



# CONNECTED.

THE PRINCIPAL FINANCIAL GROUP® 2014 ANNUAL REPORT

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This 2014 Annual Report provides a company overview and financial highlights. For complete financial statements, including notes and management's discussion and analysis of financial condition and results of operations, please refer to the 2014 Form 10-K filed by the company with the Securities and Exchange Commission, which can be found at [www.principal.com/10k](http://www.principal.com/10k).

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, 2014, filed by the company with the 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; continued volatility or declines in the equity, bond or real estate markets; changes in interest rates or credit spreads; 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 securities may include methodologies, estimations and assumptions that are subject to differing interpretations; the determination of the amount of allowances and impairments taken on the company's investments requires estimations and assumptions that are subject to differing interpretations; gross unrealized losses may be realized or result in future impairments; 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; inability to attract and retain sales representatives and develop new distribution sources; international business risks; the company's actual experience could differ significantly from its pricing and reserving assumptions; 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; 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 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; changes in laws, regulations or accounting standards; a computer system failure or security breach could disrupt the company's business and damage its reputation; 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; fluctuations in foreign currency exchange rates; and 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.

"The Principal Financial Group" and "The Principal" are registered service marks of Principal Financial Services, Inc., a member of the Principal Financial Group.

At The Principal®, there's no such thing as a single effort. Everything we do is part of our mission to provide long-term financial security for more people, in more ways, in more places.

Our connected organization is the sum of its diverse and dynamic parts. Balancing expertise, discipline and reliable results with a bold pioneering philosophy, The Principal builds momentum toward a strong and secure future.



#### Innovation

Connecting leading-edge people with cutting-edge technology to deliver above-and-beyond solutions



#### Performance

Connecting flexible strategies, customized solutions and consistent results



#### Growth

Connecting short-term gains with long-term success



#### Businesses

Connecting expertise across disciplines to build a balanced business

# From the CEO

*João's pride shines as a first-generation middle income earner in Fortaleza, Brazil, saving for his family's future. Guilherme Rossi leads a team of advisors, from our Brasilprev joint venture, with the expertise to help João invest in his first pension plan.*

*Darrin and McKenna just welcomed their son Jackson and know they need life insurance to protect their growing family, but the lengthy purchasing process seems cumbersome. With accelerated underwriting, the team at the Principal Financial Group is able to give Darrin and McKenna the preferred coverage they need in just a few short days without intrusive medical tests, bolstering their confidence about the future.*

*Hector Saldado has served his community for 30 years as a firefighter in Los Angeles. He's able to contemplate a secure retirement now, in part, because Kelly Rush has been managing the real estate securities portion of Hector's pension plan provided by the Board of Fire and Police Pension Commission Los Angeles.<sup>1</sup>*

## Dear Fellow Shareholders:

**There are millions like João, Darrin, McKenna and Hector around the globe earning a good living and planning for what's next. Though worlds apart, they have plenty in common. Connected in their desire to be confident about the future ... connected in their aspiration to achieve financial security.**

Great things happen when you connect people with confidence, aspirations with experience. As a leading global investment manager, the Principal Financial Group is uniquely positioned to make these connections ... to connect the hopes and dreams of millions of people around the world with expertise, ideas and guidance ... to secure a better tomorrow.

This is the noble work that we do. At the Principal Financial Group. Every day.

We do it by bringing together an integrated portfolio of businesses that weathers economic volatility but continues to deliver year after year, as evidenced by outstanding 2014 results. In doing this work, we grow. But growth alone is not our preoccupation. Our preoccupation is to help millions of people achieve financial security. This has been our focus since 1879.

1. These situations are representational and do not depict actual customers or events.
2. Represents the percentage of Principal mutual funds, separate accounts and collective investment trusts in the top two Morningstar quartiles as of 12/31/14.

I encourage you to examine 2014 results as but one chapter in a long story—another outstanding year, despite ongoing economic headwinds, in a series of strong years—that illustrates an enduring strategy, excellent execution and long-term vision. A few highlights from the year:

- Total company operating earnings reached a record \$1.3 billion, up 24 percent from 2013, a result of record earnings in each of our four operating segments.
- Net income grew 26 percent to a record \$1.1 billion or \$3.65 per diluted share.
- Return on equity improved 210 basis points in 2014 to 14.2 percent.
- Assets under management reached a record \$519.3 billion.
- Strong net cash flows of \$17.6 billion demonstrated the competitiveness of our businesses, outstanding investment performance and the strength of our distribution partnerships.
- More than 85 percent of the company's investment options were in the top half of Morningstar rankings on a one-, three- and five-year basis at year end.<sup>2</sup>

Throughout this report, you'll learn more about ways we're working to meet retirement and long-term savings needs by bringing our expertise to bear in the most attractive retirement and long-term savings markets in the world. In 2014, we further strengthened our presence in markets where aging populations and the number of middle-class workers continue to grow ... making the need for what we do more relevant every day in Latin America, Asia and the United States.



**Dan Houston**  
President and COO

**Larry Zimpleman**  
Chairman and CEO

Strong growth of our fee-based businesses allows us to generate increasing amounts of free cash flow, which provides the opportunity to return greater amounts of our net income to shareholders. We increased our 2014 common stock dividend by 31 percent over 2013. In 2014, we continued to use our free cash flow to fund acquisitions that further grow the business. For example, in 2014, we announced our intent to acquire AXA's Mandatory Provident Fund (MPF) and Occupational Retirement Schemes Ordinance (ORSO) pension business in Hong Kong. The deal includes a 15-year exclusive distribution agreement to sell pension products through AXA's agency network of 4,400 agents in Hong Kong. This bold strategic move will more than double the assets under management of our Hong Kong pension business to more than U.S. \$6 billion, making us the fifth largest MPF provider in that market.

Behind the numbers, we're wired differently than many companies:

- **An integrated business model with diversified revenue streams:** One business or diversified businesses? Tension always exists when it comes to this question. We lean toward a mix of businesses for these reasons:

— *We can meet all of a client's long-term financial security needs across life stages—save, invest, protect and manage income when it's time to reap the benefits. Our deep global investment management expertise enables us to meet the needs of retail investors and retirement investors as well as the needs of large institutions like central banks, sovereign wealth funds and large pension funds.*

— *Diversification helps us manage through difficult times—Economic volatility, regulatory changes,*

etc., can wreak havoc on a single line of business. Diversification affords us the ability to manage through tough times. Our success over 136 years has come from multiple businesses. Our success in the future will continue to be fueled by this diversification.

- **Long-term view:** Our focus is always toward creating long-term value. Waves of progress are continually set in motion by our rigorous strategic planning process, ensuring we are never at rest. Our history and track record stand as proof of our foresight and persistence ... since our founding in 1879 ... since becoming a public company in 2001 ... since the financial crisis in 2008.
- **Global talent:** Enduring strategies are built by teams, not individuals. Our talented team works from 18 countries serving clients in more than 70 countries. We execute in an ever-changing environment by invoking a never-changing set of values, like integrity and service, woven together by a distinct culture of doing what you say you'll do and always looking for a better way.

In November 2014, Dan Houston was named president and chief operating officer. Dan, along with the rest of our experienced management team, brings decades of experience and leadership to bear. This team's history of smart decisions got us here. This team's foresight and executional skills will take us into the future.

Over the next decade, the demographic face of the workforce will change dramatically as boomers dwindle in number and millennials soar. In preparation for the talent shift, we seek to attract and retain top global talent. Our Des Moines, Iowa, campus, currently under renovation, will be one more way The Principal remains a premiere place to work. Upon completion, our contemporary global headquarters will help us attract top-tier talent from around the world, connecting people in different buildings, states, countries and continents with each other and with clients. We're incorporating the latest in technology and flexible workspace to meet the needs of multiple generations and work styles for decades to come.

- **Relentless pursuit of simplicity:** Financial services can be complicated and overwhelming. People need to save more. But uncertainty and inertia often hold them back. At The Principal, we work diligently to make it easier. Through simple innovations like our new digital experience designed to provide 401(k) plan participants in the United States a quick view of their retirement preparedness or our completely digital planning experience in India—both intended to help savers know where they stand relative to their goals and how to take the next step. Simplicity doesn't come easily in our industry, but we're working to change that.

As we look ahead, here are our growth and capital deployment plans:

- In the next five to seven years, we expect to double assets under management (AUM). One of the best leading indicators of where revenue and operating earnings are going is assets under management. As AUM goes, so goes the organization.
- We expect to achieve 50–80 basis points of annual improvement in return on equity.
- In 2015, we plan to deploy \$800 million to \$1 billion in capital through quarterly common stock dividends, opportunistic acquisition and share repurchase activity.

In closing, 2014 was an outstanding year, but our best days are ahead. We remain singularly focused on meeting the needs of customers around the world, and, in doing so, providing superior value to long-term investors.

I urge you to vote your shares before the annual meeting on May 19. What you have to say matters to our Board, to our employees and to me.



**Larry Zimpleman**  
Chairman and CEO

In November 2014, **Dan Houston** was named president and chief operating officer. Dan, along with the rest of our experienced management team, brings decades of experience and leadership to bear. This team's history of smart decisions got us here. This team's foresight and executional skills will take us into the future.

# From the Board of Directors

Dear Shareholders:

As your Board of Directors, we take our responsibility to you and all of our constituencies seriously. We think it is important that you hear directly from us about key aspects of our work and our view on the company's performance. We see a critical part of the Board's role as ensuring a strong connection between execution of The Principal's strategy and your interests as shareholders.

In 2014, The Principal again delivered very strong operating performance. More importantly, it continues to deliver strong performance since the financial crisis. As we have evolved the strategy of the company toward a strong focus on global investment management opportunities, we have seen assets under management grow by 13 percent per year since 2009. Assets under management are one of the best metrics to use in evaluating the overall performance of the company. In addition, we are very pleased with the company's recognition by *Pensions & Investments* as the "Best Place to Work in Money Management" in our category for the third consecutive year.

## Future Leadership

The Board believes that succession planning for the future leadership of the company is one of its most important roles. We are proud of the strong leadership team at The Principal, developed primarily from within the company but with the prudent addition of external talent when needed. We continue to focus on executive succession planning at each Board meeting, with a more in-depth discussion once each year. The recent appointment of Dan Houston as president and chief operating officer is a result of a multi-year succession planning process.

In addition, the Board is focused on having a similar process to identify, recruit and develop talent within our Board of Directors. We believe we have a great mix of experience and expertise on the Board, and we have a robust process for evaluating each Board member before they are re-nominated.

## Strategy Oversight

Your Board is fully involved in evaluating and shaping the company's long-term strategy. Each



year, we hold a two-day special strategy meeting with the senior management team where we receive detailed information on the long-term possibilities for each business, along with the requirements for success and possible risks involved. We think this has been an important part of the strong operating performance of the company. A special committee of the Board—with regularly rotating membership—oversees this strategic process. We ask senior management to provide their future vision of The Principal, and we use that work to help inform the Board's deliberations over the next few years. In short, we are proud of the company's strategic planning process, and we believe it will allow us to continue to drive long-term value for our shareholders.

We are always interested in the thoughts and opinions of our shareholders, whether on the performance of the company or other important governance matters. Together, we look forward to a successful future.

Sincerely,

A handwritten signature in blue ink, appearing to read "Elizabeth E. Tallett".

**Elizabeth E. Tallett**

Lead Director, Principal Financial Group

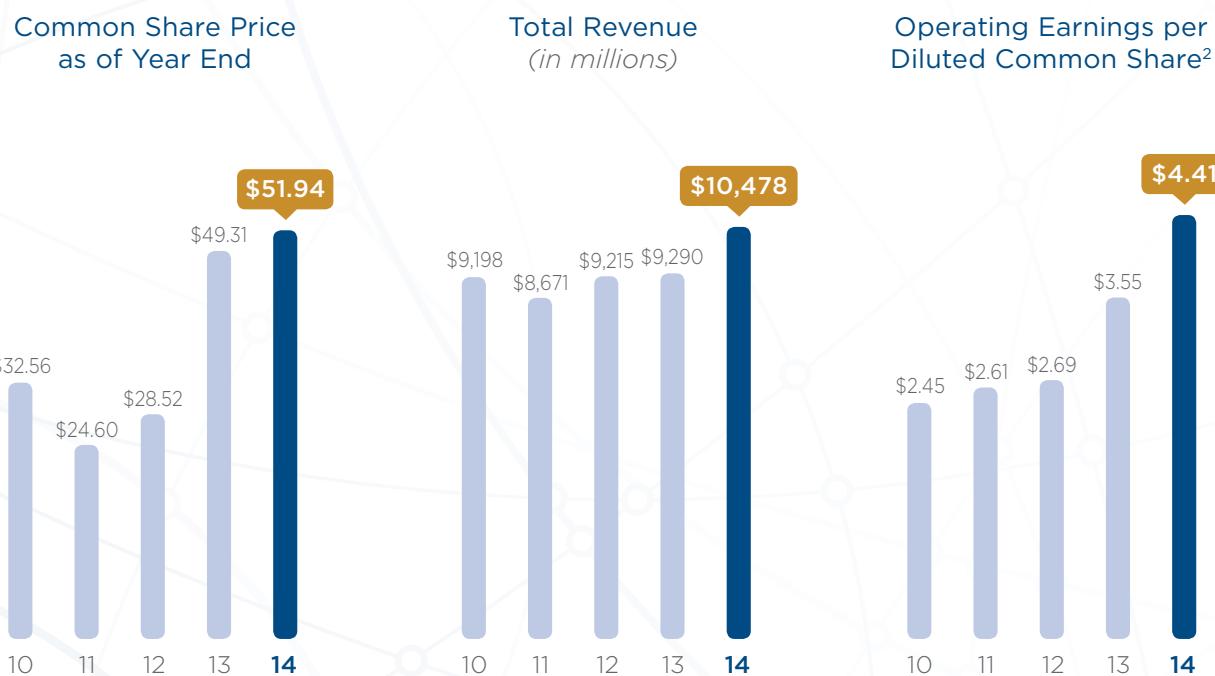
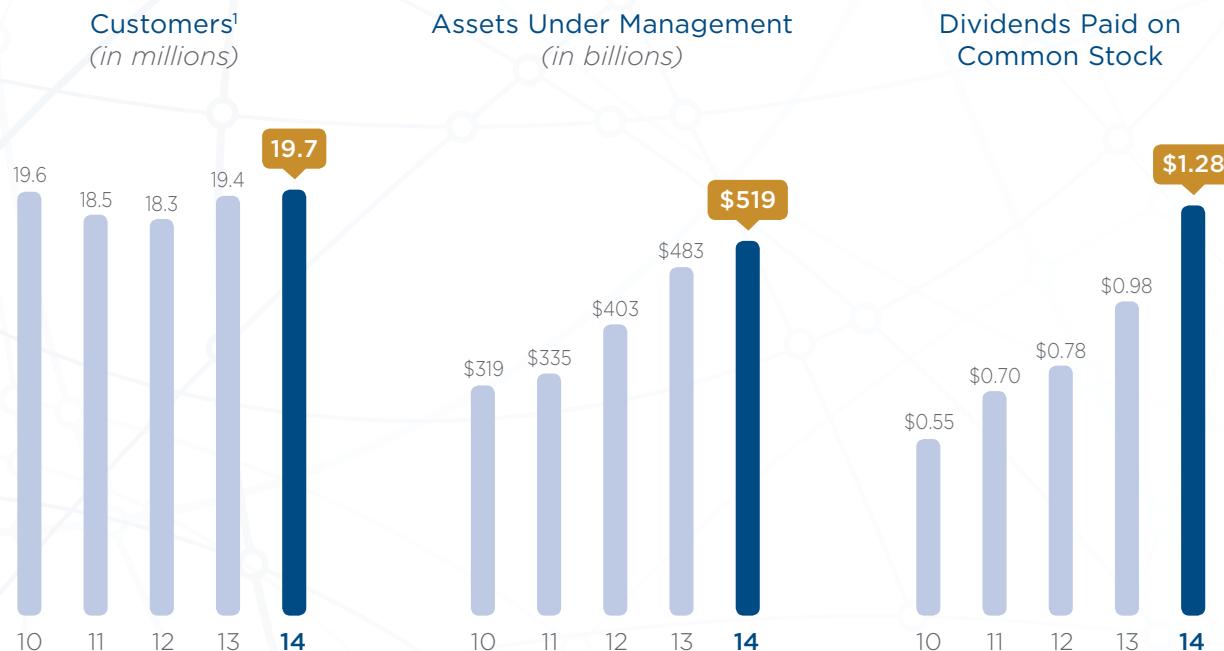
# 2014 Financial Highlights

The Principal had a record-setting 2014. In a macroeconomic environment that remains volatile, that's an outstanding accomplishment.

Not only were total company operating earnings a record in 2014, at \$1.3 billion, but all four of our operating segments achieved record operating earnings for the year.

In 2014, assets under management surpassed the half a trillion dollar mark and ended the year at a record \$519 billion.

Record results. Ongoing momentum. Strong financial position. The Principal is poised for continued long-term growth.



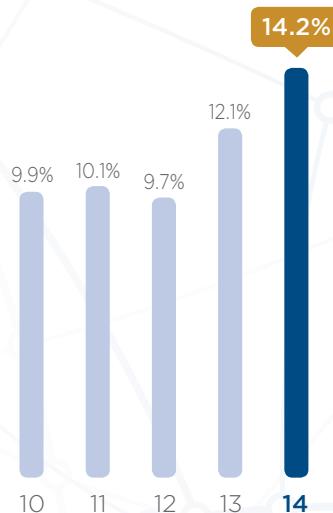
**Net Income Available to  
Common Stockholders**  
*(in millions)*



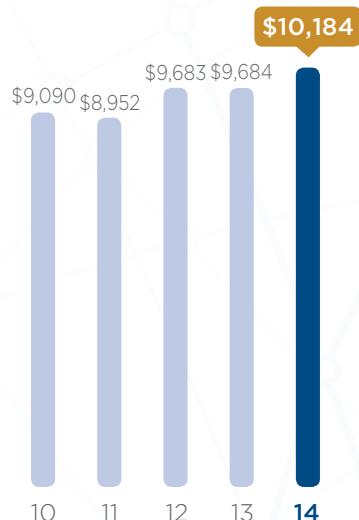
**Operating Earnings<sup>2</sup>**  
*(in millions)*



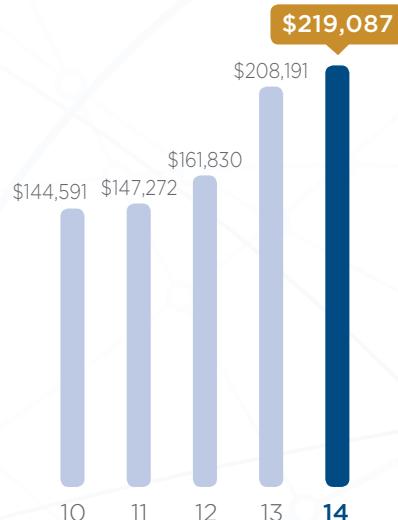
**Operating Return on  
Average Equity<sup>2,3</sup>**



**Total Stockholders'  
Equity Attributable to  
Principal Financial Group, Inc.**  
*(in millions)*



**Total Assets**  
*(in millions)*



1. Includes employees and their dependents under employee benefit arrangements.
2. See page 24 for a reconciliation of non-GAAP measures to U.S. GAAP.
3. Stockholders' equity available to common stockholders excluding accumulated other comprehensive income (loss).

# INNOVATION

CONNECTING LEADING-EDGE PEOPLE WITH  
CUTTING-EDGE TECHNOLOGY TO DELIVER  
ABOVE-AND-BEYOND SOLUTIONS

**Innovation is about more than just doing things differently.**

It's about finding new and better ways to connect strategic decisions to customer outcomes; attract and retain the best global talent; and empower customers, advisors and employees with technology that enables them to do their jobs and meet their goals more effectively and efficiently.

As one of *InformationWeek*'s Elite 100 business technology innovators, we know what it takes to make innovation meaningful.

The proof is in our people. In 2014, Doug Fick, vice president and chief information officer of U.S. Insurance Solutions, was named to *Insurance and Technology* magazine's Elite 8, recognizing the eight most successful and inspiring technology executives in the industry.

We also continued progress on our corporate campus renovations in Des Moines, creating a cutting-edge, technology-enabled workplace that supports easier and stronger collaboration among our offices in 18 countries (and counting)—and helps us attract and retain the best employees in the world.

Employees of The Principal pictured left to right are:  
Neal Halder, assistant vice president and chief underwriter,  
Greg Linde, senior vice president of Individual Life, and  
Renee Heckman, assistant vice president for new business and underwriting operations



With millennials expected to comprise as much as three-quarters of the domestic workforce by 2025,<sup>1</sup> investing in innovation is more important than ever: 78 percent of millennials are strongly influenced by a company's degree of innovation in evaluating potential employers.<sup>2</sup>

And we're already well on our way. By creating an extraordinarily supportive, connected work environment, we lay the groundwork for attracting the best team in the industry—and empowering them to drive innovation.

**This year alone, The Principal was honored as:**

- First in its category for the third year in a row in *Pensions & Investments'* annual survey of the Best Places to Work in Money Management<sup>3</sup>
- One of *Computerworld's* 100 Best Places to Work in Information Technology for the 13th year
- One of the 2014 National Association for Female Executives' Top 50 Companies for Executive Women

Such best-in-class recognition helps us attract the world's most qualified talent—talent that, in turn, drives innovation. The returns are exponential.

**"We understand that in a hyper-competitive world, being easy to do business with has to be a key part of our value proposition."**

**Larry Zimpleman, chairman and CEO**

And it's not only employees who reap the rewards of our focus on innovation. Clients do, too, with industry-leading support. Among other 2014 recognition, The Principal received:

- The *PLANADVISER* Adviser's Choice Award for defined contribution plan sponsor support
- "Best in Class" honors for client service in the 2014 Chatham Partners Client Satisfaction Survey of retirement plan clients<sup>4</sup>

We continued to revolutionize our customer experience across every platform, including our game-changing Individual Life Accelerated Underwriting program and a completely revamped website and app for defined contribution plan participants. Ranked as the Top Website for Defined Contribution Plan Participants by kasina, the improved interface makes online and mobile enrollment faster and easier and breathes new life into retirement savings goals with a personalized Retirement Wellness Score and interactive planner.

But innovation doesn't stop there. It's about building momentum toward a more connected global business—and a future that exceeds the expectations of our shareholders, clients, advisors and employees.

1. "How Millennials Could Upend Wall Street and Corporate America," *The Brookings Institute*, May 2014

2. "The Deloitte Millennial Survey," Deloitte Consulting, January 2014

3. Entire contents copyright by Crain Communications. All rights reserved.

4. Among defined benefit and defined contribution plans with more than \$5 million in assets



14,873

employees in  
18 countries



of millennials are strongly influenced by a company's degree of innovation

(*The Deloitte Millennial Survey, January 2014*)



1.2M

square feet to be renovated in Des Moines

## CASE STUDY: ACCELERATED UNDERWRITING

There's a lot of room to improve the traditional life insurance underwriting process. From a consumer perspective, it's confusing, intrusive and time-consuming—which may, in part, explain why individual life insurance ownership rates reached a 50-year low of 44 percent just five years ago.

For years, The Principal has led the charge to streamline and simplify the process, reducing turnaround time to an industry low of 35 days and removing communication barriers to facilitate relationships between underwriters and advisors.

"We've always looked for ways to improve the underwriting process," says Greg Linde, senior vice president of Individual Life at The Principal. "It's helped us to gain a competitive advantage."

So it was nothing unusual when an executive forum on predictive analytics sparked a new idea. This time, however, the resulting innovation would go beyond improving the process—it would change the game entirely.

Launched in February 2014, our Individual Life accelerated underwriting process moves qualified applicants from submission to approval in 48 hours or less. That's *hours*, not days. And the total turnaround time, from submission to policy delivery? Fewer than 10 days.

"In a world of online shopping, overnight shipping and instant gratification, an acquisition process that disappears into a black hole for 35 days just isn't conducive to a good customer experience," says Linde. "We knew we had to make some big, bold moves."

Accelerated underwriting leverages deep customer data with an algorithm that mimics the traditional underwriting process, automatically assessing risk and eliminating intrusive, time-consuming steps like lab testing and medical exams for 50–60 percent of applicants who qualify.

That means a more convenient, more comfortable experience for applicants; a smoother and less time-consuming effort for advisors; and a greatly simplified process for underwriters. With a steady adoption rate among advisors, continually increasing approval rates and total applications that exceeded 2014 goals, it's clear that accelerated underwriting sets a new and better standard.

The overwhelmingly positive response is a tribute to the team's methodical approach—thousands of real-life insurance applications informed the building of the algorithm, and thousands more have been used so far to test and refine it.

It's also the result of the project's collaborative, multidisciplinary approach, bringing together contributions from analytics, IT, marketing, sales and other talent from around The Principal to gain a broader perspective on the effort's many possible opportunities.

As always, The Principal will combine discipline, focus and forward thinking in determining next steps.

"We've built the tools. Now we want to further enhance the process," says Neal Halder, assistant vice president and chief underwriter at The Principal. "We get the opportunity to ask, 'Is there something more we can do with this?'"

What that something is may still be taking shape, but there's one thing that's certain:

"This is a story about meeting changing customer needs," says Renee Heckman, assistant vice president for new business and underwriting operations. "It's an example of innovation, but it's just as much an example of putting our customers first."

# PERFORMANCE

CONNECTING FLEXIBLE STRATEGIES, CUSTOMIZED  
SOLUTIONS AND CONSISTENT RESULTS

**It was another groundbreaking year for the Principal Financial Group,** with investment performance at one of the strongest points in our history.

By diversifying our global investment platform, balancing discipline with a long-term vision for growth and maintaining our legacy of outcomes-focused strategies, The Principal ended 2014 with a record half a trillion dollars of assets under management, including:

- 65 percent of retirement assets managed by Principal Global Investors
- A record year in unaffiliated assets under management
- More than 85 percent of our funds in the top half of Morningstar rankings on a one-, three- and five-year basis

Pictured left to right are Kelly Rush, chief investment officer of Global Real Estate Securities at Principal Global Investors, and investment professionals on his team, Todd Kellenberger, Chau Le and Matthew Schilling.





The Lipper Fund Award winner for best global real estate fund over the five-year period.<sup>3</sup>

Now, as ever, strong investment management (and the performance to show for it) anchor and enable everything else we do. But don't just take our word. In 2014, The Principal was honored as:

- A Top Mutual Fund Family for 2014 by *Barron's*<sup>1</sup>
- A Top 10 Manager of Real Estate by *Pensions & Investments*<sup>2</sup>
- The Lipper Fund Award winner for best global real estate fund over the five-year period<sup>3</sup>
- A Best Asset Manager in Southeast Asia<sup>4</sup> for the fifth year in a row
- Asset Management Company of the Year for Hong Kong MPF<sup>5</sup>

Our multi-investment boutique strategy continues to lead the way, connecting individual boutiques with a global distribution platform. This approach fosters growth for all of our boutiques. It empowers our investment managers to remain focused on their asset class expertise. And it enables us to provide a diverse array of customized investment options to meet client needs.

It's because of our proven performance—and our focus on outcomes, not just returns—that people continue to connect with The Principal, trusting us not just with their money, but also with their long-term financial well-being.

Good performance =  
happy customers

95%

Retained 95 percent  
of full service  
accumulation customers<sup>6</sup>



of Funds' investment  
options were in the top  
half of Morningstar  
ratings on a one-, three-  
and five-year basis  
at year end

16th

Largest advisor sold  
fund family<sup>7</sup>

1. Principal Funds named the No. 5 fund family based on one-year performance in 2014, *Barron's*, February 2015

2. Managers ranked by total worldwide real estate assets (net of leverage) as of June 30, 2014: "The Largest Real Estate Managers," *Pensions & Investments*, October 2014

3. Principal Funds, recognized by Lipper for the Principal Global Real Estate Securities Fund, 2014

4. CIMB-Principal Asset Management, recognized by Alpha Southeast Asia for its 8th Annual Best Financial Institutions Awards (Marquee Awards), June 2014

5. Principal Hong Kong, recognized by *The Asset*, June 2014

6. During time period of Jan. 1, 2014-Dec. 31, 2014

7. *Strategic Insights*, December 2014

## CASE STUDY: PRINCIPAL REAL ESTATE INVESTORS

At The Principal, our investment solutions expand beyond traditional avenues, empowering investors to gain exposure to a variety of options through a balanced, diversified strategy. And we've seen consistently positive performance, year after year.

In 2014, one such alternative investment area saw nearly \$4 billion in growth of assets under management (AUM), plus a list of top honors from respected financial authorities such as Lipper and *Pensions & Investments* magazine.

The investment management group that accomplished it all? The Principal Real Estate Securities boutique.

"Our strong investment performance reflects the skill of our real estate securities investment team, and our growth in assets under management is a tribute to our global sales and distribution force," says Kelly Rush, chief investment officer, Global Real Estate Securities at The Principal. "We've always been very disciplined in following our investment process, which has allowed us to protect the interests of our clients and helps to attract new ones."

In 2014, that investment discipline helped to sustain strong, reliable performance. Despite widespread anticipation of rising interest rates at the beginning of the year, The Principal Real Estate Securities investment team maintained its discipline in building a broadly diversified portfolio—and it paid off when interest rates declined, surprising nearly all. By resisting the temptation to build a portfolio heavily reliant on one factor, The Principal outperformed its benchmarks and most peers.

This consistent investment discipline is complemented by an equally consistent focus on the future in our sales and distribution strategy, driving strong growth in assets under management for Principal Real Estate Securities in 2014. This legacy of future focus traces back to the mid-'90s, when executives at The Principal recognized an auspicious opportunity. Seeing a growing trend of investors using public securities to gain real estate exposure, The Principal began developing expertise in this emerging area, branching off from an already established and well-respected private real estate organization to develop a U.S.-focused strategy.

And our focus on the future didn't stop there. In 2007, we launched a global strategy in anticipation of future demand toward global strategies—and continued to recruit real estate talent even in the midst of the last financial crisis. As of 2014, The Principal Public Real Estate Securities boutique has grown to \$9.4 billion in assets under management, thanks to a growing team with diverse expertise and a track record of proven performance.

As clients continue to show interest in more exposure to globally diverse markets, The Principal real estate investment group is now focused on preparing to meet those developing demands as they evolve in the years to come.

What makes us confident we'll get there? The same things that have gotten us this far: a disciplined approach, a keen eye for opportunities that lead to future growth and an ability to navigate challenging investment markets and deliver consistent results.

"We're prepared," Rush says. "We recognize that market conditions will be volatile, and we're prepared to deal with whatever may come our way. We're prepared for more success."

# GROWTH

CONNECTING TODAY'S RESULTS  
WITH LONG-TERM SUCCESS

## **For The Principal, 2014 was a year of milestones.**

Fueled by strong organic growth, we continued on our course of balanced capital deployment through dividends, acquisitions and share repurchases, nurturing multiple growth engines with a bold focus on long-term success.

The result? Our assets under management surged to \$519 billion, operating earnings hit a record \$1.3 billion and total company net income grew 26 percent over 2013.

And this only continues a momentum of growth that we've been building for several years. Since 2008, we've generated more than \$70 billion in net cash flows, doubled our assets under management, and increased our percentage of four- and five-star Morningstar rated funds to 70 percent (a 32 percent increase).

We also have additional runway for future growth. There are 300,000+ total FINRA licensed advisors, and the average top fund families work with 100,000+. Principal Funds closed 2014 with a network of 50,000+ advisors—and ample room to increase our distribution in 2015 and beyond.

Pictured left to right are members of the sales team from Brasilprev:  
Guilherme Rossi - commercial director retail,  
Mauro de Souza - commercial director corporate, and  
Alvaro Incrocci - commercial director wealth management



**"We've become a leading provider in pensions, long-term savings and asset management in Latin America and in Asia."**

**—Luis Valdés, president, Principal International**

In another key achievement, the announcement of our planned acquisition of AXA's Hong Kong pension business—one of eight key acquisitions since 2008, totaling \$2.5 billion in capital deployment—solidified our positioning as an early mover in the Hong Kong and China retirement markets, new frontiers for our continued growth over the coming decades.

With overseas acquisitions supplementing strong organic growth, Principal International comprised 19 percent of full-year 2014 earnings (excluding the corporate segment), up from 5 percent a decade ago. Our focus on mature retirement markets in Latin America continues to prove its value: In Brazil alone, net cash flows have increased eightfold since 2008 on a local currency basis, powered by our joint venture with Banco do Brasil, the second largest bank in Latin America.\*

It all comes down to an era of personal responsibility that exists worldwide, with an ever-increasing number of consumers who need the kinds of long-term savings solutions we provide. In the United States, only 35 percent of millennials have a financial advisor, and 44 percent haven't set a retirement savings goal.<sup>1</sup> Among our Cuprum customers in Latin America, only 10 percent are saving enough for a desirable income replacement rate.

Furthering our disciplined expansion into select emerging markets—those that present the greatest opportunity to make an impact—allows us to sharpen our competitive edge and pursue joint ventures with the best distribution partners in the world.

Heading into 2015 and beyond, we remain committed to capturing growing consumer needs ahead of the industry curve, both domestically and internationally. We continue to seek new ways to support institutional investors better than anyone else, with more resources and strategies for creating tailored investment solutions—and stronger outcomes for our clients.

And above all else, we look to the future with confidence that the best is yet to come.

\*Based on managed assets

**\$519B**

Since 2008, we've added \$70 billion of net cash flows and AUM has doubled to \$519 billion



of millennials have a financial advisor, and 44 percent haven't set a retirement goal<sup>1</sup>

**\$2.5B**

in capital deployed since 2011 to position us as a global investment manager

1. Principal Financial Group Survey of Plan Participants

## CASE STUDY: JOINT VENTURE IN BRAZIL

An unpredictable market, historically focused on short-term investments. An extensive, government-backed pension system with a long legacy. A country where large, entrenched banks dominate market share.

Brazil wasn't the most obvious choice for global expansion when The Principal took its first, bold steps into the market in 1992, partnering with Banco do Brasil to form the joint venture Brasilprev Seguros e Previdência S.A. (Brasilprev).

But our keen eye toward Brazil's emerging retirement market, fueled by an aging population and a wave of government reforms, told us it was a risk with the potential for game-changing rewards. As always, we made our move with discipline, focus and confidence in our long-term strategy.

By joining forces with the largest bank in Brazil, whose 111,600 employees and 5,500 branches reach from urban São Paulo into the hearts of the country's most rural villages, The Principal secured an unmatched depth and breadth of distribution right away.

"From Day One, we created a product and distribution footprint that you just couldn't build organically," says Michael Garvin, chief financial officer, Latin America region.

That surefooted strategy paid off. Now, 20 years later—and four years into a 23-year extension of the original joint venture—Brasilprev has become a strong proof point for our long-term vision for global growth.

In 2014, our assets under management in Brazil reached a record \$44.6 billion, and net cash flows grew to eight times those of just six years ago on a local currency basis, making Brazil—a market many financial institutions considered too risky to stay the course—a linchpin of our industry-leading growth in Latin America.

The relationship between Banco do Brasil and The Principal sets a formidable stage for continued growth, with their complementary expertise in banking and long-term savings solutions, as well as their shared commitment to a company culture that fosters longevity and continuity.

"Our success comes from the strength of the partnership between The Principal and Banco do Brasil," says Nelson Katz, chief financial officer, Brasilprev. "Between The Principal's operational excellence and retirement expertise, and Banco do Brasil's huge distribution network and high level of customer confidence, one plus one equals more than two."

And it's not only the clear opportunity areas—a growing need for group and recurring deposit plans, national demographic shifts and a significant untapped percentage of Banco do Brasil's customer base—that hold so much promise for the future of Brasilprev.

It's also the invaluable advantage we've gained through our discipline and long-term vision, securing key positioning in a promising emerging market ahead of the competition. From here, the possibilities are endless.

"We're the leader in the market. It's our responsibility to continue to innovate," says Katz. "From our operations and technology to our products and our customer experience, it all connects. Over time, it translates to even more value for our shareholders."

# BUSINESSES AT A GLANCE

\*Information as of Dec. 31, 2014

## RETIREMENT AND INVESTOR SERVICES

### SEGMENT OVERVIEW

Deliver long-term savings, investing and retirement income solutions for U.S.-based:

- Growing businesses
- Employees and other individuals
- Not-for-profit organizations
- Large institutions and employers

### PRODUCTS AND SERVICES

- Full service accumulation products and services:
  - Defined contribution retirement plans (including 401(k) and 403(b) plans)
  - Defined benefit pension plans
  - Employee stock ownership plans
  - Nonqualified executive benefit plans
- Mutual funds
- Annuities and payout solutions
- Bank and trust services
- Investment only

### 2014 FINANCIAL HIGHLIGHTS

- Retirement and Investor Services full-year 2014 operating earnings were a record \$828.1 million.
- Full Service Accumulation full-year recurring deposits were up 7 percent over 2013 to a record \$16.8 billion, and participants with account value reached a record of 2.8 million.
- Principal Funds had record sales of \$20.0 billion for the year, and fourth quarter 2014 net cash flows of \$1.2 billion were the 20th consecutive quarter of positive net cash flows.

### RECOGNITION AND ACCOMPLISHMENTS

*PLANADVISER*, a leading retirement industry magazine for financial professionals, has recognized the Principal Financial Group with a new "Adviser's Choice Award" for ranking No. 1 in defined contribution plan sponsor support. (March 2014)

The Principal again received a "Best in Class" ranking for our service team and a 94 percent overall satisfaction score in the 2014 Chatham Partners Client Satisfaction Survey of defined benefit and defined contribution plans with more than \$5 million in assets. (December 2014)

The Principal Financial Group received strong industry ratings in the 2014 Retirement Plan Advisor Survey conducted by *PLANADVISER*. We ranked No. 1 for advisor support post-sale and No. 3 in advisor sales and marketing support. (December 2014)

Principal Funds received a Lipper Fund Award for Principal Global Real Estate Securities Fund. The fund was named the best global real estate fund out of 81 funds, over the five-year period, for its consistently strong risk-adjusted performance. (March 2014)

Principal Funds is No. 16 on the list of top advisor-sold mutual fund companies in the U.S., based on assets under management according to Strategic Insights. (December 2014)

## PRINCIPAL GLOBAL INVESTORS

### SEGMENT OVERVIEW

Provide investment management capabilities to institutional investors and Principal Financial Group businesses through a network of specialized boutique asset managers. More than 500 investment professionals around the world with clients in more than 70 countries.

### PRODUCTS AND SERVICES

- Equities
  - Growth, core and value U.S. equities
  - Small-, mid- and large-cap U.S. equities
  - Global, international developed and emerging markets equities
- Fixed income
  - U.S. fixed income
  - Global/Emerging markets fixed income
  - Specialty credit
  - Structured
  - Preferred securities
- Real estate
  - Private real estate equity
  - Real estate investment trust securities
  - Commercial mortgage backed securities
  - Commercial mortgages, bridge and mezzanine loans
- Asset allocation
- Alternatives and currency management

### 2014 FINANCIAL HIGHLIGHTS

- Principal Global Investors 2014 operating earnings were a record \$116 million.
- Record total assets under management of \$314 billion at the end of 2014 and full-year net cash flows of \$2.4 billion.
- Full-year 2014 pre-tax margin increased to 26.5 percent.

### RECOGNITION AND ACCOMPLISHMENTS

- The Principal Financial Group earned the top spot in its category for the third year in a row in *Pensions & Investments'* annual survey of Best Places to Work in Money Management.\* (December 2014)
- Principal Real Estate Investors is a Top 10 manager of real estate. Managers ranked by total worldwide real estate assets (net of leverage). "The Largest Real Estate Managers," *Pensions & Investments*, data as of June 30, 2014. (October 2014)
- Principal Global Investors is the 29th largest U.S. money manager out of 300 managers profiled. Managers ranked by total assets under management as of Dec. 31, 2013. "II 300 America's Top 300 Money Managers," *Institutional Investor*. (July 2014)
- Principal Global Investors named the 31st largest manager of institutional assets, out of 651 managers profiled. Managers ranked by total worldwide institutional assets as of Dec. 31, 2013. "Largest Money Managers," *Pensions & Investments*. (May 2014)
- Principal Global Investors named the 13th largest manager of high yield securities, out of 90 managers profiled. Managers ranked by U.S. institutional, tax-exempt assets managed internally, as of Dec. 31, 2013. "Largest Money Managers," *Pensions & Investments*, Online Research Center. (May 2014)

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## PRINCIPAL INTERNATIONAL

### SEGMENT OVERVIEW

Offer long-term savings and retirement solutions in select Latin American and Asian emerging markets:

Brazil  
Chile  
China  
Hong Kong, SAR  
India  
Indonesia  
Malaysia  
Mexico  
Singapore  
Thailand

### PRODUCTS AND SERVICES

- Annuities
- Asset management
- Islamic asset management
- Islamic mutual funds
- Mutual funds
- Pensions
- Retirement advisory services

### Joint venture partners

- Banco do Brasil (Brazil)
- China Construction Bank (China)
- CIMB Group (Southeast Asia)
- Punjab National Bank (India)

### Mutual fund/asset management boutique

- Claritas (Brazil)

### 2014 FINANCIAL HIGHLIGHTS

- Principal International 2014 operating earnings were a record \$268 million.
- Principal International reported assets under management of \$115 billion at year end (excluding \$19 billion of AUM in our joint venture in China, which is not reported in AUM).
- Record full-year net cash flows of \$13 billion were up 54 percent over 2013 and up 68 percent on a local currency basis.

### RECOGNITION AND ACCOMPLISHMENTS

- Brasilprev reached BRL\$100 billion in assets under management. (August 2014)
- Principal Chile:
  - Ranked first in the APV according to the Asociación de Administradoras de Fondos Mutuos de Chile. APV is a voluntary pension product that complements the mandatory pension system in Chile. (as of November 2014)
  - Cuprum recognized as the leader in Customer Loyalty in the mandatory pension market by Alco Consultores, SA. (November 2014)
- CIMB-Principal Asset Management was named the Best Asset Manager in Southeast Asia for the fifth year in a row by Alpha Southeast Asia in its "Best Financial Institutions Awards" (Marquee Awards). (June 2014)
- Principal Hong Kong was named the "Asset Management Company of the Year, Hong Kong MPF" by *The Asset*. (June 2014)
- Principal International recently announced the planned acquisition of AXA's pension business in Hong Kong, expected to close in the second half of 2015. The acquisition will make us the fifth largest mandatory pension provider in Hong Kong, expanding our brand and presence in Asia.

## U.S. INSURANCE SOLUTIONS

### SEGMENT OVERVIEW

Protect employers, business owners, employees and individuals against risk and loss during working years and beyond, while building and protecting wealth for retirement.

### PRODUCTS AND SERVICES

- **Individual Life: Protection, accumulation and deferred compensation solutions**
  - Business planning services
  - Retail universal, variable universal, indexed universal and term life insurance
  - Nonqualified deferred compensation
- **Specialty Benefits: Employer-paid and voluntary work-site solutions**
  - Group life insurance
  - Group dental and vision
  - Group and multi-life disability income
  - Individual disability insurance
  - Critical illness

### 2014 FINANCIAL HIGHLIGHTS

- U.S. Insurance Solutions 2014 operating earnings were a record \$231 million.
- The business market strategy continues to be a differentiator for Individual Life, with 2014 being the second highest year of non-qualified deferred compensation sales.
- Specialty Benefits had record full-year sales of nearly \$300 million, up 10 percent over 2013.

### RECOGNITION AND ACCOMPLISHMENTS

- Recognized by *PLANSPONSOR* magazine as the No. 2 non-qualified deferred compensation provider based on number of plans. (July 2014)
- Ranked as the No. 4 provider of group benefit (dental, life and disability) insurance based on 2013 LIMRA data on fully insured employer contracts in force. (April 2014)
- Ranked as the No. 3 provider of non-cancelable individual disability income insurance based on 2013 LIMRA data of annualized new sale premium. (February 2015)
- Ranked as the No. 17 provider of life insurance based on 2013 LIMRA data on total life new sales premium. (March 2014)
- Delivered a series of innovative products and solutions in 2014, including group managed care vision, an "exchange-certified" pediatric dental benefit, individual disability core value (middle income) solution, indexed universal life and VUL-Business products.
- Deployed our group benefit solutions on nine private exchanges, expanding options for employers and employees looking for accessible, flexible benefit options.
- Introduced our Individual Life Accelerated Underwriting program, which leverages advanced analytics to streamline the underwriting process. This innovative approach reduces underwriting time to two to four days, compared to a 30+ day industry average, and eliminates lab testing and medical exams for qualified applicants, providing us a significant competitive advantage.

# Board of Directors

Principal Financial Group, Inc.

Principal Life Insurance Company



1

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## **1 C. Daniel Gelatt**

President  
NMT Corporation

## **4 Betsy J. Bernard**

Past President  
AT&T

## **7 Richard L. Keyser**

Retired Chairman and  
Chief Executive Officer  
W.W. Grainger, Inc.

## **10 Elizabeth E. Tallett**

Principal  
Hunter Partners, LLC

## **2 Gary E. Costley**

Retired Chairman and  
Chief Executive Officer  
International Multifoods  
Corporation

## **5 Dan Houston**

President and Chief  
Operating Officer  
Principal Financial Group

## **8 Sandra L. Helton**

Past Executive Vice  
President and Chief  
Financial Officer  
Telephone and Data  
Systems, Inc.

## **11 Michael T. Dan**

Retired Chairman,  
President and Chief  
Executive Officer  
The Brink's Company

## **3 Jocelyn Carter-Miller**

President  
TechEd Ventures

## **6 Luca Maestri**

Senior Vice President  
and Chief Financial  
Officer  
Apple, Inc.

## **9 Larry D. Zimpleman**

Chairman and Chief  
Executive Officer  
Principal Financial Group

## **12 Dennis H. Ferro**

Retired President and  
Chief Executive Officer  
Evergreen Investment  
Management Company

Not pictured

## **Roger C. Hochschild**

President and Chief  
Operating Officer  
Discover Financial  
Services

# Senior Management

Principal Financial Group, Inc., March 2015



**Larry D. Zimpleman**  
Chairman and  
Chief Executive Officer



**Daniel J. Houston**  
President and  
Chief Operating Officer



**Nora Everett**  
President, Retirement  
and Investor Services



**James P. McCaughan**  
President, Global Asset  
Management, and  
Chief Executive Officer,  
Principal Global Investors



**Deanna Strable**  
President,  
U.S. Insurance Solutions



**Luis Valdés**  
President,  
Principal International



**Timothy M. Dunbar**  
Executive Vice President  
and Chief Investment  
Officer



**Ralph Eucher**  
Executive Vice President



**Terry Lillis**  
Executive Vice President  
and Chief Financial  
Officer



**Gary Scholten**  
Executive Vice President  
and Chief Information  
Officer



**Karen Shaff**  
Executive Vice President,  
General Counsel and  
Secretary



**Rex Auyeung**  
Senior Vice President  
and President, Principal  
Financial Group—Asia



**David Blake**  
Senior Executive  
Director and Head of  
Global Fixed Income



**Beth Brady**  
Senior Vice President  
and Chief Marketing  
Officer



**Ned Burmeister**  
Senior Vice President  
and Chief Operating  
Officer, Principal  
International



**Greg Burrows**  
Senior Vice President,  
Retirement and Investor  
Services



**Greg Elming**  
Senior Vice President  
and Chief Risk Officer



**Amy Friedrich**  
Senior Vice President,  
Specialty Benefits



**Pat Halter**  
Senior Executive  
Director of Principal Real  
Estate Investors



**Julia Lawler**  
Senior Executive  
Director, Multi Asset  
Allocation



**Greg Linde**  
Senior Vice President,  
Individual Life



**Barb McKenzie**  
Senior Executive Director  
and Chief Operating  
Officer, Boutique  
Operations



**Dennis Menken**  
Senior Vice President  
and Chief Investment  
Officer of the General  
Account



**Jerry Patterson**  
Senior Vice President,  
Retirement and  
Investor Services



**Beth Raymond**  
Senior Vice President  
and Chief Human  
Resources Officer



**Angie Sanders**  
Senior Vice President  
and Controller



**Ellen Shumway**  
Senior Executive  
Director, Strategy and  
Boutique Operations



**Roberto Walker**  
Senior Vice President  
and President, Principal  
Financial Group—  
Latin America

# Non-GAAP Financial Measures

Principal Financial Group, Inc.

(in millions, except as noted)	Year Ended Dec. 31				
	2014	2013	2012	2011	2010
<b>Net income available to common stockholders per diluted share</b>					
Operating earnings per diluted share	\$ <b>4.41</b>	\$ 3.55	\$ 2.69	\$ 2.61	\$ 2.45
Net realized capital gains (losses)	(0.34)	(0.60)	0.14	(0.44)	(0.58)
Other after-tax adjustments	(0.36)	—	(0.25)	(0.26)	0.05
Adjustment for redeemable noncontrolling interest	(0.06)	—	—	—	—
Net income available to common stockholders per diluted share	\$ <b>3.65</b>	\$ 2.95	\$ 2.58	\$ 1.91	\$ 1.92
<b>Net income available to common stockholders</b>					
Operating earnings	\$ <b>1,317.9</b>	\$ 1,059.9	\$ 808.8	\$ 829.3	\$ 792.9
Net realized capital gains (losses)	(100.5)	(179.1)	39.0	(141.7)	(189.0)
Other after-tax adjustments	(106.3)	(1.1)	(74.2)	(82.3)	15.7
Net income available to common stockholders	\$ <b>1,111.1</b>	\$ 879.7	\$ 773.6	\$ 605.3	\$ 619.6
<b>Stockholders' equity attributable to Principal Financial Group, Inc.</b>					
Stockholders' equity attributable to Principal Financial Group, Inc. x-OCI available to common stockholders	\$ <b>9,591.6</b>	\$ 8,959.0	\$ 8,501.1	\$ 8,139.0	\$ 8,236.1
Net unrealized capital gains (losses)	<b>1,148.3</b>	700.6	1,235.7	728.4	465.2
Foreign currency translation	(686.8)	(361.5)	(106.9)	(95.9)	34.5
Net unrecognized postretirement benefit obligations	(411.1)	(155.9)	(488.5)	(361.1)	(188.2)
Preferred stock, at par	<b>0.1</b>	0.1	0.1	0.1	0.1
Paid-in capital—preferred stock	<b>541.9</b>	541.9	541.9	541.9	541.9
Stockholders' equity attributable to Principal Financial Group, Inc.	\$ <b>10,184.0</b>	\$ 9,684.2	\$ 9,683.4	\$ 8,952.4	\$ 9,089.6
<b>Net income ROE available to common stockholders (including OCI)</b>					
Operating earnings ROE (x-OCI)	<b>14.2%</b>	12.1%	9.7%	10.1%	9.9%
Net realized capital gains (losses)	(1.1)%	(2.0)%	0.5%	(1.7)%	(2.4)%
Other after-tax adjustments	(1.1)%	0.0%	(0.9)%	(1.0)%	0.2%
Net income ROE available to common stockholders (x-OCI)	<b>12.0%</b>	10.1%	9.3%	7.4%	7.7%
Net unrealized capital gains (losses)	(1.1)%	(1.0)%	(1.0)%	(0.5)%	0.1%
Foreign currency translation	<b>0.6%</b>	0.2%	0.1%	0.0%	0.0%
Net unrecognized postretirement benefit obligations	<b>0.3%</b>	0.3%	0.4%	0.2%	0.3%
Net income ROE available to common stockholders (including OCI)	<b>11.8%</b>	9.6%	8.8%	7.1%	8.1%

## REPORTABLE SEGMENTS OF PRINCIPAL FINANCIAL GROUP, INC.

As of Dec. 31, 2014

### RETIREMENT AND INVESTOR SERVICES

Delaware Charter Guarantee & Trust Company d/b/a Principal Trust Company  
Principal Bank  
Principal Financial Advisors, Inc.  
Principal Funds Distributor, Inc.  
Principal Life Insurance Company  
Principal Management Corporation  
Principal Shareholder Services, Inc.  
Princor Financial Services Corporation

### PRINCIPAL GLOBAL INVESTORS

**Australia**  
Principal Global Investors (Australia) Ltd.  
**Brazil**  
Principal Global Investors Participações, Ltda.  
**Europe**  
Principal Global Investors (Europe) Limited  
Finisterre Capital, LLP  
Liongate Capital Management  
Origin Asset Management  
Principal Global Investors (Ireland) Limited  
**Hong Kong, SAR**  
Principal Global Investors (Hong Kong) Limited  
**Japan**  
Principal Global Investors (Japan) Limited  
**Malaysia**  
CIMB—Principal Islamic Asset Management Berhad  
**Singapore**  
Principal Global Investors (Singapore) Limited  
**United States**  
Columbus Circle Investors  
Edge Asset Management, Inc.  
Morley Capital Management, Inc.  
Post Advisory Group, LLC  
Principal Commercial Acceptance, LLC  
Principal Commercial Funding, LLC  
Principal Development Investors, LLC  
Principal Enterprise Capital, LLC  
Principal Global Investors, LLC  
Principal Real Estate Investors, LLC  
Spectrum Asset Management, Inc.  
Union Bond & Trust Company

### U.S. INSURANCE SOLUTIONS

Diversified Dental Services, Inc.  
Employers Dental Services, Inc.  
First Dental Health  
Preferred Product Network, Inc.  
Principal Dental Services, Inc.  
Principal Life Insurance Company  
Principal Life Insurance Company of Iowa  
Principal National Life Insurance Company  
Principal Reinsurance Company of Delaware  
Principal Reinsurance Company of Vermont

### PRINCIPAL INTERNATIONAL

**Brazil**  
Brasilprev Seguros e Previdência S.A.  
Claritas Administração de Recursos Ltda.  
**Chile**  
Administradora de Fondos de Pensiones Cuprum S.A.  
Hipotecaria Cruz de Sur Principal, S.A.  
Principal Administradora General de Fondos S.A.  
Principal Asset Management Chile S.A.  
Principal Compañía de Seguros de Vida Chile S.A.  
**China**  
CCB Principal Asset Management Company, Ltd.  
**Hong Kong, SAR**  
Principal Asset Management Company (Asia) Limited  
Principal Insurance Company (Hong Kong) Limited  
Principal Trust Company (Asia) Limited  
Principal Global Investors (Asia) Limited  
**India**  
Principal Retirement Advisors Private Limited  
Principal PNB Asset Management Company Private Limited  
Principal Trustee Company Private Limited  
**Indonesia**  
PT CIMB—Principal Asset Management  
**Malaysia**  
CIMB—Principal Asset Management Berhad  
CIMB Wealth Advisors Berhad  
**Mexico**  
Principal Afore, S.A. de C.V.  
Principal Financial Group, S.A. de C.V. Grupo Financiero  
Principal Fondos de Inversión, S.A. de C.V., Operadora de Fondos de Inversión  
Principal Mexico Compañía de Seguros, S.A. de C.V.  
Principal Pensiones, S.A. de C.V.  
**Singapore**  
CIMB—Principal Asset Management (Singapore) Pte. Ltd.  
**Thailand**  
CIMB—Principal Asset Management Company Ltd.

### CORPORATE

Principal Global Services Private Limited  
Principal Real Estate Fund Investors, LLC  
Principal Real Estate Portfolio, Inc.

## PRINCIPAL FUNDS

Organized by Principal Life Insurance Company

As of Dec. 31, 2014

### PRINCIPAL FUNDS

Principal LifeTime 2020 Fund  
Principal LifeTime 2025 Fund  
Principal LifeTime 2030 Fund  
Principal LifeTime 2035 Fund  
Principal LifeTime 2040 Fund  
Principal LifeTime 2045 Fund  
Principal LifeTime 2050 Fund  
Principal LifeTime 2055 Fund  
Principal LifeTime 2060 Fund  
Principal LifeTime Strategic Income Fund  
Principal LifeTime Hybrid 2015 Fund  
Principal LifeTime Hybrid 2020 Fund  
Principal LifeTime Hybrid 2025 Fund  
Principal LifeTime Hybrid 2030 Fund  
Principal LifeTime Hybrid 2035 Fund  
Principal LifeTime Hybrid 2040 Fund  
Principal LifeTime Hybrid 2045 Fund  
Principal LifeTime Hybrid 2050 Fund  
Principal LifeTime Hybrid 2055 Fund  
Principal LifeTime Hybrid 2060 Fund  
Principal LifeTime Hybrid Income Fund  
Real Estate Allocation Fund  
Real Estate Debt Income Fund  
Real Estate Securities Fund  
SAM Balanced Portfolio  
SAM Conservative Balanced Portfolio  
SAM Conservative Growth Portfolio  
SAM Flexible Income Portfolio  
SAM Strategic Growth Portfolio  
Short-Term Income Fund  
SmallCap Blend Fund  
SmallCap Growth Fund I  
SmallCap Growth Fund II  
SmallCap S&P 600 Index Fund  
SmallCap Value Fund II  
MidCap Fund  
MidCap Growth Fund  
MidCap Growth Fund III  
MidCap S&P 400 Index Fund  
MidCap Value Fund I  
MidCap Value Fund III  
Money Market Fund  
Opportunistic Municipal Fund  
Overseas Fund  
Preferred Securities Fund  
Principal Capital Appreciation Fund  
Principal LifeTime 2010 Fund  
Principal LifeTime 2015 Fund

### PRINCIPAL VARIABLE CONTRACTS FUND, INC.\*

\*The Principal Variable Contracts Fund investment options are available in certain variable annuity and variable life insurance contracts.

Mutual funds and variable contracts are distributed by Principal Funds Distributor, Inc., a member of the Principal Financial Group, Des Moines, Iowa 50392-0200. Phone 1-800-222-5852.

The contents of this publication are for general information only and are not intended to solicit the purchase of products from companies of the Principal Financial Group.

## STOCKHOLDER INFORMATION

### THE PRINCIPAL FINANCIAL GROUP CORPORATE HEADQUARTERS

711 High Street  
Des Moines, Iowa 50392  
1-800-986-EDGE (3343)

### THE PRINCIPAL FINANCIAL GROUP ON THE INTERNET

The Principal website at [www.principal.com](http://www.principal.com) is your source for a vast array of information, including company news releases, investment and savings tools and details on our product and service solutions.

The Investor Relations portion of the site provides up-to-the-minute information for shareholders and the investment community, including access to Securities and Exchange Commission filings, stock information, overview of corporate responsibility, dividend history and credit ratings. It also includes information of interest on the governance of Principal Financial Group, Inc., including:

- Board of directors
- Corporate governance guidelines
- Board committee charters
- Director independence standards
- Corporate code of business conduct ethics

### ANNUAL MEETING

The Annual Meeting of Shareholders will convene at 9 a.m. CT, May 19, 2015, at the corporate headquarters of Principal Financial Group, Inc.

750 Park St.  
Des Moines, Iowa 50392

### CONTACT INVESTOR RELATIONS

If you have a question for Investor Relations, please contact:

The Principal Financial Group—Investor Relations  
801 Grand Avenue, G-029-S30  
Des Moines, Iowa 50392-0420  
Phone: 1-800-986-3343 | Fax: 515-235-5491  
Email: [investor-relations@principal.com](mailto:investor-relations@principal.com)

### TRANSFER AGENT

Principal Financial Group, Inc. shareholder inquiries should be addressed to our transfer agent, Computershare. Computershare can assist shareholders with a variety of services, including: signing up for the direct deposit of dividends, address changes, certificate issuance, account statements, balance inquiries, dividend inquiries and selling of shares. You can call or write to the transfer agent at:

Principal Financial Group, Inc.  
c/o Computershare  
P.O. Box 30170  
College Station, Texas 77842-3170  
Toll-free phone: 866-781-1368  
Phone for hearing impaired: 312-588-4110  
Online: [www.computershare.com/contactus](http://www.computershare.com/contactus)

Registered shareholders can also access information about their Principal Financial Group, Inc. common stock accounts via the Internet using Computershare's website at [www.computershare.com/contactus](http://www.computershare.com/contactus). The Principal does not maintain or provide information directly to this site, makes no representations or warranties with respect to the information contained therein and takes no responsibility for supplementing, correcting or updating any such information.

### A SPECIAL THANKS

A special thanks to our 340,000 registered shareholders, who have owned Principal Financial Group, Inc. common stock since our initial public offering.

### TOP 15 HOLDERS\* OF PRINCIPAL FINANCIAL GROUP, INC. COMMON STOCK

- The Vanguard Group, Inc.
- Nippon Life Insurance Company
- Capital Research Global Investors (U.S.)
- Wellington Management Company, LLP
- State Street Global Advisors (SSgA)
- BlackRock Fund Advisors
- Harris Associates, L.P.
- Northern Trust Investments, Inc.
- Newton Investment Management, LTD
- Fidelity Management & Research Company
- Goldman Sachs Asset Management, L.P. (U.S.)
- Mairs & Power, Inc.
- TIAA-CREF Investment Management
- Geode Capital Management, LLC
- Dimensional Fund Advisors, L.P. (U.S.)

\*Based on public filings as of Dec. 31, 2014



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