

<http://www.oblible.com>

424B5 1 a2211805z424b5.htm 424B5

Use these links to rapidly review the document

[Table of Contents](#)

[TABLE OF CONTENTS](#)

[Table of Contents](#)

Re

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Offered	Maximum Aggregate Offering Price	Registration Fee
1.850% Senior Notes due 2017	\$300,000,000	\$
3.125% Senior Notes due 2023	\$300,000,000	\$
4.350% Senior Notes due 2043	\$300,000,000	\$
Guarantee of 1.850% Senior Notes due 2017 by Principal Financial Services, Inc.	—	N
Guarantee of 3.125% Senior Notes due 2023 by Principal Financial Services, Inc.	—	N
Guarantee of 4.350% Senior Notes due 2043 by Principal Financial Services, Inc.	—	N

- (1) The registration fee of \$122,760 is calculated in accordance with Rule 457(r) of the Securities Act of 1933, as amended (the "Securities Act"), at the time of filing of the registrants' registration statement on Form S-3 filed with the Securities and Exchange Commission on May 24, 2017 (333-174438, 333-174438-04), was deferred pursuant to Rules 456(b) and 457(r) of the Securities Act, and is paid herewith. The "Calculation of Registration Fee" table in such registration statement is deemed to update the "Calculation of Registration Fee" table in such registration statement.
- (2) Pursuant to Rule 457(n) promulgated under the Securities Act, no separate fee is required for the guarantees.

PROSPECTUS SUPPLEMENT
(To Prospectus Dated May 24, 2011)



\$900,000,000

PRINCIPAL FINANCIAL GROUP, INC.

\$300,000,000 1.850% Senior Notes due 2017

\$300,000,000 3.125% Senior Notes due 2023

\$300,000,000 4.350% Senior Notes due 2043

**Fully and Unconditionally Guaranteed by
 PRINCIPAL FINANCIAL SERVICES, INC.**

We are offering \$300,000,000 aggregate principal amount of our 1.850% Senior Notes due 2017 (the "2017 Notes"), \$300,000,000 aggregate principal amount of our 3.125% Senior Notes due 2023 (the "2023 Notes"), and \$300,000,000 aggregate principal amount of our 4.350% Senior Notes due 2043 (the "2043 Notes" and, together with the 2017 Notes and the 2023 Notes, the "Notes"). The 2017 Notes will bear interest at a rate of 1.850% per year. The 2023 Notes will bear interest at a rate of 3.125% per year. The 2043 Notes will bear interest at a rate of 4.350% per year. Interest on the Notes is payable on May 15 and November 15 of each year, beginning on May 15, 2013. The 2017 Notes will mature on May 15, 2017. The 2023 Notes will mature on May 15, 2023. The 2043 Notes will mature on May 15, 2043.

We may redeem the Notes of each series at any time at a make-whole redemption price described in the section entitled "Description of the Notes—Optional Redemption" in this prospectus supplement, in certain circumstances as specified in the section entitled "Description of the Notes—Special Mandatory Redemption" in this prospectus supplement.

The Notes of each series will be fully and unconditionally guaranteed (each, a "Subsidiary Guarantee") by our subsidiary, Principal Financial Services, Inc. which is an intermediary holding company of our principal operating companies, including Principal Life Insurance Company.

The Notes of each series will be our senior unsecured and unsubordinated obligations and will rank equally in right of payment with all of our existing and future senior indebtedness and senior subordinated indebtedness. Each Subsidiary Guarantee will be a senior unsecured and unsubordinated obligation of Principal Financial Services, Inc. and will rank equally in right of payment with all of its existing and future subordinated indebtedness.

The Notes of each series are a new issue of securities with no established trading market. The Notes will not be listed on any national securities exchange or included in any automated quotation system for any series of the Notes.

Investing in the Notes involves risks. See "Risk Factors" beginning on page S-7 of this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.

<u>Per 2017</u>	<u>Per 2023</u>	<u>Per</u>
<u>Note</u>	<u>Note</u>	<u>Note</u>

Public Offering Price(1)	99.896%	99.858%
Underwriting Discounts	0.600%	0.650%
Proceeds to Principal Financial Group, Inc. (before expenses)	99.296%	99.208%

(1) Plus accrued interest, if any, from November 16, 2012 if settlement occurs after that date.

The underwriters expect to deliver the Notes only in book-entry form through the facilities of The Depository Trust Company for the accounts of its participants, including Euroclear and Clearing Corporation, New York on or about November 16, 2012.

Joint Book-Running Managers

Credit Suisse Deutsche Bank Securities Goldman, Sachs & Co. UBS

Senior Co-Managers

BofA Merrill Lynch Morgan Stanley

Co-Managers

HSBC RBS Santander The Williams Capital Group, L.P. Wells Fargo

November 13, 2012

TABLE OF CONTENTS

Prospectus Supplement

4 of 180

<http://www.sec.gov/Archives/edgar/data/1094>

[Where You Can Find More Information](#)

Prospectus

[About This Prospectus](#)

[Forward-Looking Statements](#)

[Note Regarding Reliance on Statements in Our Contracts](#)

[Principal Financial Group, Inc.](#)

[The Principal Capital Trusts](#)

[Use of Proceeds](#)

[Ratio of Earnings to Fixed Charges](#)

[Description of Guarantee of Principal Financial Services, Inc.](#)

[Table of Contents](#)

[Description of the Debt Securities](#)

[Description of Junior Subordinated Debt Securities](#)

[Description of Junior Subordinated Debentures](#)

[Description of Capital Stock of Principal Financial Group, Inc.](#)

[Description of Depositary Shares](#)

[Description of Warrants](#)

[Description of Purchase Contracts and Purchase Units](#)

[Description of the Trust Preferred Securities](#)

[Description of Guarantee by Principal Financial Group, Inc. of the Trust Preferred Securities](#)

[Description of Corresponding Junior Subordinated Debt Securities](#)

[Relationship Among the Preferred Securities, the Corresponding Junior Subordinated Debt Securities and the Guarantees by Principal Financial Group, Inc. of the Trust Preferred Securities](#)

[Plan of Distribution](#)

[Validity of Securities](#)

[Experts](#)

[Where You Can Find More Information](#)

[Incorporation by Reference](#)

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of Notes and a contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus, gives more general information, some of which may not apply to this offering.

Unless otherwise indicated, or the context otherwise requires, references in this prospectus supplement and the accompanying prospectus to "Principal Financial Group, Inc." and "our" or similar terms are to Principal Financial Group, Inc. and its subsidiaries, references to "Principal Financial Services" and the "Subsidiaries of Principal Financial Services, Inc.", and references to "Principal Life" are to Principal Life Insurance Company.

<http://www.sec.gov/Archives/edgar/data/1094>

We are offering to sell the Notes only in those jurisdictions in the United States, and may offer the Notes in those jurisdictions in Europe, Asia, and other foreign jurisdictions. We may not make such offers. The distribution of this prospectus supplement and the accompanying prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons who receive this prospectus supplement and the accompanying prospectus should inform themselves about and observe any such restrictions. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. See the discussion in this prospectus supplement.

You should read this entire prospectus supplement carefully, including the section entitled "Risk Factors," our consolidated financial statements, and the information incorporated by reference into this prospectus supplement and the accompanying prospectus and any related company free writing prospectus, before making any investment decision.

[Table of Contents](#)

FORWARD-LOOKING STATEMENTS

Some of the statements contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference in this prospectus supplement are forward-looking statements, including any statements about our projected financial condition and results of operations, future business operations or strategies, financial performance, potential growth opportunities or the effects of competition and of future legislation or regulations. These statements can be identified by the use of words such as "will likely result," "may," "should," "expects," "plans," "anticipates," "estimates," "projects," "intends," or the negative of these terms or other similar words. Forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and include estimates of economic, competitive and legislative developments. These forward-looking statements are subject to change and uncertainty which are, in many cases, beyond our control. They have been made based upon management's expectations and beliefs concerning future developments and their potential effect upon us. There can be no assurance that actual results will be in accordance with management's expectations or that the effect of future developments on us will be those anticipated by management. Actual results may differ from those expected by us, depending on the outcome of various factors. These factors include:

- adverse capital and credit market conditions may significantly affect our ability to meet liquidity needs as well as our access to capital;
- continued difficult conditions in the global capital markets and the economy generally may materially and adversely affect our business;
- continued volatility or further declines in the equity markets could reduce our assets under management and may result in investors decreasing their rates of investment, all of which could reduce our revenues and net income;
- changes in interest rates or credit spreads may adversely affect our results of operations, financial condition and liquidity, and our performance on a short-term basis;
- our investment portfolio is subject to several risks that may diminish the value of our invested assets and the investment returns thereon, which could reduce our sales, revenues, assets under management and net income;
- our valuation of fixed maturities, equity securities and derivatives may include methodologies, estimations and assumptions which may change over time and could result in changes to investment valuations that may materially adversely affect our results of operations or financial condition;
- the determination of the amount of allowances and impairments taken on our investments requires estimations and assumptions which may change over time and interpretations and could materially impact our results of operations or financial position;
- gross unrealized losses may be realized or result in future impairments, resulting in a reduction in our net income;
- competition from companies that may have greater financial resources, broader arrays of products, higher ratings and stronger financial performance may impact our ability to retain existing customers, attract new customers and maintain our profitability;
- a downgrade in our financial strength or credit ratings may increase policy surrenders and withdrawals, reduce new sales and term deposits, and impact existing liabilities and increase our cost of capital, any of which could adversely affect our profitability and financial condition.

[Table of Contents](#)

- our efforts to reduce the impact of interest rate changes on our profitability and retained earnings may not be effective;
- if we are unable to attract and retain sales representatives and develop new distribution sources, sales of our products and services may be adversely affected;
- our international businesses face political, legal, operational and other risks that could reduce our profitability in those businesses;
- we may face losses if our actual experience differs significantly from our pricing and reserving assumptions;
- our ability to pay stockholder dividends and meet our obligations may be constrained by the limitations on dividends Iowa insurance companies are permitted to pay;
- the pattern of amortizing our deferred policy acquisition costs ("DPAC") and other actuarial balances on our universal life-type insurance policies and certain investment contracts may change, impacting both the level of the asset and the timing of our net income;
- we may need to fund deficiencies in our closed block assets;
- a pandemic, terrorist attack, or other catastrophic event could adversely affect our net income;
- our reinsurers could default on their obligations or increase their rates, which could adversely impact our net income and profitability;
- we face risks arising from our ability to obtain regulatory approvals, consummate and realize the expected benefits from the acquisition of Pensiones Cuprum S.A. and from other acquisitions of businesses;
- changes in laws, regulations or accounting standards may reduce our profitability;
- we may be unable to mitigate the impact of Regulation XXX and Actuarial Guideline 38, potentially resulting in a negative impact on our net income and reduction in sales of term and universal life insurance products;
- a computer system failure or security breach could disrupt our business, damage our reputation and adversely impact our profitability;
- results of litigation and regulatory investigations may affect our financial strength or reduce our profitability;
- from time to time we may become subject to tax audits, tax litigation or similar proceedings, and as a result we may owe additional amounts that may be material;
- fluctuations in foreign currency exchange rates could reduce our profitability;
- applicable laws and our certificate of incorporation and by-laws may discourage takeovers and business combinations that some of our stockholders may desire;
- our financial results may be adversely impacted by global climate changes.

<http://www.sec.gov/Archives/edgar/data/1094>

<http://www.oblible.com>

Additional information concerning these and other factors is contained in our filings with the Securities and Exchange Commission (the "SEC") Annual Report on Form 10-K for the year ended December 31, 2011 and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, in this prospectus supplement and the accompanying prospectus, and the risk factors or uncertainties listed in the section entitled "Risk Factors" in

We undertake no obligation to update publicly these forward-looking statements to reflect new information, future events or otherwise.

iv

[Table of Contents](#)

PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus or incorporated by reference in this prospectus supplement and the accompanying prospectus. This summary does not contain all of the information that you should consider before deciding whether to invest in the securities offered. You should read this entire prospectus supplement and the accompanying prospectus carefully, including the section entitled "Risk Factors" in this prospectus supplement and the accompanying prospectus, which contain our consolidated financial statements and other financial information.

Principal Financial Group

The Principal Financial Group is a leading provider of retirement savings, investment and insurance products and services with \$392.2 billion in assets under management and approximately 18.3 million customers worldwide as of September 30, 2012.

Our U.S. and international operations concentrate primarily on asset accumulation and management. In addition, we offer a broad range of individual and group disability insurance and group dental and vision insurance.

We primarily focus on small and medium-sized businesses, which we define as companies with less than 1,000 employees, providing a broad range of benefit solutions to meet the needs of the business, the business owner and their employees. With over 30,000 plans as of September 30, 2012, we are the leading provider of defined contribution plans in the U.S. We are also the leading employee stock ownership plan consultant. In addition, we are a leading provider of group-term life insurance plans, and are one of the top providers of plan termination annuities. We are also one of the largest providers of specialty benefits insurance products.

We believe small and medium-sized businesses are an underserved market, offering attractive growth opportunities in the U.S. in retirement savings and investment services. We also believe there is a significant opportunity to leverage our U.S. retirement expertise into select international markets that have adopted defined contribution pension systems. This opportunity is particularly compelling as aging populations around the world are driving increased retirement asset management and retirement income management solutions.

We organize our business into the following operating segments: (1) Retirement and Investor Services, which provides a comprehensive range of retirement savings and related investment products and services to businesses and individuals in the U.S., with a concentration on small and medium-sized businesses; (2) Principal Global Investors, which provides a diverse range of asset management services using a multi-boutique strategy that covers an extensive range of investment styles and portfolio structures to our other segments and third-party institutional clients; (3) Principal International, which provides retirement savings products, institutional asset management and life insurance accumulation products through subsidiaries and joint ventures in various countries; and (4) Principal Life Insurance, which provides individual life insurance and specialty benefits, which includes group dental, group vision, individual and group disability and group-term life insurance services and non-medical fee-for-service claims administration, throughout the U.S. We also have a Corporate segment, which consists of the assets and liabilities not allocated to any other segment.

We were organized as an individual life insurer in 1879, formed a mutual insurance holding company in 1998, and Principal Financial Group became a Delaware business corporation. Under the terms of Principal Mutual Holding Company's Plan of Conversion, Principal Mutual Holding Company converted to a stock holding company to a stock

<http://www.sec.gov/Archives/edgar/data/1094>

S-1

[Table of Contents](#)

company subsidiary of Principal Financial Group, Inc., effective October 26, 2001, when we completed our initial public offering.

The principal executive office for Principal Financial Group, Inc. is located at 711 High Street, Des Moines, Iowa 50392, and the telephone

Pending Acquisition of Cuprum

Overview of the Acquisition

On October 5, 2012, Principal Financial Services entered into a Sale and Purchase Promise Agreement (as the same may be amended, the "SPA") with Penta, a Chilean private corporation ("Penta"), and Inversiones Banpenta Limitada, a Chilean limited liability company (together with Penta, the "Sellers"), under the conditions set forth therein, (i) Principal Financial Services has agreed to cause a wholly-owned subsidiary to launch a tender offer (the "Offer") for all outstanding voting shares ("shares") of Administradora de Fondos de Pensiones Cuprum S.A., a Chilean public corporation ("Cuprum"), and (ii) the Sellers to sell all Cuprum owned by the Sellers, representing approximately 63.44% of Cuprum's total outstanding shares, into the Offer for an aggregate price to be determined of approximately Chilean UF 20.0 million (US\$957.9 million), subject to adjustment as described below (the "Price"). The price per share to be paid will be the Price divided by the number of outstanding Cuprum shares owned by the Sellers. If 100% of the outstanding shares are tendered into the Offer, the Price per share will be approximately Chilean UF 31.6 million (US\$1,510.0 million). The Price is subject to adjustment based on Cuprum's net income per share preceding the launch of the Offer (in excess of the amount specified in the SPA) and any pre-closing dividends declared or paid to the Sellers. The Price will be increased if certain closing conditions are not satisfied by January 13, 2013.

The closing of the Offer is subject to (i) the absence of a judicial resolution issued by a competent court or government authority that prohibits the Offer from occurring (such condition, the "Governmental Resolution Condition"), (ii) receipt of the approval of the Chilean regulatory agency for pension funds (the "SP Approval") and (iii) other customary conditions to closing, including the granting of an irrevocable commercial power of attorney by the Sellers. The Sellers will agree to accept the Offer with respect to its shares of Cuprum and the absence of a material adverse effect (as defined in the SPA). Principal Financial Services to consummate the Offer are not subject to the availability of financing. The SPA will expire 270 days after the date of the SPA, or until the obligation of Principal Financial Services to launch the Offer set forth in the SPA are met or waived, in which case the term of the SPA will be the number of days needed to launch the Offer, transfer the shares and pay the Price.

If the Governmental Resolution Condition is not met or the SP Approval is not obtained on or before January 13, 2013, from January 14, 2013, until the Governmental Resolution Condition is met and the SP Approval is obtained, the Price will be increased by Chilean UF 4,400 (US\$210,540) per share.

If the SP Approval is not obtained within 180 days following the date of the SPA and all other conditions precedent have been met, either Principal Financial Services may terminate the SPA, in which case Principal Financial Services will be required to pay to the Sellers a termination fee in the amount of (i) 1% of the Price if the SPA is terminated by Principal Financial Services and (ii) 7% of the Price if the SPA is terminated by the Sellers, provided that the term of 180 days shall not be extended beyond 270 days following the date of the SPA), for any period during which the Governmental Resolution Condition is not met.

[Table of Contents](#)

If (i) the SP Approval is not obtained as a consequence of the breach by Principal Financial Services of its obligations under the SPA; (ii) Principal Financial Services does not publish the notice of commencement of the Offer in at least two Chilean newspapers with national circulation, informing of the commencement of the Offer in accordance with Chilean securities law; or (iii) in case of a successful Offer, Principal Financial Services (A) does not publish the notice of the result of the Offer or fully and promptly comply with any of the requirements of the Offer, or (B) does not pay the Sellers the Price on the date of closing, then Principal Financial Services will be obligated to pay to the Sellers a fee in the amount of 15% of the Price. Such fee does not constitute liquidated damages and Sellers will continue to be bound by the terms of the SPA notwithstanding the payment of such fee.

Principal Financial Services and the Sellers have agreed to indemnify each other for losses arising from breaches of the representations, subject to specified limitations.

We anticipate that the closing of the Cuprum acquisition will occur in the first quarter of 2013 after receipt of regulatory approvals in Chile.

Financing of the Acquisition

We estimate the total amount of funds needed to pay the consideration to acquire 100% of the outstanding Cuprum shares will be approximately \$1.5 billion, plus an adjustment as described above (the "Acquisition Consideration"). We expect to finance the Acquisition Consideration with the net proceeds from the offering and available cash.

Overview of Cuprum's Business

Cuprum is a large pension manager in Chile, with approximately US\$30.6 billion of assets under management ("AUM") as of December 31, 2011, measured in accordance with International Financial Reporting Standards ("Chilean IFRS"). Cuprum's products include mandatory employee-funded pension plans, voluntary pension plans and savings products. For the year ended December 31, 2011, Cuprum had US\$176.3 million in fees and other revenues and US\$72.2 million in net income, measured in accordance with Chilean IFRS.

Cuprum has a high quality and affluent customer base as measured by AUM per customer. As of December 31, 2011, 71% of Cuprum's customers had pension accounts, compared to 52% for the Chilean pension system as a whole. We believe that Cuprum is also well positioned in the voluntary pension market.

Rationale for the Acquisition

We believe that the acquisition of Cuprum will accelerate our strategy of developing an established and targeted presence for pensions and retirement services in Chile. The Cuprum acquisition is consistent with our goal of increasing diversification of our earnings across markets, geographies and currencies. We believe that the acquisition will expand our geographical presence and that the addition of Cuprum will solidify our position as a leading pension and retirement services specialist in Chile.

We believe that the Cuprum acquisition will provide us greater access to Chile's growing, stable and highly rated economy. We believe that the acquisition will allow us to take advantage of Chile's growing economy, as well as its expanding pension system.

We entered Chile in 1995 but have not historically been a participant in the mandatory pension market. Acquiring Cuprum should allow us to take advantage of our platform in Chile. The addition of Cuprum should allow us to take advantage of Cuprum's distribution platform in Chile,

<http://www.sec.gov/Archives/edgar/data/1094>

[Table of Contents](#)

including mandatory and voluntary pension products channels. We believe that Chile's developed pension market and regulatory framework pr
continued growth of Cuprum's business.

For convenience, certain amounts in this prospectus supplement have been translated from Chilean UF into U.S. dollars using an exchang
based on the Chilean UF/Chilean Peso exchange rate as reported by the Central Bank of Chile and the Chilean Peso/U.S. dollar exchange rate
Corporation, each on October 5, 2012.

[Table of Contents](#)

The Offering

The terms of the Notes are summarized below solely for your convenience. This summary is not a complete description of the Notes. For specific details contained elsewhere in this prospectus supplement, any company free writing prospectus and the accompanying prospectus, see the discussion in the section entitled "Description of the Notes" in this prospectus supplement and "Description of the Debt Securities."

Issuer	Principal Financial Group, Inc.
Subsidiary Guarantor	Principal Financial Services, Inc.
Notes Offered	\$300,000,000 aggregate principal amount of 1.850% Senior Notes due 2017. \$300,000,000 aggregate principal amount of 4.350% Senior Notes due 2023. \$300,000,000 aggregate principal amount of 4.350% Senior Notes due 2043. We refer to the 2017 Notes, 2023 Notes and 2043 Notes together as the "Notes."
Maturity	The 2017 Notes will mature on November 15, 2017. The 2023 Notes will mature on May 15, 2023. The 2043 Notes will mature on May 15, 2043.
Interest Payment Dates	May 15 and November 15 of each year, beginning on May 15, 2013.
Subsidiary Guarantee	The Notes of each series will be fully and unconditionally guaranteed by our subsidiary, Principal Financial Services, Inc. See "Description of the Notes—Subsidiary Guarantee" in this prospectus supplement.
Record Dates	The May 1 or November 1 of each year immediately preceding the related interest payment date.
Optional Redemption: No Sinking Fund	The Notes of each series may be redeemed at any time and from time to time, at our option, in whole or in part. See "Description of the Notes—Optional Redemption" in this prospectus supplement. The Notes will not have a sinking fund.
Special Mandatory Redemption	If (i) the Cuprum acquisition is not completed in accordance with the SPA on or prior to November 19, 2013, or (ii) the Cuprum acquisition is not completed in accordance with the SPA on or prior to November 19, 2013, we will redeem all of the Notes on the Special Mandatory Redemption Date at the face value plus accrued interest (as defined herein). See "Description of the Notes—Special Mandatory Redemption" in this prospectus supplement.
No Listing	The Notes will not be listed on any national securities exchange or included in any automated quotation system.

[Table of Contents](#)

Ranking	The Notes of each series will be our senior unsecured and unsubordinated obligations and will rank equally with our existing and future senior indebtedness and senior to all of our existing and future subordinated indebtedness. The Notes will also be senior to our senior unsecured and unsubordinated obligation of Principal Financial Services and will rank equally with our existing and future senior indebtedness and senior to all of its existing and future subordinated indebtedness.
Use of Proceeds	We estimate that our net proceeds from the offering will be approximately \$891.4 million after deducting offering expenses payable by us. We intend to use the estimated net proceeds from this offering to pay a portion of the principal of the Notes. See "Use of Proceeds" in this prospectus supplement.
Denominations	The Notes are to be issued in denominations of \$2,000 or any multiple of \$1,000 in excess thereof.
Covenants	The Senior Indenture (as defined in the section entitled "Description of the Notes" in this prospectus supplement) will apply to us; however, the limitation on liens and the limitation on consolidation, merger and sale of assets will not apply. See "Description of the Debt Securities—Limitations upon Liens" and "—Consolidation, Merger and Sale of Assets" in this prospectus supplement. The Senior Indenture also contains covenants that apply to the Subsidiary Guarantor. See "Description of the Debt Securities—Covenants" in this prospectus supplement.
Risk Factors	See "Risk Factors" in this prospectus supplement and the other information included in or incorporated by reference into this prospectus and the accompanying prospectus for a discussion of factors you should carefully consider before deciding to invest in the Notes.

[Table of Contents](#)

RISK FACTORS

An investment in the Notes involves certain risks. In considering whether to purchase the Notes, you should carefully consider the risks and other information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus, including but not limited to our Form 10-K for the year ended December 31, 2011 and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 and other information incorporated by reference in this prospectus supplement and the accompanying prospectus after the date hereof. Our business, financial condition and prospects could be materially adversely affected by any of these risks.

Risks Related to the Cuprum Acquisition

We may not complete the acquisition of Cuprum within the time frame we anticipate or at all, which could have a negative effect on our business.

On October 5, 2012, we signed the SPA under which we have agreed to launch the Offer for up to 100% of the shares of Cuprum. The Cuprum acquisition is subject to closing conditions, including, but not limited to, the receipt of SP Approval and the meeting of the Governmental Resolution Condition, which may take longer than we expect. The acquisition is subject to other risks and uncertainties, such as the possibility that Cuprum could receive an unsolicited proposal from other Principal Financial Services or the Sellers could exercise their respective termination rights. Failure to complete the acquisition would, and any delay could, prevent us from realizing the benefits that we expect from the Cuprum acquisition. If the acquisition is not consummated in accordance with the SPA by 2013, or, prior to such date, the SPA is terminated, we must redeem the notes in accordance with the provisions of the indenture. See "Description of the Notes—Redemption" in this prospectus supplement.

If we successfully acquire Cuprum, the acquired business may underperform relative to our expectations.

If the Cuprum acquisition is consummated, Cuprum may underperform, causing our financial results to differ from our own or the investment results of the acquisition will depend, in part, on our ability to successfully integrate, operate and manage the future growth of Cuprum. It is possible that regulatory, political, economic, business or competitive factors before or after the closing of the acquisition. Such a change could prevent us from realizing the benefits from the acquisition.

Our increased debt obligations as a result of this offering could have negative consequences.

After giving effect to this offering, as of September 30, 2012, our as adjusted long-term debt would have been \$3,080.0 million (not including current obligations) and our debt obligations could have negative consequences, including:

- Making us more vulnerable to general adverse economic and industry conditions;
- Requiring us to dedicate increased cash flow from operations to the payment of principal and interest on our debt, thereby reducing our liquidity for other purposes;
- Reducing our ability to execute on our strategy and reducing our flexibility in planning for or reacting to changes in our business and industry;
- Limiting our access to capital markets such that additional capital may not be available or may only be available on unfavorable terms.

<http://www.sec.gov/Archives/edgar/data/1094>

[Table of Contents](#)

We may not realize the expected benefits of the Cuprum acquisition.

The success of the Cuprum acquisition will in part depend on our ability to successfully integrate and operate Cuprum in conjunction with our other businesses. Assuming control of, integrating and operating Cuprum may be complex, costly and time-consuming. The potential difficulties of integrating and operating Cuprum include, among others:

- Implementing our business plan for our complementary businesses;
- Unanticipated issues in integrating logistics, information, communications and other systems;
- Retaining key employees of Cuprum;
- Changes in applicable laws and regulations or conditions imposed by regulators;
- Operating risks inherent in Cuprum's business;
- Retaining and growing Cuprum's customers; and
- Realizing revenue and expense synergies.

In addition, we expect to continue to incur significant costs in connection with the Cuprum acquisition and the related operation of the Cuprum business. These costs may also divert our or Cuprum's management's attention from other business concerns, which could have a negative effect on either our or Cuprum's financial condition.

The obligations and liabilities of Cuprum, some of which may be unanticipated or unknown, may be greater than we have anticipated, which could have a material adverse effect on Cuprum to us.

Cuprum's obligations and liabilities, some of which may not have been disclosed to us or may not be reflected or reserved for in Cuprum's financial statements, may be greater than we have anticipated. The obligations and liabilities of Cuprum could have a material adverse effect on Cuprum's business or Cuprum's financial condition or results of operations. We have only limited indemnification from the Sellers under the SPA with respect to obligations or liabilities that are unknown.

The acquisition of Cuprum increases our exposure in Chile and our overall exposure to international operations.

The growth and profitability of Cuprum depend on the level of economic activity in Chile. The Chilean economy has been influenced, to varying degrees, by economic conditions in other emerging market countries, including China. Economic conditions in Chile and other emerging market countries could have an adverse effect on our operations and financial condition. In addition, the acquisition of Cuprum will increase our overall exposure to risks related to international operations. Business—Our international businesses face political, legal, operational and other risks that could reduce our profitability in those businesses."

There can be no assurance that the Chilean economy will continue to grow in the future or that future developments in or affecting the Chilean economy will have an adverse effect on Cuprum's business, results of operations or financial condition; nor can we assure you that future developments in or affecting the Chilean economy will have the ability to proceed with our business plan or have a material adverse effect on us. Cuprum is also subject to comprehensive regulation and supervision in Chile. New interpretations of existing laws and regulations or the adoption of new laws and regulations may harm Cuprum's business and reduce

<http://www.sec.gov/Archives/edgar/data/1094>

S-8

[Table of Contents](#)

The Cuprum acquisition will increase our exposure to fluctuations in Chilean currency exchange rates, which affects the translation of local financial statements and could reduce our profitability. See "—Risks Related to Our Business—Fluctuations in foreign currency exchange rates could

Risks Related to Our Business

Adverse capital and credit market conditions may significantly affect our ability to meet liquidity needs, as well as our access to capital and

Since mid-2007, the capital and credit markets have been experiencing extreme volatility, uncertainty and disruption. Our results of operations and statutory capital position could be materially adversely affected by continued volatility, uncertainty and disruption in the capital and credit markets.

We maintain a level of cash and securities which, combined with expected cash inflows from investments and operations, is believed adequate to meet our long-term benefit and expense payment obligations. However, withdrawal and surrender levels may differ from anticipated levels for a variety of conditions or changes in our claims paying ability and financial strength ratings. For additional information regarding our exposure to interest rate risk, our financial strength ratings, see "—Changes in interest rates or credit spreads may adversely affect our results of operations, financial condition and relationships with distributors, impact existing liabilities and increase our cost of capital, any of which could adversely affect our profitability and business" and "Factors" section. In the event our current internal sources of liquidity do not satisfy our needs, we may have to seek additional financing and, in such case, we may not successfully obtain additional financing on favorable terms, or at all. The availability of additional financing will depend on a variety of factors such as the availability of credit, the volume of trading activities, the overall availability of credit to the financial services industry, our credit ratings and credit lenders' perception of our long- or short-term financial prospects. Similarly, our access to funds may be impaired if regulatory authorities or rating agencies downgrade us.

Disruptions, uncertainty or volatility in the capital and credit markets may limit our access to capital required to operate our business, most of which is funded by such market conditions. Such market conditions may limit our ability to replace, in a timely manner, maturing liabilities; satisfy statutory capital requirements; fund redemptions of financial products; generate fee income and market-related revenue to meet liquidity needs and access the capital necessary to grow our business. In such case, we may be required to raise capital, issue shorter tenor securities than we prefer, utilize available internal resources or bear an unattractive cost of capital, which could significantly reduce our financial flexibility and liquidity.

For further discussion on liquidity risk management, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Resources" in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 incorporated by reference herein.

Continued difficult conditions in the global capital markets and the economy generally may materially and adversely affect our business and

Our results of operations are materially affected by conditions in the global capital markets and the economy generally, both in the U.S. and elsewhere. Concerns over the slow economic recovery, the level of U.S. national debt and structural deficits, the European sovereign

[Table of Contents](#)

debt crisis, the U.S. mortgage market, inflation levels, energy costs and geopolitical issues have contributed to increased volatility and diminished markets going forward. These factors, combined with volatile oil prices, reduced business and consumer confidence and continued high unemployment in the U.S. economy. Initially, the concerns on the part of market participants were focused on the subprime segment of the mortgage-backed securities market, but have expanded to include a broad range of mortgage- and asset-backed and other fixed income securities, including those rated investment grade, the U.S. interbank money markets, generally, and a wide range of financial institutions and markets, asset classes and sectors. Although liquidity has improved, the market for these instruments has continued to experience some price volatility, credit downgrade events and elevated probabilities of default. Our assets under management in such circumstances and our profit margins could erode. In addition, in the event of extreme prolonged market events, such as the global credit crisis, our business could be adversely affected. Even in the absence of a market downturn, we are exposed to substantial risk of loss due to market volatility.

Factors such as consumer spending, business investment, government spending, the volatility and strength of the capital markets, investor sentiment and economic levels all affect the business and economic environment and, ultimately, the amount and profitability of our business. In an economic downturn characterized by lower family income, lower corporate earnings, lower business investment, negative investor sentiment and lower consumer spending, the demand for our products could be adversely affected. In addition, we may experience an elevated incidence of claims and lapses or surrenders of policies. Our policyholders may stop paying insurance premiums or stop paying insurance premiums altogether. In addition, reductions in employment levels of our existing employer customer could result in lower membership levels and premium income for our specialty benefits products. Participants within the retirement plans for which we provide administrative services may stop their payroll deferrals to these plans, which would reduce assets under management and revenues. In addition, reductions in employment levels could result in deposits into retirement plans. Adverse changes in the economy could affect net income negatively and could have a material adverse effect on our financial condition.

Continued volatility or further declines in the equity markets could reduce our assets under management and may result in investors with decreasing their rates of investment, all of which could reduce our revenues and net income.

Domestic and international equity markets experienced severe declines and heightened volatility in 2008 and early 2009. Although equity market values still remain below the values achieved in 2007. Because the revenues of our asset management and accumulation businesses are, to a large extent, dependent on equity market values under management, a decline in domestic and global equity markets will decrease our revenues. Turmoil in these markets could lead investors to reduce their rates of investment or refrain from making new investments, which may reduce our net income, revenues and assets under management.

For further discussion on equity risk management, see "Quantitative and Qualitative Disclosures About Market Risk—Equity Risk" in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 incorporated by reference herein.

Changes in interest rates or credit spreads may adversely affect our results of operations, financial condition and liquidity, and our net income.

We are exposed to significant financial and capital markets risk, including changes in interest rates, credit spreads, equity prices, real estate prices, market volatility, the performance of the economy in general, the performance of the specific obligors included in our

[Table of Contents](#)

portfolio and other factors outside our control. Our exposure to interest rate risk relates primarily to the market price and cash flow variability as well as the duration of our assets and liabilities. A rise in interest rates would increase unrealized losses in our investment portfolio and, if long-term interest rates rise dramatically within a six to twelve month period, certain segments of our life insurance and annuities businesses may be exposed to disintermediation risk. Disintermediation risk refers to the risk that our policyholders may surrender their contracts in a rising interest rate environment, requiring us to liquidate assets in an unrealized loss position. Due to the long-term nature of the liabilities of our life insurance businesses, sustained declines in long-term interest rates may subject us to reinvestment risks and increased hedging costs. Increases in interest rates may result in increasing the duration of certain life insurance liabilities, creating asset and liability duration mismatches.

Our investment portfolio also contains interest rate sensitive instruments, such as fixed income securities, which may be adversely affected by changes in governmental monetary policies, domestic and international economic and political conditions and other factors beyond our control. A rise in interest rates would increase losses in our investment portfolio, offset by our ability to earn higher rates of return on funds reinvested. Conversely, a decline in interest rates would increase the position of our investment portfolio, offset by lower rates of return on funds reinvested. Although we take measures to manage the economic risks in a changing interest rate environment, we may not be able to mitigate the interest rate risk of our assets relative to our liabilities.

Our exposure to credit spreads primarily relates to market price variability and reinvestment risk associated with changes in credit spreads. An increase in credit spreads would increase unrealized losses in our investment portfolio, would increase losses associated with credit-based derivatives we have sold that do not qualify for hedge accounting where we assume credit exposure and, if issuer credit spreads increase as a result of fundamental credit deterioration, would likely result in more than-temporary impairments. Credit spread tightening will reduce net investment income associated with new purchases of fixed maturities. Credit spread widening will increase in the reported value of certain liabilities that are valued using a discount rate that reflects our own credit spread. In addition, market volatility may affect the value of certain of our securities if trading becomes less frequent. As such, valuations may include assumptions or estimates that may have significant periodicity, which could have a material adverse effect on our results of operations or financial condition. Continuing challenges include continued volatility in the commercial real estate market and increased mortgage delinquencies, investor anxiety over the U.S. economy, rating agency downgrades of various issuers, unresolved issues with structured investment vehicles and monolines, deleveraging of financial institutions and hedge funds and a serious loss of confidence. Significant, continued volatility, changes in interest rates, changes in credit spreads and defaults, a lack of pricing transparency, market liquidity, changes in inflation-adjusted investments and the strengthening or weakening of foreign currencies against the U.S. dollar, individually or in tandem, could have a material adverse effect on our results of operations, financial condition or cash flows through realized losses, impairments and changes in unrealized positions.

Our investment portfolio is subject to several risks that may diminish the value of our invested assets and the investment returns credited to our policyholders, sales, revenues, assets under management and net income.

An increase in defaults or write-downs on our fixed maturities portfolio may reduce our profitability.

We are subject to the risk that the issuers of the fixed maturities we own will default on principal and interest payments, particularly if a major economic downturn occurs. As of

[Table of Contents](#)

September 30, 2012, our U.S. investment operations held \$48.7 billion of fixed maturities, or 76% of total U.S. invested assets, of which approximately 1.2% were in non-investment grade, including \$596.7 million, or 1.2% of our total fixed maturities which we classified as either "problem," "potential problem" or "restructured."

Our U.S. fixed maturities portfolio includes securities collateralized by residential and commercial mortgage loans. As of September 30, 2012, we held \$4.5 billion of residential mortgage-backed securities, of which \$3.3 billion are Government National Mortgage Association, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation pass-through securities, and \$3.8 billion of commercial mortgage-backed securities, which represent in combination approximately 10% of our total fixed maturities portfolio. For residential mortgage-backed securities, prepayment speeds, changes in mortgage delinquency or recovery rates, credit rating changes, changes in property values underlying the loans and the quality of service provided by service providers on securities in our portfolios could lead to write-downs of those securities. For commercial mortgage-backed securities, changes in mortgage delinquency or default rates, interest rate movements, credit quality and vintage of the loans underlying the loans and credit rating changes by rating agencies could result in write-downs of those securities. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Investments—U.S. Investment Operations—Fixed Maturities" in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 incorporated by reference herein.

As of September 30, 2012, the international investment operations of our fully consolidated subsidiaries held \$3.7 billion of fixed maturities, or 17% of our total fixed maturities assets, of which 17% are government bonds. Some non-government bonds have been rated on the basis of the issuer's country credit rating. However, the relationship between national ratings and global ratings is not linear with the U.S. The starting point for national ratings differs by country, which makes the assessment of the relationship between national ratings and global ratings more complex. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Investments—International Investment Operations" in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 incorporated by reference herein. An increase in defaults on our fixed maturities portfolio could harm our profitability.

An increased rate of delinquency and defaults on our commercial mortgage loans, especially those with amortizing balloon payments, could harm our profitability.

Our commercial mortgage loan portfolio faces both delinquency and default risk. Commercial mortgage loans of \$9.9 billion represented 14% of our total fixed maturities assets as of September 30, 2012. As of September 30, 2012, there were no loans that were in the process of foreclosure. The performance of our commercial mortgage loan portfolio may fluctuate in the future. An increase in the delinquency rate of, and defaults under, our commercial mortgage loan portfolio could harm our profitability.

As of September 30, 2012, approximately \$8.4 billion, or 84%, of our commercial mortgage loans before valuation allowance had amortizing balloon maturity. A balloon maturity is a loan with larger dollar amounts of payments becoming due in the later years of the loan. The default rate on commercial mortgage loans with balloon maturity has historically been higher than for commercial mortgage loans with standard repayment schedules. Since most of the principal is repaid in the later years of the loan, the default is generally greater than on other commercial mortgage loans. An increase in defaults on such loans as a result of the foregoing factors could harm our profitability.

[Table of Contents](#)

We may have difficulty selling our privately placed fixed maturities, commercial mortgage loans and real estate investments because of the illiquidity of these assets and the lack of a public market for these assets.

We hold certain investments that may lack liquidity, such as privately placed fixed maturities, commercial mortgage loans and real estate investments, which represented approximately 38% of the value of our invested assets as of September 30, 2012.

If we require significant amounts of cash on short notice, we may have difficulty selling these investments in a timely manner, be forced to sell at a discount, or we may not be able to sell them at all. The reported value of our relatively illiquid types of investments, our investments in the asset classes described above, generally liquid asset classes, do not necessarily reflect the lowest possible price for the asset. If we were forced to sell certain of our assets, we have no assurance that we will be able to sell them for the prices at which we have recorded them and we may be forced to sell them at significantly lower prices.

The impairment of other financial institutions could adversely affect us.

We use derivative instruments to hedge various risks we face in our businesses. See "Quantitative and Qualitative Disclosures About Market Risk" in our Form 10-Q for the quarter ended September 30, 2012 incorporated by reference herein. We enter into a variety of derivative instruments, including interest rate swaps, collars, swaptions, futures, currency swaps, currency forwards, credit default swaps, options and total return swaps, with a number of counterparties, including brokers and dealers, commercial banks, investment banks and other investment funds and other institutions. For transactions where we are exposed to credit risk in the event of default of our counterparty. We establish collateral agreements with nominal thresholds for a large majority of our counterparties. However, our credit risk may be exacerbated when the collateral held by us cannot be realized or is liquidated at prices not sufficient to recover our exposure. With regard to our derivative exposure, we have over-collateralization requirements on the portion of collateral we hold, based on the value of the collateral. We also have exposure to these financial institutions in the form of unsecured debt instruments and equity investments. Such losses or impairment of these assets may materially and adversely affect our business and results of operations.

Our requirements to post collateral or make payments related to declines in market value of specified assets may adversely affect our liquidity and counterparty credit risk.

Many of our derivative transactions with financial and other institutions specify the circumstances under which the parties are required to post collateral. We may be required to post under these agreements may increase under certain circumstances, which could adversely affect our liquidity. In addition, in certain transactions we may be required to make payment to our counterparties related to any decline in the market value of the specified assets. Such payments may adversely affect our liquidity. Furthermore, with respect to any such payments, we will have unsecured risk to the counterparty as these amounts are not required to be held in a third-party custodial account, and are not required to be paid to us by the counterparty until the termination of the transaction.

Environmental liability exposure may result from our commercial mortgage loan portfolio and real estate investments.

Liability under environmental protection laws resulting from our commercial mortgage loan portfolio and real estate investments may harm our business and profitability. Under the laws of several states, contamination of a property may give rise to a lien on the property to secure payment of cleanup costs.

[Table of Contents](#)

secure recovery of the costs of cleanup. In some states, this kind of lien has priority over the lien of an existing mortgage against the property, which means that on that property should the related loan be in default. In addition, under the laws of some states and under the federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980, we may be liable for costs of addressing releases or threatened releases of hazardous substances that require remedy at a property owned or controlled by us, if our agents or employees have become sufficiently involved in the hazardous waste aspects of the operations of the related obligor on that property. If environmental damage or threat was caused by the obligor. We also may face this liability after foreclosing on a property securing a mortgage loan. This liability may harm our financial strength and decrease our profitability.

Regional concentration of our commercial mortgage loan portfolio in California may subject us to economic downturns or losses in the state.

Commercial mortgage lending in the state of California accounted for 19%, or \$1.9 billion, of our commercial mortgage loan portfolio as of September 30, 2012. Due to the concentration of commercial mortgage loans in California, we are exposed to potential losses resulting from the risk of an economic downturn in California, such as earthquakes, that may affect the region. While we generally do not require earthquake insurance for properties on which we make commercial mortgage loans, we do account property specific engineering reports, construction type and geographical concentration by fault lines in our investment underwriting guidelines. If California do not improve or continue to deteriorate or catastrophes occur, we may in the future experience delinquencies or defaults on the portion of our portfolio located in California, which may harm our financial strength and reduce our profitability.

Our valuation of fixed maturities, equity securities and derivatives may include methodologies, estimations and assumptions which are subjective and could result in changes to investment valuations that may materially adversely affect our results of operations or financial condition.

Fixed maturities, equity securities and derivatives reported at fair value on our consolidated statements of financial position represented the majority of our assets. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels. The level in the fair value hierarchy determines the priority of the inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities, the lowest priority to unobservable inputs (Level 3). An asset or liability's classification within the fair value hierarchy is based on the lowest level of input that is observable at the measurement date.

- Level 1: Fair values are based on unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: Fair values are based on inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Fair values are based on at least one significant unobservable input for the asset or liability.

Excluding separate account assets, as of September 30, 2012, 1%, 98% and 1% of our net assets and liabilities reported at fair value represented Level 1, Level 2 and Level 3 inputs, respectively. Our Level 1 assets and liabilities primarily include exchange traded equity securities, mutual funds and U.S. Treasury bonds. Our Level 2 assets and liabilities include fixed maturities (including public and private bonds), equity securities, over-the-counter derivatives and other investments for which public prices are available. Our Level 3 assets and liabilities are priced by third-party pricing services or internal models using substantially all unobservable inputs. Our Level 3 assets and liabilities include commercial mortgage loans.

[Table of Contents](#)

private equity securities, commercial mortgage loan investments and obligations of consolidated variable interest entities for which the fair value is determined using Level 3 securities, derivatives and embedded derivatives. Level 3 securities contain at least one significant unobservable market input and as a result considerable judgment is used in determining fair values. These fair values are generally obtained through the use of valuation models or methodologies using at least one significant unobservable input. The fair values provided by independent pricing services or independent broker quotes that are used in the determination of fair value can vary for a particular security.

For additional information on our valuation methodology, see "Financial Statements, Notes to Consolidated Financial Statements, Note 9, Fair Value Measurements" in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 incorporated by reference herein.

During periods of market disruption including periods of significantly rising or high interest rates, rapidly widening credit spreads or illiquidity of our securities, for example collateralized mortgage obligations and collateralized debt obligations, if trading becomes less frequent and/or market prices are not available, there may be certain asset classes that were in active markets with significant observable data that become illiquid due to the current financial environment. Securities may fall to Level 3 and thus require more subjectivity and management judgment. As such, valuations may include inputs and assumptions that require greater estimation as well as valuation methods that require greater estimation, which could result in values that are different from the value at which the securities were sold. Further, rapidly changing credit and equity market conditions could materially impact the valuation of securities as reported within our consolidated financial statements. Period-to-period changes in value could vary significantly. Decreases in value may have a material adverse effect on our results of operations or financial position.

The determination of the amount of allowances and impairments taken on our investments requires estimations and assumptions which are subjective and could materially impact our results of operations or financial position.

The determination of the amount of allowances and impairments vary by investment type and is based upon our periodic evaluation and assessment of the assets associated with the respective asset class. Such evaluations and assessments are revised as conditions change and new information becomes available. Our management has accurately assessed the level of impairments taken and allowances reflected in our financial statements. Furthermore, additional allowances or allowances provided for in the future. Historical trends may not be indicative of future impairments or allowances.

Additionally, our management considers a wide range of factors about the instrument issuer and uses their best judgment in evaluating the carrying value of the instrument and in assessing the prospects for recovery. Inherent in management's evaluation of the security are assumptions and estimates about the security and its future earnings potential. For further information regarding our impairment methodology, see "Management's Discussion and Analysis of Financial Operations—Investments—U.S. Investment Operations—Fixed Maturities." in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 incorporated by reference herein.

Gross unrealized losses may be realized or result in future impairments, resulting in a reduction in our net income.

Fixed maturities that are classified as available-for-sale ("AFS") are reported on the consolidated statements of financial position at fair value. Unrealized gains and losses on these securities are recognized as a component of equity and are, therefore, excluded from net income. Our U.S.

[Table of Contents](#)

investment operations held gross unrealized losses on fixed maturities of \$1.0 billion pre-tax as of September 30, 2012, and the component of gross unrealized losses on fixed maturities trading down 20% or more for over six months was approximately \$0.8 billion pre-tax. The accumulated change in fair value of the AFS securities portfolio was a net loss of \$0.8 billion pre-tax. The gain or loss is realized upon the sale of the asset or in the event that the decline in fair value is determined to be other than temporary (referred to as other than temporary impairment). Realized losses or impairments may have a material adverse impact on our net income in a particular quarterly or annual period.

Competition from companies that may have greater financial resources, broader arrays of products, higher ratings and stronger financial positions may impact our ability to retain existing customers, attract new customers and maintain our profitability.

We believe that our ability to compete is based on a number of factors including scale, service, product features, price, investment performance, financial strength ratings and name recognition. We compete with a large number of financial services companies such as banks, mutual funds, insurance companies and investment managers, many of which have advantages over us in one or more of the above competitive factors.

Each of our segments faces strong competition. The primary competitors for our Retirement and Investor Services and Principal Global Investments segments are banks, broker-dealers and insurers. Our ability to increase and retain assets under management is directly related to the performance of our investment management services, our investment averages and the performance of our competitors. Even when securities prices are generally rising, performance can be affected by investment style changes. We may not be able to attract and retain the top talent needed to compete in our industry.

Competition for our Principal International segment comes primarily from local financial services firms and other international companies operating in the same markets. We may form a partnership with local firms.

Our U.S. Insurance Solutions segment competes with insurers.

National banks, with their large existing customer bases, may increasingly compete with insurers as a result of court rulings allowing national banks to do more insurance business, circumstances, and as a result of legislation removing restrictions on bank affiliations with insurers. Specifically, the Gramm-Leach-Bliley Act of 1999 allows national banks, commercial banks, insurers and securities firms under one holding company. These developments may increase competition, in particular for our insurance businesses, by substantially increasing the number, size and financial strength of potential competitors who may be able to offer, due to economies of scale, services that we cannot. We may not be able to compete with them.

In response to current market conditions, the U.S. and foreign governments in the markets we serve have taken actions, including but not limited to, restricting investment in certain entities. We may find that these actions create, among other things, unforeseen competitive advantages for our competitors due to government support.

A downgrade in our financial strength or credit ratings may increase policy surrenders and withdrawals, reduce new sales and terminate existing contracts, impact existing liabilities and increase our cost of capital, any of which could adversely affect our profitability and financial condition.

A.M. Best, Fitch, Moody's Investors Services and Standard & Poor's publish financial strength ratings on U.S. life insurance companies that reflect their assessment of a company's ability to meet contractholder and policyholder obligations. These rating agencies also assign credit ratings on non-life insurance entities. Financial Services. Credit ratings are indicators of a

[Table of Contents](#)

debt issuer's ability to meet the terms of debt obligations in a timely manner, and are important factors in overall funding profile and ability to acc

Ratings are important factors in establishing the competitive position of insurance companies and maintaining public confidence in products the potential for such a downgrade, could, among other things:

- materially increase the number of surrenders for all or a portion of the net cash values by the owners of policies, contracts and general account contracts ("GICs") we have issued, and materially increase the number of withdrawals by policyholders of cash values from their
- result in the termination of our relationships with broker dealers, banks, agents, wholesalers and other distributors of our products
- reduce new sales, particularly with respect to general account GICs and funding agreements purchased by pension plans and other
- cause some of our existing liabilities to be subject to acceleration, additional collateral support, changes in terms, or creation of a
- increase our cost of capital and limit our access to the capital markets.

Any of these consequences could adversely affect our profitability and financial condition.

Our efforts to reduce the impact of interest rate changes on our profitability and retained earnings may not be effective.

We attempt to significantly reduce the impact of changes in interest rates on the profitability and retained earnings of our asset accumulation by accomplishing this reduction primarily by managing the duration of our assets relative to the duration of our liabilities. During a period of rising interest rates, surrenders, withdrawals and requests for policy loans may increase as customers seek to achieve higher returns. Despite our efforts to reduce the impact of rising interest rates, we may be forced to sell assets to raise the cash necessary to respond to such surrenders, withdrawals and loans, thereby realizing capital losses on the assets sold. In addition, credit spreads often make it more difficult to sell certain fixed income securities, there is also a risk that we will find it difficult to raise the cash necessary to respond to withdrawal activity. An increase in policy surrenders and withdrawals may also require us to accelerate amortization of DPAC relating to these contracts, which could decrease our profitability.

During periods of declining interest rates, borrowers may prepay or redeem mortgages and bonds that we own, which would force us to reinvest at lower rates. For some of our products, such as GICs and funding agreements, we are unable to lower the rate we credit to customers in response to the lower interest rates. In addition, it may be more difficult for us to maintain our desired spread between the investment income we earn and the interest we pay on our investments. Of declining interest rates, thereby reducing our profitability. Interest rates are currently at historically low levels. Interest rates have remained low for a period of time, putting additional pressure on our spreads. Primarily as a result of lower interest rates, we had an unlocking of DPAC and other actuarial balance sheet items that decreased net income by \$96.7 million and continued lower interest rates could potentially result in increases in reserves.

For further discussion on interest rate risk management, see "Quantitative and Qualitative Disclosures About Market Risk—Interest Rate Risk" in our Form 10-Q for the quarter ended September 30, 2012 incorporated by reference herein.

[Table of Contents](#)

If we are unable to attract and retain sales representatives and develop new distribution sources, sales of our products and services may be adversely affected.

We distribute our asset accumulation, asset management and life and specialty benefit insurance products and services through a variety of distribution channels, including internal sales representatives, independent brokers, banks, broker-dealers and other third-party marketing organizations. We must attract and retain sales representatives to sell our products. Strong competition exists among financial services companies for efficient sales representatives. We compete with other financial services companies primarily on the basis of our financial position, support services and compensation and product features. If we are unable to attract and retain sufficient sales representatives, our ability to compete and revenues from new sales would suffer.

Our international businesses face political, legal, operational and other risks that could reduce our profitability in those businesses.

Our international businesses are subject to comprehensive regulation and supervision from central and/or local governmental authorities in the countries in which they operate. Interpretations of existing laws and regulations or the adoption of new laws and regulations may harm our international businesses and reduce our profitability. For example, Mexican legislation requires that all employees contribute to a mandatory pension fund. When employees do not select a pension provider, the Mexican regulator assigns them to AFORE by the Mexican regulator. Numerous AFOREs, including Principal AFORE, have been assigned such customers. The Mexican regulator may change the various investment criteria. If, and to the extent, existing customers are reassigned, it would have a negative impact on our revenues and earnings.

Our international businesses face political, legal, operational and other risks that we do not face in our operations in the U.S. We face the risk of nationalization or expropriation of assets, price controls and exchange controls or other restrictions that prevent us from transferring funds from the countries in which they operate or converting local currencies we hold into U.S. dollars or other currencies. Some of our international businesses are, and are expected to be, in potentially volatile markets. In addition, we rely on local staff, including local sales forces, in these countries where there is a risk that we may experience labor unrest, especially in countries where workers' associations and trade unions are strong. If our business model, including in some cases a joint venture model, is not successful in a country, we may lose all or most of our investment in that country.

We may face losses if our actual experience differs significantly from our pricing and reserving assumptions.

Our profitability depends significantly upon the extent to which our actual experience is consistent with the assumptions used in setting prices and reserving for liabilities for future insurance and annuity policy benefits and claims. The premiums that we charge and the liabilities that we hold for future policy benefits reflect a number of factors, including the amount of premiums that we will receive in the future, rate of return on assets we purchase with premiums, mortality, morbidity, expenses and persistency, which is the measurement of the percentage of insurance policies remaining in force from year to year. Due to the underlying risks and the high degree of uncertainty associated with the determination of the liabilities for unpaid policy benefits and claims, we cannot be certain as to what we will ultimately pay to settle these liabilities. As a result, we may experience volatility in the level of our profitability and our reserves from premiums received on health and disability insurance products. To the extent that actual experience is less favorable than our underlying assumptions, we could be required to increase our reserves, which may harm our financial strength and reduce our profitability.

[Table of Contents](#)

For example, if mortality rates are higher than our pricing assumptions, we will be required to make greater claims payments on our life insurance. However, this risk may be partially offset by our payout annuity business, where an increase in mortality rates will result in a decrease in benefit payments. Our results of operations may also be adversely impacted by an increase in morbidity rates.

Our results of operations may also be adversely impacted if our actual investment earnings differ from our pricing and reserve assumptions. Changes in market interest rates or changes in our investment strategies, either of which could cause our actual investment earnings to differ from our assumptions.

For additional information on our insurance reserves, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Insurance Reserves" in our Annual Report on Form 10-K for the year ended December 31, 2011 incorporated by reference herein.

Our ability to pay stockholder dividends and meet our obligations may be constrained by the limitations on dividends Iowa insurance laws impose.

We are an insurance holding company whose assets include all of the outstanding shares of the common stock of Principal Life and other subsidiaries. Our ability to pay dividends to our stockholders and meet our obligations, including paying operating expenses and any debt service, depends upon the receipt of dividends from Principal Life. Iowa insurance laws impose limitations on the ability of Principal Life to pay dividends to us. Any inability of Principal Life to pay dividends to us in the future may constrain our ability to pay dividends to our stockholders and meet our other obligations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Dividends" in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 incorporated by reference herein for a discussion of regulatory restrictions on dividends.

The pattern of amortizing our DPAC and other actuarial balances on our universal life-type insurance contracts, participating life insurance contracts may change, impacting both the level of the DPAC and other actuarial balances and the timing of our net income.

Amortization of the DPAC asset and other actuarial balances depends on the actual and expected profits generated by the lines of business. Since profits are dependent on assumptions regarding a number of factors including investment returns, benefit payments, expenses, mortality and policy persistency, with establishing these assumptions, we cannot, with precision, determine the exact pattern of profit emergence. As a result, amortization of DPAC and other actuarial balances may vary from period-to-period. To the extent that actual experience emerges less favorably than expected, or our expectation for future profits decreases, the amount of DPAC and other actuarial balances may be reduced, reducing our profitability in the current period.

For additional information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Policy Acquisition Costs and Other Actuarial Balances" in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 incorporated by reference herein.

We may need to fund deficiencies in our Closed Block assets.

In connection with its conversion in 1998 into a stock life insurance company, Principal Life established an accounting mechanism, known as a closed block, for participating ordinary life insurance policies that had a dividend scale in force on July 1, 1998. Dividend scales are the actuarial formulas used to determine the amounts payable as dividends on

[Table of Contents](#)

participating policies based on experience factors relating to, among other things, investment results, mortality, lapse rates, expenses, premium tax utilization rates. The Closed Block was designed to provide reasonable assurance to policyholders included in the Closed Block that, after the company maintains the aggregate dividend scales in effect for 1997 if the experience underlying such scales were to continue.

We allocated assets to the Closed Block as of July 1, 1998, in an amount such that we expected their cash flows, together with anticipated revenues from the Closed Block, to be sufficient to support the Closed Block business, including payment of claims, certain direct expenses, charges and taxes and to provide dividend scales in accordance with the 1997 policy dividend scales if the experience underlying such scales continued, and to allow for appropriate adjustments if experience changed. We bear the costs of administrative expenses associated with Closed Block policies and, accordingly, these costs were not funded by the Closed Block. Any increase in such costs in the future will be borne by us. As of September 30, 2012, Closed Block assets and liabilities were \$5,153.2 million, respectively.

We will continue to pay guaranteed benefits under the policies included in the Closed Block, in accordance with their terms. The Closed Block assets and anticipated revenues from policies included in the Closed Block may not be sufficient to provide for the benefits guaranteed by the Closed Block. If not sufficient, we must fund the shortfall. Even if they are sufficient, we may choose for business reasons to support dividend payments on policies in the Closed Block from account funds.

The Closed Block assets, cash flows generated by the Closed Block assets and anticipated revenues from policies in the Closed Block will be used to pay claims on Closed Block policies. In addition, to the extent that these amounts are greater than the amounts estimated at the time we funded the Closed Block, dividends payable on Closed Block policies in the Closed Block may be greater than they would have been in the absence of a Closed Block. Any excess net income will be available for distribution to policyholders but will not be available to our stockholders or holders of the Notes.

A pandemic, terrorist attack or other catastrophic event could adversely affect our net income.

Our mortality and morbidity experience could be adversely impacted by a catastrophic event. In addition, a severe catastrophic event may cause disruptions to financial markets, disruptions to commerce and reduced economic activity. The resulting macroeconomic conditions could adversely affect our cash flows and liquidity of our invested assets. We may also experience operational disruptions if our employees are unable or unwilling to come to work due to a catastrophic event. We have developed extensive contingency plans to minimize the risk of operational disruptions. In addition, our use of reinsurance reduces our exposure to catastrophic events. Despite these measures, we may still be exposed to losses in the event of a pandemic, terrorist attack or other catastrophe.

Our reinsurers could default on their obligations or increase their rates, which could adversely impact our net income and profitability.

We cede life and health insurance to other insurance companies through reinsurance. See "Financial Statements and Supplementary Data, Notes to Financial Statements, Note 1, Nature of Operations and Significant Accounting Policies" in our Annual Report on Form 10-K for the year ended December 31, 2012, herein. However, we remain liable to the policyholder, even if the reinsurer defaults on its obligations with respect to the ceded business. If a reinsurer defaults, we will be forced to cover the claims on the reinsured policies. In

[Table of Contents](#)

addition, a reinsurer insolvency may cause us to lose our reserve credits on the ceded business, in which case we would be required to establish

The premium rates that we charge are based, in part, on the assumption that reinsurance will be available at a certain cost. Some of our reinsurers have policies which limit the reinsurer's ability to increase rates on in-force business; however, some do not. If a reinsurer raises the rates that it charges on a business, our profitability may be negatively impacted if we are not able to pass the increased costs on to the customer. If reinsurers raise the rates that they charge, we may be forced to raise the premiums that we charge, which could have a negative impact on our competitive position.

To mitigate the risks associated with the use of reinsurance, we carefully select our reinsurers, and we monitor their ratings and financial condition. We spread our business among several reinsurers, in order to diversify our risk exposure.

We face risks arising from acquisitions of businesses.

We have engaged in acquisitions of businesses in the past, and expect to continue to do so in the future. We face a number of risks arising from acquisitions, including difficulties in integrating the acquired business into our operations, difficulties in assimilating and retaining employees and intermediaries, difficulties in understanding the business of the acquired entity, unforeseen liabilities that arise in connection with the acquired business and unfavorable market conditions that could negatively impact the value of the acquired business. These risks may prevent us from realizing the expected benefits from acquisitions and could result in the impairment of goodwill that is not recognized at the time of acquisition. See "—Risks Related to the Cuprum Acquisition."

For additional information on our goodwill and other intangible assets, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Accounting Policies and Estimates—Goodwill and Other Intangible Assets" in our Annual Report on Form 10-K for the year ended December 31, 2014.

Changes in laws, regulations or accounting standards may reduce our profitability.

Changes in regulations may reduce our profitability.

Our insurance business is subject to comprehensive state regulation and supervision throughout the U.S. and in the international markets in which we operate. We are also subject to federal legislation and administrative policies in areas such as employee benefit plan regulation, financial services regulations and federal tax laws. Regulation of the insurance business is to protect policyholders, not stockholders or holders of the Notes. The laws of the various states establish the powers to regulate such matters as:

- licensing companies to transact business,
- licensing agents,
- admitting statutory assets,
- mandating a number of insurance benefits,
- regulating premium rates,
- approving policy forms,
- regulating unfair trade and claims practices,

<http://www.sec.gov/Archives/edgar/data/1094>

- establishing statutory reserve requirements and solvency standards,

S-21

[Table of Contents](#)

- fixing maximum interest rates on life insurance policy loans and minimum rates for accumulation of surrender values,
- restricting various transactions between affiliates and
- regulating the types, amounts and valuation of investments.

State insurance regulators, federal regulators and the National Association of Insurance Commissioners ("NAIC") continually reexamine existing regulations and may impose changes in the future.

State insurance guaranty associations have the right to assess insurance companies doing business in their state for funds to help pay the obligations of insurance companies to policyholders and claimants. Because the amount and timing of an assessment is beyond our control, the liabilities we have established may not be adequate.

Federal legislation and administrative policies in areas such as employee benefit plan regulation, financial services regulation and federal tax law. For example, the U.S. Congress has, from time to time, considered legislation relating to changes in the Employee Retirement Income Security Act of 1974, remedies, such as consequential and punitive damages, in lawsuits for wrongful denial of benefits, which, if adopted, could increase our liability. Additionally, new interpretations of existing laws and the passage of new legislation may harm our ability to sell new policies and increase our costs previously. In addition, reductions in contribution levels to defined contribution plans may decrease our profitability.

Changes in tax laws could increase our tax costs and reduce sales of our insurance, annuity and investment products.

Current federal income tax laws generally permit the tax-deferred accumulation of earnings on the premiums paid by the holders of annuities. Earnings, if any, are payable on income attributable to a distribution under the contract for the year in which the distribution is made. The U.S. Congress has, from time to time, considered legislation that would reduce or eliminate the benefit of such deferral of taxation on the accretion of value within life insurance and nonqualified annuity contracts. Including a simplified "flat tax" income structure with an exemption from taxation for investment income, could result in fewer sales of our insurance products.

In addition, we benefit from certain tax items, including but not limited to, tax-exempt bond interest, dividends-received deductions, tax credit for state income taxes, insurance reserve deductions. From time to time, the U.S. Congress, as well as foreign, state and local governments, considers legislation that could be associated with these tax items. If such legislation is adopted, our profitability could be negatively impacted. We continue to evaluate the impact of such legislation in sufficient detail and is relatively uncertain, may have on our future results of operations and financial condition.

Repeal or modification of the federal estate tax could reduce our revenues.

The U.S. Congress has, from time to time, considered legislation modifying the federal estate tax regime, including the Tax Reform Act of 2001 and 2010. Among its many provisions were modifications to the estate tax for 2010, 2011 and 2012. These changes, while generally beneficial to taxpayers, could reduce our revenues.

If these favorable estate tax modifications continue beyond 2012, or if the federal estate tax is repealed, there could be some level of contraction in our business possible that

[Table of Contents](#)

some segment of this existing business would be terminated or sold to investor groups. On the other hand, a portion of this coverage would likely be associated with death such as state estate/inheritance taxes, capital gains taxes, or income taxes. We currently have approximately \$38.5 billion of coverage over 22,200 policies in force as of September 30, 2012. This block of policies accounts for approximately \$309.7 million of annual recurring life insurance cost and just over \$2.1 billion of policy cash value.

Based on an average of the last three years of estimated new sales of estate-tax related products, we have issued approximately 1,700 policies of annual premium and nearly \$4.9 billion of life insurance coverage.

Changes in federal, state and foreign securities laws may reduce our profitability.

Our asset management and accumulation and life insurance businesses are subject to various levels of regulation under federal, state and foreign regulations are primarily intended to protect investors in the securities markets or investment advisory or brokerage clients and generally grant supervisory powers, including the power to limit or restrict the conduct of business for failure to comply with such laws and regulations. The downturn in the market-wide losses have caused legislative and regulatory bodies to consider various changes to existing securities laws and the legal framework. Changes to these laws or regulations that restrict the conduct of our business could significantly increase our compliance costs and reduce our profitability.

Financial services regulatory reform may reduce our profitability, impact how we do business or limit our ability to engage in certain activities.

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act" or "Dodd-Frank") became law. The Act makes changes to the laws regulating financial services firms and requires various federal agencies to adopt a broad range of new implementation rules. The agencies were given significant discretion in drafting the implementation rules and regulations, and consequently, many of the details and much of the impact are not known for many months or years. In addition, the legislation mandates multiple studies and reports for Congress, which could result in additional changes.

In July 2011, we became subject to oversight from and examination by the Federal Reserve and, therefore, various banking, capital and liquidity requirements to our wholly-owned full-service federal savings bank subsidiary. Due to our ownership of our federal savings bank subsidiary, we are classified as a systemically important financial institution and loan holding company ("SLHC"). The Federal Reserve has adopted a procedure for deregistration as a SLHC for companies seeking to avail themselves of the provisions within Dodd-Frank. We intend to submit an application to the Federal Reserve to deregister as a SLHC. For our application to be successful, our subsidiary must agree to limit its activities to only those permitted for a limited purpose trust institution. Deregistration from SLHC status will exempt us from capital requirements promulgated for SLHCs. There can be no assurance our application will be successful. We anticipate that this process will take approximately one year.

Nonetheless, even if we are successful in deregistering as a SLHC, it is possible (although we currently believe unlikely) that we could be designated as a "Systemically Important Financial Institution" by the Financial Stability Oversight Council ("FSOC"). Being so designated would subject us to enhanced oversight by the Federal Reserve, beyond those applicable to our competitors not so designated.

[Table of Contents](#)

As to derivatives activities, while the initial regulations indicate that we will not fall within the definition of a "Major Swap Participant" ("MSP"), final rules could alter this interpretation. Designation as an MSP will result in more oversight of derivative transactions under the separate jurisdiction of the Commodity Futures Trading Commission. This includes swaps traded through either regulated exchanges or approved clearinghouses, and requires additional capital requirements for these transactions.

The changes resulting from the Dodd-Frank Act and the yet to be finalized implementation rules and regulations, as well as discretionary actions, may lower the profitability of our business activities, require changes to certain of our business practices or otherwise adversely affect our business.

Changes in accounting standards may negatively impact our reported profitability and financial ratios.

Accounting standards are subject to change and can negatively impact our reported profitability. See "Financial Statements and Supplemental Information" in our Financial Statements, Note 1, Nature of Operations and Significant Accounting Policies" in our Annual Report on Form 10-K for the year ended December 31, 2012, and reference herein and in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 incorporated by reference herein. In addition to the current guidance, the U.S. and international standard setters have a full agenda of topics they plan to review, any of which have the potential to negatively impact our financial ratios. The results for past accounting periods are not necessarily indicative of the results to be expected for any future accounting periods.

We may be unable to mitigate the impact of Regulation XXX and Actuarial Guideline 38, potentially resulting in a negative impact to our sales of term and universal life insurance products.

The NAIC Model Regulation entitled "Valuation of Life Insurance Policies," commonly known as "Regulation XXX", establishes statutory reserve requirements for term insurance policies and universal life insurance policies with secondary guarantees. Actuarial Guideline 38 ("AG38") clarifies the application of AG38 to universal life insurance products with secondary guarantees.

The NAIC has amended AG38 in an effort to create more clarity around reserving practices for certain policies that are accounted for under AG38. The changes to AG38 are two-fold:

- Reserves for certain inforce policies will be subject to additional statutory reserve minimums effective for the December 31, 2012 valuation date.
- Reserves for businesses sold after January 1, 2013 will be subject to a higher statutory reserve basis.

We have implemented reinsurance and capital management actions to mitigate the capital impact of Regulation XXX and AG38 on our term and universal life insurance products. We cannot provide assurance that we will be able to continue to implement these actions for reinsuring future increases in redundant term and universal life insurance. If we are unable to mitigate the impact of Regulation XXX and AG38 on these products, additional capital will be required to support those products, and we may be required to and/or reduce sales of our term and universal life insurance products. Even if we are able to continue utilizing these mitigating actions of reinsurance, our business could be negatively impacted due to costs related to additional amounts of reinsurance needed.

[Table of Contents](#)

A computer system failure or security breach could disrupt our business, damage our reputation and adversely impact our profitability.

We rely on computer systems to conduct business, including customer service, marketing and sales activities, customer relationship management. While we have policies, procedures, automation and backup plans designed to prevent or limit the effect of failure, our computer systems may be the result of natural disasters, man-made disasters, criminal activity, pandemics, or other events beyond our control. The failure of our computer systems, operations, result in the loss of customer business and adversely impact our profitability.

We retain confidential information on our computer systems, including customer information and proprietary business information. Any computer system failure that results in the disclosure of personally identifiable customer information could damage our reputation, expose us to litigation, increase costs and incur significant technical, legal and other expenses.

Results of litigation and regulatory investigations may affect our financial strength or reduce our profitability.

We are regularly involved in litigation, both as a defendant and as a plaintiff, but primarily as a defendant. Litigation naming us as a defendant includes operations as a provider of asset management and accumulation products and services, life, health and disability insurance, and our investment activities.

For example, Principal Life received approximately \$440.0 million in connection with the termination of certain structured transactions and Principal Life's investment in those transactions. The transactions involved Lehman Brothers Special Financing Inc. and Lehman Brothers Holdings Inc. (collectively, "Lehman") in its capacities. Subsequent to Lehman's September 2008 bankruptcy filing, its bankruptcy estate has sought to recover from numerous sources significant amounts of money, including from us, on the basis of its entitlement under various theories. The estate is attempting to recover from us an unspecified amount, but possibly up to the amount paid to us, plus costs and attorneys' fees to the defendants to this action, which has been stayed by the bankruptcy court. While we believe we have meritorious defenses to Lehman's claims and intend to defend them once the stay is lifted, the outcome of any pending or future litigation (or appeal thereof) cannot be predicted. Management does not believe that the outcome of this litigation will have an adverse effect on our business or financial position.

We are, from time to time, also involved in various governmental, regulatory and administrative proceedings and inquiries. We have received inquiries from insurance regulators and other officials relating to compliance with unclaimed property laws and the use of data available on the U.S. Social Security Administration's (or a similar database) to identify instances where benefits under life insurance policies, annuities and retained asset accounts are payable. It is possible that we will pursue similar inquiries and that such inquiries may result in payments to beneficiaries, escheatment of funds deemed abandoned under state laws and identification and escheatment of abandoned property.

These factors may affect our financial strength or reduce our profitability. For further discussion on litigation and regulatory investigation risks, see "Financial Statements, Notes to Consolidated Financial Statements, Note 7, Contingencies, Guarantees and Indemnifications" under the section, "Financial Statements, Notes to Consolidated Financial Statements, Note 7, Contingencies," and "Financial Statements, Notes to Consolidated Financial Statements, Note 5, Income Taxes," in our Quarterly Report on Form 10-Q for September 30, 2012 incorporated by reference herein.

[Table of Contents](#)

From time to time we may become subject to tax audits, tax litigation or similar proceedings, and as a result we may owe additional taxes that may be material.

We are subject to income taxes in the United States as well as many other jurisdictions. In determining our provisions for income taxes and other taxes, in general, we are required to exercise judgment. We regularly make estimates where the ultimate tax determination is uncertain. The final determination of a taxing authority, tax litigation or similar proceedings may be materially different from that reflected in our historical financial statements. Taxes, interest and penalties could be materially adverse to our current and future results of operations and financial condition.

Fluctuations in foreign currency exchange rates could reduce our profitability.

Principal International generally writes policies denominated in various local currencies and invests the premiums and deposits in local currencies. Currency fluctuations limits the effect of currency exchange rate fluctuation on local operating results, fluctuations in such rates affect the translation of these results into U.S. dollars. For further discussion on foreign currency exchange risk, see "Quantitative and Qualitative Disclosures About Market Risk—Foreign Currency Risk" on Form 10-Q for the quarter ended September 30, 2012 incorporated by reference herein.

Our financial results may be adversely impacted by global climate changes.

Atmospheric concentrations of carbon dioxide and other greenhouse gases have increased dramatically since the industrial revolution, resulting in rising average temperatures and an increase in the frequency and severity of natural disasters. These trends are expected to continue in the future and have the potential to impact various sectors of the economy to varying degrees. Our initial research indicates that climate change does not pose an imminent or significant threat to our operations. We continue to monitor new developments in the future.

Potential impacts may include the following:

- Changes in temperatures and air quality may adversely impact our mortality and morbidity rates. For example, increases in the level of air pollution may cause an increase in upper respiratory and cardiovascular diseases, leading to increased claims in our insurance businesses. In our life insurance business, an increase in mortality may be partly offset by our payout annuity business, where an increase in mortality results in a decrease in the amount paid out.
- Climate change may impact asset prices, as well as general economic conditions. For example, rising sea levels may lead to decreased property values in coastal areas. Additionally, government policies to slow climate change (e.g., setting limits on carbon emissions) may have an adverse impact on transportation and manufacturing. Changes in asset prices may impact the value of our fixed income, real estate and commercial mortgage investments. We manage investment risks by maintaining a well-diversified portfolio, both geographically and by sector. We also monitor our investments and adjust our exposure to sectors and/or geographical areas that face severe risks due to climate change.
- A natural disaster that affects one of our office locations could disrupt our operations and pose a threat to the safety of our employees. We have Business Continuity and Disaster Recovery planning programs in place to help mitigate this risk.

[Table of Contents](#)

Risks Related to the Notes

We may be unable to redeem the Notes in the event of a special mandatory redemption.

If the Cuprum acquisition has not been completed in accordance with the SPA on or prior to November 19, 2013 or if, prior to such date, the Company is unable to redeem all of the Notes on the Special Mandatory Redemption Date at the Special Mandatory Redemption Price. We are not obligated to place the Notes in escrow prior to the closing of the Cuprum acquisition or to provide a security interest in those proceeds, and there are no other restrictions on the use of such time. Accordingly, we will need to fund any special mandatory redemption using proceeds that we have voluntarily retained or from other sources. In the event of a special mandatory redemption, we may not have sufficient funds to purchase all of the Notes.

In the event of a special mandatory redemption, you may not obtain your expected return on the Notes.

We may not be able to consummate the Cuprum acquisition or the SPA may be terminated prior to November 19, 2013. Our ability to consummate the Cuprum acquisition is subject to various closing conditions as described in "Prospectus Supplement Summary—Pending Acquisition of Cuprum," many of which are beyond our control. If the Cuprum acquisition is not completed in accordance with the SPA or the SPA is terminated prior to November 19, 2013, we will be required to redeem all of the Notes at the Special Mandatory Redemption Price. In that case, you may not obtain your expected return on the Notes and may not be able to reinvest the proceeds from such special mandatory redemption in an investment that results in a comparable return.

The special mandatory redemption provisions will not protect you from trading price fluctuations with respect to the Notes or changes to the Cuprum acquisition.

As a result of the special mandatory redemption provisions of the Notes, the trading prices of the Notes may not reflect the financial results of the Company or other factors. You will have no rights under the special mandatory redemption provisions if the Cuprum acquisition closes, nor will you have any right to participate in the Cuprum acquisition. If, between the closing of this offering and the closing of the Cuprum acquisition, we experience any changes (including material changes) in our business or terms of the SPA change, including in material respects.

The Senior Indenture does not limit the amount of indebtedness that we or our subsidiaries can issue.

The Senior Indenture does not limit the amount of unsecured indebtedness (including under the Senior Indenture) or secured indebtedness that we or our subsidiaries can issue, except, with respect to secured indebtedness, to the extent set forth in the section entitled "Description of the Debt Securities—Limitations upon Issuance of Secured Debt Securities." The Notes of each series will be our senior unsecured and unsubordinated obligations and will rank equally in right of payment with all of our existing and future senior unsecured and unsubordinated indebtedness. As of September 30, 2012, Principal Financial Group, Inc. had \$1,950.1 million of secured indebtedness outstanding, which would have ranked equally in right of payment with the Notes. In addition, the Notes of each series will be effectively subordinated to any future secured indebtedness of the Company secured by the assets securing such indebtedness. As of September 30, 2012, Principal Financial Group, Inc. had no secured indebtedness outstanding.

Each Subsidiary Guarantee will be a senior unsecured and unsubordinated obligation of Principal Financial Services and will rank equally in right of payment with all of our existing and future senior indebtedness and senior to all of its future subordinated indebtedness. As of September 30, 2012, Principal Financial Services had no secured indebtedness outstanding, which would have ranked equally in right of payment with the Subsidiary Guarantees (other than other subsidiary guarantees of our senior debt). In

[Table of Contents](#)

addition, each Subsidiary Guarantee will be effectively subordinated to any existing and future secured indebtedness of Principal Financial Services, Inc. and its subsidiaries in respect of such indebtedness. As of September 30, 2012, Principal Financial Services had no secured indebtedness outstanding.

Any additional senior or secured indebtedness incurred could reduce the amount of cash we or the Subsidiary Guarantor would have available to service our obligations under the Notes and the applicable Subsidiary Guarantee. We and the Subsidiary Guarantor expect from time to time to incur additional senior or secured indebtedness.

The terms of the Notes will not necessarily afford you protection in the event of a highly leveraged transaction that may adversely affect you, such as a sale, recapitalization, restructuring, merger or other similar transaction involving us. We could enter into any such transaction even though the transaction might not increase our outstanding debt, adversely affect our capital structure or credit rating or otherwise adversely affect the holders of the Notes. These transactions might reduce our ability to make payments of principal or power or beneficial ownership or result in a downgrade in the ratings of the Notes. The Senior Indenture does not contain provisions that permit us to redeem or repurchase the Notes in the event of a takeover, recapitalization or similar transaction.

We are a holding company with no direct operations and the Subsidiary Guarantor is an intermediary holding company with no direct operations. Our ability to satisfy our obligations under the Notes and the Subsidiary Guarantor's ability to satisfy its obligations under the applicable Subsidiary Guarantee depends on the ability of our and the Subsidiary Guarantor's subsidiaries to pay dividends, and the dividend paying ability of our insurance companies.

We are an insurance holding company whose assets include all of the outstanding shares of common stock of the Subsidiary Guarantor. The Subsidiary Guarantor is an insurance holding company whose assets include all of the outstanding shares of Principal Life and other subsidiaries. Our and the Subsidiary Guarantor's ability to service our obligations depends upon the ability of Principal Life and other subsidiaries to declare and distribute dividends or to advance money in the form of intercompany loans. Our subsidiaries are subject to various statutory and regulatory restrictions, applicable to insurance companies generally, that limit the amount of cash dividends those subsidiaries may pay. Regulations relating to capital requirements affecting some of our other subsidiaries also restrict their ability to pay dividends. We cannot make loans to us. The payment of dividends from Principal Life to the Subsidiary Guarantor is subject to restrictions set forth in the insurance laws of the state of Iowa. "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—The Holding Company's Financial Condition and Principal Financial Services, Inc." in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, incorporated by reference, describes our ability and ability to service our obligations, including the Notes, are dependent upon the earnings of our subsidiaries, distributions of those earnings to us and funds by our subsidiaries to us. It is possible that in the future, Principal Life may be unable to pay dividends in an amount sufficient to permit us to satisfy our respective obligations due to a lack of statutory net gain from operations, a diminishing statutory policyholders surplus, changes to the Iowa insurance laws or other reason. If the Subsidiary Guarantor cannot pay sufficient dividends to us in the future, we would be unable to meet our obligation to make scheduled payments and would negatively affect our business and financial condition as well as the trading price of the Notes.

[Table of Contents](#)

The Notes of each series will be effectively subordinated to the indebtedness and other obligations of our subsidiaries, which could impair the Notes, and each Subsidiary Guarantee will be effectively subordinated to the indebtedness and other obligations of the Subsidiary Guarantor's ability to make payments on the Subsidiary Guarantees.

Except to the extent we have a prior or equal claim against our subsidiaries as a creditor or in connection with the Subsidiary Guarantor's obligations under the applicable Subsidiary Guarantee, the Notes will be effectively subordinated to all of our subsidiaries' existing and future indebtedness and other liabilities. In addition, if we caused a subsidiary to incur indebtedness or other liabilities, we will be subject to the prior claims of our subsidiaries' creditors, including trade accounts payable and other liabilities arising from the ordinary course of business, claims of policyholders with respect to our insurance subsidiaries, and the claims of our subsidiaries' preferred stockholders. Consequently, the Notes will be effectively subordinated to all liabilities (excluding the applicable Subsidiary Guarantee) of any of our subsidiaries and the claims of their preferred stockholders and other creditors.

Moreover, a default by one or more of our subsidiaries could have a material adverse effect on our ability to meet our obligations under the Notes. In the event of a default by a subsidiary under any of its indebtedness, the subsidiary's creditors could elect to declare such indebtedness, together with any accrued interest, to be due and payable prior to any distributions by the subsidiary to pay interest or principal due on the Notes. In addition, if we caused a subsidiary to incur indebtedness or other liabilities, and the subsidiary made payments in respect of the Notes of any series, and the dividend were deemed a fraudulent transfer or in breach of relevant corporate or insolvency laws, such series could be required to return the payment to (or for the benefit of) the creditors of that subsidiary. In addition, our subsidiaries have no obligations under the Notes of any series, other than the Subsidiary Guarantor's obligations under the applicable Subsidiary Guarantee. Substantially all of our business is conducted through our subsidiaries, and we expect this to continue.

Because the Subsidiary Guarantor is an intermediary holding company, the rights of the Subsidiary Guarantor and the rights of its creditors, including the beneficiaries of the applicable Subsidiary Guarantee, to a share of the assets of any subsidiary upon the liquidation or recapitalization of such subsidiary will be effectively subordinated to the claims of such subsidiary's creditors, except to the extent the Subsidiary Guarantor may be a creditor with recognized claims against such subsidiary. Consequently, the Subsidiary Guarantee will be effectively subordinated to all existing and future indebtedness and other liabilities of the Subsidiary Guarantor's subsidiaries, and other liabilities arising in the ordinary course of business (including obligations to policyholders and preferred stockholders). As of September 30, 2014, arising from obligations to our policyholders, the subsidiaries of the Subsidiary Guarantor had approximately \$258.4 million of indebtedness that is effectively subordinated to the Subsidiary Guarantees.

An active after-market for the Notes may not develop.

The Notes of each series constitute a new issue of securities with no established trading market. We do not intend to have the Notes of any series listed on any stock exchange or included in any automated dealer quotation system. We cannot assure you that an active after-market for the Notes will develop or that we will be able to sell their Notes or that holders of the Notes will be able to sell their Notes at favorable prices.

If a trading market does develop, general market conditions and unpredictable factors could adversely affect market prices for the Notes, and we cannot assure you that market prices for the Notes will be favorable.

[Table of Contents](#)

the Notes. Several factors, many of which are beyond our control, will influence the market value of the Notes. Factors that might influence the market value of the Notes are not limited to:

- our creditworthiness, financial condition, performance and prospects;
- whether the ratings on the Notes provided by any ratings agency have changed;
- the market for similar securities; and
- economic, financial, geopolitical, regulatory or judicial events that affect us or the financial markets generally.

If you purchase Notes, whether in this offering or in the secondary market, the Notes may subsequently trade at a discount to the price that you paid.

Each Subsidiary Guarantee may be subject to challenge under fraudulent transfer laws.

Under U.S. bankruptcy law and comparable provisions of state fraudulent transfer laws, a court could subordinate or void any guarantee if it is determined that the guarantor provided the guarantee with actual intent to hinder, delay or defraud creditors or the guarantor did not receive fair consideration or reasonably equivalent value for the guarantee. The following: (i) insolvent or was rendered insolvent because of the guarantee; (ii) engaged in a business or transaction for which its remaining assets were insufficient to pay its debts as they matured; or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay at maturity. To the extent the Subsidiary Guarantees were to be voided as a fraudulent conveyance or held unenforceable for any other reason, holders of the Notes of such series would cease to have any claim against the Subsidiary Guarantor and would be solely our creditors. In that event, the claims of the holders of the Notes of such series against the Subsidiary Guarantor would be limited to the assets of the Subsidiary Guarantor. There can be no assurance that, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the holders of the Notes of each series relating to the voided Subsidiary Guarantee.

[Table of Contents](#)

RATIO OF EARNINGS TO FIXED CHARGES

The following table shows our ratio of earnings to fixed charges for each of the periods indicated.

	For the Nine Months Ended September 30,		For the Year Ended		
	2012	2011	2011	2010	2009
Ratio of earnings to fixed charges before interest credited on investment products	5.8	6.0	5.1	5.1	4.4
Ratio of earnings to fixed charges	2.5	2.4	2.2	1.9	1.6

(1) 2007 data was not retroactively recasted to reflect DPAC guidance and a reinsurance accounting change.

We calculate the ratio of "earnings to fixed charges before interest credited on investment products" by dividing the sum of income from continuing operations (BT), interest expense, which includes interest expense incurred on uncertain tax positions (I), interest factor of rental expense (IF) less undistributed income from equity investees (E) by the sum of interest expense, which includes interest expense incurred on uncertain tax positions (I), interest factor of rental expense (IF), and interest credited on investment products (PD). The formula for this ratio is: $(BT+I+IF-E) / (I+IF+PD)$.

We calculate the ratio of "earnings to fixed charges" by dividing the sum of income from continuing operations before income taxes (BT), interest expense incurred on uncertain tax positions (I), interest factor of rental expense (IF) less undistributed income from equity investees (E) and the amount of interest credited on investment products (IC) by interest expense, which includes interest expense incurred on uncertain tax positions (I), interest factor of rental expense (IF), interest credited on investment products (PD) and interest credited on investment products (IC). The formula for this calculation is: $(BT+I+IF-E+IC) / (I+IF+PD+IC)$. "Interest" includes interest paid on guaranteed investment contracts, funding agreements and other investment-only pension products. Similar to debt, these products have a fixed maturity date.

[Table of Contents](#)

USE OF PROCEEDS

We estimate that our net proceeds from this offering will be approximately \$891.4 million, after deducting the underwriting discounts and es We intend to use the estimated net proceeds from this offering, together with other available cash, to pay the Acquisition Consideration.

Pending such use, we may invest the net proceeds temporarily in short-term, interest-bearing, investment-grade securities or similar assets. I completed in accordance with the SPA on or prior to November 19, 2013, or (ii) prior to such date, the SPA is terminated, we will redeem all of Redemption Date at the Special Mandatory Redemption Price, as described in "Description of the Notes—Special Mandatory Redemption" in thi

[Table of Contents](#)

CAPITALIZATION

The following table shows our cash and cash equivalents and our consolidated capitalization as of September 30, 2012 (i) on an actual basis effect to the sale of the Notes offered hereby. This information should be read in conjunction with our unaudited consolidated financial statements "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, which is incorporated by reference herein.

	As of September 30, 2012	As of September 30, 2011
	Actual	Actual
	(in millions)	(in millions)
Cash and cash equivalents	\$ 2,279.0	\$ 2,279.0
Long-term debt(1)	\$ 2,180.0	\$ 2,180.0
2017 Notes offered hereby	—	—
2023 Notes offered hereby	—	—
2043 Notes offered hereby	—	—
Total stockholders' equity	9,845.9	9,845.9
Total capitalization	\$ 12,025.9	\$ 12,025.9

- (1) Includes (a) current maturities (due within the next twelve months) of \$10.2 million as of September 30, 2012, principal amount outstanding of 7.875% Senior Notes due May 15, 2014 Notes (the "2014 Notes"), which we redeemed in the third quarter of 2013 using available cash, principally comprising net proceeds from our September 2012 offering of 2014 Notes. The redemption supplement does not constitute a notice of redemption under the indenture governing the 2014 Notes nor an offer to redeem the 2014 Notes.

In addition to long-term debt outstanding, as of September 30, 2012, we had short-term debt outstanding of \$28.5 million.

[Table of Contents](#)

SELECTED FINANCIAL INFORMATION

The following table sets forth certain selected historical consolidated financial information of Principal Financial Group, Inc. We derived this information (except for amounts referred to as "Other Supplemental Data") for each of the years ended December 31, 2011, 2010 and 2009 and as of December 31, 2008 from our consolidated financial statements and notes to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2011. This selected consolidated financial information should be read in conjunction with and is qualified by reference to these financial statements. The consolidated financial information (except for amounts referred to as "Other Supplemental Data") for the years ended December 31, 2008 and 2007 from our audited consolidated financial statements not included or incorporated by reference in this prospectus supplement or the consolidated financial information as of and for the nine months ended September 30, 2012 and 2011 has been derived from the unaudited interim financial statements included in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 incorporated by reference herein. The following consolidated statements of position data have been prepared in conformity with accounting principles generally accepted in the United States of America.

The selected financial information as of and for the nine months ended September 30, 2011 and the years ended December 31, 2011, 2010, 2009 and 2008 has been recasted to reflect DPAC guidance and a reinsurance accounting change. See "Financial Statements, Notes to Consolidated Financial Statements, Significant Accounting Policies" in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 incorporated by reference herein for more information on these changes.

[Table of Contents](#)

	As of or for the Nine Months Ended					
	September 30, 2012(1)	September 30, 2011(1)(2)	As of or for the Year Ended Dec			
			2011(1)(2)	2010(1)(2)	2009(1)(2)	
	(Dollars in millions, except as otherwise indicated)					
Statement of Operations Data:						
Revenues:						
Premiums and other considerations	\$ 2,519.3	\$ 2,221.7	\$ 2,891.0	\$ 3,555.5	\$ 3,750.6	\$
Fees and other revenues	1,909.1	1,892.6	2,526.7	2,337.1	2,103.7	
Net investment income	2,409.6	2,548.6	3,375.3	3,495.8	3,400.1	
Net realized capital losses	81.2	(51.0)	(122.3)	(190.2)	(398.3)	
Total revenues	\$ 6,919.2	\$ 6,611.9	\$ 8,670.7	\$ 9,198.2	\$ 8,856.1	\$
Income before income taxes	\$ 693.5	\$ 722.8	\$ 893.1	\$ 785.7	\$ 645.1	\$
Net income(4)	594.3	532.5	688.9	680.8	579.5	
Net income attributable to noncontrolling interest	15.3	36.6	36.2	17.9	23.0	
Net income attributable to Principal Financial Group, Inc.	579.0	495.9	652.7	662.9	556.5	
Preferred stock dividends(5)	24.7	24.7	33.0	33.0	33.0	
Net income available to common stockholders	\$ 554.3	\$ 471.2	\$ 619.7	\$ 629.9	\$ 523.5	\$
Statement of Financial Position Data:						
Total assets	\$ 159,193.3	\$ 142,384.2	\$ 147,361.7	\$ 144,673.0	\$ 137,129.7	\$
Long-term debt	2,180.0	1,570.4	1,564.8	1,583.7	1,584.6	
Series A preferred stock	\$ —	\$ —	\$ —	\$ —	\$ —	\$
Series B preferred stock	0.1	0.1	0.1	0.1	0.1	
Common stock	4.5	4.5	4.5	4.5	4.5	
Additional paid-in capital	9,712.2	9,617.9	9,634.7	9,563.8	9,492.9	
Retained earnings	4,784.3	4,470.6	4,402.3	3,999.4	3,584.1	
Accumulated other comprehensive loss	880.8	462.1	258.0	306.7	(1,061.8)	
Treasury stock, at cost	(5,554.4)	(5,181.7)	(5,281.7)	(4,725.3)	(4,722.7)	
Total stockholders' equity attributable to Principal Financial Group, Inc.	9,827.5	9,373.5	9,017.9	9,149.2	7,297.1	
Noncontrolling interest	18.4	309.1	353.8	157.2	122.9	
Total stockholders' equity	\$ 9,845.9	\$ 9,682.6	\$ 9,371.7	\$ 9,306.4	\$ 7,420.0	\$
Other Supplemental Data:						
Assets Under Management (\$ in billions)	\$ 392.2	\$ 320.8	\$ 335.0	\$ 318.8	\$ 284.7	\$

- (1) For a discussion of items materially affecting the comparability of the nine months ended September 30, 2012 with the nine months ended September 30, 2011, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Transactions Affecting Comparability of Results of Operations" in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 incorporated by reference herein. For a discussion of items materially affecting the comparability of 2011, 2010 and 2009, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Transactions Affecting Comparability of Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2011 incorporated by reference herein.
- (2) Selected financial information as of and for the nine months ended September 30, 2011 and the years ended December 31, 2011, 2010, 2009 and 2008 were retroactively restated to reflect the impact of the reinsurance accounting change. See "Financial Statements, Notes to Consolidated Financial Statements, Note 1, Nature of Operations and Significant Accounting Policies" in our Annual Report on Form 10-K for the year ended December 31, 2011 incorporated by reference herein for an explanation of the accounting changes.
- (3) Selected financial information as of and for the year ended December 31, 2007 was not retroactively recasted to reflect DPAC guidance and a reinsurance accounting change.
- (4) Net income for December 31, 2007 includes \$20.2 million of income from discontinued operations, net of related income taxes.
- (5) We declared preferred stock dividends of \$33.0 million in each of 2011, 2010, 2009, 2008 and 2007.

<http://www.sec.gov/Archives/edgar/data/1094>

[Table of Contents](#)

DESCRIPTION OF THE NOTES

Each series of Notes offered by this prospectus supplement is a series of "senior debt securities" as described in the accompanying prospectus and the description of the general terms and provisions of the debt securities found in the accompanying prospectus in the section entitled "Description of the Notes."

Capitalized terms used and not otherwise defined below or elsewhere in this prospectus supplement or the accompanying prospectus are used as defined in the Senior Indenture among Principal Financial Group, Inc., Principal Financial Services, as the subsidiary guarantor, and The Bank of New York as trustee (the "trustee"), dated as of May 21, 2009, as will be supplemented by a supplemental indenture with respect to the Notes of each series (the "Indenture"). References to the "Notes" contained in this prospectus supplement refer collectively to the 1.850% Senior Notes due 2017, the 3.125% Senior Notes due 2023 and the 4.350% Senior Notes due 2043 offered by this prospectus supplement, unless the context indicates otherwise. In this "Description of the Notes," "our" or similar terms are only to Principal Financial Group, Inc. and not its subsidiaries.

The Senior Indenture contains negative covenants that apply to us; however, the limitation on liens and the limitation on consolidation, merger and sale of assets. See "Description of the Debt Securities—Limitations upon Liens" and "—Consolidation, Merger and Sale of Assets" in the accompanying prospectus.

General

The 2017 Notes initially will be limited to \$300,000,000 aggregate principal amount. The 2023 Notes initially will be limited to \$300,000,000 aggregate principal amount. The 2043 Notes initially will be limited to \$300,000,000 aggregate principal amount. We may, without the consent of the holders of the Notes, increase the aggregate principal amount of the 2017 Notes, the 2023 Notes or the 2043 Notes in the future, on the same terms and conditions (except that the issue price, the first interest payment and the CUSIP number will be the same as the applicable series of Notes being offered by this prospectus supplement). The Notes of each series will be our obligations and will rank equally in right of payment with all of our existing and future senior indebtedness and senior to all of our existing and future subordinated indebtedness. In addition, the Notes of each series will be effectively subordinated to future secured indebtedness of ours to the extent of the assets securing such indebtedness.

Principal of, and premium, if any, and interest on the Notes will be payable, and transfers of the Notes will be registrable, at our office or agent, in the City of New York. Transfers of the Notes will also be registrable at any of our other offices or agencies that we may maintain for that purpose. The Notes will be in denominations of \$2,000 or any multiple of \$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of the Notes, or any governmental charge that may be imposed in connection therewith.

Subsidiary Guarantee

General

Our obligations under the Senior Indenture and the Notes of each series, including payment of principal of, and premium, if any, and interest on the Notes, are fully and unconditionally guaranteed by our subsidiary, Principal Financial Services (the "Subsidiary Guarantor"), which is an intermediary holding company that owns the outstanding shares of our principal operating companies.

[Table of Contents](#)

Ranking

Each Subsidiary Guarantee will be a senior unsecured and unsubordinated obligation of the Subsidiary Guarantor and will rank equally in right of payment with all of its existing and future senior indebtedness and senior to all of its existing and future subordinated indebtedness. In addition, each Subsidiary Guarantee will be secured to the extent of the assets securing such indebtedness of the Subsidiary Guarantor to the extent of the assets securing such indebtedness.

Modification of each Subsidiary Guarantee

Each Subsidiary Guarantee may be modified or amended on the same terms as the Senior Indenture may be modified or amended as described in "Description of Securities—Modification and Waiver" in the accompanying prospectus.

Merger or Consolidation of the Subsidiary Guarantor

Each Subsidiary Guarantee will provide that the Subsidiary Guarantor will not consolidate with or merge with or into any other person or company, or substantially as an entirety to any person, and no person may consolidate with or merge with or into the Subsidiary Guarantor, unless:

- the Subsidiary Guarantor or Principal Financial Group, Inc. will be the surviving company in any merger or consolidation, or
- if the Subsidiary Guarantor consolidates with or merges into another person or conveys, transfers or leases its assets substantially as an entirety to any person, the successor person is an entity organized and validly existing under the laws of the United States of America or any state thereof or territory thereof, and the successor entity expressly assumes all of the obligations of the Subsidiary Guarantor under the Senior Indenture and such Subsidiary Guarantees, and
- immediately after giving effect to the consolidation, merger, conveyance, transfer or lease there exists no event of default, and no event of default, or both, would become an event of default, and
- other conditions described in such Subsidiary Guarantee are met.

Each Subsidiary Guarantee will further provide that upon any consolidation of the Subsidiary Guarantor with, or merger of the Subsidiary Guarantor with, or conveyance, transfer or lease of the assets of the Subsidiary Guarantor substantially as an entirety to any person, the successor person formed by such consolidation, merger, conveyance, transfer or lease of the assets of the Subsidiary Guarantor is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise the rights of the Subsidiary Guarantor under such Subsidiary Guarantee with the same effect as if such successor person had been named as the Subsidiary Guarantor in such Subsidiary Guarantee. If, in any consolidation, merger, conveyance, transfer or lease of the assets of the Subsidiary Guarantor, or any lease, the Subsidiary Guarantor shall be relieved of all obligations and covenants under such Subsidiary Guarantee.

This covenant would not apply to the direct or indirect conveyance, transfer or lease of all or any portion of the stock, assets or liabilities of the Subsidiary Guarantor or wholly owned subsidiaries to the Subsidiary Guarantor, Principal Financial Group, Inc. or to other wholly owned subsidiaries of the Subsidiary Guarantor, or to any recapitalization transaction, a change of control of the Subsidiary Guarantor or a highly leveraged transaction unless such transaction is structured to include a merger or consolidation by the Subsidiary Guarantor or the conveyance, transfer or lease of the Subsidiary Guarantor's assets.

[Table of Contents](#)

Interest; Maturity; No Sinking Fund

Each Note will bear interest from November 16, 2012 payable semiannually on May 15 and November 15 of each year, beginning May 15, 2013. If a Note is registered, subject to certain exceptions as provided in the Senior Indenture, at the close of business on May 1 or November 1, as the case may be, on May 15 and November 15. The 2017 Notes will bear interest at a rate of 1.850% per year. The 2017 Notes will mature on November 15, 2017. The 2023 Notes will bear interest at a rate of 3.125% per year. The 2023 Notes will mature on May 15, 2023. The 2043 Notes will bear interest at a rate of 4.350% per year. The 2043 Notes will mature on May 15, 2043. Interest on the Notes will be computed on the basis of a 360-day year comprised of twelve 30-day months. The Notes are not subject to any sinking fund payments.

If any interest payment date or maturity date falls on a day that is not a business day, the required payment shall be made on the next business day. If an interest payment was due and no interest shall accrue on the amount so payable for the period from and after such interest payment date or maturity date, as the case may be.

Optional Redemption

We may redeem the Notes of each series, at our option, at any time (the "Redemption Date") in whole or from time to time in part at a redemption price of:

- (a) 100% of the principal amount of the Notes being redeemed, or
- (b) an amount equal to the sum of the present values of the remaining scheduled payments of principal and interest on the Notes to be redeemed (including the payments of interest accrued as of such Redemption Date) discounted to such Redemption Date on a semiannual basis (assuming a 360-day year) at the Treasury Rate, plus (i) 20 basis points in respect of the 2017 Notes, (ii) 20 basis points in respect of the 2023 Notes and (iii) 30 basis points in respect of the 2043 Notes, each as calculated by an Independent Investment Banker;

plus, in any of the above cases, accrued and unpaid interest on the Notes to be redeemed to, but excluding, such Redemption Date.

If we have given notice as provided in the Senior Indenture and made funds available for the redemption of any Notes called for redemption on that notice, those Notes will cease to bear interest on that Redemption Date. Any interest accrued to the date fixed for redemption will be paid as provided in the Senior Indenture. Written notice of any redemption of any Notes to holders of the Notes to be redeemed at their addresses, as shown in the security register for the Notes, shall be given 60 days prior to the date fixed for redemption. The notice of redemption will specify, among other items, the date fixed for redemption, the redemption price, and the amount of the Notes to be redeemed.

If we choose to redeem less than all of the Notes of a series, the particular Notes to be redeemed shall be selected by the trustee not more than 60 days prior to the Redemption Date. The trustee will select the method in its sole discretion, in such manner as it shall deem appropriate and fair, for the Notes to be redeemed in whole or in part.

As used in this prospectus supplement:

"Comparable Treasury Issue" means the United States Treasury security selected by the Independent Investment Banker as having a maturity closest to the maturity of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of comparable maturity to the remaining term of the Notes.

[Table of Contents](#)

"Comparable Treasury Price" means, with respect to any Redemption Date for the Notes, the average of the Reference Treasury Dealer Quotations, excluding the highest and lowest of such Reference Treasury Dealer Quotations, or if we obtain fewer than five such Reference Treasury Dealer Quotations.

"Independent Investment Banker" means an independent investment banking institution of national standing appointed by us.

"Reference Treasury Dealer" means each of Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc., Goldman, Sachs & Co. and primary U.S. government securities dealers (each, a "Primary Treasury Dealer"), as specified by us; provided that if any of Credit Suisse Securities Inc., Goldman, Sachs & Co. and UBS Securities LLC or any Primary Treasury Dealer as specified by us shall cease to be a Primary Treasury Dealer therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to the Reference Treasury Dealer and any Redemption Date, the average, as determined, of the prices for the Comparable Treasury Issue (expressed, in each case, as a percentage of its principal amount) quoted in writing to us by such Reference Treasury Dealer in New York City time, on the third business day preceding such Redemption Date.

"Treasury Rate" means the rate per year equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, calculated using the Treasury Rate for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date. The Treasury Rate shall be the Treasury Rate on the day preceding the Redemption Date.

Special Mandatory Redemption

If, for any reason, (i) the acquisition of Administradora de Fondos de Pensiones Cuprum S.A. ("Cuprum") is not completed in accordance with the SPA dated October 5, 2012, or (ii) prior to such date, the SPA is terminated, we will redeem each series of Notes on the Special Mandatory Redemption Date at the Special Mandatory Redemption Price. Notice of a special mandatory redemption will be mailed, with a copy to the trustee, promptly after the occurrence of the event triggering such redemption to its registered address. If funds sufficient to pay the Special Mandatory Redemption Price of all of the Notes of each series to be redeemed on the Special Mandatory Redemption Date are deposited with The Bank of New York Mellon Trust Company, N.A., in its capacity as paying agent, on or before the Special Mandatory Redemption Date, the Notes will cease to bear interest and, other than the right to receive the Special Mandatory Redemption Price, all rights under that series of Notes shall terminate.

For the purpose of the foregoing discussion of a special mandatory redemption, the following definitions are applicable:

"SPA" means the Sale and Purchase Promise Agreement, dated October 5, 2012, by and among Empresas Penta S.A. and Inversiones Banperu S.A., as promising buyer, as the same may be amended.

"Special Mandatory Redemption Date" means the earlier to occur of (1) December 19, 2013 if the Cuprum acquisition has not been completed prior to November 19, 2013 or (2) the 30th day (or if such day is not a business day, the first business day thereafter) following the termination of the SPA.

"Special Mandatory Redemption Price" means 101% of the aggregate principal amount of each series of Notes together with accrued and unpaid interest on the date of initial issuance.

[Table of Contents](#)

(or the most recent interest payment date on which interest was paid) to but excluding the Special Mandatory Redemption Date.

Events of Default

In addition to the events of default set forth under "Description of the Debt Securities—Events of Default" in the accompanying prospectus, the following are events of default for the Notes of each series:

- default for 30 days in the payment of any interest on the Notes of such series under the applicable Subsidiary Guarantee by the Subsidiary Guarantor; or
- default in the payment of principal of the Notes of such series, or premium, if any, when due under the applicable Subsidiary Guarantee by the Subsidiary Guarantor; or
- default (other than those relating to payment) in the performance, or breach, of any covenant or warranty in the Senior Indenture or in the applicable Subsidiary Guarantee, or in the Senior Indenture or in the applicable Subsidiary Guarantee, 90 days after written notice;
- certain events of bankruptcy, insolvency or reorganization with respect to the Subsidiary Guarantor; or
- the applicable Subsidiary Guarantee ceases to be in full force and effect (other than in accordance with its terms) or the Subsidiary Guarantor fails to fulfill its obligations under the applicable Subsidiary Guarantee.

Global Securities

The Notes of each series will be issued in the form of one or more global securities that will be deposited with, or on behalf of, the depositary ("DTC" or the "depository"). Interests in the global securities will be issued only in denominations of \$2,000 or any multiple of \$1,000 in excess of \$1,000. If the holder of a global security desires to receive the Notes in definitive form, a global security may not be transferred except as a whole to a nominee of the depositary for the global security to the depositary or another nominee of the depositary, or by the depositary or any nominee to a successor depositary or a nominee of the depositary.

Same-Day Settlement and Payment

Settlement for the Notes will be made by the underwriters in immediately available funds. So long as the depositary continues to make same-day payments of principal and interest on the Notes will be made by us in immediately available funds.

The depositary will facilitate same-day settlement for trading in the Notes until maturity, and secondary market trading activity in the Notes will be facilitated by the depositary to settle in immediately available funds.

Book-Entry System

DTC

Initially, the Notes will be registered in the name of Cede & Co., the nominee of the depositary. Accordingly, beneficial interests in the Notes will be effected only through, records maintained by the depositary and its participants.

The depositary has advised us and the underwriters as follows: the depositary is a limited-purpose trust company organized under the New York law and is a member of the "New York organization" within the

<http://www.sec.gov/Archives/edgar/data/1094>

S-40

[Table of Contents](#)

meaning of the New York Banking Law, a member of the United States Federal Reserve System, a "clearing corporation" within the meaning of the law and a "clearing agency" registered pursuant to the provisions of Section 17A of the United States Securities Exchange Act of 1934, as amended. The participants ("Direct Participants") deposit with the depositary. The depositary also eliminates the need for physical movement of securities certificates among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry accounts. Direct Participants include securities brokers and dealers, including the underwriters, banks, trust companies, clearing corporations, and the depositary is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the Financial Authority, Inc. Access to the depositary's book-entry system is also available to others such as securities brokers and dealers, banks and trust companies in a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to the depositary and its Indirect Participants are filed with the SEC.

The depositary advises that its established procedures provide that:

- upon our issuance of the Notes, the depositary will credit the accounts of Direct Participants designated by the underwriters with the proceeds of the Notes purchased by the underwriters; and
- ownership of interests in the global securities will be shown on, and the transfer of the ownership will be effected only through, records maintained by the Direct Participants and the Indirect Participants.

The laws of some states require that certain persons take physical delivery in definitive form of securities which they own. Persons required to take physical delivery of securities they own may not be able to purchase beneficial interests in the global securities.

So long as a nominee of the depositary is the registered owner of the global securities, the nominee for all purposes will be considered the owner of the securities under the Senior Indenture. Except as provided below, owners of beneficial interests in the global securities will not be entitled to have the securities delivered to them or to receive or be entitled to receive physical delivery of Notes in definitive form and will not be considered the owners or holders thereof under the Senior Indenture.

Neither we, the trustee, any paying agent nor the registrar will have any responsibility or liability for any aspect of the records relating to the ownership interests in the global securities, or for maintaining, supervising or reviewing any records relating to those beneficial ownership interests.

Principal, premium and interest payments on the Notes registered in the name of the depositary's nominee will be made in immediately available funds to the registered owner of the global securities. Under the terms of the Notes, we and the trustee will treat the persons in whose names the Notes are registered as the owners of the Notes for the purpose of receiving payment of principal and interest on those Notes and for all other purposes whatsoever. Therefore, neither we, the trustee nor the registrar will have any direct responsibility or liability for the payment of principal or interest on the Notes to owners of beneficial interests in the global securities. The trustee's current practice is, upon receipt of any payment of principal or interest, to credit Direct Participants' accounts on the payment date with the amount of the payment of principal or interest on the payment date, unless the depositary has reason to believe that it will not be paid on the payment date. Payments by Direct and Indirect Participants to owners of beneficial interests in the global securities will be made on the payment date.

[Table of Contents](#)

securities will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in b name," and will be the responsibility of the Direct and Indirect Participants and not of the depositary, the trustee or us, subject to any statutory req time to time. Payment of principal and interest to the depositary is our responsibility or the responsibility of the trustee; disbursement of those pay interests in the global securities shall be the responsibility of the depositary and Direct and Indirect Participants.

Notes represented by a global security will be exchangeable for Notes in definitive form of like tenor as the global security in denomination excess thereof if the depositary notifies us that it is unwilling or unable to continue as depositary for the global security or if at any time the depos registered under applicable law and a successor depositary is not appointed by us within 90 days or we in our discretion at any time determine no represented by a global security and notify the trustee thereof. Any Notes that are exchangeable pursuant to the preceding sentence are exchangeab denominations and registered in such names as the depositary shall direct. Subject to the foregoing, a global security is not exchangeable, except f of the same aggregate denominations to be registered in the name of the depositary or its nominee.

Clearstream Banking, société anonyme ("Clearstream") and Euroclear Bank S.A./N.V. ("Euroclear") have provided us with the following in underwriters take any responsibility for its accuracy:

Clearstream

Clearstream is incorporated under the laws of Luxembourg as a professional depositary. Clearstream holds securities for its participating or and settlement of securities transactions between Clearstream participants through electronic book-entry changes in accounts of Clearstream parti physical movement of certificates. Clearstream provides to Clearstream participants, among other things, services for safekeeping, administration internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic securities markets in several countri Clearstream is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector (*Commission de Surveillance du participants include underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations an Clearstream's U.S. participants are limited to securities brokers and dealers and banks. Indirect access to Clearstream is also available to others, trust companies that clear through or maintain a custodial relationship with a Clearstream participant either directly or indirectly.*

Distributions with respect to Notes held beneficially through Clearstream will be credited to cash accounts of Clearstream participants in ac to the extent received by the U.S. depositary for Clearstream.

Euroclear

Euroclear was created in 1968 to hold securities for participants of Euroclear and to clear and settle transactions between Euroclear parti book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous tra performs various other services, including securities lending and borrowing and interacts with domestic markets in several countries. Euroclear i under contract with Euroclear plc, a U.K.

[Table of Contents](#)

corporation. All operations are conducted by the Euroclear operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are operated by the Euroclear operator, not Euroclear plc. Euroclear plc establishes policy for Euroclear on behalf of Euroclear participants. Euroclear participants include banks, brokers and dealers and other professional financial intermediaries and may include the underwriters. Indirect access to Euroclear is also available. Euroclear participants may maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

The Euroclear operator is a Belgian bank. As such it is regulated by the Belgian Banking and Finance Commission.

Securities clearance accounts and cash accounts with the Euroclear operator are governed by the Terms and Conditions Governing Use of Euroclear, the Procedures of the Euroclear System, and applicable Belgian law (collectively, the "Terms and Conditions"). The Terms and Conditions govern the use of Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held without attribution of specific certificates to specific clearance accounts. The Euroclear operator acts under the Terms and Conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear participants.

Distributions with respect to Notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Terms and Conditions to the extent received by the U.S. depositary for Euroclear.

Euroclear has further advised us that investors who acquire, hold and transfer interests in the Notes by book-entry through accounts with the Euroclear operator or securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such an intermediary and each other intermediary, if any, standing between themselves and the global securities certificate.

Global Clearance and Settlement Procedures

Secondary market trading between Clearstream participants and/or Euroclear participants will occur in the ordinary way in accordance with the rules and procedures of Clearstream and Euroclear and will be settled using the procedures applicable to conventional eurobonds in immediately available funds.

Cross market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream or Euroclear participants, on the other, will be effected through DTC in accordance with DTC rules on behalf of the relevant European international clearing system. Such cross market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in such transactions and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction is a delivery instruction, deliver instructions to its U.S. depositary to take action to effect final settlement on its behalf by delivering or receiving Notes through DTC, and in accordance with normal procedures for same day funds settlement applicable to DTC. Clearstream participants and Euroclear participants may not be able to effect such transfers through their respective U.S. depositaries.

Because of time zone differences, credits of Notes received through Clearstream or Euroclear as a result of a transaction with a DTC participant will be processed for securities settlement processing and dated the business day following the DTC settlement date. Such credits or any transactions in such Notes settled through DTC will be reported to the relevant Euroclear participants or Clearstream participants on such business day. Cash received in Clearstream or

<http://www.sec.gov/Archives/edgar/data/1094>

[Table of Contents](#)

Euroclear as a result of sales of Notes by or through a Clearstream participant or a Euroclear participant to a DTC participant will be received w
will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of Notes among participan
they are under no obligation to perform or continue to perform such procedures and such procedures may be modified or discontinued at any time
any responsibility for the performance by DTC, Euroclear or Clearstream or their respective direct or indirect participants of their obligations un
their operations.

[Table of Contents](#)

U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a discussion of certain U.S. federal income tax considerations relating to the purchase, ownership and disposition of the Notes (as defined below) that purchase the Notes at their issue price (generally the first price at which a substantial amount of the Notes of the applicable series are sold to investors, including dealers, houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) pursuant to this offering. This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the "Code"), U.S. Treasury regulations promulgated or proposed thereunder, and judicial interpretations thereof, all as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect, or to subsequent developments. This discussion does not address all of the U.S. federal income tax considerations that may be relevant to specific Holders (as defined below) in light of their particular circumstances. Holders subject to special treatment under U.S. federal income tax law (such as banks, insurance companies, dealers in securities or other Holders in the market for U.S. federal income tax purposes, tax-exempt entities, retirement plans, regulated investment companies, real estate investment trusts, or other entities organized in the United States, Holders that hold a Note as part of a straddle, hedge, conversion or other integrated transaction or U.S. Holders that have a "foreign source" of income (as defined in the Code)). This discussion does not address any U.S. state or local or non-U.S. tax considerations or any U.S. federal estate, gift or alternative minimum tax considerations.

As used in this discussion, the term "U.S. Holder" means a beneficial owner of a Note that, for U.S. federal income tax purposes, is (i) an individual who is a resident of the United States, (ii) a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate or trust subject to U.S. federal income tax regardless of its source or (iv) a trust (x) with respect to which a court within the United States is able to exercise control over the administration and one or more United States persons have the authority to control all of its substantial decisions or (y) that has in effect a valid election to be treated as a United States person.

As used in this discussion, the term "Non-U.S. Holder" means a beneficial owner of a Note that is neither a U.S. Holder nor a partnership for U.S. federal income tax purposes. The term "Holder" means a U.S. Holder or a Non-U.S. Holder.

If an entity treated as a partnership for U.S. federal income tax purposes invests in a Note, the U.S. federal income tax considerations relating to the Note will depend upon the status and activities of such entity and the particular partner. Any such entity should consult its own tax advisor regarding the U.S. federal income tax consequences to it and its partners relating to the purchase, ownership and disposition of a Note.

PERSONS CONSIDERING AN INVESTMENT IN THE NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE U.S. FEDERAL INCOME TAX CONSIDERATIONS, LOCAL AND NON-U.S. INCOME, ESTATE AND OTHER TAX CONSIDERATIONS RELATING TO THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES.

Certain Additional Payments

As described above under the heading "Description of the Notes—Special Mandatory Redemption," we are required to redeem all of the Notes on the Special Mandatory Redemption Date (as defined under that heading) at a price equal to 101% of their principal amount, plus accrued and unpaid interest, if certain conditions are met. Regulations provide special rules for contingent payment debt instruments that, if applicable, could cause the timing, amount and character of the payments to differ from the above description.

[Table of Contents](#)

of a Holder's income, gain or loss with respect to the Notes to be different from those described below. We intend to treat the possibility of our m causing the Notes to be contingent payment debt instruments. Our treatment will be binding on all Holders, except a Holder that discloses its diffe its timely filed U.S. federal income tax return for the taxable year during which such Holder acquired its Notes. However, our treatment is not bin Service (the "IRS"). If the IRS were to challenge our treatment, a Holder might be required to accrue income on the Notes in excess of stated inter rather than capital gain, gain recognized on the disposition of the Notes. The remainder of this discussion assumes that the Notes will not be treat instruments.

U.S. Holders

Interest

In general, interest payable on a Note will be taxable to a U.S. Holder as ordinary interest income when it is received or accrued, in accorda method of accounting for U.S. federal income tax purposes. The Notes are not expected to be issued with an amount of original issue discount ("C statutorily defined *de minimis* amount. However, if a Note is issued with an amount of OID that is equal to or greater than the statutorily defined a such Note generally will be required to include OID in its income as it accrues, regardless of its regular method of accounting for U.S. federal inc yield method, possibly before such U.S. Holder receives any payment attributable to such income. The remainder of this discussion assumes that of OID that is equal to or greater than the statutorily defined *de minimis* amount.

Sale, Exchange, Retirement or Other Disposition of the Notes

Upon the sale, exchange, retirement or other disposition of a Note, a U.S. Holder generally will recognize gain or loss in an amount equal to realized on such sale, exchange, retirement or other disposition (other than any amount attributable to accrued interest, which, if not previously in will be taxable as interest income to such U.S. Holder) and such U.S. Holder's adjusted tax basis in such Note. Any gain or loss so recognized ge will be long-term capital gain or loss if such U.S. Holder has held such Note for more than one year at the time of such sale, exchange, retirement capital gain of certain non-corporate U.S. Holders is generally subject to preferential rates of tax. The deductibility of capital losses is subject to

Information Reporting and Backup Withholding

Information reporting generally will apply to a U.S. Holder with respect to payments of interest on, or proceeds from the sale, exchange, reti unless such U.S. Holder is an entity that is exempt from information reporting and, when required, demonstrates this fact. Any such payments or p to information reporting generally will also be subject to backup withholding, unless such U.S. Holder provides the appropriate documentation (g applicable withholding agent certifying that, among other things, its taxpayer identification number (which for an individual would be such indivi correct, or otherwise establishes an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules generally will be allowed as a refund federal income tax liability if the required information is furnished by the U.S. Holder on a timely basis to the IRS.

[Table of Contents](#)

Medicare Tax

Beginning in 2013, certain U.S. Holders that are individuals, estates or trusts will be subject to a 3.8% tax on all or a portion of their "net investment income" (NII), which includes all or a portion of their interest income and net gains from a disposition of the Notes. Each U.S. Holder that is an individual, estate or trust should

Non-U.S. Holders

General

Subject to the discussion below concerning backup withholding and FATCA:

(a) payments of principal, interest and premium with respect to a Note owned by a Non-U.S. Holder generally will not be subject to U.S. federal income tax, except that, in the case of amounts treated as payments of interest, (i) such amounts are not effectively connected with the conduct of a trade or business in the United States by such Non-U.S. Holder; (ii) such Non-U.S. Holder does not own, actually or constructively, 10% or more of the total combined voting power of all other equity of the issuer; (iii) such Non-U.S. Holder is not a controlled foreign corporation described in section 957(a) of the Code that is related to us through stock ownership; (iv) such Non-U.S. Holder is not a bank whose receipt of such amounts is described in section 881(c)(3)(A) of the Code; and (v) the certification requirements of section 873(b) of the Code are satisfied.

(b) a Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on any gain recognized on the sale, exchange, retirement or other disposition of a Note, unless (i) such gain is effectively connected with the conduct of a trade or business in the United States by such Non-U.S. Holder; (ii) such Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of such sale, exchange, retirement or other disposition; or (iii) such Non-U.S. Holder is a corporation (in each case, subject to the provisions of an applicable tax treaty).

The certification requirements referred to in clause (a)(v) above generally will be satisfied if the Non-U.S. Holder provides the applicable certification to the applicable withholding agent generally on IRS Form W-8BEN, signed under penalties of perjury, stating, among other things, that such Non-U.S. Holder is not a United States person. The applicable withholding agent may provide additional rules for a Note held through one or more intermediaries or pass-through entities.

If the requirements set forth in clause (a) above are not satisfied with respect to a Non-U.S. Holder, amounts treated as payments of interest on a Note will be subject to U.S. federal withholding tax at a rate of 30%, unless another exemption is applicable. For example, an applicable tax treaty may reduce or eliminate this withholding tax. The applicable withholding agent may provide the appropriate documentation (generally, IRS Form W-8BEN) to the applicable withholding agent.

If a Non-U.S. Holder is engaged in the conduct of a trade or business in the United States, and if amounts treated as interest on a Note or as gain on the sale, exchange, retirement or other disposition of a Note are effectively connected with such trade or business, such Non-U.S. Holder generally will not be subject to U.S. federal income tax on such amounts; *provided that*, in the case of amounts treated as interest, such Non-U.S. Holder provides the appropriate documentation (generally, IRS Form W-8BEN) to the applicable withholding agent. Instead, such Non-U.S. Holder generally will be subject to U.S. federal income tax on such interest or gain in substantially the same manner as provided by an applicable tax treaty). In addition, a Non-U.S. Holder that is a corporation may be subject to a branch profits tax at the rate of 30% (or such lower rate as provided by an applicable tax treaty) on its effectively connected income for the taxable year, subject to certain adjustments.

[Table of Contents](#)

FATCA Legislation

Legislation enacted on March 18, 2010, commonly referred to as the Foreign Account Tax Compliance Act provisions, or "FATCA," generally requires the withholding of payments of (i) interest on a debt obligation of a U.S. issuer on or after January 1, 2014, and (ii) gross proceeds from the sale or other disposition of a U.S. issuer on or after January 1, 2017, in each case made to (a) a foreign financial institution (as a beneficial owner or as an intermediary), unless such institution enters into an agreement with the U.S. government (or is required by applicable local law) to collect and provide to the U.S. or other relevant tax authorities certain information regarding the institution; or (b) a foreign entity that is not a financial institution (as a beneficial owner or as an intermediary), unless such entity provides the withholding agent with the name and address of each substantial U.S. owner, if it does not have any substantial U.S. owners or identifying its substantial U.S. owners, which generally includes any specified U.S. person that directly or indirectly owns a specified percentage of such entity.

Pursuant to proposed U.S. Treasury regulations, FATCA generally does not apply to a debt obligation outstanding on January 1, 2013, unless such obligation has undergone a "significant modification" (within the meaning of Treasury Regulation section 1.1001-3) after such date. However, these regulations are currently under review and may not be finalized. Non-U.S. Holders should consult their own tax advisers regarding the application of FATCA to the Notes.

Information Reporting and Backup Withholding

Amounts treated as payments of interest on a Note to a Non-U.S. Holder and the amount of any tax withheld from such payments generally may be subject to backup withholding if such amounts are not reported to such Non-U.S. Holder.

The information reporting and backup withholding rules that apply to payments of interest to a U.S. Holder generally will not apply to amounts paid to a Non-U.S. Holder if such Non-U.S. Holder certifies under penalties of perjury that it is not a United States person (generally by providing an IRS Form W-8BEN) or otherwise establishes an exemption.

Proceeds from the sale, exchange, retirement or other disposition of a Note by a Non-U.S. Holder effected through a non-U.S. office of a U.S. issuer generally will be subject to information reporting, but not backup withholding, unless such Non-U.S. Holder certifies under penalties of perjury that it is not a United States person (generally by providing an IRS Form W-8BEN) or otherwise establishes an exemption. Proceeds from the sale, exchange or other disposition of a Note by a Non-U.S. Holder effected through a U.S. office of a broker generally will be subject to information reporting and backup withholding unless such Non-U.S. Holder certifies under penalties of perjury that it is not a United States person (generally by providing an IRS Form W-8BEN) or otherwise establishes an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules generally will be allowed as a refund against the holder's U.S. federal income tax liability if the required information is furnished by such Non-U.S. Holder on a timely basis to the IRS.

[Table of Contents](#)

UNDERWRITING

General

The Company, the Subsidiary Guarantor and the underwriters for the offering named below, for whom Credit Suisse Securities (USA) LLC, Goldman, Sachs & Co. and UBS Securities LLC are acting as representatives, have entered into an underwriting agreement with respect to the Notes. Subject to certain conditions in the underwriting agreement, we have agreed to sell to each of the underwriters named below and each of them jointly, agreed to purchase the principal amount of Notes indicated in the following table.

<u>Underwriter</u>	<u>Principal Amount of the 2017 Notes</u>	<u>Principal Amount of the 2023 Notes</u>	<u>Principal Amount of the 2043 Notes</u>
Credit Suisse Securities (USA) LLC.	\$ 50,000,000	\$ 50,000,000	\$ 50,000,000
Deutsche Bank Securities Inc.	50,000,000	50,000,000	50,000,000
Goldman, Sachs & Co.	50,000,000	50,000,000	50,000,000
UBS Securities LLC	50,000,000	50,000,000	50,000,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	30,000,000	30,000,000	30,000,000
Morgan Stanley & Co. LLC	30,000,000	30,000,000	30,000,000
HSBC Securities (USA) Inc.	8,000,000	8,000,000	8,000,000
RBS Securities Inc.	8,000,000	8,000,000	8,000,000
Santander Investment Securities Inc.	8,000,000	8,000,000	8,000,000
The Williams Capital Group, L.P.	8,000,000	8,000,000	8,000,000
Wells Fargo Securities, LLC	8,000,000	8,000,000	8,000,000
Total	\$ 300,000,000	\$ 300,000,000	\$ 300,000,000

The underwriting agreement provides that the obligations of the underwriters to purchase the Notes in connection with this offering are subject to certain conditions, including the receipt of legal counsel and other conditions. The underwriters are committed to take and pay for all of the Notes being offered, if any are taken.

Notes sold by the underwriters to the public will initially be offered at the applicable public offering price set forth on the cover of this prospectus. The underwriters to securities dealers may be sold at a discount from the applicable public offering price of up to 0.350% of the principal amount of the 2017 Notes, 0.250% of the principal amount of the 2023 Notes and 0.500% of the principal amount of the 2043 Notes, as applicable. Any such securities dealers may resell the Notes to certain other brokers or dealers at a discount from the applicable public offering price of up to 0.125% of the principal amount of the 2017 Notes, 0.125% of the principal amount of the 2023 Notes and 0.250% of the principal amount of the 2043 Notes, as applicable. If all of the Notes of a series are not sold at the offering price, the underwriters may change the offering price and the other selling terms for such series.

New Issue

The Notes of each series are a new issue of securities with no established trading market. We have been advised by the underwriters that the underwriters will make a market in the Notes of each series but are not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the Notes of any series.

<http://www.sec.gov/Archives/edgar/data/1094>

[Table of Contents](#)

Underwriting Discounts

The following table shows the underwriting discounts that we are to pay to the underwriters in connection with this offering (expressed as a

Per 2017 Note
Per 2023 Note
Per 2043 Note

Price Stabilization and Short Positions

In connection with the offering, the underwriters may purchase and sell Notes in the open market. These transactions may include short sales to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of Notes than they are required to purchase. These transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Notes while t

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount because the representatives have repurchased Notes sold by or for the account of such underwriter in stabilizing or short covering transactions.

These activities by the underwriters, as well as other purchases by the underwriters for their own accounts, may stabilize, maintain or otherwise support the price of each series. As a result, the price of the Notes of each series may be higher than the price that otherwise might exist in the open market. If these activities are discontinued by the underwriters at any time. These transactions may be effected in the over-the-counter market or otherwise.

Expenses and Indemnification

We estimate that our share of the total expenses of the offering, excluding the underwriting discounts, will be approximately \$750,000.

We and the Subsidiary Guarantor have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the

Relationships

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities underwriting, banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of our respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory, commercial banking and investment management activities for our affiliates, for which they received or will receive customary fees and expenses. Certain of the underwriters provide credit to our affiliates as lenders.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments in securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. These activities may involve securities and/or instruments of ours or our affiliates. Certain of the underwriters or their affiliates that have a lending

[Table of Contents](#)

relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such underwriters hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The underwriters and their affiliates may make recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend the purchase of, long and/or short positions in such securities and instruments.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), the Company has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, the offer of the notes which are the subject of the offering contemplated by this prospectus supplement and the accompanying prospectus to the public in that Member State shall be made only in the following circumstances:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant Provision of the 2010 PD Amending Directive, to fewer than 100 qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior approval of the competent authority in that Member State for such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of notes shall require the Company or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive. In any event, notwithstanding the above provision, the expression an "offer of notes to the public" in relation to any notes in any Relevant Member State means the communication in any form of information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the case may be, in that Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

This prospectus supplement and accompanying prospectus have been prepared on the basis that any offer of notes in a Relevant Member State will be made in reliance on the exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of notes. Accordingly any person making or intending to make an offer of notes in any Relevant Member State of the notes which are the subject of the placement contemplated by this prospectus supplement and the accompanying prospectus will be deemed to be acting in reliance on the exemption and no obligation arises for the Company or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive, in each Relevant Member State. The Company and the underwriters have authorized nor do they authorize, the making of any offer of the notes in circumstances in which an obligation is imposed on the underwriters to publish a prospectus for such offer.

The expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, as amended) and any relevant implementing measure in the Relevant Member State, and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

This prospectus supplement and the accompanying prospectus are only being distributed to, and are only directed at, (1) persons who are outside the United Kingdom, and (2) investment professionals.

<http://www.sec.gov/Archives/edgar/data/1094>

[Table of Contents](#)

falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"), (3) high net worth persons (d) of the Order, or (4) other persons to whom it may lawfully be communicated (each such person in (1) to (4) being referred to as a "relevant person") and any invitation, offer or agreement to subscribe, purchase or otherwise acquire the notes will be engaged in only with, relevant persons. Any person should not act or rely on this prospectus supplement or the accompanying prospectus or any of their contents.

S-52

[Table of Contents](#)

VALIDITY OF THE NOTES

The validity of the Notes and the Subsidiary Guarantees will be passed upon for us by Debevoise & Plimpton LLP, 919 Third Avenue, New York, New York 10036, underwriters by Pillsbury Winthrop Shaw Pittman LLP, 1540 Broadway, New York, New York 10036. Certain legal matters relating to the issuance of the Notes have been passed upon for us by Karen E. Shaff, Executive Vice President and General Counsel of the Company.

EXPERTS

The consolidated financial statements of Principal Financial Group, Inc. appearing in Principal Financial Group, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2011 (including schedules appearing therein), and the effectiveness of Principal Financial Group, Inc.'s internal control over financial reporting have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, included therein, and the consolidated financial statements are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document that we have filed with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-368-1010. SEC-0330. In addition, the SEC maintains an Internet site at <http://www.sec.gov>, from which interested persons can electronically access our filings with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, other than reports or portions thereof that are not required to be filed with the SEC. You may also access our registration statement to which this prospectus supplement relates (including the exhibits and schedules thereto).

The SEC allows us to "incorporate by reference" the information we file with them, which means that we can disclose important information in our periodic reports and other documents. The information incorporated by reference is an important part of this prospectus supplement, and information that we file later with the SEC in connection with the offering under this prospectus supplement will automatically update and supersede this information. We incorporate by reference the documents listed below with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, other than reports or portions thereof that are not required to be filed with the SEC and not specifically incorporated by reference, prior to the termination or completion of the offering under this prospectus supplement.

- (a) Our Annual Report on Form 10-K for the fiscal year ended December 31, 2011;
- (b) Our Quarterly Reports on Form 10-Q for the quarters ended September 30, 2012, June 30, 2012 and March 31, 2012;
- (c) Our Current Reports on Form 8-K filed on November 13, 2012, October 9, 2012, September 10, 2012, September 5, 2012, May 10, 2012, and January 20, 2012; and
- (d) Our Proxy Statement filed on April 11, 2012 for the 2012 Annual Meeting of Stockholders.

You can obtain any of the filings incorporated by reference in this prospectus supplement through us or from the SEC through the SEC's Internet site at <http://www.sec.gov>. You may request orally or in writing, without charge, a copy of any or all of the documents which are incorporated in this prospectus supplement (unless such exhibits are specifically incorporated by reference into such documents). Requests for such copies should be directed to the Investor Relations Department of Principal Financial Group, Inc., 711 High Street, Des Moines, Iowa 50392, Telephone: (515) 247-5111.

[Table of Contents](#)

PROSPECTUS

Principal Financial Group, Inc.

Debt Securities
Junior Subordinated Debt Securities
Junior Subordinated Debentures
Preferred Stock
Common Stock
Depositary Shares
Warrants
Purchase Contracts
Purchase Units

Principal Capital I
Principal Capital II
Principal Capital III

Preferred Securities Guaranteed

as Described in this Prospectus
and the Accompanying Prospectus Supplement
by Principal Financial Group, Inc.

By this prospectus, we may offer from time to time the securities described in this prospectus separately or together in any combination and in any of the following forms: common stock, preferred stock, depositary shares, warrants, purchase contracts, purchase units, debt securities, junior subordinated debt securities, junior subordinated debentures, principal capital I, principal capital II, principal capital III, and trust preferred securities.

We will provide specific terms of any securities and any associated subsidiary guarantee to be offered in supplements to this prospectus. You should read each supplement carefully before you invest. A supplement may also change, add to, update, supplement or clarify information contained in this prospectus.

We will not use this prospectus to confirm sales of any of our securities unless it is attached to a prospectus supplement.

Unless we state otherwise in a prospectus supplement, we will not list any of these securities on any securities exchange.

Our Common Stock is listed on the New York Stock Exchange under the symbol "PFG".

We or the trusts may offer and sell these securities to or through one or more agents, underwriters, dealers or other third parties or directly to you on a continuous or delayed basis.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of this prospectus, nor has it determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is May 24, 2011

<http://www.sec.gov/Archives/edgar/data/1094>

[Table of Contents](#)

TABLE OF CONTENTS

[ABOUT THIS PROSPECTUS](#)

[FORWARD-LOOKING STATEMENTS](#)

[NOTE REGARDING RELIANCE ON STATEMENTS IN OUR CONTRACTS](#)

[PRINCIPAL FINANCIAL GROUP, INC.](#)

[THE PRINCIPAL CAPITAL TRUSTS](#)

[USE OF PROCEEDS](#)

[RATIO OF EARNINGS TO FIXED CHARGES](#)

[DESCRIPTION OF GUARANTEE OF PRINCIPAL FINANCIAL SERVICES, INC.](#)

[DESCRIPTION OF THE DEBT SECURITIES](#)

[DESCRIPTION OF JUNIOR SUBORDINATED DEBT SECURITIES](#)

[DESCRIPTION OF JUNIOR SUBORDINATED DEBENTURES](#)

[DESCRIPTION OF CAPITAL STOCK OF PRINCIPAL FINANCIAL GROUP, INC.](#)

[DESCRIPTION OF DEPOSITARY SHARES](#)

[DESCRIPTION OF WARRANTS](#)

[DESCRIPTION OF PURCHASE CONTRACTS AND PURCHASE UNITS](#)

[DESCRIPTION OF THE TRUST PREFERRED SECURITIES](#)

[DESCRIPTION OF GUARANTEE BY PRINCIPAL FINANCIAL GROUP, INC. OF THE TRUST PREFERRED SECURITIES](#)

[DESCRIPTION OF CORRESPONDING JUNIOR SUBORDINATED DEBT SECURITIES](#)

[RELATIONSHIP AMONG THE PREFERRED SECURITIES, THE CORRESPONDING JUNIOR SUBORDINATED DEBT SECURITIES AND THE GUARANTEES BY PRINCIPAL FINANCIAL GROUP, INC. OF THE TRUST PREFERRED SECURITIES](#)

[PLAN OF DISTRIBUTION](#)

<http://www.sec.gov/Archives/edgar/data/1094>

[VALIDITY OF SECURITIES](#)

[EXPERTS](#)

[WHERE YOU CAN FIND MORE INFORMATION](#)

[INCORPORATION BY REFERENCE](#)

[Table of Contents](#)

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form S-3 that we and the trusts filed with the Securities and Exchange Commission utilizing the shelf process. Under this shelf process, we and the trusts are registering an unspecified amount of each class of the securities described in this prospectus, and we may offer the securities described in this prospectus in one or more offerings, and the trusts may sell their trust preferred securities. In addition, we or the trusts may use this prospectus and the applicable prospectus supplement in a remarketing or other resale transaction involving the securities after their initial offering, with a general description of the securities we or the trusts may offer. Each time we or the trusts sell securities, we or the trusts will provide a prospectus supplement with specific information about the terms of that offering. The prospectus supplement may also add to, change, update, supplement or clarify information in the prospectus. The statement that we make in this prospectus will be modified or superseded by any inconsistent statement made by us in a prospectus supplement. The Securities and Exchange Commission allow us to incorporate by reference information into this prospectus. This information incorporated by reference is considered to be part of the information that we file later with the Securities and Exchange Commission will automatically update and supersede this information. See "Incorporation of Information by Reference" in both this prospectus and any prospectus supplement together with additional information described under the heading "Where You Can Find More Information."

No person has been authorized to give any information or to make any representations, other than those contained or incorporated by reference in this prospectus. If any such information or representation is made, such information or representation must not be relied upon as having been authorized by Principal Financial Group, Inc., or any underwriter of the securities. Neither the delivery of this prospectus nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the financial condition of Principal Financial Group, Inc. since the date hereof or that the information contained or incorporated by reference herein is correct as of any time subsequent to the date hereof. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities by anyone in any jurisdiction in which such offer or solicitation is not lawful, or to any person to whom it is unlawful to make such offer or solicitation.

Unless otherwise indicated, or the context otherwise requires, references in this prospectus to the "trusts" are to Principal Capital I, Principal Capital II, and Principal Capital III, collectively, and references to a "trust" are to Principal Capital I, Principal Capital II or Principal Capital III, individually. Unless otherwise indicated, references in this prospectus to "Principal," "we," "us" and "our" or similar terms are to Principal Financial Group, Inc. and its subsidiaries, references to "Principal Financial Services, Inc." are to Principal Financial Services, Inc., and references to "Principal Life" are to Principal Life Insurance Company.

[Table of Contents](#)

FORWARD-LOOKING STATEMENTS

Certain of the statements contained in this prospectus or incorporated by reference are forward-looking statements. These forward-looking statements are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and include estimates and assumptions related to economic, competitive and market conditions. Forward-looking statements are subject to change and uncertainty which are, in many instances, beyond our control and have been made based upon our current beliefs concerning future developments and their potential effect upon us. There can be no assurance that future developments will be in accordance with our expectations or that the effect of future developments on us will be those anticipated by management. Actual results could differ materially from those expected by management due to various factors, including but not limited to, those set forth in our most recently filed Annual Report on Form 10-K (as updated from time to time).

- adverse capital and credit market conditions may significantly affect our ability to meet liquidity needs, as well as our access to capital markets;
- continued difficult conditions in the global capital markets and the economy generally may materially and adversely affect our business and financial performance;
- continued volatility or further declines in the equity markets could reduce our assets under management ("AUM") and may result in lower asset valuations, lower returns on investments or decreasing their rates of investment, all of which could reduce our revenues and net income;
- changes in interest rates or credit spreads may adversely affect our results of operations, financial condition and liquidity, and our ability to raise capital in the future;
- our investment portfolio is subject to several risks that may diminish the value of our invested assets and the investment returns created, which could reduce our sales, revenues, AUM and net income;
- our valuation of fixed maturities and equity securities may include methodologies, estimations and assumptions which are subject to change and may result in changes to investment valuations that may materially adversely affect our results of operations or financial condition;
- the determination of the amount of allowances and impairments taken on our investments requires estimations and assumptions which are subject to change and interpretations and could materially impact our results of operations or financial position;
- gross unrealized losses may be realized or result in future impairments, resulting in a reduction in our net income;
- competition from companies that may have greater financial resources, broader arrays of products, higher ratings and stronger financial performance may impact our ability to retain existing customers, attract new customers and maintain our profitability;
- a downgrade in our financial strength or credit ratings may increase policy surrenders and withdrawals, reduce new sales and term deposits, increase our impact existing liabilities and increase our cost of capital, any of which could adversely affect our profitability and financial condition;
- our efforts to reduce the impact of interest rate changes on our profitability and retained earnings may not be effective;
- if we are unable to attract and retain sales representatives and develop new distribution sources, sales of our products and services may be reduced;

<http://www.sec.gov/Archives/edgar/data/1094>

[Table of Contents](#)

- our international businesses face political, legal, operational and other risks that could reduce our profitability in those businesses
- we may face losses if our actual experience differs significantly from our pricing and reserving assumptions;
- our ability to pay stockholder dividends and meet our obligations may be constrained by the limitations on dividends Iowa insurance companies face;
- the pattern of amortizing our deferred policy acquisition costs and other actuarial balances on our universal life-type insurance contracts and certain investment contracts may change, impacting both the level of the asset and the timing of our net income;
- we may need to fund deficiencies in our closed block ("Closed Block") assets;
- a pandemic, terrorist attack or other catastrophic event could adversely affect our net income;
- our reinsurers could default on their obligations or increase their rates, which could adversely impact our net income and profitability;
- we face risks arising from acquisitions of businesses;
- changes in laws, regulations or accounting standards may reduce our profitability;
- a computer system failure or security breach could disrupt our business, damage our reputation and adversely impact our profitability;
- results of litigation and regulatory investigations may affect our financial strength or reduce our profitability;
- from time to time we may become subject to tax audits, tax litigation or similar proceedings, and as a result we may owe additional amounts that may be material;
- fluctuations in foreign currency exchange rates could reduce our profitability;
- applicable laws and our stockholder rights plan, certificate of incorporation and by-laws may discourage takeovers and business combinations that our stockholders might consider in their best interests;
- our financial results may be adversely impacted by global climate changes; and
- the risk factors or uncertainties listed from time to time in any prospectus supplement or any document incorporated into this prospectus

We undertake no obligation to update publicly these forward-looking statements to reflect new information, future events or otherwise.

[Table of Contents](#)

NOTE REGARDING RELIANCE ON STATEMENTS IN OUR CONTRACTS

In reviewing the agreements included as exhibits to any of the documents incorporated by reference into this prospectus and the accompanying prospectus supplement, you should remember that they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about Principal or its subsidiaries or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement, and the representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties to the applicable agreement; and
- have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement and are reflected in the agreement;
- may apply standards of materiality in a way that is different from what may be viewed as material to investors; and
- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are not intended to be updated.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Any other factual or disclosure information about Principal and its subsidiaries may be found elsewhere in this prospectus and the accompanying prospectus supplement, as well as Principal's other public filings with the SEC, which can be accessed free of charge through the SEC website at www.sec.gov.

[Table of Contents](#)

PRINCIPAL FINANCIAL GROUP, INC.

The Principal Financial Group is a leading provider of retirement savings, investment and insurance products and services with \$327.4 billion in assets under management and 16 million customers worldwide as of March 31, 2011.

Our U.S. and international operations concentrate primarily on asset accumulation and asset management. In addition, we offer a broad range of individual and group disability insurance and group dental and vision insurance.

We primarily focus on small and medium-sized businesses, which we define as companies with less than 1,000 employees, providing a broad range of benefit solutions to meet the needs of the business, the business owner and their employees. We are the leading provider of corporate defined contribution plans in the U.S. and Spectrem Group. We are also the leading employee stock ownership plan consultant. In addition, we are a leading provider of nonqualified plans and termination annuities. We are also one of the largest providers of non-medical insurance product solutions.

We believe small and medium-sized businesses are an underserved market, offering attractive growth opportunities in the U.S. in retirement savings and investment. We also believe there is a significant opportunity to leverage our U.S. retirement expertise into select international markets that have adopted or are adopting defined contribution pension systems. This opportunity is particularly compelling as aging populations around the world are driving increased demand for retirement asset management and retirement income management solutions.

We organize our business into the following reportable segments: (1) Retirement and Investor Services, which provides a comprehensive portfolio of products and services for retirement savings and investment to businesses and individuals, with a concentration on small and medium-sized businesses; (2) Principal Asset Management, which provides a diverse range of asset management services covering a broad range of asset classes, investment styles and portfolio structures to our corporate and institutional clients; (3) Principal International, which provides retirement products and services, annuities, mutual funds, institutional asset management and other financial products through acquisitions, start-up operations and joint ventures in various countries; and (4) U.S. Insurance Solutions, which provides individual and group life, accident and health benefits, which include group dental, group vision, group life, group disability, wellness and individual disability insurance throughout the U.S. We also have other assets which consists of the assets and activities that have not been allocated to any other segment.

We were organized as an individual life insurer in 1879 and formed a mutual insurance holding company in 1998. Principal Financial Group was incorporated as a Delaware business corporation. Under the terms of Principal Mutual Holding Company's Plan of Conversion, Principal Mutual Holding Company converted from a mutual holding company to a stock company subsidiary of Principal Financial Group, Inc., and merged into Principal Financial Services, Inc. on October 1, 2000, in connection with its initial public offering.

The principal executive office for both Principal Financial Group, Inc. and Principal Financial Services, Inc. is located at 711 High Street, Iowa City, Iowa 52242, and the telephone number is (515) 247-5111.

[Table of Contents](#)

THE PRINCIPAL CAPITAL TRUSTS

We created each trust as a Delaware statutory trust pursuant to a trust agreement. We will enter into an amended and restated trust agreement and conditions for the trust to issue and sell its preferred securities and common securities. We will amend and restate each trust agreement in its an exhibit to the registration statement that includes this prospectus. Each trust agreement will be qualified as an indenture under the Trust Indenture Act of 1939, which we refer to in this prospectus as the "Trust Indenture Act."

Each trust exists for the exclusive purposes of:

- issuing and selling to the public preferred securities, representing undivided beneficial interests in the assets of the trust,
- issuing and selling to us common securities, representing undivided beneficial interests in the assets of the trust,
- using the proceeds from the sale of the preferred securities and common securities to acquire a corresponding series of junior subordinated debt securities, which we refer to in this prospectus as the "corresponding junior subordinated debt securities,"
- distributing the cash payments it receives from the corresponding junior subordinated debt securities it owns to you and the other holders of the common securities, and
- engaging in the other activities that are necessary, convenient or incidental to these purposes.

Accordingly, the corresponding junior subordinated debt securities will be the sole assets of each trust, and payments under the corresponding junior subordinated debt securities and the related expense agreement will be the sole revenue of each trust.

We will own all of the common securities of each trust. The common securities of a trust will rank equally with, and payments will be made to the holders of the common securities of a trust, except that if an event of default under a trust agreement then exists, our rights as holder of the common securities to payment of distribution and redemption will be subordinated to your rights as a holder of the preferred securities of the trust. See "Description of Preferred Securities—Subordinated Securities."

Unless we state otherwise in a prospectus supplement, each trust has a term of approximately 45 years from its date of formation. A trust may, at its discretion, conduct its business and affairs. As holder of the common securities we will initially appoint the trustees. Initially, the trustees will be:

- Wilmington Trust Company, which will act as property trustee and as Delaware trustee, and
- Two of our employees or officers or those of our affiliates, who will act as administrative trustees.

Wilmington Trust Company, as property trustee, will act as sole indenture trustee under each trust agreement for purposes of compliance with the Trust Indenture Act. Wilmington Trust Company will also act as trustee under the guarantee and the junior subordinated debt security indenture pursuant to which the trust will issue the junior subordinated debt securities. See "Description of Junior Subordinated Debt Securities" and "Description of Guarantee by Principal Financial Group, Inc. of the Junior Subordinated Debt Securities."

The holder of the common securities of a trust, or the holders of a majority in liquidation preference of the preferred securities if an event of default occurs, will have the right to remove the trustees and appoint new trustees.

<http://www.sec.gov/Archives/edgar/data/1094>

[Table of Contents](#)

occurred and is continuing, will be entitled to appoint, remove or replace the property trustee and/or the Delaware trustee of the trust. You will not be able to remove or replace the administrative trustees. Only we, as the holder of the common securities, will have these voting rights. The duties and obligations of the trustees are set forth in the applicable trust agreement. We will pay all fees and expenses related to the trusts and the offering of the preferred securities and will pay, directly or indirectly, all expenses and liabilities of the trusts, except for payments made on the preferred securities or the common securities, subject to the guarantee.

The principal executive office of each trust is 711 High Street, Des Moines, Iowa 50392, Attention: Corporate Secretary and its telephone number is (515) 281-1234.

In the future, we may form additional Delaware statutory trusts or other entities similar to the trusts, and those other trusts or entities could issue securities described in this prospectus. In that event, we may issue debt securities to those other trusts or entities and guarantees under a guarantee agreement with respect to securities they may issue. The debt securities and guarantees we may issue in those cases would be similar to those described in this prospectus, except as described in the applicable prospectus supplement.

USE OF PROCEEDS

Unless we state otherwise in a prospectus supplement, we intend to use the proceeds from the sale of the securities offered by this prospectus to pay for the subordinated debt securities issued to the trusts in connection with their investment of all the proceeds from the sale of preferred securities, for general working capital, capital expenditures, investments in subsidiaries, acquisitions and refinancing of debt, including commercial paper and other securities. For a more detailed description of the use of proceeds of any specific offering of securities in the prospectus supplement relating to the offering.

[Table of Contents](#)

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth, for each of the periods indicated, our ratio of earnings to fixed charges.

	For the Three Months Ended March 31,		For the Years En		
	2011	2010	2010	2009	20
Ratio of earnings to fixed charges before interest credited on investment products	7.1	6.5	5.5	5.1	
Ratio of earnings to fixed charges	2.6	2.1	2.0	1.7	

We calculate the ratio of "earnings to fixed charges before interest credited on investment products" by dividing the sum of income from continuing operations before income taxes (BT), interest expense, which includes interest expense incurred on uncertain tax positions (I), interest factor of rental expense (IF) less undistributed income from equity investees (E) and the sum of interest expense, which includes interest expense incurred on uncertain tax positions (I), interest factor of rental expense (IF), preferred dividends on majority-owned subsidiary redeemable preferred securities (non-intercompany) (D). The formula for this ratio is: $(BT+I+IF-E+IC) / (I+IF+PD+D+IC)$.

We calculate the ratio of "earnings to fixed charges" by dividing the sum of income from continuing operations before income taxes (BT), interest expense incurred on uncertain tax positions (I), interest factor of rental expense (IF) less undistributed income from equity investees (E) and the sum of interest expense, which includes interest expense incurred on uncertain tax positions (I), interest factor of rental expense (IF), preferred dividends on majority-owned subsidiary redeemable preferred securities (non intercompany) (D) and interest credited on investment products (IC) by interest expense, which includes interest expense incurred on uncertain tax positions (I), interest factor of rental expense (IF), preferred dividends on majority-owned subsidiary redeemable preferred securities (non intercompany) (D) and interest credited on investment products (IC). "Interest credited on investment products" includes interest paid on guaranteed investment contracts and other investment-only pension products. Similar to debt, these products have a total fixed return and a fixed maturity date.

DESCRIPTION OF GUARANTEE OF PRINCIPAL FINANCIAL SERVICES, INC.

Principal Financial Services, Inc. may guarantee, fully and unconditionally or otherwise, our obligations with respect to any non-convertible securities described in the applicable prospectus supplement.

If Principal Financial Services, Inc. guarantees these obligations under any such securities, we will tell you in the applicable prospectus supplement and any subsidiary guarantee in such prospectus supplement. Unless we tell you otherwise in the applicable prospectus supplement, such subsidiary guarantee will be enforceable against Principal Financial Services, Inc. and will be enforceable against Principal Financial Services, Inc. without any need to first enforce against Principal Financial Services, Inc.

[Table of Contents](#)

DESCRIPTION OF THE DEBT SECURITIES

We may offer unsecured senior debt securities or subordinated debt securities. We refer to the senior debt securities and the subordinated debt securities as the "debt securities." The senior debt securities will rank equally with all of our other unsecured, unsubordinated obligations. The subordinated debt securities will rank senior and junior in right of payment to all of our senior debt.

We will issue the senior debt securities in one or more series under an indenture, which we refer to as the "senior indenture," entered into among us, The Bank of New York Mellon Trust Company, N.A., as trustee, and the Subsidiary Guarantor, as guarantor, and The Bank of New York Mellon Trust Company, N.A., as trustee, and the subordinated debt securities in one or more series under an indenture, which we refer to as the "subordinated indenture," between us, the Subsidiary Guarantor, as guarantor, and The Bank of New York Mellon Trust Company, N.A., as trustee.

We may from time to time without notice to, or the consent of, the holders of the debt securities, create and issue additional debt securities in addition to the existing debt securities in all respects (or in all respects except for the payment of interest accruing prior to the issue date of the new debt securities) so that the new debt securities may be consolidated and form a single series with existing debt securities on the same terms as to status, redemption and otherwise as existing debt securities.

The following description of the terms of the indentures is a summary. It summarizes only those portions of the indentures which we believe are material to investors in our debt securities. You should keep in mind, however, that it is the indentures, and not this summary, which define your rights as a holder of our debt securities. The indentures which are also important to you. You should read the indentures for a full description of the terms of the debt. The senior indenture and the subordinated indenture are filed as exhibits to the registration statement that includes this prospectus. See "Where You Can Find More Information" for information on how to obtain copies of the indentures.

The Debt Securities Are Unsecured Obligations

Our debt securities will be unsecured obligations and our senior debt securities will be unsecured and will rank equally with all of our other unsecured obligations.

We are an insurance holding company with no direct operations whose assets include all of the outstanding shares of common stock of the Subsidiary Guarantor. The Subsidiary Guarantor is an intermediary holding company with no direct operations whose assets include all of the outstanding shares of Principal Life Insurance Company and other subsidiaries. As a consequence, our ability to satisfy our obligations under the debt securities and the Subsidiary Guarantor's ability to satisfy its obligations under the debt securities will depend in large part on the ability of our insurance company and other subsidiaries to declare and distribute dividends or to advance loans. Our insurance company subsidiaries are subject to various statutory and regulatory restrictions, applicable to insurance companies generally, which may limit the dividends, loans and advances that those subsidiaries may pay. Regulations relating to capital requirements affecting some of our other subsidiaries may also limit the dividends and other distributions and make loans to us. The payment of dividends from Principal Life to the Subsidiary Guarantor is subject to review by the State of Iowa. As a result, our cash flows and ability to service our obligations, including the debt securities, are dependent upon the earnings of our subsidiaries and those earnings to us and other payments or distributions of funds by our subsidiaries to us. In addition, the debt securities will be effectively subordinated to the liabilities of our subsidiaries, including those of the Subsidiary Guarantor.

[Table of Contents](#)

Guarantor, and the subsidiary guarantee will be effectively subordinated to all existing and future liabilities of the Subsidiary Guarantor's subsidiary policyholders.

Unless we state otherwise in the applicable prospectus supplement, the indentures do not limit us from incurring or issuing other secured or unsecured indebtedness or any other indenture that we may have entered into or enter into in the future. See "—Subordination under the Subordinated Indenture" to any offering of subordinated debt securities.

Terms of the Debt Securities

We may issue the debt securities in one or more series through an indenture that supplements the senior indenture or the subordinated indenture of directors or an authorized committee of our board of directors.

You should refer to the applicable prospectus supplement for the specific terms of the debt securities. These terms may include the following:

- title of the debt securities,
- any limit upon the aggregate principal amount of the series,
- maturity date(s) or the method of determining the maturity date(s),
- interest rate(s) or the method of determining the interest rate(s),
- dates on which interest will be payable and circumstances, if any, in which interest may be deferred,
- dates from which interest will accrue and the method of determining those dates,
- place or places where we may pay principal, premium, if any, and interest and where you may present the debt securities for registration,
- place or places where notices and demands relating to the debt securities and the indentures may be made,
- redemption or early payment provisions,
- sinking fund or similar provisions,
- authorized denominations if other than denominations of \$1,000,
- currency, currencies, or currency units, if other than in U.S. dollars, in which the principal of, premium, if any, and interest on the debt securities are denominated,
- any additions, modifications or deletions, in the events of default or covenants of Principal Financial Group, Inc. specified in the indenture,
- if other than the principal amount of the debt securities, the portion of the principal amount of the debt securities that is payable upon

<http://www.sec.gov/Archives/edgar/data/1094>

maturity,

- any additions or changes to the indenture relating to a series of debt securities necessary to permit or facilitate issuing the series in registrable as to principal, and with or without interest coupons,
- any index or indices used to determine the amount of payments of principal of and premium, if any, on the debt securities and the m

[Table of Contents](#)

- whether a temporary global security will be issued and the terms upon which these temporary debt securities may be exchanged for
- whether the debt securities will be issued in whole or in part in the form of one or more global securities,
- identity of the depositary for global securities,
- appointment of any paying agent(s),
- the terms and conditions of any obligation or right we would have or any option you would have to convert or exchange the debt securities for any property of Principal Financial Group, Inc. or any other person and any changes to the indenture to permit or facilitate such conversion
- in the case of the subordinated indenture, any provisions regarding subordination,
- provided the debt securities are non-convertible, whether the Subsidiary Guarantor will guarantee our obligations under the debt securities and of such subsidiary guarantee, and
- any other special terms of such debt securities or related guarantee.

Debt securities may also be issued under the indentures upon the exercise of warrants or delivery upon settlement of purchase contracts. See "Description of Purchase Contracts."

Special Payment Terms of the Debt Securities

We may issue one or more series of debt securities at a substantial discount below their stated principal amount. These may bear no interest or the interest rate of issuance is below market rates. We will describe United States federal tax consequences and special considerations relating to any series in the applicable prospectus supplement.

The purchase price of any of the debt securities may be payable in one or more foreign currencies or currency units. The debt securities may be payable in currencies or currency units, or the principal of, premium, if any, or interest on any debt securities may be payable in one or more foreign currencies. We will describe the restrictions, elections, United States federal income tax considerations, specific terms and other information relating to the debt securities and currency units in the applicable prospectus supplement.

If we use any index to determine the amount of payments of principal of, premium, if any, or interest on any series of debt securities, we will describe the index in the prospectus supplement the special United States federal income tax, accounting and other considerations applicable to the debt securities.

Denominations, Registration and Transfer

We expect to issue most debt securities in fully registered form without coupons and in denominations of \$1,000 and any integral multiple of \$1,000. In the applicable prospectus supplement, debt securities of any series will be exchangeable for other debt securities of the same issue and series, in the same principal amount, tenor and aggregate principal amount and bearing the same interest rate.

You may present debt securities for exchange as described above, or for registration of transfer, at the office of the security registrar or at the office of the transfer agent designate for that purpose. You will not incur a service charge but you must pay any taxes, assessments and other governmental charges.

<http://www.sec.gov/Archives/edgar/data/1094>

[Table of Contents](#)

charges as described in the indentures. We will appoint the trustees as security registrar under the indentures. We may at any time rescind the designation initially designate or approve a change in the location through which the transfer agent acts. We will specify the transfer agent in the applicable prospectus supplement and may at any time designate additional transfer agents.

Global Debt Securities

We may issue all or any part of a series of debt securities in the form of one or more global securities. We will appoint the depositary holding agent, or otherwise state in the applicable prospectus supplement, the depositary will be The Depository Trust Company, or DTC. We will issue global securities in temporary or definitive form. Unless it is exchanged for individual debt securities, a global security may not be transferred except:

- by the depositary to its nominee,
- by a nominee of the depositary to the depositary or another nominee, or
- by the depositary or any nominee to a successor of the depositary, or a nominee of the successor.

We will describe the specific terms of the depositary arrangement in the applicable prospectus supplement. We expect that the following provisions will describe the depositary arrangements.

Beneficial Interests in a Global Security

If we issue a global security, the depositary for the global security or its nominee will credit on its book-entry registration and transfer system the interests in individual debt securities represented by the global security to the accounts of persons that have accounts with it. We refer to those persons as "participants." The accounts will be designated by the dealers, underwriters or agents for the debt securities, or by us if the debt securities are offered and sold directly. Beneficial interests in a global security will be limited to participants or persons who may hold interests through participants. Ownership and transfers of beneficial interests will be shown on, and transactions can be effected only through, records maintained by the applicable depositary or its nominee, for interests of participants, for interests of persons who hold through participants. The laws of some states require that you take physical delivery of securities in order to transfer them, which may impair your ability to transfer beneficial interests in a global security.

So long as the depositary or its nominee is the registered owner of a global security, the depositary or nominee will be considered the sole owner of the global security represented by the global security for all purposes under the indenture. Except as provided below, you:

- will not be entitled to have any of the individual debt securities represented by the global security registered in your name,
- will not receive or be entitled to receive physical delivery of any debt securities in definitive form, and
- will not be considered the owner or holder of the debt securities under the indenture.

Payments of Principal, Premium and Interest

We will make principal, premium, if any, and interest payments on global securities to the depositary that is the registered holder of the global security. We will make interest payments to the depositary for the

<http://www.sec.gov/Archives/edgar/data/1094>

[Table of Contents](#)

global securities will be solely responsible and liable for all payments made on account of your beneficial ownership interests in the global security. We will review any records relating to your beneficial ownership interests.

We expect that the depositary or its nominee, upon receipt of any principal, premium, if any, or interest payment immediately will credit participants in proportion to their respective beneficial interests in the principal amount of the global security as shown on the records of the depositary or its nominee. Payments to participants to you, as an owner of a beneficial interest in the global security held through those participants, will be governed by standing instructions. This is now the case with securities held for the accounts of customers in bearer form or registered in "street name." These payments will be the responsibility of the depositary.

Issuance of Individual Debt Securities

Unless we state otherwise in the applicable prospectus supplement, if a depositary for a series of debt securities is at any time unwilling, unable, or ceases to act as depositary, we will appoint a successor depositary or we will issue individual debt securities in exchange for the global security. In addition, we may, in our discretion, subject to any limitations described in the prospectus supplement relating to the debt securities, determine not to have any debt securities issued as individual debt securities. If that occurs, we will issue individual debt securities in exchange for the global security.

Further, we may specify that you may, on terms acceptable to us, the trustee and the depositary, receive individual debt securities in exchange for the global security, subject to any limitations described in the prospectus supplement relating to the debt securities. In that instance, you will be entitled to purchase debt securities equal in principal amount to that beneficial interest and to have the debt securities registered in your name. Unless we otherwise specify, the debt securities will be issued in denominations of \$1,000 and integral multiples of \$1,000.

Payment and Paying Agents

Unless we state otherwise in an applicable prospectus supplement, we will pay principal of, premium, if any, and interest on your debt securities in the City of New York or at the office of any paying agent that we may designate.

Unless we state otherwise in an applicable prospectus supplement, we will pay any interest on debt securities to the registered owner of the debt security on the record date for the interest, except in the case of defaulted interest. We may at any time designate additional paying agents or rescind the designation of any paying agent and maintain a paying agent in each place of payment for the debt securities.

Any moneys or U.S. government obligations (including the proceeds thereof) deposited with the trustee or any paying agent, or then held by us on account of principal of, premium, if any, and interest on any debt security that remain unclaimed for two years after the principal, premium or interest has been due and, upon request, be repaid to us. After repayment to us, you are entitled to seek payment only from us as a general unsecured creditor.

Redemption

Unless we state otherwise in an applicable prospectus supplement, debt securities will not be subject to any sinking fund.

[Table of Contents](#)

Unless we state otherwise in an applicable prospectus supplement, we may, at our option, redeem any series of debt securities after its issuance and from time to time. We may redeem debt securities in denominations larger than \$1,000 but only in integral multiples of \$1,000.

Redemption Price

Except as we may otherwise specify in the applicable prospectus supplement, the redemption price for any debt security which we redeem will be the principal amount plus any accrued and unpaid interest up to, but excluding, the redemption date.

Notice of Redemption

Unless we state otherwise in an applicable prospectus supplement, we will mail notice of any redemption of debt securities at least 30 days before the redemption date to the registered holders of the debt securities at their addresses as shown on the security register. Unless we default in payment of principal or interest on the redemption date, interest will cease to accrue on the debt securities or the portions called for redemption.

Consolidation, Merger and Sale of Assets

We will not consolidate with or merge into any other person or convey, transfer or lease our assets substantially as an entirety to any person, or merge into us, unless:

- we will be the surviving company in any merger or consolidation,
- if we consolidate with or merge into another person or convey or transfer our assets substantially as an entirety to any person, the resulting entity will be a corporation or partnership organized and validly existing under the laws of the United States of America or any state thereof or the District of Columbia, and the successor entity will assume all our obligations relating to the debt securities,
- immediately after giving effect to the consolidation, merger, conveyance or transfer, there exists no event of default, and no event which, if it occurred, would become an event of default, and
- other conditions described in the relevant indenture are met.

This covenant would not apply to the direct or indirect conveyance, transfer or lease of all or any portion of the stock, assets or liabilities of us or to our other wholly owned subsidiaries. In addition, this covenant would not apply to any recapitalization transaction, a change of control or a highly leveraged transaction unless such transaction or change of control were structured to include a merger or consolidation by us or the conveyance or transfer of assets substantially as an entirety.

Limitations upon Liens

The indentures provide that neither we nor any of our restricted subsidiaries, are permitted, directly or indirectly, to, create, issue, assume, incur or guarantee, in respect to any indebtedness for money borrowed which is secured by a lien on any of the present or future common stock of a restricted subsidiary, or so elect, any of our other indebtedness ranking at least *pari passu* with the debt securities, shall be secured equally and ratably with, or prior to, any other money borrowed so long as it is outstanding.

<http://www.sec.gov/Archives/edgar/data/1094>

[Table of Contents](#)

When we use the term "restricted subsidiary," we mean Principal Life Insurance Company and any other subsidiary which is incorporated under the laws of the United States or of the District of Columbia, and which is a regulated insurance company principally engaged in one or more of the life, annuity, property and casualty insurance business. However, no subsidiary, other than Principal Life Insurance Company, is a restricted subsidiary:

- if the total assets of that subsidiary are less than 10% of our total assets and the total assets of our consolidated subsidiaries, including the subsidiary, set forth on the most recent fiscal year-end balance sheets of the subsidiary and us and our consolidated subsidiaries, respectively, and determined in accordance with generally accepted accounting principles, or
- if in the judgment of our board of directors, as evidenced by a board resolution, the subsidiary is not material to the financial condition of the company as a whole.

Modification and Waiver

Modification

We, the trustee and, if applicable, the Subsidiary Guarantor may modify and amend each indenture with the consent of the holders of a majority in principal amount of the series of debt securities affected. However, no modification or amendment may, without the consent of the holder of each outstanding debt security, result in:

- change the stated maturity of the principal of, or any installment of interest payable on, any outstanding debt security,
- reduce the principal amount of, or the rate of interest on or any premium payable upon the redemption of, or the amount of principal payable upon the redemption of, or the amount of principal that would be due and payable upon a redemption or would be provable in bankruptcy, or adversely affect any right of repayment or right of interest on any outstanding debt security,
- change the place of payment, or the coin or currency in which any outstanding debt security or the interest on any outstanding debt security is payable,
- impair your right to institute suit for the enforcement of any payment on any outstanding debt security after the stated maturity or redemption date of such security,
- reduce the percentage of the holders of outstanding debt securities necessary to modify or amend the applicable indenture, to waive or to consent to any modification or amendment of the applicable indenture or certain defaults and consequences of such defaults or to reduce the quorum or voting requirements set forth in the applicable indenture, or
- modify any of these provisions or any of the provisions relating to the waiver of certain past defaults or certain covenants, except to the extent necessary to effect such action or to provide that certain other provisions may not be modified or waived without the consent of all of the holders of the debt securities affected by such modification or amendment,
- modify the provisions with respect to the subordination of outstanding subordinated debt securities in a manner materially adverse to the holders of such subordinated debt securities, or
- modify the provisions with respect to any outstanding guarantee of any debt securities in a manner materially adverse to the holders of such debt securities.

[Table of Contents](#)

Waiver

The holders of a majority in aggregate principal amount of the outstanding debt securities of a series may, on behalf of the holders of all debt securities of that series, waive our compliance by us with certain restrictive covenants of the indenture which relate to that series.

The holders of not less than a majority in aggregate principal amount of the outstanding debt securities of a series may, on behalf of the holders of all debt securities of that series, waive our past default under the indenture relating to that series of debt securities and the consequences of such default. However, a default in the payment of principal or any interest on, any debt security of that series or relating to a covenant or provision which under the indenture relating to that series of debt securities, without the consent of the holder of each outstanding debt security of that series affected cannot be so waived.

Events of Default

Under the terms of each indenture, each of the following constitutes an event of default for a series of debt securities:

- default for 30 days in the payment of any interest when due,
- default in the payment of principal, or premium, if any, when due,
- default in the performance, or breach, of any covenant or warranty in the indenture for 90 days after written notice,
- certain events of bankruptcy, insolvency or reorganization,
- any other event of default described in the applicable board resolution, guarantee or supplemental indenture under which the series of debt securities is issued.

We are required to furnish the trustee annually with a statement as to the fulfillment of our obligations under the indenture. Each indenture provides for notice to you of any default, except in respect of the payment of principal or interest on the debt securities, if it considers it in the interests of the holders of the debt securities.

Effect of an Event of Default

If an event of default exists (other than an event of default in the case of certain events of bankruptcy), the trustee or the holders of not less than a majority in aggregate principal amount of a series of outstanding debt securities may declare the principal amount, or, if the debt securities are original issue discount securities, the portion of the principal amount specified in the terms of that series, of the debt securities of that series to be due and payable immediately, by a notice in writing to us, and to the holders of the debt securities. Upon such declaration the principal (or specified) amount will become immediately due and payable. However, at any time after a declaration of acceleration or decree for payment of the money due has been obtained, the holders of not less than a majority in aggregate principal amount of a series of outstanding debt securities may, under the conditions specified in the indenture, rescind and annul that declaration.

If an event of default in the case of certain events of bankruptcy exists, the principal amount of all debt securities outstanding under the indenture will, upon any declaration or other action on the part of the trustee or any holder of such outstanding debt, become immediately due and payable.

Subject to the provisions of the indentures relating to the duties of the trustee, if an event of default then exists, the trustee will be under no obligation to exercise its powers under the indentures (other than the payment of any amounts on the debt securities furnished to it pursuant to the indentures).

<http://www.sec.gov/Archives/edgar/data/1094>

[Table of Contents](#)

to the indenture) at your (or any other person's) request, order or direction, unless you have (or such other person has) offered to the trustee security for the trustee. Subject to the provisions for the security or indemnification of the trustee, the holders of a majority in aggregate principal amount of a series of debt securities shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee, or exercising any trust or power conferred by the debt securities of that series.

Legal Proceedings and Enforcement of Right to Payment

You will not have any right to institute any proceeding in connection with the indentures or for any remedy under the indentures, unless you have received written notice of a continuing event of default with respect to debt securities of that series. In addition, the holders of at least 25% in aggregate principal amount of outstanding debt securities must have made written request, and offered security or indemnity satisfactory to the trustee, to the trustee to institute the proceeding. Within 60 days following the receipt of that notice, the trustee must not have received from the holders of a majority in aggregate principal amount of the debt securities of that series a direction inconsistent with that request, and must have failed to institute the proceeding. However, you will have an absolute and unconditional right to demand the principal of, premium, if any, and interest on that debt security on or after the due dates expressed in the debt security (or, in the case of redemption, to institute a suit for the enforcement of that payment).

Satisfaction and Discharge

Each indenture provides that when, among other things, all debt securities of a series not previously delivered to the trustee for cancellation:

- have become due and payable,
- will become due and payable at their stated maturity within one year, or
- are to be called for redemption within one year under arrangements satisfactory to the trustee for the giving of notice of redemption and the payment of redemption expense,

and we deposit or cause to be deposited with the trustee, money or United States government obligations or a combination thereof, as trust funds, (or, in the case of United States government obligations, to be sufficient to pay and discharge the entire indebtedness on the debt securities of that series) for the trustee for cancellation, for the principal, and premium, if any, and interest to the date of the deposit or to the stated maturity or redemption date, then this indenture will cease to be of further effect with respect to debt securities of such series, and we will be deemed to have satisfied and discharged the indenture obligations for such series. However, we will continue to be obligated to pay all other sums due under the indenture and to provide the officers' certificates and other documents required by the indenture.

[Table of Contents](#)

Defeasance and Covenant Defeasance

Unless we state otherwise in the applicable prospectus supplement, each indenture provides that we may discharge all of our obligations, other than certain other specified obligations, under any series of the debt securities at any time, and that we may also be released from our obligations under "Consolidation, Merger and Sale of Assets" and "Consolidation, Merger and Sale of Assets" and from certain other obligations, including obligations imposed by supplemental indentures, and elect not to comply with those sections and obligations without creating an event of default. Discharge under the first procedure is called "defeasance" and the second procedure is called "covenant defeasance."

Defeasance or covenant defeasance may be effected only if:

- we irrevocably deposit with the trustee money or United States government obligations or a combination thereof, as trust funds in which we will pay on the respective stated maturities, the principal of and any premium and interest on, all outstanding debt securities of that series;
- we deliver to the trustee an opinion of counsel to the effect that:
 - the holders of the debt securities of that series will not recognize gain or loss for United States federal income tax purposes as a result of the deposit and discharge or as a result of the deposit and covenant defeasance, and
 - the deposit, defeasance and discharge or the deposit and covenant defeasance will not otherwise alter those holders' United States federal income tax treatment of principal and interest payments on the debt securities of that series,

in the case of a defeasance, this opinion must be based on a ruling of the Internal Revenue Service or a change in United States federal income tax law, the execution of the applicable indenture, that result would not occur under current tax law,

- no event of default under the indenture has occurred and is continuing,
- such defeasance or covenant defeasance does not result in a breach or violation of, or constitute a default under, any indenture or other agreement under which we have borrowed money to which we are a party or by which we are bound,
- such defeasance or covenant defeasance does not result in the trust arising from such deposit constituting an investment company within the meaning of the Investment Company Act of 1940 unless such trust shall be registered under the Investment Company Act of 1940 or exempt from registration under the Investment Company Act of 1940,
- we deliver to the trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent with respect to defeasance have been complied with, and
- other conditions specified in the indentures are met.

The subordinated indenture will not be discharged as described above if we have defaulted in the payment of principal of, premium, if any, or interest on, any debt securities defined below under "Subordination under the Subordinated Indenture," and that default is continuing or another event of default on the senior indebtedness becoming or being declared due and payable prior to the date it otherwise would have become due and payable.

<http://www.sec.gov/Archives/edgar/data/1094>

[Table of Contents](#)

Conversion or Exchange

We may issue debt securities that we may convert or exchange into common stock or other securities, property or assets. If so, we will describe the conversion or exchange in the applicable prospectus supplement. The conversion or exchange may be mandatory, at your option. The prospectus supplement will describe the manner in which the shares of common stock or other securities, property or assets you would receive will be determined.

Subordination Under the Subordinated Indenture

In the subordinated indenture, we have agreed, and holders of subordinated indebtedness will be deemed to have agreed, that any subordinated indebtedness is junior in right of payment to all senior indebtedness to the extent provided in the subordinated indenture.

Upon any payment or distribution of assets to creditors upon any liquidation, dissolution, winding up, reorganization, assignment for the benefit of creditors, any bankruptcy, insolvency, debt restructuring or similar proceeding in connection with our insolvency or bankruptcy, the holders of senior indebtedness will be paid in full of principal of, premium, if any, and interest on the senior indebtedness before the holders of subordinated debt securities will be paid of the principal of, premium, if any, or interest on the subordinated debt securities.

If the maturity of any subordinated debt securities is accelerated, the holders of all senior indebtedness outstanding at the time of the acceleration will be paid in full of all amounts due, including any amounts due upon acceleration, before you will be entitled to receive any payment of the principal of, premium, if any, or interest on the subordinated debt securities.

We will not make any payments of principal of, premium, if any, or interest on the subordinated debt securities or for the acquisition of subordinated debt securities (including sinking fund payment) if:

- a default in any payment on senior indebtedness then exists,
- an event of default on any senior indebtedness resulting in the acceleration of its maturity then exists, or
- any judicial proceeding is pending in connection with default.

When we use the term "indebtedness" we mean, with respect to any person, whether recourse is to all or a portion of the assets of that person:

- every obligation of, or any obligation guaranteed by, that person for money borrowed,
- every obligation of, or any obligation guaranteed by, that person evidenced by bonds, debentures, notes or other similar instrument in connection with the acquisition of property, assets or businesses but excluding the obligation to pay the deferred purchase price of property payable in full within 90 days from the date such indebtedness was created,
- every capital lease obligation of that person,
- leases of property or assets made as part of any sale and lease-back transaction to which that person is a party, and
- any amendments, renewals, extensions, modifications and refundings of any such indebtedness.

<http://www.sec.gov/Archives/edgar/data/1094>

[Table of Contents](#)

The term "indebtedness" does not include trade accounts payable or accrued liabilities arising in the ordinary course of business.

When we use the term "senior indebtedness" we mean the principal of, premium, if any, and interest on indebtedness, whether incurred on, prior to, or after the date of the subordinated indenture, unless the instrument creating or evidencing that indebtedness or pursuant to which that indebtedness is outstanding states otherwise. In right of payment to the subordinated debt securities or to other indebtedness which ranks equally with, or junior to, the subordinated debt securities, the indebtedness includes interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to Principal Financial Group, Inc. If post-petition interest is allowed in that proceeding.

The subordinated indenture does not limit the amount of additional senior indebtedness that we may incur. We expect from time to time to incur additional senior indebtedness.

The subordinated indenture provides that we may change the subordination provisions relating to any particular issue of subordinated debt securities. We will describe any change in the prospectus supplement relating to the subordinated debt securities.

Governing Law

The indentures and the debt securities will be governed by and construed in accordance with the laws of the State of New York, without regard to its conflict of laws principles thereof.

Concerning the Trustees

The trustee under each indenture will have all the duties and responsibilities of an indenture trustee specified in the Trust Indenture Act. Neither we nor the trustee will incur financial liability in performing its duties or exercising its rights and powers if it reasonably believes that it is not an adequate indemnity.

Each of the trustees may act as depository for funds of, makes loans to, and performs other services for, us and our subsidiaries in the normal course of business.

[Table of Contents](#)

DESCRIPTION OF JUNIOR SUBORDINATED DEBT SECURITIES

We will issue the junior subordinated debt securities in one or more series under a junior subordinated indenture to be entered into between the Guarantor, and Wilmington Trust Company, as trustee. We refer to this junior subordinated indenture in this prospectus as the junior subordinated debt security indenture. We may issue junior subordinated debt under our junior subordinated debt security indenture. Unless otherwise specified in a prospectus supplement, each series of junior subordinated debt securities issued under our junior subordinated debt security indenture or our junior subordinated debt security indenture will rank equally with all other such series of junior subordinated debt securities, as described in the applicable indenture, to all of our senior indebtedness, as defined in such applicable indenture, including all debt issued under our junior subordinated debt security indenture. See "Junior Subordinated Debt Securities" for a description of our junior subordinated debt security indenture and junior subordinated debt securities.

We may, in certain circumstances, without notice to or consent of the holders of the junior subordinated debt securities, issue additional junior subordinated debt securities on the same terms and conditions as junior subordinated debt securities previously issued under this prospectus and any applicable prospectus supplement. The junior subordinated debt securities and the junior subordinated debt securities previously offered under this prospectus and any applicable prospectus supplement. All references in this prospectus and any applicable prospectus supplement to the junior subordinated debt securities shall include, unless the context otherwise indicates, junior subordinated debt securities issued as described in this paragraph.

The following description of the terms of the junior subordinated debt securities and any associated subsidiary guarantee is a summary. It is not intended to be a complete description of the junior subordinated debt securities and any associated subsidiary guarantee which we believe will be most important to your decision to invest in our junior subordinated debt securities. You should keep in mind, however, that it is the junior subordinated debt security indenture, and not this summary, which defines your rights as a holder of junior subordinated debt securities. There may be other provisions in the junior subordinated debt security indenture which are also important to you. You should read the junior subordinated debt security indenture for a full description of the terms of the junior subordinated debt securities. The junior subordinated debt security indenture is filed as an exhibit to this prospectus. See "Where You Can Find More Information" for information on how to obtain a copy of the junior subordinated debt security indenture that includes this prospectus. See "Where You Can Find More Information" for information on how to obtain a copy of the junior subordinated debt security indenture.

Ranking of the Junior Subordinated Debt Securities

Each series of junior subordinated debt securities will rank equally with all of our equally ranking debt securities including, unless otherwise specified in a prospectus supplement relating to such series or such securities, all other series of junior subordinated debt securities and with all series of our junior subordinated debt securities, unsecured and subordinate and junior, as described in the junior subordinated debt security indenture, to all of our senior indebtedness as defined in the junior subordinated debt security indenture, which includes all debt issued under our senior indenture or subordinated indenture. See "—Subordination."

We are an insurance holding company with no direct operations whose assets include all of the outstanding shares of common stock of the Subsidiary Guarantor. The Subsidiary Guarantor is an intermediary holding company with no direct operations whose assets include all of the outstanding shares of Principal Life and Company. Our ability to satisfy our obligations under the junior subordinated debt securities and the Subsidiary Guarantor's ability to satisfy its obligations under the junior subordinated debt securities depend in large part on the ability of our insurance company and other subsidiaries to declare and distribute dividends or to advance money in the future.

[Table of Contents](#)

intercompany loans. Our insurance company subsidiaries are subject to various statutory and regulatory restrictions, applicable to insurance company cash dividends, loans and advances that those subsidiaries may pay. Regulations relating to capital requirements affecting some of our other subsidiaries' dividends and other distributions and make loans to us. The payment of dividends from Principal Life to the Subsidiary Guarantor is subject to regulations of the State of Iowa. As a result, our cash flows and ability to service our obligations, including the junior subordinated debt securities, are dependent on our subsidiaries, distributions of those earnings to us and other payments or distributions of funds by our subsidiaries to us. In addition, the junior subordinated debt securities are effectively subordinated to all existing and future liabilities of our subsidiaries, including the Subsidiary Guarantor, and the subsidiary guarantee is effectively subordinated to all existing and future liabilities of the Subsidiary Guarantor's subsidiaries, including obligations to policyholders.

Unless we state otherwise in the applicable prospectus supplement, the junior subordinated debt security indenture does not limit us from incurring additional unsecured debt under the junior subordinated debt security indenture or any other indenture that we may have entered into or enter into in the future. See the prospectus supplement relating to any offering of securities.

Terms of the Junior Subordinated Debt Securities

We may issue the junior subordinated debt securities in one or more series through an indenture that supplements the junior subordinated debt security indenture by resolution of our board of directors or an authorized committee of our board of directors.

You should refer to the applicable prospectus supplement for the specific terms of the junior subordinated debt securities. These may include:

- the title and any limit upon the aggregate principal amount,
- the date(s) on which the principal is payable or the method of determining those date(s),
- the interest rate(s) or the method of determining these interest rate(s),
- the date(s) on which interest will be payable or the method of determining these date(s),
- the circumstances in which interest may be deferred, if any,
- the regular record date or the method of determining this date,
- the place or places where we may pay principal, premium, if any, and interest,
- conversion or exchange provisions, if any,
- the redemption or early payment provisions,
- the authorized denominations,
- the currency, currencies or currency units in which we may pay the purchase price for, the principal of, premium, if any, and interest on the securities,
- additions to or changes in the events of default or any changes in any of our covenants specified in the junior subordinated debt security indenture.

<http://www.sec.gov/Archives/edgar/data/1094>

- any index or indices used to determine the amount of payments of principal and premium, if any, or the method of determining these
- whether a temporary global security will be issued and the terms upon which you may exchange a temporary global security for domestic securities,

[Table of Contents](#)

- whether we will issue the junior subordinated debt securities, in whole or in part, in the form of one or more global securities,
- the terms and conditions of any obligation or right we would have to convert or exchange the junior subordinated debt securities in securities,
- provided the junior subordinated debt securities are non-convertible, whether the Subsidiary Guarantor will guarantee, on an unsecured basis, the obligations under the junior subordinated debt securities and, if so, the material terms of such subsidiary guarantee, and
- any other special terms of such junior subordinated debt securities or related subsidiary guarantee.

Special Payment Terms of the Junior Subordinated Debt Securities

We may issue junior subordinated debt securities at a substantial discount below their stated principal amount, bearing no interest or interest at a rate below market rates. We will describe United States federal income tax consequences and special considerations relating to any junior subordinated debt securities in the applicable prospectus supplement.

The purchase price of any of the junior subordinated debt securities may be payable in one or more foreign currencies or currency units. The securities may be denominated in one or more foreign currencies or currency units, or the principal of, premium, if any, or interest on any junior subordinated debt securities may be payable in one or more foreign currencies or currency units. We will describe the restrictions, elections, United States federal income tax considerations, specific to the junior subordinated debt securities and the foreign currency units in the applicable prospectus supplement.

If we use any index to determine the amount of payments of principal of, premium, if any, or interest on any series of junior subordinated debt securities, we will describe the index in the applicable prospectus supplement. We will also describe any special United States federal income tax, accounting and other considerations relating to the junior subordinated debt securities in the applicable prospectus supplement.

Denominations, Registration and Transfer

Unless we state otherwise in the applicable prospectus supplement, we will issue the junior subordinated debt securities only in registered denominations of \$25 and any integral multiple of \$25. Junior subordinated debt securities of any series will be exchangeable for other junior subordinated debt securities of any authorized denomination of a like aggregate principal amount, of the same original issue date and stated maturity and bearing the same interest rate.

You may present junior subordinated debt securities for exchange as described above, or for registration of transfer, at the office of the securities transfer agent we designate for that purpose. You will not incur a service charge but you must pay any taxes and other governmental charges as described in the security indenture. We will appoint the debenture trustee as securities registrar under the junior subordinated debt security indenture. We may at any time designate a transfer agent that we initially designate or approve a change in the location through which the transfer agent acts. We must maintain a transfer agent for the securities. We will specify the transfer agent in the applicable prospectus supplement. We may at any time designate additional transfer agents.

- issue, register the transfer of, or exchange junior subordinated debt securities during a period beginning at the opening of business and ending at the close of business on the day of mailing of the relevant notice of redemption of the junior subordinated debt securities and ending at the close of business on the day of mailing of the relevant notice of redemption.
- transfer or exchange any junior subordinated debt securities selected for redemption, except for any portion not redeemed of any junior subordinated debt security being redeemed in part.

We may issue a series of junior subordinated debt securities in the form of one or more global junior subordinated debt securities. We will issue global junior subordinated debt securities only in fully paid and non-callable form, unless it is exchanged for an individual junior subordinated debt security, a global junior subordinated debt security may not be in fully paid and non-callable form. We will issue global junior subordinated debt securities only in fully paid and non-callable form, unless it is exchanged for an individual junior subordinated debt security, a global junior subordinated debt security may not be in fully paid and non-callable form. Unless it is exchanged for an individual junior subordinated debt security, a global junior subordinated debt security may not be in fully paid and non-callable form.

- We will describe the specific terms of the depositary arrangement in the applicable prospectus supplement. We expect that the following prospectus supplement will describe the depositary arrangements.

If we issue a global junior subordinated debt security, the depositary for the global junior subordinated debt security or its nominee will create and maintain a book-entry system to transfer the principal amounts of the individual junior subordinated debt securities represented by the global junior subordinated debt security to the accounts of the participants in the transfer system. We refer to those persons as "participants" in this prospectus. The accounts will be designated by the dealers, underwriters or agents of the securities, or by us if the junior subordinated debt securities are offered and sold directly by us. Ownership of beneficial interests in a global junior subordinated debt security will be limited to participants or persons that may hold interests through participants. Ownership and transfers of beneficial interests in the global junior subordinated debt security will be shown on, and effected only through, records maintained by the applicable depositary or its nominee, for interests of participants, and the records maintained by the applicable depositary or its nominee for persons who hold through participants. The laws of some states require that you take physical delivery of securities in definitive form. These limits and laws may affect your ability to transfer your beneficial interests in a global junior subordinated debt security.

So long as the depositary or its nominee is the registered owner of the global junior subordinated debt security, the depositary or the nominee holder of the junior subordinated debt securities represented by the global junior subordinated debt security for all purposes under the junior subordination agreement, as provided below, you:

- 20

[Table of Contents](#)

- will not receive or be entitled to receive physical delivery of any junior subordinated debt securities in definitive form, and
- will not be considered the owner or holder of the junior subordinated debt security under the junior subordinated debt security indenture.

Payments of Principal, Premium and Interest

We will make principal, premium and interest payments on global junior subordinated debt securities to the depositary that is the registered owner of the debt security or its nominee. The depositary for the junior subordinated debt securities will be solely responsible and liable for all payments made to the registered owner of ownership interests in the global junior subordinated debt security and for maintaining, supervising and reviewing any records relating to your beneficial ownership.

We expect that the depositary or its nominee, upon receipt of principal, premium or interest payments, immediately will credit participants' accounts with their respective beneficial interests in the principal amount of the global junior subordinated debt security as shown on the records of the depositary. We will make payments by participants to you, as an owner of a beneficial interest in the global junior subordinated debt security held through those participants, in accordance with the instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in "street name," and the responsibility of those participants.

Issuance of Individual Junior Subordinated Debt Securities

Unless we state otherwise in the applicable prospectus supplement, if a depositary for a series of junior subordinated debt securities is at any time unable to continue as depositary, we will issue individual junior subordinated debt securities in exchange for the global junior subordinated debt security. In our sole discretion, subject to any limitations described in the prospectus supplement relating to the junior subordinated debt securities, we may determine to issue individual junior subordinated debt securities represented by one or more global junior subordinated debt securities. If that occurs, we will issue individual junior subordinated debt securities in exchange for the global junior subordinated debt security.

Further, we may specify that you may, on terms acceptable to us, the debenture trustee and the depositary for the global junior subordinated debt securities, exchange your global junior subordinated debt securities in exchange for your beneficial interest in a global junior subordinated debt security, subject to any limitations described in the prospectus supplement relating to the junior subordinated debt securities. In that instance, you will be entitled to physical delivery of individual junior subordinated debt securities representing that beneficial interest and to have the junior subordinated debt securities registered in your name. Unless we otherwise specify, those individual junior subordinated debt securities will be issued in denominations of \$25 and integral multiples of \$25.

Payment and Paying Agents

Unless we state otherwise in the applicable prospectus supplement, we will pay principal of, premium, if any, and interest on your junior subordinated debt securities to the debenture trustee or at the office of any paying agent that we may designate.

Unless we state otherwise in the applicable prospectus supplement, we will pay any interest on junior subordinated debt securities to the registered owner of the junior subordinated debt security at the close of business on the regular record date for the interest, except in the case of defaulted interest. We may at any time designate new paying agents or rescind the designation of any paying agent.

[Table of Contents](#)

paying agent. We must maintain a paying agent in each place of payment for the junior subordinated debt securities.

Any moneys deposited with the debenture trustee or any paying agent, or then held by us in trust, for the payment of the principal of, premium on, or interest on any junior subordinated debt security that remain unclaimed for two years after the principal, premium or interest has become due and payable will, at our option, be paid to us, you are entitled to seek payment only from us as a general unsecured creditor.

Redemption

Unless we state otherwise in the applicable prospectus supplement, junior subordinated debt securities will not be subject to any sinking fund payments.

We may, at our option, redeem any series of junior subordinated debt securities after its issuance date in whole or in part at any time and from time to time in cash. We may redeem junior subordinated debt securities in denominations larger than \$25 but only in integral multiples of \$25.

Redemption Price

Except as we may otherwise specify in the applicable prospectus supplement, the redemption price for any junior subordinated debt security will be the sum of (i) the principal amount of the security, plus accrued and unpaid interest as of the redemption date, and (ii) the greater of:

- the principal amount, and
- an amount equal to:
 - for junior subordinated debt securities bearing interest at a fixed rate, the discounted remaining fixed amount payments, calculated as of the redemption date, and
 - for junior subordinated debt securities bearing interest determined by reference to a floating rate, the discounted swap equivalent value of the remaining interest payments, as described below.

The discounted remaining fixed amount payments will equal the sum of the current values of the amounts of interest and principal that would be payable on the security on the interest payment date after the redemption date and at stated maturity of the final payment of principal. This calculation will take into account any discounting that would be required to make the payments comparable to the interest payment date periods of the related series of junior subordinated debt securities, from the originally scheduled date for the final payment of principal to calculate this present value.

The current value of any amount is the present value of that amount on the redemption date after discounting that amount on a monthly, quarterly or semiannual basis, whichever corresponds to the interest payment date periods of the related series of junior subordinated debt securities, from the originally scheduled date for the final payment of principal to calculate this present value.

The treasury rate is a per annum rate, expressed as a decimal and, in the case of United States Treasury bills, converted to a per annum yield to maturity. The treasury rate will be the per annum rate equal to the semiannual bond equivalent yield to maturity, adjusted to reflect monthly or quarterly compounding in the case of securities having monthly or quarterly interest payment dates for United States Treasury securities maturing at the stated maturity of the final payment of principal. We will determine this rate by reference to the weekly average yield to maturity for United States Treasury securities maturing at the stated maturity of the final payment of principal in the most recent Statistical Release H.15(519) of the Board of Governors of the Federal Reserve. If no such securities mature at the stated maturity of the final payment of principal, we will use interpolation between the most recent weekly average yields to maturity for two series of United States Treasury securities, (1) one maturing at the stated maturity of the final payment of principal and (2) one maturing at the next closest maturity date to the stated maturity of the final payment of principal.

<http://www.sec.gov/Archives/edgar/data/1094>

[Table of Contents](#)

the stated maturity and (2) the other maturing as close as possible to, but later than, the stated maturity, in each case as published in the most recent Board of Governors of the Federal Reserve.

The discounted swap equivalent payments will equal the sum of:

- the current value of the amount of principal that would have been payable by us pursuant to the terms of the junior subordinated debt securities at the final payment of the principal of the junior subordinated debt securities. This calculation will take into account any required sinking fund payments and assume that we had not redeemed the junior subordinated debt security prior to the stated maturity, and
- the sum of the current values of the fixed rate payments that leading interest rate swap dealers would require to be paid by an issuer with the same credit standing as ours against floating rate payments to be made by these leading dealers equal to the interest payments on the junior subordinated debt securities, if redeemed, taking into account any required sinking fund payment, but otherwise assuming we had not redeemed the junior subordinated debt securities at the stated maturity, under a standard interest rate swap agreement having a notional principal amount equal to the principal amount of the junior subordinated debt securities, termination date set at the stated maturity of the junior subordinated debt securities and payment dates for both fixed and floating rate payments equal to the date of the junior subordinated debt securities. The amount of the fixed rate payments will be based on quotations received by the issuer for the purpose, from four leading interest rate swap dealers or, if quotations from four leading interest rate swap dealers are not obtainable, from one leading interest rate swap dealer.

Special Event Redemption

Unless we state otherwise in the applicable prospectus supplement, if a special event relating to a series of junior subordinated debt securities occurs, we will redeem the series of junior subordinated debt securities in whole, but not in part, on any date within 90 days of the special event occurring. The redemption price will be the amount of the junior subordinated debt securities then outstanding plus accrued and unpaid interest to the date fixed for redemption.

A "special event" means a "tax event" or an "investment company event." A "tax event" occurs when a trust receives an opinion of counsel or a determination of the Internal Revenue Service that, as a result of any amendment to, or change, including any announced prospective change in, the laws or regulations of the United States or any state or local authority affecting taxation, or as a result of any official administrative pronouncement or judicial decision interpreting or applying those laws or regulations, such change is effective or pronouncement or decision is announced on or after the date of issuance of the preferred securities of a trust, there is more than a de minimis amount of income received or

- the trust is, or will be within 90 days of that date, subject to United States federal income tax with respect to income received or a de minimis amount of income received on the junior subordinated debt securities;
- interest payable by us on the series of junior subordinated debt securities is not, or within 90 days of that date, will not be, deductible for United States federal income tax purposes; or
- the trust is, or will be within 90 days of that date, subject to more than a de minimis amount of other taxes, duties or other governmental charges.

[Table of Contents](#)

An "investment company event" occurs when, in respect of a trust, there is a change in law or regulation, or a change in interpretation or application of law by a legislative body, court, governmental agency or regulatory authority such that such trust is or will be considered an "investment company" that is not an investment company under the Investment Company Act of 1940, which change becomes effective on or after the date of issuance of the preferred securities of a trust.

Notice of Redemption

Unless we state otherwise in the applicable prospectus supplement, we will mail notice of any redemption of your junior subordinated debt securities at least 60 days before the redemption date to you at your registered address. Unless we default in payment of the redemption price, on and after the redemption date, interest will accrue on the junior subordinated debt securities or the portions called for redemption.

Option to Defer Payment of Interest

If provided in the applicable prospectus supplement, we will have the right during the term of any series of junior subordinated debt securities to defer payment of interest otherwise due and payable on the junior subordinated debt securities for a period, subject to the terms, conditions and covenants specified in the applicable prospectus supplement. We may not defer payment of interest beyond the maturity of the junior subordinated debt securities. We will describe the United States federal income tax considerations relating to any junior subordinated debt securities in the applicable prospectus supplement.

If we exercise this right, during the deferral period we and our subsidiaries may not, except as otherwise stated in the applicable prospectus supplement, do any of the following:

- declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment on, any of our capital stock;
- make any payment of principal, premium, if any, or interest on or repay, repurchase or redeem any debt securities or guarantees that are senior in right of payment to the junior subordinated debt securities,

other than:

- dividends or distributions on our common stock,
- redemptions or purchases of any rights pursuant to our rights plan, or any successor to our rights plan, and the declaration of a dividend on our common stock,
- payments under any guarantee.

Modification of Indenture

We, the debenture trustee and, if applicable, the Subsidiary Guarantor may, without the consent of the holders of junior subordinated debt securities, amend or modify the junior subordinated debt security indenture for specified purposes, including, among other things, curing ambiguities, defects or inconsistencies. If the amendment or modification adversely affects the interests of holders of any series of junior subordinated debt securities or, in the case of corresponding junior subordinated debt securities, the corresponding series of preferred securities so long as they remain outstanding. We may also amend the junior subordinated debt security indenture to conform to the junior subordinated debt security indenture under the Trust Indenture Act.

[Table of Contents](#)

We, the debenture trustee and, if applicable, the Subsidiary Guarantor may, with the consent of the holders of not less than a majority in principal amount of the junior subordinated debt securities affected, modify the junior subordinated debt security indenture in a manner affecting the rights of the holders of junior subordinated debt securities. However, no modification may, without the consent of the holder of each outstanding junior subordinated debt security affected:

- change the stated maturity of the junior subordinated debt securities,
- reduce the principal amount of the junior subordinated debt securities,
- reduce the rate or, except as permitted by the junior subordinated debt security indenture and the terms of the series of junior subordinated debt securities, the terms of payment of interest on the junior subordinated debt securities, or
- reduce the percentage of principal amount of the junior subordinated debt securities, the holders of which are required to consent to the modification of the junior subordinated debt security indenture.

In the case of corresponding junior subordinated debt securities, so long as any of the corresponding series of preferred securities remain outstanding:

- no such modification may be made that adversely affects the holders of the preferred securities,
- no termination of the junior subordinated debt security indenture may occur, and
- no waiver of any debenture event of default or compliance with any covenant under the junior subordinated debt security indenture may occur.

without the prior consent of the holders of at least a majority of the aggregate liquidation preference of the preferred securities unless the principal amount of the junior subordinated debt securities and all accrued and unpaid interest on the corresponding junior subordinated debt securities have been paid in full and

In addition, we, the debenture trustee and, if applicable, the Subsidiary Guarantor may execute, without your consent, any supplemental indenture for the series of junior subordinated debt securities.

Debenture Events of Default

Under the terms of the junior subordinated debt security indenture, each of the following constitutes a debenture event of default for a series of junior subordinated debt securities:

- failure for 30 days to pay any interest on the series of junior subordinated debt securities when due, subject to the deferral of any such payment for a period,
- failure to pay any principal or premium, if any, on the series of junior subordinated debt securities when due, including at maturity,
- failure to observe or perform in any material respect specified other covenants contained in the junior subordinated debt security indenture by the debenture trustee or the holders of at least 25% in principal amount of the relevant series of outstanding junior subordinated debt securities,
- certain events of our bankruptcy, insolvency or receivership, or

<http://www.sec.gov/Archives/edgar/data/1094>

[Table of Contents](#)

- any other event of default described in the applicable board resolution, guarantee or supplemental indenture under which the series

Effect of Event of Default

The holders of a majority in outstanding principal amount of the series of junior subordinated debt securities have the right to direct the time, place and manner of any proceeding for any remedy available to the debenture trustee. The debenture trustee or the holders of not less than 25% in aggregate outstanding principal amount of the junior subordinated debt securities may declare the principal due and payable immediately upon a debenture event of default. In the case of corresponding junior subordinated debt securities, if the debenture trustee or the holders of the corresponding junior subordinated debt securities fail to make this declaration, the holders of at least 25% in aggregate outstanding principal amount of the corresponding series of preferred securities will have that right.

Waiver of Event of Default

The holders of a majority in aggregate outstanding principal amount of the series of junior subordinated debt securities may rescind and annul the declaration of default if:

- the event of default is other than our non-payment of the principal of the junior subordinated debt securities which has become due and payable, and no other events of default have been cured or waived, and
- we have paid or deposited with the debenture trustee a sum sufficient to pay:
 - all overdue installments of interest (including interest on overdue installments of interest) and principal (and premium, if any) on the junior subordinated debt securities, and
 - certain amounts owing to the debenture trustee, its agents and counsel.

The holders of a majority in aggregate outstanding principal amount of the junior subordinated debt securities affected by the default may, on behalf of the junior subordinated debt securities, waive any past default and its consequences, except:

- a default in the payment of principal (or premium, if any) or interest, and
- a default relating to a covenant or provision which under the junior subordinated debt security indenture cannot be modified or amended without the consent of each outstanding junior subordinated debt security.

We are required under the junior subordinated debt security indenture to file annually with the junior subordinated debt security indenture trustee a certificate of compliance.

Direct Actions by Holders of Trust Preferred Securities

If a debenture event of default is attributable to our failure to pay interest or principal on the corresponding junior subordinated debt securities, and if we are not paying the principal or interest on the corresponding junior subordinated debt securities payable, you, as a holder of preferred securities, may institute a legal proceeding directly against us or any guarantor, which we refer to in this prospectus as a "direct action," to enforce payment to you of the principal of or interest on the corresponding junior subordinated debt securities having a principal amount equal to the principal amount of your related preferred securities.

<http://www.sec.gov/Archives/edgar/data/1094>

[Table of Contents](#)

We may not amend the junior subordinated debt security indenture to remove the right to bring a direct action without the prior written consent of the holders of the junior subordinated debt securities. If the right to bring a direct action is removed, the applicable issue may become subject to the reporting obligations under the Securities Exchange Act of 1934. We have the right under the junior subordinated debt security indenture to set-off any payment made to you as a holder of preferred securities by us. We will not be able to exercise directly any other remedy available to holders of the corresponding junior subordinated debt securities.

You will not be able to exercise directly any remedies other than those described in the preceding paragraph available to holders of the junior subordinated debt securities if there has been an event of default under the trust agreement.

Consolidation, Merger, Sale of Assets and Other Transactions

We will not consolidate with or merge into any other corporation or convey, transfer or lease our properties and assets substantially as an entirety to any other corporation, or consolidate with or merge into us or convey, transfer or lease its properties and assets substantially as an entirety to us, unless:

- if we consolidate with or merge into another corporation or convey or transfer our properties and assets substantially as an entirety to any other corporation, the corporation is organized under the laws of the United States or any state or the District of Columbia, and the successor corporation is organized under the laws of the United States or any state or the District of Columbia, and the transaction is permitted under the related trust agreement or guarantee relating to the junior subordinated debt securities,
- immediately after giving effect to the consolidation, merger, conveyance or transfer, there exists no debenture event of default, and no event, at the time or both, would become a debenture event of default,
- in the case of corresponding junior subordinated debt securities, the transaction is permitted under the related trust agreement or guarantee, and no breach or violation of the related trust agreement or guarantee, and
- other conditions described in the junior subordinated debt security indenture are met.

The general provisions of the junior subordinated debt security indenture do not protect you against transactions, such as a highly leveraged transaction, that may adversely affect you.

Satisfaction and Discharge

The junior subordinated debt security indenture provides that when, among other things, all junior subordinated debt securities of a series not previously delivered to the trustee for cancellation:

- have become due and payable, or
- will become due and payable at their stated maturity within one year,

and we deposit or cause to be deposited with the debenture trustee, in trust, an amount in the currency or currencies in which the junior subordinated debt securities of such series not previously delivered to the debenture trustee are to be paid, to pay and discharge the entire indebtedness on the junior subordinated debt securities of such series not previously delivered to the debenture trustee, with premium, if any, and interest on the date of the deposit or to the stated maturity, as the case may be, then the junior subordinated debt security indenture will be deemed to have been satisfied and discharged with respect to the junior subordinated debt securities of such series and we will be deemed to have satisfied and discharged the indenture with respect to the junior subordinated debt securities of such series. However, we will continue to be obligated to pay all other sums due under the junior subordinated debt security indenture and to perform the obligations described in the opinions of counsel described in the junior subordinated debt security indenture.

<http://www.sec.gov/Archives/edgar/data/1094>

[Table of Contents](#)

Conversion or Exchange

We may issue junior subordinated debt securities that we may convert or exchange into preferred securities or other securities, property or a specific terms on which junior subordinated debt securities may be converted or exchanged in the applicable prospectus supplement. The conversion may be at your option or at our option. The applicable prospectus supplement will state the manner in which the preferred securities or other securities, property would be issued or delivered.

Subordination

In the junior subordinated debt security indenture, we have agreed, and holders of junior subordinated debt securities will be deemed to have agreed, that such debt security is subordinate and junior in right of payment to all senior indebtedness to the extent provided in the junior subordinated debt security indenture.

Upon any payment or distribution of assets to creditors upon any liquidation, dissolution, winding up, reorganization, assignment for the benefit of creditors, any bankruptcy, insolvency, debt restructuring or similar proceeding in connection with our insolvency or bankruptcy, the holders of senior indebtedness will receive payment in full of principal of, premium, if any, and interest on the senior indebtedness before the holders of junior subordinated debt securities will receive payment of the principal of, premium, if any, or interest on the junior subordinated debt securities.

If the maturity of any junior subordinated debt security is accelerated, the holders of all senior indebtedness outstanding at the time of the acceleration will receive payment in full of all amounts due, including any amounts due upon acceleration, before you will be entitled to receive any payment of the principal of, premium, if any, or interest on the junior subordinated debt securities.

We will not make any payments of principal of, premium, if any, or interest on the junior subordinated debt securities or for the acquisition of property (other than any sinking fund payment) if:

- a default in any payment on senior indebtedness then exists,
- an event of default on any senior indebtedness resulting in the acceleration of its maturity then exists, or
- any judicial proceeding is pending in connection with default.

When we use the term "indebtedness" we mean, with respect to any person, whether recourse is to all or a portion of the assets of that person:

- every obligation of, or any obligation guaranteed by, that person for money borrowed,
- every obligation of, or any obligation guaranteed by, that person evidenced by bonds, debentures, notes or other similar instrument in connection with the acquisition of property, assets or businesses but excluding the obligation to pay the deferred purchase price of property payable in full within 90 days from the date such indebtedness was created,
- every capital lease obligation of that person,
- leases of property or assets made as part of any sale and lease-back transaction to which that person is a party, and
- any amendments, renewals, extensions, modifications and refundings of any such indebtedness.

<http://www.sec.gov/Archives/edgar/data/1094>

[Table of Contents](#)

The term "indebtedness" does not include trade accounts payable or accrued liabilities arising in the ordinary course of business.

When we use the term "senior indebtedness" we mean the principal of, premium, if any, and interest on indebtedness, whether incurred on, prior to, or after the date of the junior subordinated debt security indenture, unless the instrument creating or evidencing that indebtedness or pursuant to which that indebtedness is outstanding is not superior in right of payment to the junior subordinated debt securities or to other indebtedness which ranks equally with, or junior to, the junior subordinated debt securities. The claim for post-petition interest on this senior indebtedness includes interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to Principal. The claim for post-petition interest is allowed in that proceeding.

The junior subordinated debt security indenture does not limit the amount of additional senior indebtedness that we may incur. We expect from time to time to incur additional senior indebtedness.

The junior subordinated debt security indenture provides that we may change the subordination provisions relating to any particular issue of junior subordinated debt securities prior to issuance. We will describe any change in the prospectus supplement relating to the junior subordinated debt securities.

Governing Law

The junior subordinated debt security indenture and the junior subordinated debt securities will be governed by and construed in accordance with the laws of the State of New York.

Information Concerning the Debenture Trustee

The debenture trustee will have all the duties and responsibilities of an indenture trustee specified in the Trust Indenture Act. Subject to those duties and responsibilities, the trustee is not required to exercise any of its powers under the junior subordinated debt security indenture at your request, unless you offer reasonable indemnity for the liabilities which the trustee might incur. The debenture trustee is not required to expend or risk its own funds or incur personal financial liability in order to perform its duties if the trustee reasonably believes that it is not reasonably assured of repayment or adequate indemnity.

[Table of Contents](#)

DESCRIPTION OF JUNIOR SUBORDINATED DEBENTURES

We will issue the junior subordinated debentures in one or more series under a junior subordinated indenture to be entered into among us, the Company, and The Bank of New York Mellon Trust Company, N.A., as trustee. We refer to this junior subordinated indenture in this prospectus as the junior subordinated debenture indenture. We may also issue junior subordinated debt under our junior subordinated debt security indenture. Unless otherwise specified in a prospectus supplement, all debt issued under our junior subordinated debt security indenture or our junior subordinated debenture indenture will rank equally with all other senior, subordinated, and junior subordinated, as described in the applicable indenture, to all of our senior indebtedness, as defined in such applicable indenture, including all debt issued under our senior or subordinated indenture. See "Junior Subordinated Debt Securities" for a description of our junior subordinated debt security indenture and junior subordinated debenture indenture.

We may, in certain circumstances, without notice to or consent of the holders of the junior subordinated debentures, issue additional junior subordinated debentures on terms and conditions as junior subordinated debentures previously issued under this prospectus and any applicable prospectus supplement, so that the additional debentures and the junior subordinated debentures previously offered under this prospectus and any applicable prospectus supplement form a single series. Any prospectus and any applicable prospectus supplement to the junior subordinated debentures shall include, unless the context otherwise requires, a description of the debentures issued as described in this paragraph.

The following description of the terms of the junior subordinated debentures is a summary. It summarizes only those terms of the junior subordinated debentures that we believe will be most important to your decision to invest in our junior subordinated debentures. You should keep in mind, however, that it is the junior subordinated debenture indenture, and not this summary, which defines your rights as a holder of our junior subordinated debentures. There may be other provisions in the junior subordinated debenture indenture that are important to you. You should read the junior subordinated debenture indenture for a full description of the terms of the junior subordinated debentures. The junior subordinated debenture indenture is filed as an exhibit to the registration statement that includes this prospectus. See "Where You Can Find More Information" for information about the junior subordinated debenture indenture.

Ranking of the Junior Subordinated Debentures

Each series of junior subordinated debentures will rank equally with all of our equally ranking debt securities including, unless otherwise specified in a prospectus supplement, all debt relating to such series or such securities, all other series of junior subordinated debentures and all series of our junior subordinated debt securities that are senior, subordinated, and junior, as described in the junior subordinated debenture indenture, to all of our senior indebtedness as defined in the junior subordinated debenture indenture. See "Subordination" for a description of the ranking of all debt issued under our senior indenture or subordinated indenture. See "—Subordination."

We are an insurance holding company with no direct operations whose assets include all of the outstanding shares of common stock of the Subsidiary Guarantor. The Subsidiary Guarantor is an intermediary holding company with no direct operations whose assets include all of the outstanding shares of Principal Life and Company. Our ability to satisfy our obligations under the junior subordinated debentures and the Subsidiary Guarantor's ability to satisfy its obligations under the junior subordinated debentures in large part on the ability of our insurance company and other subsidiaries to declare and distribute dividends or to advance money in the form of loans. Our company subsidiaries are subject to various statutory and regulatory restrictions, applicable to insurance companies generally, that limit the amount of dividends or advances that can be paid to the company.

[Table of Contents](#)

and advances that those subsidiaries may pay. Regulations relating to capital requirements affecting some of our other subsidiaries also restrict the distributions and make loans to us. The payment of dividends from Principal Life to the Subsidiary Guarantor is subject to restrictions set forth in the indenture. As a result, our cash flows and ability to service our obligations, including the junior subordinated debentures, are dependent upon the earnings of our subsidiaries and other payments or distributions of funds by our subsidiaries to us. In addition, the junior subordinated debentures will be effectively subordinated to the future liabilities of our subsidiaries, including the Subsidiary Guarantor, and the subsidiary guarantee will be effectively subordinated to all existing and future liabilities of the Subsidiary Guarantor's subsidiaries, including obligations to policyholders.

Unless we state otherwise in the applicable prospectus supplement, the junior subordinated debenture indenture does not limit us from incurring or guaranteeing any additional unsecured debt under the junior subordinated debenture indenture or any other indenture that we may have entered into or enter into in the future. See the applicable prospectus supplement relating to any offering of securities.

Terms of the Junior Subordinated Debentures

We may issue the junior subordinated debentures in one or more series through an indenture that supplements the junior subordinated debenture indenture, as approved by our board of directors or an authorized committee of our board of directors.

You should refer to the applicable prospectus supplement for the specific terms of the junior subordinated debentures. These may include:

- the title and any limit upon the aggregate principal amount,
- the date(s) on which the principal is payable or the method of determining those date(s),
- the interest rate(s) or the method of determining these interest rate(s),
- the date(s) on which interest will be payable or the method of determining these date(s),
- the circumstances in which interest may be deferred, if any,
- the regular record date or the method of determining this date,
- the place or places where we may pay principal, premium, if any, and interest,
- the redemption or early payment provisions,
- the authorized denominations,
- the currency, currencies or currency units in which we may pay the purchase price for, the principal of, premium, if any, and interest,
- additions to or changes in the events of default or any changes in any of our covenants specified in the junior subordinated debenture indenture,
- any index or indices used to determine the amount of payments of principal and premium, if any, or the method of determining these payments.

<http://www.sec.gov/Archives/edgar/data/1094>

- whether a temporary global security will be issued and the terms upon which you may exchange a temporary global security for de
- whether we will issue the junior subordinated debentures, in whole or in part, in the form of one or more global securities,

[Table of Contents](#)

- the terms and conditions of any obligation or right we would have to convert or exchange the junior subordinated debentures into o
- provided the junior subordinated debentures are non-convertible, whether the Subsidiary Guarantor will guarantee, on an unsecured obligations under the junior subordinated securities and, if so, the material terms of such subsidiary guarantee, and
- additional terms not inconsistent with the provisions of the junior subordinated debenture indenture.

Special Payment Terms of the Junior Subordinated Debentures

We may issue junior subordinated debentures at a substantial discount below their stated principal amount, bearing no interest or interest at a below market rates. We will describe United States federal income tax consequences and special considerations relating to any junior subordinated prospectus supplement.

The purchase price of any of the junior subordinated debentures may be payable in one or more foreign currencies or currency units. The junior subordinated debentures may be denominated in one or more foreign currencies or currency units, or the principal of, premium, if any, or interest on any junior subordinated debentures may be payable in one or more foreign currencies or currency units. We will describe the restrictions, elections, United States federal income tax considerations, specific terms and conditions of the junior subordinated debentures and the foreign currency units in the applicable prospectus supplement.

If we use any index to determine the amount of payments of principal of, premium, if any, or interest on any series of junior subordinated debentures, we will describe the index in the applicable prospectus supplement. We will also describe the United States federal income tax, accounting and other considerations relating to the junior subordinated debentures in the applicable prospectus supplement.

Denominations, Registration and Transfer

Unless we state otherwise in the applicable prospectus supplement, we will issue the junior subordinated debentures only in registered form in denominations of \$1,000 and any integral multiple of \$1,000. Junior subordinated debentures of any series will be exchangeable for other junior subordinated debentures of any authorized denomination of a like aggregate principal amount, of the same original issue date and stated maturity and bearing the same interest rate.

You may present junior subordinated debentures for exchange as described above, or for registration of transfer, at the office of the securities transfer agent we designate for that purpose. You will not incur a service charge but you may be obligated to pay any taxes and other governmental charges or fees in connection with the transfer of the debentures under the debenture indenture. We will appoint the trustee as securities registrar under the junior subordinated debenture indenture. We may at any time resign or remove the transfer agent that we initially designate or approve a change in the location through which the transfer agent acts. We must maintain a transfer agent in each place where we have a transfer agent in the applicable prospectus supplement. We may at any time designate additional transfer agents.

If we redeem any junior subordinated debentures, neither we nor the trustee will be required to:

- issue, register the transfer of, or exchange junior subordinated debentures during a period beginning at the opening of business 15 days before the date of selection for redemption of the junior subordinated debentures and ending at the close of business on the day of mailing of the related notice of redemption.

[Table of Contents](#)

- register, transfer or exchange any junior subordinated debentures selected for redemption, except for any portion not redeemed of being redeemed in part.

Global Junior Subordinated Debentures

We may issue a series of junior subordinated debentures in the form of one or more global junior subordinated debentures. We will identify subordinated debentures in the applicable prospectus supplement. We will issue global junior subordinated debentures only in fully registered form. Unless it is exchanged for an individual junior subordinated debenture, a global junior subordinated debenture may not be transferred except

- by the depositary to its nominee,
- by a nominee of the depositary to the depositary or another nominee, or
- by the depositary or any nominee to a successor depositary, or any nominee of the successor.

We will describe the specific terms of the depositary arrangement in the applicable prospectus supplement. We expect that the following provisions will apply to depositary arrangements.

Beneficial Interests in a Global Junior Subordinated Debenture

If we issue a global junior subordinated debenture, the depositary for the global junior subordinated debenture or its nominee will credit on its system the principal amounts of the individual junior subordinated debentures represented by the global junior subordinated debenture to the accounts of its participants. We refer to those persons as "participants" in this prospectus. The accounts will be designated by the dealers, underwriters or agents for the junior subordinated debentures are offered and sold directly by us. Ownership of beneficial interests in a global junior subordinated debenture will be held by persons that may hold interests through participants. Ownership and transfers of beneficial interests in the global junior subordinated debenture will be through, records maintained by the applicable depositary or its nominee, for interests of participants, and the records of participants, for interests of participants. The laws of some states require that you take physical delivery of securities in definitive form. These limits and laws may impair your ability to take physical delivery of securities in a global junior subordinated debenture.

So long as the depositary or its nominee is the registered owner of the global junior subordinated debenture, the depositary or the nominee will be the holder of the junior subordinated debentures represented by the global junior subordinated debenture for all purposes under the junior subordinated debenture indenture provided below, you:

- will not be entitled to have any of the individual junior subordinated debentures represented by the global junior subordinated debenture
- will not receive or be entitled to receive physical delivery of any junior subordinated debentures in definitive form, and
- will not be considered the owner or holder of the junior subordinated debenture under the junior subordinated debenture indenture

[Table of Contents](#)

Payments of Principal, Premium and Interest

We will make principal, premium and interest payments on global junior subordinated debentures to the depositary that is the registered holder of the debenture or its nominee. The depositary for the junior subordinated debentures will be solely responsible and liable for all payments made on account of the beneficial interests in the global junior subordinated debenture and for maintaining, supervising and reviewing any records relating to your beneficial ownership of the debenture.

We expect that the depositary or its nominee, upon receipt of principal, premium or interest payments, immediately will credit participants' accounts with their respective beneficial interests in the principal amount of the global junior subordinated debenture as shown on the records of the depositary. Payments by participants to you, as an owner of a beneficial interest in the global junior subordinated debenture held through those participants, will be made in accordance with and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in "street name." These payments will be made to those participants.

Issuance of Individual Junior Subordinated Debentures

Unless we state otherwise in the applicable prospectus supplement, if a depositary for a series of junior subordinated debentures is at any time unable to continue as depositary, we will appoint a successor depositary or we will issue individual junior subordinated debentures in exchange for the global junior subordinated debenture. In addition, we may at any time and in our sole discretion, subject to the procedures of the depositary and to any limitations described in the prospectus supplement, determine not to have any junior subordinated debentures represented by one or more global junior subordinated debentures, and instead to issue individual junior subordinated debentures in exchange for the global junior subordinated debenture.

Further, we may specify that you may, on terms acceptable to us, the trustee and the depositary for the global junior subordinated debenture, exchange your global junior subordinated debenture for individual junior subordinated debentures in exchange for your beneficial interest in a global junior subordinated debenture, subject to any limitations described in the prospectus supplement. In that instance, you will be entitled to physical delivery of individual junior subordinated debentures equal in principal amount to the global junior subordinated debenture. You will have the junior subordinated debentures registered in your name. Unless we otherwise specify, those individual junior subordinated debentures will be in registered form and integral multiples of \$1,000.

Payment and Paying Agents

Unless we state otherwise in the applicable prospectus supplement, we will pay principal of, premium, if any, and interest on your junior subordinated debenture to the trustee in the City of New York or at the office of any paying agent that we may designate.

Unless we state otherwise in the applicable prospectus supplement, we will pay any interest on junior subordinated debentures to the registered holder of the debenture at the close of business on the regular record date for the interest, except in the case of defaulted interest. We may at any time designate a paying agent for the payment of interest on the junior subordinated debentures. We must maintain a paying agent in each place of payment for the junior subordinated debentures.

Any moneys deposited with the trustee or any paying agent, or then held by us in trust, for the payment of the principal of, premium, if any, and interest on the junior subordinated debenture that remain unclaimed for two years after the principal, premium or interest has become due and payable will be held in trust for the registered holder of the debenture.

[Table of Contents](#)

will, at our request, be repaid to us. After repayment to us, you are entitled to seek payment only from us as a general unsecured creditor.

Redemption

Unless we state otherwise in the applicable prospectus supplement, junior subordinated debentures will not be subject to any sinking fund.

Unless we state otherwise in the applicable prospectus supplement, we may, at our option, redeem any series of junior subordinated debentures in whole or in part at any time and from time to time. We may redeem junior subordinated debentures in denominations larger than \$1,000 but only in integral multiples of \$1,000. Unless we state otherwise in the applicable prospectus supplement, the redemption price for any junior subordinated debenture redeemed shall be equal to 100% of the principal and unpaid interest as of the redemption date, provided however, that installments of accrued and unpaid interest whose stated maturity is on or prior to the redemption date shall be payable to the holders of such securities, or one or more predecessor securities, registered as such at the close of business on the relevant regular business day specified.

Notice of Redemption

Unless we state otherwise in the applicable prospectus supplement, we will mail notice of any redemption of your junior subordinated debentures at least 60 days before the redemption date to you at your registered address. Unless we default in payment of the redemption price, on and after the redemption date, we will pay the redemption price on the junior subordinated debentures or the portions called for redemption.

Option to Defer Payment of Interest

If provided in the applicable prospectus supplement, we will have the right during the term of any series of junior subordinated debentures to defer payment of interest due and payable on the junior subordinated debentures for a period, subject to the terms, conditions and covenants specified in the prospectus supplement. We will describe the United States federal income tax consequences of payment of interest beyond the final maturity of the junior subordinated debentures. We will describe the United States federal income tax consequences relating to any junior subordinated debentures in the applicable prospectus supplement.

If we exercise this right, during the deferral period we and our subsidiaries may not, except as otherwise stated in the applicable prospectus supplement,

- declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any equity securities of the company;
- make any payment of principal of or interest or premium, if any, on or repay, repurchase or redeem any of our debt securities or guarantee any debt securities of the company or junior subordinated debentures or junior to the junior subordinated debentures.

Modification of Indenture

We, the trustee and, if applicable, the Subsidiary Guarantor may, without the consent of the holders of junior subordinated debentures, amend the junior subordinated debenture indenture for specified purposes, including, among other things, curing ambiguities, defects or inconsistencies. However, no amendment shall materially and adversely affect the interests of the holders of junior subordinated debentures.

[Table of Contents](#)

holders of any series of junior subordinated debentures. We may also amend the junior subordinated debenture indenture to maintain the qualification of the indenture under the Trust Indenture Act.

We, the trustee and, if applicable, the Subsidiary Guarantor may, with the consent of the holders of not less than a majority in principal amount of the junior subordinated debentures affected, modify the junior subordinated debenture indenture in a manner affecting the rights of the holders of junior subordinated debentures without the consent of the holder of each outstanding junior subordinated debenture affected:

- change the stated maturity of the junior subordinated debentures,
- reduce the principal amount of the junior subordinated debentures,
- reduce the rate or, except as permitted by the junior subordinated debenture indenture and the terms of the series of junior subordinated debentures, the payment of interest on the junior subordinated debentures.
- modify the subordination provisions of the junior subordinated debenture indenture with respect to the subordination of a series of junior subordinated debentures in a manner materially adverse to the holders of such series, or
- reduce the percentage of principal amount of the junior subordinated debentures, the holders of which are required to consent to the modification of the junior subordinated debenture indenture.

In addition, we, the trustee and, if applicable, the Subsidiary Guarantor may execute, without your consent, any supplemental indenture for the junior subordinated debentures.

Debenture Events of Default

Under the terms of the junior subordinated debenture indenture, the events that constitute an event of default for a series of junior subordinated debentures are:

- certain events of our bankruptcy, insolvency or receivership, and
- any other event specified in the applicable board resolution or supplemental indenture under which the series of junior subordinated debentures is issued.

Effect of Event of Default

The holders of a majority in aggregate outstanding principal amount of the series of junior subordinated debentures have the right to direct the trustee to take any proceeding for any remedy available to the trustee. The trustee or the holders of not less than 25% in aggregate outstanding principal amount of the junior subordinated debentures may declare the principal and accrued but unpaid interest due and payable immediately upon a debenture event of default (other than a bankruptcy, insolvency or reorganization). If an event of default relating to our bankruptcy, insolvency or reorganization occurs, the principal amount of the series shall automatically become due and payable.

[Table of Contents](#)

Waiver of Event of Default

The holders of a majority in aggregate outstanding principal amount of the series of junior subordinated debentures may rescind and annul the

- the event of default is other than our non-payment of the principal of the junior subordinated debentures which has become due and the events of default have been cured or waived, and
- we have paid or deposited with the trustee a sum sufficient to pay:
 - all overdue installments of interest (including interest on overdue installments of interest) and principal (and premium, if any)
 - certain amounts owing to the trustee, its agents and counsel.

The holders of a majority in aggregate outstanding principal amount of the junior subordinated debentures affected by the default may, on behalf of the junior subordinated debentures, waive any past default and its consequences, except a default (1) in the payment of the principal of, or premium, if any, on any junior subordinated debenture or (2) in respect of a covenant or provision which under the junior subordinated debenture indenture cannot be modified or amended without the consent of the holders of a majority in aggregate outstanding junior subordinated debenture affected.

We will be required under the junior subordinated debenture indenture to file annually with the junior subordinated debenture indenture trustee

Consolidation, Merger, Sale of Assets and Other Transactions

We will not consolidate with or merge into any other person or convey, transfer or lease our properties and assets substantially as an entirety to another person or consolidate with or merge into us, unless the Company is the surviving person or:

- if we consolidate with or merge into another person or convey or transfer our properties and assets substantially as an entirety to another person or a corporation, partnership, trust or limited liability company organized and validly existing under the laws of the United States or any other jurisdiction and the successor corporation expressly assumes our obligations relating to the junior subordinated debentures,
- immediately after giving effect to the consolidation, merger, conveyance or transfer, there exists no debenture event of default, and no event of default, at the time or both, would become a debenture event of default, and
- other conditions described in the junior subordinated debenture indenture are met.

The general provisions of the junior subordinated debenture indenture do not protect you against transactions, such as a highly leveraged transaction,

Satisfaction and Discharge

The junior subordinated debenture indenture provides that when, among other things, all junior subordinated debentures of a series not previously cancelled:

- have become due and payable, or

<http://www.sec.gov/Archives/edgar/data/1094>

- will become due and payable at their stated maturity within one year, or
- are to be called for redemption within one year under arrangements satisfactory to the trustee for the giving of notice of redemption expense,

[Table of Contents](#)

and we deposit or cause to be deposited with the trustee, in trust, (1) money; (2) government obligations which through the scheduled payment of interest in accordance with their terms will provide, not later than one day before the due date of any payment, money; or (3) a combination thereof, in each case to be used to pay and discharge the entire indebtedness on the junior subordinated debentures of such series not previously delivered to the trustee for cancellation, and interest on the date of the deposit or to the stated maturity or redemption date, as the case may be, then the junior subordinated debenture indenture will be deemed to have satisfied and discharged the indenture with respect to junior subordinated debentures of such series and we will be deemed to have satisfied and discharged the indenture with respect to junior subordinated debentures of such series. However, we will continue to be obligated to pay all other sums due under the junior subordinated debenture indenture and to provide the services of counsel described in the junior subordinated debenture indenture.

Conversion or Exchange

We may issue junior subordinated debentures that we may convert or exchange into other securities, property or assets. If so, we will describe the terms of conversion or exchange of junior subordinated debentures may be converted or exchanged in the applicable prospectus supplement. The conversion or exchange may be mandatory or optional. The applicable prospectus supplement will state the manner in which the securities, property or assets you would receive would be issued or delivered.

Subordination

In the junior subordinated debenture indenture, we have agreed, and holders of junior subordinated debentures will be deemed to have agreed, that the junior subordinated debentures are subordinate and junior in right of payment to all senior indebtedness to the extent provided in the junior subordinated debenture indenture.

Upon any payment or distribution of assets to creditors upon any liquidation, dissolution, winding up, reorganization, assignment for the benefit of creditors, or any bankruptcy, insolvency, debt restructuring or similar proceeding in connection with our insolvency or bankruptcy, the holders of senior indebtedness will be paid in full of principal of, premium, if any, and interest on the senior indebtedness before the holders of junior subordinated debentures will receive any payment of the principal of, premium, if any, or interest on the junior subordinated debentures.

If the maturity of any junior subordinated debentures is accelerated, the holders of all senior indebtedness outstanding at the time of the acceleration will be paid in full of all amounts due, including any amounts due upon acceleration, before you will be entitled to receive any payment of the principal of, premium, if any, or interest on the junior subordinated debentures.

We will not make any payments of principal of, premium, if any, or interest on the junior subordinated debentures or for the acquisition of junior subordinated debentures (including any sinking fund payment) if:

- a default in any payment on senior indebtedness then exists,
- an event of default on any senior indebtedness resulting in the acceleration of its maturity then exists, or
- any judicial proceeding is pending in connection with default.

[Table of Contents](#)

When we use the term "indebtedness" we mean, with respect to any person, whether recourse is to all or a portion of the assets of that person

- every obligation of, or any obligation guaranteed by, that person for money borrowed,
- every obligation of, or any obligation guaranteed by, that person evidenced by bonds, debentures, notes or other similar instrument in connection with the acquisition of property, assets or businesses but excluding the obligation to pay the deferred purchase price of property payable in full within 90 days from the date such indebtedness was created,
- every capital lease obligation of that person,
- leases of property or assets made as part of any sale and lease-back transaction to which that person is a party, and
- any amendments, renewals, extensions, modifications and refundings of any such indebtedness.

The term "indebtedness" does not include trade accounts payable or accrued liabilities arising in the ordinary course of business.

When we use the term "senior indebtedness" we mean the principal of, premium, if any, and interest on indebtedness, whether incurred on, prior to or after the date of the junior subordinated debenture indenture, unless the instrument creating or evidencing that indebtedness or pursuant to which that indebtedness is outstanding is superior in right of payment to the junior subordinated debentures or to other indebtedness which ranks equally with, or junior to, the junior subordinated debentures. Senior indebtedness includes interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to Principal Financial Corporation for post-petition interest is allowed in that proceeding.

The junior subordinated debenture indenture does not limit the amount of additional senior indebtedness that we may incur. We expect from time to time to incur additional senior indebtedness.

The junior subordinated debenture indenture provides that we may change the subordination provisions relating to any particular issue of junior subordinated debentures. We will describe any change in the prospectus supplement relating to the junior subordinated debentures.

Governing Law

The junior subordinated debenture indenture and the junior subordinated debentures will be governed by and construed in accordance with the laws of the State of New York.

Information Concerning the Trustee

The trustee will have all the duties and responsibilities of an indenture trustee specified in the Trust Indenture Act. Subject to those provisions, the trustee will exercise any of its powers under the junior subordinated debenture indenture at your request, unless you offer indemnity satisfactory to it against the trustee might incur. The trustee will not be required to expend or risk its own funds or incur personal financial liability in performing its duties if it is not reasonably assured of repayment or adequate indemnity.

[Table of Contents](#)

DESCRIPTION OF CAPITAL STOCK OF PRINCIPAL FINANCIAL GROUP, INC.

Our authorized capital stock consists of 2.5 billion shares of common stock and 500 million shares of preferred stock.

As of March 31, 2011, we had 321.3 million outstanding shares of common stock. Holders of common stock have received a right entitling them to purchase shares of Series A Junior Participating Preferred Stock. See "—Stockholder Rights Plan." As of March 31, 2011, we had 10 million shares of Series A Junior Participating Preferred Stock and 10 million shares of Series B Perpetual Preferred Stock outstanding.

The following description of our capital stock is a summary. It summarizes only those aspects of our capital stock which we believe will be material to investors. You should keep in mind, however, that it is our Amended and Restated Certificate of Incorporation and our Amended and Restated By-Laws, and not this summary, which define your rights as a securityholder. There may be other provisions in these documents that may affect your rights. You should read these documents for a full description of the terms of our capital stock. Our Amended and Restated Certificate of Incorporation and our Amended and Restated By-Laws are incorporated by reference as exhibits to the registration statement that includes this prospectus. See "Where You Can Find More Information About Us" for more information on how to obtain copies of these documents.

Common Stock

Holders of common stock are entitled to receive such dividends as may from time to time be declared by our board of directors out of funds legally available for the payment of such dividends. Holders of common stock are entitled to one vote per share on all matters on which the holders of common stock are entitled to vote. Holders of common stock have no preemptive, conversion, redemption or sinking fund rights. In the event of a liquidation, dissolution or winding up of Principal Financial Group, Inc., holders of common stock are entitled to share equally and ratably in the assets of Principal Financial Group, Inc., if any, remaining after the payment of all liabilities of Principal Financial Group, Inc. and the liquidation preference of any outstanding class or series of preferred stock. The rights and privileges of holders of common stock are subject to the outstanding Series A Perpetual Preferred Stock, the outstanding Series B Perpetual Preferred Stock or any series of preferred stock that we may issue in the future. Our common stock is listed on the New York Stock Exchange under the symbol "PFG".

Preferred Stock

We will describe the particular terms of any series of preferred stock and any related guarantee in the prospectus supplement relating to the offering of such preferred stock.

Our board of directors has the authority to issue preferred stock in one or more series and to fix the number of shares constituting any such series and the preferences and qualifications, limitations and restrictions of the shares constituting any series, without any further vote or action by our stockholders. The exercise of this authority by our board of directors could adversely affect the rights of holders of common stock.

We will fix or designate the rights, preferences, privileges and restrictions, including dividend rights, voting rights, terms of redemption, retirement rights and liquidation preferences, if any, of a series of preferred stock through a certificate of designation adopted by our board of directors. We will describe the terms of any series of preferred stock that are convertible or exchangeable into common stock in the prospectus supplement relating to the offering. The conversion of such preferred stock will be at the option of the holder or at our option. The

[Table of Contents](#)

applicable prospectus supplement will state the manner in which the shares of common stock that you will receive as a holder of preferred stock

On October 22, 2001, our board of directors authorized the issuance of one right with respect to each share of common stock issued between date (as described below). When these rights become exercisable, holders of the rights will be entitled to purchase Series A Junior Participating Rights Plan".

Change of Control Related Provisions in Our Certificate of Incorporation and By-Laws, and Delaware Law

A number of provisions of our certificate of incorporation and by-laws deal with matters of corporate governance and rights of stockholders. This summary of selected provisions of our certificate of incorporation and by-laws and regulatory provisions that might be deemed to have a potential effect of discouraging a future takeover attempt which is not approved by our board of directors but which individual stockholders may have the effect of discouraging a future takeover attempt which is not approved by our board of directors but which individual stockholders may receive a substantial premium for their shares over then current market prices. As a result, stockholders who might desire to do so may not have an opportunity to do so. Such provisions will also render the removal of the incumbent board of directors or management more difficult. The Delaware General Corporation Law and the Iowa insurance laws may also have an antitakeover effect. The following description of selected provisions of our certificate of incorporation and by-laws and selected provisions of the Delaware General Corporation Law and the Iowa insurance laws are necessarily general and reference should be made to the certificate of incorporation and by-laws, which are filed as exhibits to the registration statement that includes this prospectus, and to the provision "Find More Information" for information on where to obtain a copy of our certificate of incorporation and by-laws.

Unissued Shares of Capital Stock

Common Stock. As of March 31, 2011, we had 321.3 million outstanding shares of common stock. The remaining shares of authorized common stock are reserved for future issuance without additional stockholder approval. While the additional shares are not designed to deter or prevent a change of control, the additional shares to create voting impediments or to frustrate persons seeking to effect a takeover or otherwise gain control by, for example, issuing shares to purchasers who might side with our board of directors in opposing a hostile takeover bid.

Preferred Stock. As of March 31, 2011, we had 3 million shares of Series A Perpetual Preferred Stock and 10 million shares of Series B Perpetual Preferred Stock. Our board of directors has the authority to issue additional preferred stock in one or more series and to fix the number of shares constituting any series, the limitations and relative rights, including dividend rights, dividend rate, voting rights, terms of redemption, redemption price or prices, conversion rights, and the shares constituting any series, without any further vote or action by our stockholders. The existence of authorized but unissued preferred stock may make us a target for an unsolicited takeover bid since we could, for example, issue shares of preferred stock to parties who might oppose such a takeover bid. A potential acquiror may find unattractive. This may have the effect of delaying or preventing a change in control, may discourage bids for the common stock, may reduce the price of the common stock, and may adversely affect the market price of, and the voting and other rights of the holders of, common stock.

[Table of Contents](#)

Classified Board of Directors and Removal of Directors. Our certificate of incorporation provides that the directors shall be divided into three classes, with the number of directors in each class to be as nearly equal as possible, with the term of office of each class to be three years. The classes serve staggered terms, such that the term of one class of directors shall expire at each annual meeting. The election of a majority of the board of directors may require more time than would be required if the board were elected as a single class. Our certificate of incorporation also provides that directors may be removed only for cause at a meeting of stockholders by a vote of a majority of the stockholders entitled to vote. This provision may have the effect of slowing or impeding a change in membership of our board of directors that would effect a change of control.

Restriction on Maximum Number of Directors and Filling of Vacancies on our Board of Directors. Our by-laws provide that the number of directors may be increased or decreased from time to time by resolution of the board of directors, but the board of directors shall at no time consist of fewer than three directors. Any director may be removed for cause by a vote of a majority of the shares entitled to vote, in which case the vacancy caused by such removal may be filled by the stockholders entitled to vote for the election of the director so removed. Any vacancy on the board of directors, including a vacancy resulting from an increase in the number of directors or from a removal for cause where the stockholders have not filled the vacancy, may be filled by a majority of the directors then in office, although the vacancy may also be filled by the stockholders at the next annual meeting of stockholders. The stockholders are not permitted to fill vacancies between annual meetings of stockholders, except for a vacancy resulting from a removal for cause. These provisions give incumbent directors significant authority that may have the effect of limiting the stockholders' ability to effect a change in management.

Advance Notice Requirements for Nomination of Directors and Presentation of New Business at Meetings of Stockholders; Action by Written Consent. Our by-laws provide for advance notice requirements for stockholder proposals and nominations for director. In addition, under the provisions of both our certificate of incorporation and our by-laws, no action may be taken by written consent of stockholders; rather, any action taken by the stockholders must be effected at a duly called meeting. Our executive officer, or, under some circumstances, the president or any vice president, and the board of directors may call a special meeting. These advance notice requirements may make it difficult for a stockholder to place a proposal or nomination on the meeting agenda or to take action without a meeting, and therefore may reduce the stockholders' ability to seek to take independent action to replace directors or seek a stockholder vote with respect to other matters that are not supported by management.

Limitations on Director Liability

Our certificate of incorporation contains a provision that is designed to limit our directors' liability. Specifically, directors will not be held liable for monetary damages for breach of their fiduciary duty as a director, except to the extent that this limitation on or exemption from liability is not permitted by Delaware Corporation Law and any amendments to that law.

The principal effect of the limitation on liability provision is that a stockholder is unable to prosecute an action for monetary damages against the Group, Inc. unless the stockholder can demonstrate a basis for liability for which indemnification is not available under the Delaware General Corporation Law. However, this provision does not eliminate or limit director liability arising in connection with causes of action brought under the federal securities laws. Our certificate of incorporation does not eliminate our directors' duty of care. The inclusion of this provision in our certificate of incorporation may, however, discourage or deter stockholders from bringing a lawsuit against directors for a breach of their fiduciary duties, even though such an action, if successful, might otherwise have benefited Principal.

[Table of Contents](#)

our stockholders. This provision should not affect the availability of equitable remedies such as injunction or rescission based upon a director's b

Our by-laws also provide that we will indemnify our directors and officers. We are required to indemnify our directors and officers for all j and other expenses incurred in connection with pending, threatened or completed legal proceedings because of the director's or officer's position another entity that the director or officer serves at our request, subject to various conditions, and to advance funds to our directors and officers to proceedings. To receive indemnification, the director or officer must have been successful in the legal proceeding or have acted in good faith and a lawful manner in the best interest of Principal Financial Group, Inc.

Supermajority Voting Requirement for Amendment of Certain Provisions of our Certificate of Incorporation and By-Laws. The pro incorporation governing, among other things the classified board, the director's discretion in determining what he or she reasonably believes to be Financial Group, Inc., the liability of directors and the elimination of stockholder actions by written consent may not be amended, altered or repe by the vote of holders of three-fourths of the shares then entitled to vote at an election of directors. This requirement exceeds the majority vote of otherwise be required by the Delaware General Corporation Law for the repeal or amendment of such provisions of the certificate of incorporation board of directors or by the vote of holders of three-fourths of the shares then entitled to vote. These provisions make it more difficult for any per that have an antitakeover effect.

Business Combination Statute. In addition, as a Delaware corporation, we are subject to Section 203 of the Delaware General Corporat certificate of incorporation not to be governed by the provisions of Section 203. We have not made that election. Section 203 can affect the ability Principal Financial Group, Inc. to engage in business combinations, such as mergers, consolidations or acquisitions of additional shares of Princip of three years following the time that the stockholder becomes an "interested stockholder." An "interested stockholder" is defined to include perso more of the outstanding voting stock of a corporation. The provisions of Section 203 are not applicable in some circumstances, including those in transaction which results in the stockholder becoming an "interested stockholder" is approved by the corporation's board of directors prior to the "interested stockholder" or (b) the "interested stockholder," upon consummation of such transaction, owns at least 85% of the voting stock of the c transaction.

Limitations on Acquisitions of Securities

State insurance laws could be a significant deterrent to any person interested in acquiring control of Principal Financial Group, Inc. The insu insurance laws of many states regulate changes of control of insurance holding companies, such as Principal Financial Group, Inc. A change of co acquisitions of 10% or more of voting securities. The Iowa, Arizona and Vermont insurance holding company laws, which are applicable to us, re proposed acquisitions of control of domestic insurance companies. These insurance holding company laws prohibit a person from acquiring direc incorporated in the relevant jurisdiction without prior insurance regulatory approval.

[Table of Contents](#)

Stockholder Rights Plan

Our board of directors has adopted a stockholder rights plan under which each outstanding share of our common stock issued between October 1, 2010 and October 22, 2011 (the "Rights Plan") (described below) is coupled with a stockholder right. The stockholder rights are attached to the certificates representing outstanding shares of common stock. Each certificate of common stock that is distributed after the Rights Plan is adopted will be distributed with a stockholder right. Each right entitles the holder to purchase one one-thousandth of a share of our Series A Junior Participating Preferred Stock. Each share of Series A Junior Participating Preferred Stock has economic and voting terms equivalent to one share of Principal Financial Group, Inc. common stock. The right itself will not entitle the holder of the right to any rights as a stockholder, including the right to receive dividends or to vote at stockholder meetings. The rights are found in a rights agreement entered into between Principal Financial Group, Inc. and Mellon Investor Services LLC, as rights agent. A summary of the rights agreement is a summary. You should read the rights agreement for a full description. The rights agreement is filed as an exhibit to the registration statement. See "Where You Can Find More Information."

Stockholder rights are not exercisable until the distribution date and will expire at the close of business on October 22, 2011, unless earlier distribution date would occur upon the earlier of:

- the tenth day after the first public announcement or communication to us that a person or group of affiliated or associated persons (the "acquiring person") has acquired beneficial ownership of 10% or more of our outstanding common stock (the date of such announcement or communication is the "announcement date"), or
- the tenth business day after the commencement or announcement of the intention to commence a tender offer or exchange offer that would result in the acquiring person becoming an acquiring person.

If any person becomes an acquiring person, each holder of a stockholder right will be entitled to exercise the right and receive, instead of Series A Junior Participating Preferred Stock, common stock or, in some circumstances, cash, a reduction in purchase price, property or other securities of Principal Financial Group, Inc., having a value equal to two times the purchase price of the stockholder right. All stockholder rights that are beneficially owned by an acquiring person or its transferee will become null and void.

If at any time after a public announcement has been made or Principal Financial Group, Inc. has received notice that a person has become an acquiring person, the Rights Plan will terminate if:

- Principal Financial Group, Inc. is acquired in a merger or other business combination, or
- 50% or more of Principal Financial Group, Inc.'s assets, cash flow or earning power is sold or transferred,

each holder of a stockholder right, except rights which previously have been voided as described above, will have the right to receive, upon exercise, common stock having a value equal to two times the purchase price of the right.

The purchase price payable, the number of one one-thousandth of a share of Series A Junior Participating Preferred Stock or other securities of Principal Financial Group, Inc. for which a stockholder right is exercisable, and the number of such rights outstanding, are subject to adjustment from time to time to prevent dilution. Except as provided in the Rights Plan, the purchase price or the number of shares of Series A Junior Participating Preferred Stock issuable upon exercise of a stockholder right will be adjusted if the purchase price or number of shares for which a right is exercisable would require an increase or decrease of at least one percent in the purchase price or number of shares for which a right is exercisable.

[Table of Contents](#)

At any time until the earlier of (1) the stock acquisition time or (2) the final expiration date of the rights agreement, we may redeem all the stock at the exercise price of the rights. At any time after a person has become an acquiring person and prior to the acquisition by such person of 50% or more of the outstanding shares, we may exchange the stockholder rights, in whole or in part, at an exchange ratio of one share of common stock, or one one-thousandth of a share of Series A Junior Participating Preferred Stock, or of a share of a class or series of preferred stock having equivalent rights, preferences and privileges, per right.

The stockholder rights plan is designed to protect stockholders in the event of unsolicited offers to acquire Principal Financial Group, Inc. and its subsidiaries, which, in the opinion of Principal Financial Group, Inc.'s board of directors, could impair its ability to represent stockholder interests. The provisions of the plan may render an unsolicited takeover more difficult or less likely to occur or may prevent such a takeover, even though such takeover may offer our stockholders the opportunity to sell their stock at a price above the prevailing market rate and may be favored by a majority of our stockholders.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock, our Series A Junior Participating Preferred Stock, our Series A Perpetual Preferred Stock and our Series B Perpetual Preferred Stock is Computershare Investor Services, LLC.

DESCRIPTION OF DEPOSITARY SHARES

General Terms

We may elect to offer depositary shares representing receipts for fractional interests in debt securities or preferred stock. In this case, we will issue depositary shares, each of which will represent a fraction of a debt security or share of a particular series of preferred stock, as the case may be.

We will deposit the debt securities or shares of any series of preferred stock represented by depositary shares under a deposit agreement between us and a depositary, which we will name in the applicable prospectus supplement. Subject to the terms of the deposit agreement, as an owner of a depositary share you will be entitled to a fraction of a debt security or share of preferred stock represented by the depositary share, to all the rights and preferences of the debt security or preferred stock represented by the depositary share, including, as the case may be, interest, dividend, voting, conversion, redemption, sinking fund, repayment at maturity and other rights.

The following description of the terms of the deposit agreement is a summary. It summarizes only those terms of the deposit agreement that will be important to your decision to invest in our depositary shares. You should keep in mind, however, that it is the deposit agreement, and not this summary, which will govern the rights of owners of depositary shares. There may be other provisions in the deposit agreement that are also important to you. You should read the deposit agreement for the complete terms of the depositary shares. The form of the deposit agreement is filed as an exhibit to the registration statement that includes this prospectus. See "Where You Can Find More Information on how to obtain a copy of the deposit agreement."

Interest, Dividends and Other Distributions

The depositary will distribute all payments of interest, cash dividends or other cash distributions received on the debt securities or preferred stock in proportion to the number of depositary shares that you own.

[Table of Contents](#)

In the event of a distribution other than in cash, the depositary will distribute property received by it to you in an equitable manner, unless the distribution is not feasible to make a distribution. In that case the depositary may sell the property and distribute the net proceeds from the sale to you.

Redemption of Depositary Shares

If we redeem a debt security or series of preferred stock represented by depositary shares, the depositary will redeem your depositary share representing the same debt security or series of preferred stock. The redemption price per depositary share will be equal to the applicable fraction of the redemption price of the debt security or preferred stock, as the case may be, payable in relation to the redeemed series of debt securities or preferred stock. Whenever we redeem debt securities or preferred stock held by the depositary, the depositary will redeem as of the same redemption date the number of depositary shares representing, as the case may be, the same debt securities or preferred stock redeemed. If fewer than all the depositary shares are to be redeemed, the depositary shares to be redeemed will be selected by lot or other equitable method as the depositary may determine.

Exercise of Rights under the Indentures or Voting the Preferred Stock

Upon receipt of notice of any meeting at which you, as a holder of interests, in deposited preferred stock, are entitled to vote, or of any request for information, you, as a holder of interests in deposited debt securities, the depositary will mail to you the information contained in that notice. Each record holder of depositary shares as of the record date will be entitled to instruct the depositary how to give instructions or directions with respect to the debt securities represented by that holder's depositary shares. The record date for the depositary shares will be the same date as the record date for the debt securities or preferred stock, as the case may be. The depositary will endeavor, to the extent practicable, to give instructions or directions with respect to the amount of the preferred stock, as the case may be, represented by the depositary shares in accordance with those instructions. We will agree to indemnify the depositary may deem necessary to enable the depositary to do so. The depositary will abstain from giving instructions or directions with respect to the preferred stock, as the case may be, if it does not receive specific instructions from you.

Amendment and Termination of the Deposit Agreement

We and the depositary may amend the form of depositary receipt evidencing the depositary shares and any provision of the deposit agreement which materially and adversely alters the rights of the holders of the depositary shares will not be effective unless the amendment has been approved by the holders of the depositary shares then outstanding.

The deposit agreement will terminate if:

- all outstanding depositary shares have been redeemed, or
- there has been a complete repayment or redemption of the debt securities or a final distribution in respect of the preferred stock, in liquidation, dissolution or winding up, and the repayment, redemption or distribution proceeds, as the case may be, have been distributed to the holders of the depositary shares.

[Table of Contents](#)

Resignation and Removal of Depositary

The depositary may resign at any time by delivering to us notice of its election to do so. We also may, at any time, remove the depositary. And upon the appointment of a successor depositary and its acceptance of such appointment. We must appoint the successor depositary within 60 days of resignation or removal. The successor depositary must be a bank or trust company having its principal office in the United States and having a combined capital and surplus of at least \$50,000,000.

Charges of Depositary

We will pay all transfer and other taxes and governmental charges arising solely from the existence of the depositary arrangements. We will also pay, in connection with the initial deposit of the debt securities or preferred stock, as the case may be, and issuance of depositary receipts, all withdrawal charges on preferred stock, as the case may be, by you and any repayment or redemption of the debt securities or preferred stock, as the case may be. You will also pay governmental charges, as well as the other charges that are expressly provided in the deposit agreement to be for your account.

Miscellaneous

The depositary will forward all reports and communications from us which are delivered to the depositary and which we are required or permitted to deliver of debt securities or preferred stock, as the case may be.

Neither we nor the depositary will be liable under the deposit agreement to you other than for the depositary's gross negligence, willful misconduct. The depositary will be obligated to prosecute or defend any legal proceedings relating to any depositary shares, debt securities or preferred stock unless we direct. We and the depositary may rely upon written advice of counsel or accountants, or upon information provided by persons presenting debt securities for deposit, you or other persons believed to be competent and on documents which we and the depositary believe to be genuine.

DESCRIPTION OF WARRANTS

We may issue warrants, including warrants to purchase debt securities, preferred stock, common stock or other securities, property or assets, cash or securities based on the value, rate or price of one or more specified commodities, currencies, securities or indices) as well as other types of securities, independently or together with any other securities, and they may be attached to or separate from those securities. We will issue the warrants under a warrant agreement with a bank or trust company, as warrant agent, that we will describe in the prospectus supplement relating to the warrants that we offer.

The following description of the terms of the warrants is a summary. It summarizes only those terms of the warrants and the warrant agreement that are important to your decision to invest in our warrants. You should keep in mind, however, that it is the warrant agreement and the warrant certificate that define your rights as a warrant holder. There may be other provisions in the warrant agreement and the warrant certificate relating to the warrants that are important to you. You should read these documents for a full description of the terms of the warrants. Forms of these documents are filed as exhibits to this prospectus. See "Where You Can Find More Information" for information on how to obtain copies of these documents.

[Table of Contents](#)

Debt Warrants

We will describe in the applicable prospectus supplement the terms of warrants to purchase debt securities that we may offer, the warrant agent and the warrant certificates representing the debt warrants. These terms will include the following:

- the title of the debt warrants,
- the debt securities for which the debt warrants are exercisable,
- the aggregate number of the debt warrants,
- the price or prices at which we will issue the debt warrants, the principal amount of debt securities that you may purchase upon exercise and the price or prices at which such principal amount may be purchased upon exercise,
- currency, currencies, or currency units, if other than in U.S. dollars, in which such debt warrants are to be issued or for which the debt securities are to be purchased,
- the procedures and conditions relating to the exercise of the debt warrants,
- the designation and terms of any related debt securities and guarantee issued with the debt warrants, and the number of debt warrants that may be exercised to purchase such securities,
- the date, if any, from which you may separately transfer the debt warrants and the related securities,
- the date on which your right to exercise the debt warrants commences, and the date on which your right expires,
- the maximum or minimum number of the debt warrants which you may exercise at any time,
- if applicable, a discussion of material United States federal income tax considerations,
- any other terms of the debt warrants and terms, procedures and limitations relating to your exercise of the debt warrants, and
- the terms of the securities you may purchase upon exercise of the debt warrants.

We will also describe in the applicable prospectus supplement any provisions for a change in the exercise price or expiration date of the warrants, the timing of any notice to be given. You may exchange debt warrant certificates for new debt warrant certificates of different denominations and may deposit them with the trust office of the warrant agent or any other office that we indicate in the applicable prospectus supplement. Prior to exercise, you will not have a right to purchase debt securities purchasable upon that exercise and will not be entitled to payments of principal, premium, if any, or interest on the debt securities purchasable upon that exercise.

Other Warrants

We may issue other warrants. We will describe in the applicable prospectus supplement the following terms of those warrants:

- the title of the warrants,

<http://www.sec.gov/Archives/edgar/data/1094>

- the securities, which may include preferred stock, common stock or other securities, property or assets (including rights to receive the value, rate or price of one or more specified commodities, currencies, securities or indices), for which you may exercise the w

[Table of Contents](#)

- the aggregate number of the warrants,
- the price or prices at which we will issue the warrants, the number of securities or amount of other property or assets that you may purchase with the warrant and the price or prices at which such securities, property or assets may be purchased,
- currency, currencies, or currency units, if other than in U.S. dollars, in which such debt warrants are to be issued or for which the warrants may be exercised,
- the procedures and conditions relating to the exercise of the warrants,
- the designation and terms of any related securities issued with the warrants, and the number of warrants issued with each security,
- the date, if any, from which you may separately transfer the warrants and the related securities,
- the date on which your right to exercise the warrants commences, and the date on which your right expires,
- the maximum or minimum number of warrants which you may exercise at any time,
- if applicable, a discussion of material United States federal income tax considerations, and
- any other terms of the warrants, including terms, procedures and limitations relating to your exchange and exercise of the warrants.

We will also describe in the applicable prospectus supplement any provisions for a change in the exercise price or the expiration date of the warrants, and the timing of any notice to be given. You may exchange warrant certificates for new warrant certificates of different denominations and may exercise the warrants at the warrant agent or any other office that we indicate in the applicable prospectus supplement. Prior to the exercise of your warrants, you will not be entitled to dividends on preferred stock, common stock or other securities purchasable upon that exercise and will not be entitled to dividend payments, if any, or voting rights on common stock or other securities purchasable upon the exercise.

Exercise of Warrants

We will describe in the prospectus supplement relating to the warrants the principal amount or the number of our securities, or amounts of other property or assets that you may purchase for cash upon exercise of a warrant, and the exercise price. You may exercise a warrant as described in the prospectus supplement up to the close of business on the expiration date stated in the prospectus supplement. Unexercised warrants will become void after the close of business on the later expiration date that we determine.

We will forward the securities purchasable upon the exercise as soon as practicable after receipt of payment and the properly completed and signed exercise form to the corporate trust office of the warrant agent or other office stated in the applicable prospectus supplement. If you exercise less than all of the warrants represented by a warrant certificate, we will issue you a new warrant certificate for the remaining warrants.

[Table of Contents](#)

DESCRIPTION OF PURCHASE CONTRACTS AND PURCHASE UNITS

We may issue purchase contracts, including contracts obligating or entitling you to purchase from us, and obligating or entitling us to sell to you common stock or preferred stock or other securities, property or assets, at a future date or dates. Alternatively, the purchase contracts may obligate or entitle you to sell to us, a specific or varying number of shares of common stock or preferred stock, or other securities, property or assets. The price of preferred stock or common stock may be fixed at the time the purchase contracts are issued or may be determined by reference to a specific formula. We may issue purchase contracts separately or as a part of units each consisting of a purchase contract and debt securities, undivided beneficial interests in debt securities, trust preferred securities, depositary shares representing fractional interests in debt securities or shares of preferred stock, or debt obligations. We may use the purchase contracts to secure your obligations to purchase the preferred stock or the common stock, or other securities, property or assets, under the purchase contracts may require us to make periodic payments to you or vice versa and the payments may be unsecured or prefunded on some basis. The purchase contracts may secure your obligations in a specified manner. We will describe in the applicable prospectus supplement the terms of any purchase contracts or purchase units.

DESCRIPTION OF THE TRUST PREFERRED SECURITIES

The trustees of each trust will issue preferred securities and common securities of the trust. The preferred securities will represent preferred interests in the assets of the related trust. As a holder of trust preferred securities, you will generally be entitled to a preference with respect to distributions and liquidation over the common securities of the trust, as well as other benefits as described in the corresponding trust agreement. Each of the trusts of one trust are not available to satisfy the obligations of any other trust.

The following description of the terms of the form of trust agreement is a summary. It summarizes only those portions of the form of trust agreement that are important to your decision to invest in the preferred securities. You should keep in mind, however, that it is the trust agreement, and not this summary, that governs the rights of the holder. There may be other provisions in the trust agreement which are also important to you. You should read the form of trust agreement itself for the full terms of the preferred securities. The form of trust agreement is filed as an exhibit to the registration statement that includes this prospectus. See "Where You Can Find More Information" for information on how to obtain a copy of the trust agreement.

Ranking of Preferred Securities

The preferred securities of a trust will rank equally, and we will make payments proportionately, with the common securities of the trust except as otherwise provided in the trust agreement. See "Description of the Trusts"—Subordination of Common Securities." The preferred securities of each trust represent preferred undivided beneficial interests in the assets of the trust. The trust will have legal title to the corresponding junior subordinated debt securities in trust for the benefit of the holders of the related preferred securities and common securities.

Each guarantee agreement that we execute for your benefit, as a holder of preferred securities of a trust, will be a guarantee on a subordinate basis to the preferred securities. However, our guarantee will not guarantee payment of distributions or amounts payable on redemption or liquidation of the preferred securities if the trust does not have funds on hand available to make such payments. See "Description of Guarantee by Principal Financial Group, Inc. of the Trusts."

[Table of Contents](#)

Distributions on the Preferred Securities

The trust will pay the distributions on the preferred securities and common securities at a rate specified in the prospectus supplement.

The amount of distributions the trust must pay for any period will be computed on the basis of a 360-day year of twelve 30-day months unless applicable prospectus supplement. Distributions that are in arrears may bear interest at the rate per annum specified in the applicable prospectus supplement. The amount of distributions we use in this prospectus includes any additional amounts provided in the corresponding trust agreement.

Distributions on the preferred securities will be cumulative, will accrue from the date of original issuance and will be payable on the dates specified in the prospectus supplement. If any date on which distributions are payable on the preferred securities is not a business day, the trust will instead make the payment on the next business day, and without any interest or other payment on account of the delay. However, if that business day is in the next succeeding calendar year, the immediately preceding business day. In each case payment will be made with the same force and effect as if made on the date the payment was due. "business day" in this prospectus, we mean any day other than a Saturday or a Sunday, or a day on which banking institutions in the City of New York or executive order to remain closed or a day on which the corporate trust office of the applicable trustee is closed for business.

If provided in the applicable prospectus supplement, we have the right under the junior subordinated debt security indenture, the contract that governs the corresponding junior subordinated debt securities, to extend the interest payment period for a specified number of periods. However, we may not extend the maturity of the junior subordinated debt securities. As a consequence of any extension, distributions on the corresponding preferred securities will be made during the extension period. These distributions would continue to accumulate additional distributions at the rate per annum set forth in the prospectus supplement.

If we exercise this right, during the extension period we and our subsidiaries may not:

- declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment on, any of our capital securities;
- make any payment of principal, premium, if any, or interest on or repay, repurchase or redeem any debt securities that rank equally with or senior to the corresponding junior subordinated debt securities or make any related guarantee payments,

other than:

- dividends or distributions on our common stock,
- redemptions or purchases of any rights pursuant to our rights plan, or any successor to our rights plan, and the declaration of a dividend on our common stock;
- payments under any guarantee.

We anticipate that the revenue of each trust available for distribution to you, as a holder of preferred securities, will be limited to payments on the junior subordinated debt securities in which the trust will invest the proceeds from the issuance and sale of its preferred securities and its common securities. "Corresponding Junior Subordinated Debt Securities."

[Table of Contents](#)

If we do not make interest payments on the corresponding junior subordinated debt securities, the property trustee will not have funds available to make interest payments on the corresponding preferred securities. The payment of distributions, if and to the extent the trust has funds legally available for the payment of these securities, will be made on a limited basis as set forth under "Description of Guarantee by Principal Financial Group, Inc. of the Trust Preferred Securities."

The trust will pay distributions on the preferred securities to you provided you are entered in the register of the trust on the relevant record date. If the securities are not in book-entry form, the record date will be one business day prior to the relevant distribution date. If any preferred securities are not in book-entry form, the record date for those preferred securities will be the date 15 days prior to the relevant distribution date.

Redemption

Redemption on a Repayment or Redemption of the Corresponding Junior Subordinated Debt Securities

Upon the repayment or redemption, in whole or in part, of any corresponding junior subordinated debt securities, the property trustee must apply the proceeds of the repayment or redemption to redeem a like amount of the corresponding preferred securities. This redemption must be made upon not less than 30 nor more than 60 days after the date of the repayment or redemption. The redemption price will be equal to the aggregate liquidation preference of the preferred securities, plus accumulated and unpaid distributions on the preferred securities, plus the redemption price of the corresponding junior subordinated debt securities, plus the related amount of any premium paid by us upon the concurrent redemption of the corresponding junior subordinated debt securities. This redemption shall be subject to the terms of the Corresponding Junior Subordinated Debt Securities—Optional Redemption."

If less than all of any series of corresponding junior subordinated debt securities are repaid or redeemed, then the proceeds from the repayment or redemption will be used to redeem a proportionate amount of each of the preferred securities and the common securities. The amount of premium, if any, paid by us upon the concurrent redemption of any corresponding junior subordinated debt securities repaid or redeemed will be allocated proportionately to the redemption of the preferred securities.

We must repay the principal of the corresponding junior subordinated debt securities when they are due. In addition, we will have the right to redeem the principal of the corresponding junior subordinated debt securities:

- in whole or in part, subject to the conditions we describe under "Description of Corresponding Junior Subordinated Debt Securities—Optional Redemption,"
- at any time, in whole, but not in part, upon the occurrence of a tax event or an investment company event, each as defined below, and subject to the conditions we describe under "Description of Corresponding Junior Subordinated Debt Securities—Optional Redemption," or
- as we may otherwise specify in the applicable prospectus supplement.

Redemption or Distribution Upon the Occurrence of a Tax Event or an Investment Company Event

If an event occurs that constitutes a tax event or an investment company event we will have the right to:

- redeem the corresponding junior subordinated debt securities in whole, but not in part, and cause a mandatory redemption of the preferred securities in whole, but not in part, within 90 days following the occurrence of the tax event or an investment company event, or

[Table of Contents](#)

- dissolve the related trust and cause the corresponding junior subordinated debt securities to be distributed to the holders of the preferred securities in liquidation of the trust.

If provided in the applicable prospectus supplement, we will have the right to extend or shorten the maturity of any series of corresponding junior subordinated debt securities at any time that we exercise our right to elect to dissolve the related trust and cause the corresponding junior subordinated debt securities to be distributed to the holders of the preferred securities and common securities in liquidation of the trust.

When we use the term "additional sums" in this prospectus we mean the additional amounts that may be necessary in order that the amount of the net assets of the trust on its outstanding preferred securities and common securities will not be reduced as a result of any additional taxes, duties and other governmental charges that may become subject as a result of a tax event.

When we use the term "tax event" we mean the receipt by the trust of an opinion of counsel experienced in those matters to the effect that, as a result of any announced prospective change, in, the laws of the United States or any political subdivision or taxing authority affecting taxation, or any administrative pronouncement or judicial decision interpreting or applying those laws or regulations, which amendment or change is effective on or after the trust issues the preferred securities, there is more than an insubstantial risk that:

- the trust is, or will be within 90 days of the date of the opinion, subject to United States federal income tax with respect to income on the corresponding series of corresponding junior subordinated debt securities,
- interest payable by us on the series of corresponding junior subordinated debt securities is not, or within 90 days of the date of the opinion, the whole or in part, for United States federal income tax purposes, or
- the trust is, or will be within 90 days of the date of the opinion, subject to more than a de minimis amount of other taxes, duties or charges.

When we use the term "investment company event" we mean the occurrence of a change in law or regulation or a change in interpretation or application of the laws of the United States by a legislative body, court, governmental agency or regulatory authority to the effect that the applicable trust is or will be considered an investment company under the Investment Company Act of 1940, which change becomes effective on or after the date of original issuance of the series of preferred securities.

When we use the term "like amount," we mean:

- with respect to a redemption of any series of preferred securities, preferred securities having a liquidation amount equal to that of the corresponding junior subordinated debt securities to be contemporaneously redeemed, the proceeds of which will be used to pay to the holders of the preferred securities, and
- with respect to a distribution of corresponding junior subordinated debt securities to you, as a holder of preferred securities in connection with the liquidation of the related trust, corresponding junior subordinated debt securities having a principal amount equal to the liquidation amount of the preferred securities.

When we use the term "liquidation amount," we mean the stated amount of \$25 per preferred security and common security.

[Table of Contents](#)

After the liquidation date fixed for any distribution of corresponding junior subordinated debt securities for any series of preferred securities:

- the series of preferred securities will no longer be deemed to be outstanding,
- The Depository Trust Company, which we refer to in this prospectus as "DTC," or its nominee, as the record holder of the series of preferred securities, will deliver to you, upon request, the registered global certificate or certificates representing the corresponding junior subordinated debt securities to be delivered upon redemption,
- any certificates representing the series of preferred securities not held by DTC or its nominee will be deemed to represent the common securities having a principal amount equal to the stated liquidation preference of the series of preferred securities, and bearing accrued interest equal to the accrued and unpaid distributions on the series of preferred securities until you present the certificates to the administrator for cancellation or reissuance.

We can make no assurance as to what the market prices will be for the preferred securities or the corresponding junior subordinated debt securities on the exchange for your preferred securities if a dissolution and liquidation of a trust were to occur. Accordingly, the preferred securities that you purchase and the junior subordinated debt securities that you receive on dissolution and liquidation of a trust, may trade at a discount to the price that you paid to purchase them.

Voluntary Distribution of Junior Subordinated Debentures

If we so provide in the applicable prospectus supplement, we may elect, at any time, to dissolve the trust and cause the corresponding junior subordinated debt securities to be distributed to you, as a holder of the preferred securities, and us, as the holder of the common securities, in liquidation of the trust.

Redemption Procedures

The trust will redeem the preferred securities on each redemption date at the redemption price with the applicable proceeds from the common securities and the corresponding junior subordinated debt securities. The trust will make redemptions of the preferred securities and pay the redemption price only for the payment of the redemption price. See also "—Subordination of Common Securities."

If a trust gives notice to you of redemption of your preferred securities, then by 12:00 noon, New York City time, on the redemption date, to the property trustee will irrevocably deposit with DTC funds sufficient to pay the applicable redemption price and will give DTC irrevocable instructions to pay the redemption price to you. See "—Book-Entry Issuance."

If the preferred securities are no longer in book-entry form, the trust, to the extent funds are available, will irrevocably deposit with the paying agent funds sufficient to pay the applicable redemption price to you and will give the paying agent irrevocable instructions and authority to pay the redemption price to you on your certificates.

The trust will pay any distributions payable on or prior to the redemption date for any preferred securities called for redemption to you on the redemption date. If the trust has given notice of redemption and has deposited the required funds, then upon the date of the deposit, all your rights will terminate. The redemption price, without interest on that redemption price, and your preferred securities will cease to be outstanding. If any date fixed for

[Table of Contents](#)

redemption of preferred securities is not a business day, then the trust will pay the redemption price on the next succeeding day which is a business day. If the business day falls in the next calendar year, the trust will make the payment on the immediately preceding business day. If the redemption price is improperly withheld or refused and not paid either by the trust or by us pursuant to the guarantee as described under "Description of the Trust Preferred Securities," distributions on the preferred securities will continue to accrue at the then applicable rate, from the date of the last payment made by the trust for the preferred securities to the date the redemption price is actually paid. In this case the actual payment date will be the date fixed by the trust for the redemption price. In this case the actual payment date will be the date fixed by the trust for the redemption price.

Subject to applicable law, including United States federal securities law, we or our subsidiaries may at any time purchase outstanding preferred securities in the open market or by private agreement.

The trust will make payment of the redemption price on the preferred securities and any distribution of corresponding junior subordinated debt to the holders as they appear on the register for the preferred securities on the relevant record date. This date will generally be one business day prior to the redemption date or liquidation date. However, if any preferred securities are not in book-entry form, the relevant record date for the preferred securities will be the date of redemption or liquidation date.

If less than all of the preferred securities and common securities issued by a trust are to be redeemed on a redemption date, then the aggregate amount of preferred securities and common securities to be redeemed will be allocated proportionately among the preferred securities and the common securities. The particular preferred securities to be redeemed on a proportionate basis not more than 60 days prior to the redemption date from the outstanding principal for redemption, by any method that the property trustee deems fair and appropriate. This method may provide for the selection for redemption of a multiple of \$25, of the liquidation amount of preferred securities. The property trustee will promptly notify the trust registrar in writing of the preferred securities to be redeemed, and, in the case of any preferred securities selected for partial redemption, the liquidation amount of the preferred securities to be redeemed.

Subordination of Common Securities

The trust will make payment of distributions, any additional amounts and the redemption price on the preferred securities and common securities in full of the liquidation amount of the preferred securities and common securities. However, if on any distribution date or redemption date a debenture event of default has occurred, no payment on the common securities unless payment in full in cash of all accumulated and unpaid distributions, any additional amounts and the redemption price of all of the outstanding preferred securities of the trust, has been made or provided for. The property trustee will apply all available funds first to the distributions on, or redemption price of, the preferred securities then due and payable. If any event of default resulting from a debenture event of default on the common securities of the trust will be deemed to have waived any right to act with respect to the event of default under the trust agreement until the event of default with respect to the preferred securities have been cured, waived or otherwise eliminated. Until any events of default under the trust agreement with respect to the common securities have been so cured, waived or otherwise eliminated, the property trustee will act solely on your behalf, as a holder of the preferred securities, and only you acting with the other holders will have the right to direct the property trustee to act on your behalf.

[Table of Contents](#)

Liquidation Distribution Upon Dissolution

Each trust will automatically dissolve upon expiration of its term or the redemption of all of the preferred securities of the trust. In addition, occur of:

- our bankruptcy, dissolution or liquidation,
- the occurrence of a tax event, an investment company event or a grantor trust event (each as defined in the trust agreement) and written notice by the property trustee within forty-five days of such event to dissolve the trust,
- the redemption of all of the preferred securities, and
- the entry of an order for the dissolution of the trust by a court of competent jurisdiction.

If an early dissolution occurs as described in the clauses above (except with respect to a redemption of all of the preferred securities), the trust will expeditiously as the trustees determine to be possible by distributing, after satisfaction of liabilities to creditors of the trust as provided by applicable law, the assets of the trust to the holders of the preferred securities and common securities a like amount of corresponding junior subordinated debt securities. If the property trustee determines that this distribution is not possible, the holders of the preferred securities will be entitled to receive out of the assets of the trust available for distribution, after satisfaction of liabilities to creditors of the trust as provided by applicable law, an amount equal to the aggregate of the liquidation amount plus accrued and unpaid distributions to the date of payment. We refer to this liquidation amount in this prospectus as the "liquidation amount." The trust can make the liquidation distribution only in part because it has insufficient assets available to pay the full aggregate liquidation distribution on a proportionate basis. We, as the holder of the common securities, will be entitled to receive distributions upon any liquidation proportionately with the holders of the preferred securities, except that if an event exists that constitutes a debenture event of default, the preferred securities will have a priority over the common securities. The indenture may provide that if an early dissolution occurs as described in the third clause above, the corresponding junior subordinated debt securities will be redeemed in whole, but not in part.

Events of Default; Notice

Under the terms of the form of trust agreement, each of the following constitutes an event of default for a series of preferred securities:

- the occurrence of a debenture event of default under the junior subordinated debt security indenture (see "Description of Junior Subordinated Debt Securities" and "Events of Default") or an event of default described in any related guarantee,
- default by the trust in the payment of any distribution when it becomes due and payable, and continuation of that default for a period of 90 days,
- default by the trust in the payment of any redemption price of the preferred securities or common securities when it becomes due and payable, and continuation of that default for a period of 90 days,
- default in the performance, or breach, in any material respect, of any covenant or warranty of the trustees in the trust agreement, other than a covenant or warranty the performance of which or the breach of which is dealt with in the second and third clauses above, and continuation of the default or breach after there has been given to the defaulting trustee or trustees by the holders of at least 10% in aggregate liquidation amount of the securities a written notice specifying the default or breach and requiring it to be remedied and stating that the notice is a notice of default under the trust agreement.

<http://www.sec.gov/Archives/edgar/data/1094>

[Table of Contents](#)

- the bankruptcy or insolvency of the property trustee and our failure to appoint a successor property trustee within 60 days of that event.

Within five business days after the occurrence of any event of default actually known to the property trustee, the property trustee will transmit to the administrative trustees and us, as depositor, unless the event of default has been cured or waived. We, as depositor, and the administrative trustees will transmit to the property trustee a certificate as to whether or not we are and they are in compliance with all the conditions and covenants applicable to them and the property.

If a debenture event of default then exists, the preferred securities will have a preference over the common securities upon termination of the Trust Agreement. Upon Dissolution."

The existence of an event of default does not entitle you to accelerate the maturity.

Removal of Trustees

Unless a debenture event of default then exists, the holder of the common securities may remove any trustee. If a debenture event of default then exists, the liquidation amount of the outstanding preferred securities may remove the property trustee and the Delaware trustee. In no event will you have the right to replace the administrative trustees. These voting rights are vested exclusively in us as the holder of the common securities. No resignation or removal of a trustee or appointment of a successor trustee will be effective until the acceptance of appointment by the successor trustee in accordance with the provisions of the trust agreement.

Co-trustees and Separate Property Trustee

Unless an event of default then exists, for the purpose of meeting the legal requirements of the Trust Indenture Act or of any jurisdiction in which we are located, we, as the holder of the common securities, and the administrative trustees will have power to appoint one or more persons approved by us as co-trustee, jointly with the property trustee, of all or any part of the trust property, or, to the extent required by law, to act as separate trustee. These powers shall be provided in the instrument of appointment, and we may vest in that person or persons any property, title, right or power deemed necessary or desirable for the trust agreement. If a debenture event of default exists, the property trustee alone will have power to make that appointment.

Merger or Consolidation of Trustees

Any corporation into which the property trustee, the Delaware trustee or any administrative trustee that is not a natural person may be merged or consolidated, or any corporation resulting from any merger, conversion or consolidation to which the trustee is a party, or any corporation succeeding to the corporate trust business of the trustee, will be the successor of such trustee under the trust agreements, provided that the corporation is otherwise qualified to act as a trustee under the laws of the State of Delaware.

[Table of Contents](#)

Mergers, Consolidations, Amalgamations or Replacements of the Trusts

A trust may not merge with or into, consolidate, amalgamate, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to any other body, except as described below or as described under "—Liquidation Distribution Upon Dissolution."

A trust may, at our request, with the consent of the administrative trustees and without your consent, merge with or into, consolidate, amalgamate, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to any other body, under the laws of any state. However, the following conditions must be satisfied:

- the successor entity must either:
 - expressly assume all of the obligations of the trust relating to the preferred securities, or
 - substitute for the preferred securities other securities having substantially the same terms and the same ranking as the preferred securities.
- we must expressly appoint a trustee of the successor entity possessing the same powers and duties as the property trustee as the holder of the subordinated debt securities,
- the successor securities must be listed, or any successor securities must be listed upon notification of issuance, on any national securities exchange on which the preferred securities are then listed,
- the merger, consolidation, amalgamation or replacement must not cause the preferred securities, including any successor securities, to lose their recognition by a recognized statistical rating organization,
- the merger, consolidation, amalgamation or replacement must not adversely affect the rights, preferences and privileges of holders of the preferred securities or any successor securities, in any material respect,
- the successor entity must have a purpose substantially identical to that of the trust,
- prior to the merger, consolidation, amalgamation, replacement, conveyance, transfer or lease we must have received an opinion of our legal counsel that:
 - the merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of holders of the preferred securities, including any successor securities, in any material respect, and
 - following the merger, consolidation, amalgamation or replacement neither the trust nor the successor entity will be required to register securities under the Investment Company Act, and
- we or any permitted successor or assignee must own all of the common securities of the successor entity and guarantee the obligations of the successor securities at least to the extent provided by the guarantee.

However, a trust must not, except with the consent of holders of 100% in liquidation amount of the preferred securities, consolidate, amalgamate, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to any other entity or permit any other entity to consolidate, amalgamate, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to any other entity, if it would cause the trust or the successor entity to be classified as other than a grantor trust for United States federal income tax purposes.

<http://www.sec.gov/Archives/edgar/data/1094>

[Table of Contents](#)

Voting Rights; Amendment of Trust Agreement

Except as provided below and under "Description of Guarantee by Principal Financial Group, Inc. of the Trust Preferred Securities—Amendment of Trust Agreement," you will have no voting rights, other than those otherwise required by law and the applicable trust agreement, you will have no voting rights.

We and the administrative trustees may amend a trust agreement without your consent:

- to cure any ambiguity, correct or supplement any provisions in the trust agreement which may be inconsistent with any other provisions of the trust agreement, which are not inconsistent with the other provisions of the trust agreement;
- to modify, eliminate or add to any provisions of the trust agreement to the extent necessary to ensure that the trust will be classified as a grantor trust at all times that any preferred securities and common securities are outstanding, or to ensure that the trust will be an investment company under the Investment Company Act.

However, in the case of the first clause above, the action may not adversely affect in any material respect the interests of the holders of the preferred securities or the holder of the common securities. Any such amendments of the trust agreement will become effective when notice is given to you and us.

We and the administrative trustees may also amend a trust agreement with:

- the consent of holders representing not less than a majority, based upon liquidation amounts, of the outstanding preferred securities;
- receipt by the trustees of an opinion of counsel to the effect that the amendment or the exercise of any power granted to the trustees will not change the status of the trust as a grantor trust for United States federal income tax purposes or its exemption from the status of an "investment company" under the Investment Company Act.

Without both your and our consent a trust agreement may not be amended to:

- change the amount or timing of any distribution on the preferred securities and common securities or otherwise adversely affect the rights of the holders of the preferred securities and common securities as of a specified date, or
- restrict your or our right to institute suit for the enforcement of any payment on or after that date.

So long as any corresponding junior subordinated debt securities are held by the property trustee, the trustees may not:

- direct the time, method and place of conducting any proceeding for any remedy available to the debenture trustee, or for executing any judgment or order of a court of competent jurisdiction with respect to the corresponding junior subordinated debt securities,
- waive any past default that is waiveable under specified sections of the junior subordinated debt security indenture,
- exercise any right to rescind or annul a declaration that the principal of all the junior subordinated debt securities is due and payable, or
- consent to any amendment, modification or termination of the junior subordinated debt security indenture or the corresponding junior subordinated debt securities.

<http://www.sec.gov/Archives/edgar/data/1094>

that consent is required,

[Table of Contents](#)

without, in each case, obtaining the prior approval of the holders of a majority in aggregate liquidation amount of all outstanding preferred securities. The junior subordinated debt security indenture would require the consent of each holder of corresponding junior subordinated debt securities affected by the action, given by the property trustee without the prior consent of each holder of the corresponding preferred securities.

The trustees may not revoke any action previously authorized or approved by a vote of the preferred securities except by subsequent vote of the preferred securities. The property trustee will notify you of any notice of default with respect to the corresponding junior subordinated debt securities. In addition to obtaining the consent of the preferred securities prior to taking any of these actions, the trustees must obtain an opinion of counsel experienced in these matters to the effect that the action is not a prohibited transaction for the corporation or partnership for United States federal income tax purposes on account of the action.

Any required approval of holders of preferred securities may be given at a meeting of holders of preferred securities convened for that purpose. The property trustee will cause a notice of any meeting at which you are entitled to vote to be given to each holder of record of preferred securities in accordance with the agreement.

Your vote or consent is not required for a trust to redeem and cancel the preferred securities under the applicable trust agreement.

Any preferred securities that are owned by us, the trustees or any of our affiliates or any affiliate of the trustees, will, for purposes of a vote on the preferred securities, be counted as outstanding.

Global Preferred Securities

We may issue a series of preferred securities in the form of one or more global preferred securities. We will identify the depositary which will hold the global preferred securities in the applicable prospectus supplement. Unless we otherwise indicate in the applicable prospectus supplement, the depositary will be DTC. We will issue the global preferred securities in fully registered form and in either temporary or permanent form. Unless it is exchanged for individual preferred securities, a global preferred security will be:

- by the depositary to its nominee,
- by a nominee of the depositary to the depositary or another nominee, or
- by the depositary or any nominee to a successor depositary, or any nominee of the successor.

We will describe the specific terms of the depositary arrangement in the applicable prospectus supplement. We expect that the following provisions will apply to the depositary arrangements.

Beneficial Interests in a Global Preferred Security

If we issue a global preferred security, the depositary for the global preferred security or its nominee will credit on its book-entry registration statement the liquidation amounts of the individual preferred securities represented by the global preferred securities to the accounts of participants. The accounts will be maintained by the underwriters or agents for the preferred securities, or by us if the preferred securities are offered and sold directly by us. Ownership of beneficial interests in the global preferred securities will be limited to participants or persons that may hold interests through participants. Ownership and transfers of beneficial interests in the global preferred securities will be effected only through, records maintained by the applicable depositary or its nominee, for interests of participants, and the records of participants maintained through participants. The laws of some states require that you take physical delivery

[Table of Contents](#)

of the securities in definitive form. These limits and laws may impair your ability to transfer beneficial interests in a global preferred security.

So long as the depositary or its nominee is the registered owner of the global preferred security, the depositary or nominee will be considered the owner of the global preferred security for all purposes under the trust agreement. Except as provided below, you:

- will not be entitled to have any of the individual preferred securities represented by the global preferred security registered in your name;
- will not receive or be entitled to receive physical delivery of any preferred securities in definitive form, and
- will not be considered the owner or holder of the preferred security under the trust agreement.

Payments of Distributions

We will pay distributions on global preferred securities to the depositary that is the registered holder of the global security, or its nominee. The depositary will be solely responsible and liable for all payments made on account of your beneficial ownership interests in the global preferred security and reviewing any records relating to your beneficial ownership interests.

We expect that the depositary or its nominee, upon receipt of any payment of liquidation amount, premium or distributions, immediately will distribute such amounts in proportion to their respective beneficial interests in the aggregate liquidation amount of the global preferred security as shown on the records maintained by the depositary. We also expect that payments by participants to owners of beneficial interests in the global preferred security held through those participants will be made in accordance with standard and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in "street name." These payments will be made to those participants.

Issuance of Individual Preferred Securities

Unless we state otherwise in the applicable prospectus supplement, if a depositary for a series of preferred securities is at any time unwilling or unable to act as depositary and we do not appoint a successor depositary within 90 days, we will issue individual preferred securities in exchange for the global preferred security at any time and in our sole discretion, subject to any limitations described in the prospectus supplement relating to the preferred securities, determined by the board of directors, for the global preferred securities represented by one or more global preferred securities. If that occurs, we will issue individual preferred securities in exchange for the global preferred securities.

Further, we may specify that you may, on terms acceptable to us, the property trustee and the depositary for the global preferred security, request the exchange for your beneficial interests in a global preferred security, subject to any limitations described in the prospectus supplement relating to the preferred securities. If you request the exchange, you will be entitled to physical delivery of individual preferred securities equal in liquidation amount to that beneficial interest and to have the preferred securities registered in your name. Unless we otherwise specify, those individual preferred securities will be issued in denominations of \$25 and integral multiples of \$25.

Payment and Paying Agency

A trust will make payments on the preferred securities to DTC, which will credit the relevant accounts at DTC on the applicable distribution date. If the preferred securities are not held

[Table of Contents](#)

by DTC, the trust will make the payments by check mailed to the address of the holder entitled to the payment as shown on the register. Unless we prospectus supplement, the paying agent will initially be the property trustee, together with any co-paying agent chosen by the property trustee and trustees and us. The paying agent may resign as paying agent upon 30 days' written notice to the administrative trustees, property trustees and us. If the paying agent, the administrative trustees will appoint a successor to act as paying agent. The successor must be a bank or trust company acceptable

Registrar and Transfer Agent

Unless we state otherwise in the applicable prospectus supplement, the property trustee will act as registrar and transfer agent for the preferred

A trust will register transfers of preferred securities without charge, but upon your payment of any tax or other governmental charges that may be required for transfer or exchange. A trust will not be required to register the transfer of its preferred securities after the preferred securities have been called for

Information Concerning the Property Trustee

The property trustee, unless an event of default then exists, will be required to perform only those duties that are specifically set forth in the trust agreement. In the event of default, the property trustee must exercise the same degree of care and skill as a prudent person would exercise or use in the conduct of business. The property trustee is under no obligation to exercise any of the powers vested in it by the trust agreement at your request unless you offer indemnity for the expenses and liabilities that it might incur. If no event of default then exists and the property trustee is required to decide between alternative courses of action under the provisions in a trust agreement or is unsure of the application of any provision of a trust agreement, and the matter is not one on which holders are to vote, then the property trustee will take such action as is directed by us. If it is not so directed, the property trustee will take such action as it deems to be in the best interests of the holders of the preferred securities and the holder of the common securities and will have no liability except for its own bad faith, negligence or

Miscellaneous

The trust agreements authorize and direct the administrative trustees to operate the related trusts in such a way that the trusts will not be deemed to be required to be registered under the Investment Company Act or taxed as a corporation for United States federal income tax purposes and so that the trusts' debt securities will be treated as our indebtedness for United States federal income tax purposes. We and the administrative trustees are authorized to take such action with applicable law, the certificate of trust of a trust or the trust agreement, that we and the administrative trustees determine in our discretion to be in the best interests of the holders of the preferred securities, as long as the action does not materially adversely affect the interests of the holders of the preferred securities.

You have no preemptive or similar rights as a holder of preferred securities. No trust may borrow money or issue debt or mortgage or pledge

[Table of Contents](#)

**DESCRIPTION OF GUARANTEE BY PRINCIPAL FINANCIAL GROUP, INC.
OF THE TRUST PREFERRED SECURITIES**

At the same time as the issuance by a trust of its preferred securities, we will execute and deliver a guarantee for your benefit, as a holder of the preferred securities. The Trust Company will act as indenture trustee under the guarantee for the purposes of compliance with the Trust Indenture Act. The guarantee will be subject to the Trust Indenture Act.

The following description of the terms of the guarantee is a summary. It summarizes only those portions of the guarantee that we believe will be relevant to your investment in the preferred securities of a trust. You should keep in mind, however, that it is the guarantee, and not this summary, which defines your rights. There may be other provisions in the guarantee that are also important to you. You should read the guarantee itself for a full description of its terms. See the registration statement that includes this prospectus. See "Where You Can Find More Information" for information on how to obtain a copy of the guarantee. When we refer to the summary to preferred securities, we mean the preferred securities issued by a trust to which the guarantee relates.

General Terms of the Guarantee

We will irrevocably agree to pay in full on a subordinated basis, to the extent described below, the guarantee payments, as defined below, to you, without any defense, right of set-off or counterclaim that the trust may have or assert other than the defense of payment.

The following payments, which we refer to in this prospectus as the "guarantee payments," to the extent not paid by or on behalf of the related trust:

- any accrued and unpaid distributions required to be paid to you on the related preferred securities, to the extent that the trust has funds available for the payment;
- the redemption price for any preferred securities called for redemption, to the extent that the trust has funds available for the payment;
- upon a voluntary or involuntary dissolution, winding up or liquidation of the trust, unless the corresponding junior subordinated debt securities have a greater claim, the lesser of:
 - the liquidation distribution, and
 - the amount of assets of the trust remaining available for distribution to you.

Our obligation to make a guarantee payment may be satisfied by us directly paying to you the required amounts or by causing the trust to pay the required amounts to you.

The guarantee will be an irrevocable guarantee on a subordinated basis of the related trust obligations under the preferred securities, but will not be a guarantee of collection. The trust has funds sufficient to make the payments. It is not a guarantee of collection.

If we do not make interest payments on the corresponding junior subordinated debt securities held by the trust, we expect that the trust will not have funds legally available for those payments. The guarantee will rank subordinate and junior in right of payment to all securities of the trust. The Guarantee.

We are an insurance holding company with no direct operations whose assets include all of the outstanding shares of common stock of the Sub Guarantor. The Guarantor is an intermediary holding company with no direct operations whose assets include all of the outstanding shares of Principal Life and other subsidiaries. Our ability to satisfy our obligations under the guarantee will depend in large part on the ability of our insurance company and other subsidiaries.

<http://www.sec.gov/Archives/edgar/data/1094>

[Table of Contents](#)

subsidiaries to declare and distribute dividends or to advance money in the form of intercompany loans. Our insurance company subsidiaries are subject to regulatory restrictions, applicable to insurance companies generally, that limit the amount of cash dividends, loans and advances that those subsidiaries may pay. Capital requirements affecting some of our other subsidiaries also restrict their ability to pay dividends and other distributions and make loans to us. Principal Life to the Subsidiary Guarantor is subject to restrictions set forth in the insurance laws of the State of Iowa. As a result, our cash flows, including our obligations under the guarantee, are dependent upon the earnings of our subsidiaries, distributions of those earnings to us and other subsidiaries to us. In addition, our obligations under the guarantee will be effectively subordinated to all existing and future liabilities of our subsidiaries. Guarantor.

Unless we state otherwise in the applicable prospectus supplement, the guarantee does not limit us from incurring or issuing other secured or unsecured debt that we may have entered into or enter into in the future. We expect from time to time to incur additional senior indebtedness. See "—Status of the Guarantee."

We have, through the guarantee, the trust agreement, the junior subordinated debt securities, the junior subordinated debt security indenture and the related documents together, fully, irrevocably and unconditionally guaranteed all of the obligations of the trust under the preferred securities. No single document standing alone with fewer than all of the other documents constitutes the guarantee. It is only the combined operation of these documents that has the effect of providing an unconditional guarantee of the obligations of the trust under the preferred securities. See "Relationship Among the Preferred Securities, the Corporate Guarantees and the Guarantees by Principal Financial Group, Inc. of the Trust Preferred Securities."

Status of the Guarantee

The guarantee will constitute an unsecured obligation of Principal Financial Group, Inc. and will rank subordinate and junior in right of payment to all other indebtedness.

Unless we state otherwise in the applicable prospectus supplement, the guarantee of a series of preferred securities will rank equally with the guarantee of other series of preferred securities that we may issue. The guarantee will constitute a guarantee of payment and not of collection, which means that the guarantor will be proceeding directly against us to enforce its rights under the guarantee without first instituting a legal proceeding against any other person or entity. The trust will hold the guarantee for your benefit. The guarantee will not be discharged except by payment of the guarantee payments in full to the extent of the distribution of the corresponding junior subordinated debt securities to you.

Amendments and Assignment

We may not amend the guarantee without the prior approval of the holders of not less than a majority of the aggregate liquidation amount of the preferred securities for any changes which do not materially adversely affect the rights of the holders of the preferred securities, in which case no vote will be required. The approval will be as set forth under "Description of the Preferred Securities—Voting Rights; Amendment of Trust Agreement."

All guarantees and agreements contained in the guarantee will bind our successors, assigns, receivers, trustees and representatives and will apply to all related preferred securities then outstanding.

[Table of Contents](#)

Events of Default

An event of default under the guarantee will occur when we fail to perform any of our payment or other obligations under the guarantee. The aggregate liquidation amount of the related preferred securities have the right to direct the time, method and place of conducting any proceeding for the trustee under the guarantee or to direct the exercise of any trust or power conferred upon the guarantee trustee under the guarantee.

You may institute a legal proceeding directly against us to enforce your rights under the guarantee without first instituting a legal proceeding against any other person or entity.

We, as guarantor, are required to file annually with the guarantee trustee a certificate as to whether or not we are in compliance with all the c us under the guarantee.

Information Concerning the Guarantee Trustee

The guarantee trustee, unless a default by us in the performance of the guarantee then exists, is required to perform only those duties that are After a default under the guarantee, the guarantee trustee must exercise the same degree of care and skill as a prudent person would exercise or us affairs. However, the guarantee trustee is under no obligation to exercise any of the powers vested in it by the guarantee at your request unless you costs, expenses and liabilities that it might incur.

Termination of the Guarantee

The guarantee will terminate and be of no further force and effect:

- upon full payment of the redemption price of the related preferred securities,
- upon full payment of the amounts payable upon liquidation of the related trust, or
- upon distribution of corresponding junior subordinated debt securities to the holders of the preferred securities.

The guarantee will continue to be effective or will be reinstated if at any time you must restore payment of any sums paid under the preferred

Governing Law

The guarantee will be governed by and construed in accordance with the laws of the State of New York.

The Expense Agreement

Under an expense agreement entered into by us, we will irrevocably and unconditionally guarantee to each person or entity to whom a trust b payment of any costs, expenses or liabilities of the trust, other than obligations of the trust to pay to you the amounts due to you under the terms of

[Table of Contents](#)

DESCRIPTION OF CORRESPONDING JUNIOR SUBORDINATED DEBT SECURITIES

The corresponding junior subordinated debt securities are to be issued in one or more series of junior subordinated debt securities under the indenture with terms corresponding to the terms of the related preferred securities. See "Description of Junior Subordinated Debt Securities."

The following description of the terms of the corresponding junior subordinated debt securities and the junior subordinated debt security indenture contains those portions of the junior subordinated debt security indenture which we believe will be most important to your decision to invest in the preferred securities; however, that it is the junior subordinated debt security indenture, and not this summary, which defines your rights. There may be other provisions in the indenture which are also important to you. You should read the junior subordinated debt security indenture itself for a full description of its terms. The indenture is filed as an exhibit to the registration statement that includes this prospectus. See "Where You Can Find More Information" for information about the junior subordinated debt security indenture.

General Terms of the Corresponding Junior Subordinated Debt Securities

At the same time a trust issues preferred securities, the trust will invest the proceeds from the sale and the consideration paid by us for the corresponding junior subordinated debt securities issued by us to the trust. Each series of corresponding junior subordinated debt securities will have an aggregate stated liquidation amount of the related preferred securities plus our investment in the common securities and, unless we state otherwise in the prospectus supplement, will rank equally with all other series of corresponding junior subordinated debt securities. The corresponding junior subordinated debt securities will be subordinate and junior in right of payment to the extent and in the manner set forth in the junior subordinated debt security indenture to all our senior securities. See "Junior Subordinated Debt Securities—Subordination" and the prospectus supplement relating to any offering of related preferred securities.

Optional Redemption

Unless we state otherwise in the applicable prospectus supplement, we may, at our option, redeem the corresponding junior subordinated debt securities, in whole or in part. Unless we state otherwise in the applicable prospectus supplement, the redemption price for any corresponding junior subordinated debt securities will be equal to any accrued and unpaid interest to the date fixed for redemption, plus the greater of:

- the principal amount of the debentures, and
- an amount equal to:
 - for junior subordinated debt securities bearing interest at a fixed rate, the discounted remaining fixed amount payments. See "Junior Subordinated Debt Securities—Redemption."
 - for junior subordinated debt securities bearing interest determined by reference to a floating rate, the discounted swap equivalent amount. See "Junior Subordinated Debt Securities—Redemption."

If a tax event or an investment company event exists, we may, at our option, redeem the corresponding junior subordinated debt securities on or within 90 days of the occurrence of the tax event or investment company event, in whole but not in part, subject to the

[Table of Contents](#)

provisions of the junior subordinated debt security indenture. The redemption price for any corresponding junior subordinated debt securities will be the amount of the corresponding junior subordinated debt securities then outstanding plus accrued and unpaid interest to the date fixed for redemption of the Subordinated Debt Securities—Redemption."

For so long as the applicable trust is the holder of all the outstanding series of corresponding junior subordinated debt securities, the trust will not redeem the corresponding preferred securities. We may not redeem a series of corresponding junior subordinated debt securities in part unless all the securities of the series are paid in full on all outstanding corresponding junior subordinated debt securities of the series for all interest periods terminating on or prior to the date of redemption.

Covenants of Principal Financial Group, Inc.

We will covenant in the junior subordinated debt security indenture for each series of corresponding junior subordinated debt securities that we will not redeem them if:

- the trust that has issued the corresponding series of preferred securities and common securities is the holder of all of the corresponding securities,
- a tax event exists, and
- we have not redeemed the corresponding junior subordinated debt securities or terminated the trust.

We will also covenant, for each series of corresponding junior subordinated debt securities, that we and our subsidiaries will not:

- declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment on any of our capital securities,
- make any payment of principal of, interest or premium, if any, on or repay or repurchase or redeem any debt securities, including our preferred securities, that rank equally with or junior in interest to the corresponding junior subordinated debt securities or make any redemption of any debt securities other than:

other than:

- dividends or distributions in our common stock,
- redemptions or purchases of any rights pursuant to our rights plan, or any successor to our rights plan, and the declaration of a dividend on our common stock,
- payments under any guarantee of preferred securities,

if at that time:

- there has occurred any event of which we have actual knowledge that with the giving of notice or the lapse of time, or both, would constitute a default under the junior subordinated debt security indenture for that series of corresponding junior subordinated debt securities which we have not redeemed.

[Table of Contents](#)

- we are in default on our payment of any obligations under the related guarantee, or
- we have given notice of our selection of an extension period as provided in the junior subordinated debt security indenture for that extension period, or the extension period, or any extension, is continuing.

We will also covenant, for each series of corresponding junior subordinated debt securities:

- to maintain, by ourselves or our permitted successors, directly or indirectly, 100% ownership of the common securities of the trust if any common securities have been issued,
- not to voluntarily terminate, wind-up or liquidate any trust, except in connection with a distribution of corresponding junior subordinated debt securities, or in connection with mergers, consolidations or amalgamations permitted by the related trust agreement, and
- to use our reasonable efforts, consistent with the terms and provisions of the related trust agreement, to cause the trust to remain a trust for United States federal income tax purposes.

**RELATIONSHIP AMONG THE PREFERRED SECURITIES, THE CORRESPONDING
JUNIOR SUBORDINATED DEBT SECURITIES AND THE GUARANTEES BY
PRINCIPAL FINANCIAL GROUP, INC. OF THE TRUST PREFERRED SECURITIES**

As long as payments of interest and other payments are made when due on each series of corresponding junior subordinated debt securities, we will irrevocably guarantee payments of distributions and other payments due on the related preferred securities, primarily because:

- the aggregate principal amount of each series of corresponding junior subordinated debt securities will be equal to the sum of the aggregate principal amount of the corresponding preferred securities and corresponding common securities,
- the interest rate and interest and other payment dates on each series of corresponding junior subordinated debt securities will match the interest rate and other payment dates for the corresponding preferred securities,
- we will pay for all and any costs, expenses and liabilities of the trust except the obligations of the trust to holders of its preferred securities, and
- each trust agreement further provides that the trust will not engage in any activity that is not consistent with the limited purposes of the trust.

We will irrevocably guarantee payments of distributions and other amounts due on the preferred securities, to the extent the trust has funds available for distributions, to the extent set forth under "Description of Guarantee by Principal Financial Group, Inc. of the Trust Preferred Securities."

Taken together, our obligations under each series of junior subordinated debt securities, the junior subordinated debt security indenture, the related trust agreement and the related guarantee provide a full, irrevocable and unconditional guarantee of payments of distributions and other amounts due on the preferred securities. No single document standing alone or operating in conjunction with fewer than all of the other documents constitutes the guarantee. It is the combined effect of all of the documents that has the effect of providing a full, irrevocable and unconditional guarantee of the obligations of the trust under the preferred securities.

<http://www.sec.gov/Archives/edgar/data/1094>

[Table of Contents](#)

and to the extent that we do not make payments on any series of corresponding junior subordinated debt securities, the trust will not pay distributions on the preferred securities.

Notwithstanding anything to the contrary in the junior subordinated debt security indenture, we have the right to set-off any payment we are or may make under the junior subordinated debt security indenture with and to the extent we have made or are making a payment under the related guarantee.

You may institute a legal proceeding directly against us to enforce your rights under the related guarantee without first instituting a legal proceeding against the related trust or any other person or entity.

The preferred securities of each trust evidence your rights to the benefits of the trust. Each trust exists for the sole purpose of issuing its preferred securities and investing the proceeds from the sale of such securities in corresponding junior subordinated debt securities and related purposes.

A principal difference between your rights as a holder of a preferred security and the rights of a holder of a corresponding junior subordinated debt security is that the corresponding junior subordinated debt security will accrue, and, subject to the permissible extension of the interest period, is entitled to receive distributions on the corresponding junior subordinated debt securities held, while you are only entitled to receive distributions if and to the extent the trust has funds available for distributions.

Upon any voluntary or involuntary termination, winding-up or liquidation of any trust involving the liquidation of the corresponding junior subordinated debt securities, you are entitled to receive, out of assets held by the trust, the liquidation distribution in cash. See "Description of Preferred Securities—Liquidation Distributions."

Upon any voluntary or involuntary liquidation or bankruptcy of Principal Financial Group, Inc., the property trustee, as holder of the corresponding junior subordinated debt securities, would be a subordinated creditor. In this case, the property trustee would be subordinated in right of payment to all senior debt, but entitled to receive principal and interest, before any of our stockholders receive payments or distributions. Since we are the guarantor under each guarantee and have no other assets and liabilities of each trust, your position as a holder of the preferred securities and the position of a holder of the corresponding junior subordinated debt securities as creditors and to our stockholders in the event of liquidation or bankruptcy of our company would be substantially the same.

A default or event of default under any senior debt would not constitute a default or event of default under the junior subordinated debt security indenture. Payment defaults under, or acceleration of, senior debt, the subordination provisions of the junior subordinated debt security indenture provide that we will not make required payments on any series of corresponding junior subordinated debt securities until the senior debt has been paid in full or any payment default under the senior debt has been cured.

[Table of Contents](#)

PLAN OF DISTRIBUTION

We may sell securities from time to time in one or more transactions separately or as units with other securities, and the trusts may sell from securities. We or the trusts may sell the securities of or within any series to or through agents, underwriters, dealers, remarketing firms or other purchasers or through a combination of any of these methods. We or the trusts may issue securities as a dividend or distribution. In some cases, we or the trusts or on behalf of us or the trusts may also purchase securities and reoffer them to the public. We or the trusts may also offer and sell, or in connection with, any option agreement or other contractual arrangement.

Agents whom we or the trusts designate may solicit offers to purchase the securities.

- We or the trusts will name any agent involved in offering or selling securities, and disclose any commissions that we or the trusts will pay in the applicable prospectus supplement.
- Unless we or the trusts indicate otherwise in the applicable prospectus supplement, agents will act on a best efforts basis for the period of the offering.
- Agents may be deemed to be underwriters under the Securities Act of 1933, as amended, of any of the securities that they offer or sell.

We or the trusts may use an underwriter or underwriters in the offer or sale of the securities.

- If we or the trusts use an underwriter or underwriters, we or the trusts will execute an underwriting agreement with the underwriter, and we or the trusts will include the terms of the underwriting agreement in the applicable prospectus supplement.
- We or the trusts will include the names of the specific managing underwriter or underwriters, as well as the names of any other underwriters, in the applicable prospectus supplement, including the compensation the underwriters and dealers will receive, in the applicable prospectus supplement.
- The underwriters will use the applicable prospectus supplement to sell the securities.
- We or the trusts may use a dealer to sell the securities.
- If we or the trusts use a dealer, we or the trusts, as principal, will sell the securities to the dealer.
- The dealer will then sell the securities to the public at varying prices that the dealer will determine at the time it sells the securities.
- We or the trusts will include the name of the dealer and the terms of the transactions with the dealer in the applicable prospectus supplement.

We or the trusts may solicit directly offers to purchase the securities, and we or the trusts may directly sell the securities to institutional or other investors. We or the trusts will describe the terms of direct sales in the applicable prospectus supplement.

We or the trusts may engage in at the market offerings into an existing trading market in accordance with Rule 415(a)(4) of the Securities Act of 1933.

We or the trusts may also offer and sell securities, if so indicated in the applicable prospectus supplement, in connection with a remarketing of securities, a redemption or repayment pursuant to their terms, or otherwise, by one or more firms referred to as remarketing firms, acting as principals for the trusts.

<http://www.sec.gov/Archives/edgar/data/1094>

agents. Any remarketing firm will be identified and the terms of its agreement, if any, with us or the trusts, and its compensation will be described in the prospectus supplement. Remarketing firms may be deemed to be

[Table of Contents](#)

underwriters under the Securities Act of 1933, as amended, in connection with the securities they remarket.

We or the trusts may indemnify agents, underwriters, dealers and remarketing firms against certain liabilities, including liabilities under the Securities Act of 1933. Agents, underwriters, dealers and remarketing firms, or their affiliates, may be customers of, engage in transactions with or perform services for our business.

We or the trusts may authorize agents and underwriters to solicit offers by certain institutions to purchase the securities at the public offering.

- If we or the trusts use delayed delivery contracts, we or the trusts will disclose that we or the trusts are using them in the prospectus supplement, and we or the trusts will demand payment and delivery of the securities under the delayed delivery contracts.
- These delayed delivery contracts will be subject only to the conditions that we or the trusts describe in the prospectus supplement.
- We or the trusts will describe in the applicable prospectus supplement the commission that underwriters and agents soliciting purchases of securities under delayed delivery contracts will be entitled to receive.

Until the distribution of the securities is completed, rules of the SEC may limit the ability of underwriters and other participants in the offering to engage in certain transactions that stabilize the price of the securities. As an exception to these rules, the underwriters in certain circumstances are permitted to engage in certain transactions that stabilize the price of the securities, including the purchase of bids or purchases for the purpose of pegging, fixing or maintaining the price of the securities. If the underwriters create a short position in the securities, i.e., if they sell more securities than are set forth on the cover page of the applicable prospectus supplement, the underwriters may reduce that short position in the open market. The underwriters also may impose a penalty bid on certain underwriters. This means that if the underwriters purchase the securities to cover their underwriters' short position or to stabilize the price of the securities, they may reclaim the amount of the selling concession from the underwriters in the offering. In general, purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it otherwise would be in such purchases. The imposition of a penalty bid might also have an effect on the price of a security to the extent that it were to discourage resales of the securities.

We or the trusts may enter into derivative or other hedging transactions involving the securities with third parties, or sell securities not covered by this prospectus in privately-negotiated transactions. If we or the trusts so indicate in the applicable prospectus supplement, in connection with those derivative transactions, we or the trusts may sell securities covered by this prospectus and the applicable prospectus supplement, including in short sale transactions, or may lend securities in order to facilitate such sales or to settle those sales or to close out those securities, and may use securities received from us or the trusts in settlement of those derivative or hedging transactions to close out any related obligations. Any party in such sale transactions will be an underwriter and will be identified in the applicable prospectus supplement (or a post-effective amendment to this prospectus is a part).

We or the trusts may effect sales of securities in connection with forward sale, option or other types of agreements with third parties. Any distribution of securities under a forward sale agreement may be effected from time to time in one or more transactions that may take place through a stock exchange, including block sales, or through broker-dealers.

[Table of Contents](#)

acting either as principal or agent, or through privately-negotiated transactions, or through an underwritten public offering, or through a combination of these methods, at market prices prevailing at the time of sale, at prices relating to such prevailing market prices or at negotiated or fixed prices.

We or the trusts may loan or pledge securities to third parties that in turn may sell the securities using this prospectus and the applicable prospectus supplement. In the event of a default in the case of a pledge, may offer and sell the securities from time to time using this prospectus and the applicable prospectus supplement. We may also sell short positions to investors in the securities or in connection with a concurrent offering of other securities offered by this prospectus and the applicable prospectus supplement or otherwise.

In compliance with the guidelines of the Financial Industry Regulatory Authority ("FINRA"), the aggregate maximum discount, commission, and underwriting compensation to be received by any FINRA member or independent broker-dealer will not exceed 8% of any offering pursuant to this prospectus supplement; however, we anticipate that the maximum commission or discount to be received in any particular offering of securities will not exceed 8%.

If 5% or more of the net proceeds of any offering of securities made under this prospectus will be received by a FINRA member participating in the offering or any associated persons of such FINRA member, the offering will be conducted in accordance with FINRA Rule 5121 (or any successor rule).

Any underwriters, agents, dealers or remarketing firms will be identified and their compensation described in a prospectus supplement.

[Table of Contents](#)

VALIDITY OF SECURITIES

Unless we state otherwise in the applicable prospectus supplement the validity of any securities offered by this prospectus will be passed upon by Ernst & Young LLP, New York, New York, and for the trusts and us by Richards, Layton & Finger, P.A., special Delaware counsel to the trusts, and for any underwriter we will name in the applicable prospectus supplement.

EXPERTS

The consolidated financial statements of Principal Financial Group, Inc. appearing in the Principal Financial Group, Inc.'s Annual Report (Form 10-K) for the year ended December 31, 2010 (including schedules appearing therein), and the effectiveness of Principal Financial Group, Inc.'s internal control over financial reporting have been audited by Ernst & Young LLP, an independent registered public accounting firm, as set forth in their reports thereon which contain an opinion on the response to new accounting standards, changes in methods of accounting for credit derivatives embedded in beneficial interests in securitized financial assets, variable interest entities effective January 1, 2010, for other-than-temporary impairments on debt securities and for the treatment of noncontrolling interests in subsidiaries for its pension and other post retirement benefits effective January 1, 2008, included therein, and incorporated herein by reference. Such consolidated financial statements and Principal Financial Group, Inc. management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2010, are incorporated by reference upon such reports given on the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission under the Securities Exchange Act of 1934. This information may be read and copied at the Public Reference Room of the Securities and Exchange Commission at 100 F Street, N.E., Washington, D.C. 20549, and Exchange Commission at 1-800-SEC-0330 for further information on the operation of these public reference facilities. The Securities and Exchange Commission's Internet site, <http://www.sec.gov>, which contains reports, proxy and information statements and other information regarding issuers that are subject to the Commission's reporting requirements.

This prospectus is part of a registration statement that we and the trusts have filed with the Securities and Exchange Commission relating to the offering of securities. This prospectus does not contain all of the information we and the trusts have included in the registration statement and the accompanying exhibits and schedules and regulations of the Securities and Exchange Commission, and we and the trusts refer you to the omitted information. The statements in this prospectus are summaries of the material provisions and qualifications contained in those contracts, agreements or documents. You should read those contracts, agreements or documents for information that is not summarized in the registration statement, exhibits and schedules are available at the Securities and Exchange Commission's Public Reference Room or through its Internet site.

Our common stock is listed on the New York Stock Exchange, Inc. You can also inspect reports and other information concerning us at the office of our transfer agent, Inc., 20 Broad Street, New York, New York 10005.

[Table of Contents](#)

INCORPORATION BY REFERENCE

The rules of the Securities and Exchange Commission allow us to incorporate by reference information into this prospectus. The information considered to be a part of this prospectus, and information that we file later with the Securities and Exchange Commission will automatically update this prospectus incorporates by reference the documents listed below:

- our Annual Report on Form 10-K for the year ended December 31, 2010,
- our Quarterly Report on Form 10-Q for the quarter ended March 31, 2011,
- our Current Report on Form 8-K filed on May 23, 2011,
- description of our common stock and the rights associated with our common stock contained in our registration statements on Form S-1,
- our Proxy Statement dated April 6, 2011, as amended, and
- all documents filed by us pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this prospectus.

You can obtain any filing incorporated by reference into this prospectus through us or from the Securities and Exchange Commission through the Commission's Internet site or at the address listed above. We will provide without charge to each person, including any beneficial owner, to whom we make a direct request for those documents to Office of the Corporate Secretary, Principal Financial Group, Inc., 711 High Street, Des Moines, Iowa 50319.

[Table of Contents](#)



\$900,000,000

PRINCIPAL FINANCIAL GROUP, INC.

\$300,000,000 1.850% Senior Notes due 2017

\$300,000,000 3.125% Senior Notes due 2023

\$300,000,000 4.350% Senior Notes due 2043

**Fully and Unconditionally Guaranteed by
PRINCIPAL FINANCIAL SERVICES, INC.**

PROSPECTUS SUPPLEMENT

November 13, 2012

Joint Book-Running Managers

Credit Suisse

Deutsche Bank Securities

Goldman, Sachs & Co.

UBS

Senior Co-Managers

BofA Merrill Lynch

Morgan Sta

<http://www.sec.gov/Archives/edgar/data/1094>

Co-Managers

HSBC

RBS

Santander

The Williams Capital Group L.P.



<http://www.sec.gov/Archives/edgar/data/1094>