

Principal Financial Group®

First Quarter 2015 Earnings Call

April 24, 2015



WE'LL GIVE YOU AN EDGESM

Use of Non-GAAP Financial Measures

A non-GAAP financial measure is a numerical measure of performance, financial position, or cash flows that includes adjustments from a comparable financial measure presented in accordance with U.S. GAAP.

The company uses a number of non-GAAP financial measures that 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, in our quarterly earnings release, the company has provided reconciliations of the non-GAAP financial measures to the most directly comparable U.S. GAAP financial measure. 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 operating earnings, net income available to common stockholders, net cash flows, realized and unrealized gains and losses, capital and liquidity positions, sales and earnings trends, and management's beliefs, expectations, goals and opinions. The company does not undertake to update these statements, which are based on a number of assumptions concerning future conditions that may ultimately prove to be inaccurate. Future events and their effects on the company may not be those anticipated, and actual results may differ materially from the results anticipated in these forward-looking statements. The risks, uncertainties and factors that could cause or contribute to such material differences are discussed in the company's annual report on Form 10-K for the year ended Dec. 31, 2014, filed by the company with the 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; continued volatility or declines in the equity, bond or real estate markets; changes in interest rates or credit spreads; 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 securities may include methodologies, estimations and assumptions that are subject to differing interpretations; the determination of the amount of allowances and impairments taken on the company's investments requires estimations and assumptions that are subject to differing interpretations; gross unrealized losses may be realized or result in future impairments; competition from companies that may have greater financial resources, broader arrays of products, higher ratings and stronger financial performance; a downgrade in the company's financial strength or credit ratings; inability to attract and retain sales representatives and develop new distribution sources; international business risks; the company's actual experience could differ significantly from its pricing and reserving assumptions; the company's ability to pay stockholder dividends and meet its obligations may be constrained by the limitations on dividends or distributions Iowa insurance laws impose on Principal Life; 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; the company may need to fund deficiencies in its "Closed Block" assets that support participating ordinary life insurance policies that had a dividend scale in force at the time of Principal Life's 1998 conversion into a stock life insurance company; the company's reinsurers could default on their obligations or increase their rates; risks arising from acquisitions of businesses; changes in laws, regulations or accounting standards; a computer system failure or security breach could disrupt the company's business, and damage its reputation; results of 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; fluctuations in foreign currency exchange rates; and 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.

1Q15 Earnings Call Key Themes

Strong growth masked by macroeconomic pressures

- Strong 1st quarter; operating earnings up 16% on a TTM basis over the year ago period
- Successful execution of our global diversified strategy despite challenging macro conditions
- ROE of 14.0%, up 100 basis points from year ago quarter
- At least 85% of our investment options are in the top half of the Morningstar rankings on a 1, 3 and 5-year-basis
- Total company net cash flow of \$9.4B for the quarter leading to record AUM of \$530B
- Expected capital deployment of \$800M - \$1.0B in 2015



1Q15 Execution Excellence Highlights

- **INVESTMENT AWARDS**

- Barron's Top 5 Fund Family (Principal Funds)
- Lipper award (Principal Global Real Estate Securities Fund)
- #1 AFP investment performance (Cuprum)
- Best 2014 and Best 3-year international equity portfolio manager for FTSE Shariah World Developed (CPIAM joint venture, which sub-advises to Principal Global Equities)

- **OPERATIONS EXCELLENCE**

- Recognized as one of the World's Most Ethical Companies (2015) by the Ethisphere Institute
- Outstanding client satisfaction (Chatham Partners client survey)
- Brasilprev #1 P/VGBL provider in Brazil

- **PRODUCT & SERVICE INNOVATION**

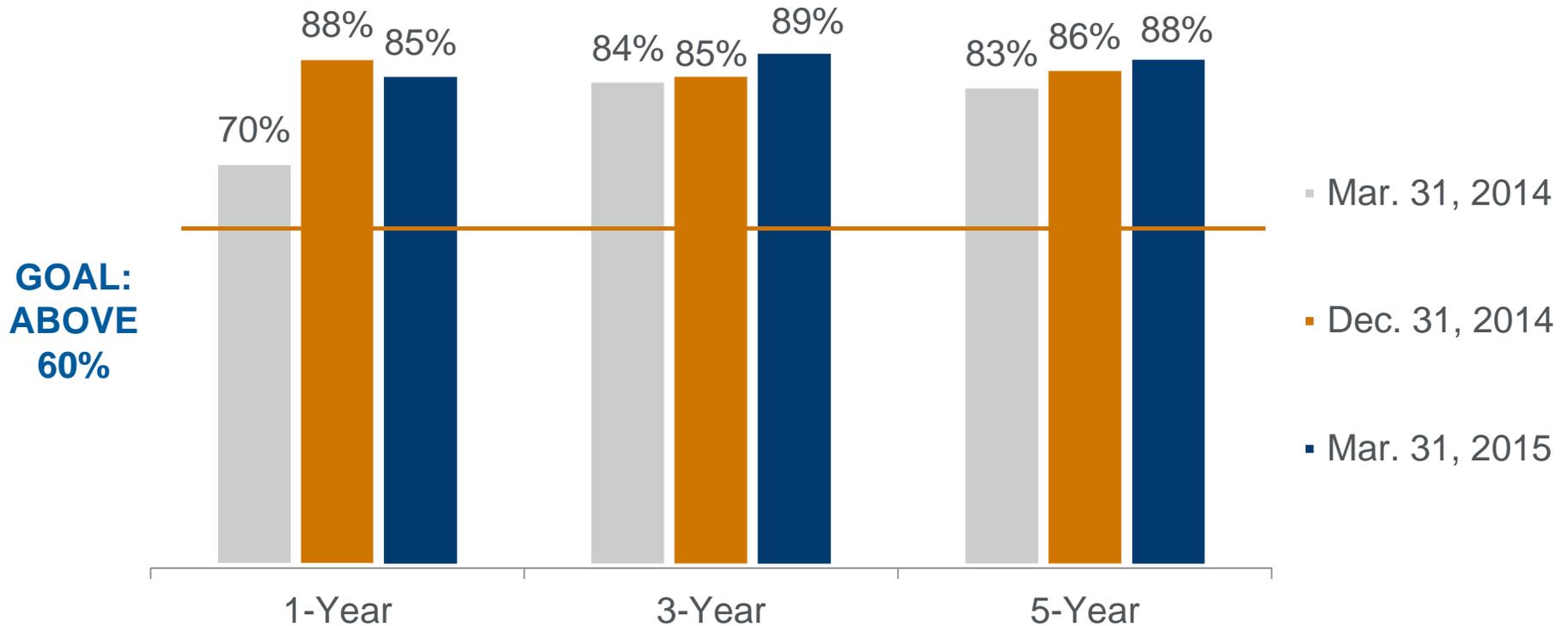
- 3 new funds: Principal Real Estate Debt Income; Principal Real Estate Allocation; Principal Origin Emerging Market
- Qualified Longevity Annuity Contract (Deferred Income Annuity enhancement)



Strong Investment Performance Continues

Morningstar rankings of Principal mutual funds, separate accounts and CITs

Percentage of funds in the top two quartiles



Represents \$173 billion assets under management of which 75% is managed by PGI boutiques

Principal "I" shares; if no "I" share class then "A" share class; separate accounts use "R6" rate level; Includes Principal mutual funds, separate accounts and collective investment trusts (CITs); Excludes money market, stable value and U.S. Property separate account.



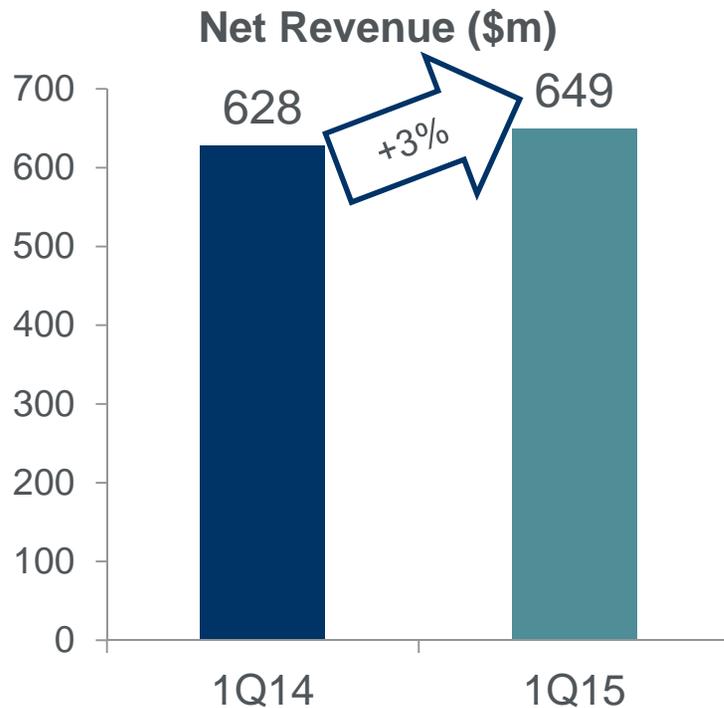
Operating Earnings Normalizing Items

After normalizing, 1Q15 EPS is up 5% compared to a year ago

<i>Per diluted share</i>	<u>1Q14</u>	<u>1Q15</u>	
Operating Earnings	\$1.06	\$1.09	+3%
Normalizing items:			
Retirement and Investor Services			
Dividend accrual benefit in Full Service Accumulation	(0.05)	(0.02)	
Higher variable investment income in RIS Guaranteed	(0.02)		
Transition of Self-Directed Account business to a 3 rd party in Bank & Trust		(0.01)	
Individual Life			
Adverse mortality	+0.01		
Specialty Benefits			
Recovery of reinsurance premiums partially offset by higher expenses primarily from prior year true ups		(0.01)	
Total of normalizing items	(\$0.06)	(\$0.04)	
Normalized Operating Earnings	\$1.00	\$1.05	+5%



Retirement and Investor Services Accumulation



	Operating Earnings After-tax (\$m)	Operating Earnings Adjustment (\$m)	Adjusted Operating Earnings After-tax (\$m)
1Q15	\$186.2	-\$9.0*	\$177.2
1Q14	\$184.5	-\$15.0*	\$169.5
Change	\$1.7 (+1%)		\$7.7 (+5%)

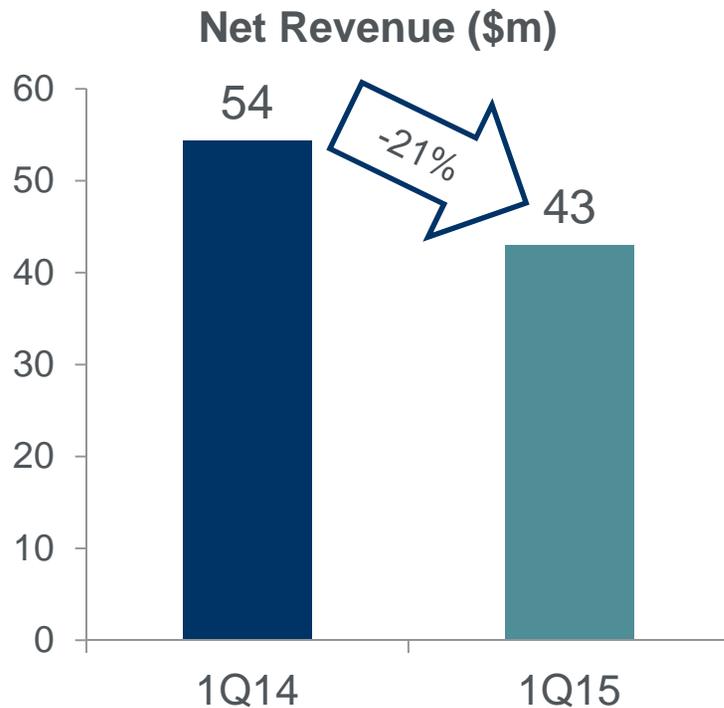
- Full Service Accumulation sales of \$2.8B, continue to balance growth & profitability
- Full Service Accumulation recurring deposits were up 11% over 1Q14
- 21 consecutive quarters of positive net cash flow in Principal Funds

On a trailing twelve month basis:

- Net revenue up 7%
- Pretax return on net revenue of 34%

*Dividend accrual benefit in Full Service Accumulation in 1Q14 and 1Q15 and Bank and Trust self directed accounts benefit in 1Q15

Retirement and Investor Services Guaranteed



	Operating Earnings After-tax (\$m)	Operating Earnings Adjustment (\$m)	Adjusted Operating Earnings After-tax (\$m)
1Q15	\$24.7	--	\$24.7
1Q14	\$32.0	-\$6.0*	\$26.0
Change	-\$7.3 (-23%)		-\$1.3 (-5%)

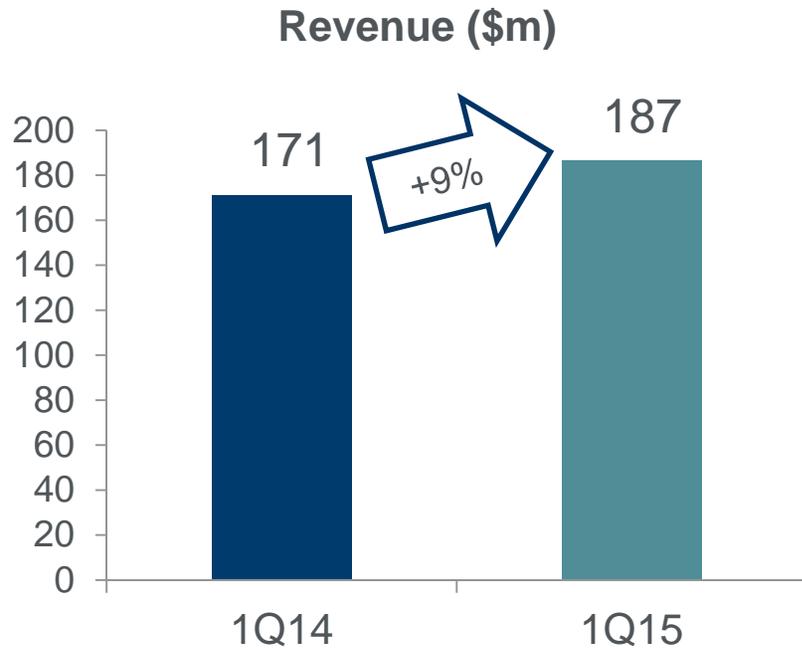
- Full Service Payout pipeline remains strong
- Continue to treat Investment Only and Full Service Payout as opportunistic

On a trailing twelve month basis:

- Net revenue down 1%
- Pretax return on net revenue of 81%

*Benefited from higher variable investment income in Investment Only and Full Service Payout.

Principal Global Investors



On a trailing twelve month basis:

- Revenue is up 1%
- Pretax margin of 26.6%

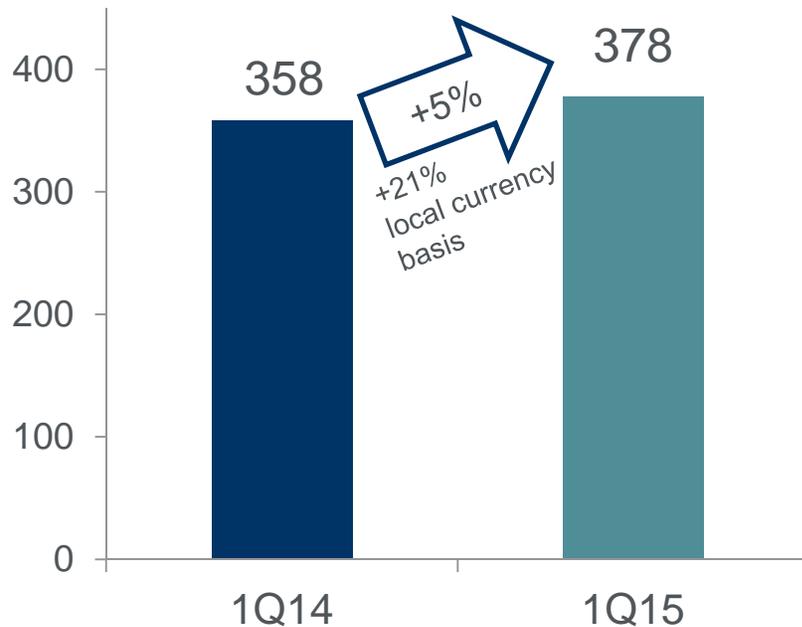
	Operating Earnings After-tax (\$m)
1Q15	\$30.7
1Q14	\$26.9
Change	\$3.8 (+14%)

- Record AUM of \$324B including record unaffiliated AUM of \$118B
- Strong unaffiliated net cash flows of \$3.2B
- Margin improvement as we build scale



Principal International

Combined* Net Revenue (\$m)



On a trailing twelve month combined basis:

- Net revenue is up 12% (22% on a local currency basis)
- Pretax return on net revenue of 52%

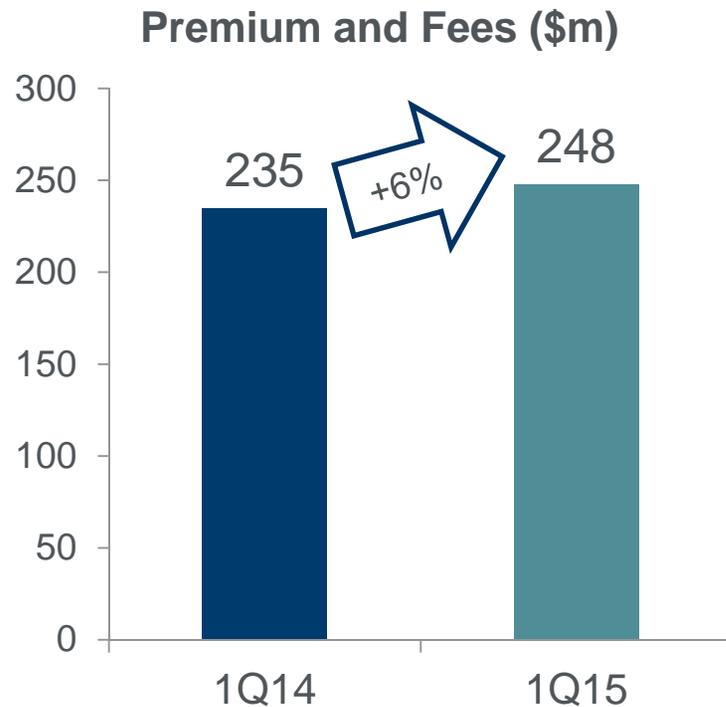
	Operating Earnings After-tax (\$m)
1Q15	\$59.9
1Q14	\$63.3
Change	-\$3.4 (-5%)

- Continue to generate mid-teens OE growth on an adjusted** local currency basis
- In 1Q15, slightly stronger than expected encaje returns were offset by negative impact from low inflation in Chile
- Net cash flow of \$2.3B led by strong sales in Brazil
- AUM of \$111B is up 2% over 1Q14, despite a \$23B currency headwind

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

**Adjusted for 1Q15 low inflation in Chile.

Individual Life



	Operating Earnings After-tax (\$m)	Operating Earnings Adjustment (\$m)	Adjusted Operating Earnings After-tax (\$m)
1Q15	\$25.5	--	\$25.5
1Q14	\$17.3	\$4.0*	\$21.3
Change	\$8.2 (+47%)		\$4.2 (+20%)

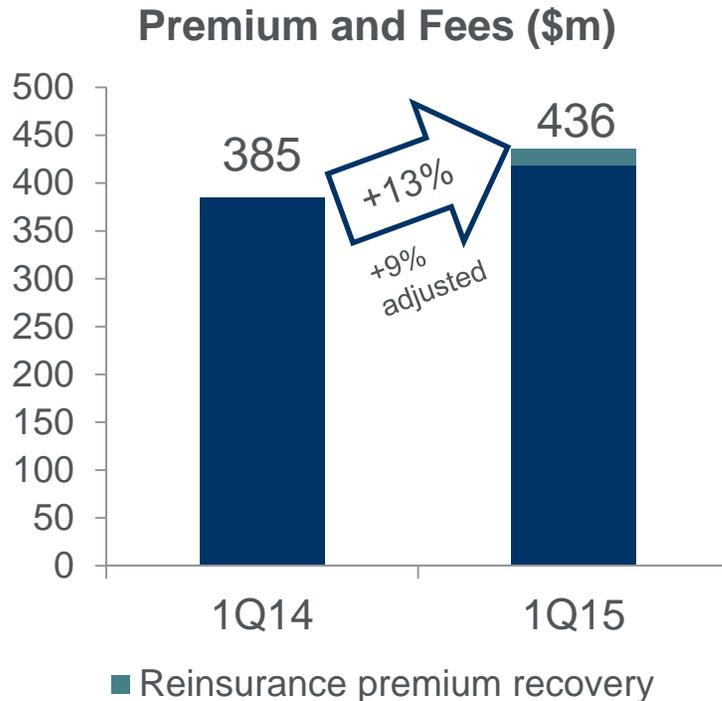
On a trailing twelve month basis:

- Premium and fees up 5%
- Pretax operating margin of 19%

- First quarter 2015 had a return to expected claims experience
- Business market results remain strong at 63% of total sales in 1Q15

*Adverse mortality

Specialty Benefits



	Operating Earnings After-tax (\$m)	Operating Earnings Adjustment (\$m)	Adjusted Operating Earnings After-tax (\$m)
1Q15	\$29.6	-\$4.0*	\$25.6
1Q14	\$26.1	--	\$26.1
Change	\$3.5 (+13%)		-\$0.5 (-2%)

- Strong sales and persistency leading to adjusted premium and fees growth of 9%
- Trailing twelve month in-plan growth of 1.8%, highest since 2006
- Overall adjusted quarterly loss ratio of 65.8% is within the targeted range

On a trailing twelve month basis:

- Premium and fees up 9%
- Pretax operating margin of 11%
- Loss ratio of 64.5%

*Recovery of Individual Disability reinsurance premiums partially offset by higher expenses primarily from prior year true-ups

Capital Deployment

- We expect to deploy \$800M - \$1.0B in 2015
 - Have announced deployments of more than \$700M as of 3/31/15
 - \$218M in common stock dividends
 - Paid 1Q15 dividend of 36-cents per share
 - Announced 2Q15 dividend of 38-cents per share, a 6% increase from prior dividend
 - \$150M announced Board share repurchase authorization
 - \$335M for AXA's Hong Kong pension business in second half 2015
- Long term: expect to deploy 65–70 percent of our net income with fluctuations in any given year