

Key Messages:

- Strong diversified portfolio that leverages our strengths in commercial real estate and credit analysis.
- Very little exposure to troubled residential real estate.
- Most of the net unrealized losses are concentrated in the corporate bonds and CMBS portfolios.

**U.S. Invested Assets
as of December 31, 2008
(\$ in millions)**

	Amortized Cost	Carrying Amount	% of Total Invested Assets
Corporate Bonds	32,360.1	27,590.3	50%
CMBS	5,685.3	3,607.1	7%
CDO – Credit	202.8	79.2	0%
CDO – CMBS	302.2	128.9	0%
CDO – ABS	100.0	46.7	0%
CDO – Loans	91.4	37.0	0%
Commercial mortgage loans	11,336.3	11,279.3	20%
Asset backed – Home equity	545.1	346.7	1%
Asset backed – Other	904.0	783.6	1%
Residential CMO – Prime	883.5	718.6	1%
Residential CMO – Alt A	67.3	50.0	0%
Other	<u>11,168.5</u>	<u>11,111.6</u>	20%
Total Invested Assets	63,646.5	55,779.0	100%
Cash and cash equivalents	2,537.0	2,537.0	
Total invested assets and cash	66,183.5	58,316.0	



Key Message:

- **Low exposure to below investment grade securities.**

**U.S. Invested Assets
Fixed Income Securities Portfolio
as of December 31, 2008
GAAP Carrying Value
% of Fixed Income Securities Portfolio
(\$ in millions)**

NAIC Class	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
1	55.7%	57.1%	57.6%	57.0%
2	38.9	38.2	37.6	37.8
3	4.5	3.9	4.2	4.5
4	0.7	0.7	0.4	0.4
5	0	0.1	0.2	0.2
6	0.2	0	0	0.1
	100%	100%	100%	100%
Total	\$40,116	\$42,424	\$44,549	\$38,826
Investment Grade Total (Classes 1 & 2)	94.6%	95.3%	95.2%	94.8%
BIG as % of Total Fixed Income Securities Portfolio	5.4%	4.7%	4.8%	5.2%
BIG as % of Total U.S. Invested Assets	4.0%	3.5%	3.6%	3.6%



Key Messages:

- Exposure to financial sector is a strength going forward because of government support.
- Exposure to homebuilders is manageable.
- No exposure to the three U.S. auto manufacturers.

**Corporate Fixed Maturity Portfolio
Select Industries by Barclays Classification
as of December 31, 2008
(\$ in millions)**

	Amortized Cost	Carrying Amount	% of Total Corporate Bonds*
Banks:			
Non U.S. Banks	2,617.3	1,779.8	6%
Large U.S. Banks	948.2	864.4	3%
Regional U.S. Banks	<u>683.2</u>	<u>524.3</u>	2%
Total Banks	4,248.7	3,168.5	11%
Insurance	2,885.8	2,217.3	8%
Other Financial **	<u>3,369.8</u>	<u>2,629.2</u>	10%
Total Financial	10,504.3	8,015.0	29%
U.S. Homebuilders	127.5	80.3	0%
U.K./Other Homebuilders	120.6	96.4	0%
Ford, GM, Chrysler	0	0	0%

* December 31, 2008 total corporate bonds: amortized cost \$32,360.1; carrying amount \$27,590.3. Percentages are based on carrying amount

** Other Financials includes Brokerage, REITS, Finance Companies, and Other

Key Messages:

- CMBS portfolio is high quality.
- Underlying commercial mortgage delinquencies are increasing slightly but remain very low.

**U.S. Invested Assets
CMBS by Rating & Vintage
as of December 31, 2008
(\$ in millions)**

Vintage	AAA	%	AA	%	A	%	BBB	%	BB and Below	%	Total Amortized Cost
2003 & prior	\$1,205.8	64%	\$216.9	11%	\$203.3	11%	\$180.5	10%	\$82.1	4%	\$1,888.6
2004	366.1	63%	65.7	11%	116.5	20%	38.0	6%	0.0	0%	586.3
2005	564.5	62%	136.2	15%	112.2	12%	100.7	11%	0.0	0%	913.6
2006	315.1	56%	67.0	12%	60.3	11%	121.0	21%	0.0	0%	563.4
2007	1042.8	64%	301.3	18%	179.2	11%	115.1	7%	3.9	0%	1642.3
2008	64.0	70%	25.6	28%	1.5	2%	0.0	0%	0.0	0%	91.1
Total	\$3,558.3	62%	\$812.7	14%	\$673.0	12%	\$555.3	10%	\$86.0	2%	\$5,685.3

Based on amortized cost and lowest agency rating.

**U.S. Invested Assets
CMBS Portfolio Delinquencies Underlying
Commercial Mortgages**

	30 day	60 day	90 day	Balloons	Total
as of December 31, 2008	0.32%	0.19%	0.48%	0.06%	1.05%
as of September 30, 2008	0.21%	0.04%	0.55%	0.13%	0.93%
as of June 30, 2008	0.13%	0.04%	0.43%	0.10%	0.70%
as of March 31, 2008	0.14%	0.06%	0.36%	0.02%	0.58%

Key Messages:

- Credit and CMBS CDOs are high quality and are expected to continue to perform well.
- Subprime backed CDOs have been impaired appropriately and the remaining exposure is high quality and not material.

**U.S. Invested Assets
Select CDO Detail by Rating
as of December 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	25.9	28.8	21.0	9.5	2.5
AA	30.7	8.8	50.7	27.7	29.2	7.3
A	62.0	20.9	63.8	22.6	25.0	7.3
BBB	0.0	0.0	55.8	19.5	7.5	7.7
BB & below	55.1	23.6	103.1	38.1	1.2	1.1
TOTAL	202.8	79.2	302.2	128.9	72.4	25.9

**U.S. Invested Assets
Select CDO Detail by Rating
as of September 30, 2008
(\$ in millions)**

	Credit CDOs		CMBS CDOs		Subprime CDOs	
	Amortized Cost	Carrying Amount	Amortized Cost	Carrying Amount	Amortized Cost	Carrying Amount
AAA	55.0	38.7	39.9	27.4	18.9	11.4
AA	40.8	24.2	40.3	29.0	20.0	8.4
A	110.6	58.1	63.8	34.3	25.0	11.2
BBB	19.9	6.8	74.1	32.9	9.2	9.3
BB & below	0.0	0.0	97.8	48.4	0.8	1.0
TOTAL	226.3	127.8	315.9	172.0	73.9	41.3

Key Messages:

- **CMBS and CMBS CDOs potential realized losses are likely to be a small fraction of current unrealized losses (\$2.3 billion for all vintages at 12/31/2008) and occur mostly in the later years.**
- **Even under the most stressful conditions, potential realized losses will be manageable.**

CMBS & CMBS CDO Stress Scenarios

Calculations based on portfolio and assumptions as of 12/31/2008
(\$ in millions)

Scenario number	Scenario name	Vintage	Cumulative loan loss %	Cumulative after tax loss		
				Year 1 - 3	Year 4 - 7	Year 8+
3	PFG moderate	2005 and before	2.9%	\$10	\$11	\$5
		2006 and later	5.6%	\$22	\$81	\$25
4	PFG severe	2005 and before	4.0%	\$14	\$15	\$26
		2006 and later	8.6%	\$32	\$108	\$129

Scenario number	Scenario assumptions for 12/31/2008 calculations
3	PFG moderate scenario for 2005 and before vintages assumes a cumulative foreclosure rate of 9.3% with a 71% loan level recovery rate. The 2006 and later vintages assumes a cumulative foreclosure rate equal to 13.6% with a 60% loan level recovery rate.
4	PFG severe scenario for 2005 and before vintages assumes a cumulative foreclosure rate of 12.3% with a 70% loan level recovery rate. The 2006 and later vintages assumes cumulative foreclosure rate equal to 19.8% with a 57.5% loan level recovery rate. This reflects the 1986 vintage, which was the worst historical vintage from the last major downturn.

CMBS & CMBS CDO Stress Scenarios

Calculations based on portfolio and assumptions as of 9/30/2008
(\$ in millions)

Scenario number	Scenario name	Vintage	Cumulative loan loss %	Cumulative after tax loss		
				Year 1 - 3	Year 4 - 7	Year 8+
1	Fitch moderate	2006 and later	3.6%	\$2	\$4	\$56
2	Fitch severe	2006 and later	8.8%	\$3	\$120	\$137
3	PFG moderate	2005 and before	1.9%	\$0	\$0	\$0
		2006 and later	4.4%	\$2	\$5	\$80
4	PFG severe	2005 and before	3.0%	\$0	\$1	\$0
		2006 and later	7.7%	\$3	\$109	\$125

Scenario number	Scenario assumptions for 9/30/2008 calculations
1	Fitch's moderate scenario reflects levels present during the 1991 recession.
2	Fitch's severe scenario reflects extreme levels present during the 1945 recession.
3	PFG moderate scenario for 2005 and before vintages assumes annual foreclosures equal to 1.0% (~5 - 6% CFR*) with a 75% loan level recovery rate. The 2006 and later vintages assumes annual foreclosures equal to 1.5% (~12 - 15% CFR*) with a 60% loan level recovery rate.
4	PFG severe scenario for 2005 and before vintages assumes annual foreclosures equal to 2.0% (~10 - 12% CFR*) with a 75% loan level recovery rate. The 2006 and later vintages assumes annual foreclosures equal to 2.5% (~ 20 - 25% CFR*) with a 60% loan level recovery rate. This reflects the 1986 vintage, which was the worst historical vintage from the last major downturn.

* CFR - Cumulative Foreclosure Rate

Fitch Ratings report from July 31, 2008; "2006 and 2007 U.S. CMBS Survive Fitch Stress Testing". www.fitchratings.com



Key Messages:

- **Commercial mortgage whole loans are very high quality driven by high current occupancy.**
- **The number and total amount of weaker loans are minimal.**
- **All of the loans in the portfolio are performing, unlike the residential mortgage market.**

Commercial Mortgage Portfolio as of December 31, 2008

Portfolio Size (Amortized cost):	\$10.3 Billion*
Current Loan-to-Value:	62.0%
Current Debt Service Coverage:	1.8x
Current Occupancy:	89%
Loans under Breakeven Debt Service Coverage:	\$193.2 Million (31 different loans w/avg loan-to-value of 72%)
Loans with Loan-to-value greater than 80%:	\$686 Million (47 different loans w/avg debt service coverage of 1.1x and occupancy of 74%)
Number of loans	981
Average loan size	10.5 Million

* Excluding credit tenant loans

Key Message:

- Exposure to subprime residential mortgages is small, mostly seasoned, and high quality.

**U.S. Invested Assets
Asset-Backed Securities
Home Equity by Rating and Vintage
as of December 31, 2008
(\$ in millions)**

Vintage	AAA	%	AA	%	A	%	BBB	%	BB and Below	%	Total Amortized Cost
2003 & prior	\$138.8	51%	\$57.2	21%	\$33.4	12%	\$34.2	13%	\$6.6	3%	\$270.2
2004	81.2	89%	6.8	7%	0.0	0%	3.1	4%	0.0	0%	91.1
2005	35.0	34%	20.0	20%	14.2	14%	30.0	29%	2.6	4%	101.8
2006	11.8	63%	0.0	0%	0.0	0%	7.0	37%	0.0	0%	18.8
2007	15.0	24%	10.0	16%	0.0	0%	15.0	24%	23.2	27%	63.2
Total	\$281.8	52%	\$94.0	17%	\$47.6	9%	\$89.3	16%	\$32.4	6%	\$545.1

Based on amortized cost and lowest agency rating.



Key Message:

- Change in gross unrealized losses reflects forced selling during the quarter in a thinly traded market.

U.S. Invested Assets
Fixed Maturity Securities Available for Sale – Unrealized Gains and Losses
(\$ in millions)

	December 31, 2007		December 31, 2008		
	Gross Unrealized Gains	Gross Unrealized Losses	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Amount
Fixed Maturities (by Barclays Industry):					
Financial Institution - Banking	46.0	176.7	14.9	1,095.1	3,168.5
Financial Institution - Brokerage	9.9	25.7	0.9	128.5	657.8
Financial Institution - Finance Companies	5.4	46.4	0.1	84.7	334.0
Financial Institution - Financial Other	43.3	7.6	6.8	104.6	655.5
Financial Institution - Insurance	90.8	65.8	38.1	706.6	2,217.3
Financial Institution - REITS	7.4	57.3	-	430.6	981.9
Industrial - Basic Industry	52.5	35.9	10.6	303.8	1,736.8
Industrial - Capital Goods	71.9	23.7	15.1	316.8	2,020.6
Industrial - Communications	142.4	31.9	32.3	297.0	2,679.0
Industrial - Consumer Cyclical	34.7	53.9	18.7	338.7	1,703.8
Industrial - Consumer Non-Cyclical	93.2	35.2	31.2	298.5	2,917.4
Industrial - Energy	96.9	11.3	9.6	224.5	1,743.1
Industrial - Other	14.6	13.9	2.4	117.6	837.6
Industrial - Technology	8.1	7.7	2.2	115.3	763.6
Industrial - Transportation	44.3	24.4	10.3	124.5	878.0
Utility - Electric	79.6	18.4	22.8	199.2	2,297.0
Utility - Natural Gas	47.7	10.1	4.9	110.7	1,036.2
Utility - Other	5.6	3.7	2.3	14.3	144.7
Government Guaranteed	68.2	6.4	75.0	57.0	817.5
Total Corporate Securities	962.5	656.0	298.2	5,068.0	27,590.3
All other ABS	19.1	8.3	16.8	137.2	695.7
ABS Home Equity	0.1	42.1	0.1	198.5	346.7
CDO - ABS	-	30.1	0.2	53.5	46.7
CDO - CMBS	1.4	71.6	-	173.3	128.9
CDO - Credit	0.1	123.6	-	123.6	79.2
CDO - Loans	-	5.7	-	54.4	37.0
CMBS	107.4	196.2	3.7	2,081.9	3,604.5
CMO	3.3	14.1	6.4	188.6	768.6
RMBS	23.6	9.0	50.5	0.5	1,677.5
Total MBS and other ABS	155.0	500.7	77.7	3,011.5	7,384.8
U.S. government and agencies	29.0	0.1	46.9	0.1	595.2
Foreign governments	35.7	1.2	31.5	15.1	478.5
States and political subdivisions	39.1	10.2	32.6	120.9	2,025.5
Total fixed maturities	1,221.3	1,168.2	486.9	8,215.6	38,074.3



Key Message:

- Using the more actively traded credit default swap market as observable data, we estimate the increase in gross unrealized losses on our corporate bond portfolio would have been \$3.4 billion lower.

Principal Financial Group
U.S. Invested Assets
Illiquidity Impacts – Cash Versus Synthetic Markets for Select Available for Sale Corporate Bonds
as of December 31, 2008
(\$ in millions)

Barclays Industry	Amortized Cost	Carrying Amount	Net Unrealized Gain (Loss)	CDS Pricing Adjustment	Adjusted Carrying Amount	Net Adjusted Unrealized Gain (Loss)	Basis Adjustment
Financial Institution - Banking	\$3,712.6	\$2,792.5	(\$920.1)	\$139.2	\$2,931.7	(\$780.9)	112
Financial Institution - Brokerage	749.1	629.6	(119.5)	67.2	696.8	(52.3)	303
Financial Institution - Finance Companies	378.7	294.8	(83.9)	26.2	321.0	(57.7)	254
Financial Institution - Financial Other	2,630.4	1,945.6	(684.8)	322.6	2,268.2	(362.2)	311
Financial Institution - Insurance	438.5	382.9	(55.6)	48.5	431.4	(7.1)	306
Financial Institution - REITS	1,412.5	981.9	(430.6)	137.4	1,119.3	(293.2)	353
Industrial - Basic Industry	2,014.8	1,721.6	(293.2)	209.4	1,931.0	(83.8)	280
Industrial - Capital Goods	2,322.3	2,020.6	(301.7)	243.6	2,264.2	(58.1)	274
Industrial - Communications	2,919.3	2,664.4	(254.9)	413.0	3,077.4	158.1	308
Industrial - Consumer Cyclical	3,183.4	2,916.1	(267.3)	410.9	3,327.0	143.6	273
Industrial - Consumer Non-Cyclical	2,023.8	1,703.8	(320.0)	270.2	1,974.0	(49.8)	362
Industrial - Energy	1,949.2	1,737.0	(212.2)	299.9	2,036.9	87.7	288
Industrial - Other	952.8	837.6	(115.2)	110.1	947.7	(5.1)	315
Industrial - Technology	873.7	760.6	(113.1)	104.7	865.3	(8.4)	317
Industrial - Transportation	991.5	877.2	(114.3)	88.4	965.6	(25.9)	237
Utility - Electric	2,469.0	2,292.8	(176.2)	311.5	2,604.3	135.3	265
Utility - Natural Gas	1,091.5	985.7	(105.8)	144.3	1,130.0	38.5	297
Utility - Other	156.7	144.7	(12.0)	25.4	170.1	13.4	323
	\$30,269.8	\$25,689.4	(\$4,580.4)	\$3,372.5	\$29,061.9	(\$1,207.9)	276

(1) The table above represents differences in market values for select available for sale corporate bonds between the cash and synthetic markets. Name-specific CDS levels were used for 62% of the market values with sector-specific CDS spreads applied to the rest. The analysis was done on only straight Corporate debentures for companies part of the financial, industrial, or utility sectors. The difference is an indicator of the illiquidity embedded in the market pricing for cash bonds.

(2) - Certain corporate fixed maturities including redeemable preferred stock, government guaranteed securities, securities with a structured component, and other securities without a comparable synthetic market were excluded from this analysis. As of December 31, 2008, these securities had a total amortized cost of \$2,090.3 million, carrying amount of \$1,900.9 million and net unrealized losses of \$189.4 million.



Key Message:

- Using the CMBX index as observable data, we estimate that gross unrealized losses on our CMBS portfolio would have been \$800 million lower.

Principal Financial Group
U.S. Invested Assets
Illiquidity Impacts – Cash Versus Synthetic Markets for CMBS
as of December 31, 2008
(\$ in millions)

Type	Amortized Cost	Carrying Amount	Net Unrealized Gain (Loss)	CMBX Market Value	Net Unrealized Gain (Loss) (CMBX)	Market Implied Discount Rate	CMBX Discount Rate	Subordination
2005 and Earlier A	\$431.9	\$221.0	(\$210.9)	\$316.2	(\$116.2)	27.75	14.97	11-20%
2005 and Earlier AA	419.0	275.1	(143.9)	327.6	(86.8)	19.50	12.88	13-30%
2005 and Earlier AAA	906.6	879.7	(26.9)	839.4	(64.6)	8.75	4.65	30-90%
2005 and Earlier AAA (AJ)	10.0	6.6	(3.4)	9.0	(1.0)	24.50	9.77	12-15%
2005 and Earlier AAA (AM)	28.4	17.9	(10.5)	31.2	2.7	14.75	4.65	20%
2005 and Earlier AAA (SS)	473.4	408.3	(65.1)	494.0	20.5	9.00	4.65	30%
2005 and Earlier BB_below	82.1	25.9	(56.2)	50.5	(31.6)	45.00	25.00	5-15%
2005 and Earlier BBB	315.8	149.0	(166.8)	219.7	(96.1)	35.75	17.47	5-15%
2006 A	60.4	21.9	(38.5)	37.2	(23.1)	42.75	16.07	7-9%
2006 AA	67.0	33.9	(33.1)	49.7	(17.3)	35.00	14.75	9-12%
2006 AAA (AJ)	14.4	5.0	(9.4)	11.2	(3.1)	27.50	12.14	11-15%
2006 AAA (AM)	48.5	24.6	(23.9)	50.5	2.0	17.50	5.93	20%
2006 AAA (SS)	139.5	111.7	(27.8)	142.5	3.0	11.25	5.93	30%
2006 BBB	121.0	16.5	(104.5)	55.2	(65.8)	66.50	20.53	3-5%
2007 A	177.6	26.0	(151.6)	59.9	(117.7)	49.00	24.95	7-9%
2007 AA	300.8	58.0	(242.8)	136.8	(164.2)	40.00	20.96	9-12%
2007 AAA (AJ)	113.4	34.4	(79.0)	67.4	(46.0)	28.25	17.02	11-15%
2007 AAA (AM)	281.8	140.8	(141.0)	271.7	(10.1)	17.75	7.66	20%
2007 AAA (SS)	384.7	292.9	(91.8)	356.3	(28.4)	11.75	7.66	30%
2007 BB_below	3.9	0.3	(3.6)	0.6	(3.4)	94.00	45.00	4%
2007 BBB	114.4	11.2	(103.2)	26.4	(87.9)	69.00	34.98	3-5%
2008 A	1.5	0.3	(1.2)	0.8	(0.7)	52.50	24.95	7%
2008 AA	25.6	6.1	(19.5)	14.3	(11.2)	35.00	20.96	9-12%
2008 AAA (AJ)	20.3	6.2	(14.1)	12.0	(8.2)	29.00	17.02	11-15%
2008 AAA (SS)	43.7	32.7	(11.0)	40.5	(3.2)	10.50	7.66	30%
Grand Total	\$4,585.7	\$2,806.0	(\$1,779.7)	\$3,620.6	(\$958.4)			

(1) The table above represents differences in market values for the PFG U.S. Invested CMBS available for sale bond portfolio based on the application of current discount rates implied in the cash and synthetic index markets.

(2) Synthetic CMBX index spreads were combined with a swap yield to derive an applicable discount rate for various vintage and ratings buckets. Those discount rates were then applied to the contractual cashflows to determine the price.

(3) The difference is an indicator of the illiquidity embedded in the market pricing for cash bonds.

(4) The analysis was only completed on the available for sale CMBS bond portfolio and does not include interest-only securities with a book value of \$1,097.0 million, carrying amount of \$798.5 million and net unrealized losses of \$298.5 million.