

PRINCIPAL FINANCIAL GROUP INC

Form 10-Q

August 01, 2018

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

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**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2018

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

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1-16725

(Commission file number)

**PRINCIPAL FINANCIAL GROUP, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**

(State or other jurisdiction of incorporation or organization)

**42-1520346**

(I.R.S. Employer Identification Number)

**711 High Street, Des Moines, Iowa 50392**

(Address of principal executive offices)

**(515) 247-5111**

(Registrant's telephone number, including area code)

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Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company and emerging growth company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company   
(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The total number of shares of the registrant's Common Stock, \$0.01 par value, outstanding as of July 25, 2018, was 284,748,761.

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	<b>June 30, 2018</b>	<b>December 31,</b>
	(Unaudited)	<b>2017</b>
	<i>(in millions)</i>	
<b>Assets</b>		
Fixed maturities, available-for-sale (2018 and 2017 include \$242.7 million and \$268.0 million related to consolidated variable interest entities)	\$ 59,311.7	\$ 59,388.4
Fixed maturities, trading	688.1	566.0
Equity securities (2018 and 2017 include \$791.3 million and \$811.4 million related to consolidated variable interest entities)	1,869.3	1,866.6
Mortgage loans	14,367.9	14,150.5
Real estate (2018 and 2017 include \$334.6 million and \$370.3 million related to consolidated variable interest entities)	1,728.9	1,736.7
Policy loans	804.0	808.3
Other investments (2018 and 2017 include \$205.2 million and \$139.8 million related to consolidated variable interest entities and \$21.1 million and \$61.0 million measured at fair value under the fair value option)	3,634.9	3,586.2
Total investments	82,404.8	82,102.7
Cash and cash equivalents	2,342.0	2,470.8
Accrued investment income	627.8	610.6
Premiums due and other receivables	1,455.6	1,469.8
Deferred acquisition costs	3,574.4	3,540.7
Property and equipment	762.9	759.5
Goodwill	1,103.2	1,068.8
Other intangibles	1,355.4	1,314.7
Separate account assets (2018 and 2017 include \$39,407.5 million and \$41,540.8 million related to consolidated variable interest entities)	156,989.0	159,272.7
Other assets	1,488.9	1,330.9
Total assets	\$ 252,104.0	\$ 253,941.2
<b>Liabilities</b>		
Contractholder funds (2018 and 2017 include \$387.3 million and \$380.6 million related to consolidated variable interest entities)	\$ 39,128.7	\$ 38,082.5
Future policy benefits and claims	33,390.7	33,019.3
Other policyholder funds	849.7	922.3
Short-term debt	64.5	39.5
Long-term debt (2018 and 2017 include \$37.1 million and \$2.8 million related to consolidated variable interest entities)	3,219.9	3,178.4
Income taxes currently payable	19.8	16.7
Deferred income taxes	887.9	1,092.5
Separate account liabilities (2018 and 2017 include \$39,407.5 million and \$41,540.8 million related to consolidated variable interest entities)	156,989.0	159,272.7
Other liabilities (2018 and 2017 include \$259.1 million and \$270.2 million related to consolidated variable interest entities)	5,708.4	5,294.1
Total liabilities	240,258.6	240,918.0

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Redeemable noncontrolling interest (2018 and 2017 include \$66.3 million and \$52.4 million related to consolidated variable interest entities)	<b>138.9</b>	101.3
<b>Stockholders' equity</b>		
Common stock, par value \$.01 per share 2,500.0 million shares authorized, 476.3 million and 474.1 million shares issued, and 284.6 million and 289.0 million shares outstanding in 2018 and 2017	<b>4.8</b>	4.7
Additional paid-in capital	<b>9,993.6</b>	9,925.2
Retained earnings	<b>9,904.3</b>	9,482.9
Accumulated other comprehensive income (loss)	<b>(1,137.9)</b>	165.5
Treasury stock, at cost (191.7 million and 185.1 million shares in 2018 and 2017)	<b>(7,125.5)</b>	(6,729.0)
Total stockholders' equity attributable to Principal Financial Group, Inc.	<b>11,639.3</b>	12,849.3
Noncontrolling interest	<b>67.2</b>	72.6
Total stockholders' equity	<b>11,706.5</b>	12,921.9
Total liabilities and stockholders' equity	<b>\$ 252,104.0</b>	\$ 253,941.2

*See accompanying notes.*

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## Principal Financial Group, Inc.

## Consolidated Statements of Operations

(Unaudited)

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
	<i>(in millions, except per share data)</i>			
<b>Revenues</b>				
Premiums and other considerations	\$ 1,265.8	\$ 1,452.7	\$ 2,261.0	\$ 2,700.7
Fees and other revenues	1,012.6	955.1	2,023.9	1,895.7
Net investment income	889.1	866.4	1,791.3	1,743.8
Net realized capital gains (losses), excluding impairment losses on available-for-sale securities	76.4	(81.7)	61.2	(69.5)
Net other-than-temporary impairment losses on available-for-sale securities	(8.2)	(2.4)	(6.9)	(29.7)
Other-than-temporary impairment losses on fixed maturities, available-for-sale reclassified from other comprehensive income	(0.8)	(11.8)	(12.0)	(13.3)
Net impairment losses on available-for-sale securities	(9.0)	(14.2)	(18.9)	(43.0)
Net realized capital gains (losses)	67.4	(95.9)	42.3	(112.5)
Total revenues	3,234.9	3,178.3	6,118.5	6,227.7
<b>Expenses</b>				
Benefits, claims and settlement expenses	1,699.2	1,858.8	3,110.3	3,516.1
Dividends to policyholders	30.2	25.2	60.7	60.1
Operating expenses	990.1	928.7	1,975.1	1,871.9
Total expenses	2,719.5	2,812.7	5,146.1	5,448.1
Income before income taxes	515.4	365.6	972.4	779.6
Income taxes	55.9	50.8	110.4	111.2
Net income	459.5	314.8	862.0	668.4
Net income attributable to noncontrolling interest	2.9	5.3	8.3	10.0
Net income attributable to Principal Financial Group, Inc.	\$ 456.6	\$ 309.5	\$ 853.7	\$ 658.4
<b>Earnings per common share</b>				
Basic earnings per common share	\$ 1.59	\$ 1.07	\$ 2.97	\$ 2.28
Diluted earnings per common share	\$ 1.58	\$ 1.06	\$ 2.93	\$ 2.25
<b>Dividends declared per common share</b>	\$ 0.52	\$ 0.46	\$ 1.03	\$ 0.91

See accompanying notes.



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**Principal Financial Group, Inc.**

**Consolidated Statements of Stockholders' Equity**

**(Unaudited)**

	<b>Common stock</b>	<b>Additional paid-in capital</b>	<b>Retained earnings</b>	<b>Accumulated other comprehensive income (loss) <i>(in millions)</i></b>	<b>Treasury stock</b>	<b>Noncontrolling interest</b>	<b>Total stockholders' equity</b>
<b>Balances as of January 1, 2017</b>	\$ 4.7	\$ 9,686.0	\$ 7,720.4	\$			