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: OCTOBER 31, 2005

(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 (Commission file number) (I.R.S. Employer

of incorporation) Identification Number)

711 HIGH STREET, DES MOINES, IOWA 50392

(Address of principal executive offices)

(515) 247-5111

(Registrant's telephone number,

including area code)

Check the appropriate box below if the Form 8-K filing is intended to

simultaneously satisfy the filing obligation of the registrant under any of the

following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR

230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR

240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the

Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange

Act (17 CFR 240.13e-4(c))

------------------

ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On October 31, 2005, Principal Financial Group, Inc. publicly announced

information regarding its results of operations and financial condition for the

quarter ended September 30, 2005. The text of the announcement is included

herewith as Exhibit 99.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

99 Third Quarter 2005 Earnings Release

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/ MICHAEL H. GERSIE

------------------------------------------

Name: Michael H. Gersie

Title: Executive Vice President and Chief

Financial Officer

Date: November 1, 2005

2

RELEASE: On receipt

MEDIA CONTACT: Jeff Rader, 515-247-7883, rader.jeff@principal.com

INVESTOR RELATIONS CONTACT: Tom Graf, 515-235-9500,

investor-relations@principal.com

PRINCIPAL FINANCIAL GROUP, INC. REPORTS THIRD QUARTER 2005 RESULTS

Des Moines, IA (October 31, 2005) - Principal Financial Group, Inc. (NYSE: PFG)

today announced net income available to common stockholders for the three months

ended September 30, 2005, of $210.0 million, or $0.74 per diluted share. This

compares to $298.8 million (which included gains of $94.1 million associated

with the sale of Principal Residential Mortgage, Inc. and $10.1 million

associated with the sale of operations in Argentina), or $0.95 per diluted share

for the three months ended September 30, 2004. The company reported operating

earnings of $214.3 million for third quarter 2005(1), compared to $205.2 million

for third quarter 2004. Operating earnings per diluted share (EPS) for third

quarter 2005 were $0.75 compared to $0.66 for the same period in 2004. Operating

revenues for third quarter 2005 were $2,221.9 million compared to $2,111.8

million for the same period last year.(2)

"With our initial public offering in October 2001, we set some aggressive

long-term growth targets, including 11 to 13 percent annual growth in operating

earnings per diluted share," said J. Barry Griswell, chairman and chief

executive officer. "Four years later, we've established The Principal as an

organization that delivers, with results year-to-date underscoring that point -

third quarter EPS is up 14 percent to 75 cents, and through nine months, EPS is

$2.19, an increase of 23 percent compared to the year ago period."

"We committed to driving growth by building on our U.S. retirement services

leadership; by leveraging our retirement leadership and expertise

internationally; and by creating a successful global asset manager," said

Griswell. "Again, results for the quarter and year-to-date emphasize our

continued success."

o Operating earnings for the company's largest U.S. retirement business,

pension full service accumulation, are up 10 percent from a year ago to

$62.7 million and up 12 percent through nine months to $185.5 million.

o Organic full service accumulation sales were a record $1.9 billion in the

third quarter, driving the nine month total to nearly $4.5 billion, and

positioning the company to achieve or exceed its full year organic sales

target of $5.7 to $5.8 billion.

o Full service accumulation account values are up 25 percent from a year ago

at $75.1 billion, including net cash flow of $1.3 billion in the third

quarter, the business' best net cash flow quarter in more than 2 years.

o Principal International, the company's business in Latin America and Asia

delivered a record $19.7 million in operating earnings in the third

quarter, contributing to 68 percent growth in earnings year-to-date.

o Principal Global Investors' operating earnings improved 65 percent compared

to a year ago to $18.0 million in third quarter 2005, and are up $16.8

million, or 44 percent through nine months, driven by a 41 percent or $11.8

billion increase in third party assets under management compared to the

year ago quarter.

"Strong growth in our retirement and asset management businesses reflects

continued enhancements to distribution, improvements in investment performance,

and a significantly expanded array of value-added solutions," said Griswell.

"We're also making meaningful progress in profitably growing our life and health

insurance businesses, with record operating revenues of $1.1 billion in third

quarter 2005. And for the third quarter and year-to-date, reflecting very good

sales and retention, both the Individual Life and Specialty Benefits divisions

have achieved double-digit operating earnings growth, driving segment earnings

up solidly to $211 million for the first nine months."

3

Additional highlights:

o Net income available to common stockholders for the nine months ended

September 30, 2005 increased to $654.4 million, or $2.23 per diluted share

compared to $612.1 million, or $1.92 per diluted share during the same

period a year ago.

o Operating earnings for the nine months ended September 30, 2005 increased

14 percent to $644.5 million, from $565.1 million in the year earlier

period.

o Operating revenues for the nine months ended September 30, 2005 increased 6

percent to $6,561.3 million from $6,202.9 million in the year earlier

period.

o Record total company assets under management (AUM) of $188.4 billion as of

September 30, 2005, an increase of $34.0 billion or 22 percent compared to

September 30, 2004.(3)

o Continued strong sales of the company's other key retirement and investment

products, including $817 million for mutual funds and $450 million for

individual annuities in third quarter 2005, driving nine month totals to

$2.5 billion and $1.5 billion, respectively.

SEGMENT HIGHLIGHTS

U.S. ASSET MANAGEMENT AND ACCUMULATION

Segment operating earnings for third quarter 2005 were $133.3 million, compared

to $123.5 million for the same period in 2004. The increase was primarily driven

by a $7.1 million increase in Principal Global Investors earnings, reflecting

continued strong growth in assets under management and record commercial

mortgage securitization earnings, and a $5.5 million increase in pension full

service accumulation earnings, reflecting continued strong growth in account

values.

Operating revenues for the third quarter increased 5 percent to $975.4 million

compared to $931.3 million for the same period in 2004. Increased fee revenues,

reflecting higher account values for pension full service accumulation and

higher assets under management for Principal Global Investors, more than offset

lower sales of single premium group annuities. The single premium product,

typically used to fund defined benefit plan terminations, can generate large

premiums from very few customers and therefore tends to vary from period to

period. Excluding this product, revenues for the segment increased 8 percent.

Segment assets under management continued to increase, reaching a record $159.0

billion as of September 30, 2005, up 3 percent from $154.8 billion as of June

30, 2005, and up 22 percent from $130.5 billion as of September 30, 2004. (3)

Pension full service accumulation account values were $75.1 billion as of

September 30, 2005 compared to $60.0 billion as of September 30, 2004. Third

quarter 2005 account values reflect the fourth quarter 2004 acquisition of ABN

AMRO Trust Services Company, which included $4.0 billion of account values at

the time of purchase.

INTERNATIONAL ASSET MANAGEMENT AND ACCUMULATION

Segment operating earnings for third quarter 2005 were a record $19.7 million

(which included tax benefits of $1.0 million), compared to $10.9 million for

third quarter 2004 (which included tax benefits of $3.2 million). After

adjusting for the tax benefits in both periods, approximately two-thirds of the

increase from third quarter 2004 reflects

4

improved operating performance, primarily in the pension operations in Mexico

and Brazil, driven by continued strong growth in assets under management. The

increase also reflects refinement of accrued revenues in the Mexican pension

business.

Operating revenues were $148.4 million for third quarter 2005, compared to

$136.0 million for the same period last year, primarily due to higher revenues

in Mexico, including improved net cash flows from pension plan participants and

higher single premium annuity sales.

Assets under management for the segment were $14.7 billion as of September 30,

2005, compared to $11.8 billion as of June 30, 2005, and compared to $9.1

billion as of September 30, 2004.(4)

LIFE AND HEALTH INSURANCE

Segment operating earnings for third quarter 2005 were $65.4 million, compared

to $71.6 million for the same period in 2004. Higher earnings in the Individual

Life division, reflecting improved claim results, as well as in the Specialty

Benefits division, reflecting improved claim results and strong premium growth,

were more than offset by a decline in Health division earnings due to higher

loss ratios.

Operating revenues increased to a record $1,106.1 million for the quarter,

compared to $1,051.8 million for the same period in 2004. Specialty Benefits

revenues increased 15 percent, driven by strong sales and steady retention in

each of the division's product lines. Health division revenues increased 4

percent, primarily due to higher premium per member and a 4 percent increase in

total group medical covered members. Individual Life revenues were relatively

flat, as the company continued its shift in marketing emphasis from traditional

premium-based products to fee-based universal life and variable universal life

products. Unlike traditional premium-based products, universal life and variable

universal life premium are not reported as GAAP revenue.

CORPORATE AND OTHER

Operating losses for third quarter 2005 were $4.1 million, compared to operating

losses of $0.8 million for the same period in 2004. As operations in the

corporate segment are diverse, many items contributed to the variance. The

primary contributor to higher operating losses was the preferred stock dividend

declared in third quarter 2005, associated with the company's June 2005 issuance

of non-cumulative perpetual preferred stock. The dividend reduced third quarter

2005 operating results within the Corporate segment by $9.4 million with no

corresponding activity in the year earlier period. Higher earnings from real

estate operations and a benefit due to tax-related matters largely offset the

impact of the dividend.

FORWARD LOOKING AND CAUTIONARY STATEMENTS

This press release contains 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 may

ultimately 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 annual report on Form 10-K for the

year ended December 31, 2004, and in the company's quarterly report on Form 10-Q

for the quarter ended June 30, 2005, filed by the company with the Securities

and Exchange Commission. These risks and uncertainties include, without

5

limitation: competitive factors; volatility of financial markets; decrease in

ratings; interest rate changes; inability to attract and retain sales

representatives; international business risks; foreign currency exchange rate

fluctuations; and investment portfolio risks.

USE OF NON-GAAP FINANCIAL MEASURES

The company uses a number of non-GAAP financial measures that management

believes are useful to investors because they illustrate the performance of

normal, ongoing operations, which is important in understanding and evaluating

the company's financial condition and results of operations. They are not,

however, a substitute for U.S. GAAP financial measures. Therefore, the company

has provided reconciliations of the non-GAAP measures to the most directly

comparable U.S. GAAP measure at the end of the release. The company adjusts U.S.

GAAP 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 measures for goal setting,

determining employee and senior management awards and compensation, and

evaluating performance on a basis comparable to that used by investors and

securities analysts.

SHARE REPURCHASES

In June 2005, following the Board's share repurchase authorization of up to 15.0

million shares, the company entered into an accelerated stock repurchase

agreement with a third party investment bank for approximately 13.7 million

shares of Principal Financial Group, Inc. common stock with an initial payment

of $542.3 million, using cash proceeds from the company's June issuance of

perpetual preferred stock. The transaction is subject to a market price

adjustment provision based on the volume weighted average market price over the

execution period. The company currently expects the program to be fully executed

by the end of November 2005, and estimates paying a true-up adjustment of

approximately $80 million, based on share price appreciation to date.

STOCK OPTIONS

The company expenses employee stock options and the employee stock purchase

plan, resulting in an after-tax expense of $5.8 million and $16.3 million,

respectively for the three and nine months ended September 30, 2005, compared to

$5.4 million and $16.8 million, respectively for the three and nine months ended

September 30, 2004.

EARNINGS CONFERENCE CALL

At 9:00 A.M. (CST) tomorrow, Chairman and CEO J. Barry Griswell and Executive

Vice President and CFO Mike Gersie will lead a discussion during a live

conference call. Parties interested in listening to the conference call live may

access the webcast on the Principal Financial Group Investor Relations (IR)

website (www.principal.com/investor) or by dialing (800) 374-1609 (U.S. callers)

or (706) 643-7701 (International callers) approximately 10 minutes prior to the

start of the call. To access the call, leader name is Tom Graf. Listeners can

access an audio replay of the call on the IR website, or by calling (800)

642-1687 (US callers) or (706) 645-9291 (International callers). The access code

for the replay is 9732195. Replays will be available through November 8, 2005.

The financial supplement is currently available on our website and will be

referred to during the conference call.

OUTLOOK FOR FULL YEAR 2006

In early December 2005, in a separate release, the company will communicate its

outlook for the year ended December 31, 2006, including expected ranges for net

income available to common stockholders per diluted share and operating earnings

per diluted share.

6

ABOUT THE PRINCIPAL FINANCIAL GROUP

The Principal Financial Group(R) (The Principal (R))(5) is a leader in offering

businesses, individuals and institutional clients a wide range of financial

products and services, including retirement and investment services, life and

health insurance, and banking through its diverse family of financial services

companies. A member of the Fortune 500, the Principal Financial Group has $188.4

billion in assets under management(6) and serves some 15.3 million customers

worldwide from offices in Asia, Australia, Europe, Latin America and the United

States. Principal Financial Group, Inc. is traded on the New York Stock Exchange

under the ticker symbol PFG. For more information, visit WWW.PRINCIPAL.COM.

###

7

SUMMARY OF SEGMENT AND PRINCIPAL FINANCIAL GROUP, INC. RESULTS

OPERATING EARNINGS\* IN MILLIONS

-------------------------------------------------------------

THREE MONTHS ENDED, NINE MONTHS ENDED,

------------------------------ ------------------------------

SEGMENT 9/30/05 9/30/04 9/30/05 9/30/04

- ---------------------------------------------------- --------------- -------------- -------------- ---------------

U.S. ASSET MANAGEMENT AND ACCUMULATION $133.3 $123.5 $402.4 $364.7

- ---------------------------------------------------- --------------- -------------- -------------- ---------------

INTERNATIONAL ASSET MANAGEMENT AND ACCUMULATION 19.7 10.9 48.3 28.8

- ---------------------------------------------------- --------------- -------------- -------------- ---------------

LIFE AND HEALTH INSURANCE 65.4 71.6 211.2 203.3

- ---------------------------------------------------- --------------- -------------- -------------- ---------------

MORTGAGE BANKING - - - (10.3)

- ---------------------------------------------------- --------------- -------------- -------------- ---------------

CORPORATE AND OTHER (4.1) (0.8) (17.4) (21.4)

- ---------------------------------------------------- --------------- -------------- -------------- ---------------

OPERATING EARNINGS 214.3 205.2 644.5 565.1

- ---------------------------------------------------- --------------- -------------- -------------- ---------------

NET REALIZED/UNREALIZED CAPITAL

LOSSES, AS ADJUSTED (4.2) (10.6) (4.7) (78.2)

- ---------------------------------------------------- --------------- -------------- -------------- ---------------

OTHER AFTER-TAX ADJUSTMENTS (0.1) 104.2 14.6 125.2

- ---------------------------------------------------- --------------- -------------- -------------- ---------------

NET INCOME AVAILABLE TO COMMON STOCKHOLDERS $210.0 $298.8 $654.4 $612.1

PER DILUTED EARNINGS PER SHARE AVAILABLE TO

COMMON STOCKHOLDERS

THREE MONTHS ENDED, NINE MONTHS ENDED,

------------------------------ ------------------------------

9/30/05 9/30/04 9/30/05 9/30/04

--------------- -------------- -------------- ---------------

OPERATING EARNINGS $ 0.75 $ 0.66 $ 2.19 $ 1.78

- ---------------------------------------------------- --------------- -------------- -------------- ---------------

NET REALIZED/UNREALIZED CAPITAL

LOSSES, AS ADJUSTED (0.01) (0.03) (0.01) (0.25)

- ---------------------------------------------------- --------------- -------------- -------------- ---------------

OTHER AFTER-TAX ADJUSTMENTS - 0.32 0.05 0.39

- ---------------------------------------------------- --------------- -------------- -------------- ---------------

NET INCOME AVAILABLE TO COMMON STOCKHOLDERS $ 0.74 $ 0.95 $ 2.23 $ 1.92

- ---------------------------------------------------- --------------- -------------- -------------- ---------------

WEIGHTED-AVERAGE DILUTED COMMON SHARES OUTSTANDING 283.9 313.0 294.0 318.0

- ---------------------------------------------------- --------------- -------------- -------------- ---------------

\*OPERATING EARNINGS VERSUS U.S. GAAP (GAAP) NET INCOME

Management uses operating earnings, which excludes the effect of net

realized/unrealized capital gains and losses, as adjusted, and other after-tax

adjustments, for goal setting, determining employee compensation, and evaluating

performance on a basis comparable to that used by securities analysts. Segment

operating earnings are determined by adjusting U.S. GAAP net income for net

realized/unrealized capital gains and losses, as adjusted, and other after-tax

adjustments we believe are not indicative of overall operating trends. Note:

after-tax adjustments have occurred in the past and could recur in future

reporting periods. While these items may be significant components in

understanding and assessing our consolidated financial performance, we believe

the presentation of segment operating earnings enhances the understanding of our

results of operations by highlighting earnings attributable to the normal,

ongoing operations of our businesses.

8

PRINCIPAL FINANCIAL GROUP, INC.

RESULTS OF OPERATIONS

(IN MILLIONS)

THREE MONTHS ENDED NINE MONTHS ENDED

---------------- --------------- --------------- ---------------

9/30/05 9/30/04 9/30/05 9/30/04

---------------- --------------- --------------- ---------------

Premiums and other considerations $ 943.4 $ 923.8 $2,826.4 $2,736.8

Fees and other revenues 423.3 363.6 1,245.8 1,060.4

Net investment income 853.5 822.6 2,483.4 2,396.4

Net realized/unrealized capital gains (losses) (1.8) (21.3) 6.9 (130.1)

---------------- --------------- --------------- ---------------

TOTAL REVENUES 2,218.4 2,088.7 6,562.5 6,063.5

---------------- --------------- --------------- ---------------

Benefits, claims, and settlement expenses 1,281.3 1,238.0 3,780.1 3,645.2

Dividends to policyholders 73.9 72.0 219.0 219.7

Operating expenses 576.8 543.3 1,714.5 1,593.9

---------------- --------------- --------------- ---------------

TOTAL EXPENSES 1,932.0 1,853.3 5,713.6 5,458.8

---------------- --------------- --------------- ---------------

Income from continuing operations before

income taxes 286.4 235.4 848.9 604.7

Income taxes 67.1 40.7 201.1 118.8

---------------- --------------- --------------- ---------------

Income from continuing operations, net of

related income taxes 219.3 194.7 647.8 485.9

Income from discontinued operations, net of

related taxes 0.1 104.1 16.0 131.9

---------------- --------------- --------------- ---------------

Income before cumulative effect of

accounting change 219.4 298.8 663.8 617.8

Cumulative effect of accounting change, net

of related income taxes - - - (5.7)

---------------- --------------- --------------- ---------------

NET INCOME 219.4 298.8 663.8 612.1

Preferred stock dividends 9.4 - 9.4 -

---------------- --------------- --------------- ---------------

NET INCOME AVAILABLE TO COMMON STOCKHOLDERS $ 210.0 $ 298.8 $ 654.4 $ 612.1

Less:

Net realized/unrealized capital losses, as

adjusted (4.2) (10.6) (4.7) (78.2)

Other after-tax adjustments (0.1) 104.2 14.6 125.2

---------------- --------------- --------------- ---------------

OPERATING EARNINGS $ 214.3 $ 205.2 $ 644.5 $ 565.1

================ =============== =============== ===============

SELECTED BALANCE SHEET STATISTICS

PERIOD ENDED

--------------------- -------------------- -----------------

9/30/05 12/31/04 9/30/04

--------------------- -------------------- -----------------

Total assets (in billions) $ 121.1 $ 113.8 $ 109.8

Total common equity (in millions) $ 7,800.1 $ 7,544.3 $ 7,694.4

Total common equity excluding accumulated other

comprehensive income (in millions) $ 6,635.6 $ 6,231.0 $ 6,412.2

End of period common shares outstanding (in

millions) 279.9 300.6 307.0

Book value per common share $ 25.93 $ 25.10 $ 25.06

Book value per common share excluding

accumulated other comprehensive income $ 21.77 $ 20.73 $ 20.89

9

PRINCIPAL FINANCIAL GROUP, INC.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO U.S. GAAP

(IN MILLIONS, EXCEPT AS INDICATED)

THREE MONTHS ENDED NINE MONTHS ENDED

----------------------------- ---------------------------

9/30/05 9/30/04 9/30/05 9/30/04

-------------- -------------- ------------- -------------

DILUTED EARNINGS PER COMMON SHARE:

Operating Earnings 0.75 0.66 2.19 1.78

Net realized/unrealized capital losses (0.01) (0.03) (0.01) (0.25)

Other after-tax adjustments - 0.32 0.05 0.39

-------------- -------------- ------------- -------------

Net income available to common stockholders 0.74 0.95 2.23 1.92

============== ============== ============= =============

BOOK VALUE PER COMMON SHARE EXCLUDING OTHER

COMPREHENSIVE INCOME:

Book value per common share excluding other comprehensive

income 21.77 20.89 21.77 20.89

Net unrealized capital gains 4.32 4.58 4.32 4.58

Foreign currency translation (0.14) (0.41) (0.14) (0.41)

Minimum pension liability (0.02) - (0.02) -

-------------- -------------- ------------- -------------

Book value per common share including other comprehensive

income 25.93 25.06 25.93 25.06

============== ============== ============= =============

OPERATING REVENUES:

USAMA 975.4 931.3 2,903.8 2,731.4

IAMA 148.4 136.0 439.4 371.3

Life and Health 1,106.1 1,051.8 3,264.2 3,117.8

Corporate and Other (8.0) (7.3) (46.1) (17.6)

-------------- -------------- ------------- -------------

Total operating revenues 2,221.9 2,111.8 6,561.3 6,202.9

Add: Net realized/unrealized capital gains (losses) and

related fee adjustments (3.2) (23.2) 3.4 (137.9)

Less: Operating revenues from discontinued real estate 0.3 (0.1) 2.2 1.5

-------------- -------------- ------------- -------------

Total GAAP revenues 2,218.4 2,088.7 6,562.5 6,063.5

============== ============== ============= =============

OPERATING EARNINGS:

USAMA 133.3 123.5 402.4 364.7

IAMA 19.7 10.9 48.3 28.8

Life and Health 65.4 71.6 211.2 203.3

Mortgage Banking - - - (10.3)

Corporate and Other (4.1) (0.8) (17.4) (21.4)

-------------- -------------- ------------- -------------

Total operating earnings 214.3 205.2 644.5 565.1

Net realized/unrealized capital losses (4.2) (10.6) (4.7) (78.2)

Other after-tax adjustments (0.1) 104.2 14.6 125.2

-------------- -------------- ------------- -------------

Net income available to common stockholders 210.0 298.8 654.4 612.1

============== ============== ============= =============

NET REALIZED/UNREALIZED CAPITAL GAINS (LOSSES):

Net realized/unrealized capital losses, as adjusted (4.2) (10.6) (4.7) (78.2)

Add:

Amortization of DPAC and sale inducement costs (3.6) 0.6 0.3 (2.0)

Capital gains distributed 2.6 0.1 3.8 1.3

Tax impacts - (13.4) 1.8 (59.3)

Minority interest capital gains 2.0 0.1 2.2 0.3

Less related fee adjustments:

Unearned front-end fee income (1.0) - 0.8 (0.1)

Certain market value adjustments to fee revenues (0.4) (1.9) (4.3) (7.7)

-------------- -------------- ------------- -------------

GAAP net realized/unrealized capital gains (losses) (1.8) (21.3) 6.9 (130.1)

============== ============== ============= =============

OTHER AFTER TAX ADJUSTMENTS:

SOP 03-1 implementation - - - (5.7)

Discontinued operations - Mortgage Banking (7.7) 94.1 (7.7) 120.6

Discontinued operations - Argentina - 10.1 - 10.3

Gain on disposal of discontinued real estate 7.6 - 22.3 -

-------------- -------------- ------------- -------------

Total other after-tax adjustments (0.1) 104.2 14.6 125.2

============== ============== ============= =============

10

- --------

(1) Segment highlights that follow discuss a number of items benefiting third

quarter 2005 operating earnings.

(2) Use of non-GAAP financial measures, as well as a reconciliation of these

measures to U.S. GAAP, is included later in this release.

(3) AUM as of September 30, 2005 includes $228 million of amounts funded by

Principal Life Insurance Company or third party investors for structured

credit transactions. These structures have $6.4 billion of underlying

reference portfolio value that is managed by Principal Global Investors.

Prior to September 30, 2005, the underlying reference portfolio value had

been included in AUM. Previously reported assets under management have been

adjusted to reflect this change. Separately, Principal Global Investors

services $7.4 billion of commercial mortgages it has previously

securitized, which are not included in AUM.

(4) In third quarter 2005, Principal International increased ownership in its

Malaysian joint venture. As a result of increased ownership, joint venture

assets under management of $1.8 billion are included in segment AUM as of

September 30, 2005.

(5) "The Principal Financial Group" and "The Principal" are registered service

marks of Principal Financial Services, Inc., a member of the Principal

Financial Group.

(6) As of September 30, 2005

11