



From our CEO

Dan Houston

Chairman, President, and Chief Executive Officer
Principal Financial Group®

2023 was a strong year for Principal®. With discipline and focus we continued to execute our strategy as we navigated a dynamic market environment full of challenges and opportunities. Our diversified and integrated business portfolio continued to prove resilient as we delivered on our ambitious outlook for the year, while serving the needs of our 62 million customers¹. I'm proud of our persistent focus and execution, intent on maximizing your investment as a Principal shareholder.

Our business model is a true differentiator for us. Few competitors have our combination of businesses, expertise, and success across high growth markets. This unique mix positions us to meet customers' evolving needs in ways that add value for them and set us apart from our competitors.

In 2023 we continued to strengthen our three growth drivers: asset management, retirement, and benefits and protection. We focused on opportunities for growth both within and *between* our lines of business—leaning into our strengths and expertise.

Evolving our asset management business

In 2023, we integrated our global capabilities across Principal Global Investors and Principal International to further strengthen our asset management business. We added key talent across our business, including our investment engine, while continuing to invest in private market and specialist public market capabilities to meet evolving client needs.

It was undoubtedly a challenging year for asset managers as retail investors navigated away from risk assets. Principal continued to benefit from our strategic diversification—across developed markets, client segments, and relationships with long-term partners in emerging markets.

We bolstered our investment capabilities and continued to innovate in the face of changing client demands. Our offerings continue to resonate with investors. For example:

- Thanks to strong synergy between our multi-asset investment team and our retirement business, assets under management in our target date funds reached an all-time high of \$91 billion, with over \$1 billion in positive net cash flow in 2023. These investment solutions remain important for our retirement clients, as they offer a professionally managed portfolio that navigates the markets, with active and passive management and active asset allocation—all aligned with their investment objectives.
- By year end, the capital committed to our Principal Alternative Credit business surpassed \$2 billion since it launched in 2020. We have generated an 11% gross internal rate of return in those three years, and the current portfolio yield is 13%—a compelling offering for our clients².

¹ As of December 31, 2023

² IRR is unlevered and is the aggregate weighted average IRR of all loans made by the Principal Alternative Credit team from July 2020 to December 2023. The Net IRR for the three years mentioned is 10.22%, reflecting the application of the top tier management fee of the portfolio. Yield is weighted average yield to maturity at time of close. Principal Alternative Credit is an investment team within Principal Global Investors.

At the start of 2024, we announced a new president of asset management. Kamal Bhatia stepped into the role in February, after five years with Principal and significant previous experience in investment solutions, business strategy, client engagement, and product development. He succeeds Pat Halter, who retires in April 2024 after 40 years with Principal. Pat guided Principal Asset Management through significant growth and change, including expansion and diversification of its active, specialty investment capabilities into private markets and new geographies. Pat's leadership and wisdom will be missed, but I am confident the organization is in excellent hands, and I'm excited for all that's ahead.

Delivering comprehensive retirement solutions

Retirement is a significant and growing opportunity for Principal as the U.S. population ages and more Americans retire. We continue as a top three retirement provider³ in the U.S. and one of only a few brands to offer a comprehensive set of retirement and income solutions—from defined contribution to complete pension solutions, non-qualified deferred compensation, stock plans and equity compensation, trust and custody solutions, and investment management.

To meet the needs of our employer customers—large and small—and individual participants in our retirement plans, we continued to invest in the solutions and support that help generate positive, long-term financial outcomes and drove strong sales in the business. At the same time, we carefully managed our expenses in line with revenue—which helped drive our full year margin toward the top end of our targeted range. Notable highlights include:

- Strong sales across our retirement franchise, up 9% from 2022, were driven in part by a 17% increase in fee-based transfer deposits and a 50% increase in pension risk transfer sales. We also experienced strong revenue retention and profitable growth within our existing customer base.
- Worth specifically noting: Growth within our annuity products exceeded expectations, largely because of nearly \$3 billion in pension risk transfer sales (increasing from \$1.9 billion in 2022) and the launch of our first Registered Index-Linked Annuity (RILA), Principal[®] Strategic Outcomes. This timely annuity solution helps individuals nearing retirement to manage investment risk, particularly as market uncertainty persists.

Leveraging our benefits expertise in the workplace

The small to midsize business (SMB) market segment continues to represent a sizeable opportunity for Principal, and it's a place where we win. We've captured our position as a market leader through decades of focus—developing rich expertise and insight into the needs of growing businesses, designing and delivering SMB-tailored solutions in retirement and insurance, and creating broad distribution partnerships to reach this market. Today, 40% of total company earnings are generated by our SMB customers. And, despite the macroeconomic challenges of 2023, the SMB market proved resilient.

This resilience helped us deliver key results, including:

- Our strategic shift to focus on the business market paid off. Within Life Insurance, premium and fees increased 20% for this block, outpacing runoff from our legacy individual life business.
- Our Specialty Benefits business ended 2023 with market leading 9% growth in premium and fees compared to year-end 2022. Contributing to this result were record full year sales, as well as strong retention and employment and wage growth.
- We added to our worksite offerings in April 2023 with the launch of our hospital indemnity product, complementing our existing core workplace benefits and rounding out our voluntary product portfolio. We've seen positive reaction to this product since launch, with our worksite solutions sales up 31% over 2022.

³ Based on number of 401(k) plan participants, 2023 PLANSPONSOR Recordkeeping Survey, July 2023.

Achieving strong results

We delivered strong results in 2023, ending the year with momentum across our diverse portfolio of businesses. Despite a challenging environment, results were largely in-line with or better than the guidance provided in our March 2023 outlook call.

Key results include:

- **\$1.6 billion of full year 2023 non-GAAP operating earnings**, or \$6.55 per diluted share. Excluding significant variances, earnings per share increased 6% over 2022—at the high end of our 2023 guidance range.
- **\$695 billion of total company managed assets under management** at the end of 2023, up over 9% from 2022.

Our strong capital position and full year free capital flow enabled us to deliver on our capital deployment strategy—investing for growth in our businesses and returning more than \$1.3 billion of capital to shareholders through share repurchases and common stock dividends.

Our three-year total shareholder return is 77%, higher than our peers⁴ in both insurance (52%) and asset management (22%).

Our success reflects the power of our distinct strategy as well as the deliberate execution by our talented employees around the world. They enabled us to effectively work through challenges and seize emerging opportunities.

Looking ahead

Thank you for your belief and investment in Principal. Our responsibility to deliver on the promises we've made to you—and all of our stakeholders—remains top of mind across the organization.

In 2024 I'll celebrate my 40th anniversary with Principal, and I've personally never known a time when we were more aligned around our enterprise strategy and guided by our purpose. I credit this fully to our nearly 20,000 global employees who take great pride in the opportunity to make a meaningful difference in people's lives each and every day.

I'm excited about the growth opportunities before us, the synergies we're finding between our businesses, and the diligent work being done in all areas to add value for customers. And I'm so proud of the difference we're making to increase access to financial security—for our customers and communities, in ways large and small. This includes the Principal and Principal[®] Foundation global community investment of more than \$18 million in 2023. I encourage you to read more about this and other ways we're making a difference in our Sustainability Report at principal.com/sustainability.

As we enter the 145th year in our company's history, I remain confident the best is ahead.

Sincerely,



Daniel J. Houston

Chairman, President, and CEO
Principal Financial Group



⁴ 3-year TSR for PFG stock as of 12/31/2023. Insurance peers include AMP, EQH, LNC, MET, PRU, UNM, VOYA. Asset Management peers include AMG, BK, BEN, IVZ, STT, TROW.



From our Board of Directors

Scott Mills

Lead Director

Principal Financial Group®

Principal® delivered strong results in 2023—reflecting management’s clear focus on execution and growth, the power of their complementary businesses, and the efficacy of the company’s overarching strategic framework. Senior management is committed to ensuring everyone at Principal is aligned around the company’s direction and goals. This alignment, coupled with the keen focus on execution, is enabling the company to deliver on promises to stakeholders, including increasing total shareholder return and returning excess capital to our shareholders.

I’m excited about the future for Principal. In 2023, the Board and senior management focused on the work to be done to further drive growth through parts of the business where Principal has unique capabilities and positional advantages. This is a collaborative process, propelled by management’s expertise and the Board’s input and oversight. I’m proud of the work we’ve done together to capitalize on the potential that exists within and between the company’s core lines of business.

Board strength and commitment

It is the Board’s role to provide strategic oversight for Principal, ensuring the company delivers on its commitments and meets its targets. We do this through frequent and thoughtful engagements between the Board and the management team—working together to tackle strategic challenges and opportunities, identify areas of high growth potential, and bring our combined expertise together in service to Principal shareholders. Our directors are generous with their time and eager to make a difference.

One of my key responsibilities as lead director is to assist in building and maintaining a strong bench of talent for Board refreshment. Our Nominating and Governance Committee actively seeks a variety of skills and perspectives, representing different backgrounds, industries, and expertise.

As of April 8, 2024, 67% of the members on our Board of Directors are diverse in gender, race, or national origin. Three of our four committees are chaired by women, one of whom is a person of color. Additionally, 50% of our directors have joined the Board within the past six years. Our average tenure is approximately seven years.

Delivering for you

Dan summarized key financial results well, and I want to note the confidence these results instill in the Board, especially because they were delivered in the face of challenging macroeconomic and market conditions. These results are a testament to the company’s strategy, focus, and discipline and the diligent work done day in and day out by employees around the globe.

As the lead director charged with maximizing your investment in Principal, I’m proud to once again report that the company fulfilled its commitment to creating long-term shareholder value—evident in 2023 through strong total shareholder return and returning \$1.3 billion of capital to shareholders, in the form of dividends and stock buybacks.

More to come

Looking ahead, the Board remains steadfast in helping to ensure Principal pursues opportunities that best leverage the company's strengths and competitive advantages, while keeping customers at the center of everything they do. This, coupled with earnings growth across our business, will help generate returns in excess of cost of capital and make it possible for Principal to return more of that excess capital to you. We appreciate the opportunity to do this work on your behalf.



Scott Mills

Lead Director
Principal Financial Group



Principal Alternative Credit is an investment team within Principal Global Investors.

Principal Asset ManagementSM is a trade name of Principal Global Investors, LLC.

Principal Financial Group Foundation, Inc. ("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. While Principal Foundation receives funding from Principal, Principal Foundation is a distinct, independent, charitable entity. Principal Foundation does not practice any form of investment advisory services and is not authorized to do so. © 2024 Principal Foundation.

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