Principal Financial Group

Second Quarter 2020 Earnings Results

July 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.

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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, and in the company's quarterly report on Form 10-Q for the quarter ended Mar. 31, 2020, 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 continue to help our customers and employees manage through the pandemic. We're working closely with businesses and families to understand the relief options available, supporting them in a move toward recovery.

Employees

92% working remotely; offices slowly re-opening, as conditions warrant

More than 90% report we continue to work effectively as an organization[1]

Productivity and customer service levels remain high

Holding frequent employee and leader meetings and conducting regular pulse surveys to gauge sentiment

Announced select compensation reductions and voluntary part-time program

The Principal Foundation Relief Fund approved 1,105 applicants, offering hardships grants for employees of Principal majority owned member companies, and U.S. service staff providers

Customers

Further leveraging our virtual meeting capabilities and features for our sales and service teams to help support customers and advisors

Reaching customers across paid, owned, and earned media channels with educational content

Increasing resources on Principal.com and our advisor website to help educate customers with a focus on helping business owners navigate financial challenges and discussing recent legislative relief measures

53% of all retirement plan sponsors responding to CARES Act, with 94% of them adopting all three provisions[2] – adding special COVID-19 related distributions, required minimum distribution (RMD) waiver for 2020 and increasing loan limits

Implemented fee waivers for COVID-19 related hardship withdrawals in RIS-Fee; grace period extensions, renewal actions and premium credits taken in USIS

Communities

Launched "The Giving Chain" powered by Principal in April:

- Helped more than 120 local businesses globally 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 more than 50,000 meals

Partnership with the Principal Foundation and innovators to help design digital solutions for small businesses around the world to maintain, gain, and return income

Maintaining philanthropic support for the Principal Charity Classic, a PGA TOUR Classic golf tournament which was canceled in 2020 due to COVID-19, but has raised more than $23 million for Iowa children's charities since 2007

[1] Principal pulse survey results
[2] Data as of 7/3/20

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COVID-19 financial impacts – total company

	2Q20 pre-tax impacts	Expected ongoing impacts
Total company	• Management actions reduced expenses by approximately $75M relative to beginning of year expectations, despite COVID-19 related expenses of $2M • Strong net cash flow of $6.2B • Direct mortality/morbidity impact of -$11M pre-tax; -$9M after-tax	• Management actions expected to reduce expenses by approximately $225-275M in FY20 relative to beginning of year expectations • Direct mortality/morbidity impact on earnings of approximately -$13M pre-tax, -$10M after-tax for every 100,000 U.S. COVID-19 related deaths
Capital	• Announced 3Q20 common stock dividend of $0.56; unchanged from 2Q20 • $500M debt issuance enhances capital position	• Slowing of M&A activity • Expect 2020 external deployments of $800M - $1.0B • Lower expected sales reduces capital needed to support organic growth
Investment portfolio	• $5.5B pre-tax unrealized net gain in US Fixed Maturities portfolio • Realized $84M of capital impacts from credit drift and losses ($117M YTD) • Current commercial loan portfolio LTV at 50%, up from 46% at 1Q20 as we reassessed all property values within the portfolio • Only 14 loans modified in 2Q20 due to granted forbearance representing less than 2% of the commercial mortgage loan portfolio	• Lowered 2020 baseline impact from credit drift and losses to $300-500M • Significant Fed intervention causing impacts to emerge more slowly; expect to see credit impacts extend beyond 2020 • Estimated credit drift and credit losses manageable due to high quality nature of portfolio and strong capital position

COVID-19 financial impacts – business units

	2Q20 pre-tax impacts	Expected ongoing impacts
RIS-Fee	• Lower sales partially offset by better retention • Lower DAC amortization due to higher equity markets • Roughly 2% of participants have taken COVID-19 withdrawals • Less than 1% of plan sponsors reduced or suspended their company match • Pressured recurring deposit growth of 1.5% vs 2Q19 • Fee waivers for COVID-19 related withdrawals of $6M • 10 bps Interest on Excess Reserves (IOER) rate reduces Trust & Custody deposit revenue	• Expect to be at low end of NCF of 1-3% as a percent of beginning of period account values for full year 2020, partially due to lower deposits • IRT integration remains on track; plan migration to start in 2H20 • 10 bps Interest on Excess Reserves (IOER) rate reduces Trust & Custody deposit revenue
RIS-Spread	• Lower retail annuity sales due to pricing discipline and low interest rates • Higher mortality benefitted earnings by $4M • Lower variable investment income	• Low interest rates impact income annuity and PRT sales demand • ALM approach lessens impact from lower interest rates • Higher mortality could continue to benefit earnings • Lower investment income due to pressure on yields
PGI	• Fewer real estate transactions resulted in $5M of lower transaction and borrower fees than 2Q19	• Focus on building pipeline and engaging with investors in different ways • Yield oriented solutions in demand in low rate environment • Fewer real estate transactions expected to result in lower transaction and borrower fees
PI	• Higher actual vs expected encaje performance of $37M • Significant strengthening of US dollar resulted in unfavorable FX impacts on AUM and pre-tax operating earnings	• Historically low currency rates negatively impacting earnings • Latin America is more impacted by the pandemic than Asia
SBD	• $68M net benefit from favorable dental/vision and disability claims, partially offset by COVID-19 related group life claims of -$5M and 10% dental premium credit (credit June through October) • PPE payment of $7 per patient for in-network dental providers (June through year-end) • Lower sales and negative in-group growth, partially offset by better retention	• Historical earnings seasonality patterns significantly changed for FY20 with an unfavorable impact in 3Q20 due to increased dental utilization and dental premium credit • Lower sales partially offset by higher retention • Moderation of negative in-group growth metrics as economy stabilizes • Return to more normal dental/vision claims; slightly higher life/disability claims continue
Individual Life	• Lower overall sales with an increased interest in term sales • -$15M COVID-19 related impacts including -$8M of claims, net of reinsurance, and -$7M of surrenders • Lower variable investment income	• Lower overall sales with an increased interest in term sales • Slightly higher claims in 2H20 • Lower investment income due to pressure on yields

U.S. small-to-medium sized business market resilient in 2Q 2020

Our block is less exposed to those industries that have suffered the most in terms of job loss…

…and has more exposure to industries that have experienced fewer job losses

Some of the hardest hit industries in terms of job loss	% of total SMB establishments (<1000 EEs)	% of Principal customer base	Relative exposure
Accommodation and Food Services	8.8%	1.8%	-700 bps
Retail Trade	10.9%	6.2%	-470 bps
Arts, Entertainment & Recreation	2.1%	1.5%	-60 bps
Some of the least impacted industries in terms of job loss	**% of total SMB establishments (<1000 EEs)**	**% of Principal customer base**	**Relative exposure**
Professional, Scientific, and Technical Services	13.4%	18.6%	+520 bps
Wholesale Trade	5.0%	7.7%	+270 bps
Finance and Insurance	4.0%	5.9%	+190 bps

RIS-Fee

- Less than 1% of plan sponsors reduced or suspended their company match, with only 0.5% in our smallest employer segment
- Proportionately, the change in PFG's block of deferring participants performed better than overall unemployment

Specialty Benefits

- Less impact to existing group lives in the <200 employee segment than in our overall block of business
- In our smallest employer segment, year to date in-group growth
- Strong persistency in 2Q

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Coming from a position of financial strength

Liquidity
$3.0B
Total company available cash and liquid assets

- $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

Capital
$2.3B
Excess and available capital

- Includes capital at holding company, subsidiaries, and excess above a 400% RBC ratio
- Nearly $1B contingent capital facility with a book value of $750M

Estimated RBC ratio
422%

- Managing RBC higher than 400% long-term target during these uncertain times

Leverage
23.5%
Low debt-to-capital ratio[1]

- No debt maturities until $300M in 2022
- Issued $500M of 10-year debt in June with a 2.125% coupon

As of 6/30/2020
[1] This is a non-GAAP financial measure. Debt-to-capital ratio excludes AOCI.

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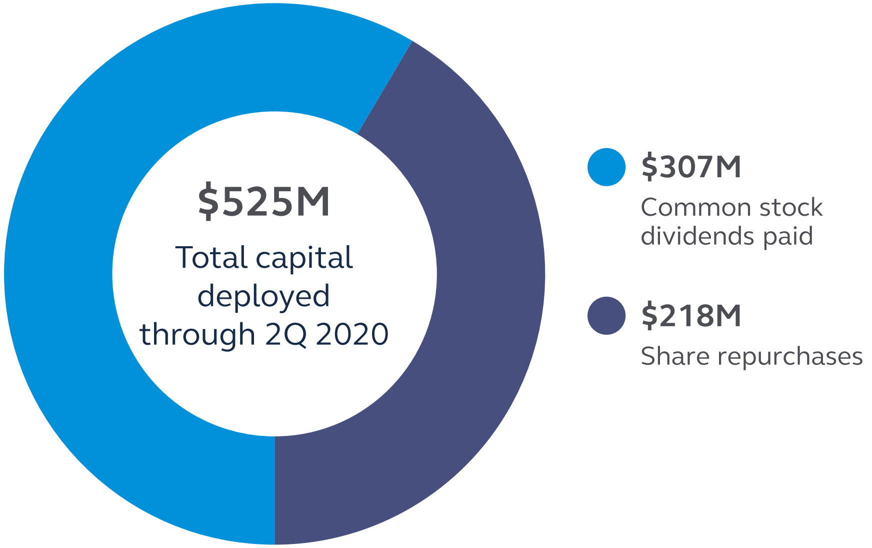
Capital deployment & management

2Q20 capital deployments and actions

- Deployed $154M of capital in 2Q20 to common stock dividends
- Paused share buyback program in March 2020
- Expect to deploy $800M - $1.0B in 2020



Capital management

Potential sources

- 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
- Opportunistic capital deployment

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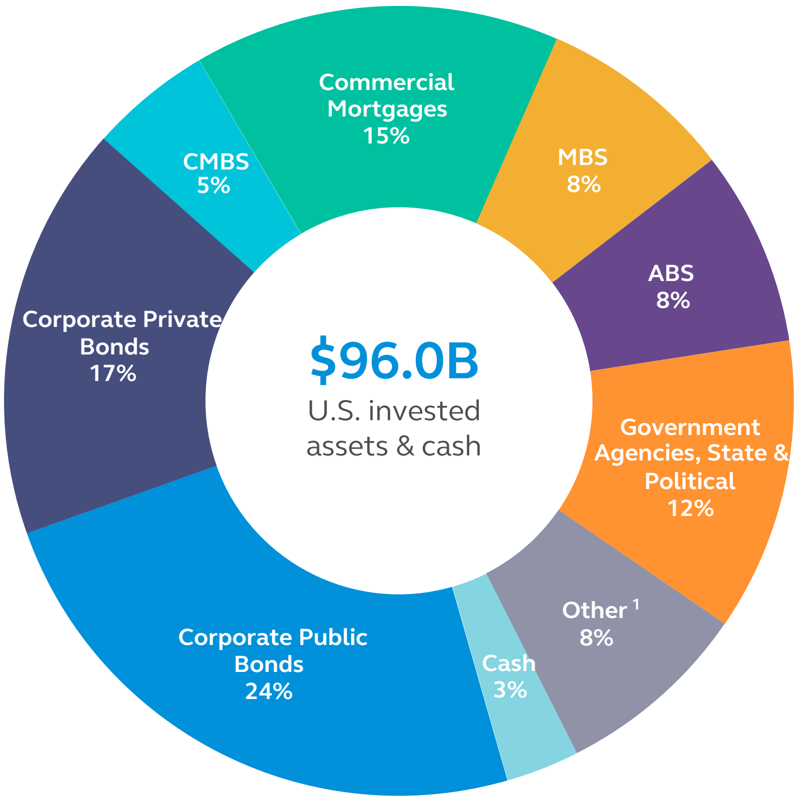
Investment philosophy & strategy

U.S. Investment Portfolio GAAP carrying value as of 06/30/2020



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

[1]Other includes Equity Securities, Residential Mortgages, Real Estate, Policy Loans, Investment in Equity Method Subsidiaries, and Other Investments

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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

	12/31/2008	12/31/2019	06/30/2020
U.S. Fixed Maturities (74% of total U.S. invested assets and cash)			
NAIC 1	57%	69%	68%
NAIC 2	38%	27%	28%
Below investment grade (NAIC 3 - 6)	5%	4%	4%

	12/31/2008	12/31/2019	06/30/2020
Commercial Mortgage Loans (15% of total U.S. invested assets and cash)			
A- and above	61%	93%	89%
Average loan-to-value (LTV)	62%	45%	50%
Average debt service coverage ratio	1.8x	2.6x	2.6x

Investment portfolio highlights

- $5.5B of pre-tax unrealized net gain in our U.S. Fixed Maturities portfolio
- Energy sector defensively postured in integrated and midstream subsectors
- Consumer cyclicals: retailers predominantly quality names; entertainment-related subsector exposure modest and diversified
- 20% of U.S. invested assets and cash in structured securities, 99% designated NAIC 1; good fit for our liability profile
- Commercial Mortgage Loan (CML) portfolio is substantially underweight retail and hotel property types relative to NCREIF property indices and ACLI averages
- CML portfolio LTV increased from 4Q19 as we reassessed all property values within the portfolio
- 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 2Q 2020 Supplemental U.S. Investment Portfolio Details slides available at principal.com/investor

2Q 2020 financial results

- Quarterly non-GAAP operating earnings[1] of $403M; quarterly non-GAAP operating earnings per diluted share[1] (EPS) of $1.46
- Significant variances impacted non-GAAP pre-tax operating earnings by $36M, non-GAAP operating earnings by $27M, EPS by $0.10; pre-tax impacts included:
  - $51M from COVID-19 related claims and other impacts in RIS and USIS
  - $29M from higher than expected encaje performance partially offset by lower than expected inflation in PI
  - $18M from lower DAC amortization in RIS-Fee
  - $1M from IRT integration costs more than offset by a final reduction in earnout liability
  - $(44)M from lower than expected variable investment income in RIS and USIS
  - $(19)M from unfavorable non-COVID-19 related Individual Disability Insurance (IDI) claims experience in SBD
- AUM of $702B with total company quarterly net cash flow of $6.2B
- Continued to be very disciplined in our deployment of capital
  - Deployed $154M of capital in 2Q20 through common stock dividends
  - Announced 3Q20 common stock dividend of $0.56 per share, a 2% increase over 3Q19

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

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Impacts of 2Q 2020 significant variances

(in $ millions, except per share data)

	COVID-19 related	Encaje & Inflation	DAC Amortization	IRT Integration	Variable Investment Income	Non-COVID-19 claims	Significant Variances
RIS Fee	(6.0)		18.0	1.0	(2.9)		**10.1**
RIS Spread	4.0				(27.7)		**(23.7)**
PGI							**-**
PI		28.5					**28.5**
SBD	67.6				(5.0)	(19.0)	**43.6**
Life	(14.7)				(7.9)		**(22.6)**
Corporate							**-**
Total pre-tax OE	50.9	28.5	18.0	1.0	(43.5)	(19.0)	**35.9**
Tax	10.7	7.1	3.8	0.3	(9.1)	(4.0)	**8.7**
Total after-tax OE	40.2	21.4	14.2	0.7	(34.4)	(15.0)	**27.2**
EPS	0.15	0.08	0.05	0.00	(0.12)	(0.05)	**0.10**

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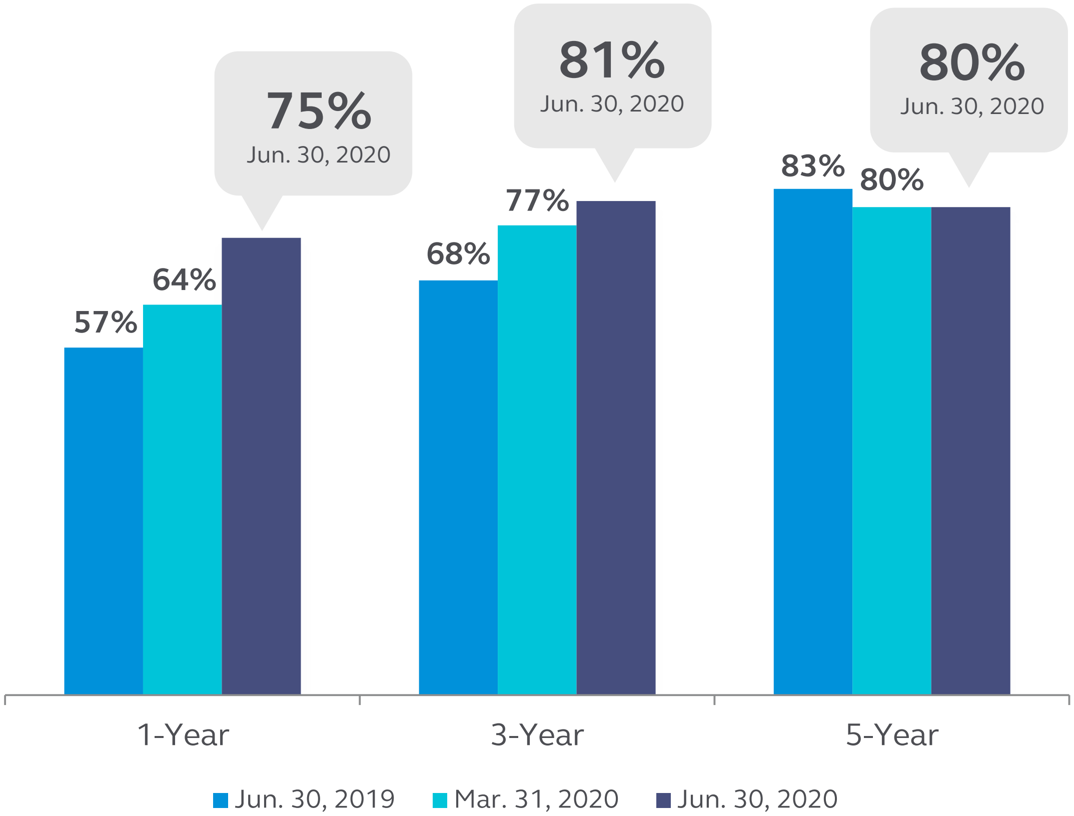
Investment performance

Equal weighted[1]



Asset weighted[2]

77%

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

4 or 5 stars	**77%**
3 stars	20%
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.

[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)

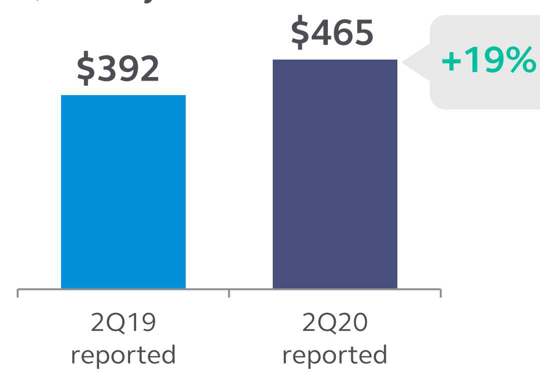
Highlights

- Pre-tax operating earnings excluding significant variances[1] decreased due to impacts associated with the Institutional Retirement and Trust (IRT) business
- Quarterly net revenue increased primarily due to the inclusion of the IRT business; IRT net revenue in the quarter was pressured by the low IOER rate
- Quarterly net cash flow[2] of $700M driven by sales of $2.8B and favorable retention
- 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)
2Q20	$122.3	-$10.1	**$112.2**
2Q19	$132.8	-$5.6	**$127.2**
Change	**-$10.5 (-8%)**		**-$15.0 (-12%)**

Net revenue ($M)

Quarterly basis



Trailing twelve month basis[3]

27% change in net revenue

22% pre-tax return on net revenue

[1] Impact of lower DAC amortization and compensation and other expense, reflecting integration costs, and lower fees for COVID-19 related withdrawals in 2Q20; impact of higher variable investment income, lower DAC amortization, and higher compensation and other expenses in 2Q19.
[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.

Retirement and Income Solutions – Spread (RIS – Spread)

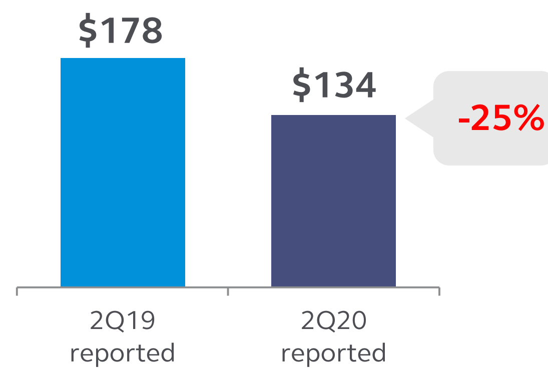
Highlights

- Pre-tax operating earnings excluding significant variances[1] increased due to favorable reserve gains and lower commission expenses
- Quarterly net revenue decreased primarily due to lower variable investment income
- Quarterly sales of $2.1B, including $1.1B of opportunistic Investment Only issuance and $400M of pension risk transfer sales
- Sales pipeline slowing with COVID-19 crisis and rate environment

	Reported pre-tax operating earnings ($M)	Significant variances[1] ($M)	Pre-tax operating earnings ex significant variances ($M)
2Q20	$91.6	+$23.7	**$115.3**
2Q19	$123.4	-$15.0	**$108.4**
Change	**-$31.8 (-26%)**		**+$6.9 (+6%)**

Net revenue ($M)

Quarterly basis



Trailing twelve month basis[2]

-12% change in net revenue

68% pre-tax return on net revenue

[1] Lower variable investment income and favorable mortality in 2Q20; higher variable investment income in 2Q19.
[2] Excludes impacts of 3Q19 and 3Q18 actuarial assumption reviews.

Principal Global Investors (PGI)

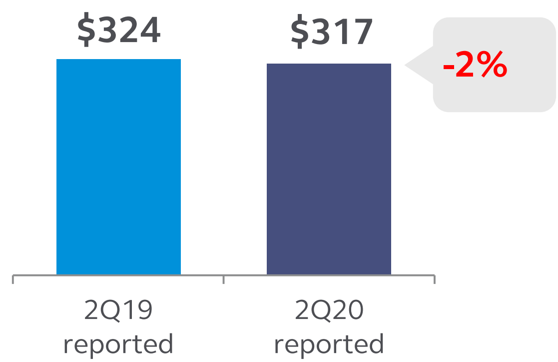
Highlights

- Pre-tax operating earnings decreased primarily due to lower transaction and borrower fees and higher sales compensation, partially offset by lower expenses
- AUM of $450B; quarterly net cash flow of $3.1B
- Strong mutual fund sales in 2Q 2020 of over $7B
- Lower real estate activity is expected to lower transaction and borrower as well as performance fees during the year

	Reported pre-tax operating earnings
2Q20	$108.4
2Q19	$115.6
Change	-$7.2 (-6%)

Operating revenues less pass-through expenses[1] ($M)

Quarterly basis



Trailing twelve month basis[2]

8% change in operating revenues less pass-through expenses

36% pre-tax return on operating revenues less pass-through expenses

[1] This is a non-GAAP financial measure; see reconciliation in appendix.
[2] Excludes accelerated real estate performance fee in 3Q18.

Principal International

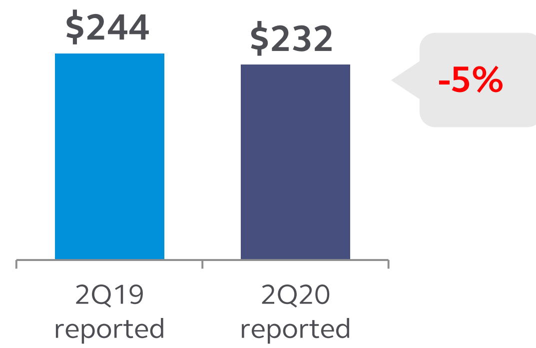
Highlights

- Pre-tax operating earnings excluding significant variances[1] decreased primarily due to foreign currency headwinds of $18M
- AUM of $144B increased 6% compared to prior year quarter on a constant currency basis[2], not including China AUM of $142B
- Net cash flow of $0.9B in 2Q20, the 47th 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)
2Q20	$94.5	-$28.5	**$66.0**
2Q19	$93.2	-$6.9	**$86.3**
Change	+$1.3 (+1%)		**-$20.3 (-24%)**

Combined[3] net revenue (at PFG share)[4] ($M)

Quarterly basis



Trailing twelve month basis[5] (at PFG share)

-3% change in net revenue

34% pre-tax return on net revenue

[1] Impact of higher than expected encaje performance partially offset by lower than expected inflation in 2Q20 and 2Q19.
[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 3Q18 –2Q20 earnings calls.

Specialty Benefits

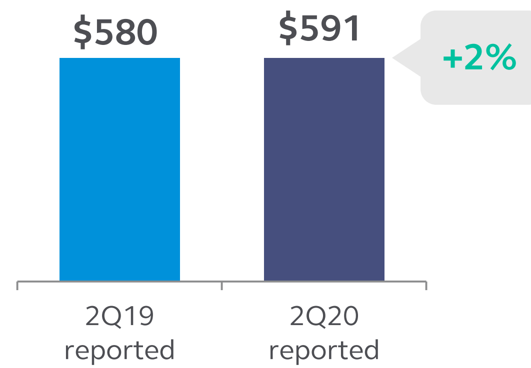
Highlights

- Pre-tax operating earnings excluding significant variances[1] decreased from prior year quarter due to favorable claims in the prior period
- Quarterly premium and fees growth of 2% over the prior year quarter reflects record retention partially offset by lower sales and pressured in-group growth
- Incurred loss ratio benefited from lower dental and vision claims as a result of COVID-19 related provider office closures partially offset by higher IDI and group life claims

	Reported pre-tax operating earnings ($M)	Significant variances[1] ($M)	Pre-tax operating earnings ex significant variances ($M)
2Q20	$127.6	-$43.6	**$84.0**
2Q19	$93.2	-$5.0	**$88.2**
Change	**+$34.4 (+37%)**		**-$4.2 (-5%)**

Premium and fees ($M)

Quarterly basis



Trailing twelve month basis[2]

- **5%** change in premium and fees
- **17%** pre-tax return on premium and fees
- **58%** incurred loss ratio

[1] Lower COVID-19 related claims, higher non-COVID-19 related claims, and lower variable investment income in 2Q20; higher variable investment income in 2Q19.
[2] Excludes impacts of 3Q19 and 3Q18 actuarial assumption reviews.

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Individual Life

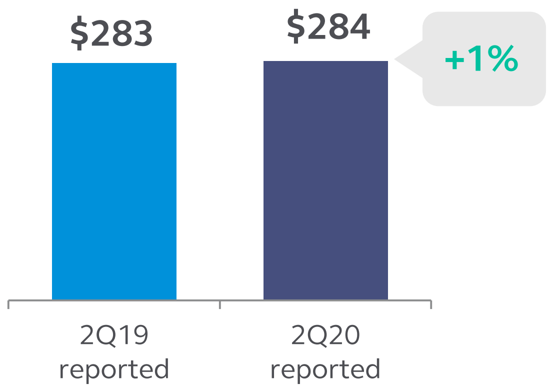
Highlights

- Pre-tax operating earnings excluding significant variances[1] were flat from the prior year period as expense management was offset by lower prepayments
- Business market represented more than 50% of sales
- COVID-19 pandemic highlighting the importance of life insurance; seeing increased interest for term life

	Reported pre-tax operating earnings ($M)	Significant variances[1] ($M)	Pre-tax operating earnings ex significant variances ($M)
2Q20	$27.4	+$22.6	**$50.0**
2Q19	$53.1	-$3.0	**$50.1**
Change	**-$25.7 (-48%)**		**-$0.1 (-0%)**

Premium and fees ($M)

Quarterly basis



Trailing twelve month basis[2]

4% change in premium and fees

14% pre-tax return on premium and fees

[1] Higher COVID-19 related impacts and lower variable investment income in 2Q20; higher variable investment income in 2Q19.
[2] Excludes impacts of 3Q19 and 3Q18 actuarial assumption reviews.

Appendix

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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.
All sensitivities taken from Principal Financial Group's annual report on Form 10-K for the year ended Dec. 31, 2019

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

- 2Q20 integration expenses of $13M were offset by a $14M reduction of our earnout liability; no additional earnout liability remains
- 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 annual 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 change[1] (RIS-Fee)

2Q20
$(1)M

Cumulative since acquisition
$20M

[1] Transaction expenses in Corporate were a cumulative $16M and incurred in prior quarters.

Non-GAAP financial measure reconciliations

	Three Months Ended (in millions)	
Principal Global Investors Operating Revenues Less Pass-Through Expenses	**6/30/20**	**6/30/19**
Principal Global Investors operating revenues	$352.9	$359.5
Principal Global Investors commissions and other expenses	(36.1)	(35.9)
Principal Global Investors operating revenues less pass-through expenses	$316.8	$323.6

	Three Months Ended (in millions)	
Non-GAAP Operating Earnings (Losses)	**6/30/20**	**6/30/19**
Net income attributable to PFG	$398.3	$386.3
Net realized capital (gains) losses, as adjusted	4.4	40.8
Non-GAAP operating earnings	$402.7	$427.1

	Three Months Ended (in millions)	
Principal International Combined Net Revenue (at PFG Share)	**6/30/20**	**6/30/19**
Principal International pre-tax operating earnings	$94.5	$93.2
Principal International combined operating expenses other than pass-through commissions (at PFG share)	137.2	151.2
Principal International combined net revenue (at PFG share)	$231.7	$244.4

	Three Months Ended *Per diluted share*	
Diluted Earnings Per Common Share	**6/30/20**	**6/30/19**
Net income	$1.45	$1.37
Net realized capital (gains) losses, as adjusted	0.01	0.15
Non-GAAP operating earnings	$1.46	$1.52
Weighted-average diluted common shares outstanding *(in millions)*	275.6	281.2

Non-GAAP financial measure reconciliations

	Period Ended *(in millions)*
Stockholders' equity x-AOCI available to common stockholders	**6/30/20**
Stockholders' equity	$15,311.0
Noncontrolling interest	(67.9)
Accumulated other comprehensive income	(1,450.7)
Stockholders' equity x-AOCI available to common stockholders	$13,792.4

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