

What's next.

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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, 2015, 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 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 could differ significantly from its pricing and reserving assumptions; 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 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 or distributions Iowa insurance laws impose on Principal Life; changes in laws, regulations or accounting standards; 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; 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 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; changes in investor preferences; inability to attract and retain qualified employees and sales representatives and develop new distribution sources; international business risks; fluctuations in foreign currency exchange rates; 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; and a computer system failure or security breach could disrupt the company's business and damage its reputation.

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All in all, 2015 was a good year for Principal.

First and foremost, you've likely noted we have a new look. Same strong, stable company with a bold new face to our customers around the world.

Key results from 2015:

Operating earnings of nearly \$1.3 billion, despite a difficult macroeconomic environment

\$527 billion in assets under management (AUM)

19.1 million customers in more than 70 countries

More than \$1 billion of capital deployed—
\$335 million for acquisition to drive future growth,
and returning \$716 million to shareholders,
\$441 million as common stock dividends and
\$275 million through share repurchase

From the Chairman & CEO

To our shareholders:

What's next is clearly on your mind. It's top of mind for us, as well, as we think about the daily challenges our customers face in achieving their financial goals; highly competitive markets; and differentiating ourselves in a world that's in constant change. So, let's talk about what's next.



Dan Houston,
President and CEO

Larry Zimpleman,
Chairman

What's next for our strategy?

At its core, our strategy remains the same. We know we're going to compete in:

- Asset management globally
- Retirement and long-term savings in the U.S., Latin America and Asia
- Insurance in the U.S.

Opportunities in our chosen markets remain compelling. The global asset management industry—which includes retail, retirement and institutional investing—is projected to grow at a compounded annual rate of 6 percent, surpassing \$100 trillion of AUM in 2020, on its way to \$400 trillion in 2050.¹

And we know how we'll continue to win:

- Through consistently strong investment performance
- By solving problems and meeting the needs of individuals, small to medium-sized businesses and institutions
- Through strong execution of our growth strategy

In 2015, we did just that, as evidenced by exceptional investment performance, strong customer retention, notable recognition and essential actions to drive long-term success.

Superior investment performance—44 funds, or 76 percent of our Morningstar-rated retail mutual funds, had a four- or five-star rating at year-end; and 93 percent of these funds were above median for the five-year period.

Strong customer retention—We delivered \$23 billion in positive net customer cash flows, while many of our peers were experiencing outflows. Principal International, our retirement and long-term savings business in Latin America and Asia, delivered its 29th consecutive quarter of positive flows.

¹ Asset Management 2020: A Brave New World, PwC, 2014; The age of asset management? Speech by Andrew G Haldane, Executive Director, Financial Stability, Bank of England, April 4, 2014.

Notable third party recognition—In 2015, Principal was named by *Ethisphere* magazine as one of the world's most ethical companies. As highlighted on page 18, we were also recognized for top-tier investment performance, as a best place to work and as a leading business technology innovator.

Essential actions—We also positioned the company for future success by: expanding our portfolio of income solutions; using technology to improve the customer experience; enhancing our distribution network; and expanding our presence in Asia through the acquisition of AXA's pension business in Hong Kong, where we are now the fifth largest provider.

What's next for growth = what's next for customers

To answer “**What's next for growth?**” we must answer “**What's next for customers?**” Because customer needs and preferences are continuously changing, this is the hard part. But this is also the part that makes our work rewarding.

Getting people on the path to financial security

- **PlanWorks:** Our best practice plan design continues to build momentum in helping more people save for retirement. In 2015, the increase in the number of people saving for their retirement grew at a rate more than five times greater for our PlanWorks customers than for our total block of 401(k) business.
- **Easy Elect:** Piloted in seven markets in 2015, this patent-pending technology makes it easier for people to understand options, make decisions and enroll in employer-sponsored benefits, such as life insurance and income protection, which are critical aspects of broader financial security. Early results show participation levels that are 6 to 10 percent higher than traditional enrollment methods.

Building resilient investment portfolios

Principal continues to help retirees diversify and balance four key investment objectives given longer life expectancies: protecting purchasing power; preserving capital in volatile markets; life-time income; and capital appreciation. In 2015, with these goals in mind, we continued to expand our solution set, including:

- **Principal Pension Builder**, which gives retirement plan participants a way to diversify savings into guaranteed income within the retirement plan
- Multiple income-oriented funds, such as **The Principal EDGE Active Income ETF**, which invests across a diversified range of income-generating asset classes
- Enhancing our deferred income annuity, making it available as a **qualified longevity annuity contract**, helping ensure individuals have income for later in retirement

Influencing the development of retirement systems that work

Globally, populations are aging and fertility rates are declining. The result: fewer workers to support a larger number of retirees who are living longer. In 2015, we sponsored a comprehensive study on emerging market retirement systems, markets such as Brazil, China and Mexico, where the number of elderly per 100 working-age adults is projected to at least triple between 2010 and 2050. *Global Aging and Retirement Security in Emerging Markets* is just one example of the work we're involved in. Our focus: understanding how various retirement systems are structured and financed; then advocating ways to help more people maintain their lifestyle during retirement, without putting undue burden on future workers or employers, or on governments already struggling with debt. You can read more about the report on page 12.

What's next: making our customers more successful

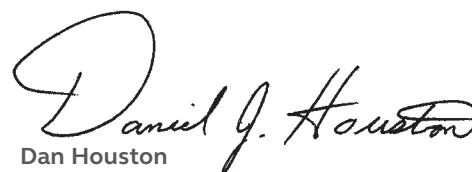
When customers succeed, we succeed, and when we succeed, shareholders succeed. In the pages that follow, we explain what's next by connecting our strategy more directly to the end customer, whether that customer is an institutional investor, a business owner or an individual.

We're also introducing our new face to the world—one we believe truly represents the way we help people achieve financial progress, wherever they are in their journey. Our new global brand reveals who we've always been with renewed pride. And it captures our ongoing commitment to simplifying the complex for people.

On behalf of Principal, our sincere thanks for your continued support. We encourage you to cast your vote in time for the Annual Meeting of Shareholders, which is on May 17, 2016. We remain, as always, firmly focused on delivering on our promises to you, and to each of our stakeholders.



Larry Zimpleman
Chairman



Dan Houston
President and chief executive officer

From the Board of Directors

Dear shareholders:

On behalf of the Board of Directors, thank you for your continued investment in the Principal Financial Group. Your Board of Directors takes our responsibility to you and all of our constituencies seriously. As part of this oversight of the company on your behalf, I want to update you on four major areas of focus.

Management succession planning

Leadership continuity is critical to the ongoing effectiveness of any organization, and I wrote last year about our robust succession planning process. I am pleased that as a culmination of that process in August 2015, we named Dan Houston our new chief executive officer. Since joining the company in 1984, he held positions of ever increasing responsibility across the organization, including president of the company's two largest operating segments—Retirement & Income Solutions and U.S. Insurance Solutions. Dan has played a critical role in the evolution of Principal from a domestic employee benefits company to a global leader in retirement, long-term savings and asset management. Your Board is confident in Dan's ability to lead Principal, and we look forward to a period of continued success under his leadership.



Board refreshment

Consistent with Principal's evolution as a company, we are committed to regular refreshment of our Board to introduce new perspectives into the boardroom while at the same time maintaining the experience and continuity that has served the Board well over the long term. In 2015, we added two new members. In March 2015, Roger Hochschild (president and chief operating officer, Discover Financial Services) joined the Board, bringing his expertise in wealth management, technology and consumer finance. In August 2015, Blair Pickerell (former chairman, Asia, Nikko Asset Management) joined the Board, bringing expertise in global asset management and many years of experience of living and working in Asia. We are pleased to welcome these talents to our Board, which now includes 10 independent directors with diverse viewpoints, experiences and skills. Our Nominating and Governance Committee will continue to identify and recommend qualified Board candidates who can bring insights to help the company advance and execute on its strategy.

2015 company performance

Your Board concurs with management's characterization of the 2015 performance—it was a good year, particularly in light of the macroeconomic headwinds. But more important is looking at the results through the lens of long-term growth. Since 2011, the company has grown operating earnings per share at a compounded annual rate of 13 percent. The company has also increased assets under management by nearly \$200 billion or 57 percent, to \$527 billion at Dec. 31, 2015.

Strategic oversight

The Board is not only involved in evaluating strategy but also in collaborating with management to help shape it. A special committee of the Board oversees the strategic dialogue throughout the year, which

includes a two-day strategy meeting with senior management. At our strategy meeting, we discussed and debated critical topics affecting the long-term success of our businesses, including cyber and other enterprise risks, capital deployment, talent management and regulatory developments, as well as macroeconomic influences, demographics and changing consumer demand. We believe this approach has and will continue to contribute to this company's long-term success.

Our thanks to Larry Zimpleman

Finally, the Board would like to express our gratitude to Larry Zimpleman, non-executive chairman of the Board, who retired as CEO at the end of 2015 after 44 years with the company. His vision, dedication and leadership helped position Principal for a strong and successful future. He was an outstanding leader who guided the company through difficult times and built Principal into the leading company it is today. In both his personal and professional life, Larry has set an example for each of us as a leader and teacher with strong ethical principles and a deep concern for the customers, shareholders and employees he served.

I also want to thank you, our shareholders, again for your support. I truly appreciate the opportunity to serve as your lead director. As always, I remain interested in your thoughts and opinions, and I encourage you to contact me at principal.com/contactliz.

Sincerely,



Elizabeth E. Tallett

Lead Director, Principal Financial Group

Rethinking retirement planning:

My Virtual Coach



With so many trends influencing human behavior—digitization, increased distractions, multi-tasking on multiple devices—we knew there must be a better way to simplify retirement planning, make it less daunting and empower people to take action. The answer? My Virtual Coach.

The best kind of innovation isn't just written up in business magazines or recognized at industry events. It's felt in the lives of real people.

For proof, look no further than My Virtual Coach, a virtual-assisted, interactive enrollment and education tool that is making it easier than ever for 401(k) plan participants to save for retirement.

"We know that when it comes to saving for retirement, inertia and complexity get in the way," says Jerry Patterson, senior vice president of retirement and income solutions. "People want to make good choices, but they don't always know what actions to take."

And, let's face it, inertia and complexity aren't the only things that get in the way. Our increasingly digital lives make it hard for people to sit through meetings—the traditional method for enrolling in a 401(k) plan.

My Virtual Coach works to solve all that. Turning education upside down with a little humor delivered in a web-based interactive and personalized conversation is changing behavior by making complex topics and decisions less scary and easier to understand. Covering topics like "Why should I enroll?" "How much should I consider saving?" and "What investment options are right for me?" participants are able to take action as they go, allowing them to start saving in as little as five minutes. And they can do it from any device, whenever and wherever they choose.

The tool leverages data from multiple sources and combines it with what the individual tells us along the way to deliver a personalized retirement planning experience unique to each participant. The clarity and confidence My Virtual Coach provides, in turn, helps individuals make better decisions about retirement savings.

The result? More people saving more for retirement. Nearly half of those who use the tool for enrollment defer 10 percent or more. The average pre-tax deferral for 401(k) participants using My Virtual Coach enrollment is 7.6 percent. That sits well above the 4.91 percent average deferral for first-year enrollment via traditional enrollment methods.* And even above the 6.78 percent average deferral via new online quick enroll methods. In addition, by using My Virtual Coach, one third of participants choose a voluntary annual increase in their deferral.

"My Virtual Coach provides easy steps so people can understand, make decisions and take action," says Joleen Workman, assistant vice president of retirement and income solutions. "It's all about making it easy and giving people confidence that there is a clear path to progress."

*Principal SDS average enrollment data (based on 2015 Plan Entry Dates).

Breaking industry conventions:

Outcome-based funds



“What’s next” isn’t a new question for Principal. In fact, we’re seeing industry-leading growth and differentiating capabilities result from asking almost a decade ago “what’s next” for portfolio design.

In 2008, in response to investor concerns reported in 401(k) surveys, Principal Global Investors introduced a new fund design for retail investors—the Principal Global Diversified Income Fund—that broke the mold by throwing traditional “style box” portfolio design out the window and focusing on something much more impactful: outcomes.

The Global Diversified Income Fund was constructed differently, with multiple asset classes that offered multiple sources of returns, as well as lower overall volatility.

It was managed differently as well, with multiple, specialist managers overseeing the investment strategy—including managers outside Principal whose specialty expertise filled an internal gap.

The fund was designed to target a specific risk profile for more consistent returns, with dynamic, opportunistic asset allocation and both passive and active management styles. There was nothing else like it on the market at the time.

“By being more thoughtful about outcomes versus a style-box approach, we were able to create an investment strategy with far more reliable risk management,” said Jake Anonson, portfolio manager. “Our clients’ risk isn’t about standard deviation. It’s about failing to meet their investment goals.”

As it turned out, this outcome-based fund design rose above the pack in addressing investors’ needs after the economic crisis of 2008. Principal was ahead of the game.

Two years later, a similar fund was introduced to meet institutional investors’ needs: the Diversified Real Asset Fund.

By offering growth-oriented assets with less variability, the fund was able to provide a portfolio with remarkable inflation sensitivity—plus a strong return profile.

To date, the Global Diversified Income Fund has grown to more than \$10.5 billion in assets under management, and the Diversified Real Asset Fund has grown to \$5 billion. A third fund has been added to the family, as well: the Global Multi-Strategy Portfolio, launched in 2012 to add a hedge fund strategy to the mix.

“Despite an overwhelming business model that emphasizes style-box portfolio construction, these multi-asset, multi-manager strategies found real footing across *both* the retail and the institutional channels,” Anonson says. “This is an innovative approach that came at a very opportune time.”

With this outcome-focused approach showing strong results for both clients *and* shareholders, the team plans to begin compartmentalizing client needs, designing strategies around more specifically targeted outcomes, as well as explore new strategies that compete more directly within the traditional modeling space—a return to the world where most of the team got their start.

“Say you’ve been in a business for 20 years, and you’re given the opportunity to build your practice all over again today,” says Anonson. “Would you do it the same way? Or would you build it in a more thoughtful and consistent way? That’s exactly what this team has done.”

Pictured at left are an investment team from Principal Portfolio Strategies. They are, left to right, Julia Lawler, Jessica Bush, Kelly Grossman and Jake Anonson.

Charting new paths forward:

The global aging report



In partnership with the Global Aging Institute, Principal uncovered groundbreaking new insights to help ensure the financial security of a rapidly growing segment of the world population.

When we ask “what’s next” for Principal, we’re not just looking ahead to the next year. We’re looking for meaningful steps we can take now to serve long-term financial needs and create a stronger global economy for our future generations.

One such important step in 2015 was the partnership between Principal and the nonprofit Global Aging Institute to develop the research report *Global Aging and Retirement Security in Emerging Markets: Reassessing the Role of Funded Pensions*.

The report was commissioned to explore the challenge of ensuring adequate and sustainable retirement systems in aging emerging markets—and protect the financial security of people reaching retirement age in the world’s developing countries.

“We’re a global expert in pensions, long-term savings, and asset management, but it’s not enough to say that,” says Luis Valdés, president & CEO of Principal International. “We also have to influence governments, regulators, lawmakers, and even competitors to create the right conditions for developing the right solutions for individuals and customers worldwide.”

In many emerging markets (including Brazil, China, and Mexico), the percent of adults aged 65+ is projected to increase more than 200 percent in the coming years. With declining fertility rates and rising life expectancies, dependency ratios (elderly per 100 working-age adults) are projected to triple between 2010 and 2050 in Brazil, Chile, China, Indonesia and Mexico—all countries with mandatory, private, funded retirement programs.¹

As the report explores in detail, pay-as-you-go (or “paygo”) pension systems—which fund retirement benefits out of current revenues—require an increased tax burden on workers, a reduction in promised benefits, or some combination of both to remain sustainable in an economy with fewer active workers covering more retirees.

Renee Schaaf, senior vice president and chief operating officer of Principal International, explained the need for governments to offer public pension policies that balance fiscal sustainability with adequate retirement benefits.

“The balance between those two elements is greatly impacted by trends in global aging,” Schaaf says. “One of the key takeaways of the report is that fully funded personal pension systems will generally outperform paygo in an environment of rapidly aging populations.”

The report’s central conclusion is based on several key insights into fully funded public pension systems, including their ability to alleviate government budget pressures while speeding the development of capital markets—and, most importantly, providing stable and sufficient retirement benefits to those who need them.

It’s now up to lawmakers to treat the aging challenge with urgent priority, and Principal is taking important steps to bridge this gap through advice, education and a strong focus on influencing local policy in emerging markets.

“We are committed to helping change laws and regulations to create environments that support the right solutions,” says Valdés.

¹ Pensions at a Glance 2015: OECD and G20 Indicators, OECD, 2015.

Pictured at left are Luis Valdés and Renee Schaaf.

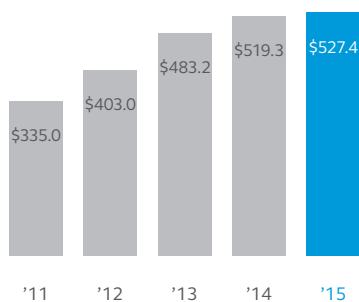
2015 Financial highlights

Principal delivered \$1.3 billion of after-tax operating earnings in 2015, despite continued challenging macroeconomic conditions.

Total company net cash flows of \$23.1 billion for 2015 were 4 percent of beginning of year AUM, as we continued to attract and retain retail, retirement and institutional investors. This helped drive AUM to \$527.4 billion at year end.

These results demonstrate the benefit of our broad diversification—by business, geography, investment platform and asset class.

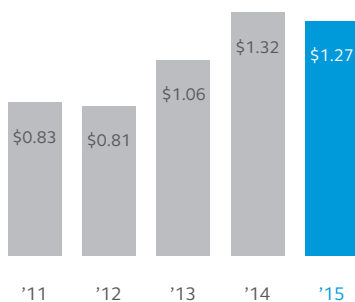
Total AUM
(in billions)



\$192.4 billion

increase in AUM, a 12 percent annual increase, over the last five years.

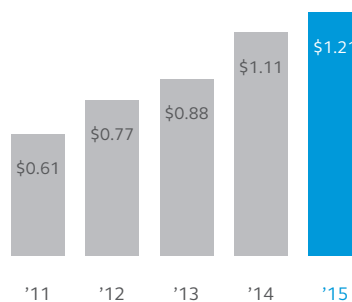
Operating earnings²
(in billions)



\$442 million

increase over the last five years. After-tax operating earnings have grown 10 percent annually since 2011.

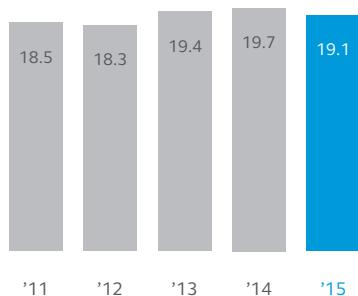
Net income available to common stockholders
(in billions)



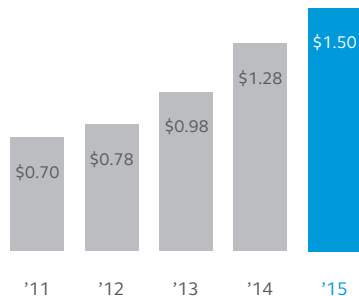
99.8 percent

total growth and 19 percent annual growth in earnings for common stockholders since 2011.

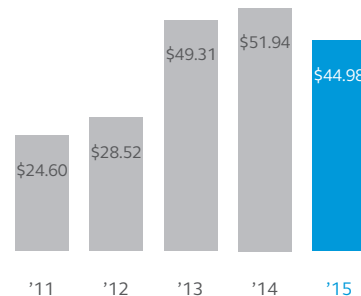
Total customers¹
(in millions)



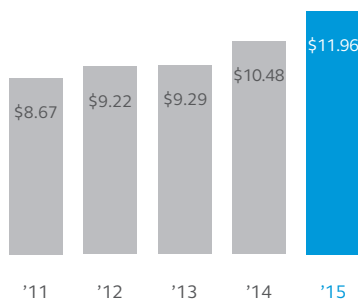
Dividends paid on common stock
(in dollars)



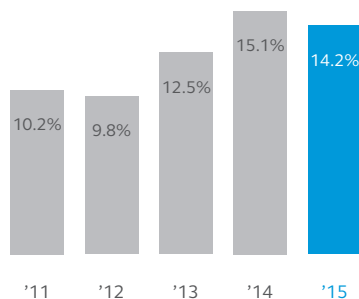
Closing stock price for common stock
(in dollars)



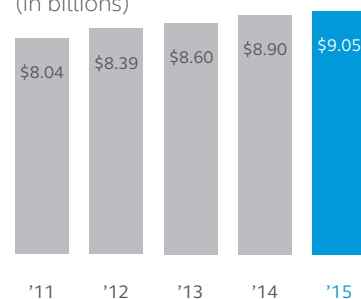
Total revenue
(in billions)



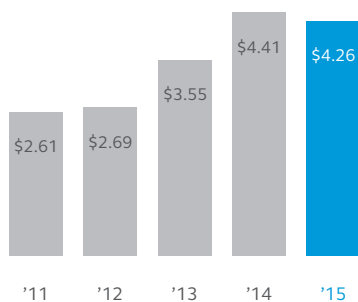
Operating ROE available to common stockholders, excluding AOCI other than foreign currency translation adjustment^{2,3}



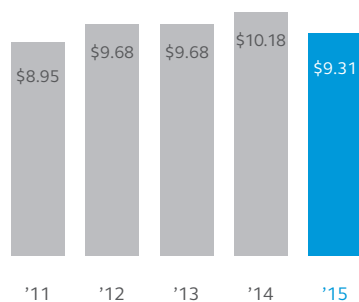
Total common stockholders' equity attributable to PFG, excluding AOCI other than foreign currency translation^{2,3}
(in billions)



Operating earnings per diluted common share²
(in dollars)



Total stockholders' equity attributable to PFG
(in billions)



1 Includes employees and their dependents under employee benefit arrangements.
2 See page 22 for a reconciliation of non-GAAP measures to U.S. GAAP.
3 Stockholders' equity available to common stockholders excluding accumulated other comprehensive income (loss) other than foreign currency translation adjustment.

Board of Directors

March 2016



1. Gary E. Costley

Retired Chairman and
Chief Executive Officer
International Multifoods Corporation

2. Jocelyn Carter-Miller

President
TechEd Ventures

3. Blair C. Pickerell

Retired Chairman
Asia-Nikko Asset Management
Hong Kong, Ltd

4. Dennis H. Ferro

Retired President and
Chief Executive Officer
Evergreen Investment
Management Company

5. Betsy J. Bernard

Past President
AT&T

6. Roger C. Hochschild

President and
Chief Operating Officer
Discover Financial Services

7. Daniel J. Houston

President and
Chief Executive Officer
Principal Financial Group

8. Larry D. Zimpleman

Chairman and
retired Chief Executive Officer
Principal Financial Group

9. Elizabeth E. Tallett

Principal
Hunter Partners, LLC

10. Sandra L. Helton

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

11. C. Daniel Gelatt

President
NMT Corporation

12. Michael T. Dan

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

Executive Management Group

March 2016



The Executive Management Group sets the company vision and provides oversight for all aspects of strategy and operations.

1. Jim McCaughan

President, Global Asset Management and Chief Executive Officer, Principal Global Investors

2. Nora Everett

President, Retirement and Income Solutions

3. Gary Scholten

Executive Vice President and Chief Information Officer

4. Karen Shaff

Executive Vice President, General Counsel and Secretary

5. Greg Elming

Senior Vice President and Chief Risk Officer

6. Terry Lillis

Executive Vice President and Chief Financial Officer

7. Dan Houston

President and Chief Executive Officer

8. Beth Brady

Senior Vice President and Chief Marketing Officer

9. Luis Valdés

President, Principal International

10. Beth Raymond

Senior Vice President and Chief Human Resources Officer

11. Tim Dunbar

Executive Vice President and Chief Investment Officer

12. Deanna Strable

President, U.S. Insurance Solutions

2015 Recognition highlights



Principal Funds was recognized by Barron's as the No. 6 fund company in the U.S. and Lipper named Principal Global Real Estate Securities Fund the best global real estate fund.



Global investment management recognition includes being named Best Asset Manager in Southeast Asia (for a fifth consecutive year) and multiple Best Fund awards from Lipper in Hong Kong and Morningstar in Mexico.



Recognition for innovation includes being named on InformationWeek's Elite 100, as a top U.S. business technology innovator, and Brasilprev, our joint venture in Brazil, being recognized as one of the most innovative pension companies.



Great people want a great place to work. We continued to receive multiple best places to work awards, including recognition from *Working Mother* magazine and *Computerworld*.



And for a fourth consecutive year, we were named *Pension & Investments'* Best Place to Work in Money Management.

The Principal Financial Group earned the top spot in its category in Pension and Investments' annual survey of Best Places to Work in Money Management. Entire contents copyrighted by Crain Communications. All rights reserved.

Businesses at a glance

As of Dec. 31, 2015

Retirement and Income Solutions

SEGMENT OVERVIEW

Leading the industry in helping more U.S.-based clients save enough for and have enough in retirement—working together with advisors and plan sponsors.

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
- Annuities and payout solutions
- Bank and Trust services
- Investment only

2015 FINANCIAL HIGHLIGHTS

- Full-year pre-tax operating earnings of \$740 million
- Retirement and Income Solutions total account value was \$210 billion as of Dec. 31, 2015.
- RIS-Fee¹ full-year recurring deposits grew \$1.1 billion in 2015, up 7 percent over 2014.
- Pension closeout sales were a record \$1.8 billion for the full year.

RECOGNITION AND ACCOMPLISHMENTS

- *PLANADVISER*, a leading retirement industry magazine for financial professionals, has recognized Principal as a top-rated defined contribution provider for advisor support post-sale in its Advisers' Choice Awards. (March 2015)
- Principal received strong industry ratings in the 2015 Retirement Plan Advisor Survey conducted by *PLANADVISER*. We ranked as a top 10 provider for service to micro, small, mid and large plans. Principal was also ranked No. 3 in best overall service to micro plans, value added advisor services and plan participant support. (October 2015)

- Principal is ranked third in unaided consideration, behind Fidelity and American Funds in the 2015 Cogent Retirement Plan Advisor study. (October 2015)

Principal Global Investors

SEGMENT OVERVIEW

Provide investment management capabilities to institutional and retail investors 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
- Mutual funds

2015 FINANCIAL HIGHLIGHTS

- 2015 pre-tax operating earnings of \$389 million.
- Total assets under management of \$361 billion at the end of 2015 and full-year net cash flows of \$16 billion.
- Full-year 2015 pre-tax margin increased to 34 percent.

¹ RIS-Fee = Retirement and Income Solutions Fee, which includes Full Services Accumulation and Individual Variable Annuities.

Businesses at a glance

As of Dec. 31, 2015

RECOGNITION AND ACCOMPLISHMENTS

- Principal earned the top spot in its category for the fourth year in a row in *Pension & Investments'* annual survey of Best Places to Work in Money Management.* (December 2015)
- Principal Real Estate Investors is a Top 10 manager of real estate. Managers ranked by U.S. institutional, tax-exempt assets managed internally (net of leverage). "The Largest Real Estate Managers," *Pensions & Investments*, data as of Dec. 31, 2014. (May 2015)
- Principal Funds named the No. 6 fund company in the U.S. by *Barron's* magazine in 2015. (February 2016)
- Principal Funds is No. 15 on the list of top advisor-sold mutual fund companies in the United States, based on assets under management, according to Strategic Insights. (December 2015)
- Principal Global Investors named the 15th 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, 2014. "Largest Money Managers," *Pensions & Investment*, Online Research Center. (May 2015)
- Principal Global Investors named the 31st largest manager of institutional assets, out of 652 managers profiled. Managers ranked by total worldwide institutional assets as of Dec. 31, 2014. "Largest Money Managers," *Pensions & Investments*. (May 2015)

Principal International

SEGMENT OVERVIEW

Offer long-term savings, asset management 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)

2015 FINANCIAL HIGHLIGHTS

- Full-year pre-tax operating earnings of \$271 million.
- Reported assets under management of \$110 billion at year end (excluding \$42 billion of AUM in our joint venture in China, which is not reported in AUM or net cash flows).
- Reported full-year net cash flows of \$9.3 billion.
- Strong investment performance with 87 percent and 83 percent of AUM ranked in the top two quartiles for one and five-year performance, respectively.

RECOGNITION AND ACCOMPLISHMENTS

- Completed acquisition of AXA's MPF and ORSO business in Hong Kong, which includes exclusive 15 year distribution agreement. (September 2015)
- Brasilprev ranked No. 1 in market share and net deposits in individual pension savings plans. (December 2015)

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- Principal Chile:
 - + Largest APV in terms of AUM 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. (December 2015)
 - + Cuprum recognized as the leader in customer experience within the mandatory pension market according to the Praxis Xperience Index (PXI). (October 2015)
- Southeast Asia:
 - + CIMB-Principal Islamic Asset Management recognized as Most Outstanding Islamic Financial Institution at the 2015 KLIFF Islamic Finance Awards. (December 2015)
 - + CIMB-Principal Asset Management was named the Best Asset Manager in Southeast Asia by Alpha Southeast Asia in its “Best Financial Institutions Awards” (Marquee Awards). (June 2015)
- Principal Hong Kong received Gold Ratings for two Mandatory Provident Funds (Scheme Series 600 and 800) at the 2015 MPF Awards. (March 2015)

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
 - + Individual discount dental
 - + Group and multi-life disability income

- + Individual disability insurance
- + Critical illness

2015 FINANCIAL HIGHLIGHTS

- Full-year pre-tax operating earnings were \$430 million.
- Record full-year earnings for Specialty Benefits, with record sales and retention, as well as 9 percent growth in premiums and fees.
- Individual Life normalized premiums and fees grew 4 percent over 2014, and business market sales were 60 percent of 2015 total sales.

RECOGNITION AND ACCOMPLISHMENTS

- Recognized by *PLANSPONSOR* magazine as the No. 1 nonqualified deferred compensation provider based on number of plans. (July 2015)
- Ranked as the No. 4 provider of group benefit (dental, life and disability) insurance based on 2014 LIMRA data on fully insured employer contracts in force.
- Ranked as the No. 5 provider of non-cancelable individual disability income insurance based on 2015 LIMRA data of annualized new sale premium.
- Ranked as the No. 19 provider of life insurance based on 2014 LIMRA data on total life new sales premium.
- Delivered a series of innovative products and solutions in 2015, including an innovative, patent-pending enrollment tool for group voluntary products and Principal Universal Life Provider Edge, a versatile, low-cost product featuring cash value accumulation and attractive target premium.
- Introduced a new communication and education approach to nonqualified plan participants and expanded online self-service capability on principal.com for Individual Life customers.

Non-GAAP financial measures

(in millions, except as noted)	Years Ended Dec. 31,				
	2015	2014	2013	2012	2011
Net income available to common stockholders per diluted share					
Operating earnings per diluted share	\$ 4.26	\$ 4.41	\$ 3.55	\$ 2.69	\$ 2.61
Net realized capital gains (losses)	(0.44)	(0.34)	(0.60)	0.14	(0.44)
Other after-tax adjustments	0.24	(0.36)	—	(0.25)	(0.26)
Adjustment for redeemable noncontrolling interest	—	(0.06)	—	—	—
Net income available to common stockholders per diluted share	\$ 4.06	\$ 3.65	\$ 2.95	\$ 2.58	\$ 1.91
Net income available to common stockholders					
Operating earnings	\$1,270.5	\$ 1,317.9	\$1,059.9	\$ 808.8	\$ 829.3
Net realized capital gains (losses)	(133.8)	(100.5)	(179.1)	39.0	(141.7)
Other after-tax adjustments	72.6	(106.3)	(1.1)	(74.2)	(82.3)
Net income available to common stockholders	\$1,209.3	\$ 1,111.1	\$ 879.7	\$ 773.6	\$ 605.3
Stockholders' equity:					
Stockholders' equity, x-AOCI other than foreign currency translation adjustment available to common stockholders	\$9,045.9	\$ 8,904.8	\$8,597.5	\$8,394.2	\$8,043.1
Net unrealized capital gains (losses)	715.9	1,148.3	700.6	1,235.7	728.4
Net unrecognized postretirement benefit obligation	(450.2)	(411.1)	(155.9)	(488.5)	(361.1)
Preferred stock, at par	—	0.1	0.1	0.1	0.1
Paid-in capital—preferred stock	—	541.9	541.9	541.9	541.9
Noncontrolling interest	65.8	48.0	92.8	20.0	353.8
Stockholders' equity	\$9,377.4	\$10,232.0	\$9,777.0	\$9,703.4	\$9,306.2
Net income ROE available to common stockholders (including AOCI)					
Operating earnings ROE (x-AOCI, other than foreign currency translation adjustment)	14.2%	15.1%	12.5%	9.8%	10.2%
Net realized capital gains (losses)	(1.5)%	(1.2)%	(2.1)%	0.5%	(1.8)%
Other after-tax adjustments	0.8%	(1.2)%	0.0%	(0.9)%	(1.0)%
Net income ROE available to common stockholders (x-AOCI, other than for currency translation adjustment)	13.5%	12.7%	10.4%	9.4%	7.4%
Net unrealized capital gains (losses)	(1.3)%	(1.2)%	(1.2)%	(1.0)%	(0.5)%
Net unrecognized postretirement benefit obligation	0.6%	0.3%	0.4%	0.4%	0.2%
Net income ROE available to common stockholders (including AOCI)	12.8%	11.8%	9.6%	8.8%	7.1%

Principal funds

Organized by Principal Life Insurance Company | As of Dec. 31, 2015

Principal Funds

- Blue Chip Fund
- Bond Market Index Fund
- California Municipal Fund
- Capital Securities Fund
- Core Plus Bond Fund
- Credit Opportunities Explorer Fund
- Diversified International Fund
- Diversified Real Asset Fund
- Dynamic High Yield Explorer Fund
- Edge MidCap Fund
- Equity Income Fund
- Global Diversified Income Fund
- Global Multi-Strategy Fund
- Global Opportunities Equity Hedged Fund
- Global Opportunities Fund
- Global Real Estate Securities Fund
- Government & High Quality Bond Fund
- High Yield Fund
- High Yield Fund I
- Income Fund
- Inflation Protection Fund
- International Emerging Markets Fund
- International Equity Index Fund
- International Fund I
- International Small Company Fund
- LargeCap Growth Fund
- LargeCap Growth Fund I
- LargeCap Growth Fund II
- LargeCap S&P 500 Index Fund
- LargeCap Value Fund
- LargeCap Value Fund III
- 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
- Origin Emerging Markets Fund
- Overseas Fund
- Preferred Securities Fund
- Principal Capital Appreciation Fund
- Principal LifeTime 2010 Fund
- Principal LifeTime 2015 Fund
- 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 Fund
- SmallCap Growth Fund I
- SmallCap S&P 600 Index Fund
- SmallCap Value Fund II
- Small-MidCap Dividend Income Fund
- SystematEx International Fund
- SystematEx Large Value Fund
- Tax-Exempt Bond 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.

Corporate social responsibility

Through our foundation and corporate contributions, we invested over

\$13,600,000

in more than 700 community organizations in 13 different countries around the globe.



3,500

employees contributed over 22,650 hours of volunteer time off.



Our 2015 sustainability achievements include:

- **The continued advancement of our climate change goals.** In 2012, we set a long-term goal to reduce our energy use and our carbon footprint by 10 percent by the end of 2016. To date, we've already reduced carbon emissions by more than 24 percent and energy consumption by 22 percent.
- **Recognition as both a CDP Climate Performance Leader and Disclosure Leader** for the second straight year. We were one of only 27 S&P 500 companies named to both lists.
- **More employee involvement.** Several employees formed a grassroots Green Team whose members have coordinated a variety of environmental events, including two office supply giveaways—keeping an estimated 5,000 pounds of materials out of the landfill.
- **Prioritizing sustainability during our multi-year campus renovation.** For example, to date we've recycled more than 90 percent of the materials removed—metals, carpet, drywall, furniture, etc., which exceeds the LEED guidelines target of 70 percent for construction waste.

Online version link to <https://www.principal.com/about-us/corporate-citizenship>

Stockholder information

Principal Corporate Headquarters

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

Principal Online

The Principal online website at 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 timely 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 17, 2016, 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:

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

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, TX 77842-3170

Toll-free phone: 866-781-1368

Phone for hearing impaired: 312-588-4110

Online: 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. 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 312,000 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.
- Wellington Management Company, LLP
- Nippon Life Insurance Company
- State Street Global Advisors (SSgA)
- BlackRock Fund Advisors
- Harris Associates, L.P.
- Capital Research Global Investors (U.S.)
- Newton Investment Management, LTD
- Northern Trust Investments, Inc.
- Fidelity Management & Research Company
- TIAA-CREF Investment Management
- Dimensional Fund Advisors, L.P. (U.S.)
- Mairs & Power, Inc.
- Goldman Sachs Asset Management, L.P. (U.S.)
- Geode Capital Management, LLC

*Based on public filings as of Dec. 31, 2015

Principal Financial Group®
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Des Moines, Iowa 50392
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