

PRINCIPAL FINANCIAL GROUP INC

Form 10-Q

October 31, 2012

[Table of Contents](#)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2012

OR

**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
(Do not check if a smaller reporting company)

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 24, 2012, was 293,586,944.

Table of Contents

PRINCIPAL FINANCIAL GROUP, INC.

TABLE OF CONTENTS

	Page
<u>Part I - FINANCIAL INFORMATION</u>	
<u>Item 1.</u>	
<u>Financial Statements</u>	3
<u>Consolidated Statements of Financial Position at September 30, 2012 (Unaudited) and December 31, 2011</u>	3
<u>Unaudited Consolidated Statements of Operations for the three and nine months ended September 30, 2012 and 2011</u>	4
<u>Unaudited Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2012 and 2011</u>	5
<u>Unaudited Consolidated Statements of Stockholders' Equity for the nine months ended September 30, 2012 and 2011</u>	6
<u>Unaudited Consolidated Statements of Cash Flows for the nine months ended September 30, 2012 and 2011</u>	7
<u>Notes to Unaudited Consolidated Financial Statements - September 30, 2012</u>	8
<u>Item 2.</u>	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	90
<u>Item 3.</u>	
<u>Quantitative and Qualitative Disclosures about Market Risk</u>	131
<u>Item 4.</u>	
<u>Controls and Procedures</u>	136
<u>Part II - OTHER INFORMATION</u>	
<u>Item 1.</u>	
<u>Legal Proceedings</u>	136
<u>Item 1A.</u>	
<u>Risk Factors</u>	136
<u>Item 2.</u>	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	137
<u>Item 6.</u>	
<u>Exhibits</u>	138
<u>Signature</u>	139

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****Principal Financial Group, Inc.****Consolidated Statements of Financial Position**

	September 30, 2012 (Unaudited)	December 31, 2011 (As adjusted)
	(in millions)	
Assets		
Fixed maturities, available-for-sale (2012 and 2011 include \$180.3 million and \$214.2 million related to consolidated variable interest entities)	\$ 51,533.9	\$ 49,006.7
Fixed maturities, trading (2012 and 2011 both include \$132.4 million related to consolidated variable interest entities)	808.0	971.7
Equity securities, available-for-sale	143.6	77.1
Equity securities, trading (2012 and 2011 include \$0.0 million and \$207.6 million related to consolidated variable interest entities)	237.6	404.8
Mortgage loans	11,297.9	10,727.2
Real estate	1,208.6	1,092.9
Policy loans	866.6	885.1
Other investments (2012 and 2011 include \$81.3 million and \$97.8 million related to consolidated variable interest entities and \$114.2 million and \$97.5 million measured at fair value under the fair value option)	3,172.1	2,985.8
Total investments	69,268.3	66,151.3
Cash and cash equivalents (2012 and 2011 include \$0.0 million and \$317.7 million related to consolidated variable interest entities)	2,279.0	2,833.9
Accrued investment income	614.4	615.2
Premiums due and other receivables	1,192.2	1,196.5
Deferred policy acquisition costs	2,558.5	2,428.0
Property and equipment	468.4	457.2
Goodwill	548.9	482.3
Other intangibles	927.4	890.6
Separate account assets	80,160.5	71,364.4
Other assets	1,175.7	942.3
Total assets	\$ 159,193.3	\$ 147,361.7
Liabilities		
Contractholder funds	\$ 37,312.2	\$ 37,676.4
Future policy benefits and claims	21,952.0	20,210.4
Other policyholder funds	720.8	548.6
Short-term debt	28.5	105.2
Long-term debt	2,180.0	1,564.8
Income taxes currently payable	6.6	3.1
Deferred income taxes	951.5	208.7
Separate account liabilities	80,160.5	71,364.4
Other liabilities (2012 and 2011 include \$312.5 million and \$565.2 million related to consolidated variable interest entities, of which \$96.4 million and \$88.4 million are	5,974.3	6,286.2

Edgar Filing: PRINCIPAL FINANCIAL GROUP INC - Form 10-Q

measured at fair value under the fair value option)

Total liabilities	149,286.4	137,967.8
Redeemable noncontrolling interest	61.0	22.2
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 2012 and 2011		
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 2012 and 2011	0.1	0.1
Common stock, par value \$.01 per share 2,500.0 million shares authorized, 453.3 million and 450.3 million shares issued, and 293.6 million and 301.1 million shares outstanding in 2012 and 2011	4.5	4.5
Additional paid-in capital	9,712.2	9,634.7
Retained earnings	4,784.3	4,402.3
Accumulated other comprehensive income	880.8	258.0
Treasury stock, at cost (159.7 million and 149.2 million shares in 2012 and 2011)	(5,554.4)	(5,281.7)
Total stockholders' equity attributable to Principal Financial Group, Inc.	9,827.5	9,017.9
Noncontrolling interest	18.4	353.8
Total stockholders' equity	9,845.9	9,371.7
Total liabilities and stockholders' equity	\$ 159,193.3	\$ 147,361.7

See accompanying notes.

Table of Contents

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

For the three months ended
September 30,
2012 **2011**

For the nine months ended
September 30,
2012