

June 18, 2008

# Fixed Income Analyst Conference



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## Forward Looking Statements & Legal Notice

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, 2007 and its Quarterly Report on Form 10-Q for the quarter ended March 31, 2008. 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. 333-147181 and 333-147181-01) 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](http://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 part of 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.

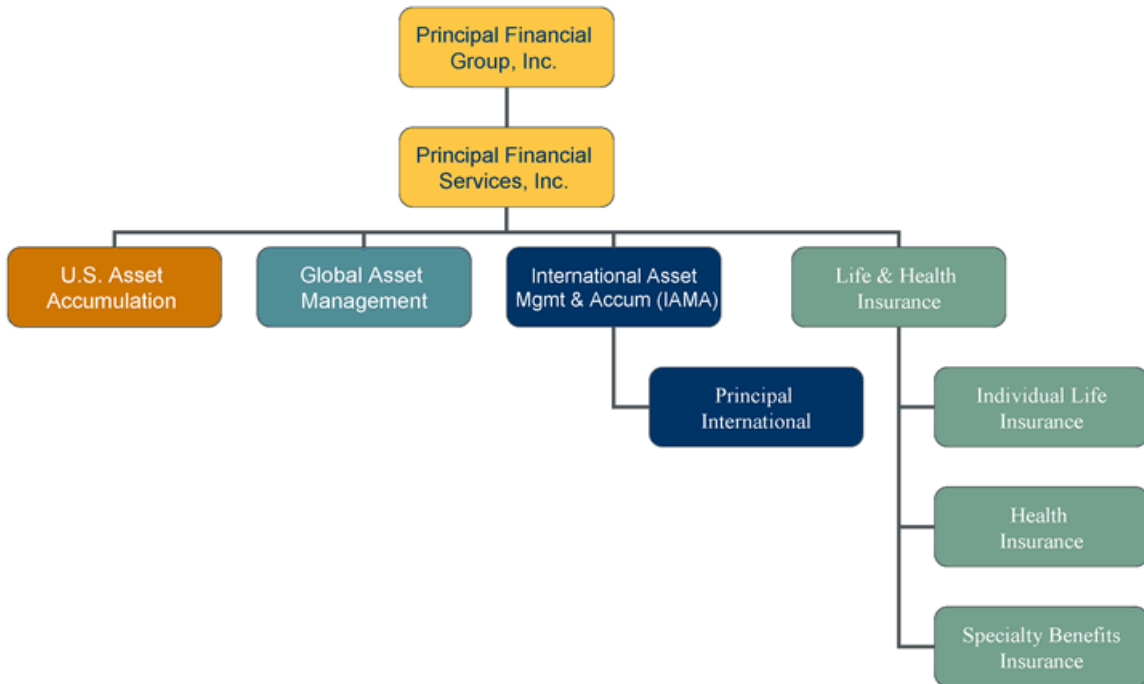
**Principal Financial Group®**  
**Simplified Organizational Structure**



\*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, Inc. guarantees all payment obligations of the funding agreements issued by Principal Life Insurance Company to secure notes issued under the registered MTN program.



Principal Financial Group®  
**Financial Reporting Structure**



# Company Overview



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





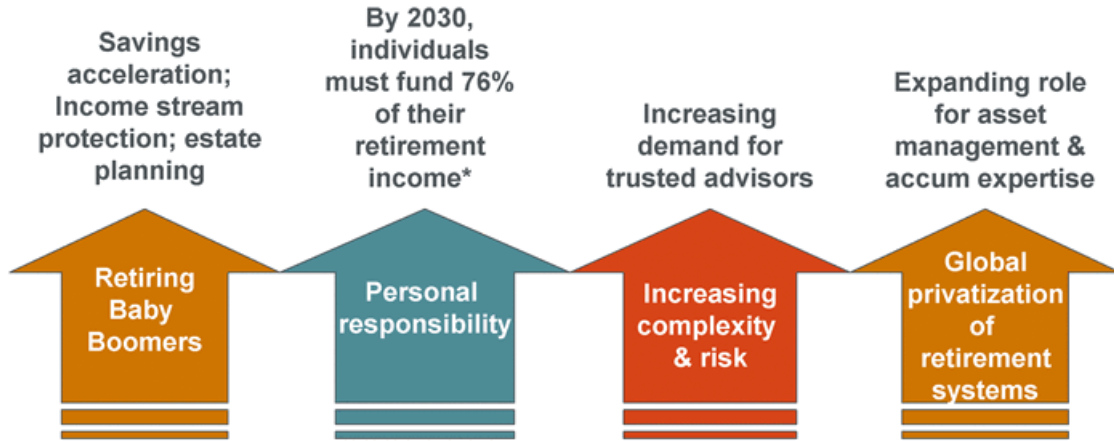
## Sound Growth Strategy

- Deepen **SMB market penetration**
- Deliver **complete retirement solutions** within comprehensive employee benefits package
- Expand **distribution** footprint
- Capitalize on **global asset management expertise**
- Leverage **retirement leadership/expertise** in select **international markets**
- Extend retirement leadership to **capture retail rollover opportunities**
- Maximize **capital structure and usage**

## Key Drivers of Long-Term Growth



# Trends Create Opportunity



\*Source: EBRI and Cerulli Associates(2006)

# Strengths & Strategy to Capitalize on Trends

Principal Financial Group strengths:



## Growth Fueled by Strengths: Retirement Leader Delivers Complete Solutions

- #1 Bundled 401(k) plans <sup>(1)</sup>
- #1 ESOP <sup>(2)</sup>
- #1 NQ-401(k) mirror plans <sup>(3)</sup>
- #1 Defined Benefit <sup>(4)</sup>
- #2 Fully bundled TRO plans <sup>(5)</sup>
- #3 Plan termination annuities <sup>(6)</sup>

In 2007, **61%**  
of our sales, based on  
assets, involved more  
than one type of plan:

- Defined Contribution
- Defined Benefit
- ESOP
- Non-qualified

Growth Fueled by Strengths:  
**Rising Retail Position**

- Substantial added scale
- Intermediary distribution
- Improved combined product suite
- Investment professionals
- Range of lifecycle funds
  - Target date (Lifetime)
  - Risk based (SAM)

**4<sup>th</sup>**  
largest  
manager of  
lifecycle  
funds\*

Growth Fueled by Strengths:  
**Income Management Solutions**



Growth Fueled by Strengths:  
**Proven “Do-It-For-Me” Features  
to Capitalize on Participant Preferences**

**Financial solutions  
for the rest of us**

- Proactive, face-to-face guidance
  - Milestones
  - Complete view of retirement savings in one, easy-to-manage portfolio
  - Personalized action plan
- Autopilot features:
  - Auto enrollment
  - Auto increase
  - Lifecycle funds

**75%**

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



Growth Fueled by Strengths:  
**Worksite Benefits Counseling  
 Improves Plan Economics\***

	With RetireSecure** (as of 03/31/08)	With WorkSecure** (as of 03/31/08)
<b>Close Ratio (by contract)</b>	<b>+39%***</b>	<b>+100%</b>
<b>Participation</b>	<b>+24%</b>	<b>+53%</b>
<b>Avg Deferral rate</b>	<b>+5%</b>	<b>n/a</b>
<b>Average annual premium per participant</b>	<b>n/a</b>	<b>+39%</b>

\* Comparison of 1Q'08 results comparing standard education model versus non-retire secure/non-work secure models.

\*\*One-on-one benefit counseling services for retirement and protection benefits

\*\*\* Comparison of 4Q2007 results comparing standard education model versus non-retire secure/non-work secure models



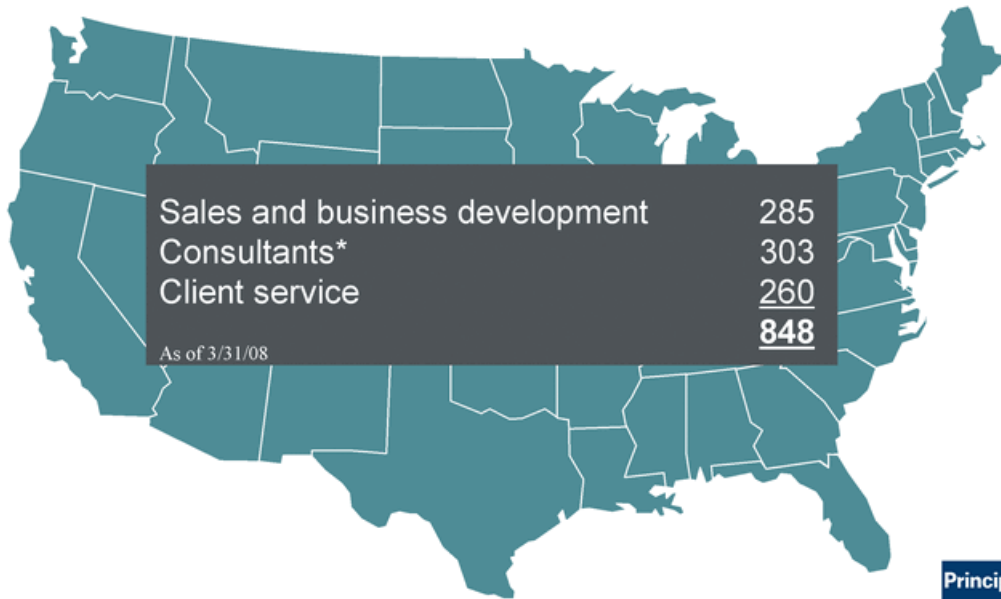
Growth Fueled by Strengths:  
**Expanding Distribution Power**

	2001	2007	CAGR
<b>Alliance sales*</b>	<b>\$0.4 B</b>	<b>\$3.8 B</b>	<b>45%</b>
<b>Total Sales*</b>	<b>\$3.3B</b>	<b>\$9.5B</b>	<b>19%</b>



\* Based on assets

Growth Fueled by Strengths:  
**National Network of Sales,  
Service and Consulting Resources**



19 \*Worksite benefits counselors; education specialists; Total Retirement Suite, ESOP and actuarial consultants; and retention and income management specialists.



Growth Fueled by Strengths:  
**Comprehensive, Needs-Based Solutions**

**“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 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**

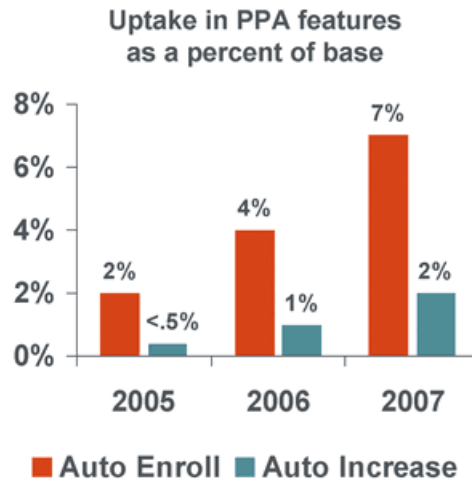


Growth Fueled by Strengths:  
**Broad Offerings to Capitalize on PPA**

**Plan Consulting Cements Employer Relationships  
DC Features Encourage Savings, Accelerate Deposit Growth**

**Our comprehensive suite :**

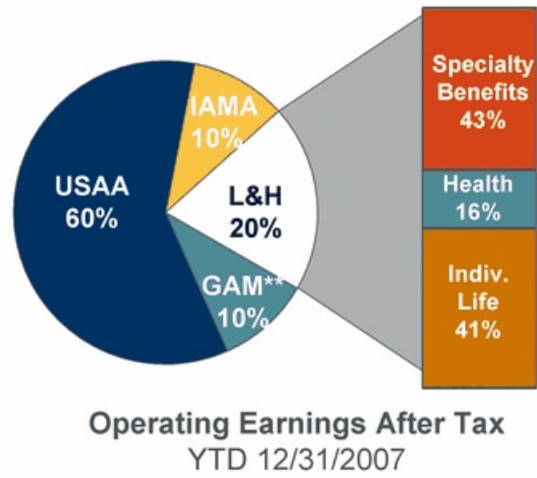
- Auto enrollment and increase options since 2000
- Expanded education & guidance capabilities
- DC consulting for transitions from DB to DC
- DB plan analysis, design, freeze & termination
- DB(k) and other innovations



Growth Fueled by Strengths:  
**SMB Expertise**

Leading Provider\*:

- #7 Life Insurance
- #11 Health Insurance
- #3 Non-medical coverage
  - #5 Dental
  - #3 Group Term Life
  - #4 Short-Term Disability
  - #6 Long-Term Disability



\*Sources: National Underwriter 08/07 and LIMRA International, 03/06; Life ranking based on statutory assets, Health ranking based on premiums earned and Non-medical ranking based on in-force

\*\*Global Asset Management (Principal Global Investors)



## Growth Fueled by Strengths: Top Tier Asset Management

◆ Principal Global Investors **AUM of \$242.4 billion** as of 03/31/08\* ◆

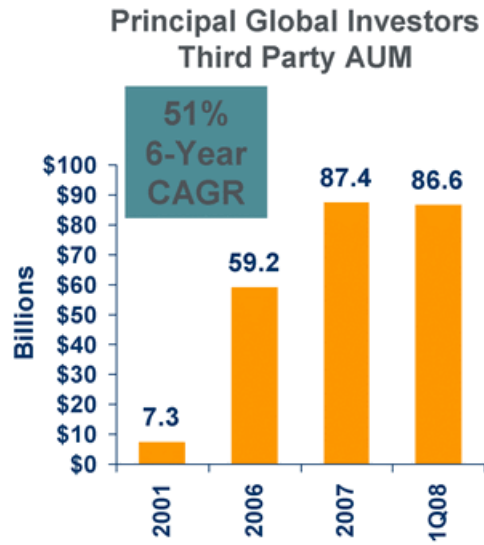
Top Manager Rankings (by assets)	2007	2006	2005	Asset Category	2007 Rank
<b>World ranking</b>	<b>62</b>	71	92	Stable Value	#3
<b>U.S. institutional</b>	<b>24</b>	23	27	U.S. Real Estate	#4
				Fixed Income	#30
				Large Cap Growth	#29
				Emerging Markets	#25
				International/Global	#39

\*Principal Global Investors is the asset management arm of the Principal Financial Group® (The Principal®) and includes the asset management operations of the following subsidiaries of The Principal: Principal Global Investors, LLC; Principal Real Estate Investors, LLC; Spectrum Asset Management, Inc.; Post Advisory Group, LLC; Columbus Circle Investors; Edge Asset Management, Inc.; Morley Financial Services Inc.; Principal Global Investors (Europe) Limited; Principal Global Investors (Singapore) Ltd., Principal Global Investors (Australia) Ltd., Principal Global Investors (Japan) Ltd., and the majority owned affiliates of Principal International. Principal Global Investors, LLC; Principal Real Estate Investors, LLC; Spectrum Asset Management, Inc.; Post Advisory Group, LLC; and Columbus Circle Investors are all direct or indirect subsidiaries of Principal Life, while other mentioned entities are affiliates of, and under common control with, Principal Life.



Growth Fueled by Strengths:  
**Top Tier Investment Expertise**

Retirement Assets in Top Two Morningstar Performance Quartiles (as of 03/31/08)	
1yr	<b>64%</b>
3yr	<b>76%</b>
5yr	<b>72%</b>





Growth Fueled by Strengths:  
**Strong International Momentum**

◆ A customer base 6.5 million strong <sup>(1)</sup>◆

Country	Primary business	AUM <sup>(1)</sup> (\$B)
Brazil	Pension	9.5
Chile	Payout Annuities/ Mutual Funds	3.6
China	Mutual Funds/IAM <sup>(2)</sup>	3.8 <sup>(3)</sup>
Hong Kong	Pension/IAM	2.1
India	Mutual Funds/IAM	3.5
Malaysia	Mutual Funds/IAM	5.1
Mexico	Pension	4.8

Since 2003,  
International AUM up:  
**283%**  
 to \$28.7B<sup>(3)</sup>

International OE up:  
**221%**  
 to \$110.7M <sup>(4)</sup>

(1) As of 12/31/07

(2) IAM – Institutional Asset Management

(3) As of 12/31/07. China AUM not included in reported totals due to level of ownership in joint venture

(4) Twelve months ended 12/31/03 through twelve months ended 12/31/07



Growth Fueled by Strengths:  
**Disciplined Capital Management**



## Execution Drives Strong Results

	'01	'07	CAGR ('01-'07)
Operating Earnings* (\$M)	\$577	\$1,058	11%
Net Income (\$M)	\$359	\$827	15%
Wtd. Avg. Shares (M)**	362	268	-5%
EPS**	\$1.59	\$3.95	16%
AUM (\$B)*	\$98	\$311	21%
ROE***	8.9%	16.4%	+750 bps

Note: data in tables throughout presentation have generally been rounded. Calculations based on un-rounded financial supplement data.

\*Excludes discontinued operations

\*\*Diluted

\*\*\*Operating earnings return on average equity excluding other comprehensive income, based on trailing 12 month period.



# Targeting Strong Long-Term Growth

11% - 13%  
targeted average  
annual growth



**EPS** (1)

50 Basis Points  
targeted average  
annual improvement



**ROE** (2)

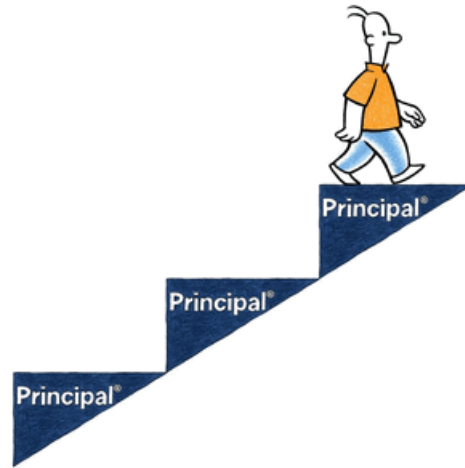
(1) Actual quarterly and annual results may fall outside the average annual range. Longer-term growth expectations should be applied to normalized results.

(2) Operating return on average equity excluding accumulated other comprehensive income, calculated over the trailing twelve month period.

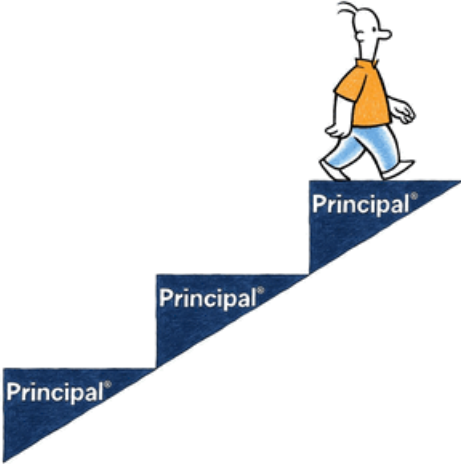
## Strengths of Principal

- Trends in marketplace creating meaningful growth opportunities
- Strengths at work to capitalize on trends
- Highly effective execution drives exceptional financial performance
- Strong capital position; disciplined capital management

# Financial Overview and Risk Management



# Financial Overview



## Strategic Recap

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



Revenue Basis	Product	Market Focus				
		SMB - Employer	SMB - Employee	Retail & Other	Institutional	
<b>Fee Based</b> <span style="background-color: #FFD700; border: 1px solid black; padding: 2px;">Retire Svcs</span> <span style="background-color: #FF4500; border: 1px solid black; padding: 2px;">L&amp;H</span> <span style="background-color: #4682B4; border: 1px solid black; padding: 2px;">Invest Mgmt</span>	Defined Contribution –Variable					
	Defined Benefit					
	Mutual Funds					
	Ind Annuities – Variable					
	Bank					
	Asset Management					
	Asset Securitization					
	ASO					
<b>Spread Based</b>	Defined Contribution - Guaranteed					
	Funding Agreements					
	Defined Benefit – Payout					
	Ind Annuities - Fixed					
	Asset Securitization					
	Cash Value/Life					
<b>Risk Based</b>	Life					
	Medical					
	Dental/Vision					
	Disability					
		100%	50%	10%	25%	15%

33 %s represent operating earnings, as of 12/31/07

100%

50%

10%

25%

15%

45%

35%

20%

Principal Financial Group®  
**Strong Growth in Earnings**

Operating Earnings by Segment and Net Income

For twelve months ended (\$ in millions)	12/31/07	12/31/06	12/31/05
U.S. Asset Accumulation (USAA)	\$655.8	\$542.6	\$464.4
Global Asset Management (GAM)	108.5	102.5	74.0
Int'l Asset Management & Accumulation (IAMA)	110.7	71.8	71.0
Life & Health Insurance (L&H)	221.1	282.5	274.4
Corporate & Other	<u>(37.7)</u>	<u>(27.3)</u>	<u>(21.4)</u>
<b>Operating Earnings<sup>(1)</sup></b>	<b>\$1,058.4</b>	<b>\$972.1</b>	<b>\$862.4</b>
Net realized/unrealized cap gains(losses)	(229.7)	18.0	(20.6)
Other after-tax adjustments <sup>(2)</sup>	<u>(1.4)</u>	<u>41.2</u>	<u>59.5</u>
<b>Net Income Available to Common Stockholders</b>	<b>\$827.3</b>	<b>\$1,031.3</b>	<b>\$901.3</b>

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

(2) Gains from disposals of discontinued operations, change in estimated gains(losses) 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®  
**Strong Growth in Earnings**  
 by Segment and Net Income

For three months ended (\$ in millions)	03/31/08	03/31/07	Change
U.S. Asset Accumulation	\$139.1	\$154.7	(10.1)%
Global Asset Management	2.7	23.7	(88.6)%
Int'l Asset Management & Accumulation	31.7	19.3	64.2%
Life & Health Insurance	79.2	45.5	74.1%
Corporate & Other	(11.4)	(6.4)	N/A
<b>Operating Earnings <sup>(1)</sup></b>	<b>\$241.3</b>	<b>\$236.8</b>	<b>1.9%</b>
Net realized/unrealized cap gains(losses)	(74.7)	20.3	N/A
Other after-tax adjustments <sup>(2)</sup>	7.6	---	N/A
<b>Net Income Available to Common Stockholders</b>	<b>\$174.2</b>	<b>\$257.1</b>	<b>(32.2)%</b>
Shares Outstanding (in millions)	261.3	270.9	(3.5)%
Diluted Earnings Per Share	\$0.92	\$0.87	5.7%

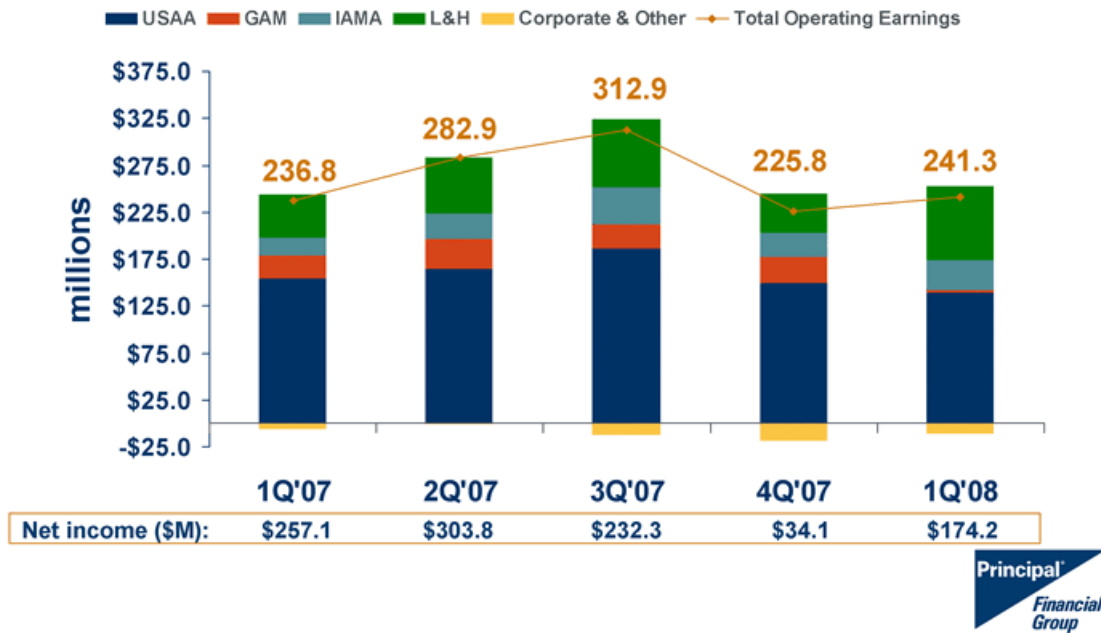
- (1) Defined as net income before net realized capital gains and other after-tax adjustments.  
 (2) Includes a change in estimated loss related to a prior year legal contingency.



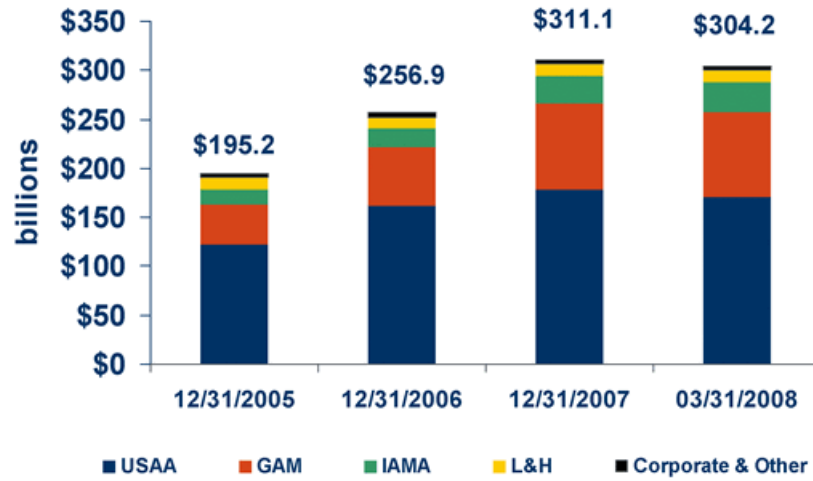
# Principal Financial Group®

## Operating Earnings

by Segment



Principal Financial Group®  
**Assets Under Management**  
 by Source



**Actual Operating Return on Average Equity <sup>(1)</sup>**x-OCI <sup>(2)</sup> Trailing Twelve Months 3/31/08

\$ in millions

<b>Operating Segment</b>	<b>Operating Earnings</b>	<b>Average Equity</b>	<b>Return on Average Equity</b>
USAA	\$640.2	\$3,392.7	18.9%
GAM	\$87.5	\$645.1	13.6%
IAMA	\$123.1	\$1,093.0	11.3%
L & H	\$254.8	\$2,046.0	12.5%
Corporate & Other	\$(42.7)	\$(513.5)	N/M
<b>Total PFG Op Earnings</b>	<b>\$1,062.9</b>	<b>\$6,663.3</b>	<b>16.0%</b>

<b>Total PFG Net Income</b>	<b>\$744.4</b>
-----------------------------	----------------

38 (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	'07	6 YR CAGR
<b>Operating Earnings <sup>(1)</sup> (\$M)</b>	\$577	\$579	\$668	\$765	\$862	\$972	\$1,058	11%
<b>Net Income <sup>(2)</sup> (\$M)</b>	\$359	\$142	\$746	\$826	\$901	\$1,031	\$827	15%
<b>Avg. # Diluted Shares (M)</b>	362	351	327	315	290	276	268	-5%
<b>Diluted EPS</b>	\$1.59	\$1.65	\$2.04	\$2.43	\$2.97	\$3.53	\$3.95	16%
<b>ROE <sup>(3)</sup></b>	8.9%	9.1%	10.9%	12.3%	13.8%	15.3%	16.4%	+750 bps
<b>Dividends</b>	N/A	\$0.25	\$0.45	\$0.55	\$0.65	\$0.80	\$0.90	29%
<b>Debt to Capital <sup>(4)</sup></b>	22.1%	24.0%	22.8%	15.3%	19.9%	23.4%	24.3%	N/A

(1) Excludes BT Financial Group & Principal Residential Mortgage

(2) Net income Available to Common Stockholders

(3) ROE based on trailing 12 month period

(4) In years 2005-2007, 75% of PFG's \$542.5 million preferred stock issuance is given 75% equity credit.



Principal Life Insurance Company  
**Summary Financial Information**

(US\$mm)	Twelve Months Ended December 31,		Three Months Ended March 31,	
	2006	2007	2007	2008
<b>Operating Revenue<sup>(1)</sup></b>	<b>\$9,051</b>	<b>\$9,951</b>	<b>\$2,366</b>	<b>\$2,333</b>
<b>Total Revenue<sup>(2)</sup></b>	<b>\$9,084</b>	<b>\$9,589</b>	<b>\$2,400</b>	<b>\$2,179</b>
<b>Operating Earnings<sup>(3)</sup></b>	<b>\$929</b>	<b>\$978</b>	<b>\$224</b>	<b>\$223</b>
<b>Net Income<sup>(2)</sup></b>	<b>\$978</b>	<b>\$741</b>	<b>\$241</b>	<b>\$142</b>
<b>Total Assets<sup>(2)</sup></b>	<b>\$134,452</b>	<b>\$144,151</b>	<b>\$137,412</b>	<b>\$141,008</b>
<b>Total Equity<sup>(2)</sup></b>	<b>\$6,801</b>	<b>\$6,477</b>	<b>\$7,091</b>	<b>\$5,780</b>
<b>Total Equity x OCI<sup>(4)</sup></b>	<b>\$6,189</b>	<b>\$6,359</b>	<b>\$6,447</b>	<b>\$6,515</b>
<b>Surplus &amp; AVR<sup>(5)</sup></b>	<b>\$4,341</b>	<b>\$4,425</b>	<b>\$4,588</b>	<b>\$4,417</b>

(1) Defined as total GAAP revenues excluding net realized/unrealized 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

<b>S&amp;P</b>	“AA”, Very Strong (3rd highest of 21 levels)
<b>Moody’s</b>	“Aa2”, Excellent (3rd highest of 21 levels)
<b>A.M. Best</b>	“A+”, Superior (2nd highest of 16 levels)
<b>Fitch</b>	“AA”, Very Strong (3rd highest of 21 levels)

Note: All ratings have stable outlooks.



Principal Financial Group®

## Key Financial Targets

	2006 Actual	2007 Actual
Operating Earnings Per Diluted Share	<b>\$3.53</b>	<b>\$3.95</b>
Targeted Average Annual Growth 11-13%	<b>19%</b>	<b>12%</b>
Operating Return on Average Equity	<b>15.3%</b>	<b>16.4%</b>
Targeted Average Annual Growth +0.5%/yr	<b>+1.5%</b>	<b>+1.1%</b>
Targeted Debt/Capital - Moody's <25%	<b>23%</b>	<b>24%</b>
Targeted Liquidity - S&P >260%	<b>375%</b>	<b>348%*</b>
Targeted Liquidity - Internal (Staging Analysis)	<b>All Measures in Compliance</b>	<b>All Measures in Compliance</b>
Targeted Total Asset Requirement**	<b>N/A</b>	<b>108%</b>

\* estimated based on prior year model

\*\* extent to which total assets exceed sum of economic reserves and economic capital requirements

Principal Life Insurance Company

## Key Financial Targets

Target	2006 Actual	2007 Actual
Capital Ratio - S&P >100% at AA	111%	109%*
Liquidity - S&P >260%	375%	348%*
GIC/FA Exposure - Moody's <35%	32%	33%
Liquidity - Internal (Staging Analysis)	All Measures in Compliance	All Measures in Compliance

\* estimated based on prior year's model

# Risk Management



# Strategic Recap

- Risk aware and risk astute culture
- Diligent and disciplined ERM tied to strategy
  - Built on strong, well-established, traditional risk management fundamentals and controls
  - Established risk appetite and tolerances
  - Robust risk models/metrics, tools, processes to assess, monitor, and manage risk
  - Prepare for the unexpected with scenario planning/what-if testing
  - Regular quarterly reporting to Audit Committee and full Board on risk management topics
- Long history of strong risk management resulting in consistent and sustainable operating earnings and solid capital position.

# 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
  - Earnings at Risk (EaR), Embedded Value at Risk (EVaR), and Economic Total Asset Requirement 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
  - BU risk management working groups
- **Good infrastructure and knowledgeable staff**

## Recent Performance and Current Activities & Opportunities

- 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
- Credit risk modeling (General Account)
- Regular updates of Business Continuity Planning Program/Disaster Recovery Plan
- Economic capital, EaR, EVaR
  - EaR to define hedging strategy
- Operational risk data base
- Derivatives risk modeling and analytics
- Longevity v mortality analysis

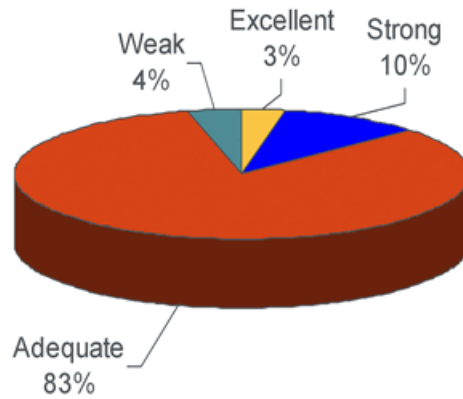




# Principal Life Assigned Strong ERM Designation from S&P

## Standard & Poor's Global ERM Score Distribution, 2007

Total Companies: 274



■ Excellent ■ Strong ■ Adequate ■ Weak



# Broad Categories of Risks

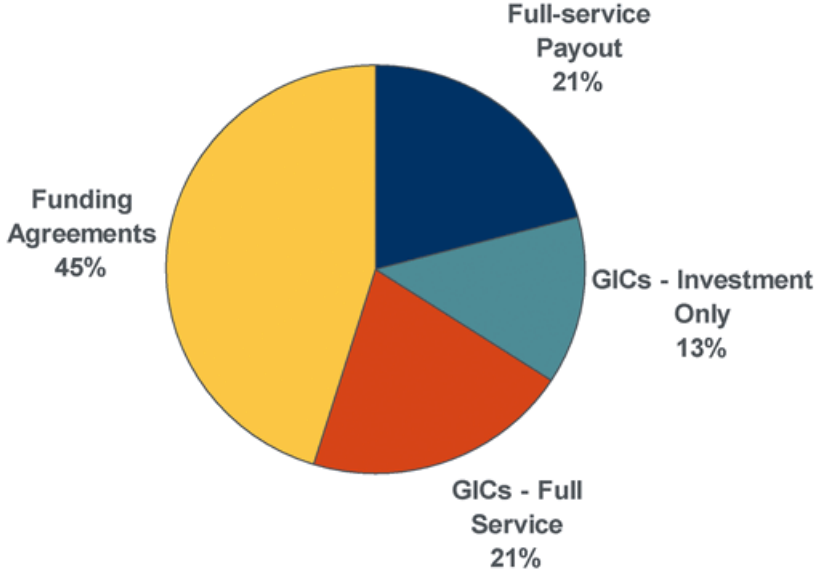
Principal Financial Group®

Credit	Investment and Market	Operational	Business
Asset Default	Interest rates	Information technology	Reputation
Counterparty	Asset spreads	Human resources	Strategic
<b>Product/pricing</b>	Equity returns	Fraud	Expense management
Mortality	Liquidity	Litigation	Sales volume
Morbidity	Foreign exchange	Physical property	Ratings downgrade
Medical Trend		Business continuity	Legislative/regulatory
Policyholder Behavior			



Principal Financial Group®  
**Non-Par Pension Business Liabilities**

As of March 31, 2008



## 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**
  - Use derivatives
  - Change duration targets for new investments or new liabilities
  - Sell assets

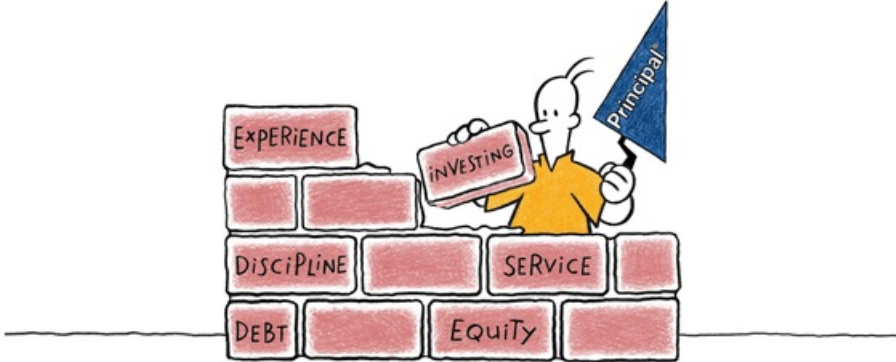
## Liquidity Risk

- **Monitoring and forecasting processes in place at both business unit and overall corporate level**
- **Analysis performed at least 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
  - Several different liquidity metrics and scenarios

# 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\*



\*The data labeled Principal Life Insurance Company excludes assets that are not part of Principal Life Insurance Company consolidated cash and invested assets.

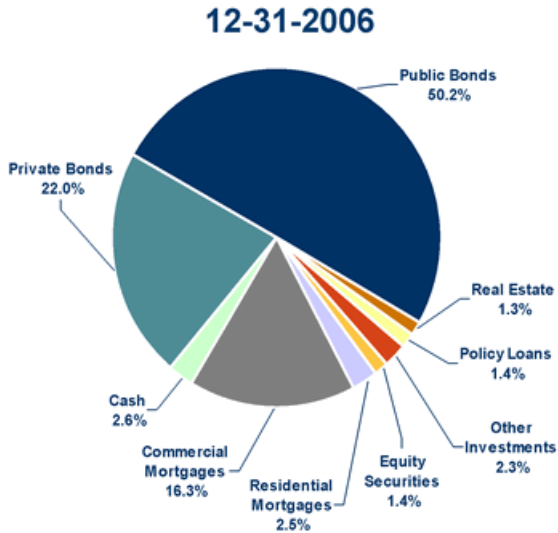
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## Investment Philosophy and Strategy

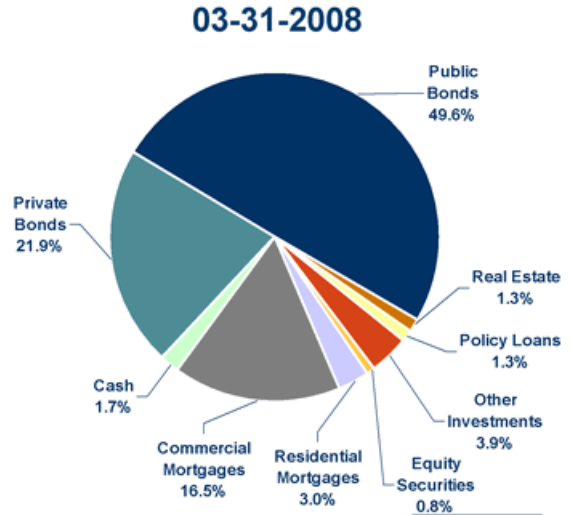
- Active Asset/Liability Management and Strategy
- Optimize Risk Adjusted Yields and Returns
- Maintain Quality Well-Diversified Portfolio



Principal Financial Group®  
**Cash and Invested Assets**



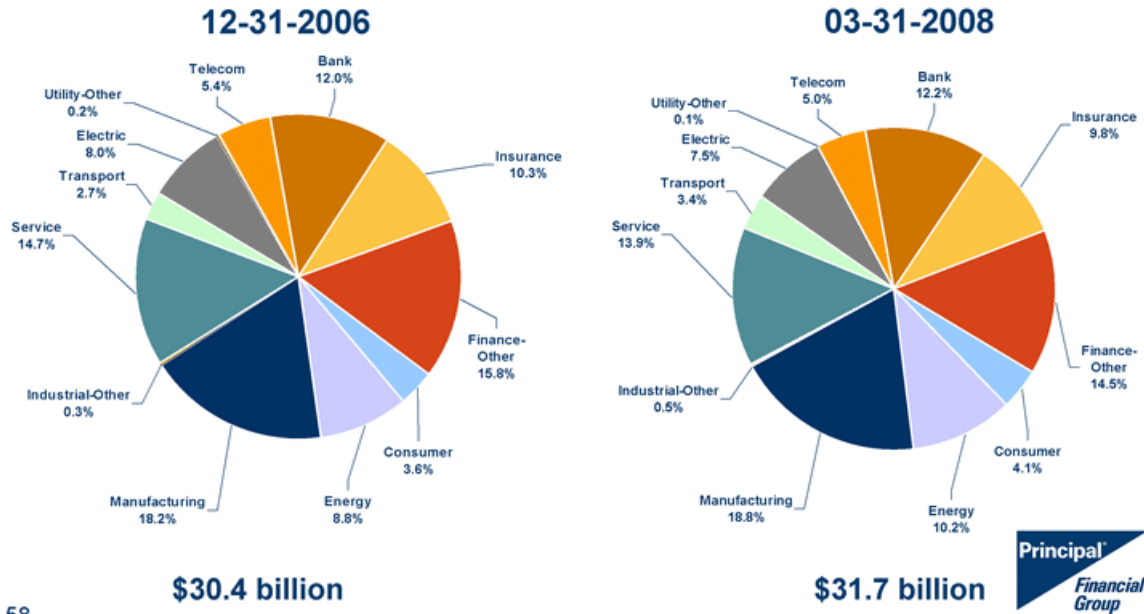
**\$61.9 Billion**



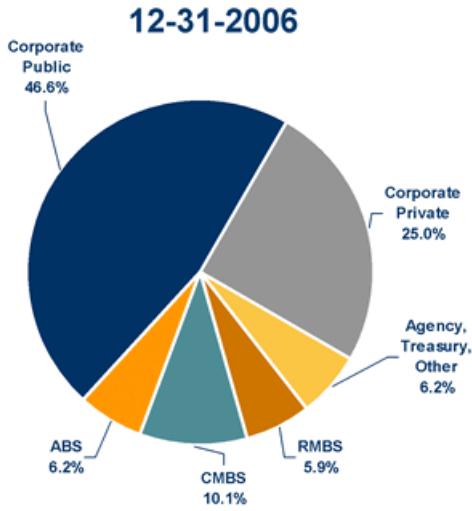
**\$66.0 Billion**



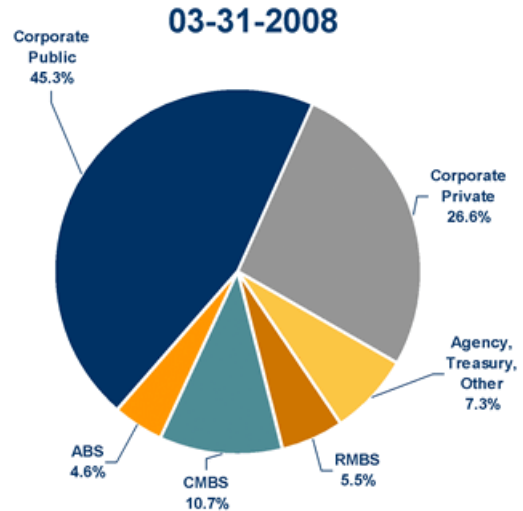
Principal Financial Group®  
**U.S. Invested Assets**  
**Corporate Fixed Maturities Portfolio**  
 by Salomon Industry



Principal Financial Group®  
**U.S. Invested Assets**  
**Fixed Maturities Composition**  
 by Asset Type



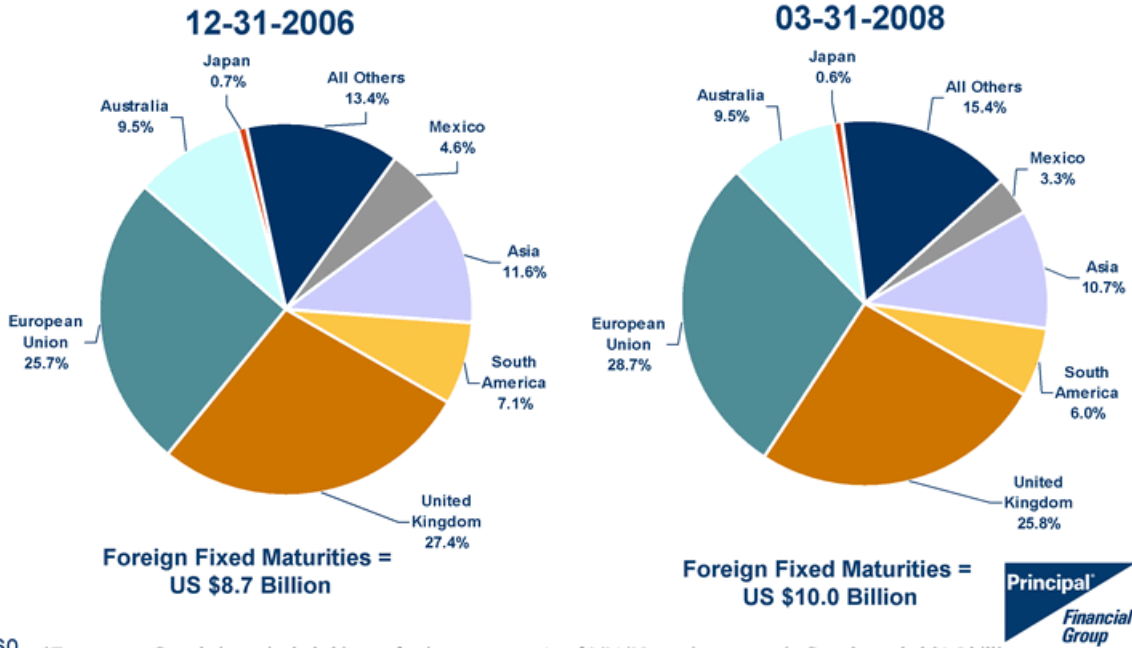
**\$42.4 billion**



**\$44.1 billion**



Principal Financial Group®  
**U.S. Invested Assets**  
**Fixed Maturities Portfolio Composition**  
 by Foreign Area\*



60 \*Exposure to Canada is not included in our foreign exposure. As of 3/31/08, our investment in Canada totaled \$1.5 billion

Principal Financial Group<sup>®</sup>  
**U.S. Invested Assets**  
**Fixed Income Securities Portfolio**

GAAP Carrying Value  
 % of Fixed Income Securities Portfolio

NAIC Class	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>03-31-2008</u>
1	55.7%	57.1%	57.6%	56.3%
2	38.9	38.2	37.6	38.8
3	4.5	3.9	4.2	4.2
4	0.7	0.7	0.4	0.4
5	0.0	0.1	0.2	0.2
6	0.2	0.0	0.0	0.1
	100.0%	100.0%	100.0%	100.0%
<b>Total</b>	<b>\$40,116</b>	<b>\$42,424</b>	<b>\$44,549</b>	<b>\$44,133</b>
Investment Grade Total (Classes 1 & 2)	94.6%	95.3%	95.2%	95.1%
BIG as % of Total Fixed Income Securities Portfolio	5.4%	4.7%	4.8%	4.9%
BIG as % of Total U.S. Invested Assets	4.0%	3.5%	3.6%	3.6%



Principal Financial Group ®

**U.S. Invested Assets - Fixed Maturity Securities  
Available-for-Sale by Industry Category**

	March 31, 2008			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying amount
	(in millions)			
Finance — Bank	\$ 4,196.1	\$ 42.0	\$ 395.5	\$ 3,842.6
Finance — Insurance	3,176.4	59.6	142.4	3,093.6
Finance — Other	4,740.2	105.7	260.9	4,585.0
Industrial — Consumer	1,283.6	37.3	24.1	1,296.8
Industrial — Energy	3,122.0	144.1	33.9	3,232.2
Industrial — Manufacturing	5,983.3	147.1	162.5	5,967.9
Industrial — Other	171.6	2.9	2.1	172.4
Industrial — Service	4,390.7	123.2	100.0	4,413.9
Industrial — Transport	1,064.1	40.9	38.3	1,066.7
Utility — Electric	2,332.3	85.8	33.5	2,384.6
Utility — Other	41.0	4.8	—	45.8
Utility — Telecom	1,565.7	58.5	44.5	1,579.7
Total corporate securities	32,067.0	851.9	1,237.7	31,681.2
Residential pass-through securities	1,522.0	33.8	2.0	1,553.8
Commercial mortgage-backed securities	5,248.3	60.0	579.1	4,729.2
Residential collateralized mortgage obligations	950.3	5.1	65.8	889.6
Asset-backed securities — Home equity	584.1	0.5	77.5	507.1
Asset-backed securities — All other	774.7	4.5	33.3	745.9
Collateralized debt obligations - Credit	678.2	—	324.2	354.0
Collateralized debt obligations — CMBS	331.4	—	126.7	204.7
Collateralized debt obligations - Loans	88.6	—	14.7	73.9
Collateralized debt obligations — ABS	83.7	0.5	36.6	47.6
Total mortgage-backed and other asset-backed securities	10,261.3	104.4	1,259.9	9,105.8
U.S. Government and agencies	570.3	41.0	0.2	611.1
States and political subdivisions	1,950.8	41.6	20.2	1,972.2
Non-U.S. governments	413.0	39.4	1.6	450.8
Total fixed maturity securities, available-for-sale	\$45,262.4	\$ 1,078.3	\$ 2,519.6	\$43,821.1



Principal Financial Group®  
**Credit Losses**

	12-31-2007 After-tax (in millions)	03-31-2008 After-tax (in millions)
<b>Total Fixed Income Credit Losses</b>	<b>\$198.1</b>	<b>\$44.5</b>
<b>Related to Subprime</b>	<b>57.3</b>	<b>6.8</b>
<b>Related to Impairment of Structured Assets</b>	<b>84.8</b>	<b>15.4</b>
<b>Credit Sales and/or impairments</b>	<b>56.0</b>	<b>22.3</b>

Principal Financial Group®  
U.S. Invested Assets  
**Asset-Backed Securities**  
Home Equity by Rating and Vintage  
(\$ in millions)

	Amortized Cost	Carrying Amount		Amortized Cost	Carrying Amount
<b>Lowest Agency Rating</b>			<b>Vintage</b>		
AAA	407.4	373.2	2003 & prior	297.4	267.6
AA	110.7	87.1	2004	100.3	88.0
A	41.2	28.7	2005	104.4	87.2
BBB	12.9	9.4	2006	18.8	13.8
BB and below	<u>11.9</u>	<u>8.7</u>	2007	<u>63.2</u>	<u>50.5</u>
<b>Total by lowest agency rating</b>	<b>584.1</b>	<b>507.1</b>	<b>Total by vintage</b>	<b>584.1</b>	<b>507.1</b>





Principal Financial Group®  
U.S. Invested Assets  
**CDOs by Rating**  
As of March 31, 2008  
(\$ in millions)

	Credit CDOs		CMBS CDOs		Subprime CDOs	
	Amortized Cost	Carrying Amount	Amortized Cost	Carrying Amount	Amortized Cost	Carrying Amount
AAA	55.0	39.1	71.4	52.7	19.2	14.8
AA	549.8	276.3	53.3	34.9	20.0	6.4
A	157.0	107.5	67.5	43.7	26.5	12.2
BBB	5.0	5.0	94.3	40.3	8.2	8.2
BB & below	0.0	0.0	44.9	33.1	0.8	1.0
<b>TOTAL</b>	<b>766.8</b>	<b>427.9</b>	<b>331.4</b>	<b>204.7</b>	<b>74.7</b>	<b>42.6</b>



**Principal Life Insurance Company**  
**Monoline Insurer Exposure**  
**March 31, 2008 (Book Value)**

\$ in millions	Direct	Wrapped*	Total
<b>Total</b>	<b>\$116.0</b>	<b>\$707.0</b>	<b>\$823.0</b>

\*Wrapped Securities consist of (approximate %):  
--47% municipal bonds (99% rated investment grade)  
--36% investment grade bank perpetual preferreds  
--7% corporate fixed maturities (90% rated investment grade)  
--10% home equity loans

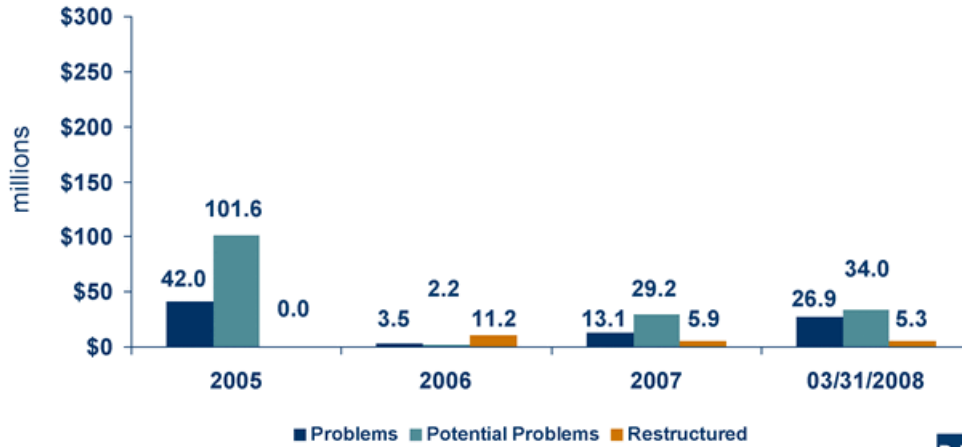
Principal Financial Group®  
U.S. Invested Assets  
**CMBS by Rating & Vintage**  
As of March 31, 2008  
(\$ in millions)

Vintage	AAA	%	AA	%	A	%	BBB	%	BB+ and Below	%	Total Amortized Cost
2003 & prior	\$1,339.2	65%	\$252.9	12%	\$189.5	9%	\$197.9	10%	\$84.6	4%	\$2,064.1
2004	392.7	64%	80.6	13%	101.4	17%	37.9	6%	0.0	0%	612.6
2005	393.8	53%	136.1	18%	112.1	15%	100.5	14%	0.0	0%	742.5
2006	261.0	53%	54.5	11%	60.3	12%	120.9	24%	0.0	0%	496.7
2007	729.3	56%	280.2	22%	183.9	13%	111.5	9%	0.0	0%	1,304.9
2008	10.0	36%	16.0	59%	1.5	5%	0.0	0%	0.0	0%	27.5
<b>Total</b>	<b>\$3,126.0</b>	<b>60%</b>	<b>\$820.3</b>	<b>16%</b>	<b>\$648.7</b>	<b>12%</b>	<b>\$568.7</b>	<b>11%</b>	<b>\$84.6</b>	<b>1%</b>	<b>\$5,248.3</b>



## 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 Portfolio**

GAAP Basis (Excludes Credit Tenant Loans)

As of March 31, 2008

<b>Portfolio Size (Amortized cost):</b>	\$9.8 Billion
<b>Current Loan-to-value:</b>	57.7%
<b>Current Debt Service Coverage:</b>	1.9x
<b>Current Occupancy:</b>	90%
<b>Loans under Breakeven Debt Service Coverage:</b>	\$72.4 Million <i>(16 different loans w/avg loan-to-value of 58%)</i>

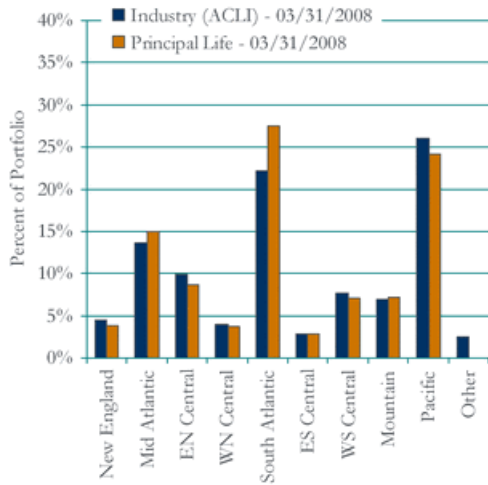
<b>Exposure by Property Type</b>	<b>% of Amortized Cost</b>
Retail	25%
Office	25%
Industrial	27%
Apartments	18%
Mixed use/other	3%
Hotel	2%



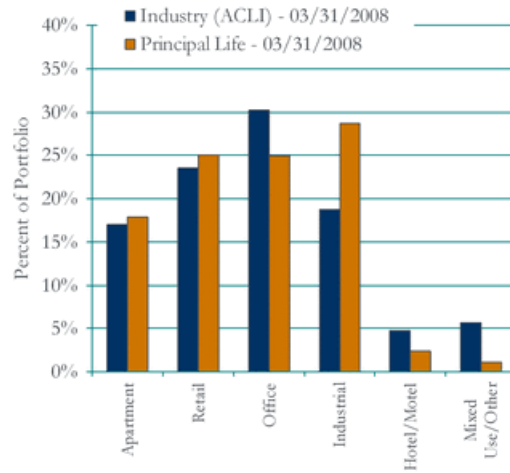
# Principal Life Insurance Company Commercial Mortgage Loan Portfolio

March 31, 2008 (Statutory Basis)

## Composition by U.S. Region



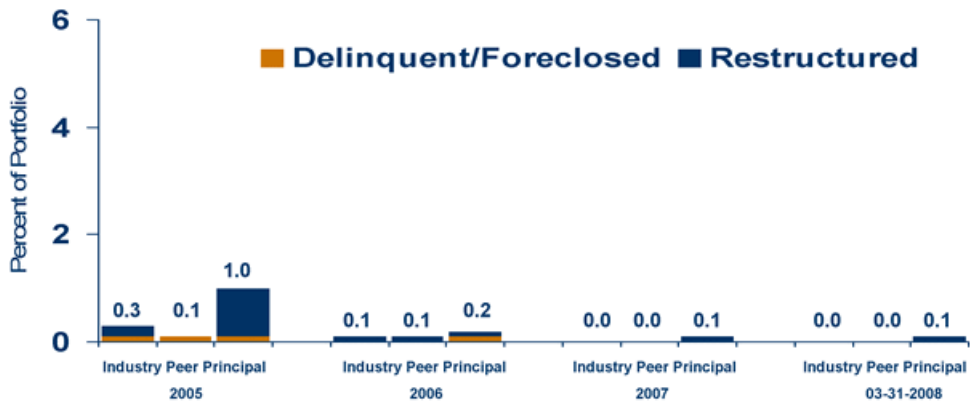
## Composition by Type



**Mortgage Loans = U.S.\$9.7 Billion    Number of Loans Outstanding = 1,004**  
**Average Loan Size = U.S.\$9.7 Million**



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



**NOTES:**

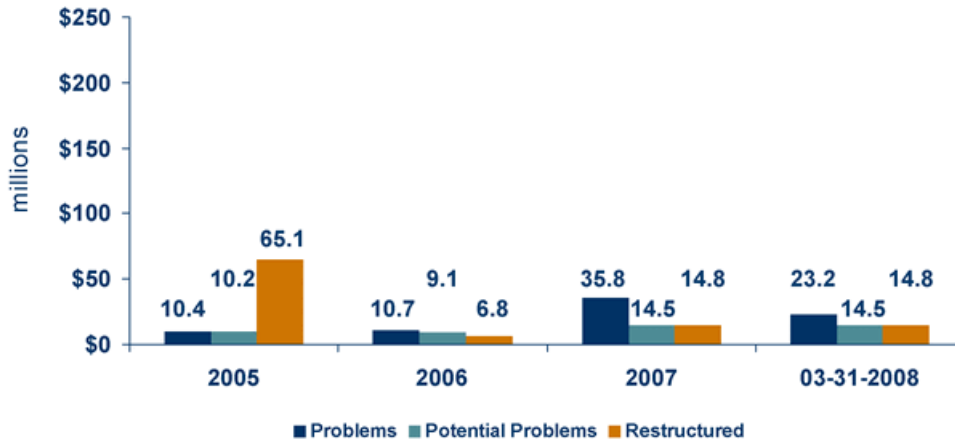
1. Delinquency and foreclosure ratio is defined as mortgages 60 or more days delinquent, in the process of foreclosure, and foreclosed/deeded during the year, as a percentage of the commercial mortgage portfolio balance.
2. A restructured loan is a loan in good standing for which basic terms, such as 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, 1986 are included in these ratios.
3. Peer group represents life insurance companies reporting to the ACLI with mortgage portfolios over \$5 billion.





## Commercial Mortgage Portfolio

Problems, Potential Problems, and Restructured Commercial Mortgages  
GAAP Basis



Commercial Mortgage  
**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

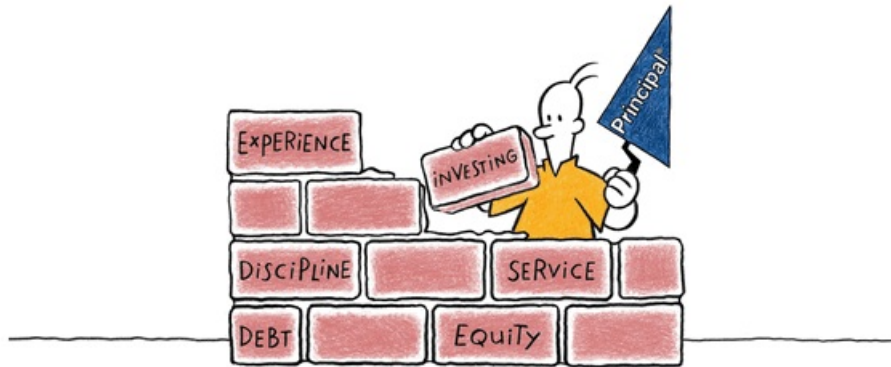
- Active asset/liability management
- Broadly diversified portfolio across asset class, credit, industry and geographic location
- Predominantly high quality portfolio

## Investment Portfolio 2008 Focus

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

# Investment Portfolio Overview\*

## Addendum

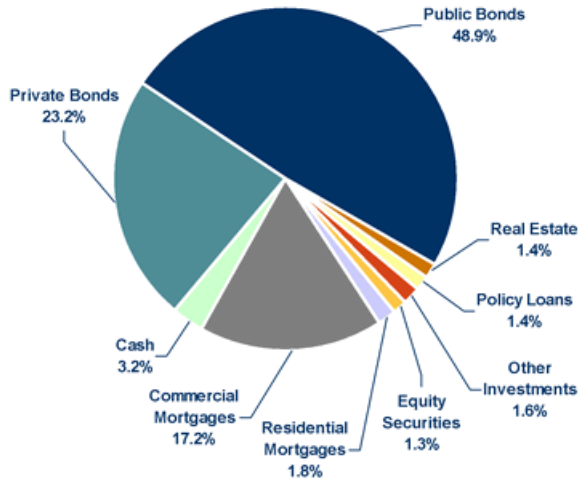


\*The data labeled Principal Life Insurance Company excludes assets that are not part of Principal Life Insurance Company consolidated cash and invested assets.

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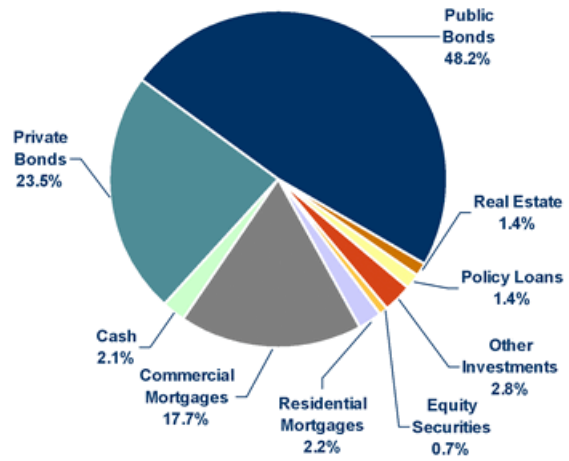
## Principal Life Insurance Company Cash and Invested Assets

12-31-2006



**\$58.8 Billion**

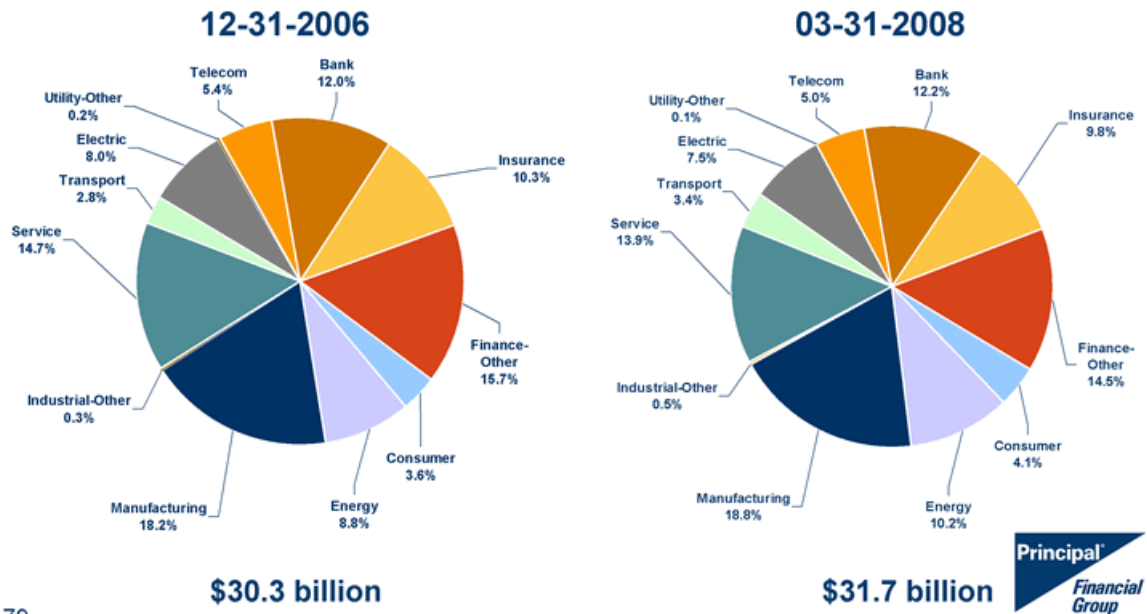
03-31-2008



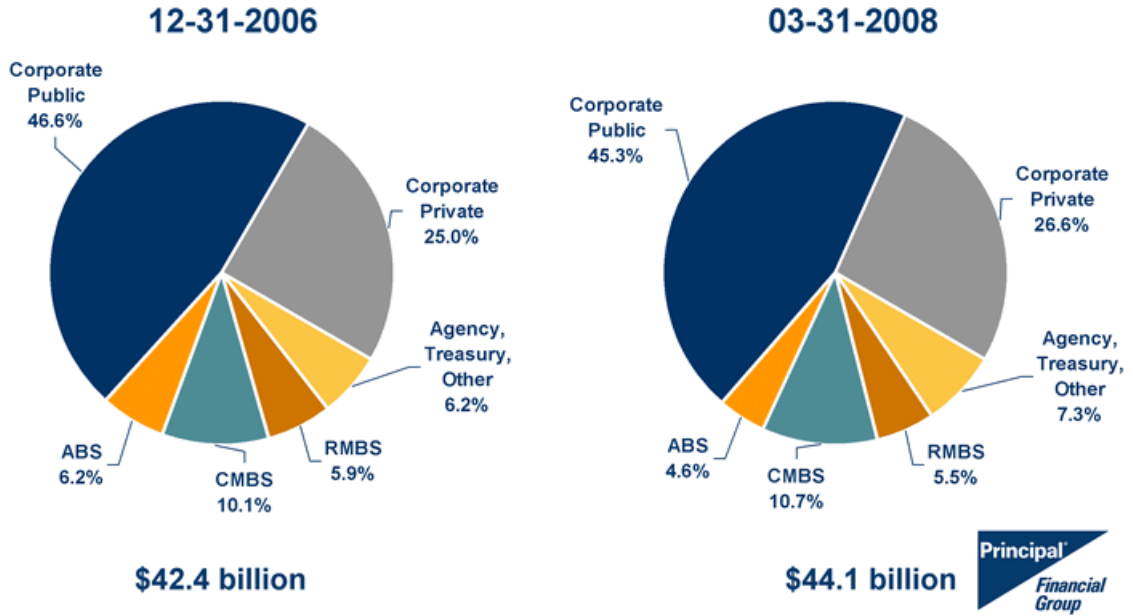
**\$61.5 Billion**



**Principal Life Insurance Company**  
**Invested Assets**  
**Corporate Fixed Maturities Portfolio**  
*by Salomon Industry*

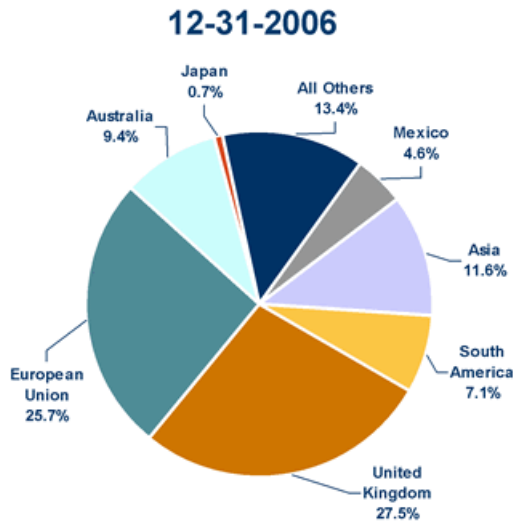


Principal Life Insurance Company  
**Invested Assets**  
**Fixed Maturities Composition**  
 by Asset Type

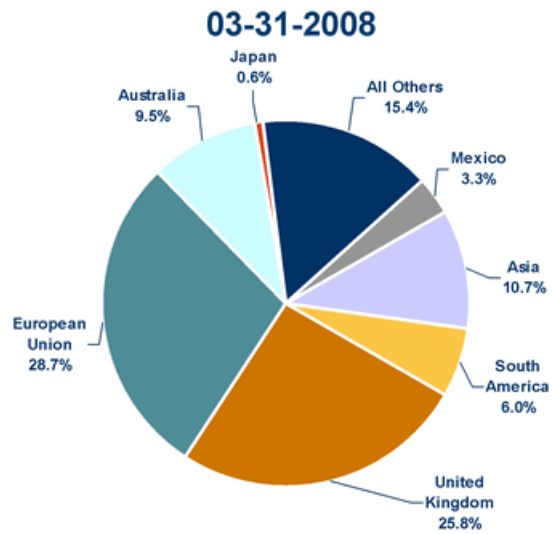




**Principal Life Insurance Company**  
**Invested Assets**  
**Fixed Maturities Portfolio Composition**  
 by Foreign Area\*



**Foreign Fixed Maturities =  
 US\$8.7 Billion**



**Foreign Fixed Maturities =  
 US\$10.0 Billion**



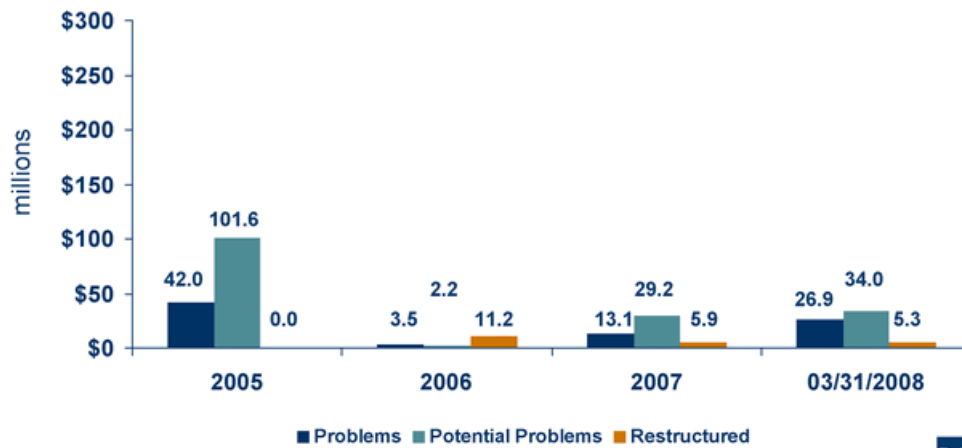
\*Exposure to Canada is not included in our foreign exposure. As of 3/31/08, our investment in Canada totaled \$1.5 billion

**Principal Life Insurance Company**  
**Invested Assets**  
**Fixed Income Securities Portfolio**  
GAAP Carrying Value

	% of Fixed Income Securities Portfolio			
NAIC Class	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>03-31-2008</u>
1	55.8%	57.1%	57.6%	56.3%
2	38.8	38.2	37.6	38.8
3	4.5	3.9	4.2	4.2
4	0.7	0.7	0.4	0.4
5	0.0	0.1	0.2	0.2
6	0.2	0.0	0.0	0.1
	100.0%	100.0%	100.0%	100.0%
<b>Total</b>	<b>\$40,054</b>	<b>\$42,367</b>	<b>\$44,539</b>	<b>\$44,123</b>
Investment Grade Total (Classes 1 & 2)	94.6%	95.3%	95.2%	95.1%
BIG as % of Total Fixed Income Securities Portfolio	5.4%	4.7%	4.8%	4.9%
BIG as % of Total U.S. Invested Assets	4.0%	3.5%	3.6%	3.6%



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



Principal Life Insurance Company

## Invested Assets - Fixed Maturity Securities Available-for-Sale by Industry Category

	March 31, 2008			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying amount
	(in millions)			
Finance — Bank	\$4,196.10	\$ 42.0	\$ 395.5	\$ 3,842.6
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States and political subdivisions	1,950.8	41.6	20.2	1,972.2
Non-U.S. governments	413.0	39.4	1.6	450.8
<b>Total fixed maturity securities, available-for-sale</b>	<b>\$45,252.6</b>	<b>\$ 1,078.1</b>	<b>\$ 2,519.6</b>	<b>\$43,811.1</b>

## Principal Global Investors

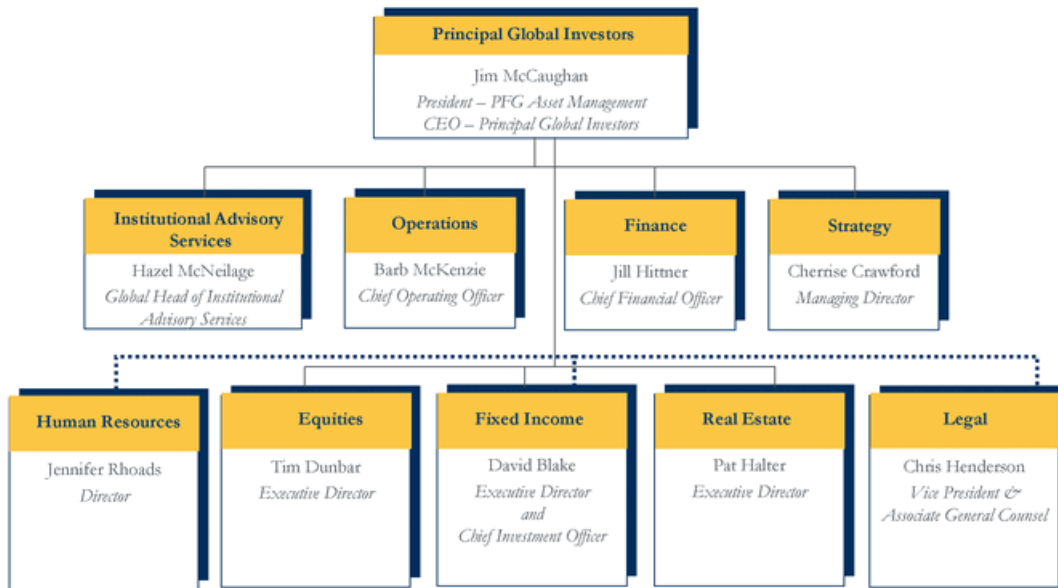


# Strategic Recap

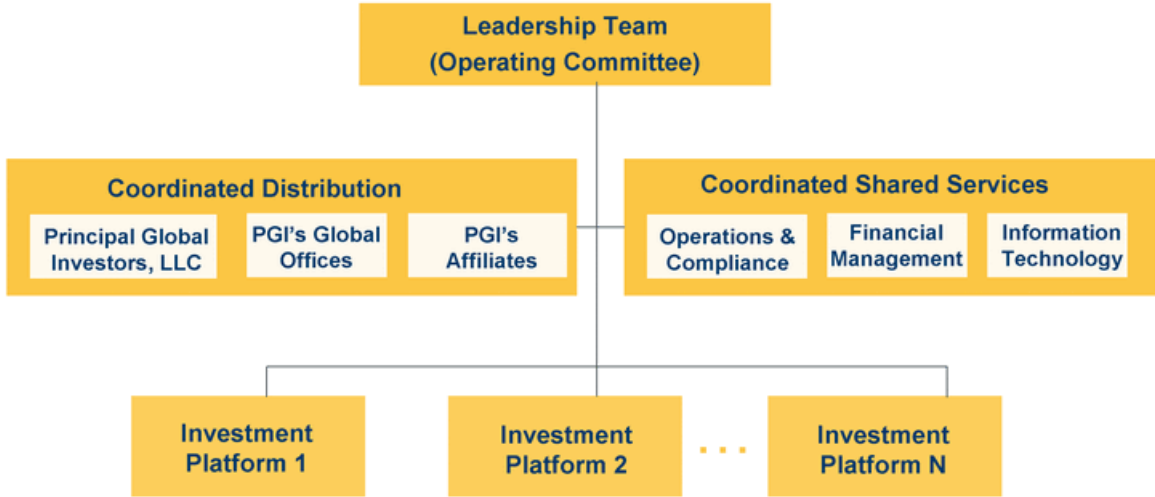
- **Grow a World-Class Global Asset Management Platform**
  - an attractive high growth, high-multiple business
  - strategic complement to Principal Financial Group world-class asset accumulation business
- **Provide competitive investment returns**
  - equities, fixed income and real estate
  - through 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



# Principal Global Investors Organizational Structure



# Principal Global Investors A Multi-Boutique Firm



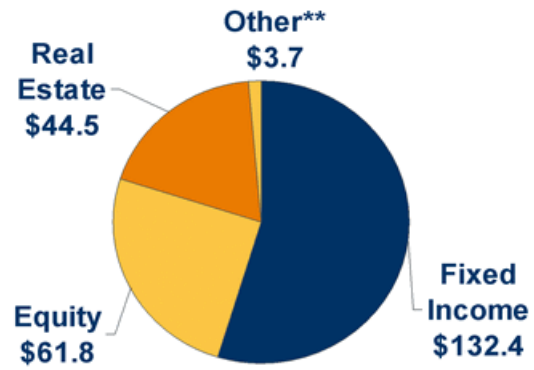


# Principal Global Investors\*

- A diversified global asset management organization
- \$242.4 billion in assets under management as of 3/31/08
- Broad range of capabilities, tailored to client objectives
- Global reach and clarity of purpose

## Assets Under Management

As of March, 31 2008  
\$ in Billions



\*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



# 2007 Performance

## Financial

- Global Asset Management segment operating earnings for 2007 of \$108.5 million (CAGR of 20% since 2001) and net income of \$102.1 million\*
- Pre-tax profit margin of 27.7%
- Competitive expense structure (20 bp as a percent of average assets under management)
- 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

# Recent Performance

## Non-financial

- Institutional mandates numbered over 275\* in last three years for over \$22.7 billion in assets
- Non-affiliated assets under management have grown by \$46.2 billion over the last two years (includes \$12.0 billion from acquisitions of Edge and Morley)
- Retention of Principal Global Investor's institutional clients was 98.7% based on revenue retention for 2007
- Manages assets for 11 of the 25 largest U.S. pension plans (Pensions & Investments "P&I 1,000", January 2008)

\*These mandates are under investment management agreements and involve no guarantees or recourse to PFG/PLIC/PGI.



# Principal Global Investors

Principal Financial Group, Inc.  
Global Asset Management Segment - Financial Information

(in millions)

## Spread and Securitization Business

Line Item	31-Mar-08	31-Dec-07	30-Sep-07	30-Jun-07	31-Mar-07	31-Dec-07	31-Dec-06	31-Dec-05
Fees and other revenues	\$ 4.0	\$ 7.4	\$ 8.7	\$ 10.1	\$ 10.8	\$ 37.0	\$ 46.7	\$ 46.1
Net investment income	(20.8)	(0.2)	(2.0)	9.9	8.5	16.2	35.7	23.0
Total operating revenues	(16.8)	7.2	6.7	20.0	19.3	53.2	82.4	69.1
Depreciation and amortization	0.1	0.1	-	0.1	-	0.2	0.1	-
Other expenses	7.5	9.0	7.6	6.7	8.0	31.3	25.9	12.9
Total expenses	7.6	9.1	7.6	6.8	8.0	31.5	26.0	12.9
Operating earnings (losses) before tax	(24.4)	(1.9)	(0.9)	13.2	11.3	21.7	56.4	56.2
Income tax	(8.5)	(0.6)	(0.4)	4.7	4.0	7.7	19.5	19.7
Operating earnings (losses) after tax	(15.9)	(1.3)	(0.5)	8.5	7.3	14.0	36.9	36.5
Net-unrealized/realized cap gains/(losses)	(6.2)	(4.6)	(0.1)	(1.3)	(0.8)	(6.8)	(3.0)	(0.2)
Other after-tax adjustments	-	-	-	-	-	-	-	-
Net Income (Loss) Available to Common Stockholders	\$ (22.1)	\$ (5.9)	\$ (0.6)	\$ 7.2	\$ 6.5	\$ 7.2	\$ 33.9	\$ 36.3

## Principal Global Investors

### Other Issues

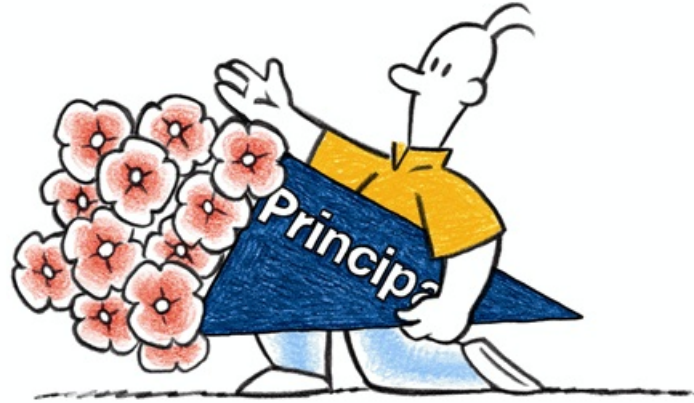
- **Actively search out growth opportunities through acquisition**
  - Tremendous success with our past acquisitions of Post, Spectrum, Columbus Circle and now Edge and Morley Financial Services
  - Add to range of product offerings including absolute return alternatives and international fixed income capabilities
- **Spread Business (PCF II)**
  - ✓ Loan production and asset securitization reached record levels in 2007 through the joint venture with U.S. Bank
  - ✓ Significant capital market volatility experienced in the second half of 2007 was mitigated through monthly asset securitizations and effective risk management hedging strategies
  - ✓ Joint venture, through shared ownership, mitigated approximately 50% of the negative market volatility from the credit crisis experienced in the second half of 2007 and the first quarter of 2008
  - ✓ Stopped building inventory in 4Q 07 and reduced inventory from \$1.7 billion to \$540 million by the end of April

## Principal Global Investors 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.**
- **Principal Global Investors (Japan)**
- **Edge Asset Management, Inc.**
- **Morley Financial Services**
- **Majority owned affiliates of Principal International, Inc.**

**Thank you**



# Appendix





**Principal Financial Group®**  
**Reconciliation of Net Income Available to  
Common Stockholders**

(\$ in millions)

**Principal Financial Group**

	Twelve Months Ended						
	31-Dec-01	31-Dec-02	31-Dec-03	31-Dec-04	31-Dec-05	31-Dec-06	31-Dec-07
Operating Earnings:							
USAA	\$ 312.3	\$ 321.6	\$ 386.8	\$ 443.2	\$ 464.4	\$ 542.6	\$ 655.8
GAM	36.8	39.1	35.8	55.8	74.0	102.5	108.5
IAMA	2.5	19.2	34.5	40.3	71.0	71.8	110.7
Life and Health	201.2	233.1	241.2	256.2	274.4	282.5	221.1
Mortgage Banking	(14.1)	(16.7)	(18.1)	(10.3)	-	-	-
Corporate and Other	38.0	(17.0)	(12.5)	(20.4)	(21.4)	(27.3)	(37.7)
Total operating earnings	576.8	579.3	667.7	764.8	862.4	972.1	1,058.4
Net realized/unrealized capital gains (losses)	(306.6)	(247.3)	(49.3)	(62.3)	(20.6)	18.0	(229.7)
Other after-tax adjustments	88.6	(189.7)	127.9	123.1	59.5	41.2	(1.4)
Net Income Available to Common Stockholders	\$ 358.8	\$ 142.3	\$ 746.3	\$ 825.6	\$ 901.3	\$ 1,031.3	\$ 827.3



**Principal Financial Group®**  
**Reconciliation of Net Income Available to  
Common Stockholders**  
(\$ in millions)

**Principal Financial Group**

	Three Months Ended				
	31-Mar-07	30-Jun-07	30-Sep-07	31-Dec-07	31-Mar-08
Operating Earnings:					
USAA	\$ 154.7	\$ 164.5	\$ 186.7	\$ 149.9	\$ 139.1
GAM	23.7	32.2	25.2	27.4	2.7
IAMA	19.3	26.7	39.3	25.4	31.7
Life and Health	45.5	60.1	73.4	42.1	79.2
Mortgage Banking	-	-	-	-	-
Corporate and Other	(6.4)	(0.6)	(11.7)	(19.0)	(11.4)
Total operating earnings	236.8	282.9	312.9	225.8	241.3
Net realized/unrealized capital gains (losses)	20.3	20.9	(59.4)	(211.5)	(74.7)
Other after-tax adjustments	-	-	(21.2)	19.8	7.6
Net Income Available to Common Stockholders	\$ 257.1	\$ 303.8	\$ 232.3	\$ 34.1	\$ 174.2



**Principal Financial Group<sup>®</sup>**  
**Reconciliation of Net Income Available to  
Common Stockholders**

**Principal Financial Group**

\$ in millions	Twelve Months Ended
	31-Mar-08
Operating Earnings:	
USAA	\$640.2
GAM	87.5
IAMA	123.1
Life and Health	254.8
Mortgage Banking	--
Corporate and Other	(42.7)
<b>Total operating earnings</b>	<b>\$1,062.9</b>
Net realized/unrealized capital gains (losses)	(324.7)
Other after-tax adjustments	6.2
<b>Net Income Available to Common Stockholders</b>	<b>\$744.4</b>



**Principal Financial Group<sup>®</sup>**  
**Reconciliation of per Share Net Income**  
**Available to Common Stockholders**

**Principal Financial Group**

	Twelve Months Ended:						
	31-Dec-01	31-Dec-02	31-Dec-03	31-Dec-04	31-Dec-05	31-Dec-06	31-Dec-07
<b>Diluted Earnings Per Share Available to Common Stockholders:</b>							
Operating Earnings	\$1.59	\$1.65	\$2.04	\$2.43	\$2.97	\$3.53	\$3.95
Net Unrealized/Realized Capital Gains/(Losses)	(0.85)	(0.70)	(0.15)	(0.20)	(0.06)	0.07	(0.85)
Other after-tax adjustments	0.25	(0.54)	0.39	0.39	0.20	0.14	(0.01)
Net Income Available to Common Stockholders	\$0.99	\$0.41	\$2.28	\$2.62	\$3.11	\$3.74	\$3.78



**Principal Financial Group<sup>®</sup>**  
**Reconciliation of Net Income Return on Equity  
Available to Common Stockholders**

**Principal Financial Group**

	Twelve Months Ended:						
	31-Dec-01	31-Dec-02	31-Dec-03	31-Dec-04	31-Dec-05	31-Dec-06	31-Dec-07
<b>Operating Earnings ROE (x-OCI)</b>	8.9%	9.1%	10.9%	12.3%	13.8%	15.3%	16.4%
Net realized/unrealized capital gains (losses)	-4.7%	-3.9%	-0.8%	-1.0%	-0.3%	0.3%	-3.6%
Other after-tax adjustments	1.3%	-3.0%	2.1%	2.0%	0.9%	0.6%	0.0%
Net income ROE Available to Common Stockholders (x-OCI)	5.5%	2.2%	12.2%	13.3%	14.4%	16.2%	12.8%
Net unrealized capital gains (losses)	-0.2%	-0.2%	-1.8%	-2.4%	-2.3%	-2.2%	-1.0%
Foreign currency translation	0.2%	0.1%	0.2%	0.1%	0.1%	0.1%	0.0%
Net unrecognized post-retirement benefit obligations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-1.0%
Minimum pension liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>Net Income ROE Available to Common Stockholders (including OCI)</i>	5.5%	2.1%	10.6%	11.0%	12.2%	14.1%	11.7%



**Principal Life Insurance Company**  
**Reconciliation of Total GAAP Revenues**  
(\$ in millions)

**Principal Life Insurance Company**

	For twelve months ended		For three months ended	
	31-Dec-06	31-Dec-07	31-Mar-07	31-Mar-08
Total Operating Revenues	\$9,051	\$9,951	\$2,366	\$2,333
Plus: Net realized/unrealized capital gains (losses) and related fee adjustments	29.9	(362.5)	33.7	(154.8)
Less: Operating revenues from discontinued real estate	(3.1)	0.3	(0.1)	---
Total GAAP Revenues	\$9,084	\$9,589	\$2,400	\$2,179



**Principal Life Insurance Company**  
**Reconciliation of Net Income**  
(\$ in millions)

**Principal Life Insurance Company**

	For twelve months ended		For three months ended	
	31-Dec-06	31-Dec-07	31-Mar-07	31-Mar-08
Operating earnings	\$ 928.7	\$ 977.6	\$ 224	\$ 223.2
Net realized/unrealized capital gains (losses)	7.7	(245.4)	17.8	(89.1)
Other after-tax adjustments	41.2	8.9	---	7.6
Net income	\$ 977.6	\$ 741.1	\$ 241.4	\$ 141.7

**Principal Life Insurance Company**  
**Reconciliation of Stockholders' Equity**  
(\$ in millions)

**Principal Life Insurance Company**

	For twelve months ended		For three months ended	
	31-Dec-06	31-Dec-07	31-Mar-07	31-Mar-08
Total Stockholder's Equity xOCI	\$6,189	\$6,359	\$6,447	\$6,515
Foreign currency translation	603.6	52.8	633.9	(802.4)
Net realized/unrealized capital gains (losses)	(5.5)	(2.5)	(3.5)	4.7
Minimum pension liability	14.5	67.2	14.0	63.2
Total Stockholders' Equity	\$6,801	\$6,477	\$7,091	\$5,780





