Earning Impact

And again in order to do that, we do rely on our track record as I mentioned to you to serve our customer needs and expectations particularly in the areas like a superior loans investment performance and customer service, so this where we're and we're going to continue working for.
We remain confident in our ability to comply and remain focused on helping advisors deliver retirement, protection and income solutions to their customers.
So we look forward to coming out chatting with you over the course of the next quarter about our strategy again very pleased with the transition between Terry and Deanna, and again we'll see out on the road.
I think the growth story is more around our ability to continue growing revenues and earnings, as we did in the first quarter.
But if you take a look, again I would encourage you to take a long term view because quarter-over-quarter you can have a sequential quarters.
You can have timing issues, but as you look at it if you take a long term view of both sales and transfer deposits they have been strong.
Further our exposure to risk of loss in the CMBS portfolio is modest.
Moving to Slide 12, in first quarter 2017, we strategically deployed $248 million of capital including $130 million in common stock dividends, and $118 million in share repurchases.
We'll continue to be strategic and disciplined in deploying capital.
But we've looked forward and revisited that outlook call and really are confident that yes, we're in the ballpark we're going to be at the high end of the range with regard to net revenue growth.
We think there's a natural growth that's going to be coming, because people are going to demand income in retirement, and not only income in retirement guaranteed income or in retirement.
Growth in China is helping to further diversify our revenue and earnings strings overall, in fact China is the third largest contributor to PI's pretax operating earnings.
So again I think this is an important conversation to be having, because we typically get caught up on the RIS-Fee talking about the defined contribution plan, so we see this is a real growth driver for Principal in the future.
This reflects strong asset appreciation and nearly $20 billion of positive net cash flow and it provides a solid foundation for revenue and earnings growth for the year.
Now, will we exceed on margins, will we exceed on that revenue growth certainly possibly that can happen.
So I would say we think we're sitting actually in a very favorable position related to the tax reform, again at the core of that is growing small to medium sized businesses.
We would expect to be at the high end of that net revenue growth as well.
And right now, the best way to deploy our capital seemingly is around more organic growth.
And again as we look at all those things and project forward, we would expect to be at the high end of that that net revenue growth outlook.
But can you continue to grow net revenues at a pace that so significantly exceeds the pace of expense growth.
As earnings continue to grow, we remain confident in our ability to deploy $800 million to $1.1 billion of capital in 2017 as we previously announced.
And I think Nora is correct that the current quarter would be above that range some of that's going to normalize as we go throughout the year we wouldn't expect mortality gains in every single quarter.
And so again, I think the more appropriate way to look at that is the return on net revenue and as Nora mentioned we do as we look through the remainder of the year and consider our first quarter results, we expect to be at the favorable and of our guidance range relative to that return.
This strong growth in AUM was driven by positive investment performance, favorable foreign currency translation, and importantly positive total company net cash flows nearly $20 billion over the trailing 12 months including $3.7 billion during the first quarter.
Our target date suite flows in the first quarter remain positive with strong sales and contribution from our retirement plan participants.
On a trailing 12 month basis and excluding the impact of the 2016 actuarial assumption reviews, first quarter 2017 revenue growth and margins were within or above the 2017 guidance ranges for all of our businesses.
Recent pension reform proposals have identified the real issue the need for a higher savings rate will continue to be actively involved in the dialogue on creating a sustainable retirement system in Chile, one that creates adequate income in retirement for its citizens through both mandatory and voluntary solutions.
Credit losses continue to be below our pricing assumptions.
So the transfer deposits related to sales and then the in-plan cash flow which we call recurring deposits those two things have both done very well over the last several quarters.
At $371 million of after tax operating earnings we delivered 29% growth compared to first quarter 2016, this reflects good underlying growth across our fee, spread and risk businesses.
Our trailing 12 months operating earnings in Chile they believe were $148 million of pretax, this is number one.

So it’s a 7% increase over same periods in 2016, same thing for our revenues also growing at 7%.
Uncertainly if you're looking our numbers and supplement and growing up of facts regular earnings $13.4 million for China, and but if you're looking our net revenues and if you’re looking the growth of our net rose in China quarter-over-quarter 18% and in consecutive quarter 4%, so we continue online and in trying to put a double digit growth for this year.
In addition, we continue to make progress on our digital advice and sales platforms not only in the U.S., but also in Latin America and Asia.

Forward Looking Sentences

And again in order to do that, we do rely on our track record as I mentioned to you to serve our customer needs and expectations particularly in the areas like a superior loans investment performance and customer service, so this where we’re and we're going to continue working for.
So again I think this is an important conversation to be having, because we typically get caught up on the RIS-Fee talking about the defined contribution plan, so we see this is a real growth driver for Principal in the future.
Following a reading of the Safe Harbor provision, CEO, Dan Houston; and new CFO, Deanna Strable will deliver some prepared remarks then we will open up the call for questions.
Uncertainly if you're looking our numbers and supplement and growing up of facts regular earnings $13.4 million for China, and but if you're looking our net revenues and if you’re looking the growth of our net rose in China quarter-over-quarter 18% and in consecutive quarter 4%, so we continue online and in trying to put a double digit growth for this year.
And today and this year 2017 in particular is a year of political transition, so you know a power She is going to renew is the second term so this is the year that the Chinese government they are looking for no surprises to lower the risk to deleverage and the risk that the financial markets.
So in that sense we continue to focus on our strategy those money that flow into our company money market is usual mandate very small fees in that were incidental, but we continue focus on our target market which is to put long term saving products or the middle class in China and these are much more higher fees based and based on mutual funds.
So this is the numbers and we continue transition in that sense.
This morning I'll share some performance highlights and accomplishments that positions for continued growth.
At $371 million of after tax operating earnings we delivered 29% growth compared to first quarter 2016, this reflects good underlying growth across our fee, spread and risk businesses.
This reflects strong asset appreciation and nearly $20 billion of positive net cash flow and it provides a solid foundation for revenue and earnings growth for the year.
So I would say we think we’re sitting actually in a very favorable position related to the tax reform, again at the core of that is growing small to medium sized businesses.
Clearly the three and five year rankings are critical given our focus on managing assets for retirement another long term strategies.
We continue to watch this closely, but view this as part of the normal ebb and flow of investment performance.
This reflects strong consistent investment performance, solutions that resonate with retirement retail and institutional investors, the diversification and non-correlation of our global multi asset, multi manager, multi boutique model and the integration of our businesses enabling us to meet investor needs across life stages.
Before moving on, I'll share a couple of additional thoughts on first quarter net cash flow, I was particularly pleased with the net inflows for Principal International.
For RIS-Fee and RIS-Spread and from the U.S. retail funds business, despite the undeniable success of ETS across the industry and with the ETF garnering record net cash flows in the first quarter we continue to have great success selling our value added active strategies and solutions.
So we look forward to coming out chatting with you over the course of the next quarter about our strategy again very pleased with the transition between Terry and Deanna, and again we’ll see out on the road.
Growth in China is helping to further diversify our revenue and earnings strings overall, in fact China is the third largest contributor to PI's pretax operating earnings.
In Chile, retention improved significantly from year end, but we still have negative net cash flows reflecting continued turmoil in the Chilean Pension System importantly the business remains resilient with record AUM in first quarter we're managing more customer money today than anytime in Cuprum’s history.
Recent pension reform proposals have identified the real issue the need for a higher savings rate will continue to be actively involved in the dialogue on creating a sustainable retirement system in Chile, one that creates adequate income in retirement for its citizens through both mandatory and voluntary solutions.
We continue to advance our multichannel multiproduct approach to distribution as well.
But in terms of quantifying it it’s a study growth group it won’t change much from the position in the fourth quarter last year and the first quarter of this year.

We expand our partnership with Zenefits beyond specialty benefits adding our new digital 401(k) solution to their benefits exchange platform.
I think that's going to help us get back clients confidence.
In addition, we continue to make progress on our digital advice and sales platforms not only in the U.S., but also in Latin America and Asia.
Clearly digital is influencing our product set and our distribution reach as we drive toward solutions that are simpler and faster, address our future generations will buy financial services, as well as reduce barriers to action and eliminate pain points for customers and advisors.
Sort of going to apologize in advance, because I want to dive a little bit deeper into first RIS-Fee and second RIS-Spread.
On RIS-Fee I guess the question is this recurring deposits have just been terrific sort of a steady increasing pace of year-over-year growth in recurring deposits, but transfer deposits sort of inflected this quarter.
We remain confident in our ability to comply and remain focused on helping advisors deliver retirement, protection and income solutions to their customers.
But if you take a look, again I would encourage you to take a long term view because quarter-over-quarter you can have a sequential quarters.
I look for us to continue to build momentum in 2017 and for that momentum to translate into long term value for our shareholders.
Recurring deposits that in plan cash flow you talk about those being strong they absolutely a strong that 8% quarter-over-quarter is a very significant growth driver for us.
So the transfer deposits related to sales and then the in-plan cash flow which we call recurring deposits those two things have both done very well over the last several quarters.
On the call this morning, I'm going to keep my comments focused on the key contributors to our financial performance during the quarter.
I'm looking at year-over-year 1Q versus 1Q and this past bunch of quarters on a year-over-year basis you've had really good growth in transfer deposits this quarter down on the year-over-year basis.
Daniel Houston John, one of the last comment on our RIS-Fee before we go to Spread in that has to do with where we're at in the economic cycle and that has to do with new plan formation and we are finding ourselves in that sweet spot right now where we've far exceeded the pre-2008 period where there is a lot of new plant formation, which is exciting to us because this is interesting and fun is it is to get a transfer set of an established plan.
I was just going to comment I think I see where your second quarter is going to go.
Macroeconomic conditions have been and will continue to be volatile.
Nora Everett So the first thing I would say is this is a highly scalable business and certainly we're getting the benefit reaping some of that scale as we grow this business.
But we've looked forward and revisited that outlook call and really are confident that yes, we're in the ballpark we're going to be at the high end of the range with regard to net revenue growth.
Now, will we exceed on margins, will we exceed on that revenue growth certainly possibly that can happen.
But as we look at that business going forward and look at the benefit that the operating leverage that we know we're going to continue to be able to read that that's where we guide you back to.
This strong growth in AUM was driven by positive investment performance, favorable foreign currency translation, and importantly positive total company net cash flows nearly $20 billion over the trailing 12 months including $3.7 billion during the first quarter.
We believe the combination of the revise performance and the management clear signs of succession planning.
Once strategy that has proven successful for our U.S. retirement business has been our multi-manager investment platform that offers our customers best-in-class solutions, including affiliated and non-affiliated managers, as well as a suite of target date investments with both active and hybrid solutions.
Our target date suite flows in the first quarter remain positive with strong sales and contribution from our retirement plan participants.
Digging deeper into the business unit results, it's important to reiterate our focus on balancing growth and profitability.
On a trailing 12 month basis and excluding the impact of the 2016 actuarial assumption reviews, first quarter 2017 revenue growth and margins were within or above the 2017 guidance ranges for all of our businesses.
Each continues to produce growth and margins that look very attractive relative to industry results.
Daniel Houston A good question, and you're right, it will be at a high level, and it will be speculative, because we really don't have much detail out of the White House except to say broadly, they're looking for an across the board reduction in corporate tax rates, to try to stimulate the economy, and I would call your attention in fact that a lot of the discussion has to do with growing and helping small to medium size businesses, so a revised tax policy that stimulates small to medium sized growth for small business, is good for PFG.
And right now, the best way to deploy our capital seemingly is around more organic growth.
So I'm not pessimistic about the flow outlook.
We continue to focus on deepening our existing relationships in PI, in particular collaborating with one of our existing joint venture partners China Construction Bank to become a partner in its pension company in China.
But they make the point that they really are about financial planning, helping with life and disability protection, wealth distribution

strategies, asset management strategies, education funding and securing the customers, financial future.
Turning to our investment portfolio, it continues to be high quality, well diversified, actively managed and constructed according to our liabilities.
So regardless of the Reg tax regulatory changes the demand for these products that we're engaged in is not diminished and of course our target market of small to medium sized business and individuals fits that very well.
Our real estate portfolio is well positioned for the risk and opportunities of this evolving economy.
We have no reason to believe that the margin is going to expand in the future, we in likewise that there may have been some pent up demand because we have seen interest rates rise in the relatively short term here in the last year or so.
While we've seen several store closure announcements e-commerce has provided us attractive investment opportunities in industrial and other property types, and we have anticipated these trends in our portfolio construction.
The second around is state planning whether they're using life insurance or mutual fund as a funding device for non-qualified deferred compensation, which is another important part of our franchise is key.
Further our exposure to risk of loss in the CMBS portfolio is modest.
We underwrite and monitor our CMBS portfolio to the underlying property level and stress tests our exposure within the CMBS structure, which gives us confidence in our estimate.
Moving to Slide 12, in first quarter 2017, we strategically deployed $248 million of capital including $130 million in common stock dividends, and $118 million in share repurchases.
We'll continue to be strategic and disciplined in deploying capital.
As earnings continue to grow, we remain confident in our ability to deploy $800 million to $1.1 billion of capital in 2017 as we previously announced.
Nora Everett The other thing I would add there is a reminder that we are quite opportunistic in this space both with the full service the pension risk transfer business and our investment only business.
In closing I see great opportunity in our future, and I'm excited to grow in my new role as CFO.
I look forward to meeting with each of you as I get out on the road in the coming months.
We continue to work closely with our distribution partners, and to actively engage in discussions around the implementation of the final rule.
To answer the question, M&A is in your goal part of our strategy, we're look for the right combinations and that usually starts with making it in an accretive transaction.
We would be curious of course, if there is a good match out there that overlays our existing commitment to small to medium size employers, where we think additional scale could be helpful to our long term shareholders.
We've got very favorable relationships with our joint venture partners in China and Brazil and Southeast Asia, sometimes they're going to different countries, we want to make sure that we're able to support that, but oftentimes just to look at their overall strategy, and if we can complement their strategy by adding additional capabilities from Principal across our range of products, we want to be good partners to do that.
Credit losses continue to be below our pricing assumptions.
And I'll have Luis Valdés on that, I mean just as a broad comment as it relates to Principal International's net cash flows you have countries like China that could be quite disruptive large flows in and out.
We try to call these out and recognize that there is going to be some level of volatility given the size and scope of these operations.
And let's stay focus on little bit on the longer term and if you're looking at PI trailing 12 months we put together $9.5 billion in the last trailing 12 months as of March 2017.
If you're looking at the supplement, same period March 2016 it's about $7.9 billion, so it's a 20% increase you know among peers.
So we continue with the very strong Brazilian and solid franchise out of U.S. We do have some seasonality particularly in the first quarter, summertime in Latin America probably a longer good carnival that is needed in breakeven February, but anyway all in all we continue putting solid net consummate cash flows.
We continue to working on and we believe that we're going to continue put in proceed in that consumer cuts going forward.
We go forward from a position of strength with excellent fundamentals and the benefit of broad diversification.
And if I can go back to our more normal rating then I think the flows would pick up, but I wouldn't want to make that a big growth story.
I think the growth story is more around our ability to continue growing revenues and earnings, as we did in the first quarter.
We think there's a natural growth that's going to be coming, because people are going to demand income in retirement, and not only income in retirement guaranteed income or in retirement.
The expectation that this outstanding retention will continue to see that we're comfortable in that 1% to 3% range with that caveat around these raising equity markets.
But the values are inflated and we're going to grow the company either through organic acquisition or through M&A.
We would expect to be at the high end of that net revenue growth as well.
And again as we look at all those things and project forward, we would expect to be at the high end of that that net revenue growth outlook.
And I think Nora is correct that the current quarter would be above that range some of that's going to normalize as we go throughout

the year we wouldn't expect mortality gains in every single quarter.

And so again, I think the more appropriate way to look at that is the return on net revenue and as Nora mentioned we do as we look through the remainder of the year and consider our first quarter results, we expect to be at the favorable and of our guidance range relative to that return.

Suneet it’s important to keep in mind first that Provida and Cuprum are two important patients companies, but focus on different market segments.

But can you continue to grow net revenues at a pace that so significantly exceeds the pace of expense growth.

But having that in our case, Suneet and due to our consumer segment that we're focused on, but in fact is the one that has the highest average balance for costumer in that market, we continue with a more differentiated value proposition to them.

So we do position Cuprum in a very unique way in order to be very much more focused on the segment that we serve in Santiago, Chile.

You can have timing issues, but as you look at it if you take a long term view of both sales and transfer deposits they have been strong.

Our trailing 12 months operating earnings in Chile they believe were $148 million of pretax, this is number one.

So it’s a 7% increase over same periods in 2016, same thing for our revenues also growing at 7%.

And our management team is Cuprum is going to continue to be in laser focus on improving our net customer cash flows within our company.