Principal Financial Group® Closes Reinsurance Transaction

May 25, 2022

- Closes previously announced reinsurance transaction of its in-force U.S. retail fixed annuity and universal life insurance with secondary guarantee blocks with an affiliate of Sixth Street
- Affirms deployable proceeds of approximately $800 million when combined with other capital management transactions
- Transaction advances long-term strategy to focus on higher growth markets, improve capital efficiency, and return excess capital to shareholders
- Company to release second quarter 2022 financial results after market close on Monday, August 8, 2022, with a conference call on Tuesday, August 9, 2022

DES MOINES, Iowa--(BUSINESS WIRE)-- Principal Financial Group® (Nasdaq: PFG) announced today that it has successfully closed its transaction to reinsure the company's in-force U.S. retail fixed annuity and universal life insurance with secondary guarantee ("ULSG") blocks of business with an affiliate of Sixth Street and its insurance platform, Talcott Resolution ("Talcott"). Under the agreement, the company has reinsured approximately $25 billion of in-force statutory reserves, and Talcott has engaged Principal® to manage approximately $4 billion in commercial mortgage loans and private credit assets for the lifetime of the assets.

Principal continues to expect deployable proceeds of approximately $800 million in 2022 from the closed transaction in combination with additional transactions designed to improve the capital efficiency of its in-force individual life insurance business. The proceeds are included in the company's planned $2.0 billion-$2.3 billion of share repurchases for 2022.

This reinsurance transaction advances the company's long-term strategy to focus on higher growth markets, improve capital efficiency, and will meaningfully enhance the company's future financial profile:

- Accretive to non-GAAP operating earnings per diluted share (EPS) starting in 2023;
- Improving non-GAAP operating return on average equity (ROE) and affirming the company's 15% target in 2023; and
- Enhancing free capital flow conversion by approximately 10 percentage points annually; increasing the company's target range to 75%-85% upon close.

Principal will release its second quarter 2022 financial results after market close on Monday, August 8, 2022. On Tuesday, August 9, 2022, Dan Houston, chairman, president, and chief executive officer, and Deanna Strable, executive vice president and chief financial officer, will discuss the results during a live conference call. The effective date of the reinsurance transaction is January 1, 2022. Second quarter financial results will include a true-up to transfer all associated revenue and earnings as of the beginning of the year to the counterparty. In addition, the company plans to provide a preliminary estimate of the transition adjustment related to its adoption of the FASB long-duration targeted improvements in 2023.

Forward looking and cautionary 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, 2021, 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, make share repurchases and meet its obligations may be constrained by the limitations on dividends or other distributions 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, develop and retain qualified employees and sales representatives and develop new distribution sources; an interruption in information technology, infrastructure or other internal or external systems used for business operations, or a failure to maintain the confidentiality, integrity or availability of data residing on such systems; international business risks including changes to mandatory pension schemes; 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; risks in completing the company's additional transactions designed to improve the capital efficiency of its in-force individual life insurance business within the terms or timing contemplated; 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 or mitigating all of the risks to which the company is exposed; and global climate change.

Use of Non-GAAP financial measures

The company uses a number of non-GAAP financial measures that management believes are useful to investors because they illustrate the performance of normal, ongoing operations, which is important in understanding and evaluating the company's financial condition and results of operations. They are not, however, a substitute for U.S. GAAP financial measures. Therefore, the company has provided reconciliations of the non-GAAP measures to the most directly comparable U.S. GAAP measure at the end of the release. The company adjusts U.S. GAAP 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 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.

About Principal Financial Group®

Principal Financial Group® (Nasdaq: PFG) is a global financial company with 18,500 employees[1] passionate about improving the wealth and well-being of people and businesses. In business for more than 140 years, we're helping more than 54 million customers[1] plan, protect, invest, and retire, while working to support the communities where we do business, and build a diverse, inclusive workforce. Principal® is proud to be recognized as one of America's 100 Most Sustainable Companies [2], a member of the Bloomberg Gender Equality Index, and a Top 10 "Best Places to Work in Money Management [3]." Learn more about Principal and our commitment to building a better future at principal.com.

[1] As of March 31, 2022
[2] Barron's, 2022
[3] Pensions & Investments, 2021

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