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PRINCIPAL FINANCIAL GROUP INC
Form 8-K
June 15, 2004

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report: JUNE 7, 2004
(Date of earliest event reported)

PRINCIPAL FINANCIAL GROUP, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	1-16725	42-1520346
(State or other jurisdiction of incorporation)	Commission file number	(I.R.S. Employer Identification Number)

711 HIGH STREET, DES MOINES, IOWA 50392
(Address of principal executive offices)

(515) 247-5111
(Registrant's telephone number, including area code)

ITEM 7. EXHIBITS

99 Select Historical Financial Information, Reclassified to Account for
Mortgage Banking as Discontinued Operations

ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On May 12, 2004, Principal Financial Group, Inc. ("The Principal") announced a definitive agreement for the sale of its entire mortgage banking business to Citigroup. Under the terms of the agreement, Citigroup will acquire the stock of Principal Residential Mortgage, Inc. The transaction has been approved by the Principal Financial Group board of directors and is expected to close in third

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quarter, 2004, subject to regulatory approval. Estimated proceeds from the transaction of approximately \$1.26 billion include \$290 million of value in excess of the U.S. GAAP net book value of assets and liabilities transferred of approximately \$970 million. Proceeds from the transaction are based on a formula, a portion of which is sensitive to interest rates. The Principal will attempt to hedge this portion of the formula. U.S. GAAP book value of assets and liabilities transferred equals the sum of the U.S. GAAP equity allocated to the mortgage banking business of approximately \$527 million plus approximately \$443 million of income tax liability retained. All figures are as of April 30, 2004.

The following pages include certain selected historical financial information of The Principal, which reclassifies the results related to the mortgage banking business to discontinued operations. We are providing this information as an aid to investors who seek to understand the effect of the sale on our historical results.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PRINCIPAL FINANCIAL GROUP, INC.

By: /s/ THOMAS GRAF

Name: Thomas Graf

Title: Senior Vice President - Investor
Relations

Date: June 15, 2004

EXHIBIT 99

On May 12, 2004, Principal Financial Group, Inc. ("The Principal") announced a definitive agreement for the sale of its entire mortgage banking business to Citigroup. Under the terms of the agreement, Citigroup will acquire the stock of Principal Residential Mortgage, Inc. The transaction has been approved by the Principal Financial Group board of directors and is expected to close in third quarter, 2004, subject to regulatory approval. Estimated proceeds from the transaction of approximately \$1.26 billion include \$290 million of value in excess of the U.S. GAAP net book value of assets and liabilities transferred of approximately \$970 million. Proceeds from the transaction are based on a formula, a portion of which is sensitive to interest rates. The Principal will attempt to hedge this portion of the formula. U.S. GAAP book value of assets and liabilities transferred equals the sum of the U.S. GAAP equity allocated to the mortgage banking business of approximately \$527 million plus approximately \$443 million of income tax liability retained. All figures are as of April 30, 2004.

When the definitive agreement was signed, we met the criteria for discontinued operations under SFAS 144 "Accounting for the Impairment or Disposal of Long-Lived Assets". The following pages include certain selected historical

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financial information of The Principal, which reclassifies the results related to the mortgage banking business to discontinued operations. The restated financial information represents our preliminary assessment of the impact of the sale on our historical results, prepared in accordance with U.S. GAAP. We continue to study the classification of certain income and expense items for potential inclusion and/or exclusion as discontinued operations. The ultimate resolution of these decisions may change the classification of certain amounts presented herein.

We are providing this information as an aid to investors who seek to understand the effect of the sale on our historical results. While we believe that the following selected preliminary financial information represents our best current estimate of the effect of the sale, we caution investors that it may not be indicative of the results that actually would have occurred if the sale had been in effect on the dates indicated or indicative of results which may be achieved in the future.

The selected preliminary financial information is unaudited and should be read in conjunction with our annual audited financial statements as of December 31 2003, included in our Form 10-K for the year ended December 31, 2003, and our interim unaudited consolidated financial statements, included in our Form 10-Q for the three months ended March 31, 2004, filed with the United States Securities and Exchange Commission.

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Use of non-GAAP financial measures A non-GAAP financial measure is defined as 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, see Non-GAAP Financial Measures Reconciliations located on pages 11 and 12. We adjust U.S. GAAP financial measures for items not directly related to ongoing operations. However, it is possible that these adjusting items have occurred in the past and 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.

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We also use a variety of other operational measures that do not have U.S. GAAP counterparts, and therefore do not fit the definition of non-GAAP financial measures. Assets under management is an example of an operational measure that is not considered a non-GAAP financial measure.

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PRINCIPAL FINANCIAL GROUP, INC. Summary Financial and Market Highlights (per share*, except as indicated)

	Three Months Ended,					
	31-Mar-04	31-Dec-03	30-Sep-03	30-Jun-03	31-Mar-03	31-Dec-02
Basic Earnings Per Share						
Operating Earnings	\$ 0.58	\$ 0.57	\$ 0.52	\$ 0.51	\$ 0.46	\$ 0.45
Net Unrealized/Realized Capital Gains/(Losses)	(0.07)	0.05	0.01	(0.05)	(0.17)	(0.17)
Other After-Tax Adjustments	0.09	0.01	0.04	0.16	0.18	0.18
Net Income	\$ 0.60	\$ 0.63	\$ 0.57	\$ 0.62	\$ 0.47	\$ 0.46
Weighted Average Shares Outstanding (in millions)	320.8	322.2	323.5	326.9	331.4	331.4
Diluted Earnings Per Share						
Operating Earnings	\$ 0.58	\$ 0.57	\$ 0.52	\$ 0.51	\$ 0.46	\$ 0.45
Net Unrealized/Realized Capital Gains/(Losses)	(0.07)	0.05	0.01	(0.05)	(0.16)	(0.16)
Other After-Tax Adjustments	0.09	0.01	0.04	0.16	0.17	0.17
Net Income	\$ 0.60	\$ 0.63	\$ 0.57	\$ 0.62	\$ 0.47	\$ 0.46
Weighted Average Shares Outstanding (in millions)	322.0	323.3	324.1	327.4	331.7	331.7
Book Value						
Including OCI	\$ 24.90	\$ 23.07	\$ 23.04	\$ 23.19	\$ 20.84	\$ 20.84
Excluding OCI	\$ 20.10	\$ 19.42	\$ 19.31	\$ 18.82	\$ 18.28	\$ 18.28
End of Period Common Shares Outstanding (in millions)	320.8	320.7	322.8	325.1	328.0	328.0
Return on Average Equity (trailing twelve months)						
Operating Earnings						
Including OCI	9.5%	9.5%	8.9%	8.3%	8.7%	8.7%
Excluding OCI	11.3%	10.9%	10.1%	9.4%	9.2%	9.2%
Net Income						
Including OCI	10.6%	10.6%	10.8%	5.8%	5.0%	5.0%
Excluding OCI	12.6%	12.2%	12.3%	6.6%	5.3%	5.3%
Share Repurchase Data						

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Shares repurchased (in millions)	-	2.31	2.38	3.76	6.53	
Cost of shares repurchased (in millions)	\$ -	\$ 75.00	\$ 78.04	\$ 115.94	\$ 184.06	\$
Average price per share repurchased	\$ -	\$ 32.53	\$ 32.83	\$ 30.83	\$ 28.17	\$
Trading Statistics						
High	\$ 37.36	\$ 34.36	\$ 34.10	\$ 34.67	\$ 31.20	\$
Low	\$ 32.13	\$ 30.70	\$ 30.13	\$ 27.03	\$ 25.21	\$
Close	\$ 35.63	\$ 33.07	\$ 30.99	\$ 32.25	\$ 27.14	\$
Volume	56.30	54.24	55.40	61.98	75.87	
Valuation Data (Closing Prices)						
Market Capitalization (millions)	\$11,430.10	\$10,605.55	\$10,003.57	\$10,484.48	\$ 8,901.92	\$1
Price to Earnings Multiple	16.34	16.05	16.23	18.22	15.96	
Price to Book Value Multiple	1.77	1.70	1.60	1.71	1.48	

* - Pro forma prior to fourth quarter 2001.

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PRINCIPAL FINANCIAL GROUP, INC. Summary Financial Highlights (in millions)

	Three Months Ended,					
	31-Mar-04	31-Dec-03	30-Sep-03	30-Jun-03	31-Mar-03	31-Mar-04
Operating Revenues						
U.S. Asset Management and Accumulation	893.3	1,015.7	864.8	862.0	879.9	
International Asset Management and Accumulation	115.5	122.4	99.9	113.0	76.8	
Life and Health Insurance	1,035.3	1,004.5	995.7	1,001.8	1,012.3	4
Mortgage Banking	-	-	-	-	-	
Corporate and Other	1.6	6.9	18.9	(2.0)	3.0	
Total	2,045.7	2,149.5	1,979.3	1,974.8	1,972.0	8
After-tax Operating Earnings / (Losses)						
U.S. Asset Management and Accumulation	119.5	114.1	107.9	105.7	94.9	
International Asset Management and Accumulation	8.7	8.2	8.0	12.1	6.6	
Life and Health Insurance	74.8	66.4	52.8	62.9	59.1	
Mortgage Banking	(4.9)	(4.7)	(5.0)	(4.5)	(3.9)	
Corporate and Other	(11.5)	(0.9)	3.8	(10.4)	(5.0)	
Total	186.6	183.1	167.5	165.8	151.7	
Net Income (Loss)						
U.S. Asset Management and Accumulation	83.3	115.3	89.1	79.2	66.4	

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International Asset Management and Accumulation	9.0	24.3	24.0	9.4	1.5	
Life and Health Insurance	72.0	61.3	51.7	61.8	49.8	
Mortgage Banking	28.6	(42.8)	(11.4)	45.1	52.3	
Corporate and Other	0.7	45.8	31.1	6.7	(14.3)	
	-----	-----	-----	-----	-----	
Total	193.6	203.9	184.5	202.2	155.7	
	=====	=====	=====	=====	=====	
Operating Return on Average Equity Excluding OCI (trailing twelve months)						
U.S. Asset Management and Accumulation	19.3%	19.2%	17.7%	16.7%	16.4%	
International Asset Management and Accumulation	4.8%	4.7%	3.1%	2.7%	2.1%	
Life and Health Insurance	14.0%	13.4%	13.4%	13.7%	13.8%	
Mortgage Banking	-3.5%	-3.8%	-3.6%	-3.6%	-3.6%	
Corporate and Other	N/M	N/M	N/M	N/M	N/M	
Total	11.3%	10.9%	10.1%	9.4%	9.2%	
Assets Under Management	149,800.0	144,900.0	134,800.0	128,000.0	116,300.0	144,000.0

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PRINCIPAL FINANCIAL GROUP, INC. Consolidated Segment Income Statement Time Series (in millions)

PRINCIPAL FINANCIAL GROUP, INC.

Line Item	Three Months Ended,					
	31-Mar-04	31-Dec-03	30-Sep-03	30-Jun-03	31-Mar-03	31-Dec-02
Premiums and other considerations	921.8	983.2	868.8	876.6	905.5	311.8
Fees and other revenues	337.1	355.5	288.5	289.0	272.8	111.1
Net investment income	786.8	810.8	822.0	809.2	793.7	311.1
Total operating revenues	2,045.7	2,149.5	1,979.3	1,974.8	1,972.0	734.0
Benefits, claims, and settlement expenses	1,187.5	1,302.5	1,175.6	1,186.3	1,195.8	411.1
Dividends to policyholders	73.3	75.2	78.7	73.9	80.1	28.1
Commissions	121.8	114.2	100.4	100.1	99.5	38.1
Capitalization of DPAC	(97.3)	(96.7)	(86.6)	(80.7)	(85.8)	31.1
Amortization of DPAC	38.3	2.6	40.2	50.0	55.1	20.1
Depreciation and amortization	18.9	28.8	18.1	18.0	16.7	6.1
Interest expense on corporate debt	20.3	20.7	20.2	20.5	20.8	7.1
Other expenses	428.5	462.9	401.2	384.5	384.7	141.1
Total expenses	1,791.3	1,910.2	1,747.8	1,752.6	1,766.9	655.6
Operating earnings (losses) before tax	254.4	239.3	231.5	222.2	205.1	78.4
Income tax	67.8	56.2	64.0	56.4	53.4	20.1

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Operating earnings (losses) after tax	186.6	183.1	167.5	165.8	151.7
Net-unrealized/realized cap gains/(losses)	(23.3)	16.0	1.8	(15.3)	(54.1)
Other after-tax adjustments	30.3	4.8	15.2	51.7	58.1
Net Income (Loss)	193.6	203.9	184.5	202.2	155.7

U.S. ASSET MANAGEMENT AND ACCUMULATION SEGMENT

Line Item	Three Months Ended,					
	31-Mar-04	31-Dec-03	30-Sep-03	30-Jun-03	31-Mar-03	31-Dec-02
Premiums and other considerations	88.9	160.3	71.5	74.4	113.8	113.8
Fees and other revenues	229.8	260.3	195.1	193.5	184.8	184.8
Net investment income	574.6	595.1	598.2	594.1	581.3	581.3
Total operating revenues	893.3	1,015.7	864.8	862.0	879.9	879.9
Benefits, claims, and settlement expenses	497.3	595.4	504.0	509.3	531.0	531.0
Dividends to policyholders	1.3	0.7	2.3	(0.7)	4.6	4.6
Commissions	54.4	54.1	44.7	45.0	42.8	42.8
Capitalization of DPAC	(55.5)	(60.5)	(57.7)	(53.9)	(53.8)	(53.8)
Amortization of DPAC	23.1	17.5	15.2	21.4	29.7	29.7
Depreciation and amortization	7.3	7.0	7.3	7.0	6.7	6.7
Interest expense on corporate debt	-	0.1	0.1	-	-	-
Other expenses	209.1	252.3	203.5	197.4	197.5	197.5
Total expenses	737.0	866.6	719.4	725.5	758.5	758.5
Operating earnings (losses) before tax	156.3	149.1	145.4	136.5	121.4	121.4
Income tax	36.8	35.0	37.5	30.8	26.5	26.5
Operating earnings (losses) after tax	119.5	114.1	107.9	105.7	94.9	94.9
Net-unrealized/realized cap gains/(losses)	(37.2)	(2.3)	(19.7)	(29.0)	(31.1)	(31.1)
Other after-tax adjustments	1.0	3.5	0.9	2.5	2.6	2.6
Net Income (Loss)	83.3	115.3	89.1	79.2	66.4	66.4

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PRINCIPAL FINANCIAL GROUP, INC. Consolidated Segment Income Statement Time Serides (in millions)

INTERNATIONAL ASSET MANAGEMENT AND ACCUMULATION SEGMENT

Line Item	Three Months Ended,				
	31-Mar-04	31-Dec-03	30-Sep-03	30-Jun-03	31-Mar-03

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Premiums and other considerations	60.2	62.9	50.0	51.5	30.7
Fees and other revenues	21.5	20.5	19.6	22.4	14.8
Net investment income	33.8	39.0	30.3	39.1	31.3
Total operating revenues	115.5	122.4	99.9	113.0	76.8
Benefits, claims, and settlement expenses	75.7	80.9	65.6	73.4	48.1
Dividends to policyholders	—	—	—	—	—
Commissions	5.8	6.3	4.8	5.3	3.7
Capitalization of DPAC	(3.0)	(3.8)	(2.9)	(3.4)	(2.3)
Amortization of DPAC	0.7	(5.6)	(0.8)	4.2	1.0
Depreciation and amortization	3.0	13.3	2.0	1.9	1.4
Interest expense on corporate debt	0.2	0.5	0.1	0.1	0.3
Other expenses	19.8	22.7	22.0	16.8	16.5
Total expenses	102.2	114.3	90.8	98.3	68.7
Operating earnings (losses) before tax	13.3	8.1	9.1	14.7	8.1
Income tax	4.6	(0.1)	1.1	2.6	1.5
Operating earnings (losses) after tax	8.7	8.2	8.0	12.1	6.6
Net-unrealized/realized cap gains/(losses)	3.6	5.6	3.6	(2.3)	(4.4)
Other after-tax adjustments	(3.3)	10.5	12.4	(0.4)	(0.7)
Net Income (Loss)	9.0	24.3	24.0	9.4	1.5

LIFE AND HEALTH INSURANCE SEGMENT

Line Item	Three Months Ended,				
	31-Mar-04	31-Dec-03	30-Sep-03	30-Jun-03	31-Mar-03
Premiums and other considerations	772.7	760.0	747.3	750.7	761.0
Fees and other revenues	97.6	85.9	85.0	83.6	84.4
Net investment income	165.0	158.6	163.4	167.5	166.9
Total operating revenues	1,035.3	1,004.5	995.7	1,001.8	1,012.3
Benefits, claims, and settlement expenses	616.1	628.1	607.1	604.7	617.8
Dividends to policyholders	72.0	74.5	76.4	74.6	75.5
Commissions	66.4	59.1	56.0	55.6	59.4
Capitalization of DPAC	(38.8)	(32.4)	(26.0)	(23.4)	(29.7)
Amortization of DPAC	14.5	(9.3)	25.8	24.4	24.4
Depreciation and amortization	6.8	6.5	6.8	6.9	6.6
Interest expense on corporate debt	—	—	—	—	—
Other expenses	184.7	177.6	170.3	163.8	169.4
Total expenses	921.7	904.1	916.4	906.6	923.4
Operating earnings (losses) before tax	113.6	100.4	79.3	95.2	88.9
Income tax	38.8	34.0	26.5	32.3	29.8
Operating earnings (losses) after tax	74.8	66.4	52.8	62.9	59.1
Net-unrealized/realized cap gains/(losses)	(1.9)	(5.1)	(1.1)	(1.1)	(9.3)
Other after-tax adjustments	(0.9)	—	—	—	—
Net Income (Loss)	72.0	61.3	51.7	61.8	49.8

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PRINCIPAL FINANCIAL GROUP, INC.
Consolidated Segment Income Statement Time Series
(in millions)

MORTGAGE BANKING SEGMENT

Line Item	Three Months Ended,					
	31-Mar-04	31-Dec-03	30-Sep-03	30-Jun-03	31-Mar-03	31-Dec-02
Premiums and other considerations	-	-	-	-	-	-
Fees and other revenues	-	-	-	-	-	-
Net investment income	-	-	-	-	-	-
Total operating revenues	-	-	-	-	-	-
Benefits, claims, and settlement expenses	-	-	-	-	-	-
Dividends to policyholders	-	-	-	-	-	-
Commissions	-	-	-	-	-	-
Capitalization of DPAC	-	-	-	-	-	-
Amortization of DPAC	-	-	-	-	-	-
Depreciation and amortization	-	-	-	-	-	-
Interest expense on corporate debt	-	-	-	-	-	-
Other expenses	7.9	7.7	7.9	7.4	6.3	-
Total expenses	7.9	7.7	7.9	7.4	6.3	-
Operating earnings (losses) before tax	(7.9)	(7.7)	(7.9)	(7.4)	(6.3)	-
Income tax	(3.0)	(3.0)	(2.9)	(2.9)	(2.4)	-
Operating earnings (losses) after tax	(4.9)	(4.7)	(5.0)	(4.5)	(3.9)	-
Net-unrealized/realized cap gains/(losses)	-	-	-	-	-	-
Other after-tax adjustments	33.5	(38.1)	(6.4)	49.6	56.2	-
Net Income (Loss)	28.6	(42.8)	(11.4)	45.1	52.3	-

CORPORATE AND OTHER SEGMENT

Line Item	Three Months Ended,					
	31-Mar-04	31-Dec-03	30-Sep-03	30-Jun-03	31-Mar-03	31-Dec-02
Premiums and other considerations	-	-	-	-	-	-
Fees and other revenues	(11.8)	(11.2)	(11.2)	(10.5)	(11.2)	-
Net investment income	13.4	18.1	30.1	8.5	14.2	-
Total operating revenues	1.6	6.9	18.9	(2.0)	3.0	-
Benefits, claims, and settlement expenses	(1.6)	(1.9)	(1.1)	(1.1)	(1.1)	-

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Dividends to policyholders	-	-	-	-	-
Commissions	(4.8)	(5.3)	(5.1)	(5.8)	(6.4)
Capitalization of DPAC	-	-	-	-	-
Amortization of DPAC	-	-	-	-	-
Depreciation and amortization	1.8	2.0	2.0	2.2	2.0
Interest expense on corporate debt	20.1	20.1	20.0	20.4	20.5
Other expenses	7.0	2.6	(2.5)	(0.9)	(5.0)
Total expenses	22.5	17.5	13.3	14.8	10.0
Operating earnings (losses) before tax	(20.9)	(10.6)	5.6	(16.8)	(7.0)
Income tax	(9.4)	(9.7)	1.8	(6.4)	(2.0)
Operating earnings (losses) after tax	(11.5)	(0.9)	3.8	(10.4)	(5.0)
Net-unrealized/realized cap gains/(losses)	12.2	17.8	19.0	17.1	(9.3)
Other after-tax adjustments	-	28.9	8.3	-	-
Net Income (Loss)	0.7	45.8	31.1	6.7	(14.3)

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PRINCIPAL FINANCIAL GROUP, INC.
Consolidated Balance Sheet
(in millions)

Line Item	Period Ended,					
	31-Mar-04	31-Dec-03	30-Sep-03	30-Jun-03	31-Mar-03	31-Dec-02
Assets						
Fixed maturities, afs	38,641.7	37,449.7	36,898.0	37,400.2	35,690.4	34,185.7
Fixed maturities, trading	103.4	102.9	103.5	104.3	101.1	101.7
Equity securities, afs	732.6	699.2	386.1	399.3	381.1	378.7
Mortgage loans	11,240.3	11,251.6	11,429.3	11,020.5	10,576.7	10,565.9
Real estate	1,459.8	1,526.1	1,504.2	1,403.5	1,322.4	1,223.7
Policy loans	804.5	804.1	805.8	808.1	810.9	818.5
Other investments	1,277.4	1,412.1	1,171.6	1,233.1	1,043.6	1,167.0
Total investments	54,259.7	53,245.7	52,298.5	52,369.0	49,926.2	48,441.2
Cash and cash equivalents	715.0	1,194.2	619.5	1,197.6	801.7	737.0
Accrued investment income	608.2	656.8	634.1	644.3	618.9	645.5
Deferred policy acquisition costs	1,552.4	1,571.7	1,445.6	1,340.5	1,400.4	1,414.4
Property and equipment	440.9	445.5	448.1	456.7	467.8	479.3
Goodwill	241.7	175.8	145.9	149.0	113.3	98.1
Other intangibles	156.4	121.4	123.4	118.5	110.9	88.8
Premiums due and other receivables	543.7	719.8	792.2	438.8	543.7	459.7
Separate account assets	46,186.6	43,407.8	39,443.5	37,495.8	33,906.7	33,501.4
Assets of discontinued operations~	5,236.1	5,382.9	7,292.4	4,047.0	3,557.2	3,633.1
Other assets	872.1	832.8	471.4	364.5	413.4	372.1

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Total Assets	110,812.8	107,754.4	103,714.6	98,621.7	91,860.2	89,870.6	88,2
Liabilities							
Contractholder funds	28,913.7	28,902.5	28,086.1	28,179.4	27,366.8	26,315.0	26,4
Future policy benefits and claims	15,525.8	15,474.7	15,159.9	15,009.1	14,838.6	14,736.4	14,4
Other policyholder funds	769.2	710.2	730.6	755.0	671.1	642.9	6
Short-term debt	586.3	702.8	550.8	565.4	658.6	564.8	4
Long-term debt	1,162.1	1,374.3	1,352.9	1,360.2	1,335.6	1,332.5	1,3
Income taxes currently payable	151.2	113.9	102.7	162.1	-	-	3
Deferred income taxes	1,385.6	1,198.9	1,235.1	1,251.0	998.8	788.0	5
Separate account liabilities	46,186.6	43,407.8	39,443.5	37,495.8	33,906.7	33,501.4	30,8
Liabilities of discontinued operations~	4,340.4	4,542.1	5,989.0	2,912.9	2,354.4	2,419.9	3,4
Other liabilities	3,804.9	3,927.6	3,627.7	3,391.8	2,892.8	2,912.5	3,1
Total Liabilities	102,825.8	100,354.8	96,278.3	91,082.7	85,023.4	83,213.4	81,6
Stockholders' Equity							
Common stock, at par	3.8	3.8	3.8	3.8	3.8	3.8	
Paid-in capital	7,179.1	7,153.2	7,142.4	7,133.4	7,108.6	7,106.3	7,0
Retained earnings (deficit)	824.0	630.4	571.8	387.3	185.1	29.4	(1
Treasury stock	(1,559.5)	(1,559.1)	(1,484.1)	1,406.1)	(1,302.2)	(1,118.1)	(8
Accumulated other comprehensive income:							
Net unrealized gains on afs securities	1,655.8	1,291.4	1,353.1	1,570.6	1,036.9	822.0	6
Net foreign currency translations adjustment	(113.7)	(117.6)	(150.7)	(150.0)	(195.4)	(186.2)	(1
Minimum pension liability	(2.5)	(2.5)	-	-	-	-	
Total Stockholders' Equity	7,987.0	7,399.6	7,436.3	7,539.0	6,836.8	6,657.2	6,6
Total Liabilities and Stockholders' Equity	110,812.8	107,754.4	103,714.6	98,621.7	91,860.2	89,870.6	88,2

~ Increase in the third quarter of 2003 was due to our implementation of FIN 46.

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Exhibit 1

PRINCIPAL FINANCIAL GROUP, INC. Non-GAAP Financial Measures (in millions, except as indicated)

	Three Months Ended,				
	31-Mar-04	31-Dec-03	30-Sep-03	30-Jun-03	31-Mar-03
Stockholders' Equity x-OCI					
USAMA	\$ 2,381.8	\$ 2,343.4	\$ 2,240.3	\$ 2,308.9	\$ 2,263.8
IAMA	816.7	811.4	782.8	768.5	711.1
Life and Health	1,900.7	1,823.5	1,806.1	1,819.0	1,776.3

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Mortgage Banking	561.2	472.4	520.9	550.7	522.1
Corporate and Other	787.0	777.6	883.8	671.3	722.0
Total stockholders' equity x-OCI	6,447.4	6,228.3	6,233.9	6,118.4	5,995.3
Net unrealized capital gains (losses)	1,657.2	1,291.4	1,353.1	1,570.6	1,036.9
Foreign currency translation	(113.7)	(117.6)	(150.7)	(150.0)	(195.4)
Minimum pension liability	(3.9)	(2.5)	—	—	—
Total stockholders' equity	\$ 7,987.0	\$ 7,399.6	\$ 7,436.3	\$ 7,539.0	\$ 6,836.8
Book Value x-OCI:					
Book value x-OCI	\$ 20.10	\$ 19.42	\$ 19.31	\$ 18.82	\$ 18.28
Net unrealized capital gains (losses)	5.17	4.03	4.19	4.83	3.16
Foreign currency translation	(0.36)	(0.37)	(0.46)	(0.46)	(0.60)
Minimum pension liability	(0.01)	(0.01)	—	—	—
Book value including OCI	\$ 24.90	\$ 23.07	\$ 23.04	\$ 23.19	\$ 20.84
Operating Earnings ROE (x-OCI)					
USAMA	19.3%	19.2%	17.7%	16.7%	16.4%
IAMA	4.8%	4.7%	3.1%	2.7%	2.1%
Life and Health	14.0%	13.4%	13.4%	13.7%	13.8%
Mortgage Banking	-3.5%	-3.8%	-3.6%	-3.6%	-3.6%
Corporate and Other	-2.5%	-1.4%	-3.1%	-4.1%	-3.0%
Total operating earnings ROE (x-OCI)	11.3%	10.9%	10.1%	9.4%	9.2%
Net realized/unrealized capital gains (losses)	-0.3%	-0.8%	-2.6%	-4.8%	-5.7%
Other after-tax adjustments	1.6%	2.1%	4.8%	2.0%	1.8%
Net income ROE (x-OCI)	12.6%	12.2%	12.3%	6.6%	5.3%
Net unrealized capital gains (losses)	-2.2%	-2.0%	-1.9%	-1.0%	-0.5%
Foreign currency translation	0.2%	0.4%	0.4%	0.2%	0.2%
Minimum pension liability	0.0%	0.0%	0.0%	0.0%	0.0%
Net income ROE (including OCI)	10.6%	10.6%	10.8%	5.8%	5.0%
Operating Earnings:					
USAMA	\$ 119.5	\$ 114.1	\$ 107.9	\$ 105.7	\$ 94.9
IAMA	8.7	8.2	8.0	12.1	6.6
Life and Health	74.8	66.4	52.8	62.9	59.1
Mortgage Banking	(4.9)	(4.7)	(5.0)	(4.5)	(3.9)
Corporate and Other	(11.5)	(0.9)	3.8	(10.4)	(5.0)
Total operating earnings	186.6	183.1	167.5	165.8	151.7
Net realized/unrealized capital gains (losses)	(23.3)	16.0	1.8	(15.3)	(54.1)
Other after-tax adjustments	30.3	4.8	15.2	51.7	58.1
Net income	\$ 193.6	\$ 203.9	\$ 184.5	\$ 202.2	\$ 155.7

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EXHIBIT 2

PRINCIPAL FINANCIAL GROUP, INC. Non-GAAP Financial Measures (in millions, except as indicated)

	Three Months Ended,				
	31-Mar-04	31-Dec-03	30-Sep-03	30-Jun-03	31-Mar-03
Net Realized/Unrealized Capital Gains (Losses):					
Total net realized/unrealized capital gains (losses)	\$ (23.3)	\$ 16.0	\$ 1.8	\$ (15.3)	\$ (54.3)
Add:					
Amortization of deferred policy acquisition and sale inducement costs	(2.1)	(2.1)	0.3	0.4	(3.1)
Capital gains distributed	2.0	1.5	1.1	3.5	(1.1)
Minority interest capital gains	0.1	0.5	(0.1)	(0.4)	0.1
Tax impacts	(23.5)	10.0	(8.0)	(5.9)	(22.1)
Less:					
Unearned front-end fee income	(1.1)	(0.5)	0.8	(0.1)	4.1
Certain market value adjustments to fee revenues	(2.9)	(1.2)	-	(6.7)	(9.1)
GAAP net realized/unrealized capital gains (losses)	\$ (42.8)	\$ 27.6	\$ (5.7)	\$ (10.9)	\$ (76.3)
Other After Tax Adjustments:					
IRS audit issue	\$ -	\$ 28.9	\$ -	\$ -	\$ -
Demutualization expenses	-	-	-	-	-
Loss contingency reserve	-	-	-	-	-
IPO proceeds	-	-	-	-	-
FIN 46 implementation	-	-	(3.4)	-	-
SFAS 142 implementation	-	-	-	-	-
SFAS 133 implementation	-	-	-	-	-
SOP 03-1 implementation	(5.7)	-	-	-	-
Discontinued operations - MB	36.0	(34.6)	6.2	52.1	58.1
Discontinued operations - BT	-	10.5	12.4	(0.4)	(0.1)
Total other after tax adjustments	\$ 30.3	\$ 4.8	\$ 15.2	\$ 51.7	\$ 58.1
Operating Revenues:					
USAMA	\$ 893.3	\$1,015.7	\$ 864.8	\$ 862.0	\$ 879.1
IAMA	115.5	122.4	99.9	113.0	76.1
Life and Health	1,035.3	1,004.5	995.7	1,001.8	1,012.1
Mortgage Banking	-	-	-	-	-
Corporate and Other	1.6	6.9	18.9	(2.0)	3.1
Total operating revenues	2,045.7	2,149.5	1,979.3	1,974.8	1,972.1
Net realized/unrealized capital gains (losses) and related fee adjustments	(46.8)	25.9	(4.9)	(17.7)	(82.1)
IPO proceeds	-	-	-	-	-
Total GAAP revenues	\$1,998.9	\$ 2,175.4	\$ 1,974.4	\$ 1,957.1	\$ 1,889.1
Premium and Deposits:					
Universal and Variable Universal Life					

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Premium and deposits	\$ 117.5	\$ 99.5	\$ 84.2	\$ 75.9	\$ 78.0
Less: deposits	122.2	104.0	87.7	79.4	81.0
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GAAP premiums and other considerations	\$ (4.7)	\$ (4.5)	\$ (3.5)	\$ (3.5)	\$ (3.5)
	=====	=====	=====	=====	=====
Traditional Life Insurance					
Premium and deposits	\$ 171.8	\$ 178.5	\$ 170.7	\$ 181.0	\$ 180.0
Less: deposits	-	-	-	-	-
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GAAP premiums and other considerations	\$ 171.8	\$ 178.5	\$ 170.7	\$ 181.0	\$ 180.0
	=====	=====	=====	=====	=====
Total Individual Life Insurance					
Premium and deposits	\$ 289.3	\$ 278.0	\$ 254.9	\$ 256.9	\$ 258.0
Less: deposits	122.2	104.0	87.7	79.4	81.0
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GAAP premiums and other considerations	\$ 167.1	\$ 174.0	\$ 167.2	\$ 177.5	\$ 176.0
	=====	=====	=====	=====	=====