



2020 Annual Report

Better Together

In 2020, we confronted one of the toughest years in living memory. Principal was ready with a balanced portfolio, flexible global workforce, and 141 years of experience in providing financial security. Together, we navigated volatility with timely insights and custom solutions for more than 34 million customers.



Undaunted by challenge, we embrace change.

As we reflect on 2020, there are many words to describe what was a tumultuous year. But we prefer this word: **transformative**.

We navigated the complexities of a global pandemic, social unrest, and a volatile marketplace. We persevered to connect, collaborate, and innovate. Today, we stand in support of each other and look forward to building a better tomorrow.



More information online: principal.com/annualreport

2020 Corporate Social Responsibility Report: principal.com/esg

“ Our customers rely on us as a trusted partner with global expertise. ”
CEO Dan Houston



From our chairman, president, and chief executive officer

Dan Houston, Principal Financial Group

The turmoil of 2020 was enough to shake anyone's confidence. The global pandemic disrupted how we work, celebrate, or even smile at each other in passing. We saw widespread social protest, volatile financial markets, and historic turnout in the United States election.

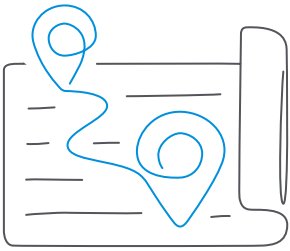
It was a year of continual adjustment. Millions of people lost their livelihoods, and some, their lives. Yet even as we mourn, we move forward with purpose and resolve. We continue finding new ways to adapt, unite, and heal. We're bridging the physical distance through new online hubs where we stay connected to family and collaborate with coworkers. These shared virtual spaces have become foundational to our daily lives.

Through it all, Principal® stands grounded in our core business strategy: a diversified model with balanced investments focused on long-term growth.

Strength and stability as our foundation

Our company faces challenge from a position of strength. To our customers and advisors we extend confidence and support—as we've done for the past 141 years.

This isn't the first time Principal has managed recession, natural disasters, or even a horrible pandemic. As a mutual insurance company that evolved into a global financial services provider, we exist to overcome adversity. Our more than 34 million customers in the U.S. and select markets in Latin America, Asia Pacific, UK/Europe, and the Middle East rely on us as a trusted partner with global expertise. They put their faith in us to not only maintain but continuously improve access to financial resources, products, and guidance, so we can better protect their families, businesses, and institutions.

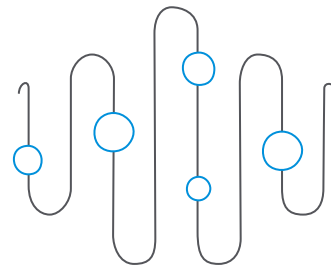


Navigating uncertainty—together

Everything Principal accomplished last year was done in cooperation across our full set of stakeholders. We supported businesses as they realigned supply chains, added curbside delivery, or pivoted to e-commerce. We stood alongside colleagues and neighbors as they demanded racial equality. In partnership with the Principal® Foundation, our company provided an estimated \$25 million in customer allowances and philanthropy to people and businesses affected by COVID-19. We waived fees on hardship withdrawals and granted premium concessions and personal protective equipment (PPE) credits to support our customers—particularly those businesses seeking creative ways to manage the impact of the pandemic. Principal® Giving Chain distributed over 50,000 meals in 34 cities worldwide through partnerships with local restaurants and charities. We supplied masks and hand sanitizer to displaced populations in Malaysia.

At the same time, as governments responded to the public health and jobs crises, we adjusted our own business by enabling emergency access to retirement savings—even as we continued promoting responsible saving habits and public policy as pathways for global access to financial security.

“ Through it all, Principal® stands grounded in our core business strategy: a diversified model with balanced investments focused on long-term growth. ”



New ways of working

Our consistent investment in technology enabled the swift transition of more than 17,000 Principal employees to remote work. We prioritized the safety of the entire Principal team and pressed on, seamlessly onboarding 1,600 new employees and adding six members (two new hires and four internal promotions) to the executive management team.

In August, I stood on the doorstep of an employee who retired after a remarkable 56 years with the company. Speaking through a mask, I thanked her for her service to no fewer than nine CEOs. Her personal milestone reminded me of the quiet dedication visible throughout the entire Principal workforce—a culture and commitment to our purpose that sustained us in a demanding year.

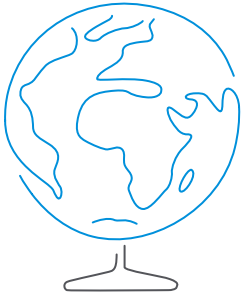
More flexible solutions

We leaned into our strengths to expand our range of investment options, such as a new pooled employer plan making saving easier and more accessible to businesses of all sizes and their employees. Our mobile technologies allow for more convenient portfolio management in countries like Thailand. In Chile, our mobile app became a lifeline to customers who needed to efficiently access funds during the early days of the pandemic. We continue to welcome more customers into Principal through the ongoing, smooth integration of our Institutional Retirement and Trust business.

Today, we're a top-three retirement provider in the U.S.¹ and the No. 2 pension provider in Latin America² because we know how to help people balance savings, investments, and financial goals throughout the twists and turns of life—and not just based on a fixed retirement date.

¹ PLANSPONSOR Recordkeeping Survey, July 2020, plansponsor.com. Principal and Wells Fargo IRT combined. Future market share is subject to change and won't be updated until next release of application data.

² Based on AUM among multi-country pension providers, Feniprevi, June 2020

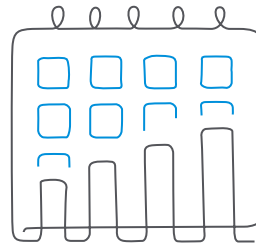


A more sustainable future

Looking ahead, I'm only more determined to see Principal continue to lead the way as a socially responsible company.

COVID-19 isn't over, but we can't neglect other important work to help our communities and our planet.

- People worldwide need greater access to financial security through more flexible policy and products that encourage lifelong savings.
- Companies and governments must collaborate to combat climate change. I'm proud that Principal reduced our greenhouse gas emissions in the U.S. by 40% in the last decade—beyond our goal of 30%. We will continue to press on, seeking another 40% reduction by 2035. We're now among the top 35% of financial services firms based on our A- rating for the 2020 CDP Climate Change Report.
- In 2020, we rolled out unconscious bias training to Principal leaders worldwide. Our diversity and inclusion forums saw a 500% surge in attendance compared to 2019. In everything we do, we aim to promote a more inclusive and civil society where unity and respect for each other is the norm.
- Our recent A+ rating for strategy and governance from the United Nations Principles of Responsible Investment (UN PRI) is powerful external validation of our commitment to corporate stewardship and responsible investing. The UN PRI represents more than \$100 trillion in value among asset managers and owners. We believe that environmental, social, and governance (ESG) factors are integral to our fiduciary responsibility and our goal of delivering superior risk-adjusted returns to clients and investors.



Financial results

As the foundation for all our work, we remain in one of the strongest financial positions in our company's history. Our balance sheet and underlying investments are high quality, and they performed exceptionally well in 2020's stressed and volatile markets. Our capital deployment strategy is balanced and disciplined, focused on creating long-term shareholder value. We finished the year strong with record total company AUM of \$807 billion—including record Principal Global Investors managed AUM of more than \$500 billion—and non-GAAP operating earnings of \$1.4 billion, or \$4.94 per diluted share. We deployed just over \$900 million of capital to shareholders in 2020 through common stock dividends and share repurchases, and we ended the year with \$2.9 billion of excess and available capital. We have momentum as we head into 2021, including the final migrations of our IRT customers to Principal, the resiliency and recovery of our small to medium-sized businesses, and the growing strength of our global asset management enterprise.

Just as we strengthened our business in the wake of the 2008 financial crisis, we'll build on the lessons of 2020. So much of the context of our business may have changed, but the content of what this company does every day to protect and empower people, helping them feel financially secure, is only more relevant.

Together, we continue to overcome adversity.

Dan Houston
Chairman, president, and CEO
Principal Financial Group®

34.5M



Customers in the U.S and select markets in Latin America, Asia Pacific, UK/Europe, and the Middle East

\$807B



Assets under management (AUM)
10% increase from 2019

\$2.9B



Excess and available capital
\$1.1B increase from 2019

\$2.24



Dividends per share
3% increase from 2019

1,600



New employees, including two members of the executive management group

2,100



Employee sign-ups in our global mentorship program

“ Just as we strengthened our business in the wake of the 2008 financial crisis, we’ll build on the lessons of 2020. ”

“ We carry into 2021 the reminder that we are stronger together. ”

Lead director Scott Mills



From the Board of Directors

Scott Mills, Lead Director, Principal Financial Group

Many of us checked in with our friends and family members more often than usual in 2020 to make sure they were navigating the year's immediate challenges and staying on the road to long-term health and success.

As your Board of Directors, we approached our relationship with Principal with the same focus and care. We are committed to providing strategic oversight and guidance to help Principal create long-term shareholder value, mitigate risks, explore opportunities for growth, and foster a sustainable future for customers, communities, and all stakeholders. On behalf of the Board, I'm proud to provide you with an update on our key areas of focus, as well as some thoughts on the company's overall performance.



Strategic oversight: The Board provides our perspective, advice, evaluation, and oversight of the development and implementation of company strategy. We meet with the

management team quarterly and during an annual strategy retreat to discuss and debate topics critical to the company's long-term success. In 2020, much of the conversation focused on pandemic response, capital planning, and sustainable growth strategies. This involved an in-depth look at key challenges, opportunities, and risks created by the COVID-19 pandemic, changing customer expectations, demographic shifts, further expansion of a global middle class, technology (including Principal's data strategy and digital transformation), the competitive environment, and industry regulation. Management continues to evolve and refine company strategy, capitalize on areas of growth (including the continued integration of the Institutional Retirement and Trust business which Principal acquired in 2019), pursue areas for future growth, guide new and existing strategies for fostering greater financial access and inclusion, and take appropriate actions to further strengthen the company's long-term competitive positioning.



Risk oversight: The Board has a coordinated, comprehensive approach to overseeing the company’s enterprise risk management. We regularly review strategic threats, opportunities, and key risks, including financial, product, cybersecurity, data management and privacy, regulatory, climate and reputational risk, as well as risks that could potentially emerge or increase in the future. Both the Board and management are fully engaged in risk management and have made it a fundamental aspect of company strategy, operations, and culture. Management was agile in responding to the pandemic, leveraging existing resources and moving swiftly to innovate and distribute new technology and processes that will endure for years.



Social responsibility: Principal has long understood the importance of making a positive impact on the global communities in which it operates. Management reports to the Board of Directors regularly on environmental, social and governance (ESG) focus areas. In 2020, the Board Nominating and Governance Committee approved an enterprise ESG vision, approach, and core strategic pillars that are aligned with UN Sustainable Development Goals. These efforts guide Principal in creating meaningful change today and for future generations.

In 2020, a year that brought a pandemic, social unrest, political division, and turbulent financial markets, Principal reinforced its commitment to the environment and to financial inclusion. The company also reaffirmed its commitment to advancing diversity, equity, and inclusion within their workforce, their business, and the community.

“ The Board is composed of 12 directors, 11 of whom are independent, with broad expertise, skills, and viewpoints that help the company advance and execute its strategy. ”

Principal’s commitment to social responsibility continues to be recognized by the financial press, human rights campaigns, representatives of the military, gender-equality associations and advocates, and other third-party organizations. In 2020, these included being named to the Bloomberg Gender-Equality Index, recognized as a Climate Leader for Insurance by the CDP for the 8th year in a row (with an overall score of A-), and named one of World’s Most Ethical Companies by the Ethisphere Institute for the 10th year, among other accolades.



Talent and succession planning: The Board plays an instrumental role in talent and succession planning for both the company leadership and the Board. In 2020, Principal welcomed six new members to the executive leadership team, including two external hires and four internal promotions.

Principal has found the right leaders to fill each position. They bring diverse backgrounds, skills, and experiences to their roles, while providing a healthy mix of institutional knowledge and third-party experience.

As we facilitated the seamless succession of these new executive team members, we celebrated the well-deserved retirement of long-tenured colleagues: Karen Shaff (38 years of service), Gary Scholten (40), Julia Lawler (36), and Tim Dunbar (34).

Additionally, we elected two new members to the Board of Directors: Clare Richer, former chief financial officer at Putnam Investments, and Alfredo Rivera, president of the North America Operating Unit at The Coca-Cola Company.

The Board is composed of 12 directors, 11 of whom are independent, with broad expertise, skills, and viewpoints that help the company advance and execute its strategy. We remain committed to regular board refreshment and value the diversity reflected in the Board, which includes five women (45%) and three people of color (27%) as of Dec. 31, 2020.



Company performance: The Board remains focused on sustainable performance and efficient deployment of capital. Principal entered 2020 in one of the strongest financial positions in company history. While unfavorable market and economic conditions (spurred by the global pandemic) had a short-term negative impact on company performance, long-term growth and earnings potential remain strong.

In 2020, total company AUM increased more than \$70 billion, or 10%, to a record \$807 billion at the end of the year, including \$14 billion of net cash flow and strong investment performance. We delivered \$1.4 billion of non-GAAP operating earnings, or \$4.94 per diluted share in 2020. Through strategic investments, the company continues to achieve greater scale, talent, and technology innovation that position Principal to better meet customer needs and succeed in the long term.

“ In 2020, total company AUM increased more than \$70 billion, or 10 percent, to a record \$807 billion at the end of the year, including \$14 billion of net cash flow and strong investment performance. ”

We carry into 2021 the reminder that we are stronger together and that together we can make a tremendous difference in the lives of Principal shareholders, employees, customers, and communities. I appreciate your support and am thankful for the opportunity to serve as your lead director.

Sincerely,

Scott Mills
Lead director, Principal Financial Group®

Financial highlights

Long-term financial targets

Profitability

9-12%

Annual growth in operating earnings¹ and earnings per share²

¹ Non-GAAP operating earnings

² Non-GAAP operating earnings per diluted share

Free cash flow

70-80%

Of net income

Capital and liquidity

20-25%

Targeted debt-to-capital ratio

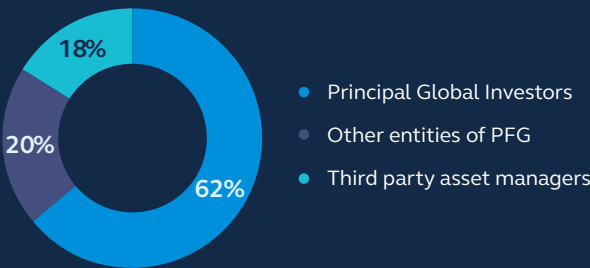
~400%

Targeted risk-based capital (RBC) ratio

2020 financial results

Assets Under Management⁴

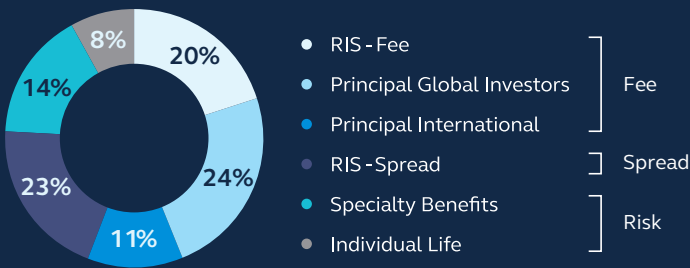
\$807 billion As of Dec. 31, 2020



⁴ Assets under management by asset manager.

Non-GAAP pre-tax operating earnings⁵

\$2.1 billion As of Dec. 31, 2020



⁵ Trailing twelve months, excludes corporate and impacts from actuarial assumption review

Financial highlights

Principal met the challenges of 2020 head-on. While our financial results were impacted by COVID-19 and the resulting macroeconomic volatility, we ended the year in a stronger financial position than we began, with record assets under management.

Total assets under management

(in billions)



Net income attributable to PFG

(in millions)



Non-GAAP operating earnings¹

(in millions)



Total revenue

(in millions)



Non-GAAP operating earnings per diluted common share¹

(in dollars)



Dividends paid per common share

(in dollars)



¹ This is a non-GAAP financial measure. See non-GAAP financial measure reconciliations on pages 14-15.

² Non-GAAP operating earnings return on equity equals trailing twelve months non-GAAP operating earnings divided by average stockholders' equity available to common stockholders excluding accumulated other comprehensive income (loss) other than foreign currency translation adjustment (FCTA).

Capital deployments

(in millions)

- Common stock dividends paid
- Share repurchases
- M&A

Closing PFG common stock price

(in dollars, as of 12/31)

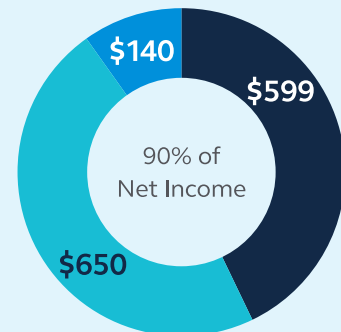
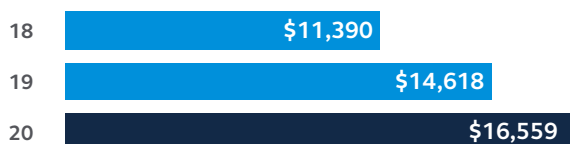


Non-GAAP operating earnings ROE available to common stockholders, excluding AOCI other than foreign currency translation adjustment^{1,2}



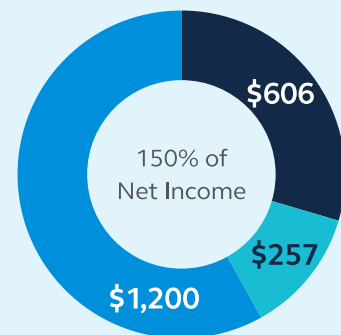
Total stockholders' equity attributable to PFG

(in millions)



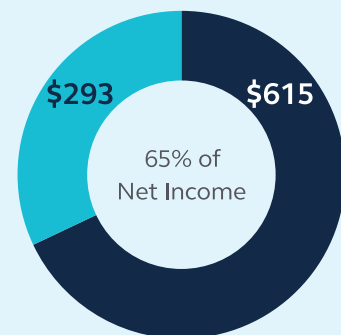
2018

Deployed \$1.4 billion



2019

Deployed \$2.1 billion



2020

Deployed \$908 million

Non-GAAP financial measure reconciliations

(in millions, except as indicated)

For the year ended Dec. 31

Net income attributable to PFG	2018	2019	2020
Net income attributable to PFG	\$1,546.5	\$1,394.2	\$1,395.8
Net realized capital (gains) losses, as adjusted ¹	51.0	174.9	(29.4)
Non-GAAP operating earnings	\$1,597.5	\$1,569.1	\$1,366.4

¹ This is a non-GAAP financial measure. See reconciliation below.

Net realized capital gains (losses)

GAAP net realized capital gains (losses)	\$(75.4)	\$(52.8)	\$302.6
Recognition of front-end fee revenues	0.4	8.5	11.4
Market value adjustments to fee revenues	0.1	-	(1.6)
Net realized capital gains (losses) related to equity method investments	(5.4)	2.6	(1.5)
Derivative and hedging-related revenue adjustments	(64.9)	(80.4)	(132.9)
Sponsored investment fund adjustments	12.9	23.6	17.3
Amortization of deferred acquisition costs	(25.6)	(15.7)	(0.5)
Capital gains distributed – operating expenses	15.7	(31.6)	(41.7)
Amortization of other actuarial balances	(1.4)	(25.1)	(26.3)
Market value adjustments of embedded derivatives	18.5	66.6	(55.0)
Capital gains distributed – cost of interest credited	(1.3)	(36.6)	(8.2)
Net realized capital gains (losses) tax adjustments	71.4	(1.3)	(28.2)
Net realized capital gains (losses) attributable to noncontrolling interest, after-tax	4.0	(32.7)	(6.0)
Total net realized capital gains (losses) after-tax adjustments	24.4	(122.1)	(273.2)
Net realized capital gains (losses), as adjusted	\$(51.0)	\$(174.9)	\$29.4

For the year ended Dec. 31

Diluted earnings per common share	2018	2019	2020
Net income	\$5.36	\$4.96	\$5.05
Net realized capital (gains) losses, as adjusted	0.17	0.62	(0.11)
Non-GAAP operating earnings	\$5.53	\$5.58	\$4.94

Stockholders' equity

Stockholders' equity	\$11,456.0	\$14,685.8	\$16,617.3
Noncontrolling interest	(66.0)	(67.8)	(58.4)
Stockholders' equity attributable to Principal Financial Group, Inc.	11,390.0	14,618.0	16,558.9
Net unrealized capital (gains) losses	(207.3)	(2,815.3)	(4,156.5)
Net unrecognized postretirement benefit obligation	512.9	435.6	460.5
Stockholders' equity, excluding AOCI other than foreign currency translation adjustment, available to common stockholders	\$11,695.6	\$12,238.3	\$12,862.9

Net income ROE available to common stockholders (including AOCI)

Net income ROE available to common stockholders (including AOCI)	12.8%	10.7%	9.0%
Net unrealized capital (gains) losses	0.9%	1.4%	2.5%
Net unrecognized postretirement benefit obligation	-0.5%	-0.4%	-0.4%
Net income ROE available to common stockholders (x-AOCI other than FCTA)	13.2%	11.7%	11.1%
Net realized capital (gains) losses	0.4%	1.4%	-0.2%
Non-GAAP operating earnings ROE (x-AOCI other than FCTA)	13.6%	13.1%	10.9%

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Principal Financial Group®

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Des Moines, Iowa 50392

principal.com

PFG | Nasdaq Listed

Common stock of the Principal Financial Group, Inc. is traded on Nasdaq under the ticker symbol "PFG."

Forward looking and cautionary statements

Certain statements made by the company which are not historical facts may be considered forward-looking statements, including, without limitation, statements as to non-GAAP operating earnings, net income attributable to PFG, net cash flow, realized and unrealized gains and losses, capital and liquidity positions, sales and earnings trends, and management's beliefs, expectations, goals and opinions. The company does not undertake to update these statements, which are based on a number of assumptions concerning future conditions that may ultimately prove to be inaccurate. Future events and their effects on the company may not be those anticipated, and actual results may differ materially from the results anticipated in these forward-looking statements. The risks, uncertainties and factors that could cause or contribute to such material differences are discussed in the company's annual report on Form 10-K for the year ended Dec. 31, 2020, 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 and meet its obligations may be constrained by the limitations on dividends 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; 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.

Insurance products and plan administrative services provided through Principal Life Insurance Co., a member of the Principal Financial Group®, Des Moines, IA 50392.

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