NAIC 2	38%	27%
Below investment grade (NAIC 3 - 6)	5%	4%
	12/31/2008	03/31/2020
Commercial Mortgage Loans (16% of total U.S. invested assets and cash)		
A- and above	61%	93%
Average loan-to-value (LTV)	62%	46%
Average debt service coverage ratio	1.8x	2.6x

Investment portfolio highlights

- Pre-tax unrealized net gain of \$1.7B related to U.S. Fixed Maturities portfolio
- Manageable risks to in-focus corporate credit sectors
- Energy sector defensively postured in integrated and midstream subsectors
- Consumer cyclicals: retailers predominantly quality names; entertainment-related subsector exposure modest and diversified
- 21% of U.S. invested assets and cash in structured securities, 99% designated NAIC 1; good fit for our liability profile
- Commercial Mortgage Loan portfolio is substantially underweight retail and hotel property types relative to NCREIF property indices and ACLI averages
- Core real estate is largest share of alternative asset exposure; carried at amortized cost, less earnings volatility; future opportunity to harvest capital gains
- Diverse, manageable exposure to other alternatives

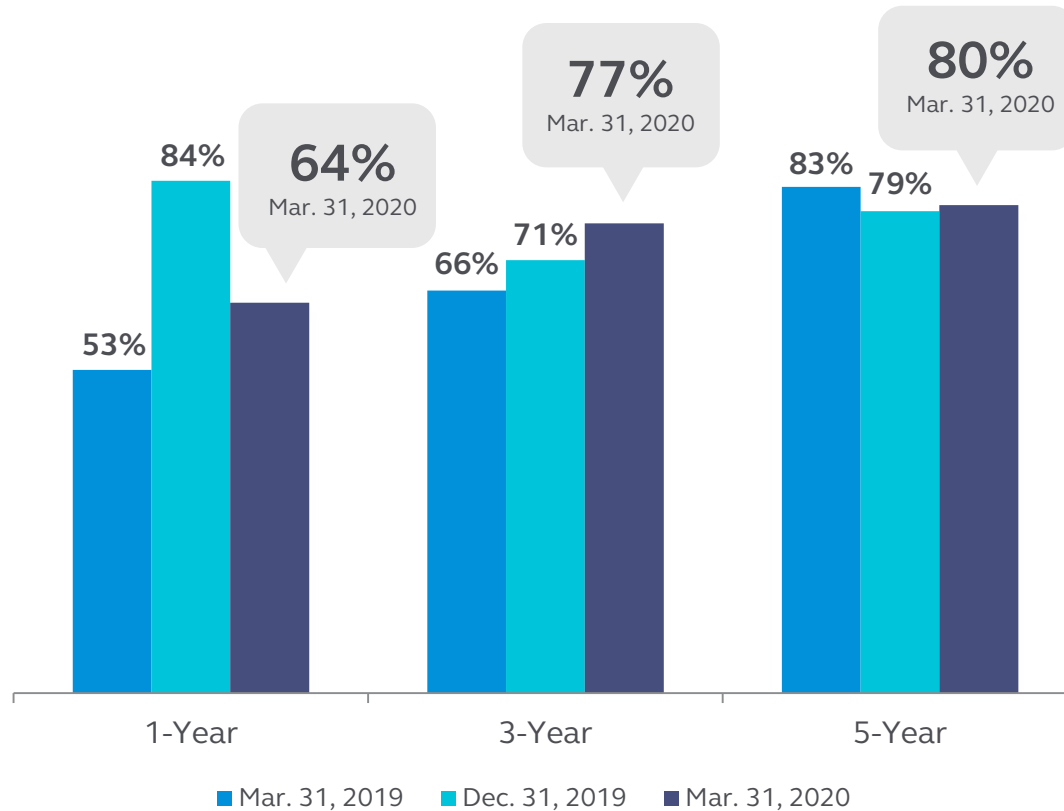
Additional details of our U.S. Invested Asset portfolio are provided in the 1Q 2020 Supplemental U.S. Investment Portfolio Details slides available at principal.com/investor

1Q 2020 financial results

- Quarterly non-GAAP operating earnings¹ of \$320M, down 20% over prior year quarter; quarterly non-GAAP operating earnings per diluted share¹ (EPS) of \$1.15, down 20% over the prior year; excluding significant variances, earnings and EPS are flat compared to the prior year
- Significant variances in non-GAAP pre-tax operating earnings for 1Q20 included:
 - \$47M from lower actual versus expected encaje performance in PI
 - \$25M of higher DAC amortization in RIS-Fee due to equity market decline
 - \$1M of elevated compensation and other expense, reflecting net integration costs from the Institutional Retirement & Trust (IRT) acquisition in RIS-Fee
- AUM of \$631B with total company quarterly net cash flow of \$3.0B
- Continued to be very disciplined in our deployment of capital
 - Deployed \$372M of capital in 1Q20 through \$218M of share repurchases and \$154M of common stock dividends
 - Announced 2Q20 common stock dividend of \$0.56 per share, a 4% increase over 2Q19

Investment performance

Equal weighted¹



Asset weighted²

73%

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

4 or 5 stars	73%
3 stars	24%
2 stars	3%
1 star	0%

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, & U.S. Property Separate Account.

11 ² Includes only funds with ratings assigned by Morningstar; non-rated funds excluded (90 total, 77 are ranked)

Retirement and Income Solutions – Fee (RIS – Fee)

Highlights

- Pre-tax operating earnings excluding significant variances¹ decreased as higher net revenue was more than offset by impacts associated with the Institutional Retirement and Trust (IRT) business
- Quarterly net revenue increased due to the IRT business and fee income generated from growth in average account values; IRT net revenue in the quarter was pressured by the lower IOER rate
- Quarterly net cash flow² of \$2.1B driven by sales of \$4.8B, favorable retention, and recurring deposit growth of 14%
- Closely monitoring plan sponsor and participant behavior; waived fees for retirement plan participants impacted by COVID-19 to access funds and retirement plan changes

	Reported pre-tax operating earnings (\$M)	Significant variances ¹ (\$M)	Pre-tax operating earnings ex significant variances (\$M)
1Q20	\$83.1	+\$26.0	\$109.1
1Q19	\$128.6	-\$15.0	\$113.6
Change	-\$45.5 (-35%)		-\$4.5 (-4%)

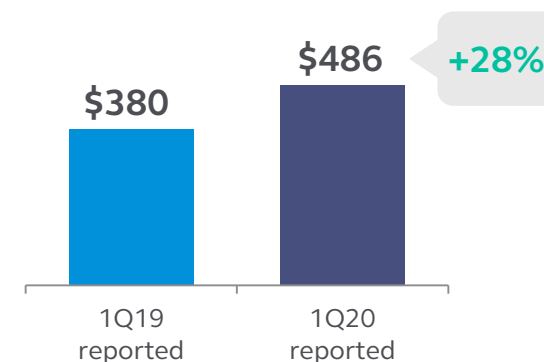
¹ Impact of higher DAC amortization and elevated compensation and other expense, reflecting integration costs in 1Q20; impact of lower DAC amortization in 1Q19.

² RIS-Fee reported net cash flow, sales, and recurring deposit growth does not include the IRT business.

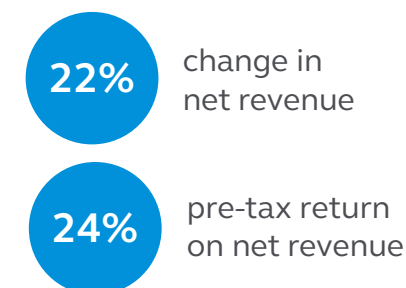
³ Excludes impacts of 3Q19 and 3Q18 actuarial assumption reviews.

Net revenue (\$M)

Quarterly basis



Trailing twelve month basis³



Retirement and Income Solutions – Spread (RIS – Spread)

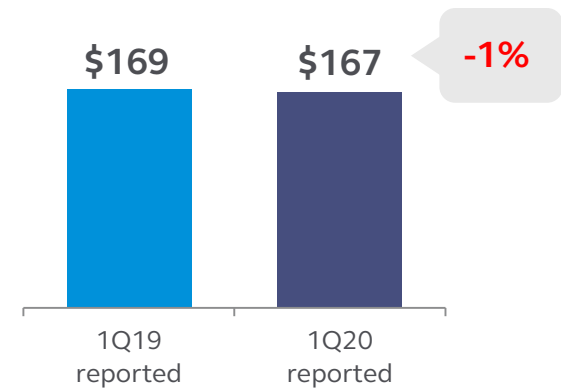
Highlights

- Pre-tax operating earnings increased due to favorable experience gains and higher variable investment income, partially offset by the net impact of lower annuity sales in the quarter
- Quarterly net revenue decreased slightly due to lower fixed annuity sales in the current quarter
- Quarterly sales of \$2.3B, including a record \$1.5B of pension risk transfer sales
- Sales pipeline slowing with COVID-19 crisis and rate environment; Bank generating increased sales in deposit sweep products

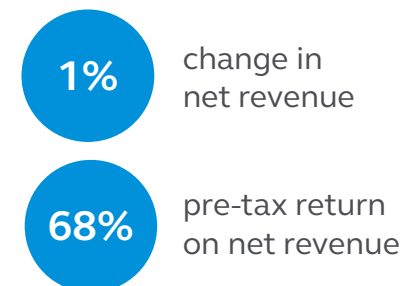
	Reported pre-tax operating earnings
1Q20	\$122.0
1Q19	\$112.0
Change	+\$10.0 (+9%)

Net revenue (\$M)

Quarterly basis



Trailing twelve month basis¹



Principal Global Investors (PGI)

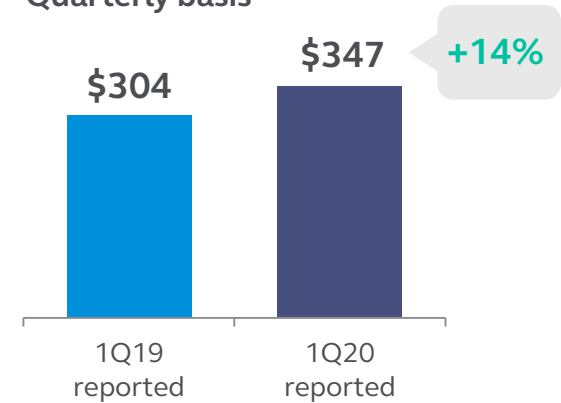
Highlights

- Pre-tax operating earnings increased primarily due to higher operating revenues less pass-through expenses¹ driven by growth in management fees
- AUM of \$406B; quarterly net cash flow of \$(0.3)B
- Record mutual fund sales in 1Q 2020; strong CIT sales driven by Stable Value offerings
- Due to lower real estate activity levels, we anticipate lower transaction and borrower as well as performance fees during the year

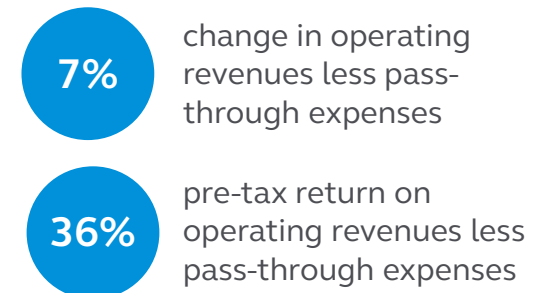
	Reported pre-tax operating earnings
1Q20	\$111.7
1Q19	\$100.7
Change	+\$11.0 (+11%)

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.

14 ² Excludes accelerated real estate performance fee in 3Q18.

Principal International

Highlights

- Pre-tax operating earnings excluding significant variances¹ decreased primarily due to foreign currency headwinds of \$12M
- Benefit from elevated prepayment fee income in Chile was largely offset by lower than expected inflation and actuarial balance true-ups in Brazil
- AUM of \$135B increased 4% compared to prior year quarter on a constant currency basis², not including China AUM of \$140B
- Net cash flow of \$0.3B in 1Q20, the 46th 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)
1Q20	\$30.8	+\$46.5	\$77.3
1Q19	\$111.1	-\$18.3	\$92.8
Change	-\$80.3 (-72%)		-\$15.5 (-17%)

¹ Impact of lower actual vs. expected encaje in 1Q20. Impact of higher actual vs. expected encaje and higher actual vs. expected Latin America inflation 1Q19.

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

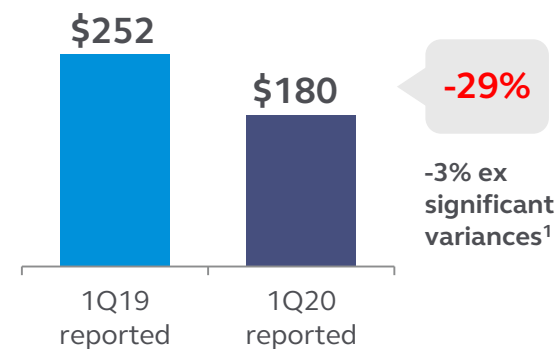
³ Combined basis includes all Principal International companies at 100%.

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

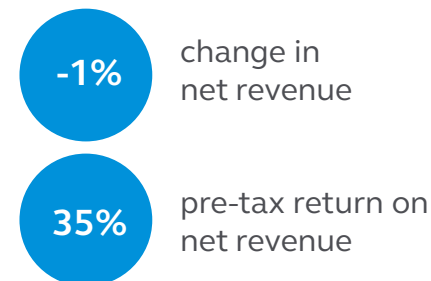
⁵ Excludes impacts of significant variances called out in 2Q18 – 1Q20 earnings calls.

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

Quarterly basis



Trailing twelve month basis⁵ (at PFG share)



Specialty Benefits

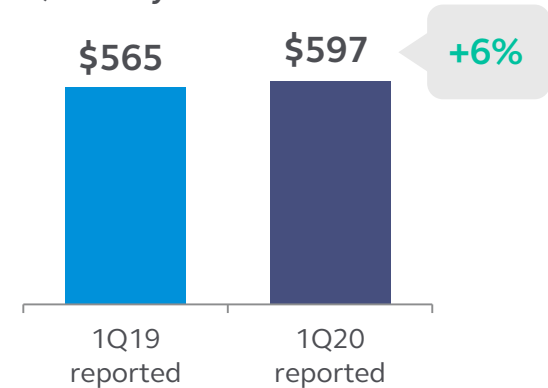
Highlights

- Pre-tax operating earnings benefited from very favorable claims
- Quarterly premium and fees growth of 6% over the prior year quarter reflects retention, sales, and in-group growth
- Incurred loss ratio benefited from lower dental and vision claims as a result of COVID-19 related provider office closures

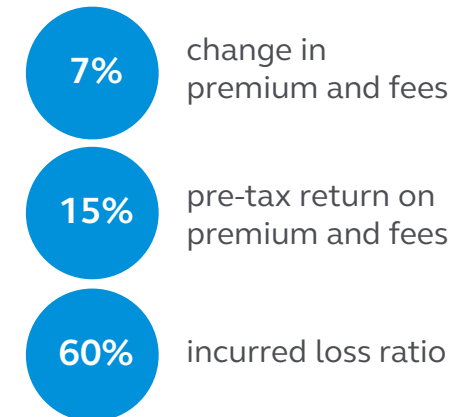
	Reported pre-tax operating earnings (\$M)
1Q20	\$88.2
1Q19	\$59.5
Change	+\$28.7 (+48%)

Premium and fees (\$M)

Quarterly basis



Trailing twelve month basis¹



Individual Life

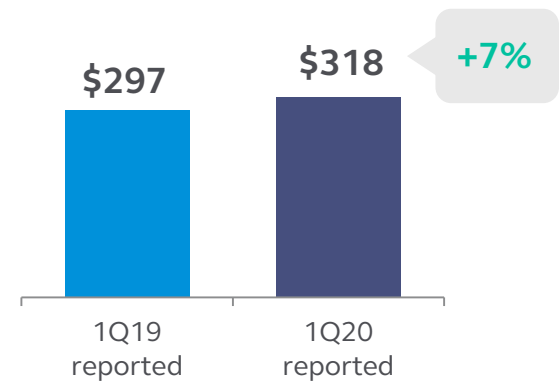
Highlights

- Pre-tax operating earnings decreased due to higher claims partially offset by growth in the business
- Premium and fees increased 7% over the year ago quarter
- COVID-19 pandemic highlighting the importance of life insurance; seeing increased interest for term life

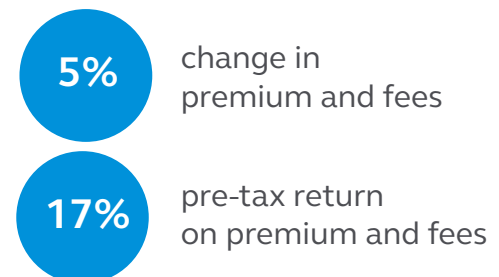
	Reported pre-tax operating earnings (\$M)
1Q20	\$41.3
1Q19	\$51.2
Change	-\$9.9 (-19%)

Premium and fees (\$M)

Quarterly basis



Trailing twelve month basis¹



Appendix

Non-GAAP operating earnings sensitivities

Estimated impacts of changes in key macroeconomic conditions on annual non-GAAP pre-tax operating earnings

If macroeconomics change by...	Equity market return +/- 10%	Interest rates +/- 100 bps	Interest Rate on Excess Reserves (IOER) rate +/- 50 bps	FX: U.S. dollar +/- 2%	Certain alternative investment valuation ⁴ +/- 10%
Then Principal's annual non-GAAP pre-tax operating earnings will change by...	+/- 5-7% ¹	+/- < 1% ²	+/- < 0.5%	-/+ < 1% ³	+/- < 7%
And the primary businesses impacted are...	RIS - Fee PGI	RIS – Spread Individual Life SBD	RIS – Fee	PI	RIS – Spread Individual Life SBD

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 U.S. dollar and impact to Operating Earnings.

⁴ Includes hedge funds, private equity, infrastructure, and direct lending assets. Separate and distinct from our equity risk associated with a decline in the S&P 500 index, assumes an immediate 10% decline in the value of these assets, followed by a 2% per quarter increase.

Note: The impact to income before income taxes is materially consistent with the impact to pre-tax operating earnings.

IRT integration update

Focusing on customer and revenue retention; integration remains on track

- Positive interactions continue with clients, advisors, and consultants
- Revenue lapses in line with expectations

Financial impacts

- IRT net revenue was negatively impacted by the 145 bps decline in the IOER rate during 1Q20
- 1Q20 integration expenses were largely offset by an earnout liability change
- Reminders vs. 2020 guidance:
 - RIS-Fee's 2020 guidance ranges assumed flat IOER in 2020; in 1Q20 IOER decreased 145 basis points to 0.10%
 - \$55-65M of integration costs were excluded from the RIS-Fee 2020 margin guidance, but will be included in RIS-Fee's reported pre-tax operating earnings

Significant variances related to the IRT acquisition

Combined integration expenses and earnout liability change¹ (RIS-Fee)



Non-GAAP financial measure reconciliations

	Three Months Ended (in millions)	
	3/31/20	3/31/19
Principal Global Investors Operating Revenues Less Pass-Through Expenses		
Principal Global Investors operating revenues	\$390.8	\$339.0
Principal Global Investors commissions and other expenses	(43.7)	(35.4)
Principal Global Investors operating revenues less pass-through expenses	\$347.1	\$303.6

	Three Months Ended (in millions)	
	3/31/20	3/31/19
Principal International Combined Net Revenue (at PFG Share)		
Principal International pre-tax operating earnings	\$30.8	\$111.1
Principal International combined operating expenses other than pass-through commissions (at PFG share)	149.2	141.0
Principal International combined net revenue (at PFG share)	\$180.0	\$252.1

	Three Months Ended (in millions)	
	3/31/20	3/31/19
Non-GAAP Operating Earnings (Losses)		
Net income attributable to PFG	\$288.9	\$429.9
Net realized capital (gains) losses, as adjusted	30.7	(29.6)
Non-GAAP operating earnings	\$319.6	\$400.3

	Three Months Ended Per diluted share	
	3/31/20	3/31/19
Diluted Earnings Per Common Share		
Net income	\$1.04	\$1.53
Net realized capital (gains) losses, as adjusted	0.11	(0.10)
Non-GAAP operating earnings	\$1.15	\$1.43
Weighted-average diluted common shares outstanding (in millions)	277.2	280.9

Non-GAAP financial measure reconciliations

	Period Ended (in millions)
Stockholders' equity x-AOCI available to common stockholders	3/31/20
Stockholders' equity	\$12,972.6
Noncontrolling interest	(65.1)
Accumulated other comprehensive income	599.2
Stockholders' equity x-AOCI available to common stockholders	\$13,506.7