



The Principal Financial Group®: Built on Strength

10/26/12

When the going gets tough, you need a solid, experienced company you can trust. For more than 130 years, The Principal® has been helping our clients with their financial goals in all kinds of markets.

Whether you're an individual preparing for retirement, someone just starting out, or a business owner managing benefit costs, we have the longevity, experience and solutions you need:

- [Solid operating results](#)
- [Strong liquidity and capital adequacy](#)
- [An investment portfolio for the long-term](#)
- [Strong financial strength ratings](#)

Solid operating results

The Principal has continuously delivered solid results throughout the economic crisis and continued to do so in third quarter 2012.

| Summary of Operating Results Three Months Ending | | | | | | |
|---|------------------------|------------------------|-------------|------------------------|------------------------|-------------|
| | 09/30/2011 Reported | 09/30/2012 Reported | % change | 09/30/2011 Adjusted | 09/30/2012 Adjusted | % change |
| Assets Under Management (AUM) (in billions) | \$320.8 B | \$392.2 B | +22% | \$320.8.2 B | \$392.2 B | +22% |
| Operating Earnings (in millions) | \$193.2 M | \$134.8 M | -30% | \$214.2* M | \$225.5** M | +5% |
| Earnings per Share | \$0.61 | \$0.45 | -26% | \$0.68* | \$0.75** | +10% |
| Net Income (in millions) | \$71.9 M | \$179.7 M | +150% | \$71.9 M | \$179.7 M | +150% |

*09/30/2011 operating earnings and operating earnings per share adjusted for equity true-ups and lower investment variable income.

**09/30/2012 operating earnings and operating earnings per share adjusted for the actuarial assumption review.

Our success is rooted in more than 130 years of experience. How do we do it? Amid short-term pressures, we focus on the long-term view. We have a mix of products and investments that provide us flexibility. And we remain committed to working with our clients for greater financial security, in good times and bad. Through recession and recovery, challenge and opportunity, we've relied on a disciplined, long-term investing approach to help keep things on track.

18 million customers worldwide trust the Principal Financial Group, and here's why:

- We're a member of the Fortune 500.
- We're the no. 1 recordkeeper of defined benefit plans^[1].
- We manage assets for 10 of the 25 largest pension plans in the world^[2].
- We're the 16th largest manager of U.S. institutional, tax-exempt assets^[3].
- We're the 11th largest life insurer^[4].
- We're the number two nonqualified deferred compensation plan service provider^[5].
- We're the 4th largest provider of group benefits (dental, life and disability insurance) based on in-force contracts^[6].

Our most recent financial results (Sept. 30, 2012) reflect the strength of our business under challenging conditions.

Visited 01/14/2013

Highlights of 3Q 2012 results include:

- Record assets under management of \$392.9 billion are up 22 percent compared to the year ago quarter.
- Strong sales in the company's three key U.S. Retirement and Investor Services Accumulation segments in the second quarter, with \$2.7 billion for Full Service Accumulation, \$4.5 billion for Principal Funds and \$447 million for Individual Annuities.
- Net cash flows of \$1.6 billion for Full Service Accumulation and \$2.5 billion for Principal Funds.
- Unaffiliated net cash flows of \$2.2 billion contributed to record unaffiliated assets under management of \$97.8 billion for Principal Global Investors.
- Principal International reported net cash flows of \$2.7 billion and record assets under management of \$66.2 billion (excluding \$9.7 billion of assets under management in our asset management joint venture in China, which are not included in reported assets under management).
- Individual Life sales of \$48 million are up 17 percent over third quarter 2011.
- Specialty Benefits had solid premium and fees growth of 5 percent over third quarter 2011.
- Strong capital position with an estimated risk based capital ratio of 440 percent at quarter-end and \$2.2 billion of excess capital^[7].

» For more details, [see third quarter 2012 results](#).

Our revenue and earnings diversification and strong business fundamentals helped minimize the negative effects of some of the most challenging capital market and economic conditions in 75 years.

Strong liquidity and capital adequacy

The Principal has always focused on maintaining strong liquidity and capital adequacy to meet our customer obligations.

Like many other companies, The Principal continues to hold more capital than we have historically given continued challenges with the economy. However, we believe that we can reduce our excess capital levels given our fee-based businesses require very little capital to support organic growth. This enables us to generate substantial deployable capital on an ongoing basis.

An investment portfolio for the long-term

The liabilities of our investment portfolio tend to be longer-term and more predictable in nature. To help ensure we can meet our obligations, our team of investment experts focuses on managing risks by:

- **Maintaining high quality** – selecting assets that are highly likely to pay according to their maturity dates
- **Diversification** – investing in a wide variety of assets such as corporate bonds, government and agency-backed securities, commercial real estate and cash; as well as diversifying by geographic location, industry and company
- **Asset/liability management** – building the portfolio so we have the cash we need to pay off our obligations when they come due

Even though our investment portfolio includes commercial real estate and commercial mortgage-backed securities (CMBS), that does not impact our ability to fulfill our promises to our customers.

- Regular stress testing of our portfolio, which includes CMBS, continues to demonstrate that even under severe stress, losses would be manageable, occurring over a multi-year period.
- Regarding commercial mortgages, our portfolio characteristics remain strong. As of Sept. 2012, debt service coverage was 2.1 times, occupancy rate was 92 percent and current loan to value was 56 percent.

» For more details, [visit the Financial Documents](#) page of the Investor Relations site.

Strong financial strength ratings

We continue to earn strong financial strength ratings from all the major ratings agencies^[8].

Visited 01/14/2013

- A.M. Best: A+ (2nd highest of 16) Superior
- Fitch Rating: AA- (4th highest of 21) Very Strong
- Moody's: Aa3 (4th highest of 21) Excellent
- Standard & Poor's Rating Group: A+ (5th highest of 21) Strong

For customers, these "strong" ratings mean they can continue to have confidence in the ability of Principal Life Insurance Company to meet its long-term obligations. For shareholders, they validate the continued solid business performance of Principal Life and the strength of our capital and liquidity positions. Our strong relative ratings speak to our ongoing ability to compete for new business and retain existing business, across product lines.

» **For more details,** [view our credit ratings.](#)

[1]

PLANSPONSOR magazine (April 2012)

[2]

Pensions & Investments/Towers Watson World 300: "The Largest Retirement Funds" Report on the largest pension plans dated Sept. 5, 2011 compared to our client list as of March 31, 2012.

[3]

Based on assets as of Dec. 31, 2011: "Largest Money Managers," *Pensions & Investments*. (May 2012)

[4]

SNL Financial, LC; data as of Dec. 31, 2011.

[5]

Based on number of plans record kept, *PLANSPONSOR* magazine (Dec. 2011)

[6]

Based on 2010 LIMRA data on fully insured employer contracts in force (April 2011)

[7]

Excess capital includes cash at the holding company and capital at the life company above that needed to maintain a 350 percent NAIC risk based capital ratio for the life company

[8]

Third party ratings relate only to Principal Life Insurance Company, the largest member company of the Principal Financial Group and Principal National Life Insurance Company, and do not reflect any ratings actions or notices relating to the US life insurance sector generally.

Have a question? Call us at 1.800.986.3343

[About The Principal®](#) | [Investor Relations](#) | [Contact Us](#) | [Careers](#) | [Global Locations](#)
[Site Map](#) | [Help](#)

Copyright © 2013, Principal Financial Services, Inc.
[Disclosures and Terms of Use](#) | [Privacy and Security](#)
Securities offered through Princor Financial Services Corporation, member [SIPC](#)