

June 13, 2007

Annual MTN/GIC Analyst Conference



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Forward Looking Statements

Certain statements made by Principal Financial Group, Inc. and its subsidiaries ("the Company") which are not historical facts may be considered forward-looking statements, including, without limitation, statements as to sales targets, sales and earnings trends, and management's beliefs, expectations, goals and opinions. These statements are based on a number of assumptions concerning future conditions that ultimately may 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 reports filed with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended December 31, 2006 and its Quarterly Report on Form 10-Q for the quarter ended March 31, 2007. These risks and uncertainties include without limitation: volatility of financial markets; investment portfolio risks; competitive factors; decrease in ratings; interest rate changes; inability to attract and retain sales representatives; inadequate reserving on future obligations; funding on closed block assets; changes in laws, regulations or accounting standards; litigation and regulatory investigations; and foreign currency exchange rate fluctuations.

Principal Life Insurance Company ("PLIC"), as statutory issuer and depositor, and the Company have filed a registration statement (including a prospectus) (Registration Statement Nos. 333-129763 and 333-129763-01) with the Securities and Exchange Commission ("SEC") for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents PLIC and the Company have filed with the SEC for more complete information about PLIC, the Company, and this offering. You may get these documents for free by visiting EDGAR on the SEC website at www.sec.gov. Alternatively, PLIC, the Company, any underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request by calling toll-free 1-800-986-3343.



Use of Non-GAAP Financial Measures

A non-GAAP financial measure is a numerical measure of our performance, financial position, or cash flows that includes adjustments from a comparable financial measure presented in accordance with U.S. GAAP.

We use a number of non-GAAP financial measures that management believes are useful to investors because they illustrate the performance of our normal, ongoing operations which is important in understanding and evaluating our financial condition and results of operations. While such measures are also consistent with measures utilized by investors to evaluate performance, they are not a substitute for U.S. GAAP financial measures. Therefore, we have provided reconciliations of the non-GAAP financial measures to the most directly comparable U.S. GAAP financial measure as a handout accompanying this presentation. We adjust U.S. GAAP financial measures for items not directly related to ongoing operations. However, it is possible that these adjusting items could recur in the future. Management also uses non-GAAP financial measures for goal setting, to determine employee and senior management awards and compensation, and to evaluate performance on a basis comparable to that used by securities analysts.

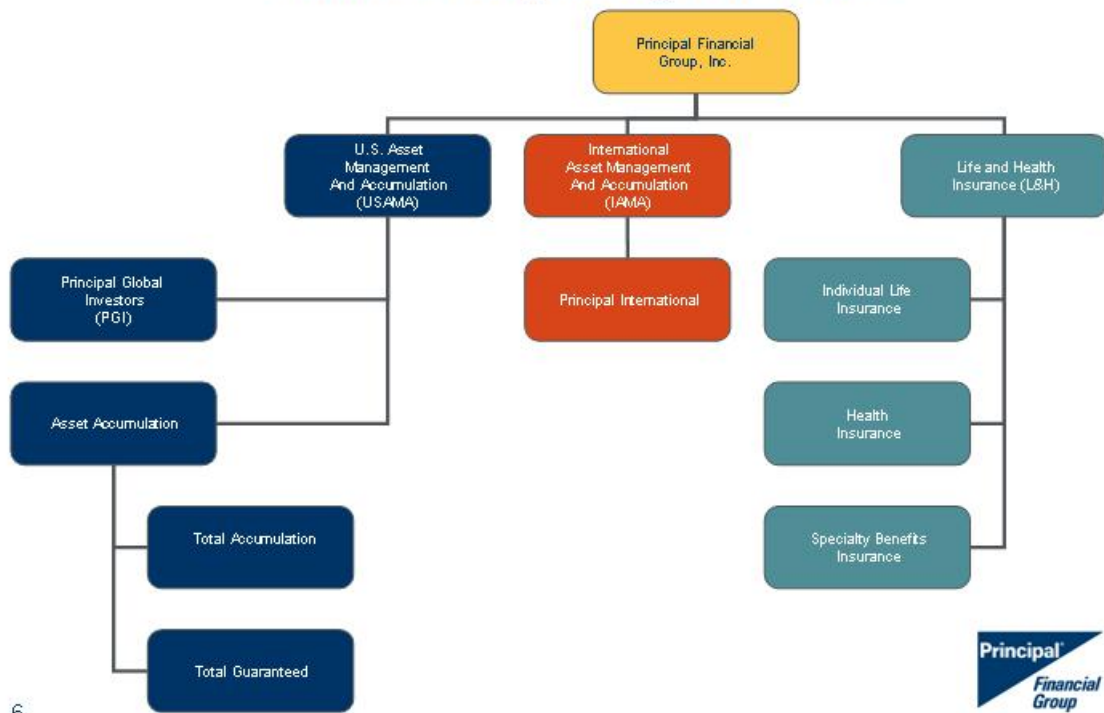
We also use a variety of other measures that we do not consider to be non-GAAP financial measures. These are operational measures and do not have U.S. GAAP counterparts. Assets under management is an example of an operational measure.

Principal Financial Group
Simplified Organizational Structure



GICs, funding agreements and other products issued by Principal Life Insurance Company are obligations of Principal Life and are not obligations of Principal Financial Group, Inc., unless expressly guaranteed by Principal Financial Group, Inc.

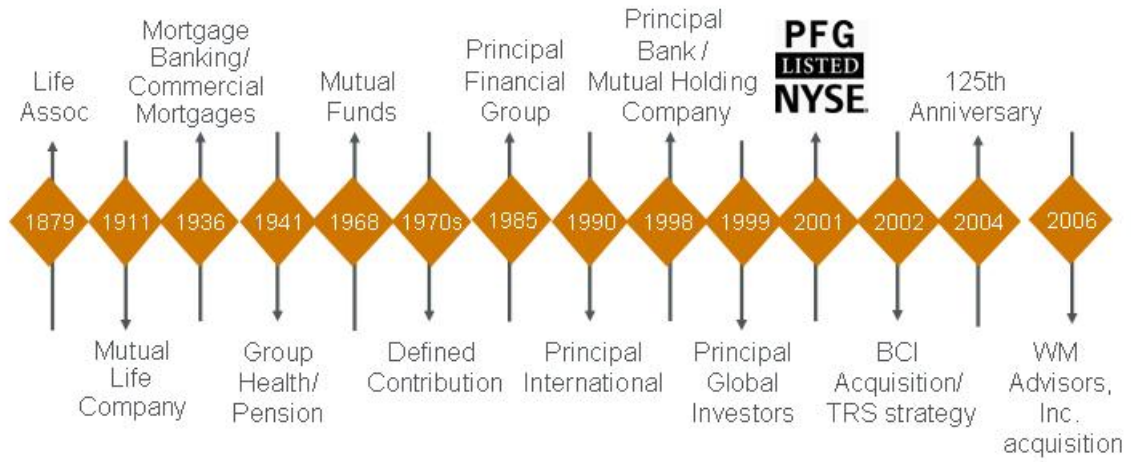
Principal Financial Group Financial Reporting Structure



Company Overview



The Principal®:
128 Years of Success



The Principal® Edge:
Putting Strengths to Work

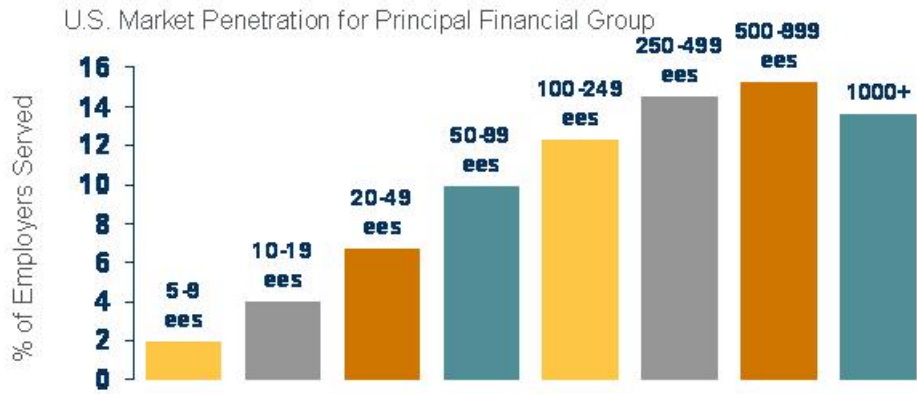
Our Growth Strategy:

- Maximize strong presence in SMB market
- Capitalize on retirement-centric experience
- Leverage multi-channel distribution
- Maximize Worksite marketing advantage
- Expand in select markets internationally
- Seek to exceed the investment and growth needs of SMBs and institutional clients
- Maintain our strong capital position



STRENGTHS THAT WORK:

SMB Market Leadership



Relationships with over **100,000** employers



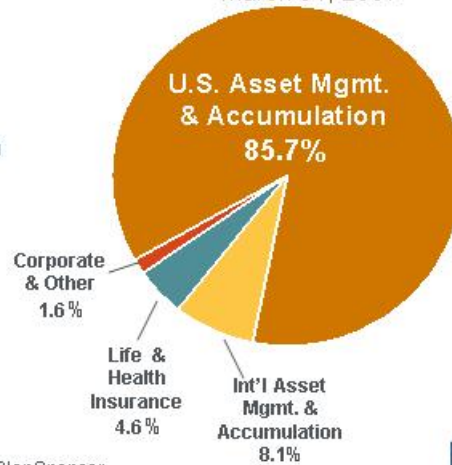
STRENGTHS THAT WORK:

Retirement Leadership

- #1 Corporate DC plans ⁽¹⁾
- #1 Bundled 401(k) plans ⁽²⁾
- #1 ESOP ⁽³⁾
- #1 NQ-401(k) mirror plans ⁽⁴⁾
- #1 Defined Benefit ⁽⁵⁾
- #3 Plan termination annuities ⁽⁶⁾

Principal Financial Group
Assets Under Management

\$270.1 Billion
March 31, 2007



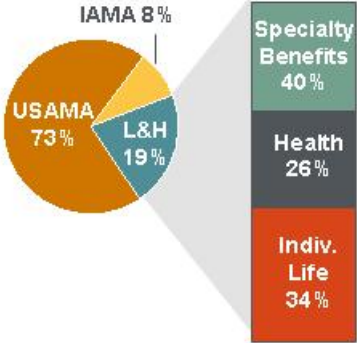
Source: ⁽¹⁾Spectrem 10/04; ⁽²⁾Spectrem Group 2006; ⁽³⁾PlanSponsor 07/04; ⁽⁴⁾PlanSponsor 12/06; ⁽⁵⁾Investment Advisor 03/07; ⁽⁶⁾LIMRA 09/06

STRENGTHS THAT WORK:

Insurance & Employee Benefits Know-How

Leading Provider:

- **#7 Life Insurance** (statutory assets)
- **#9 Health Insurance** (premiums earned)
- **#3 Non-medical coverage** (in-force)
 - **#5 Dental**
 - **#3 Group Term Life**
 - **#4 Short-Term Disability**
 - **#6 Long-Term Disability**



Operating Earnings After Tax
(excludes Corporate & Other)
03/31/07



12 Source: Health insurance statistics from National Underwriter 08/21/06; Life and Non-medical from LIMRA International, 2006

STRENGTHS THAT WORK:
A Multichannel Approach



Morgan Keegan
 Morgan Keegan & Company, Inc.

PRIMEVEST
 FINANCIAL SERVICES

EDWARDS
 SELF-DIRECTED IR & ROLLOVERS

NFP

Bank of America

RAYMOND JAMES

citigroup
 SMITH Barney

WACHOVIA
 SECURITIES

asae

MERCER
 Health & Benefits

Russell

Principal
 Financial Group

■ Via employers

STRENGTHS THAT WORK:
Asset Management Expertise

Principal Global Investors ranking (by assets)	2005	2004	2003
World ranking	71	92	93
U.S. institutional Ranking	23	27	26

Principal Global Investors 2005 Rankings	
US Real Estate	#4
Defined Contribution	#13
Fixed Income	#16
Large Cap Growth	#28
Emerging Markets	#29
International/global	#50



STRENGTHS THAT WORK:
Investment Excellence

The Principal Retirement Plan Separate Accounts in Top Two Morningstar Quartiles (as of 3/31/07)	
1yr	70%
3yr	90%
5yr	89%



◆ Manages assets for 10 of Top 25 U.S. pension funds* ◆

*defined by assets

Source: *Pensions & Investments Databook* (12/25/06)



STRENGTHS THAT WORK:
**Leverage 60+ Years of
U.S. Retirement Expertise**

60+ Years U.S. Experience:

- Retirement expertise
- SMB knowledge
- Asset management distinction
- Regulatory experience
- Administration/Recordkeeping excellence

Principal International

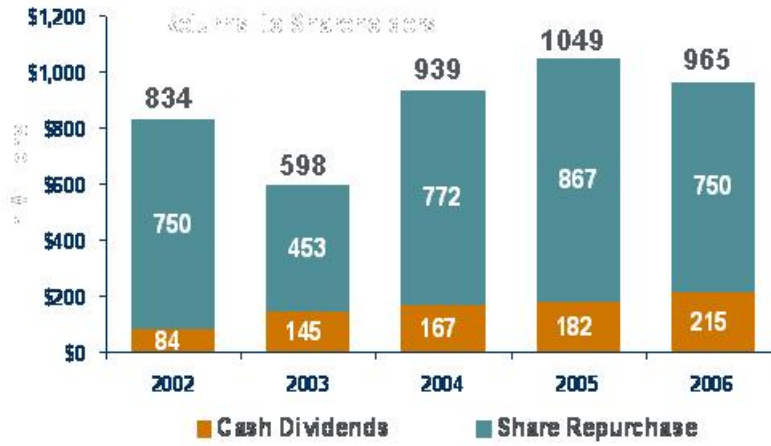


Principal Financial Group

Disciplined Use of Capital



STRENGTHS THAT WORK:
Astute Capital Management



03/31/07: \$100 million share repurchase completed
 05/22/07: announced authorization of \$250 million share repurchase



Growth Strategy Drives Results*

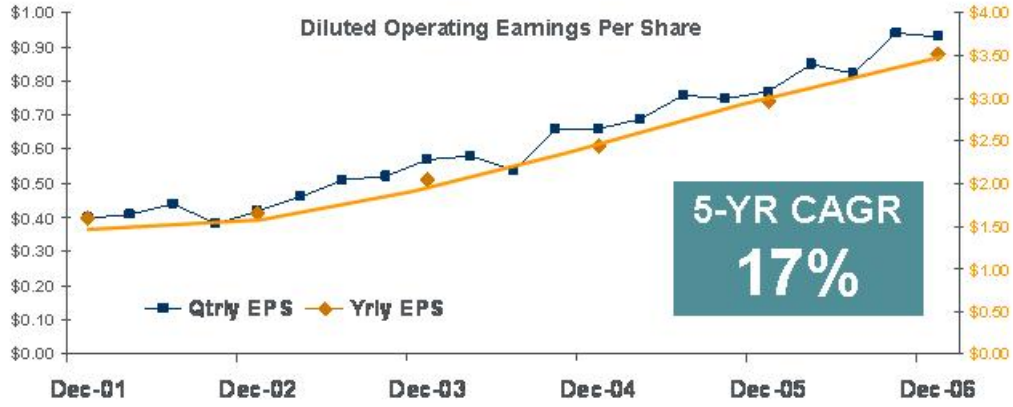
	'01	'02	'03	'04	'05	'06	CAGR ('01-'06)	1Q07
Operating Earnings (\$M)	\$577	\$579	\$668	\$765	\$862	\$972	11%	\$237
Net Income	\$359	\$142	\$746	\$826	\$901	\$1,031	23%	\$257
Avg. # Shares (M)	362	351	327	315	290	276	-5%	271
EPS	\$1.59	\$1.65	\$2.04	\$2.43	\$2.97	\$3.53	17%	\$0.87
AUM (\$B)	\$97	\$111	\$144	\$167	\$195	\$257	21%	\$270
ROE**	8.9%	9.1%	10.9%	12.3%	13.8%	15.3%	+640 bps change	14.8%
Ending Share Price	\$24	\$30.13	\$33.07	\$40.94	\$47.43	\$58.70	20%	\$59.87

*Excludes discontinued operations BT Financial Group & Principal Residential Mortgage

**ROE based on trailing 12 month period



STRENGTHS THAT WORK:
Strong Earnings Growth with Stability



Winds of Change



- Government programs under pressure
- Employers facing increased global competition
- Changing role for employee/individual

The Government:
Core Benefit Programs Under Pressure

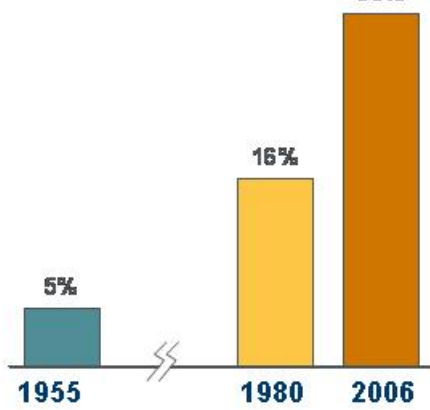


- **Aging of population**
- **Life expectancies increasing**
- **Social Security/Medicare/Medicaid funding concerns**
- **Continued inflation in healthcare costs**

REALIZATION: Government cannot afford to provide all

Employers:
**Squeezed by global competition
& rising benefit costs**

**Costs of benefits as a percent
of compensation**



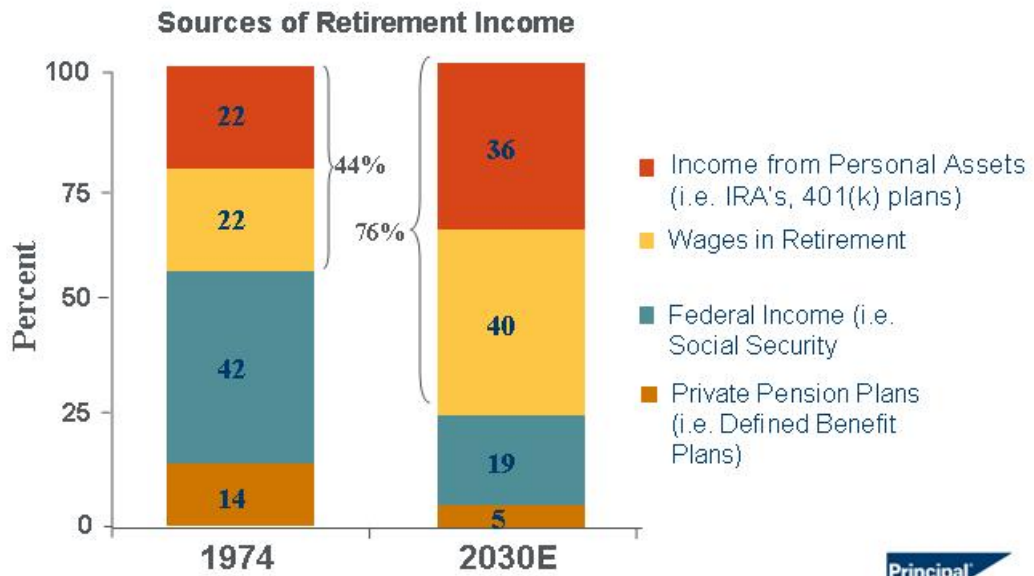
Makeup of benefit costs



Source: March 2006, Bureau of Labor Statistics
23



Individuals:
Facing a “New Era of Personal Responsibility”



Tailwinds of Growth

- Pension Protection Act opportunities (PPA)
- Worksite Marketing
- Total Retirement Solutions
- Evolution of Income Management
- Global Opportunity



GROWTH AT WORK:
**Retirement depth & breadth
to capitalize on PPA**

**Defined
Benefit
Reform**

Suite of services to capture range of DB plan options:

- Plan analysis & asset review
- Plan design & redesign
- Plan freeze & termination

**Enhanced
Defined
Contribution**

- DC consulting for transitions from DB to DC
- Auto options already in play
- Expanded education & guidance capabilities

Longer Term

- DB(k)
- Work Secure
- Retire Secure

**Accelerated deposit
growth accelerates
earnings growth**



GROWTH AT WORK:

Proven “Autopilot” Features to Capitalize on Participant Preferences

69% of workers favor
auto enrollment

65% of workers favor
auto increase

73% of workers are
interested in Lifecycle
funds

75%

Of workers prefer to have
someone else manage
their money for them

The Principal has offered auto
features for several years



GROWTH AT WORK:
Our Unique Worksite Approach

What it IS:

- Financial solutions for the “rest of us”
 - Needs analysis
 - Personalized guidance
 - Simplified enrollment
- Planning resources
- Local service

What it IS NOT:

- Product pushing by commissioned sales people
- High net worth only

GROWTH AT WORK:

Total Retirement Solutions Provider

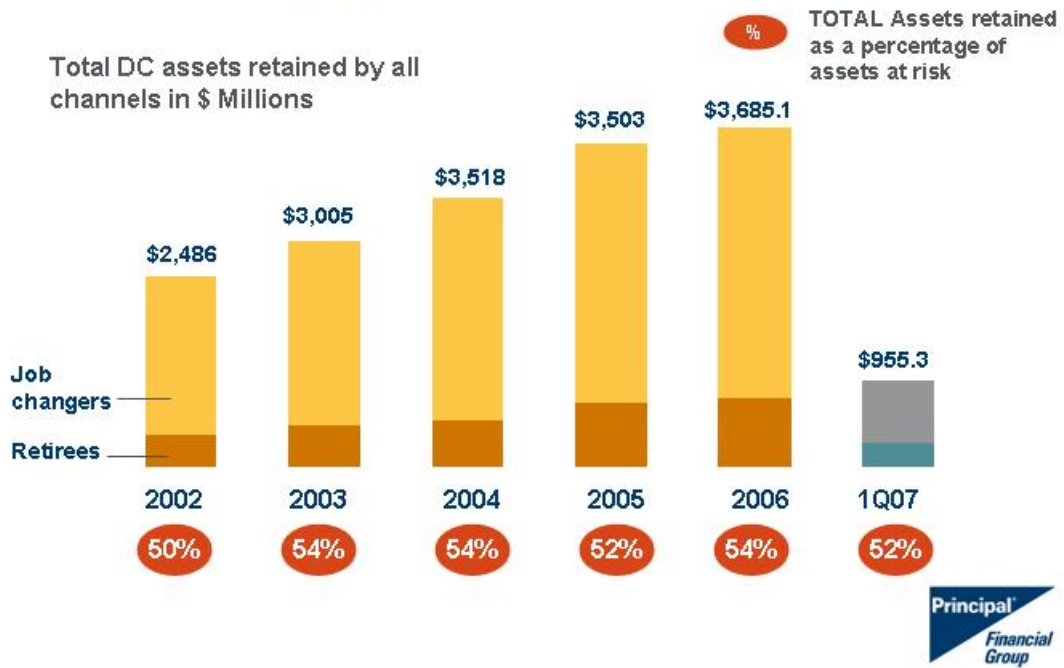
- Comprehensive retirement plan consulting and administration for all plan designs, including DB, DC, ESOP, and NQ
- Benefits to Employers
 - **Best-in-class DC products**
 - **Principal Connection to assist employees**
 - **Simplifies participant data management**
 - **Expanded resources to help plan sponsors meet their fiduciary obligations**
- Speeds service to employer and employee
- Efficiency and time savings



GROWTH AT WORK:
Evolution of Income Management



GROWTH AT WORK:
Strongly focused on retention



GROWTH AT WORK: Well-positioned for Global Growth



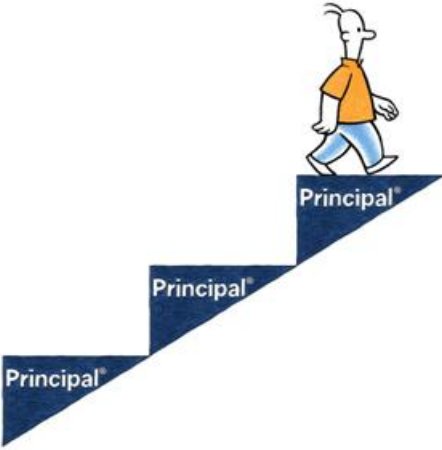
Where We Look for Future Growth

- **Grow asset accumulation business**
 - Total retirement solutions
 - Worksite
 - Pension Protection Act (PPA)
- **Grow asset management business**
 - Third party mandates
- **International growth**
 - Asian hemisphere
 - Retirement focus
- **Life & Health very important**
 - Supplement retirement businesses
 - Benefits/protection

The Principal®:
Summary

- **Unique financial services organization**
- **Special expertise in serving SMB**
- **Leadership position in U.S. retirement services**
- **Expanding into select international markets**
- **Broad competencies to capture the future retiree market**
- **Strong capital position**

Financial Highlights



Strategic Recap

- Grow Earnings
- Manage Capital
- Control Risk
- Increase Shareholder Value

Product Scope Enhances Earnings Diversity, Increases Growth Potential

Revenue Basis	Product	SMB				
		Employer	Employee	Retail	Institutional	
Fee	Defined Cont - Variable					Retirement Services
	Defined Benefit					
	Mutual Funds					
	Ind Ann - Variable					
	Bank					Life and Health
	Asset Management					
	Fee for Service					
	Asset Securitization					
Spread	Defined Cont - Guar					Investment Mgmt
	Funding Agreements(MTN)					
	Defined Benefit - Payout					
	Ind Ann - Fixed					Investment Mgmt
	Asset Securitization					
	Cash Value/Life					
Risk	Life					Investment Mgmt
	Medical					
	Dental/Vision					
	Disability					



Principal Financial Group
(by Segment and Net Income)
Strong Growth in Earnings

For twelve months ended (dollars in millions)	12/31/04	12/31/05	12/31/06
U.S. Asset Management & Accumulation	\$499.0	\$538.4	\$645.1
Int'l Asset Management & Accumulation	40.3	71.0	71.8
Life & Health Insurance	256.2	274.4	282.5
Mortgage Banking	(10.3)	---	---
Corporate & Other	<u>(20.4)</u>	<u>(21.4)</u>	<u>(27.3)</u>
Operating Earnings⁽¹⁾	\$764.8	\$862.4	\$972.1
Net realized/unrealized cap gains(losses)	(62.3)	(20.6)	18.0
Other after-tax adjustments ⁽²⁾	<u>123.1</u>	<u>59.5</u>	<u>41.2</u>
Net Income Available to Common Stockholders	\$825.6	\$901.3	\$1,031.3

(1) Defined as net income before net realized capital gains and other after-tax adjustments.

(2) Includes income(loss) from discontinued operations, estimated gain on disposal of discontinued operations, change in estimated loss on disposal of discontinued operations, changes in reserves established for IRS audit issues, the effect of a favorable court ruling on a contested IRS issue and contribution to Principal Foundation.



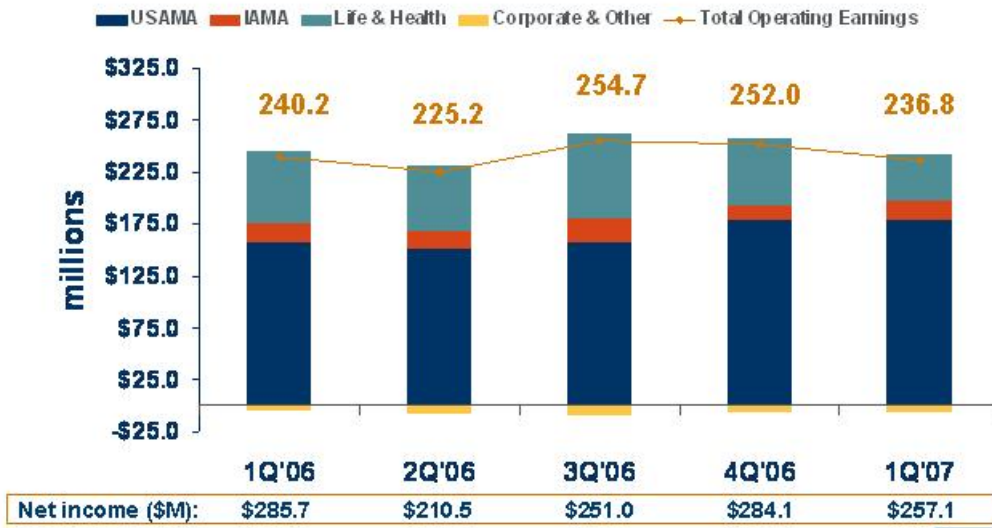
Principal Financial Group
Operating Earnings
 (by Segment and Net Income)

For three months ended (dollars in millions)	3/31/06	3/31/07	'06 to '07 Change
U.S. Asset Management & Accumulation	\$157.8	\$178.4	13.1%
Int'l Asset Management & Accumulation	17.6	19.3	9.7%
Life & Health Insurance	70.4	45.5	(35.4)%
Corporate & Other	(5.6)	(6.4)	N/A
Operating Earnings ⁽¹⁾	\$240.2	\$236.8	(1.4)%
Net realized/unrealized cap gains(losses)	24.9	20.3	N/A
Other after-tax adjustments	20.6 ⁽²⁾	---	N/A
Net Income	\$285.7	\$257.1	(10.0)%

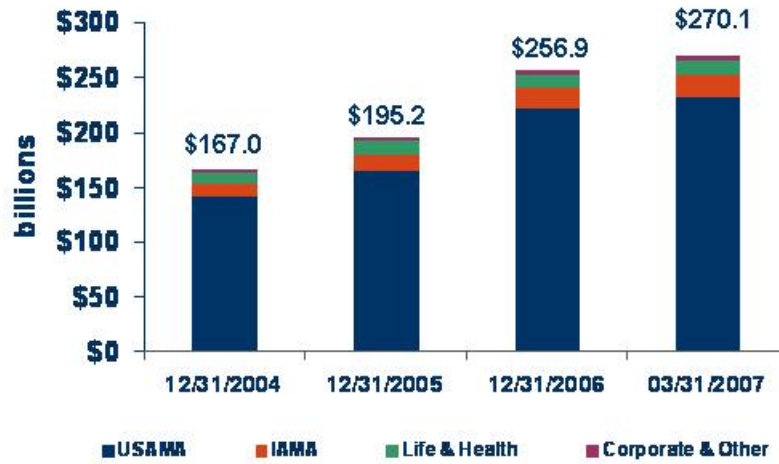
(1) Defined as net income before net realized capital gains and other after-tax adjustments.
 (2) Includes the effect of a favorable court ruling on a contested IRS issue.



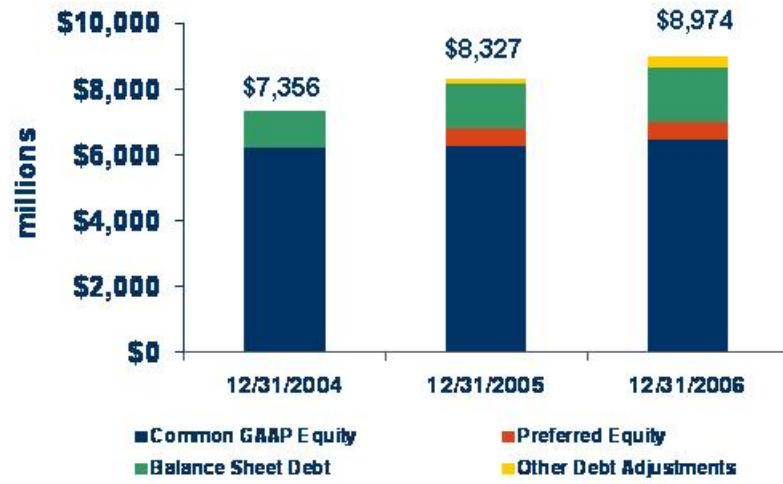
Principal Financial Group
Operating Earnings
 by Segment



Principal Financial Group
Assets Under Management
by Source

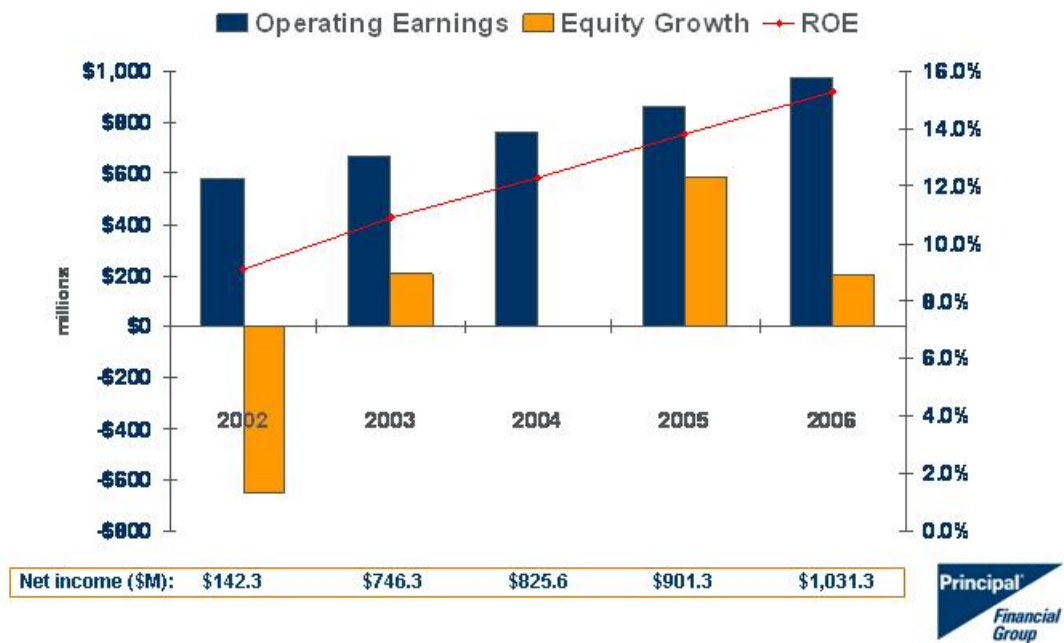


Principal Financial Group
Total Capital



Principal Financial Group

Operating Earnings and Equity Growth



Principal Financial Group
Actual Return on Average Equity ⁽¹⁾
 x-OCI ⁽²⁾ Trailing Twelve Months 3/31/07

Operating Segment	Operating Earnings	Average Equity	Return on Average Equity
USAMA	\$665.7	\$3,411.2	19.5%
IAMA	\$73.5	\$966.0	7.6%
Life & Health	\$257.6	\$2,195.7	11.7%
Corporate & Other	\$(28.1)	\$(30.5)	N/M
Total Principal Financial Group	\$968.7	\$6,542.4	14.8%

(1) equity available to common stockholders
 (2) x-OCI: excluding other comprehensive income



Principal Financial Group
Strong Financial Performance

	'01	'02	'03	'04	'05	'06	CAGR ('01-'06)
Operating Earnings ⁽¹⁾ (\$M)	\$577	\$579	\$668	\$765	\$862	\$972	11%
Net Income (\$M)	\$359	\$142	\$746	\$826	\$901	\$1,031	23%
Avg. # Diluted Shares (M)	362	351	327	315	290	276	-5%
Diluted EPS	\$1.59	\$1.65	\$2.04	\$2.43	\$2.97	\$3.53	17%
ROE ⁽²⁾	8.9%	9.1%	10.9%	12.3%	13.8%	15.3%	+640 bps change
Dividends	N/A	\$0.25	\$0.45	\$0.55	\$0.65	\$0.80	34%
Debt to Capital ⁽³⁾	22.1%	24.0%	22.8%	15.3%	19.9%	23.4%	N/A
Share Price	\$24.00	\$30.13	\$33.07	\$40.94	\$47.43	\$58.70	20%

(1) Excludes BT Financial Group & Principal Residential Mortgage

(2) ROE based on trailing 12 month period

(3) Preferred issuance treated as 75% equity

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Principal Life Insurance Company

Summary Financial Information

(US\$mm)	Twelve Months Ended December 31,		Three Months Ended March 31,	
	2005	2006	2006	2007
Operating Revenue⁽¹⁾	\$8,361	\$9,051	\$2,176	\$2,366
Total Revenue⁽²⁾	\$8,330	\$9,081	\$2,224	\$2,400
Operating Earnings⁽³⁾	\$808	\$929	\$230	\$224
Net Income⁽²⁾	\$832	\$978	\$275	\$241
Total Assets⁽²⁾	\$119,999	\$134,452	\$124,458	\$137,412
Total Equity x OCI⁽⁴⁾	\$6,228	\$6,189	\$6,088	\$6,447
Surplus & AVR⁽⁵⁾	\$4,311	\$4,344	\$4,118	\$4,591

(1) Defined as total GAAP revenues excluding operating revenues from discontinued real estate and excluding net realized capital gains and related fee adjustments. (2) Presented on a GAAP basis. (3) Defined as net income before net realized capital gains and other after-tax adjustments. (4) Equity excluding accumulated other comprehensive income (loss). (5) Presented on a statutory basis.



Principal Life Insurance Company

Financial Strength Ratings

S&P	"AA", Very Strong (3rd highest of 21 levels)
Moody's	"Aa2", Excellent (3rd highest of 21 levels)
A.M. Best	"A+", Superior (2nd highest of 16 levels)
Fitch	"AA", Very Strong (3rd highest of 21 levels)

Note: All ratings have stable outlooks.



Principal Financial Group

Key Financial Targets

	2005 Actual	2006 Actual
Operating Earnings Per Diluted Share	\$2.97	\$3.53
Average Annual Growth 11-13%	22%	19%
Operating Return on Average Equity	13.8%	15.3%
Average Annual Growth +0.5%/yr	+1.5%	+1.5%
Debt/Capital - Moody's <25%	20%	23%
Liquidity - S&P >260%	360%	373%*

*estimated based on prior year model

Principal Life Insurance Company
Key Financial Targets

	2005 Actual	2006 Actual
Capital Ratio - S&P >165%	270%	220%*
Liquidity - S&P >260%	360%	373%*
GIC/FA Exposure – Moody's <35%	33%	32%

*estimated based on prior year's model

Risk Management at The Principal®



Strategic Recap

- Risk aware and risk astute culture
- Diligent and disciplined ERM tied to strategy; influences decision making
- Established risk tolerance guidelines
- Tools, processes to identify, assess, measure, monitor, and manage risk
- Prepare for the unexpected
- ERM continuously evolving to reflect new/different risks, modeling tools, metrics, etc.

Risk Management

Established Risk Tolerance Guidelines

- **Overall Enterprise Tolerance Guidelines:**

- Adequate capital and performance to maintain at least AA financial strength rating
- Adequate economic capital to meet obligations and protect shareholder value within a 99.5% confidence interval
- ROE \geq 15%
- Liquidity ratios meet defined rating agency and internal thresholds
- Debt/capital < 25%
- Coverage ratios exceed defined thresholds
- Economic Value Added (EVA) exceeds Cost of Capital
- Preliminary Earnings at Risk (EaR), Embedded Value at Risk (EVaR) metrics

- **Business Units have Specific Guidelines:**

- Asset liability duration mismatch tolerances
- Loss ratios within certain defined bands
- Liquidity ratios meet defined thresholds



Organizational Structure

- **Federated Model**
 - Board and senior management accountability for risk management
 - Chief Risk Officer – independent oversight, integration, coordination, consolidation
 - ~ Authority and influence
 - ~ Oversight coordinated with Business Risk Consulting, Financial Reporting
 - Business units – responsible for own risk management with an enterprise-wide view
- **Continuous and regular flows of information**
- **Continual risk management learning mode**
 - Many cross organizational groups (strategic, financial, IT, actuarial, investment, planning)
 - Risk Management Working Group
- **Good infrastructure and knowledgeable staff**

Risk Management

Tools and processes to assess, monitor, and manage risk

- Defined standards/guidelines/policies (Financial, Actuarial, IT, Privacy, Security and Safety, Underwriting, Investment, Pricing, Product Development, etc.)
- Corporate Code of Ethics
- Defined units, metrics, thresholds
- Actuarial Quality Reviews, Financial Reviews, and Internal Audits, certifications
- Oversight Committees
- Look-back analyses
- Modeling at business unit level and corporate (consolidation)
- Required tail/stress testing
- Required documentation, peer review
- Business Continuity Planning and Testing/Disaster Recovery Testing
- Use of reinsurance, insurance programs (pure risk)

Recent Performance and Current Activities & Opportunities

- Documented risk management philosophy and inventory of risks
- MG - ALFA modeling
- 10-year financial forecasts
- 5-quarter rolling financial forecasts
- Other regular reporting – dynamic liquidity analysis, credit exposure, counterparty exposure, reinsurer exposure, immunization reports, expense reports, etc.
- Capital optimization
- EaR to define hedging strategy
- Credit risk modeling (General Account)
- Regular updates of Business Continuity Planning Program/Disaster Recovery Plan (*pandemic, scenario analyses around interest rates, longevity, tax law change, reinsurance, other*)
- Economic capital, EaR, EVaR
- Operational risk data base
- Derivatives risk modeling and analytics

Broad Categories of Risks

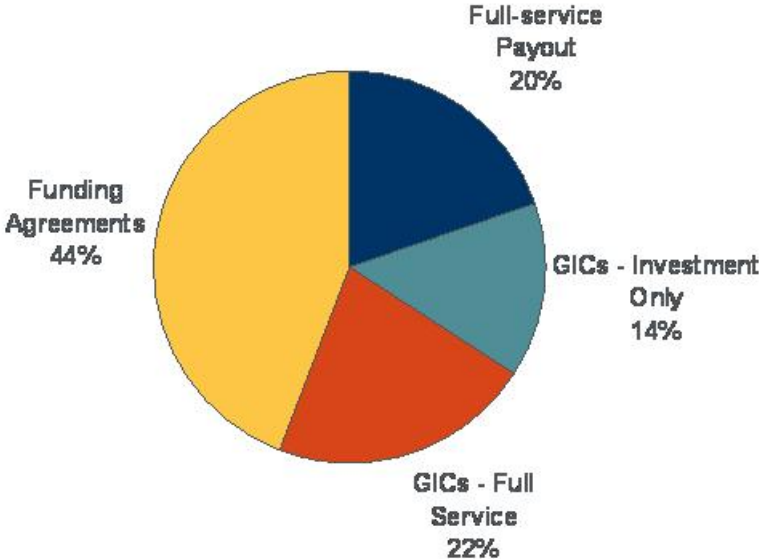
at the Principal Financial Group

Insurance/Actuarial	Asset/Liability Matching (ALM)	Legal/Regulatory
Mortality	Mismatch Risk	Lawsuits
Morbidity	Reinvestment Risk	Compliance
Other Assumptions		
Pricing Errors		
	Operational	Investment
	Technology	Credit
	Processing	Counterparty
	Administration	Derivatives
	Business Continuity	
	Reputation	HR
	Analysts, Investors	Employee Retention
	Regulators	Morale
	Rating Agencies	
	Customers	Property/Equipment
		Home Office buildings, furniture
		Aircraft
		Computers



Principal Financial Group
Non-Par Pension Business Liabilities

As of March 31, 2007



Non-Par Pension Business Risk Management

Interest Rate Risk

- **Tools used**
 - Duration matching
 - Key rate duration matching
 - Daily hedging
 - Scenario analysis
- **Disciplined to stay within mismatch allowances**
 - 0.25 year duration
 - 0.10 year key rate
- **Employ various methods to correct duration mismatches**
 - Sell assets
 - Change duration targets for new investments
 - Use derivatives

Non-Par Pension Business Risk Management

Liquidity Risk

- **Monitoring and forecasting processes in place at both business unit and overall corporate level**
- **Analysis performed quarterly**
- **We carefully watch external measures**
 - S&P liquidity model, internal target 360%
 - Moody's liquidity model, internal target 1.5 to 2.0
 - A.M. Best (new liquidity model)
- **Internal measure called Dynamic Staging Analysis**
 - Internal projection for liquid liabilities and assets over a 15 month time frame

Summary

- The Principal Financial Group is risk aware, risk astute, committed to and diligent about risk management
- We are in the risk business and willing to take risks – on an informed basis

Investment Portfolio Overview*



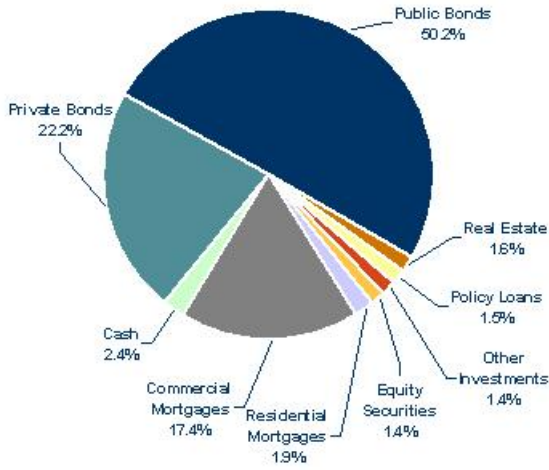
*All data in this section of the presentation excludes assets that are not part of Principal Life Insurance Company consolidated cash and invested assets.

Investment Philosophy and Strategy

- Active Asset/Liability Management and Strategy
- Optimize Risk Adjusted Yields and Returns
- Maintain Quality Well-Diversified Portfolio

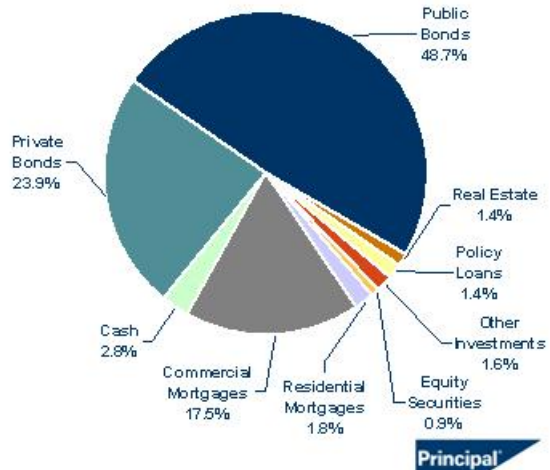
Principal Life Insurance Company
Cash and Invested Assets
 GAAP Basis

March 31, 2006



\$55.9 Billion

March 31, 2007



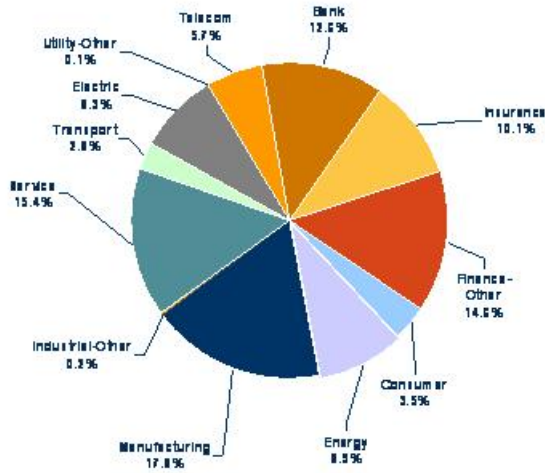
\$59.3 Billion



Principal Life Insurance Company
U.S. Invested Assets
Corporate Fixed Maturities Portfolio

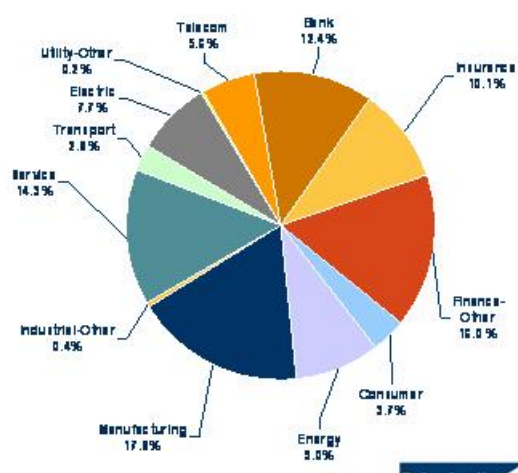
by Salomon Industry (GAAP Basis)

March 31, 2006



\$29.5 billion

March 31, 2007

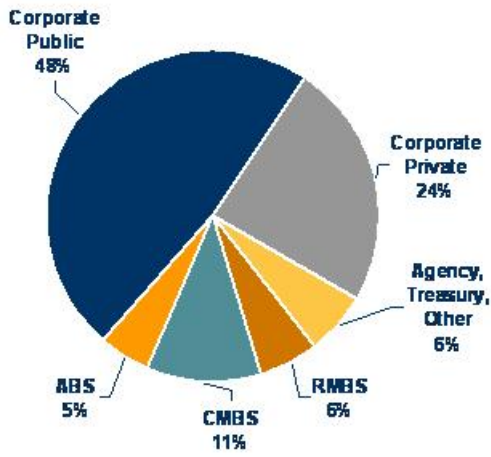


\$30.6 billion



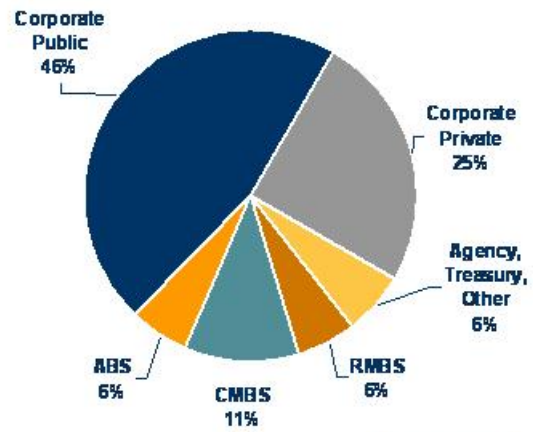
Principal Life Insurance Company
U.S. Fixed Maturities Composition
 by Asset Type (GAAP Basis)

March 31, 2006



\$40.5 billion

March 31, 2007

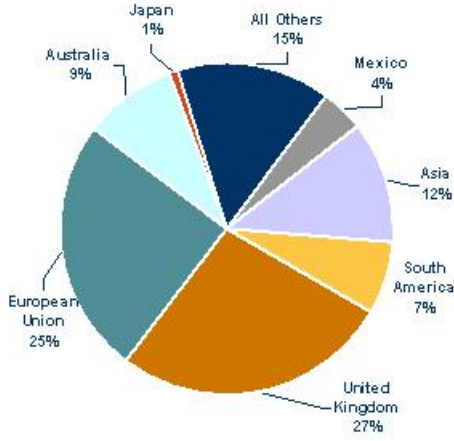


\$43.0 billion



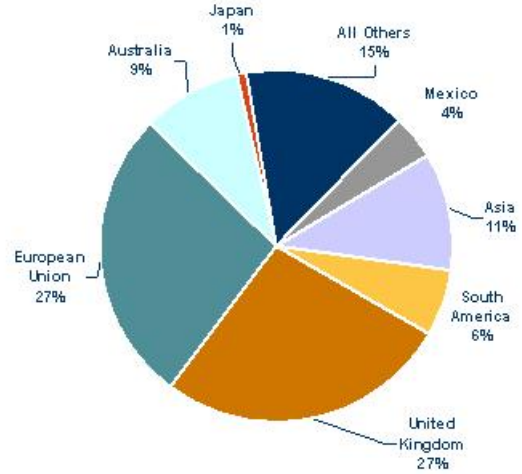
Principal Life Insurance Company
U.S. Invested Assets
Fixed Maturities Portfolio Composition
 by Foreign Area (GAAP Basis)

March 31, 2006



Foreign Fixed Maturities =
 US\$7.7 Billion

March 31, 2007



Foreign Fixed Maturities =
 US\$9.2 Billion

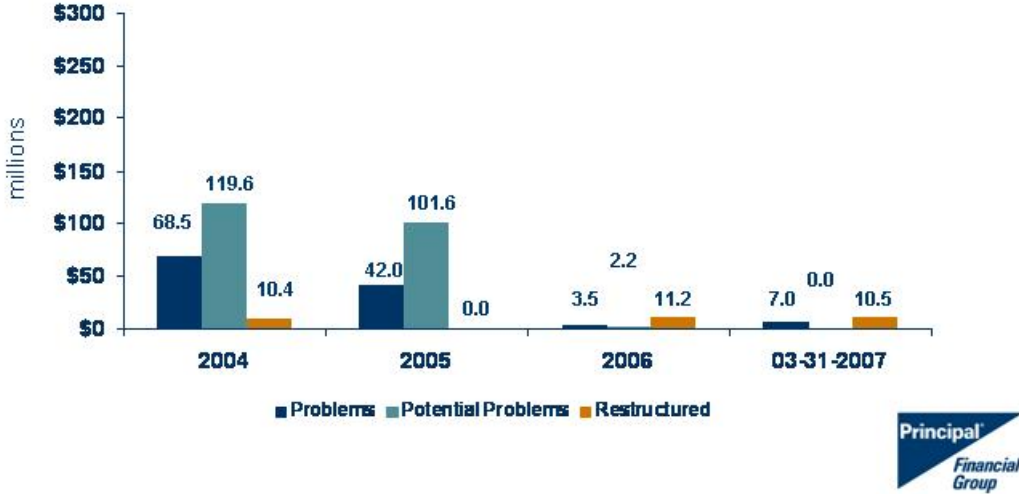


Principal Life Insurance Company
U.S. Invested Assets
Fixed Income Securities Portfolio
 GAAP Carrying Value

% of Fixed Income Securities Portfolio				
NAIC Class	2004	2005	2006	03-31-2007
1	53.5%	55.8%	57.1%	56.7%
2	40.8	38.8	38.2	38.8
3	4.3	4.5	3.9	3.9
4	0.9	0.7	0.7	0.6
5	0.1	0.0	0.1	0.0
6	0.4	0.2	0.0	0.0
	100.0%	100.0%	100.0%	100.0%
Total	\$39,204	\$40,054	\$42,367	\$43,048
Investment Grade Total (Classes 1 & 2)	94.3%	94.6%	95.3%	95.5%
BIG as % of Total Fixed Income Securities Portfolio	5.7%	5.4%	4.7%	4.5%
BIG as % of Total U.S. Invested Assets	4.1%	4.0%	3.5%	3.4%



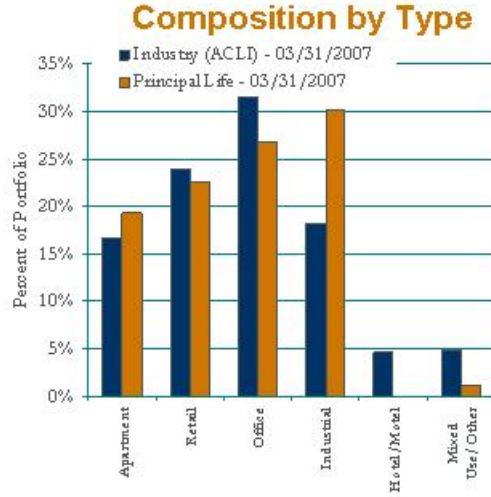
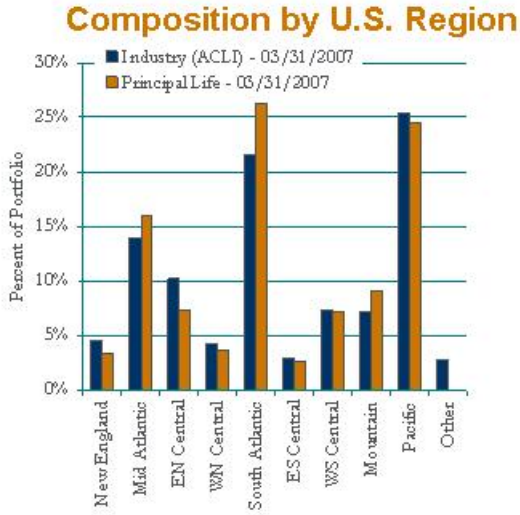
Principal Life Insurance Company
Fixed Income Securities Portfolio
Problems, Potential Problems, and Restructured
GAAP Basis



Impairment Review Process

- Monthly review of all exposures on watch list
- Rigorous analysis on all exposures trading materially below par
- Determination made if the credit is temporary or permanent impairment based on fundamental credit analysis

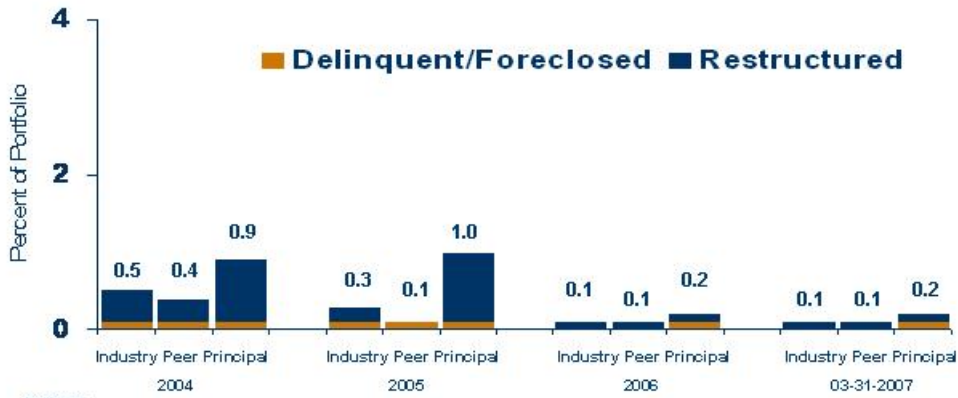
Principal Life Insurance Company
Commercial Mortgage Loan Portfolio
 March 31, 2007 (Statutory Basis)



Mortgage Loans = U.S.\$9.0 Billion Number of Loans Outstanding = 1,013
Average Loan Size = U.S.\$8.9 Million



Principal Life Insurance Company
Commercial Mortgage Portfolio
Restructured & Delinquent/Foreclosed Loan Ratio
 Compared to Industry Average (Statutory Basis)



NOTES:

1. Delinquency and foreclosure ratio is defined as mortgages 60 or more days delinquent, in the process of foreclosure, and foreclosed/deeded during the year, as a percentage of the commercial mortgage portfolio balance.
2. A restructured loan is a loan in good standing for which basic terms, such as interest rate, maturity date, collateral or guaranty, have been restructured as a result of actual or anticipated delinquency. Only loans restructured on or after January 1, 1996 are included in these ratios.
3. Peer group represents life insurance companies reporting to the ACLI with mortgage portfolios over \$5 billion.



Loan Reserve/Loss Process

- Monthly meeting to review entire watchlist, including an analysis of loan-to-value.
- Rigorous review of all loans deemed most at risk.
- Determination is made if a loss is probable. If loss is probable, a reserve is established.

Investment Portfolio Summary

- Active asset/liability management
- Broadly diversified portfolio across asset class, credit, industry and geographic location
- Predominantly high quality portfolio

Investment Portfolio
2007 Focus

- Enhancing diversification
- Active management of the portfolio
- Maintaining quality of the portfolio

Investment Philosophy and Strategy

- Active Asset/Liability Management and Strategy
- Optimize Risk Adjusted Yields and Returns
- Maintain Quality Well Diversified Portfolio

Principal Global Investors

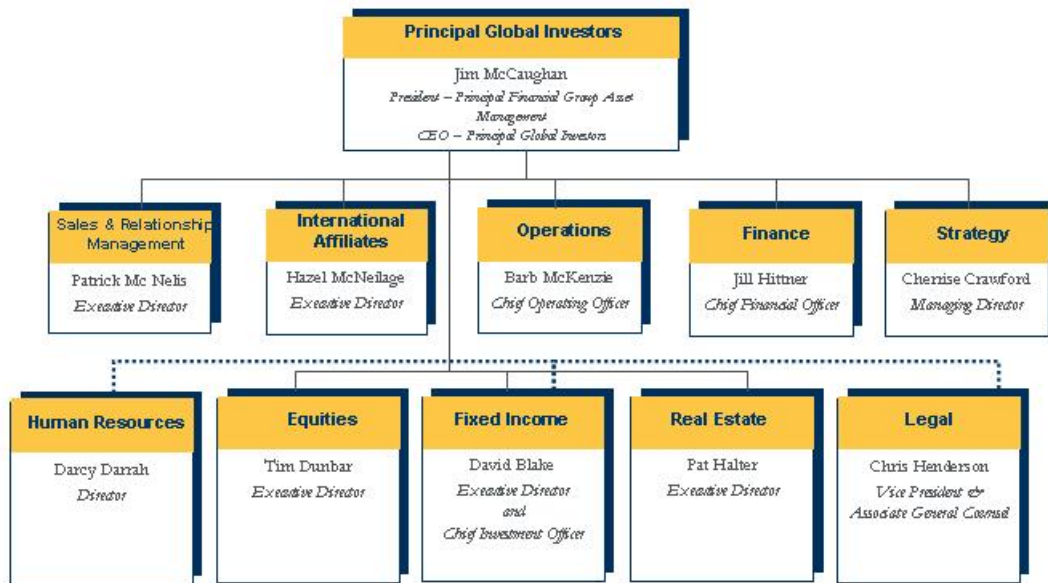


Strategic Recap

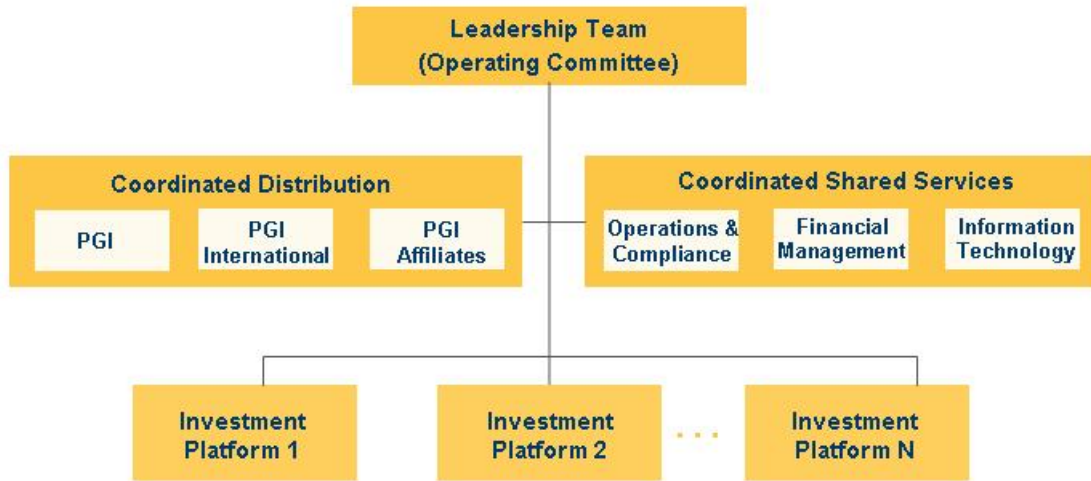
- **Grow a World-Class Global Asset Management Platform**
 - an attractive high growth, high-multiple business
 - strategic complement to Principal Financial Group world-class asset accumulation business
- **Provide competitive investment returns**
 - equities, fixed income and real estate
 - through organic growth and strategic acquisitions
- **Continue to grow third-party institutional mandates**
- **Manage Principal Financial Group Full Service Accumulation retirement assets**
- **Compete successfully through multi-boutique business model**
 - allow investment professionals to focus on performance
 - enjoy benefits of scale through shared support functions across asset classes



Organizational Structure



A Multi-Boutique Firm

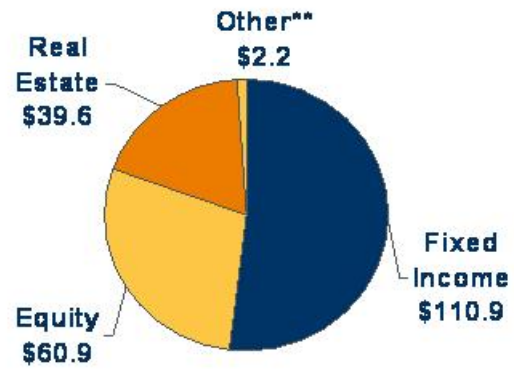


Principal Global Investors*

Assets Under Management

As of March, 31 2007
\$ in Billions

- A diversified global asset management organization
- \$213.6 billion in assets under management as of 3/31/07
- Broad range of capabilities, tailored to client objectives
- Global reach and clarity of purpose



*Principal Global Investors represents the asset management operations of the Principal Financial Group. Please refer to slide titled "Asset Management Affiliates" for more details.
**Cash and accrued income



Recent Performance

Non-financial

- Non-affiliated assets under management have grown by \$29 billion over the last two years (3/31/05 through 3/31/07)
- Principal Global Investors is the 38th largest institutional asset manager ⁽¹⁾
- Principal Global Investors is
 - 3rd largest manager of mortgages (whole loans) ⁽²⁾
 - 6th largest manager of core-plus bond strategies ⁽²⁾
 - 12th largest manager of real estate equity ⁽²⁾
 - 17th largest manager of REITS ⁽²⁾
- Retention of institutional clients has been above 99% for both 2005 and 2006
- Ratings and rankings by both direct customer surveys and through industry benchmarking show Principal Global Investors as comparing well with other asset managers

(1) "2007 Money Managers Directory," *PENSIONS & INVESTMENTS*, May 28, 2007. Out of 784 managers profiled, ranking is based on worldwide institutional assets under management as of 12/31/06.

(2) "2007 Money Managers Directory," *PENSIONS & INVESTMENTS*, May 28, 2007. Out of 784 managers profiled, ranking is based on U.S. institutional, tax exempt assets managed internally as of 12/31/06.

Recent Performance

Financial

- **Operating earnings for 2006 of \$102.5 million (CAGR of 23% since 2001)**
- **Pre-tax profit margin of 32.2%**
 - has grown steadily over the last several years
 - single most important metric for asset managers
 - compares favorably with asset management peers
- **Direct expenses (excluding acquisition related expenses) of 18bp of average assets under management is very much in line with peer companies**
- **Asset management tends to have very high scale benefits as assets and revenue can grow materially more rapidly than expenses**
- **This is true with respect to both investment professionals and operations area**

Other Issues

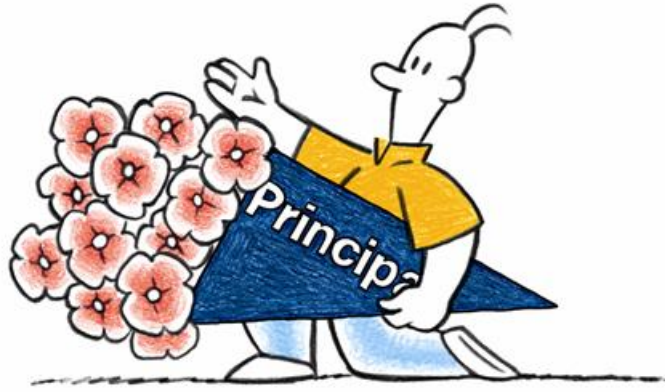
- **Actively search out growth opportunities through acquisition**
 - Tremendous success with our past acquisitions of Post, Spectrum, Columbus Circle and now Edge
 - Add to range of product offerings including absolute return alternatives and international fixed income capabilities
- **Highly successful transition of our mortgage securitization business to the joint venture with US Bank**
 - Significantly reduces risk to Principal Financial Group and provides more efficient use of corporate capital
 - Transforms business into much more of a fee business while still allowing PrinREI to leverage its expertise in areas of origination, underwriting, warehousing, pooling and securitizing mortgage loans
 - Relationship with USB expands our commercial real estate footprint throughout the country, resulting in more relationships and sourcing opportunities in both our debt and equity side of the fee operations

Asset Management Affiliates

Principal Global Investors is the asset management arm of the Principal Financial Group® (The Principal®). This includes the asset management operations of the following members of The Principal:

- **Principal Global Investors, LLC**
- **Principal Real Estate Investors, LLC**
- **Columbus Circle Investors**
- **Post Advisory Group, LLC**
- **Spectrum Asset Management, Inc.**
- **Principal Global Investors (Europe) Limited**
- **Principal Global Investors (Singapore) Ltd.**
- **Principal Global Investors (Australia) Ltd.**
- **Edge Asset Management, Inc.**
- **Principal International, Inc., its majority-owned affiliates**

Thank you



Appendix



Non-GAAP Financial Measures for Principal Financial Group, Inc.

Principal Financial Group, Inc.											
Non-GAAP Financial Measures											
(in millions, except as indicated)											
	Twelve Months Ended						Three Months Ended				
	31-Dec-01	31-Dec-02	31-Dec-03	31-Dec-04	31-Dec-05	31-Dec-06	31-Mar-06	30-Jun-06	30-Sep-06	31-Dec-06	31-Mar-07
Operating Earnings:											
USAMA	\$ 349.1	\$ 360.7	\$ 422.6	\$ 499.0	\$ 538.4	\$ 645.1	\$ 157.8	\$ 151.2	\$ 157.4	\$ 178.7	\$ 178.4
RAMA	2.5	19.2	34.5	40.3	71.0	71.8	17.6	16.1	23.2	14.9	19.3
Life and Health	201.2	233.1	241.2	256.2	274.4	282.5	70.4	65.2	82.0	64.9	45.5
Mortgage Banking	(14.1)	(16.7)	(18.1)	(10.3)	-	-	-	-	-	-	-
Corporate and Other	38.0	(17.0)	(12.9)	(20.4)	(21.9)	(27.3)	(6.6)	(7.3)	(7.9)	(6.5)	(6.4)
Total operating earnings	576.8	579.3	667.7	764.8	862.4	972.1	240.2	225.2	254.7	252.0	236.8
Net realized/unrealized capital gains (losses)	(206.6)	(247.3)	(49.3)	(62.3)	(20.6)	18.0	24.9	(12.9)	(3.7)	9.7	20.3
Other after-tax adjustments	88.6	(189.7)	127.9	123.1	59.5	41.2	20.6	(1.8)	-	22.4	-
Net Income Available to Common Stockholders	\$ 358.8	\$ 142.3	\$ 746.3	\$ 825.6	\$ 901.3	\$ 1,031.3	\$ 285.7	\$ 210.5	\$ 251.0	\$ 284.1	\$ 257.1



Non-GAAP Financial Measures for Principal Financial Group, Inc.

<i>Principal Financial Group, Inc.</i>							
Non-GAAP Financial Measures							
(in millions, except as indicated)							
	Twelve Months Ended:						Three Months
	31-Dec-01	31-Dec-02	31-Dec-03	31-Dec-04	31-Dec-05	31-Dec-06	31-Mar-07
Operating Earnings ROE (x-OCI)							
US AMA	16.9%	17.6%	19.2%	20.3%	20.4%	19.7%	19.5%
IAMA	0.1%	1.5%	4.6%	4.8%	8.1%	7.8%	7.6%
Life and Health	11.6%	13.7%	13.4%	13.3%	12.7%	12.9%	11.7%
Mortgage Banking	-3.7%	-3.8%	-3.8%	-4.4%	0.0%	0.0%	0.0%
Corporate and Other	10.0%	-2.0%	-1.4%	-2.7%	-3.7%	135.4%	92.4%
Total operating earnings ROE (x-OCI)	8.9%	9.1%	10.9%	12.3%	13.8%	15.3%	14.8%
Net realized/unrealized capital gains (losses)	-4.7%	-3.9%	-0.8%	-1.0%	-0.3%	0.3%	0.2%
Other after-tax adjustments	1.3%	-3.0%	2.1%	2.0%	0.9%	0.6%	0.3%
Net income ROE Available to Common Stockholders (x-OCI)	5.5%	2.2%	12.2%	13.3%	14.4%	16.2%	15.3%
Net unrealized capital gains (losses)	-0.2%	-0.2%	-1.8%	-2.4%	-2.3%	-2.2%	-1.7%
Foreign currency translation	0.2%	0.1%	0.2%	0.1%	0.1%	0.1%	0.1%
Net unrecognized post-retirement benefit obligations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Minimum pension liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Income ROE Available to Common Stockholders (including OCI)	5.5%	2.1%	10.6%	11.0%	12.2%	14.1%	13.7%



Non-GAAP Financial Measures for Principal Financial Group, Inc.

<i>Principal Financial Group, Inc.</i> Non-GAAP Financial Measures (in millions, except as indicated)					
	Twelve Months Ended:			Three Months Ended	
	31-Dec-04	31-Dec-05	31-Dec-06	31-Mar-06	31-Mar-07
Stockholders' Equity x OCI Available to Common Stockholders					
USAMA	\$ 2,576.8	\$ 2,693.5	\$ 3,868.4	\$ 2,924.6	\$3,897.8
IAMA	867.0	892.7	956.5	898.8	1,033.1
Life and Health	2,030.2	2,282.5	2,089.1	2,280.4	2,111.0
Corporate and Other	757.0	401.7	(442.1)	313.6	(374.6)
Total stockholders' equity x OCI available to common stockholders	6,231.0	6,270.4	6,471.9	6,417.4	6,667.3
Net unrealized capital gains (losses)	1,403.9	1,027.9	859.0	675.1	909.7
Foreign currency translation	(85.3)	(21.6)	(26.6)	(24.3)	(26.0)
Net unrecognized post-retirement benefit obligations			14.5		14.0
Minimum pension liability	(5.3)	(11.5)		(11.5)	
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
Total stockholders' equity available to common stockholders	\$ 7,544.3	\$ 7,807.2	\$ 7,860.8	\$ 7,598.7	\$8,107.0

Non-GAAP Financial Measures for Principal Financial Group, Inc.

<i>Principal Financial Group, Inc.</i>						
Non-GAAP Financial Measures						
(in millions, except as indicated)						
	Twelve Months Ended:					
	31-Dec-01	31-Dec-02	31-Dec-03	31-Dec-04	31-Dec-05	31-Dec-06
Diluted Earnings Per Share Available to Common Stockholders:						
Operating Earnings	\$1.59	\$1.65	\$2.04	\$2.43	\$2.97	\$3.53
Net Unrealized/Realized Capital Gains/(Losses)	(0.85)	(0.70)	(0.15)	(0.20)	(0.06)	0.07
Other after-tax adjustments	0.25	(0.54)	0.39	0.39	0.20	0.14
Net Income Available to Common Stockholders	\$0.99	\$0.41	\$2.28	\$2.62	\$3.11	\$3.74

Non-GAAP Financial Measures for Principal Life Insurance Company

Non-GAAP Financial Measures (in millions)				
	Twelve Months Ended		Three Months Ended	
	31-Dec-05	31-Dec-06	31-Mar-06	31-Mar-07
Net Income:				
Total operating earnings	\$ 808.0	\$ 928.7	\$ 230.4	\$ 223.6
Net realized/unrealized capital gains (losses)	(26.8)	7.7	24.3	17.8
Other after-tax adjustments	50.9	41.2	20.6	—
<i>Net income</i>	\$ 832.1	\$ 977.6	\$ 275.3	\$ 241.4
Total GAAP Revenues:				
Total operating revenues	\$ 8,361.0	\$ 9,050.7	\$ 2,176.0	\$ 2,386.3
Add:				
Net realized/unrealized capital gains (losses) and related fee adjustments	(28.6)	29.9	48.0	33.7
Subtract:				
Operating revenues from discontinued real estate	2.8	(0.5)	0.3	
<i>Total GAAP revenues</i>	\$ 8,339.6	\$ 9,081.1	\$ 2,223.7	\$ 2,400.0
Total Stockholder's Equity:				
Total stockholders' equity x OCI	\$ 6,227.7	\$ 6,188.7	\$ 6,088.4	\$ 6,446.8
Net unrealized capital gains (losses)	873.5	603.6	488.5	633.9
Foreign currency translation	(7.1)	(5.5)	(6.7)	(3.5)
Net unrecognized post-retirement benefit obligation		14.5		14
Minimum pension liability	(11.5)		(11.5)	
<i>Total stockholder's equity</i>	\$ 7,082.6	\$ 6,801.3	\$ 6,588.7	\$ 7,091.2



