

PRINCIPAL FINANCIAL GROUP INC

Form 10-Q

October 30, 2013

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2013

OR

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

1-16725

(Commission file number)

PRINCIPAL FINANCIAL GROUP, INC.

(Exact name of registrant as specified in its charter)

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)

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 or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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 October 23, 2013, was 294,370,290.

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PRINCIPAL FINANCIAL GROUP, INC.

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| | September 30, 2013 (Unaudited) | December 31, 2012 (As adjusted) |
|--|--------------------------------------|---------------------------------------|
| | (in millions) | |
| Assets | | |
| Fixed maturities, available-for-sale (2013 and 2012 include \$243.3 million and \$194.6 million related to consolidated variable interest entities) | \$ 48,914.9 | \$ 50,939.3 |
| Fixed maturities, trading (2013 and 2012 both include \$110.4 million related to consolidated variable interest entities) | 572.9 | 626.7 |
| Equity securities, available-for-sale | 114.0 | 136.5 |
| Equity securities, trading | 666.2 | 252.8 |
| Mortgage loans | 11,868.1 | 11,519.7 |
| Real estate | 1,278.6 | 1,180.3 |
| Policy loans | 859.6 | 864.9 |
| Other investments (2013 and 2012 include \$72.6 million and \$80.3 million related to consolidated variable interest entities and \$140.5 million and \$113.9 million measured at fair value under the fair value option) | 2,994.0 | 3,291.1 |
| Total investments | 67,268.3 | 68,811.3 |
| Cash and cash equivalents | 1,707.1 | 4,177.2 |
| Accrued investment income | 571.2 | 584.4 |
| Premiums due and other receivables | 1,160.7 | 1,084.4 |
| Deferred acquisition costs | 3,007.6 | 2,590.0 |
| Property and equipment | 479.1 | 464.2 |
| Goodwill | 1,127.5 | 543.4 |
| Other intangibles | 1,497.4 | 914.7 |
| Separate account assets (2013 includes \$31,999.2 million related to consolidated variable interest entities) | 123,800.5 | 81,653.8 |
| Other assets | 1,068.0 | 1,006.8 |
| Total assets | \$ 201,687.4 | \$ 161,830.2 |
| Liabilities | | |
| Contractholder funds | \$ 36,402.7 | \$ 37,786.5 |
| Future policy benefits and claims | 22,324.2 | 22,436.2 |
| Other policyholder funds | 753.6 | 716.4 |
| Short-term debt | 175.5 | 40.8 |
| Long-term debt | 2,593.3 | 2,671.3 |
| Income taxes currently payable | 7.9 | 15.3 |
| Deferred income taxes | 634.6 | 600.0 |
| Separate account liabilities (2013 includes \$31,999.2 million related to consolidated variable interest entities) | 123,800.5 | 81,653.8 |
| Other liabilities (2013 and 2012 include \$320.6 million and \$302.9 million related to consolidated variable interest entities, of which \$102.2 million and \$85.0 million are measured at fair value under the fair value option) | 5,387.2 | 6,146.1 |

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| | | |
|---|---------------------|--------------|
| Total liabilities | 192,079.5 | 152,066.4 |
| Redeemable noncontrolling interest | 234.5 | 60.4 |
| Stockholders' equity | | |
| Series A preferred stock, par value \$.01 per share with liquidation preference of \$100 per share 3.0 million shares authorized, issued and outstanding in 2013 and 2012 | | |
| Series B preferred stock, par value \$.01 per share with liquidation preference of \$25 per share 10.0 million shares authorized, issued and outstanding in 2013 and 2012 | 0.1 | 0.1 |
| Common stock, par value \$.01 per share 2,500.0 million shares authorized, 458.0 million and 453.5 million shares issued, and 293.9 million and 293.8 million shares outstanding in 2013 and 2012 | 4.6 | 4.5 |
| Additional paid-in capital | 9,749.3 | 9,730.9 |
| Retained earnings | 5,249.9 | 4,862.0 |
| Accumulated other comprehensive income (loss) | (17.7) | 640.3 |
| Treasury stock, at cost (164.1 million and 159.7 million shares in 2013 and 2012) | (5,707.8) | (5,554.4) |
| Total stockholders' equity attributable to Principal Financial Group, Inc. | 9,278.4 | 9,683.4 |
| Noncontrolling interest | 95.0 | 20.0 |
| Total stockholders' equity | 9,373.4 | 9,703.4 |
| Total liabilities and stockholders' equity | \$ 201,687.4 | \$ 161,830.2 |

See accompanying notes.

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Principal Financial Group, Inc.
Consolidated Statements of Operations
(Unaudited)

**For the three months ended
September 30,
2013**

**For the nine months ended
September 30,**