

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934**

Date of Report: **November 16, 2016**  
(Date of earliest event reported)

**PRINCIPAL FINANCIAL GROUP, INC.**

(Exact name of registrant as specified in its charter)

<b>Delaware</b>	<b>1-16725</b>	<b>42-1520346</b>
(State or other jurisdiction of incorporation)	(Commission file number)	(I.R.S. Employer Identification Number)

**711 High Street, Des Moines, Iowa 50392**  
(Address of principal executive offices)

**(515) 247-5111**  
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

**Item 2.02 Results of Operations and Financial Condition**

The slide presentation attached hereto as Exhibit 99, and incorporated herein by reference, will be presented at Principal Financial Group, Inc.'s Investor Day on November 16, 2016 and may be used by the company in various other presentations to investors. The slide presentation is furnished and not filed pursuant to instruction B.2 of Form 8-K.

**Item 7.01 Regulation FD Disclosure**

The slide presentation attached hereto as Exhibit 99, and incorporated herein by reference, will be presented at Principal Financial Group, Inc.'s Investor Day on November 16, 2016 and may be used by the company in various other presentations to investors. The slide presentation is furnished and not filed pursuant to Instruction B.2 of Form 8-K.

**Item 9.01 Financial Statements and Exhibits**

(d) Exhibits

<b>Exhibit No.</b>	<b>Description</b>
99	Slide presentation presented at Principal Financial Group, Inc.'s Investor Day on November 16, 2016. The slide presentation is furnished and not filed pursuant to Instruction B.2 of Form 8-K.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PRINCIPAL FINANCIAL GROUP, INC.

By: /s/ John Egan

Name: John Egan

Title: Vice President - Investor Relations

Date: November 16, 2016



# Investor Day

November 16, 2016

# About Principal<sup>®</sup>

Principal Financial Group<sup>®</sup> (NYSE:PFG) helps people and companies around the world build, protect and advance their financial well-being through retirement, insurance and asset management solutions that fit their lives. Our employees are passionate about helping clients of all income and portfolio sizes achieve their goals – offering innovative ideas, investment expertise and real-life solutions to make financial progress possible. To find out more, visit us at [principal.com](http://principal.com).



# Welcome

**John Egan**

Vice President, Investor Relations

# 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, 2015, and in the company's quarterly report on Form 10-Q for the quarter ended Sept. 30, 2016, 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 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; 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 or distributions Iowa insurance laws impose on Principal Life; changes in laws, regulations or accounting standards; 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; 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 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; changes in investor preferences; inability to attract and retain qualified employees and sales representatives and develop new distribution sources; international business risks; fluctuations in foreign currency exchange rates; 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; and a computer system failure or security breach could disrupt the company's business and damage its reputation.



# GAAP metrics

Principal Financial Group, Inc.

## U.S. GAAP Financial Measures

(in millions, except as indicated)

	Trailing 12 months	
	12/31/2010	9/30/2016
Net income per diluted common share	\$1.92	\$4.26
Net income (loss) available to common stockholders	\$619.6	\$1,252.1

	Trailing 12 months	
	12/31/2010	9/30/2016
USIS pre-tax operating earnings (losses)	\$199.5	\$340.9

	Trailing 12 months				
	12/31/2012	12/31/2013	12/31/2014	12/31/2015	9/30/2016
PI Pre-tax operating earnings (losses)	\$209.2	\$294.4	\$352.7	\$271.3	\$289.4

	Trailing 12 months
	9/30/2016
Income (loss) before income taxes	\$1,519.4

Note: The long-term guidance for net income available to common stockholders and net income return on equity available to common stockholders is materially consistent with our long-term guidance for operating earnings and operating earnings return on equity, respectively.



# 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, at the end of this presentation, 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.





# Agenda

<b>Time</b>	<b>Topic</b>	<b>Presenter</b>
8:00 am	Welcome	John Egan
8:05 am	Challenges and opportunities for Principal®	Dan Houston
8:40 am	Positioned for success in a changing asset management industry	Jim McCaughan
9:20 am	Future of U.S. retirement and insurance businesses	Nora Everett & Deanna Strable
10:10 am	Break	
10:30 am	Opportunities in emerging markets	Luis Valdés
11:10 am	Investment strategy and long-term financial outlook	Tim Dunbar & Terry Lillis
11:50 am	Lunch	
12:05 pm	Panel Q&A	All presenters
12:45 pm	Closing	



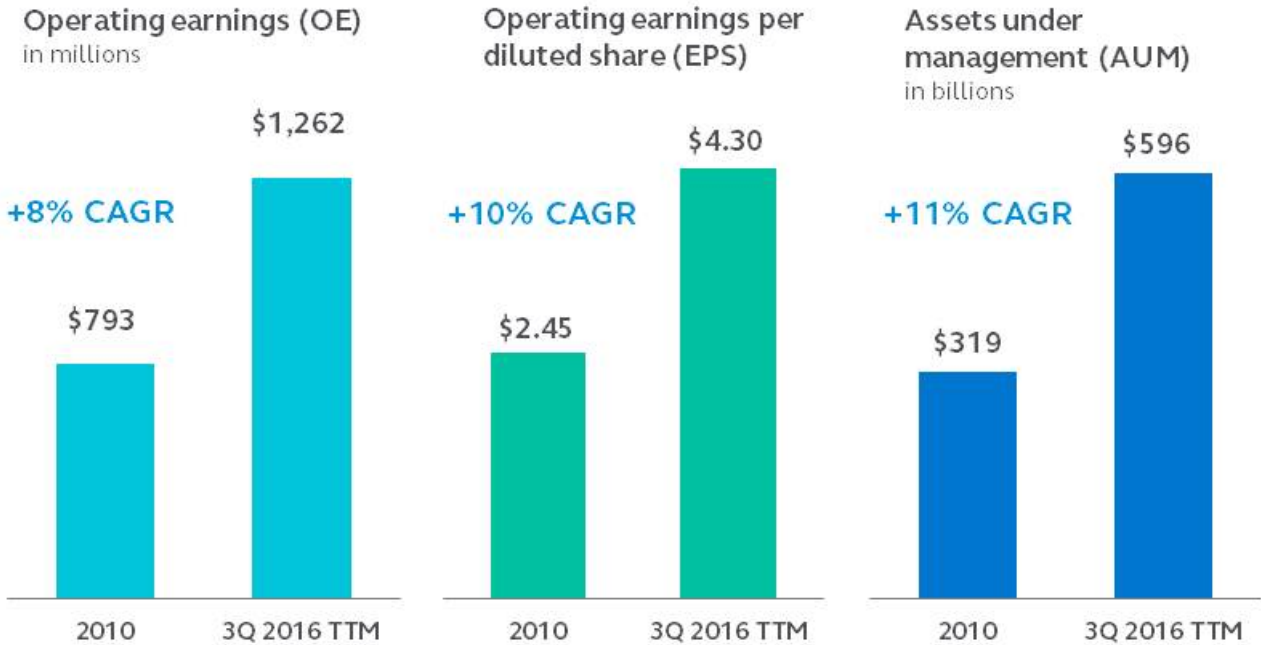


# Challenges and opportunities for Principal

**Dan Houston**

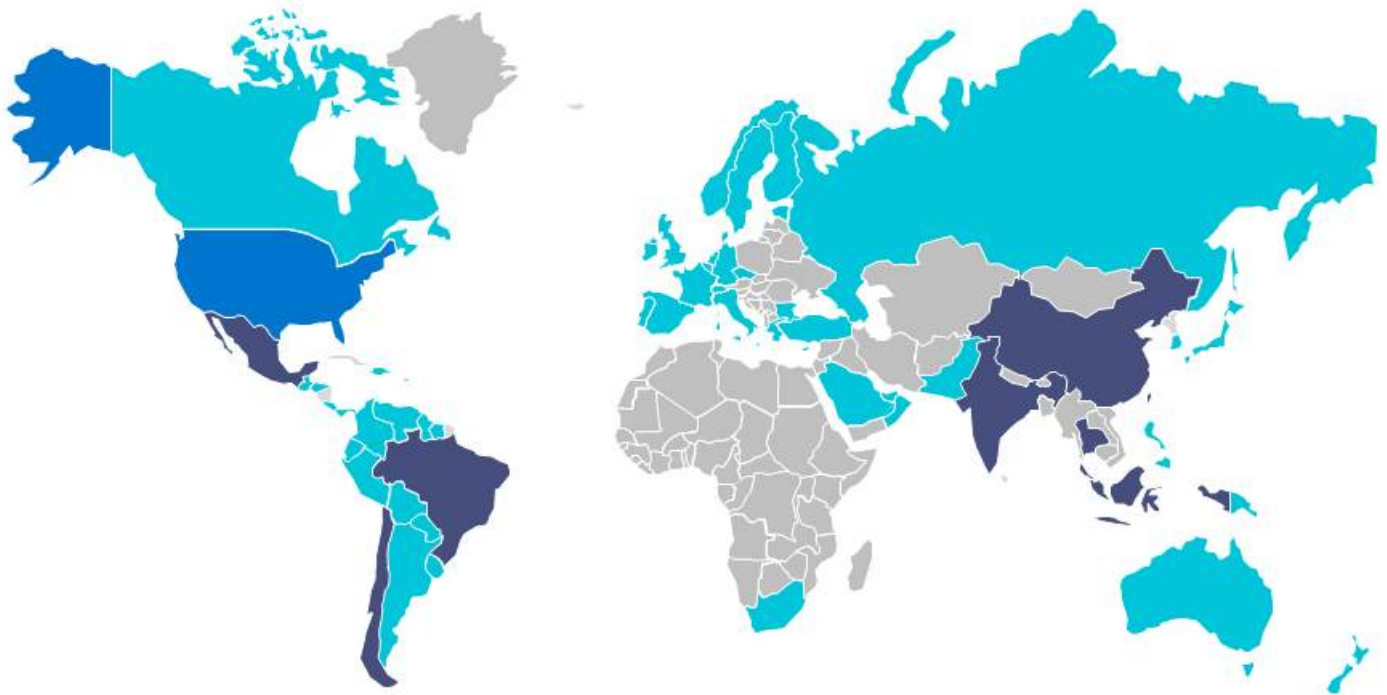
Chairman, President & CEO

# Our strong growth will continue in the future



# Where we compete

More than 70 countries around the world



- Asset management, retirement/long-term savings, risk protection
- Asset management, retirement/long-term savings
- Asset management



# Where we compete

From positions  
of **strength**

- ✓ 39<sup>th</sup> largest global asset manager<sup>1</sup>
- ✓ 15<sup>th</sup> largest advisor sold fund family (U.S.)<sup>2</sup>
- ✓ Top 4 across pillars of retirement (U.S.)<sup>3</sup>
- ✓ Top 5 in group benefits (U.S.)<sup>4</sup>
- ✓ #2 in Latin American pension market<sup>5</sup>
- ✓ Top 10 funds company in China<sup>6</sup>

Sources: <sup>1</sup>The 500 largest asset managers, Towers Watson, November 2015; <sup>2</sup>July 2016 Flow Watch, Strategic Insight; <sup>3</sup>PLANSponsor Recordkeeping Survey, June 2016, PLANSponsor Defined Benefit Administration Survey, May 2015, PLANSponsor NQDC Buyer's Guide, July 2015; <sup>4</sup>LIMRA 2015 survey; Non-medical based on fully insured employer contracts in force; <sup>5</sup>AUM among multi-country pension; <sup>6</sup>Z-Ben as of Dec. 31, 2015.



# Company vision



## **Diversified & integrated business model**, focused on:

- Asset management
  - Asset accumulation
  - Income solutions
  - Protection
- 



## **Recognized global leader:**

- Managing assets appropriate for long-term strategies
- Creating retirement and income solutions
- Advocating for retirement readiness
- Developing business owner and executive solutions for small to medium sized businesses (primarily U.S.)

A photograph of four business professionals in a modern office setting. They are standing near a large window, looking out at a cityscape. The lighting is soft and natural, creating a professional and collaborative atmosphere. The image is slightly blurred, emphasizing the overall scene rather than individual details.

# Challenges and opportunities

## Pressures & challenges

# Active asset managers knocked by **shift to passive**

- FT.com, Apr. 2016



Pressures & challenges

# Emerging markets to weigh heavily on global growth

- The World Bank, Jan. 2016

Pressures & challenges

# Why US interest rates will stay low

- Marketwatch, June 2016

## Pressures & challenges

**DOL's fiduciary rule will...  
disrupt** many business models

- Morningstar, June 2016

## Pressures & challenges

...trends driving consolidation?  
**Shrinking profit margins** and  
a reach for scale

– Retirement Income Journal, Jan. 2015

## Pressures & challenges

**Failure to keep up** with technology change will create opportunities for groups like Google

– Forbes, Oct. 2014

“With all due respect...”

For every pressure & challenge,  
there's an opportunity

# Asset management remains among world's most profitable

– bcg.perspectives, July 2015

For every pressure & challenge,  
there's an opportunity

# China to overtake US in 2029; Brazil into exclusive G-8

– Center for Economics and Business Research World  
Economic League Table, Dec. 26, 2015



For every pressure & challenge,  
there's an opportunity

## Where investors can look for yield

– U.S. News & World Report, August 2016

For every pressure & challenge,  
there's an opportunity

## DOL could usher in new era of innovation

– Institutional Investor, Apr. 2016

For every pressure & challenge,  
there's an opportunity

# Auto enroll raises participation; auto escalate boosts contributions

– Center for Retirement Research at Boston College,  
July 2015



For every pressure & challenge,  
there's an opportunity

U.S. dominates  
[nearly 7X assets of 2<sup>nd</sup>  
largest retirement market]

– Retirement Research Inc., April 2016



For every pressure & challenge,  
there's an opportunity

# Digital will transform

– Digital Transformation: The Central Challenge  
for Asset Management Firms, Accenture, 2014

# Putting the customer first



# Customer-focused strategy...



<sup>1</sup>SMBs: small to medium-sized businesses.



# ...to drive long-term growth

## Financial drivers

Strategic  
capital  
deployment

Operational  
efficiency

## Customer drivers

Take market  
share

Capitalize  
on growing  
markets

Get more  
from existing  
block



# ...to drive long-term growth

## Financial drivers

Strategic  
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deployment

Operational  
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Capitalize  
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Get more  
from existing  
block

Take market share

# Technology, distribution and solutions



**Technology**

Enrollment

Open access

Accelerated underwriting



**Distribution**

Joint customer strategies

Product placements

Provider of choice



**Solutions**

Principal Total Retirement Suite<sup>SM</sup> (TRS)

Business owner & executive solutions (BOES)

Outcomes-based

Take market share

# The future



**Go deeper**

Self-service options

Big data

Smart Beta



**Further explore**

Account aggregation

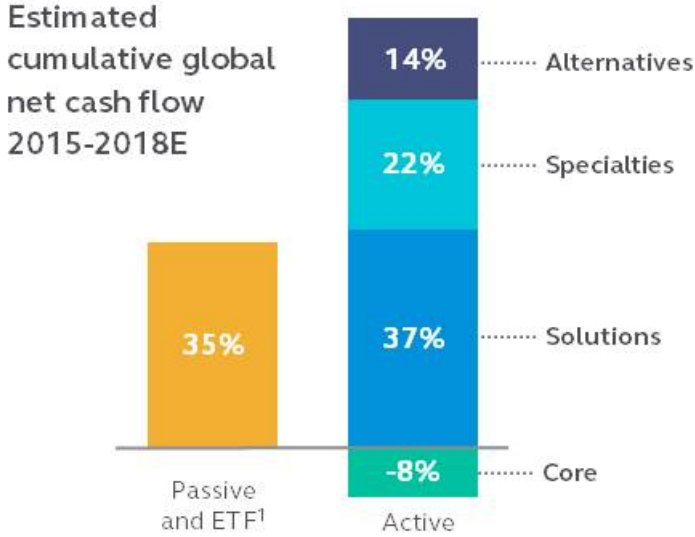
Blockchain

Machine learning

Take market share

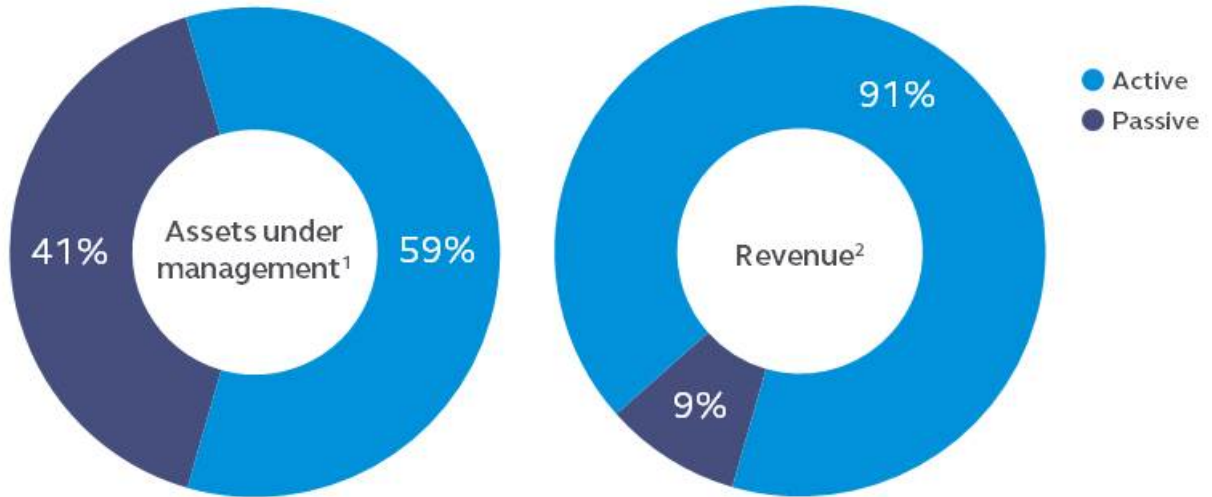
# The right active strategies

We have options within  
**90+%**  
of Boston Consulting Group's  
"right active strategies"



## Take market share

# Active strategies will continue to generate AUM and revenue growth

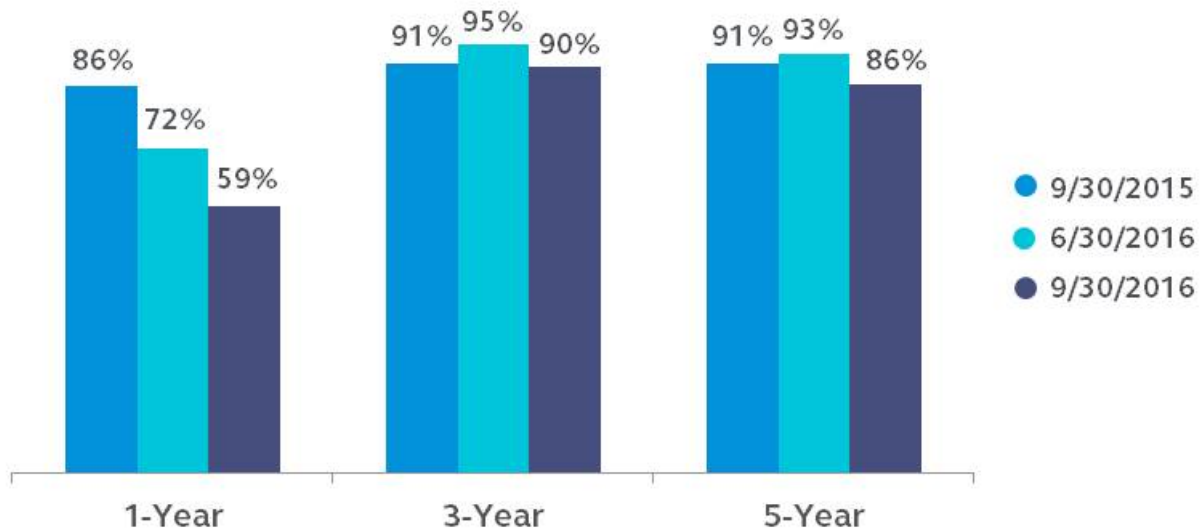


<sup>1</sup>Growth by management style, 2012 to 2020, Asset Management 2020: A Brave New World, PwC, 2014;

<sup>2</sup>Calculation based on 2015 expense ratio data in ICI 2016 Investment Company Fact Book.

## Take market share

# Investment performance



Morningstar rankings of Principal mutual funds, separate accounts and CITs. Percentage of funds in the top two quartiles. 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.

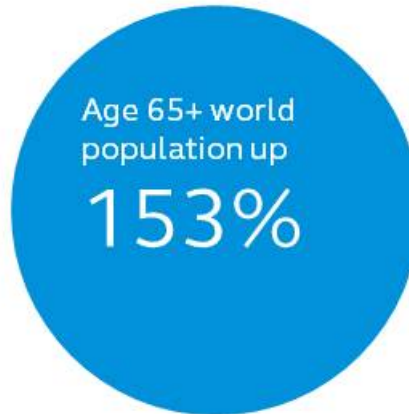


## Capitalize on growing markets

# Demographic shifts



>3 billion more people with capacity to save, invest and protect



Nearly 1 billion more people needing income solutions



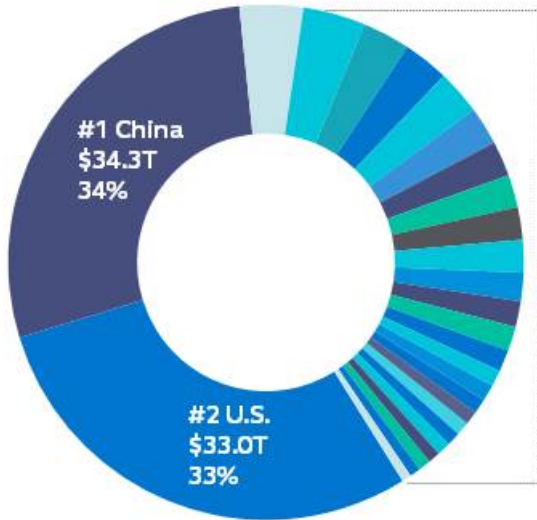
Creating additional demand for funded pension systems

Sources: [http://www.oecdobserver.org/news/printpage.php/aid/3681/An\\_emerging\\_middle\\_class.html](http://www.oecdobserver.org/news/printpage.php/aid/3681/An_emerging_middle_class.html) (2009-2030); <https://www.census.gov/content/dam/Census/library/publications/2016/demo/p95-16-1.pdf> (2015 - 2050); Global Aging and Retirement Security in Emerging Markets, Global Aging Institute, 2015 (2010-2050).



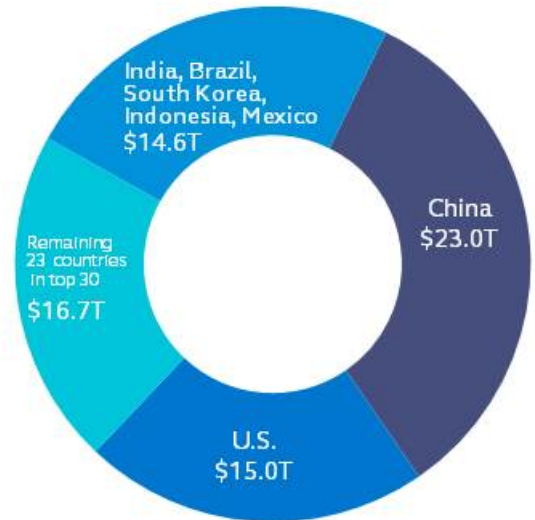
Capitalize on growing markets

# Asia, Latin America and U.S.



Projected GDP in 2030  
30 largest economies

#3 - #30  
largest  
economies  
33%



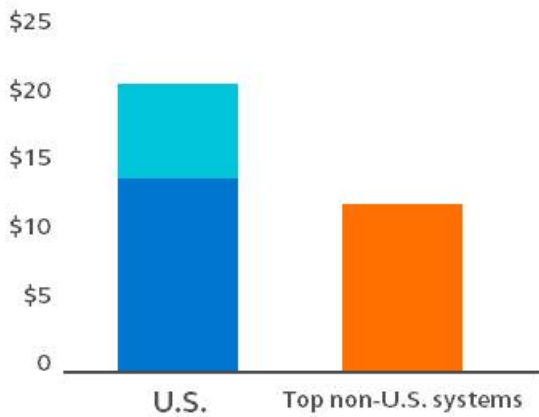
Projected GDP growth  
2015 -2030



## Capitalize on growing markets

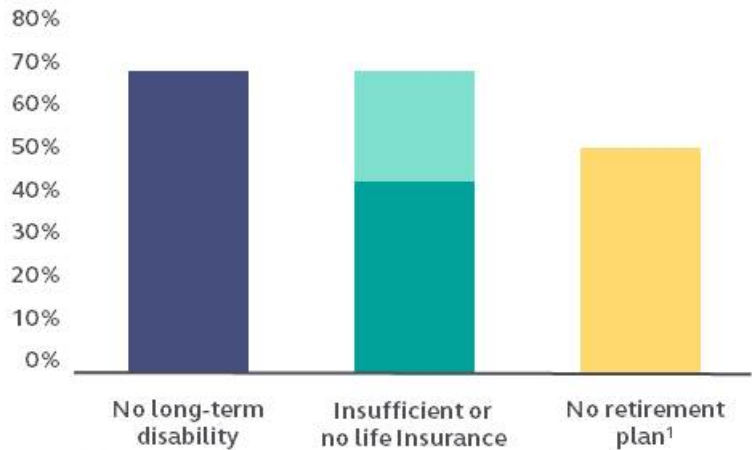
# U.S. market potential remains immense

U.S. retirement system dominant, despite under-savings (in trillions)



- Defined Benefit (DB)
- Private Defined Contribution (DC) and Individual Retirement Account (IRA)
- 2<sup>nd</sup>-10<sup>th</sup> largest retirement systems combined

U.S. is under-insured and under-served



- Individuals with no long-term disability
- Individuals with no life insurance
- Individuals with insufficient life insurance
- Businesses that do not offer a retirement plan

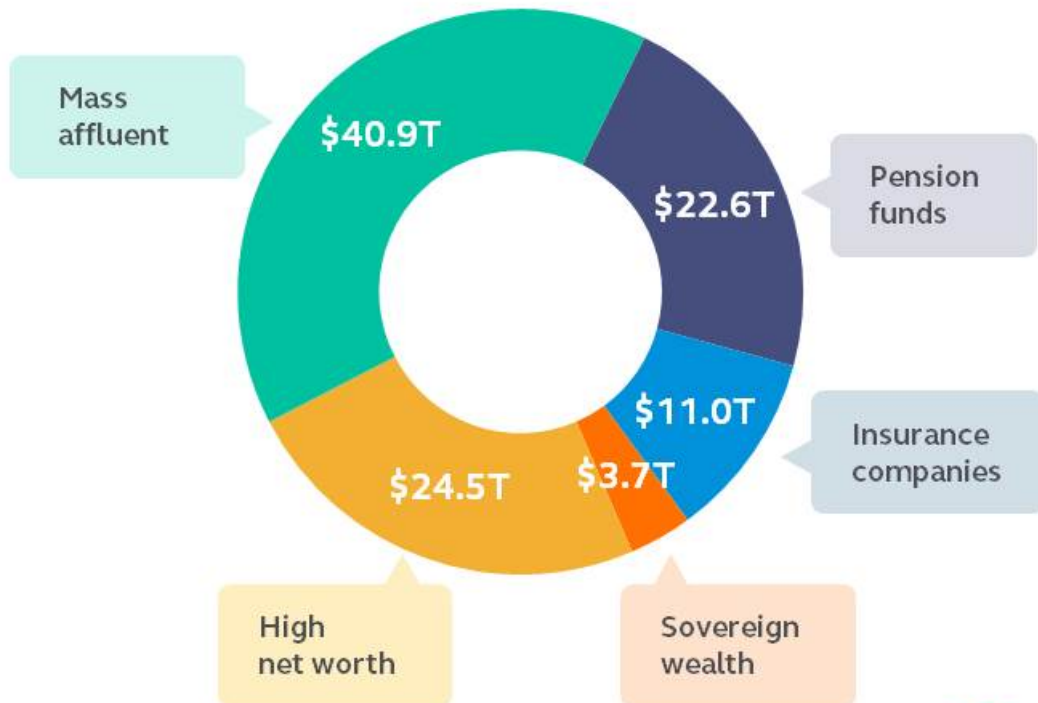
Sources: Retirement Markets 2016, Retirement Research Inc., April 2016; <https://www.ssa.gov/news/press/factsheets/basicfact-alt.pdf> (2016); <http://www.bankrate.com/finance/insurance/money-pulse-0715.aspx>.  
<sup>1</sup>Department of Labor, Bureau of Statistics for business with 1-500 employees.



## Capitalize on growing markets

# Individuals and institutions

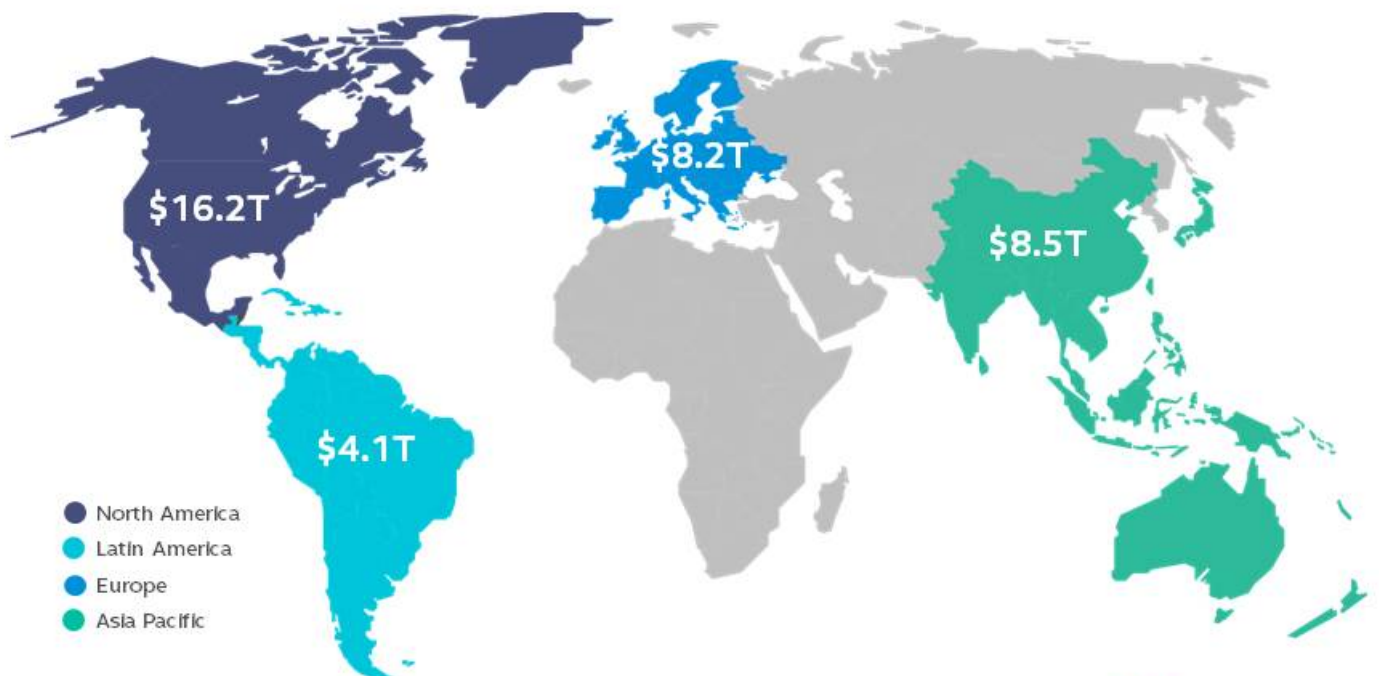
Projected AUM growth, 2012 to 2020, by client type



Capitalize on growing markets

## Major growth in four regions

Projected AUM increases for asset management industry, by region, 2012-2020



Getting more from existing block

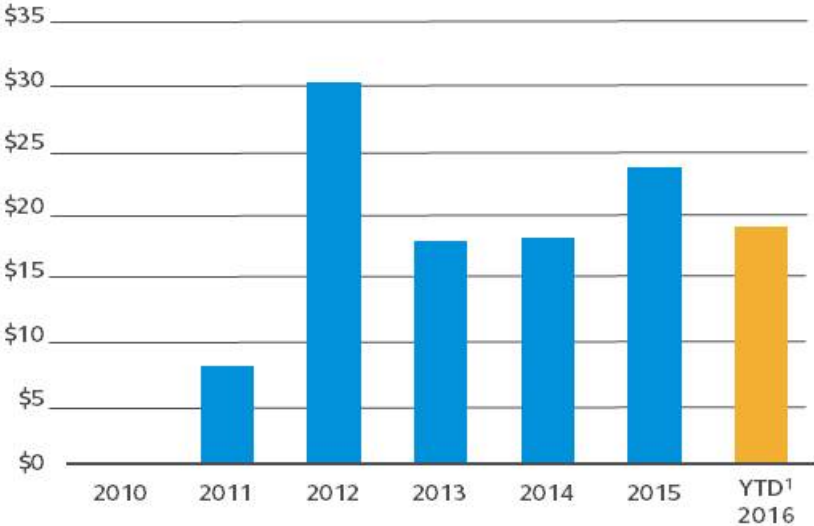
## Better outcomes, better retention



- 
- Greater collaboration across business units
  - Greater use of best practice plan design
  - Greater retention of at-risk assets

# The result: attracting and retaining customers

Total company AUM net cash flow (\$ in billions)



**\$114 billion**  
in positive  
AUM net  
cash flow  
(2010 to 9/30/2016)



# Closing thoughts

## Who we are

A company that:

- Lives its core values
- Embraces change
- Helps customers achieve financial success

## Where we compete

- Asset management globally, including income solutions
- Retirement/long-term savings in U.S., Latin America and Asia
- Insurance/group benefits in the U.S.

## How we win

- Customer first and better outcomes
- Strong investment performance
- Diversification and integration
- Brand, technology and talent



# Positioned for success in a changing asset management industry

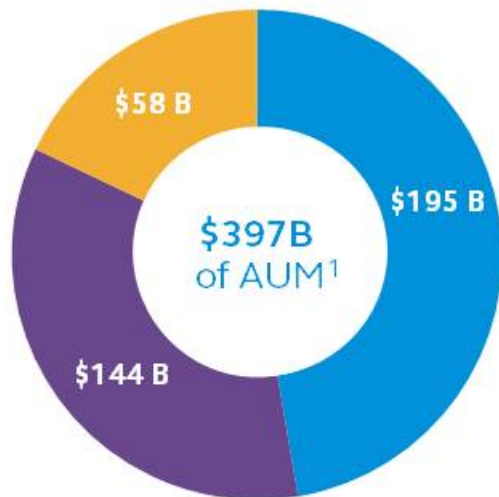
**Jim McCaughan**

President, Global Asset Management

## Overview

# Principal Global Investors

A diversified investment manager



- Broad range of investors in over 70 countries
- Offices in major money centers worldwide
- Long commitment to corporate stewardship; signatory to United Nations' Principles for Responsible Investment (PRI)
- Principal ranked top among companies with 1,000+ employees in *Pensions & Investments'* Best Places to Work in Money Management, for the last four years<sup>2</sup>

- Fixed Income
- Equity
- Alternatives

<sup>1</sup>AUM as of 9/30/2016. <sup>2</sup>Pensions & Investments, "The Best Places to Work in Money Management" among companies with our size category", PFG recognition 12/14/2015.





## Overview

# Globally integrated business model

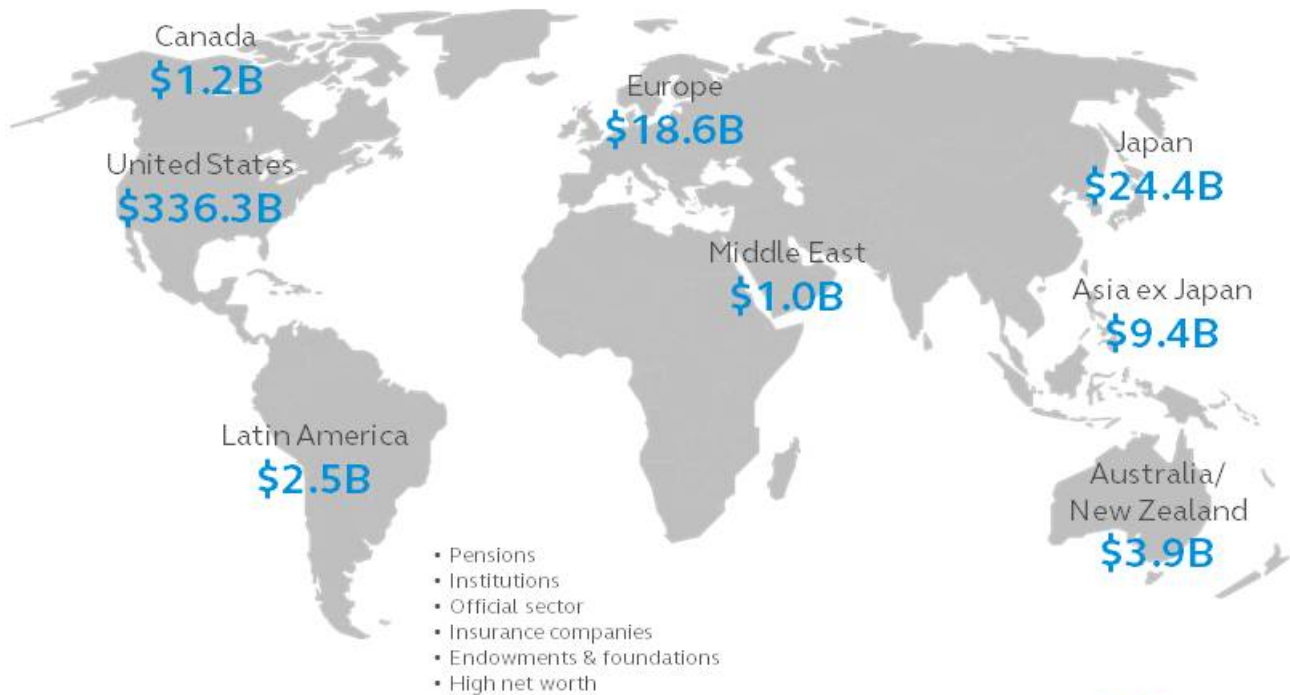
Our global platform for investing and working with clients



## Overview

# Growing presence across regions

With opportunities across client segments



Our growth drivers

# In-demand, specialist capabilities



Unique hybrid multi-boutique approach

Distinct investment processes

Leverage distribution

- Global institutional
- Global funds

Integrated business processes

- Drive scale
- Share best practices

- Asset Allocation/Multi-Strategy
- Fixed Income
- Equity
- Alternatives



AUM in billions, as of 9/30/2016. <sup>1</sup>Principal Portfolio Strategies allocates investment dollars across PGI boutiques and third-party managers.

## Our growth drivers

# Industry leading performance

Percentage of funds in the top two quartiles, 3Q 2016	1-Year	3-Year	5-Year
<b>Principal (Morningstar)<sup>1</sup></b>	<b>59%</b>	<b>90%</b>	<b>86%</b>
T Rowe (Lipper)	81%	84%	82%
Invesco (Lipper) <sup>2</sup>	62%	68%	79%
Janus (Morningstar)	47%	76%	67%
Franklin (Lipper) <sup>2</sup>	52%	31%	69%
Waddell (Lipper)	36%	38%	42%

69% of Morningstar-rated funds on our U.S. retail platform earned 4 or 5 stars (40 of 58 funds)

<sup>1</sup>Morningstar rankings of Principal mutual funds, separate accounts and CITs *Percentage of funds in the top two quartiles*. 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.

<sup>2</sup>Rankings reported by competitors based on percentage of assets under management in top two peer group quartiles.



## Our growth drivers

# Proven multi-asset, multi-manager expertise

Investment strategies	# of strategies	AUM 9/30/2016	3-Year AUM CAGR
Target date	6	\$53.6B	17%
Target risk	7	\$18.7B	6%
Dynamic asset allocation	3	\$0.2B	58%
Dynamic outcome	5	\$14.6B	17%
Other strategic asset allocation	10	\$24.9B	1%

## Our growth drivers

# Global leadership in funds

### > PGI/Funds integration makes Principal a global destination for funds

- \$177B in AUM across U.S. and International platforms, as well as various private funds<sup>1</sup>
  - Strong performance across boutiques and strategies
  - Well positioned in Active and Smart Beta ETFs
- 

### > Key functions aligned globally

- Distribution, governance and operations
- 

### > Capabilities compelling to big intermediaries

- Focus on global consultants, global distributors, U.S. wirehouses, U.S. independent broker-dealers and RIAs<sup>2</sup>, private banks
- 

### > Work closely with PI in their local markets

<sup>1</sup>As of 9/30/2016. Includes Principal Funds, PGI Trust CITs, PGI Dublin Funds, PGI Australia Funds, and various boutique-level funds. <sup>2</sup>RIA: Registered Investment Advisor.

Our growth drivers

# Disciplined, market-driven product development



**Rigorous process with multiple inputs**

## **Some proven successes:**

- Principal Lifetime Series
- Global Diversified Income
- Global REITS<sup>1</sup>
- Diversified Real Asset

## **Some recent launches:**

- Millennials Index ETF
- Blue Chip CIT<sup>2</sup>
- Real Estate Debt Income Fund
- Global Sukuk UCITS<sup>3</sup> Fund

<sup>1</sup>REITS: Real Estate Investment Trusts. <sup>2</sup>CIT: Collective Investment Trust. <sup>3</sup>UCITS: Undertakings for Collective Investment in Transferable Securities.

## Success story

# Capturing synergies from PGI-Funds integration

SMA<sup>1</sup> business up over 50% from a year ago

Engaged the broader Funds Distribution team and adopted a “wrapper agnostic” approach

\$25 billion in AUM in growing DCIO<sup>2</sup> market

Coordinated approach across Institutional, Funds, and Morley Distribution, supported by Global Firm Relations

Better sharing of advisor information

Leveraging one customer relationship management tool and one enterprise-wide partner

More efficient product development

Centralized team for product strategy, development and management across channels and wrappers

As of 9/30/2016. <sup>1</sup>Separately Managed Account: Customized investment portfolio formulated by an advisor to address an individual client's specific investment objectives. <sup>2</sup>DCIO: Defined Contribution Investment Only.

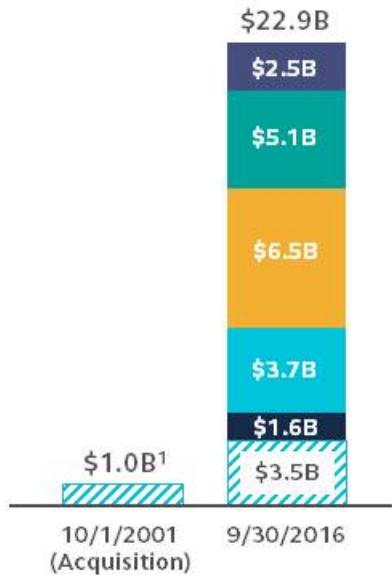




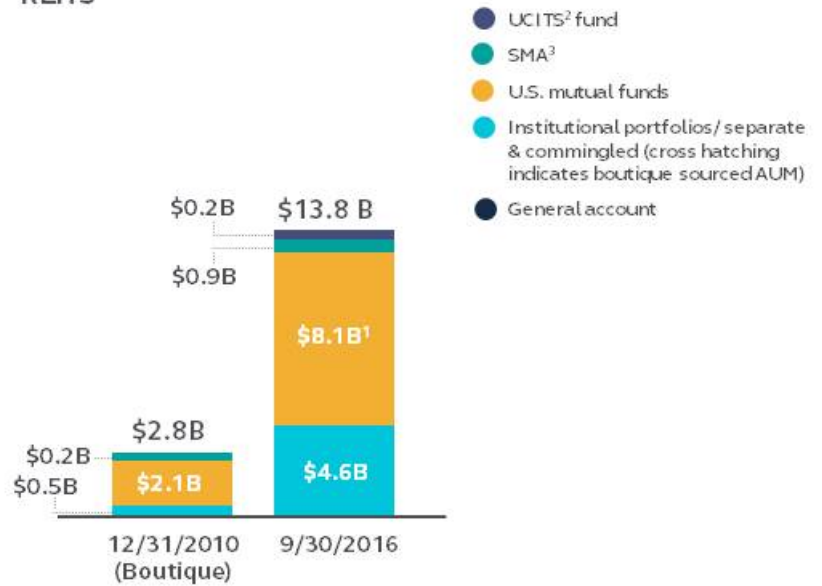
## Success story

# Leveraging multi-channel distribution

### Spectrum Asset Management



### Principal Real Estate Investors - REITS



As of 9/30/2016. <sup>1</sup>For 2016, the \$8.1B includes both Mutual Fund and Collective Trust vehicles. Note that all REITS AUM was Principal sourced. <sup>2</sup>UCITS: Undertakings for Collective Investment in Transferable Securities. <sup>3</sup>SMA: Separately managed accounts



## Looking ahead

# Well positioned despite industry headwinds

### Industry outlook

- Slowing global GDP growth limiting industry growth
- Growing demand for lower cost strategies
- Increased cost of regulation and technology

### Principal Global Investors

- Excellent growth momentum relative to industry peers
- Sustained strong investment performance
- Attractive suite of high value offerings
- Continued discipline around costs

	4Q 2012	3Q 2016	CAGR
AUM	\$283.7B	\$397.3B	9%
Adjusted revenues <sup>1</sup>	\$827.8M	\$1,187.2M	10%
Pre-tax operating earnings <sup>1</sup>	\$206.7M	\$412.1M	20%
AUM net cash flows <sup>1</sup>	\$15.2B	\$11.3B	
Pre-tax return on adjusted revenue <sup>1</sup>	26.2%	35.1%	



# Future of U.S. retirement and insurance businesses

## **Nora Everett**

President, Retirement and Income Solutions

## **Deanna Strable**

Executive Vice President

President, U.S. Insurance Solutions

# Comply, compete, grow

DOL fiduciary regulations

Comply, compete, grow

# DOL fiduciary regulations



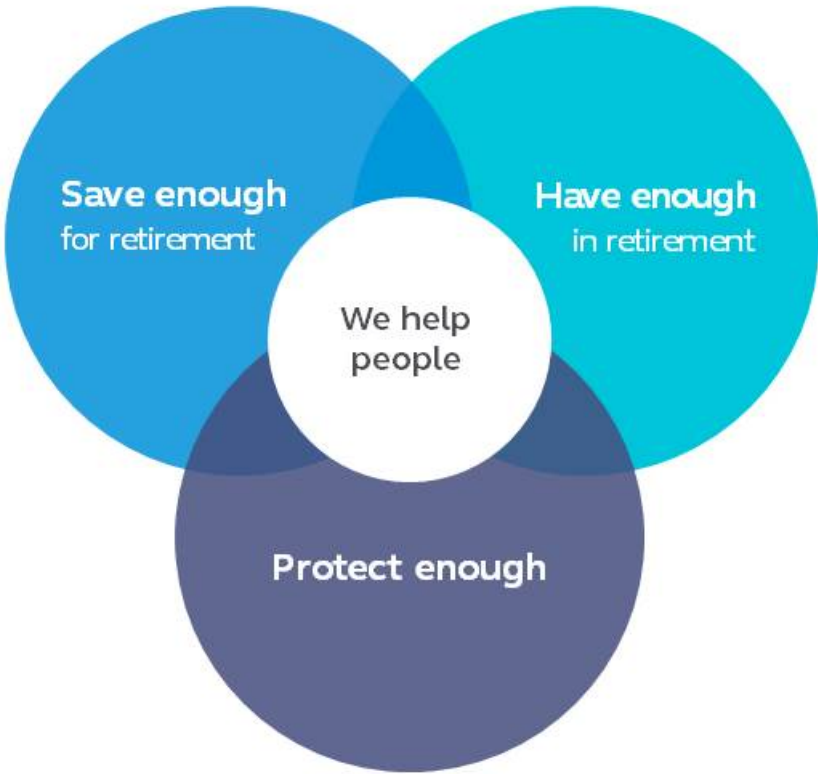
Challenge equals opportunity



# U.S. retirement and insurance businesses

Market and growth opportunity

# Why we do what we do



## U.S. retirement and insurance businesses

# From a position of strength

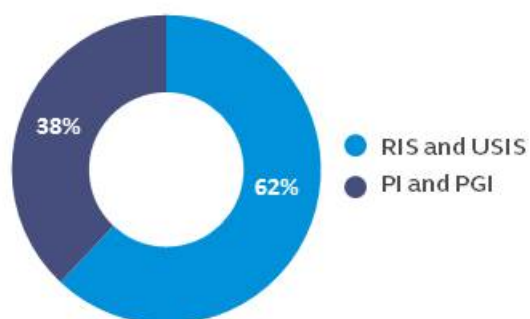
130,000  
employers



Almost 10  
million people  
covered

Total company pre-tax operating  
earnings (excluding Corporate)

\$1.9B<sup>1</sup> as of 9/30/2016



### Industry leaders<sup>2</sup>

#### #1 ranking in the following:

- Defined benefit
- ESOP
- Full service payout<sup>3</sup>
- Nonqualified deferred compensation

#### Top rankings in other product lines:

- #4 Defined contribution
- #5 Group benefits
- #5 Individual disability
- Top quartile individual life

<sup>1</sup> For trailing 12 months, excludes impact of 2016 annual actuarial review. <sup>2</sup> Retirement rankings from PLANSPONSOR magazine; full service payout and insurance rankings from LIMRA. <sup>3</sup> Based on contracts.





## U.S. retirement and insurance businesses

# Market opportunity

**6 million**  
SMB employers<sup>1</sup>



**50%** offer  
retirement plan<sup>2</sup>

**25%** offer  
group insurance<sup>3</sup>



**68 million**  
employees<sup>1</sup>  
(57% of working population)

## Proven results



# Retirement and Income Solutions

Market and growth opportunity



# Growth strategy

## Helping people



- > Over 40k employers
- > Over 5.5M individuals
- > \$229B in account value

Retirement and Income Solutions

# Savings and income leader

	Save enough	Have enough
 <b>Employers</b>	<b>Strong competitive positioning:</b> One-stop shopping for retirement plans <sup>1</sup> and leading target date choices	<b>Strong competitive positioning:</b> Industry-leading income solutions – including guarantees
 <b>Individuals</b>	<b>Better retirement outcomes:</b> Engaging, easy, and actionable digital experience and tools	<b>Leading income solutions:</b> Converting savings to income – inside and outside the plan

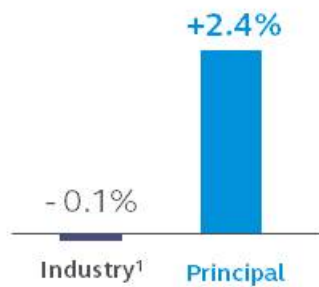
<sup>1</sup>Defined benefit, defined contribution, non-qualified deferred compensation, employee stock ownership plans, full service payout



## Retirement and Income Solutions

# Strong business fundamentals

Net cash flow as a percent of beginning of year account value  
(2011-2015 average)



	4Q 2012	3Q 2016	CAGR
RIS total account value	\$172B	\$229B	8%
RIS-Fee recurring deposits <sup>2</sup>	\$14B	\$19B	8%
Participants <sup>3</sup>	3.9M	5.0M	7%

# Investing in future growth



Strong and evolving distribution



Targeting underserved SMB market



Competitive products – engaging digital experiences

## From a position of strength



# U.S. Insurance Solutions

Market and growth opportunity

# Growth strategy

## Helping people



- > 90k employers  
.....
- > 4M individuals  
.....
- > \$3.6B premium in-force



# Protection and savings solutions

## Protect enough

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**Employers**

### **Strong competitive positioning:**

Extensive SMB solutions, robust electronic capabilities, deep expertise, and local support

---



**Individuals**

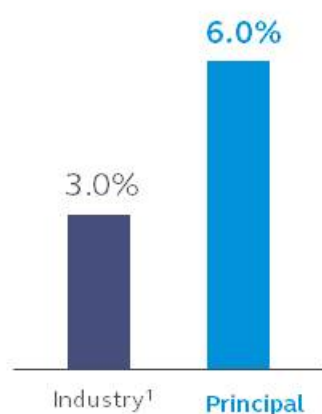
### **Better customer experiences:**

Engaging, easy, and actionable experience and tools

## U.S. Insurance Solutions

# Delivering strong performance

### Growth in in-force premium 3 year CAGR (2012-2015)



	4Q 2012	3Q 2016	CAGR <sup>3</sup>
<b>USIS</b>			
Pre-tax return on premium & fees <sup>2</sup>	12.8%	13.3%	15 bps
Pre-tax operating earnings <sup>2</sup>	\$299M	\$374M	6%
Employer relationships	76K	92K	5%
Non-qualified account values	\$2.5B	\$4.3B	16%
Individual policies (Life/IDI)	689K	763K	3%
Group Benefits retention	82%	86%	100 bps

<sup>1</sup> LIMRA, 2015. <sup>2</sup>Excluding the impact of annual actuarial assumption reviews. <sup>3</sup>From 12/31/2012 through 9/30/2016.



## U.S. Insurance Solutions

# Investing in future growth



Strong and  
evolving  
distribution



Targeting  
underserved  
SMBs and  
owners



Competitive  
solutions – engaging  
digital experiences

## From a position of strength



# The future of distribution for retirement and insurance

## Multi-channel

- Leveraging our strong foundation
- Dedicated, local service teams

## Advice centric

- Individuals want advice
- Advisors play an important role

## Expanded opportunities

- Engaging consumers with technology
- Embracing emerging digital platforms



U.S. retirement and insurance businesses

## Positioned for continued success



- › Strong collaboration across franchises
- › Investing for growth
- › Uniquely positioned for the SMB market



# Opportunities in emerging markets

**Luis Valdés**

President , Principal International

Principal International

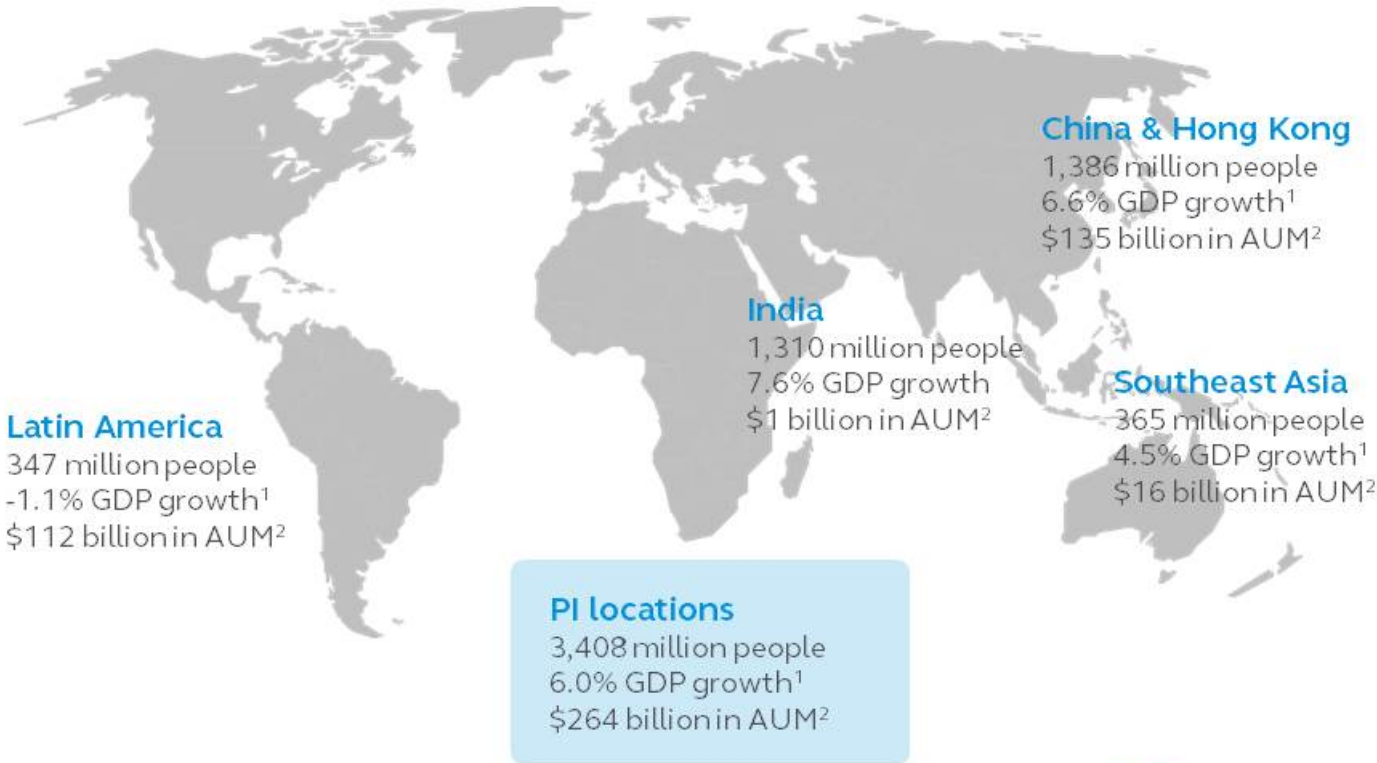
## Our mission

Help millions of middle class citizens in our chosen emerging markets plan and invest for their financial security through our retirement and long-term savings franchise.

Brazil • Chile • Mexico  
China • Hong Kong • India • Malaysia  
Thailand • Indonesia • Singapore



# Our footprint



<sup>1</sup>Weighted 2016 GDP growth using country population; Latin America growth suppressed by Brazil which has higher weighting than Chile & Mexico. <sup>2</sup>AUM as of 9/30/2016 on a combined basis which includes China which is not typically included in our reported AUM results.



# Competitive advantages



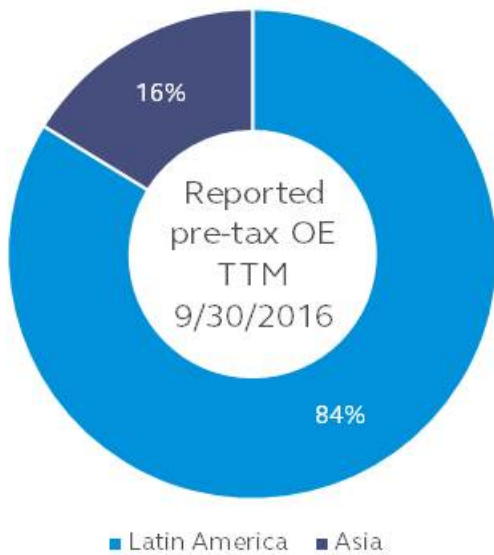
<sup>1</sup>Source: PWC analysis from PWC Asset Management 2020: A Brave New World



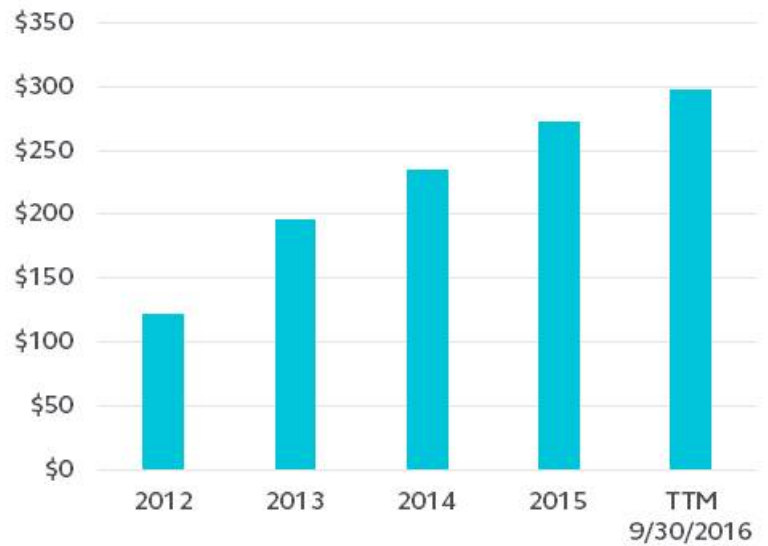
## Principal International

# Strong growth

### Increasing diversification



### Pre-tax operating earnings growth<sup>1</sup> (USD millions)



<sup>1</sup>Prior period results translated using foreign exchange rates from 3Q2016 on a trailing 12 month basis. Excludes impact of the difference in actual vs. expected encaje returns, 3Q16 actuarial assumption review items, and 3Q15 impairment of certain intangibles.



# Opportunities for growth



Pension evolution  
and expansion



Increase voluntary  
savings



Optimize joint venture  
relationships

# Pension evolution and expansion



**Pension evolution  
and expansion**

## **A wave of reforms and enhancements to pension systems around the globe**

- Current pension programs are being revisited in Latin America
- Pension opportunities will continue to unfold in Asia
- Principal is a global advocate for reform to improve pension systems
- Principal is an active participant in discussions in multiple markets by sharing pension best practices and expertise

Pension evolution and expansion

# Pension opportunities in Asia



Graphic not to scale. Source: Population from United Nations World 2015 population data, Middle class % from Credit Suisse Global Wealth Databook 2015

## Opportunities for growth

# Increase voluntary savings



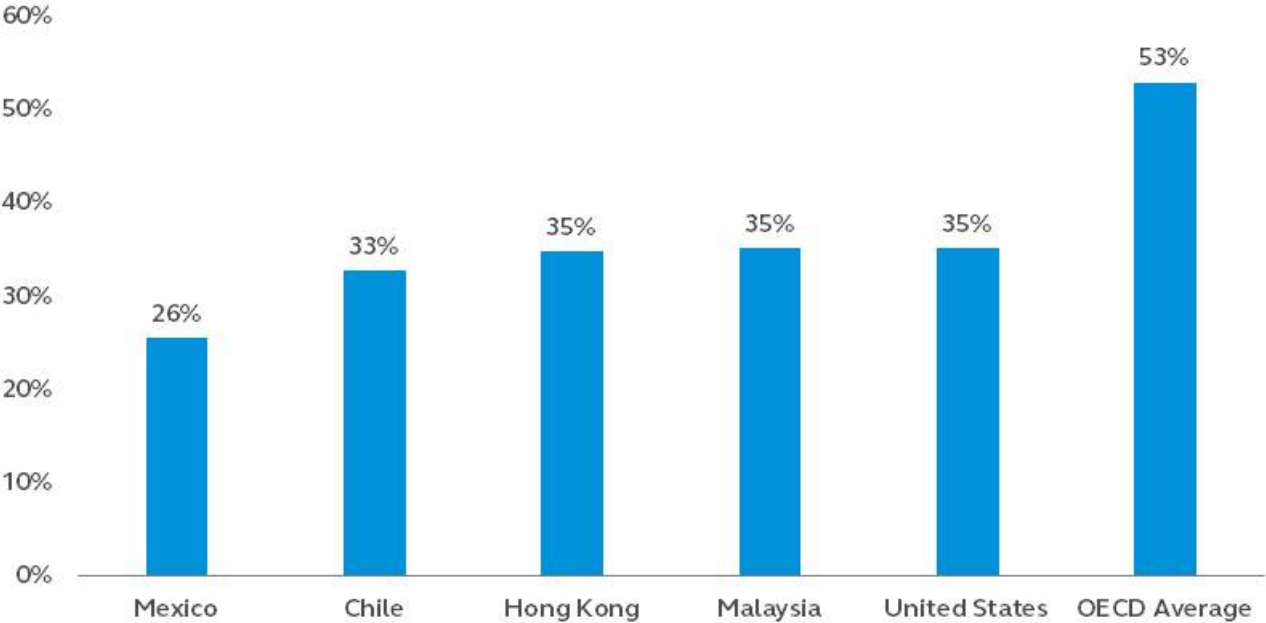
Increase voluntary savings

- Government sponsored systems are becoming increasingly more strained due to demographic shifts
- Responsibility has shifted to individuals to ensure they have adequately saved for retirement
- Important that voluntary savings are considered during pension reforms and enhancements
- Principal is committed to raise awareness through work with Global Aging Institute and OECD

Increase voluntary savings

# Inadequate replacement rates

Gross pension replacement rates



Source: Organisation for Economic Co-operation and Development (OECD) – Chile, Mexico, U.S. and OECD average as of 2014, Hong Kong and Malaysia as of 2012. Replacement rates are for men. Some countries have lower replacement rates for women.



## Opportunities for growth

# Optimize joint venture relationships



### Optimize relationships

- Greater penetration of partners' retail client base to expand market share
- Offer group solutions to our partners' corporate client base
- Leverage JV relationships to reach institutional and high net worth clients
- Opportunity for Principal to manage offshore investments



## Optimize joint venture relationships

# Current joint venture partners

	Brasilprev	CCBPAM	CIMB-Principal
<b>Partner</b>	Banco do Brasil	China Construction Bank	CIMB Group
<b>Market(s)</b>	Brazil	China	Malaysia, Thailand, Indonesia, Singapore
<b>Products</b>	Pension	Mutual funds, asset management	Pension, mutual funds, asset management
<b>Partner's distribution reach</b>	64M retail customers <sup>1</sup> 5,400 branches <sup>1</sup>	340M retail customers <sup>2</sup> 14,900 branches <sup>2</sup>	12M retail customers <sup>3</sup> 1,000 branches <sup>3</sup>
<b>JV customers<sup>4</sup></b>	2.0M customers	2.1M customers	0.5M customers

<sup>1</sup>Banco do Brasil 2Q16 Historical Data per: <http://www.bb.com.br/docs/pub/siteEsp/ri/eng/dce/dwn/2Q16TableNP.xls>. <sup>2</sup>CCB 2015 Annual Report. <sup>3</sup>CIMB Group 2015 Annual Report. <sup>4</sup>Customer count as of 9/30/2016.



## Positioned for success

### Competitive advantages

- Retirement & long-term savings expert
- Strong market growth
- Strong partners

### Areas of growth

- Pension evolution and expansion
- Increase voluntary savings
- Optimize joint venture relationships



# Investment strategy and long-term financial outlook

## **Tim Dunbar**

Chief Investment Officer

## **Terry Lillis**

Chief Financial Officer

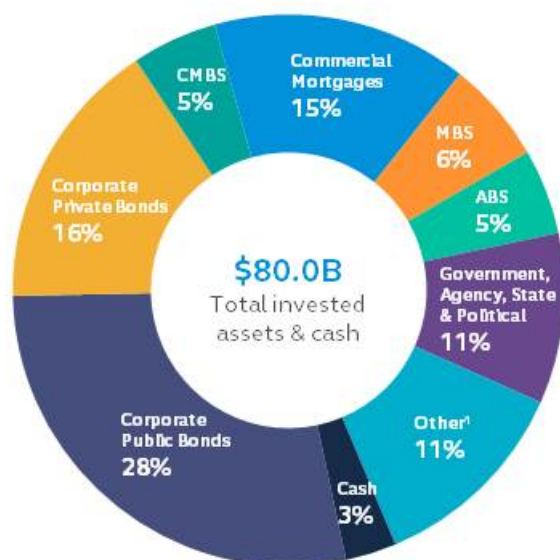
# Investment strategy

## Investment strategy

# Investment philosophy & strategy

Diversified investment portfolio

Total invested assets & cash



Total PFG as of 9/30/2016  
GAAP carrying value

### 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

Portfolio responsibility remains at local country

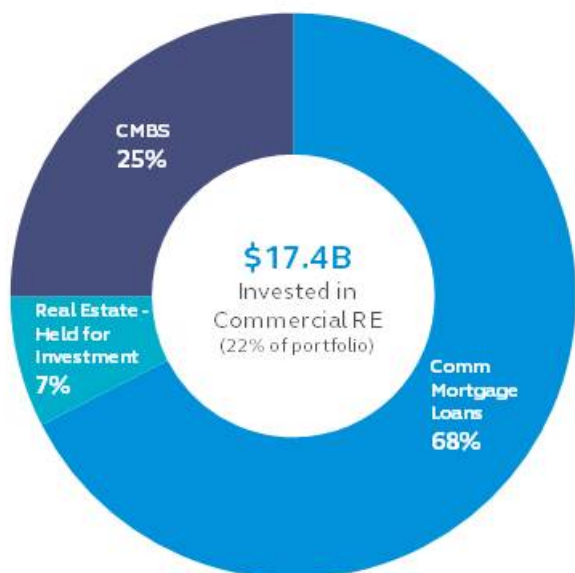
<sup>1</sup>Other includes Equity Securities, Residential Mortgages, Real Estate, Policy Loans, Investment in Equity Method subs, Direct Finance Leases and Other Investments



## Investment strategy

# Commercial real estate exposure

## Commercial real estate



As of 9/30/2016  
GAAP carrying value

High quality portfolio

.....  
Draw from six decades of real estate investment experience

.....  
Top 10 manager of real estate<sup>1</sup>

.....  
\$72.5B in real estate assets under management as of 9/30/2016

.....  
Over 300 unaffiliated institutional clients

<sup>1</sup> Managers ranked by U.S. Institutional tax-exempt real estate assets (net of leverage), as of June 30, 2015. "Largest Money Managers," PENSIONS & INVESTMENTS, 19 October 2015.



## Investment strategy

# Commercial Mortgage Loans

<b>Commercial mortgage loans</b>	<b>12/31/2007</b>	<b>9/30/2016</b>
% of PFG invested assets	17%	15%
Average loan-to-value	59%	46%
Average debt service coverage	1.9x	2.8x

Since 2007, our average exposure to commercial mortgages has been 16%, but credit losses related to commercial mortgages have only accounted for 10% of cumulative credit losses across all fixed income during that time period.

## Investment strategy

# Commercial Mortgage Backed Securities (CMBS)

GAAP carrying value, \$ in millions

NAIC Designations	12/31/2007		9/30/2016	
1	\$4,219.7	85.7%	\$4,105.7	95.0%
2	\$566.7	11.5%	\$77.8	1.8%
3	\$134.3	2.7%	\$55.3	1.3%
4	\$6.5	0.1%	\$38.0	0.9%
5	\$0.5	0.0%	\$34.7	0.8%
6	\$0.4	0.0%	\$10.6	0.2%
<b>Total</b>	<b>\$4,928.1</b>	<b>100.0%</b>	<b>\$4,322.1</b>	<b>100.0%</b>
<b>% of PFG invested assets</b>	<b>7.7%</b>		<b>5.6%</b>	





## Investment strategy

# Variable investment income – exposure to alternatives

### Alternative Investments



As of 9/30/2016

Variable investment income includes:

- prepayment fees
- value-add real estate
- other alternative asset classes

Well-diversified; complements fixed income portfolio

Manage volatility & correlation

Generally surplus backing product lines

Complex Schedule BA can create confusion



# Long-term financial outlook

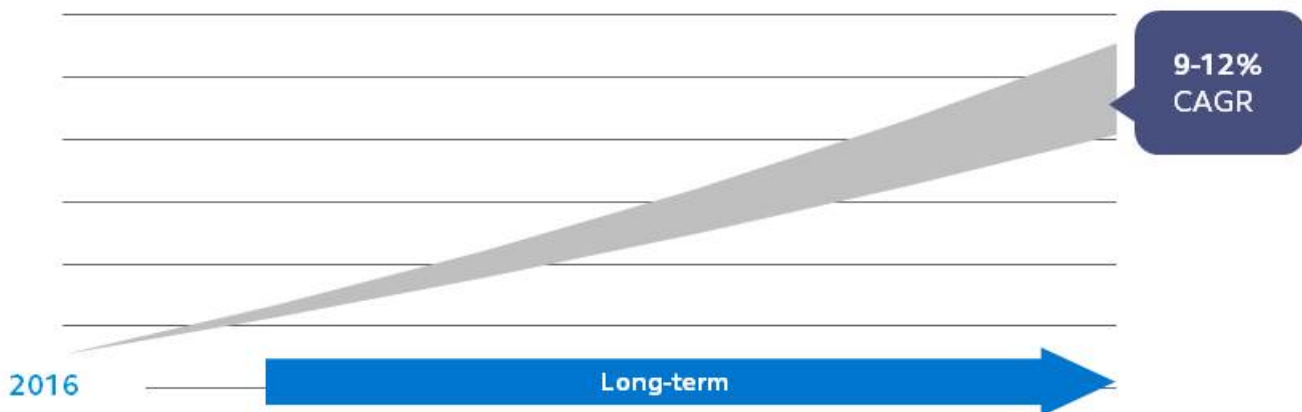
## Long-term financial outlook

# Future growth of our key drivers

### Principal's long-term outlook

Operating earnings	9-12% CAGR
Return on equity <sup>1</sup>	30-60 bps annual expansion

### Operating earnings long-term outlook



<sup>1</sup>Operating return on average equity available to common stockholders excluding AOCI, other than foreign currency translation adjustment (trailing 12 months).

## Long-term financial outlook

# Underlying assumptions



### Sales & retention:

All businesses assume industry-leading sales growth



### Equity markets:

8% total return:

- 6% price appreciation
- 2% dividend return



### Foreign exchange rates:

Rates follow local market expectations for the next year and remain level thereafter



### Rising interest rates:

Approximately 25 bps increase each year to ultimate rate

## Long-term financial outlook

# What if things don't go as expected?

Changes in key macroeconomic conditions have an impact on Principal's annual pre-tax operating earnings

If macroeconomics change by...	Equity market return +/- 10%	Interest rates +/- 100 bps	FX: US dollar changes +/- 2%
Then Principal's annual pre-tax operating earnings will change by...	+/- 4-6% <sup>1</sup>	+/- < 1% <sup>2</sup>	-/+ < 1% <sup>3</sup>
And the primary businesses impacted are...	RIS – Fee PGI	RIS – Spread Individual Life SBD	PI

<sup>1</sup> Assumes an immediate 10% change in the S&P 500 followed by 2% growth per quarter thereafter. <sup>2</sup> Excludes the impact of actuarial unlockings. <sup>3</sup> Principal is primarily impacted by changes in Latin American and Asian currencies. Inverse relationship between movement of the US dollar and impact to Operating Earnings.



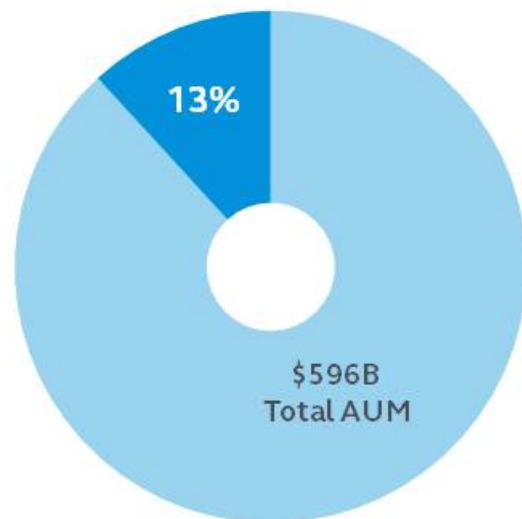
## Long-term financial outlook

# Lower for longer interest rates...

General Account and  
Guaranteed Separate  
Accounts make up

**13%**<sup>1</sup>

of our total AUM...

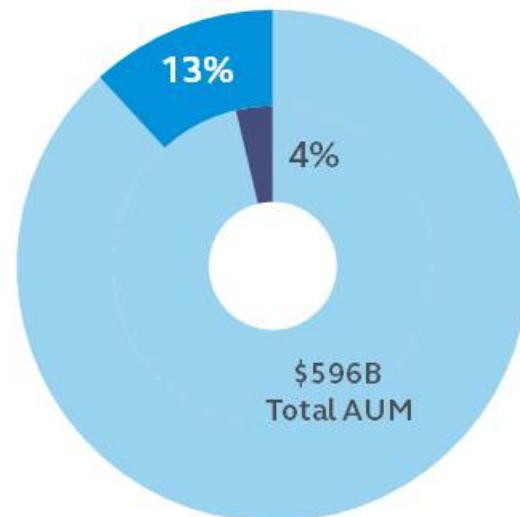


As of 9/30/2016

## Long-term financial outlook

# ...won't significantly impact OE

...and only **4%**  
of our total AUM  
has a guaranteed  
minimum interest rate



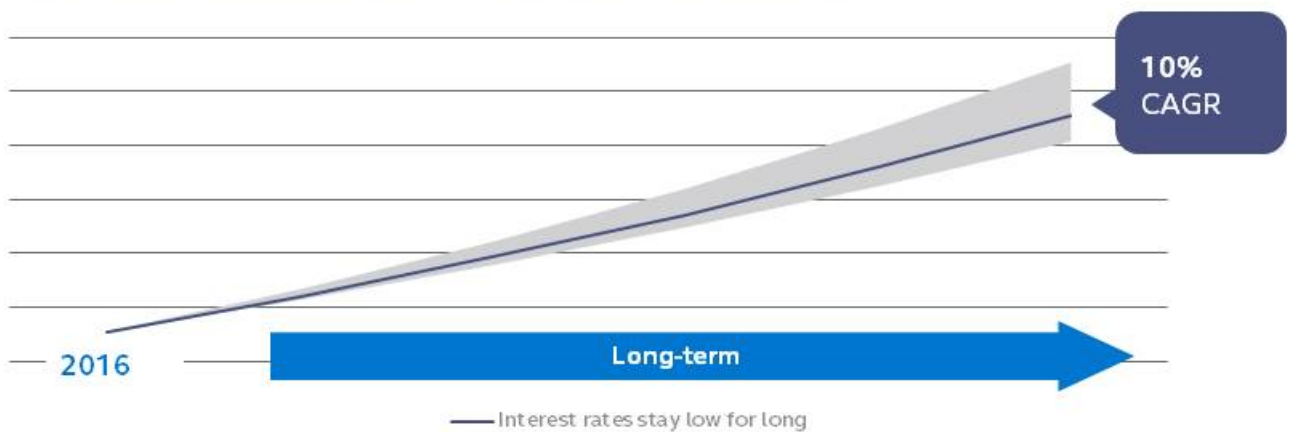
As of 9/30/2016

## Long-term financial outlook

# Long-term growth rate sensitivities

Scenario	Impact to long-term OE growth rate
Interest rates stay low for long	0.5% lower than midpoint

Even if interest rates stay low for long, OE will continue to grow



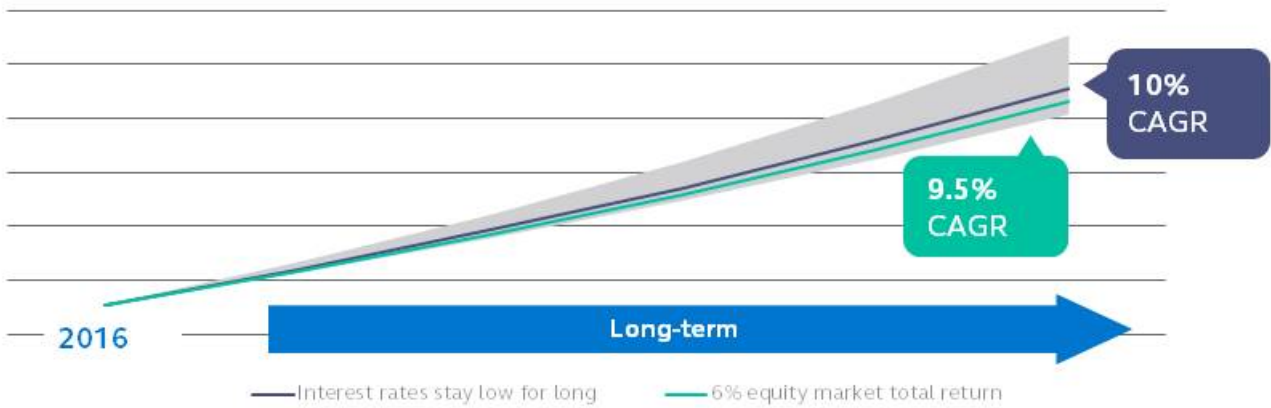


## Long-term financial outlook

# Long-term growth rate sensitivities

Scenario	Impact to long-term OE growth rate
Interest rates stay low for long	0.5% lower than midpoint
6% equity market total return	1.0% lower than midpoint

And if equity markets only return 6%, OE will continue to grow



## Long-term financial outlook

# Balanced capital deployment strategy



Expect to deploy 65–70% of our net income over the long-term, with fluctuations in any given year

## Long-term financial outlook

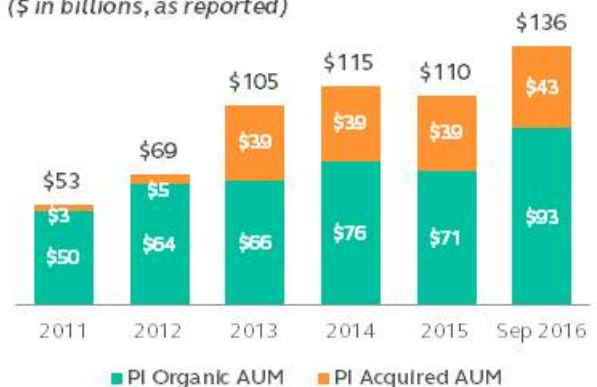
# Proven M&A strategy

The PGI and PI acquisition portfolios have each delivered a **14% IRR** on a local currency basis.

**PGI Acquisition Portfolio**  
(\$ in billions, as reported)



**PI Acquisition Portfolio**  
(\$ in billions, as reported)



## Long-term financial outlook

# Key business drivers – long-term outlook

Retirement and Income Solutions		Results since 2012 <sup>1</sup>	Long-term outlook
RIS-Fee	Net revenue growth CAGR	6.4%	3-7%
	Pre-tax return on net revenue	31-37%	28-32%
RIS-Spread	Net revenue growth CAGR	0%	5-10%
	Pre-tax return on net revenue	54-62%	55-60%

Principal International		Results since 2012	Long-term outlook
Combined net revenue growth CAGR (at PFG share, in reported USD)		13.0%	11-14%
Combined pre-tax return on net revenue (at PFG share, reported USD)		35-43%	40-45%

## Long-term financial outlook

# Key business drivers – long-term outlook

Principal Global Investors	Results since 2012	Long-term outlook
Adjusted revenue growth CAGR	10.1%	5-8%
Pre-tax return on adjusted revenue	25-34%	33-36%

U.S. Insurance Solutions		Results since 2012 <sup>1</sup>	Long-term outlook
<b>Specialty Benefits</b>	Premium & fees growth CAGR	6.4%	7-9%
	Pre-tax return on premium & fees	10-12%	10-13%
	Loss ratio	62-68%	62-68%
<b>Individual Life</b>	Premium & fees growth CAGR	4.5%	3-6%
	Pre-tax return on premium & fees	11-19%	15-20%

## Long-term financial outlook

# Diversified and integrated business model is proven

### Industry leading growth of key business drivers

	CAGR since 2012		
	Principal	Average insurance peers <sup>1</sup>	Average asset management peers <sup>2</sup>
<ul style="list-style-type: none"> <li>Outstanding growth relative to both insurance and asset management peers</li> </ul>			
<ul style="list-style-type: none"> <li>Balanced capital deployment strategy provides long-term value to shareholders</li> </ul>			
Operating earnings <sup>3</sup>	<b>13%</b>	1%	2%
Earnings per diluted share <sup>4</sup>	<b>15%</b>	5%	9%
Return on equity <sup>3</sup>	<b>100 bps</b>	20 bps	N/M

As of 9/30/2016. <sup>1</sup>Peer group includes Met Life, Prudential, Voya, and Lincoln Financial. Equivalent metrics used for comparison purposes. <sup>2</sup>Peer group includes T. Rowe Price, Ameriprise, and Franklin. Equivalent metrics used for comparison purposes. <sup>3</sup>On a trailing 12 month basis. Return on equity defined as operating return on average equity available to common stockholders excluding AOCI, other than foreign currency translation adjustment. <sup>4</sup>On a year-to-date basis.



## Long-term financial outlook

# Principal is well-positioned for the future

## Principal's long-term outlook

Operating earnings	9-12% CAGR
Return on equity <sup>1</sup>	30-60 bps annual expansion

## Delivered with a balanced capital deployment strategy

- **Grow capital**  
through organic growth and M&A
- **Return capital**  
through common stock dividends and share repurchases
- **Optimize capital**  
structure to provide financial flexibility

## Diversified and integrated business model is proven

Return on equity defined as operating return on average equity available to common stockholders excluding AOCI, other than foreign currency translation adjustment (on a trailing 12 month basis).

# Appendix

**Net revenue:** operating revenues less benefits, claims and settlement expenses less dividends to policyholders.

**Pre-tax operating earnings:** operating earnings before income taxes and preferred stock dividends and after noncontrolling interest.

**Pre-tax return on net revenue:** pre-tax operating earnings divided by net revenue.

**Adjusted revenue:** operating revenues less commission expense.

**Pre-tax return on adjusted revenue:** pre-tax operating earnings, adjusted for noncontrolling interest divided by adjusted revenue.

**Combined basis:** all Principal International companies at 100%. The company has determined combined net revenue (at PFG share) is more representative of underlying net revenue growth for Principal International as it reflects our proportionate share of consolidated and equity method subsidiaries. In addition, using this net revenue metric provides a more meaningful representation of our profit margins.

**Premium and fees:** premiums and other considerations plus fees and other revenues.

**Pre-tax return on premium and fees:** pre-tax operating earnings divided by premium and fees.

**CAGR:** compounded annual growth rate

**TTM:** trailing 12 months basis

**YTD:** year-to-date basis

**QTD:** quarter-to-date basis

**Dependency ratio:** the number of elderly (aged 65 and over) per 100 working-age adults (aged 20-64)

**Mass affluent:** personal wealth between 100,000 and 1 million U.S. dollars

**High net worth:** personal wealth greater than 1 million U.S. dollars





# Non-GAAP financial measure reconciliations

	Trailing 12 months	
	12/31/2010	9/30/2016
<b>Operating earnings (losses)</b>		
Operating earnings (losses)	\$792.9	\$1,262.3
Net realized capital gains (losses)	(189.0)	(8.2)
Other after-tax adjustments	15.7	(2.0)
<i>Net Income (Loss) Available to Common Stockholders</i>	<u>\$619.6</u>	<u>\$1,252.1</u>
<b>Diluted earnings per common share</b>		
Operating earnings (losses)	\$2.45	\$4.30
Net realized capital gains (losses)	(0.58)	(0.03)
Other after-tax adjustments	0.05	(0.01)
<i>Net Income (Loss) Available to Common Stockholders</i>	<u>\$1.92</u>	<u>\$4.26</u>

	Trailing 12 months
	9/30/2016
<b>Pre-Tax Operating Earnings (Losses)</b>	
Retirement and Income Solutions	\$769.8
Principal Global Investors	412.1
Principal International	289.4
U.S. Insurance Solutions	340.9
Impact of actuarial assumption review	73.7
Subtotal	<u>1,885.9</u>
Corporate	(220.4)
Impact of actuarial assumption review	(73.7)
Pre-tax operating earnings (losses)	<u>1,591.8</u>
Pre-tax net realized capital gains (losses)	(13.5)
Pre-tax other adjustments	(3.0)
Certain adjustments related to equity method investments and noncontrolling interest	(55.9)
<i>Income (Loss) Before Income Taxes</i>	<u>\$1,519.4</u>

# Non-GAAP financial measure reconciliations

	Trailing 12 months	
	12/31/2012	9/30/2016
<b>USIS Pre-Tax Operating Earnings (Losses), Excluding Impact of Actuarial Assumption Review</b>		
Pre-tax operating earnings, excluding impact of actuarial assumption review	\$299.2	\$374.1
Actuarial assumption updates and model refinements	(99.7)	(33.2)
<i>USIS Pre-Tax Operating Earnings (Losses)</i>	<u>\$199.5</u>	<u>\$340.9</u>

	Trailing 12 months				
	12/31/2012	12/31/2013	12/31/2014	12/31/2015	9/30/2016
<b>PI Pre-Tax Operating Earnings (Losses), As Adjusted<sup>1</sup></b>					
Pre-tax operating earnings, as adjusted <sup>1</sup>	\$122.1	\$196.4	\$235.5	\$272.5	\$299.1
Impact of exchange rates	87.1	110.6	91.6	25.2	-
Impact of actual compared to expected encaje returns	-	(12.6)	25.6	(7.9)	(0.8)
Actuarial assumption updates and model refinements	-	-	-	-	(8.9)
Impairment on certain intangible assets	-	-	-	(18.5)	-
<i>PI Pre-Tax Operating Earnings (Losses)</i>	<u>\$209.2</u>	<u>\$294.4</u>	<u>\$352.7</u>	<u>\$271.3</u>	<u>\$289.4</u>

<sup>1</sup>Prior period results translated using foreign exchange rates from 3Q2016 on a trailing 12 month basis. Excludes impact of the difference in actual vs. expected encaje returns, 3Q16 actuarial assumption review items, and 3Q15 impairment of certain intangibles.

