



# First Quarter 2022 Earnings Call Presentation

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**PRINCIPAL FINANCIAL GROUP**

April 29, 2022

**RETIREMENT**

**ASSET MANAGEMENT**

**INSURANCE**

# Use of non-GAAP financial measures

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

The company uses a number of non-GAAP financial measures management believes are useful to investors because they illustrate the performance of the company's normal, ongoing operations which is important in understanding and evaluating the company's financial condition and results of operations. While such measures are also consistent with measures utilized by investors to evaluate performance, they are not, however, a substitute for U.S. GAAP financial measures. Therefore, the company has provided reconciliations of the non-GAAP financial measures to the most directly comparable U.S. GAAP financial measure within the slides. The company adjusts U.S. GAAP financial measures for items not directly related to ongoing operations. However, it is possible these adjusting items have occurred in the past and could recur in future reporting periods. Management also uses non-GAAP financial measures for goal setting, as a basis for determining employee and senior management awards and compensation and evaluating performance on a basis comparable to that used by investors and securities analysts.

The company also uses a variety of other operational measures that do not have U.S. GAAP counterparts, and therefore do not fit the definition of non-GAAP financial measures. Assets under management is an example of an operational measure that is not considered a non-GAAP financial measure.

# Forward looking statements

Certain statements made by the company which are not historical facts may be considered forward-looking statements, including, without limitation, statements as to non-GAAP operating earnings, net income attributable to PFG, net cash flow, realized and unrealized gains and losses, capital and liquidity positions, sales and earnings trends, and management's beliefs, expectations, goals and opinions. The company does not undertake to update these statements, which are based on a number of assumptions concerning future conditions that may ultimately prove to be inaccurate. Future events and their effects on the company may not be those anticipated, and actual results may differ materially from the results anticipated in these forward-looking statements. The risks, uncertainties and factors that could cause or contribute to such material differences are discussed in the company's annual report on Form 10-K for the year ended Dec. 31, 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 announced reinsurance transaction for its in-force U.S. retail fixed annuity and universal life with secondary guarantee blocks of 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.

# 1Q 2022 financial highlights

## 1Q 2022 OPERATING EARNINGS AND EPS

Reported non-GAAP operating earnings<sup>1</sup>

**\$429M**

(+1% vs. 1Q 2021)

Reported non-GAAP operating earnings per diluted share<sup>1</sup> (EPS)

**\$1.63**

(+7% vs. 1Q 2021)

Impact of significant variances to non-GAAP operating earnings<sup>2</sup>

**\$49M after-tax**

(\$63M pre-tax)

Impact of significant variances to non-GAAP EPS<sup>2</sup>

**~\$0.19**

Non-GAAP operating earnings, excluding significant variances (xSV)

**\$478M**

(+8% vs. 1Q 2021)

Non-GAAP EPS, xSV

**\$1.81**

(+13% vs. 1Q 2021)

## AUM & NCF

Total company AUM managed by PFG

**\$714B**

Total company net cash flow

**+\$3.0B**

## CAPITAL & LIQUIDITY

Excess and available capital

**\$1.7B**

\$1.4B at Hold Co

\$325M excess cash at subsidiaries

Estimated PLIC

RBC ratio

**400%**

Debt to capital ratio<sup>3</sup>

**24.8%**

## CAPITAL DEPLOYMENTS

1Q 2022 capital deployments

**\$891M**

\$724M of share repurchases

\$167M of common stock dividends

Announced 2Q 2022 common stock dividend

**\$0.64**

\$0.03 increase (+5%) over 2Q 2021

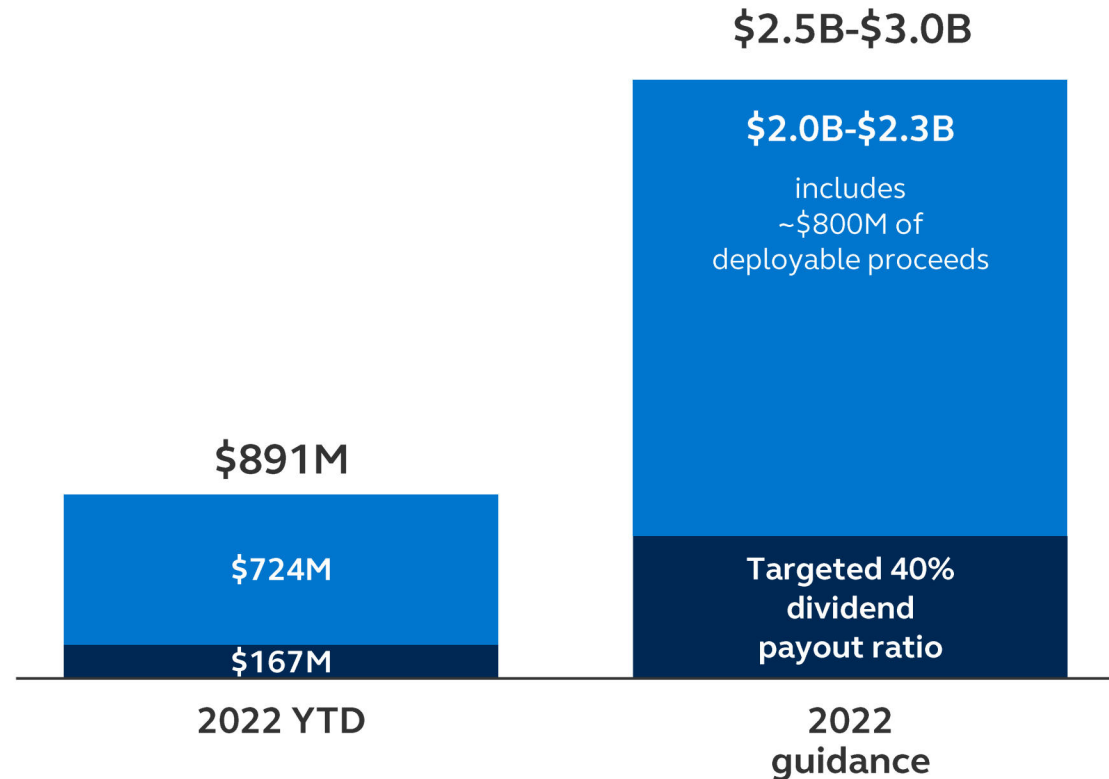


# 2022 capital deployments

- Executed **\$700M** accelerated share repurchase (ASR) program
  - **\$560M** delivered in 1Q22
  - Balance will be completed in 2Q22
- **\$1.8B** remaining on current repurchase authorizations and reflects entire **\$700M** ASR

Returned ~**\$900M** of capital to shareholders in 1Q22

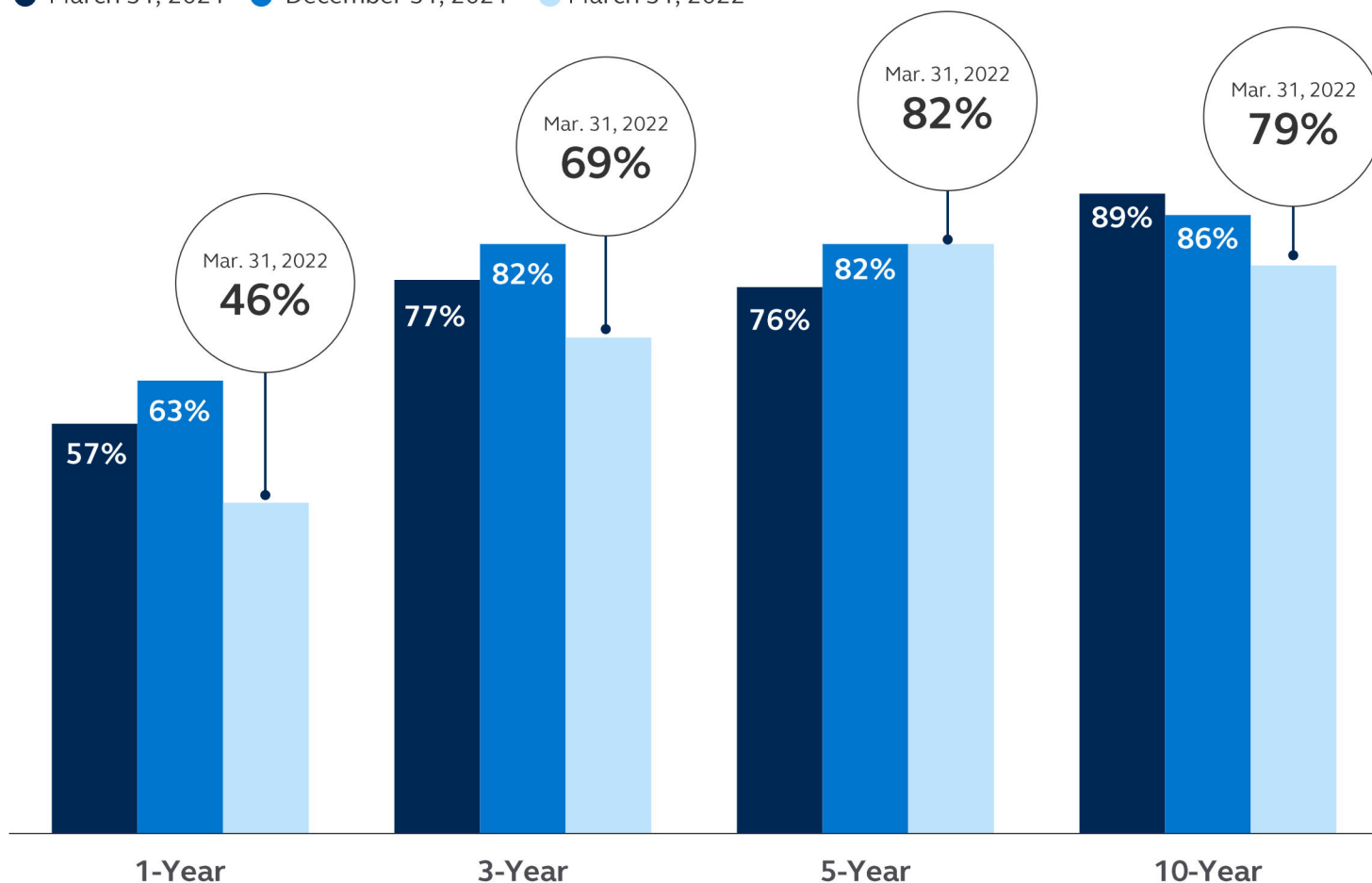
● Share repurchases ● Common stock dividends



# Investment performance

## Equal weighted<sup>1</sup>

● March 31, 2021 ● December 31, 2021 ● March 31, 2022



## ASSET WEIGHTED<sup>2</sup>

# 66%

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

Strong absolute real estate  
returns recognized in 1Q22

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 (87 total, 79 are ranked).

# Retirement and Income Solutions – Fee (RIS – Fee)

## HIGHLIGHTS

- Pre-tax operating earnings excluding significant variances<sup>1</sup> increased primarily due to higher net revenue and disciplined expense management
- Net revenue excluding significant variances<sup>1</sup> increased primarily due to favorable equity markets and revenue from the Principal Deposit Sweep program
- Account value net cash flow of \$3.0B due to strong sales and client retention as well as nearly 60% growth in recurring deposits from 1Q21, including a 17% increase on our legacy block

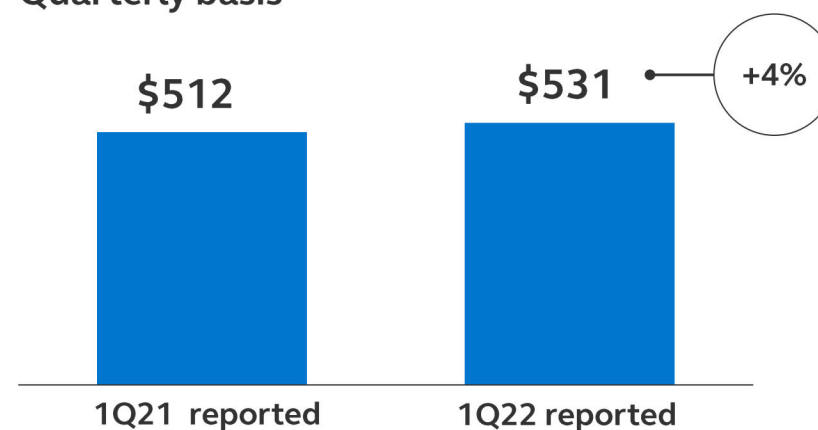
	Reported pre-tax operating earnings (\$M)	Significant variances <sup>1</sup> (\$M)	Pre-tax operating earnings ex significant variances (\$M)
1Q22	\$112.2	+\$21.2	<b>\$133.4</b>
1Q21	\$107.7	+\$18.8	<b>\$126.5</b>
Change	<b>+\$4.5 (+4%)</b>		<b>+\$6.9 (+5%)</b>

1 Impact of higher DAC amortization and IRT integration costs in 1Q22; impact of IRT integration costs in 1Q21.

2 Excludes impacts of actuarial assumption reviews and other significant variances.

## Net revenue (\$M)

### Quarterly basis



### Trailing twelve month basis<sup>2</sup>

**8%**

change in net revenue

**25%**

pre-tax return on net revenue

# Retirement and Income Solutions – Spread (RIS – Spread)

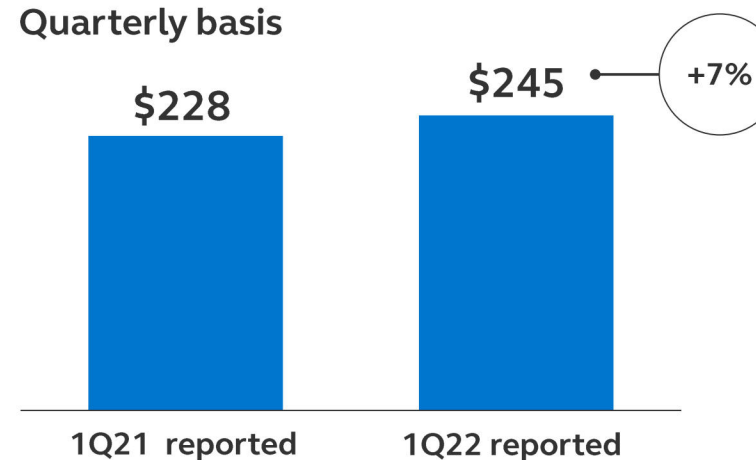
## HIGHLIGHTS

- Pre-tax operating earnings excluding significant variances increased due to higher net revenue and lower operating expenses
- Net revenue excluding significant variances<sup>1</sup> increased due to growth in the business and higher net investment income
- 1Q22 sales of \$1.4B included \$0.8B MTN and GIC issuances

	Reported pre-tax operating earnings (\$M)	Significant variances <sup>1</sup> (\$M)	Pre-tax operating earnings ex significant variances (\$M)
1Q22	\$205.7	-\$58.0	\$147.7
1Q21	\$180.3	-\$50.0	\$130.3
<b>Change</b>	<b>+\$25.4 (+14%)</b>		<b>+\$17.4 (+13%)</b>

## Net revenue (\$M)

### Quarterly basis



### Trailing twelve month basis<sup>2</sup>

**8%**

change in net revenue

**74%**

pre-tax return on net revenue

<sup>1</sup> Impact of higher than expected VII and favorable COVID-19 related mortality in 1Q22 and 1Q21.

<sup>2</sup> Excludes impacts of actuarial assumption reviews and other significant variances.



# Principal Global Investors (PGI)

## HIGHLIGHTS

- Pre-tax operating earnings increased primarily due to higher management fees from increased AUM partially offset by higher operating expenses
- Management fees increased 6% from 1Q21, but declined 4% from 4Q21; management fee rate remained stable
- 1Q22 pre-tax margin of 37%, lower than our guided range of 39%-42%, primarily due to seasonally higher 1Q compensation
- Managed AUM of \$537B and sourced AUM of \$264B with net cash flow of \$3.2B for each

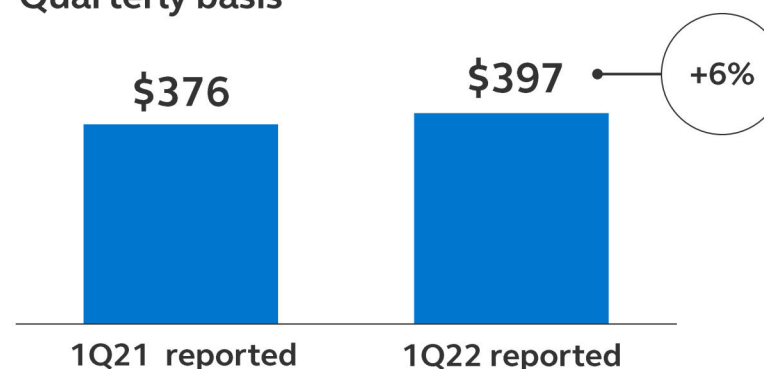
## 1Q22 OTHER CONSIDERATIONS

- Lower performance fees / other revenues
- Seasonally higher expenses

	Reported pre-tax operating earnings (\$M)
1Q22	\$143.4
1Q21	\$141.1
<b>Change</b>	<b>+\$2.3 (+2%)</b>

## Operating revenues less pass-through expenses<sup>1</sup> (\$M)

### Quarterly basis



### Trailing twelve month basis

**20%**

change in operating revenues less pass-through expenses

**42%**

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

# Principal International

## HIGHLIGHTS

- Pre-tax operating earnings excluding significant variances<sup>1</sup> were down primarily due to the regulatory fee reduction in Mexico and foreign currency headwinds
- Net cash flow of \$(0.5)B primarily due to institutional outflows in Southeast Asia

	Reported pre-tax operating earnings (\$M)	Significant variances <sup>1</sup> (\$M)	Pre-tax operating earnings ex significant variances (\$M)
1Q22	\$58.1	+\$15.5	\$73.6
1Q21	\$75.1	-	\$75.1
Change	<b>-\$17.0 (-23%)</b>		<b>-\$1.5 (-2%)</b>

<sup>1</sup> Impact of lower than expected encaje performance, higher than expected Latin America inflation and higher than expected VII in 1Q22.

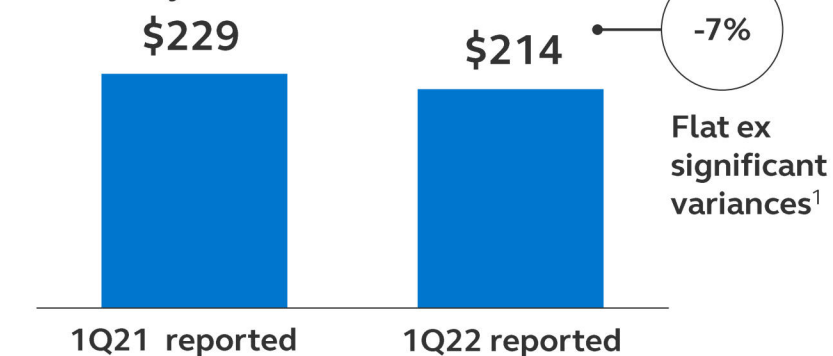
<sup>2</sup> Combined basis includes all Principal International companies at 100%.

<sup>3</sup> This is a non-GAAP financial measure; see reconciliation in appendix.

<sup>4</sup> Excludes impacts of actuarial assumption reviews and other significant variances.

## Combined<sup>2</sup> net revenue (at PFG share)<sup>3</sup> (\$M)

### Quarterly basis



### Trailing twelve month basis (at PFG share)<sup>4</sup>

**9%**

change in net revenue

**31%**

pre-tax return on net revenue

# Specialty Benefits

## HIGHLIGHTS

- Pre-tax operating earnings excluding significant variances<sup>1</sup> increased due to growth in the business, favorable claims and disciplined expense management
- Premium and fees increased 10% driven by record sales, strong retention and employment growth

## 1Q22 OTHER CONSIDERATIONS

- Favorable non-COVID-19 group life claims
- Lower dental incidence

	Reported pre-tax operating earnings (\$M)	Significant variances <sup>1</sup> (\$M)	Pre-tax operating earnings ex significant variances (\$M)
1Q22	\$76.2	+\$27.5	<b>\$103.7</b>
1Q21	\$59.2	+\$26.1	<b>\$85.3</b>
<b>Change</b>	<b>+\$17.0 (+29%)</b>		<b>+\$18.4 (+22%)</b>

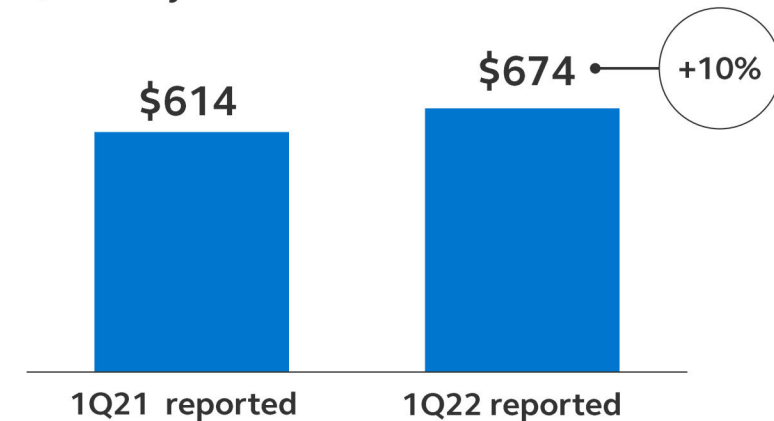
<sup>1</sup> Impact from COVID-19 related claims in 1Q22 and 1Q21.

<sup>2</sup> Excludes COVID-19 related impacts.

<sup>3</sup> Excludes impacts of actuarial assumption reviews and other significant variances.

## Premium and fees (\$M)

### Quarterly basis



### Trailing twelve month basis

**7%**

change in premium and fees<sup>2</sup>

**14%**

pre-tax return on premium and fees<sup>3</sup>

**61%**

incurred loss ratio<sup>3</sup>

# Individual Life

## HIGHLIGHTS

- Pre-tax operating earnings excluding significant variances<sup>1</sup> increased due to favorable claims, higher net investment income and disciplined expense management
- Premium and fees flat reflecting the impact of exiting retail market
- Business market sales up 44% from 1Q21 driven by record company owned life insurance (COLI) sales, used to fund non-qualified deferred compensation

## 1Q22 OTHER CONSIDERATIONS

- Favorable non-COVID-19 claims

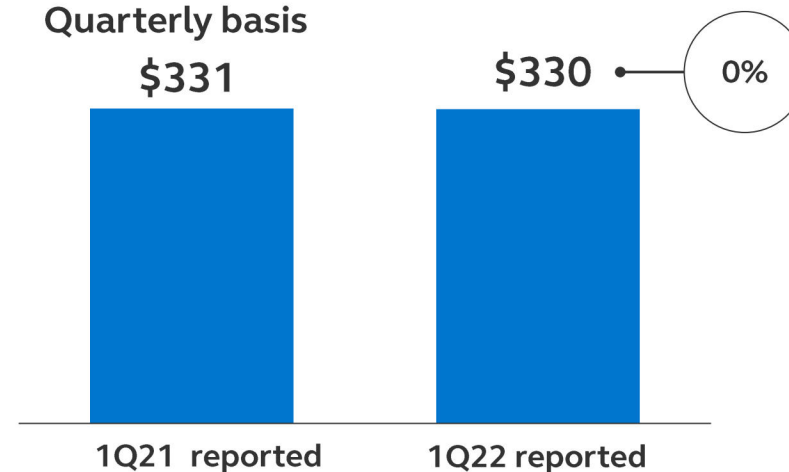
	Reported pre-tax operating earnings (\$M)	Significant variances <sup>1</sup> (\$M)	Pre-tax operating earnings ex significant variances (\$M)
1Q22	\$39.6	+\$25.0	\$64.6
1Q21	\$36.0	+\$19.9	\$55.9
Change	<b>+\$3.6 (+10%)</b>		<b>+\$8.7 (+16%)</b>

<sup>1</sup> Impact of COVID-19 related claims and higher than expected VII in 1Q22 and 1Q21.

<sup>2</sup> Excludes impacts of actuarial assumption reviews and other significant variances.

## Premium and fees (\$M)

### Quarterly basis



### Trailing twelve month basis<sup>2</sup>

**3%**

change in premium and fees

**17%**

pre-tax return on premium and fees



# Appendix

# 1Q 2022 significant variances

Business unit impacts of significant variances (in millions)

Business unit	COVID-19 claims	Encaje & Inflation	DAC Amortization	IRT integration	Variable investment income	Total significant variances
RIS-Fee	-	-	\$(11.8)	\$(9.4)	-	\$(21.2)
RIS-Spread	\$22.0	-	-	-	\$36.0	\$58.0
Principal International	-	\$(19.3)	-	-	\$3.8	\$(15.5)
Specialty Benefits	\$(27.5)	-	-	-	-	\$(27.5)
Individual Life	\$(32.0)	-	-	-	\$7.0	\$(25.0)
Corporate	-	-	-	-	\$(32.0)	\$(32.0)
<b>Total pre-tax impact</b>	<b>\$(37.5)</b>	<b>\$(19.3)</b>	<b>\$(11.8)</b>	<b>\$(9.4)</b>	<b>\$14.8</b>	<b>\$(63.2)</b>
<b>Total after-tax impact</b>	<b>\$(29.6)</b>	<b>\$(15.1)</b>	<b>\$(9.3)</b>	<b>\$(6.9)</b>	<b>\$11.5</b>	<b>\$(49.4)</b>
<b>EPS impact</b>						<b>~\$(0.19)</b>

# Non-GAAP operating earnings sensitivities

Estimated impacts of changes in key macroeconomic conditions on annual non-GAAP pre-tax operating earnings, prior to management expense actions

If macroeconomics change by...	Equity market return <sup>1</sup> +/- 10%	Interest rates <sup>2</sup> +/- 100 bps	FX: U.S. dollar <sup>3</sup> +/- 2%	Certain alternative investment valuation <sup>4</sup> +/- 10%
Then Principal's annual non-GAAP pre-tax operating earnings will change by...	+/- 6-8%	+/- 1-2%	-/+ < 1%	+/- < 7%
And the primary businesses impacted are...	RIS - Fee PGI	All	PI	RIS - Spread Individual Life SBD

**Short-term interest rates:** Our exposure to short-term interest rates (i.e. IOER/IOERB) has declined as we moved a majority of the related cash balances onto our balance sheet. Fluctuations in short-term rates are expected to have a relatively immaterial impact going forward.

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 non-GAAP pre-tax 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 non-GAAP pre-tax operating earnings.

# 2021 Sustainability highlights

Our ESG strategy is governed by an executive task force reporting to the Nominating and Governance Committee of the Board.



## ENVIRONMENT

Create sustainable pathways through long-term responsible actions.

**6.5%\***

Net reduction in our U.S. scope 1 and market-based scope 2 Greenhouse Gas (GHG) emissions from 2020 to 2021

**61%\***

Approximate amount of energy consumed in the U.S. from renewable sources

**4-star**

The global ESG benchmark rating for real estate, awarded to Principal Real Estate Investors for the 6<sup>th</sup> consecutive year



## SOCIAL

Advocate for security and inclusion among our employees, customers, and community.

**\$30 million**

The amount the Principal® Foundation has committed over the next two years to support economic mobility and financial empowerment

**79%**

Employee engagement index due to flexible workplace arrangements and overall job satisfaction

**31,554**

The number of microloans provided to female entrepreneurs in 35 countries, together with the 501(c)(3) Kiva, increasing access to capital



## GOVERNANCE

Be a good steward of the resources entrusted to us.

**New human rights statement**

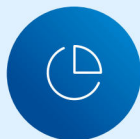
Publicly demonstrating our commitment to respect and support human rights principles

**U.N. Global Compact CFO Task Force**

Joined to support companies transitioning to sustainable development and to leverage corporate finance and investments toward Sustainable Development Goals (SDGs)

**8 out of 13 (62%)**

Board of Directors members who are either women or people of color



## INVESTMENT APPROACH

Drive impact through our investments.

**Sustainability bond**

Issued our first in the amount of \$600M as part of our commitment to integrate and advance ESG practices and initiatives

**ESG Integration**

Principal Global Investors formalized the ESG Integration strategy and began mapping AUM to the SDGs

**4**

The number of products converted to Article 8 status, a regulatory process in Europe that labels products that promote social and environmental characteristics

\* 2021 greenhouse gas emissions and energy consumption values will be verified in 2Q 2022, and final figures will be disclosed in the CDP submission. Data represents U.S. figures only.

Information within this report is related to Principal Financial Group® unless noted otherwise. The Principal Financial Group Foundation, Inc. (the "Principal® Foundation") is a duly recognized 501(c)(3) entity focused on providing philanthropic support to programs that build financial security in the communities where Principal Financial Group, Inc. ("Principal") operates.



# Non-GAAP financial measure reconciliations

	Three months ended (in millions)	
	3/31/22	3/31/21
<b>Principal Global Investors operating revenues less pass-through expenses</b>		
Principal Global Investors operating revenues	\$435.3	\$415.2
Principal Global Investors commissions and other expenses	(38.6)	(39.4)
<b>Principal Global Investors operating revenues less pass-through expenses</b>	<b>\$396.7</b>	<b>\$375.8</b>

	Three months ended (in millions)	
	3/31/22	3/31/21
<b>Principal International combined net revenue (at PFG Share)</b>		
Principal International pre-tax operating earnings	\$58.1	\$75.1
Principal International combined operating expenses other than pass-through commissions (at PFG share)	155.8	154.0
<b>Principal International combined net revenue (at PFG share)</b>	<b>\$213.9</b>	<b>\$229.1</b>

	Three months ended (in millions)	
	3/31/22	3/31/21
<b>Non-GAAP operating earnings (losses)</b>		
Net income attributable to PFG	376.2	\$517.1
Net realized capital (gains) losses, as adjusted	52.6	(93.6)
<b>Non-GAAP operating earnings</b>	<b>\$428.8</b>	<b>\$423.5</b>

	Three months ended	
	3/31/22	3/31/21
<b>Diluted earnings per common share</b>		
Net income	\$1.43	\$1.87
Net realized capital (gains) losses, as adjusted	0.20	(0.35)
Adjustment for redeemable noncontrolling interest	-	0.01
Non-GAAP operating earnings	\$1.63	\$1.53
<b>Weighted-average diluted common shares outstanding (in millions)</b>	<b>263.8</b>	<b>276.0</b>

# Non-GAAP financial measure reconciliations

	Period ended (in millions)
<b>Stockholders' equity x-AOCI other than foreign currency translation adjustment, available to common stockholders</b>	<b>3/31/22</b>
Stockholders' equity	\$11,952.7
Net unrealized capital (gains) losses	171.0
Net unrecognized postretirement benefit obligation	338.0
Noncontrolling interest	(55.1)
<b>Stockholders' equity x-AOCI other than foreign currency translation adjustment, available to common stockholders</b>	<b>\$12,406.6</b>

	Three months ended (in millions)	
Income taxes	3/31/22	3/31/21
Total GAAP income taxes	\$47.3	\$97.6
Net realized capital gains (losses) tax adjustments	16.5	(23.5)
Income taxes related to equity method investments and noncontrolling interest	13.6	8.0
<b>Income taxes</b>	<b>\$77.4</b>	<b>\$82.1</b>

	Period ended
<b>Non-GAAP operating earnings ROE (x-AOCI, other than foreign currency translation adjustment) available to common stockholders</b>	<b>3/31/22</b>
Net Income ROE available to common stockholders (including AOCI)	11.5%
Net unrealized capital (gains) losses	1.2%
Net unrecognized postretirement benefit obligation	(0.4%)
Net realized capital (gains) losses	2.2%
<b>Non-GAAP operating earnings ROE (x-AOCI, other than foreign currency translation adjustment)</b>	<b>14.5%</b>