UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2011

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

1-16725

(Commission file number)

PRINCIPAL FINANCIAL GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**42-1520346**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

711 High Street, Des Moines, Iowa 50392

(Address of principal executive offices)

(515) 247-5111

(Registrant s telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

The total number of shares of the registrant s Common Stock, $0.01 par value, outstanding as of April 27, 2011, was 321,318,850.

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PRINCIPAL FINANCIAL GROUP, INC.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

Principal Financial Group, Inc.

Consolidated Statements of Financial Position

	March 31, 2011 (Unaudited)	December 31, 2010
	(in millions)	
Assets		
Fixed maturities, available-for-sale (2011 and 2010 include $262.9 million and $257.9 million related to consolidated variable interest entities)	**$ 48,305.5**	$ 48,636.3
Fixed maturities, trading (2011 and 2010 include $135.0 million and $131.4 million related to consolidated variable interest entities)	**1,006.3**	1,120.3
Equity securities, available-for-sale	**175.8**	169.9
Equity securities, trading (2011 and 2010 include $218.6 million and $158.6 million related to consolidated variable interest entities)	**389.7**	316.9
Mortgage loans	**10,900.0**	11,125.1
Real estate	**1,010.0**	1,063.5
Policy loans	**893.0**	903.9
Other investments (2011 and 2010 include $122.5 million and $128.7 million related to consolidated variable interest entities, of which $122.2 million and $128.3 million are measured at fair value under the fair value option)	**2,676.4**	2,641.6
Total investments	**65,356.7**	65,977.5
Cash and cash equivalents (2011 and 2010 include $113.7 million and $100.0 million related to consolidated variable interest entities)	**1,984.2**	1,877.4
Accrued investment income	**675.6**	666.1
Premiums due and other receivables	**1,309.9**	1,063.0
Deferred policy acquisition costs	**3,549.9**	3,529.8
Property and equipment	**448.7**	458.7
Goodwill	**344.5**	345.4
Other intangibles	**829.3**	834.6
Separate account assets	**71,724.5**	69,555.3
Other assets	**1,326.4**	1,323.3
Total assets	**$ 147,549.7**	$ 145,631.1
Liabilities		
Contractholder funds	**$ 36,609.3**	$ 37,301.1
Future policy benefits and claims	**19,975.3**	20,046.3
Other policyholder funds	**607.5**	592.2
Short-term debt	**106.8**	107.9
Long-term debt	**1,579.8**	1,583.7
Income taxes currently payable	**3.6**	6.2
Deferred income taxes	**542.7**	409.9
Separate account liabilities	**71,724.5**	69,555.3
Other liabilities (2011 and 2010 include $517.7 million and $433.6 million related to consolidated variable interest entities, of which $106.4 million and $114.5 million are	**6,027.4**	6,143.5

measured at fair value under the fair value option)				
Total liabilities		**137,176.9**		135,746.1
Stockholders equity				
Series A preferred stock, par value $.01 per share with liquidation preference of $100 per share 3.0 million shares authorized, issued and outstanding in 2011 and 2010				
Series B preferred stock, par value $.01 per share with liquidation preference of $25 per share 10.0 million shares authorized, issued and outstanding in 2011 and 2010		**0.1**		0.1
Common stock, par value $.01 per share 2,500.0 million shares authorized, 449.6 million and 448.5 million shares issued, and 321.3 million and 320.4 million shares outstanding in 2011 and 2010		**4.5**		4.5
Additional paid-in capital		**9,580.1**		9,563.8
Retained earnings		**4,808.6**		4,612.3
Accumulated other comprehensive income		**525.5**		272.4
Treasury stock, at cost (128.3 million and 128.1 million shares in 2011 and 2010)		**(4,731.2)**		(4,725.3)
Total stockholders equity attributable to Principal Financial Group, Inc.		**10,187.6**		9,727.8
Noncontrolling interest		**185.2**		157.2
Total stockholders equity		**10,372.8**		9,885.0
Total liabilities and stockholders equity	**$**	**147,549.7**	$	145,631.1

See accompanying notes.

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Principal Financial Group, Inc.
Consolidated Statements of Operations
(Unaudited)

	For the three months ended March 31, 2011	2010
	(in millions, except per share data)	
Revenues		
Premiums and other considerations	**$ 797.1**	$ 878.9
Fees and other revenues	**620.8**	567.6
Net investment income	**859.9**	863.0
Net realized capital gains (losses), excluding impairment losses on available-for-sale securities	**(5.6)**	33.7
Total other-than-temporary impairment losses on available-for-sale securities	**(14.0)**	(84.6)
Other-than-temporary impairment losses on fixed maturities, available-for-sale reclassified to (from) other comprehensive income	**(38.4)**	5.4
Net impairment losses on available-for-sale securities	**(52.4)**	(79.2)
Net realized capital losses	**(58.0)**	(45.5)
Total revenues	**2,219.8**	2,264.0
Expenses		
Benefits, claims and settlement expenses	**1,191.5**	1,275.3
Dividends to policyholders	**53.6**	56.5
Operating expenses	**691.2**	675.9
Total expenses	**1,936.3**	2,007.7
Income before income taxes	**283.5**	256.3
Income taxes	**60.4**	52.7
Net income	**223.1**	203.6
Net income attributable to noncontrolling interest	**18.6**	4.6
Net income attributable to Principal Financial Group, Inc.	**204.5**	199.0
Preferred stock dividends	**8.2**	8.2
Net income available to common stockholders	**$ 196.3**	$ 190.8
Earnings per common share		
Basic earnings per common share	**$ 0.61**	$ 0.60
Diluted earnings per common share	**$ 0.60**	$ 0.59

See accompanying notes.

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Principal Financial Group, Inc.
Consolidated Statements of Stockholders Equity
(Unaudited)

	Series A preferred stock	Series B preferred stock	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Noncontrolling interest	Total stockholders equity
					(in millions)				
Balances at January 1, 2010	$	$ 0.1	$ 4.5	$ 9,492.9	$ 4,160.7	$ (1,042.0)	$ (4,722.7)	$ 122.9	$ 8,016.4
Common stock issued				8.3					8.3
Stock-based compensation and additional related tax benefits				11.3					11.3
Treasury stock acquired, common							(1.7)		(1.7)
Dividends to preferred stockholders					(8.2)				(8.2)
Distributions to noncontrolling interest								(1.0)	(1.0)
Contributions from noncontrolling interest								5.9	5.9
Effects of implementation of accounting change related to variable interest entities, net					(10.7)	10.7			
Comprehensive income:									
Net income					199.0			4.6	203.6
Net unrealized gains, net						449.1			449.1
Noncredit component of impairment losses on fixed maturities, available-for-sale, net						(3.0)			(3.0)
Foreign currency translation adjustment, net of related income taxes						(2.6)		0.2	(2.4)
Unrecognized postretirement benefit obligation, net of related income taxes						9.9			9.9
Comprehensive income									657.2
Balances at March 31, 2010	$	$ 0.1	$ 4.5	$ 9,512.5	$ 4,340.8	$ (577.9)	$ (4,724.4)	$ 132.6	$ 8,688.2
Balances at January 1, 2011	**$**	**$ 0.1**	**$ 4.5**	**$ 9,563.8**	**$ 4,612.3**	**$ 272.4**	**$ (4,725.3)**	**$ 157.2**	**$ 9,885.0**
Common stock issued				**9.1**					**9.1**
Stock-based compensation and additional related tax benefits				**9.2**					**9.2**
Treasury stock acquired, common							**(5.9)**		**(5.9)**
Dividends to preferred stockholders					**(8.2)**				**(8.2)**
Distributions to noncontrolling interest								**(2.4)**	**(2.4)**
Contributions from noncontrolling interest								**14.3**	**14.3**
Purchase of subsidiary shares from noncontrolling interest				**(2.0)**				**(2.5)**	**(4.5)**
Comprehensive income:									
Net income					**204.5**			**18.6**	**223.1**
Net unrealized gains, net						**164.6**			**164.6**
Noncredit component of impairment losses on fixed maturities, available-for-sale,						**16.6**			**16.6**

net									
Foreign currency translation adjustment, net of related income taxes						**22.7**			**22.7**
Unrecognized postretirement benefit obligation, net of related income taxes						**49.2**			**49.2**
Comprehensive income									**476.2**
Balances at March 31, 2011	**$**	**$ 0.1**	**$ 4.5**	**$ 9,580.1**	**$ 4,808.6**	**$ 525.5**	**$ (4,731.2)**	**$ 185.2**	**$ 10,372.8**

See accompanying notes.

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Principal Financial Group, Inc.
Consolidated Statements of Cash Flows
(Unaudited)

	For the three months ended March 31, 2011	2010
	(in millions)	
Operating activities		
Net income	**$ 223.1**	$ 203.6
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred policy acquisition costs	**55.5**	72.8
Additions to deferred policy acquisition costs	**(127.0)**	(123.8)
Accrued investment income	**(9.5)**	(32.1)
Net cash flows for trading securities	**65.3**	(148.8)
Premiums due and other receivables	**(42.4)**	(12.0)
Contractholder and policyholder liabilities and dividends	**314.2**	255.9
Current and deferred income taxes	**48.9**	37.6
Net realized capital losses	**58.0**	45.5
Depreciation and amortization expense	**31.4**	29.9
Mortgage loans held for sale, acquired or originated	**(25.9)**	(15.9)
Mortgage loans held for sale, sold or repaid, net of gain	**15.9**	13.7
Real estate sold through operating activities	**76.9**	3.1
Stock-based compensation	**9.2**	10.7
Other	**501.9**	313.0
Net adjustments	**972.4**	449.6
Net cash provided by operating activities	**1,195.5**	653.2
Investing activities		
Available-for-sale securities:		
Purchases	**(1,666.4)**	(2,228.5)
Sales	**536.4**	707.2
Maturities	**1,725.6**	828.5
Mortgage loans acquired or originated	**(123.9)**	(219.1)
Mortgage loans sold or repaid	**323.7**	451.5
Real estate acquired	**(7.0)**	(9.7)
Net purchases of property and equipment	**(4.1)**	(4.2)
Net change in other investments	**(68.4)**	12.3
Net cash provided by (used in) investing activities	**$ 715.9**	$ (462.0)

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Principal Financial Group, Inc.
Consolidated Statements of Cash Flows (continued)
(Unaudited)

	For the three months ended March 31, 2011	For the three months ended March 31, 2010
	(in millions)	
Financing activities		
Issuance of common stock	**$ 9.1**	$ 8.3
Acquisition of treasury stock	**(5.9)**	(1.7)
Proceeds from financing element derivatives	**19.4**	16.6
Payments for financing element derivatives	**(12.1)**	(13.2)
Excess tax benefits from share-based payment arrangements	**1.6**	0.4
Dividends to preferred stockholders	**(8.2)**	(8.2)
Issuance of long-term debt	**0.6**	0.2
Principal repayments of long-term debt	**(1.7)**	(3.4)
Net proceeds from short-term borrowings	**0.2**	31.2
Investment contract deposits	**893.3**	1,051.0
Investment contract withdrawals	**(2,674.2)**	(1,920.7)
Net increase (decrease) in banking operation deposits	**(25.8)**	38.7
Other	**(0.9)**	(1.1)
Net cash used in financing activities	**(1,804.6)**	(801.9)
Net increase (decrease) in cash and cash equivalents	**106.8**	(610.7)
Cash and cash equivalents at beginning of period	**1,877.4**	2,240.4
Cash and cash equivalents at end of period	**$ 1,984.2**	$ 1,629.7

See accompanying notes.

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Principal Financial Group, Inc.
Notes to Consolidated Financial Statements
March 31, 2011
(Unaudited)

1. Nature of Operations and Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements of Principal Financial Group, Inc. (PFG), its majority-owned subsidiaries and its consolidated variable interest entities (VIEs), have been prepared in conformity with accounting principles generally accepted in the U.S. (U.S. GAAP) for interim financial statements and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2011, are not necessarily indicative of the results that may be expected for the year ended December 31, 2011. These interim unaudited consolidated financial statements should be read in conjunction with our annual audited financial statements as of December 31, 2010, included in our Form 10-K for the year ended December 31, 2010, filed with the United States Securities and Exchange Commission (SEC). The accompanying consolidated statement of financial position as of December 31, 2010, has been derived from the audited consolidated statement of financial position but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

Recent Accounting Pronouncements

In April 2011, the Financial Accounting Standards Board (FASB) issued authoritative guidance which clarifies when creditors should classify a loan modification as a troubled debt restructuring (TDR). A TDR occurs when a creditor grants a concession to a debtor experiencing financial difficulties. Loans denoted as a TDR are considered impaired and are specifically reserved for when calculating the allowance for credit losses. This guidance also ends the indefinite deferral issued in January 2011 surrounding new disclosures on loans classified as a TDR required as part of the credit quality disclosures guidance issued in July 2010. This guidance will be effective for us on July 1, 2011, and will be applied retrospectively to restructurings occurring on or after January 1, 2011. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

In October 2010, the FASB issued authoritative guidance that modifies the definition of the types of costs incurred by insurance entities that can be capitalized in the successful acquisition of new or renewal insurance contracts. Capitalized costs should include incremental direct costs of contract acquisition, as well as certain costs related directly to acquisition activities such as underwriting, policy issuance and processing, medical and inspection and sales force contract selling. This guidance will be effective for us on January 1, 2012, with retrospective application permitted but not required. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

In July 2010, the FASB issued authoritative guidance that requires new and expanded disclosures related to the credit quality of financing receivables and the allowance for credit losses. Reporting entities are required to provide qualitative and quantitative disclosures on the allowance for credit losses, credit quality, impaired loans, modifications and nonaccrual and past due financing receivables. The disclosures are required to be presented on a disaggregated basis by portfolio segment and class of financing receivable. Disclosures required by the guidance that relate to the end of a reporting period were effective for us in our December 31, 2010, consolidated financial statements. Disclosures required by the guidance that relate to an activity that occurs during a reporting period were effective for us on January 1, 2011, and did not have a material impact on our consolidated financial statements. See Note 3, Investments, for further details.

In April 2010, the FASB issued authoritative guidance addressing how investments held through the separate accounts of an insurance entity affect the entity s consolidation analysis. This guidance clarifies that an insurance entity should not consider any separate account interests held for the benefit of policyholders in an investment to be the insurer s interests and should not combine those interests with its general account interest in the same investment when assessing the investment for consolidation. This guidance was effective for us on January 1, 2011, and did not have a material impact on our consolidated financial statements.

In March 2010, the FASB issued authoritative guidance that amends and clarifies the guidance on evaluation of credit derivatives embedded in beneficial interests in securitized financial assets, including asset-backed securities (ABS), credit-linked notes, collateralized loan obligations and collateralized debt obligations (CDOs). This guidance eliminates the scope exception for bifurcation of embedded credit derivatives in interests in securitized financial assets, unless they are created solely by subordination of one financial instrument to another. We adopted this guidance effective July 1, 2010, and within the scope of this guidance reclassified fixed maturities with a fair value of $75.3 million, from available-for-sale to trading. The cumulative change in accounting principle related to unrealized losses on these fixed maturities resulted in a net $25.4 million decrease to retained earnings, with a corresponding increase to accumulated other comprehensive income (AOCI).

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Principal Financial Group, Inc.
Notes to Consolidated Financial Statements (continued)
March 31, 2011
(Unaudited)

1. Nature of Operations and Significant Accounting Policies (continued)

In January 2010, the FASB issued authoritative guidance that requires new disclosures related to fair value measurements and clarifies existing disclosure requirements about the level of disaggregation, inputs and valuation techniques. Specifically, reporting entities now must disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers. In addition, in the reconciliation for Level 3 fair value measurements, a reporting entity should present separately information about purchases, sales, issuances and settlements. The guidance clarifies that a reporting entity needs to use judgment in determining the appropriate classes of assets and liabilities for disclosure of fair value measurement, considering the level of disaggregated information required by other applicable U.S. GAAP guidance and should also provide disclosures about the valuation techniques and inputs used to measure fair value for each class of assets and liabilities. This guidance was effective for us on January 1, 2010, except for the disclosures about purchases, sales, issuances and settlements in the reconciliation for Level 3 fair value measurements, which were effective for us on January 1, 2011. This guidance did not have a material impact on our consolidated financial statements. See Note 9, Fair Value Measurements, for further details.

In June 2009, the FASB issued authoritative guidance related to the accounting for VIEs, which amends prior guidance and requires an enterprise to perform an analysis to determine whether the enterprise s variable interest or interests give it a controlling financial interest in a VIE. This analysis identifies the primary beneficiary of a VIE as the enterprise with (1) the power to direct the activities of a VIE that most significantly impact the entity s economic performance and (2) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. In addition, this guidance requires ongoing reassessments of whether an enterprise is the primary beneficiary of a VIE. Furthermore, we are required to enhance disclosures that will provide users of financial statements with more transparent information about an enterprise s involvement in a VIE. We adopted this guidance prospectively effective January 1, 2010. Due to the implementation of this guidance, certain previously unconsolidated VIEs were consolidated and certain previously consolidated VIEs were deconsolidated. The cumulative change in accounting principle from adopting this guidance resulted in a net $10.7 million decrease to retained earnings and a net $10.7 million increase to AOCI. In February 2010, the FASB issued an amendment to this guidance. The amendment indefinitely defers the consolidation requirements for reporting enterprises interests in entities that have the characteristics of investment companies and regulated money market funds. This amendment was effective January 1, 2010, and did not have a material impact to our consolidated financial statements. The required disclosures are included in our consolidated financial statements. See Note 2, Variable Interest Entities, for further details.

Separate Accounts

At March 31, 2011 and December 31, 2010, the separate accounts include a separate account valued at $209.7 million and $221.7 million, respectively, which primarily includes shares of our stock that were allocated and issued to eligible participants of qualified employee benefit plans administered by us as part of the policy credits issued under our 2001 demutualization. These shares are included in both basic and diluted earnings per share calculations. In the consolidated statements of financial position, the separate account shares are recorded at fair value and are reported as separate account assets with a corresponding separate account liability to eligible participants of the qualified plan. Changes in fair value of the separate account shares are reflected in both the separate account assets and separate account liabilities and do not impact our results of operations.

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Principal Financial Group, Inc.
Notes to Consolidated Financial Statements (continued)
March 31, 2011
(Unaudited)

2. Variable Interest Entities

We have relationships with and may have a variable interest in various types of special purpose entities. Following is a discussion of our interest in entities that meet the definition of a VIE. When we are the primary beneficiary, we are required to consolidate the entity in our financial statements. The primary beneficiary of a VIE is defined as the enterprise with (1) the power to direct the activities of a VIE that most significantly impact the entity s economic performance and (2) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. We assess whether we are the primary beneficiary of VIEs we have relationships with on an ongoing basis.

Consolidated Variable Interest Entities

Grantor Trusts

We contributed undated subordinated floating rate notes to three grantor trusts. The trusts separated the cash flows by issuing an interest-only certificate and a residual certificate related to each note contributed. Each interest-only certificate entitles the holder to interest on the stated note for a specified term, while the residual certificate entitles the holder to interest payments subsequent to the term of the interest-only certificate and to all principal payments. We retained the interest-only certificates and the residual certificates were subsequently sold to third parties. We have determined these grantor trusts are VIEs due to insufficient equity to sustain them. We determined we are the primary beneficiary as a result of our contribution of securities into the trusts and our continuing interest in the trusts.

Collateralized Private Investment Vehicles

We invest in synthetic CDOs, collateralized bond obligations, collateralized loan obligations, collateralized commodity obligations and other collateralized structures, which are VIEs due to insufficient equity to sustain the entities (collectively known as collateralized private investment vehicles). The performance of the notes of these structures is primarily linked to a synthetic portfolio by derivatives; each note has a specific loss attachment and detachment point. The notes and related derivatives are collateralized by a pool of permitted investments. The investments are held by a trustee and can only be liquidated to settle obligations of the trusts. These obligations primarily include derivatives, financial guarantees and the notes due at maturity or termination of the trusts. We determined we are the primary beneficiary for certain of these entities because we act as the investment manager of the underlying portfolio and we have an ownership interest.

Commercial Mortgage-Backed Securities

In September 2000, we sold commercial mortgage loans to a real estate mortgage investment conduit trust. The trust issued various commercial mortgage-backed securities (CMBS) certificates using the cash flows of the underlying commercial mortgages it purchased. This is considered a VIE due to insufficient equity to sustain itself. We have determined we are the primary beneficiary as we retained the special servicing role for the assets within the trust as well as the ownership of the bond class which controls the unilateral kick out rights of the special servicer.

Hedge Funds

We are a general partner with an insignificant equity ownership in various hedge funds. These entities are deemed VIEs due to the equity owners not having decision-making ability. We have determined we are the primary beneficiary of these entities due to our control through our management relationship, related party ownership and our fee structure in certain of these funds.

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Principal Financial Group, Inc.
Notes to Consolidated Financial Statements (continued)
March 31, 2011
(Unaudited)

2. Variable Interest Entities (continued)

The carrying amounts of our consolidated VIE assets, which can only be used to settle obligations of consolidated VIEs, and liabilities of consolidated VIEs for which creditors do not have recourse are as follows:

	Grantor trusts	Collateralized private investment vehicles	CMBS (in millions)	Hedge funds (2)	Total
March 31, 2011					
Fixed maturities, available-for-sale	**$ 248.0**	**$ 14.9**	**$**	**$**	**$ 262.9**
Fixed maturities, trading		**135.0**			**135.0**
Equity securities, trading				**218.6**	**218.6**
Other investments			**122.2**	**0.3**	**122.5**
Cash and cash equivalents		**55.0**		**58.7**	**113.7**
Accrued investment income	**0.9**	**0.1**	**0.8**		**1.8**
Premiums due and other receivables		**1.5**		**48.1**	**49.6**
Total assets	**$ 248.9**	**$ 206.5**	**$ 123.0**	**$ 325.7**	**$ 904.1**
Deferred income taxes	**$ 2.3**	**$**	**$**	**$**	**$ 2.3**
Other liabilities (1)	**140.2**	**140.8**	**88.3**	**148.4**	**517.7**
Total liabilities	**$ 142.5**	**$ 140.8**	**$ 88.3**	**$ 148.4**	**$ 520.0**
December 31, 2010					
Fixed maturities, available-for-sale	$ 243.1	$ 14.8	$	$	$ 257.9
Fixed maturities, trading		131.4			131.4
Equity securities, trading				158.6	158.6
Other investments			128.4	0.3	128.7
Cash and cash equivalents		55.0		45.0	100.0
Accrued investment income	0.7	0.1	0.8		1.6
Premiums due and other receivables		1.6		13.9	15.5
Total assets	$ 243.8	$ 202.9	$ 129.2	$ 217.8	$ 793.7
Deferred income taxes	$ 2.4	$	$	$	$ 2.4
Other liabilities (1)	135.8	132.6	94.1	71.1	433.6
Total liabilities	$ 138.2	$ 132.6	$ 94.1	$ 71.1	$ 436.0

(1) Grantor trusts contain an embedded derivative of a forecasted transaction to deliver the underlying securities; collateralized private investment vehicles include derivative liabilities, financial guarantees and obligation to redeem notes at maturity or termination of the trust; CMBS includes obligation to the bondholders; and hedge funds include liabilities to securities brokers.

(2) The consolidated statements of financial position included a $176.5 million and $145.9 million noncontrolling interest for hedge funds as of March 31, 2011 and December 31, 2010, respectively.

We did not provide financial or other support to investees designated as VIEs for the three months ended March 31, 2011 and 2010.

Unconsolidated Variable Interest Entities

Invested Securities

We hold a variable interest in a number of VIEs where we are not the primary beneficiary. Our investments in securities issued by these VIEs are reported in fixed maturities, available-for-sale and fixed maturities, trading in the consolidated statements of financial position and are described below.

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Principal Financial Group, Inc.
Notes to Consolidated Financial Statements (continued)
March 31, 2011
(Unaudited)

2. Variable Interest Entities (continued)

VIEs include CMBS, residential mortgage-backed pass-through securities (RMBS) and ABS. All of these entities were deemed VIEs because the equity within these entities is insufficient to sustain them. We determined we are not the primary beneficiary in any of the entities within these categories of investments. This determination was based primarily on the fact we do not own the class of security that controls the unilateral right to replace the special servicer or equivalent function.

As previously discussed, we invest in several types of collateralized private investment vehicles, which are VIEs. These include cash and synthetic structures that we do not manage. We have determined we are not the primary beneficiary of these collateralized private investment vehicles primarily because we do not control the economic performance of the entities and were not involved with the design of the entities.

We have invested in various VIE trusts as a debt holder. All of these entities are classified as VIEs due to insufficient equity to sustain them. We have determined we are not the primary beneficiary primarily because we do not control the economic performance of the entities and were not involved with the design of the entities.

The carrying value and maximum loss exposure for our unconsolidated VIEs, were as follows:

	Asset carrying value	Maximum exposure to loss (1)
	(in millions)	
March 31, 2011		
Fixed maturities, available-for-sale:		
Corporate	**$ 444.0**	**$ 382.5**
Residential mortgage-backed pass-through securities	**3,168.6**	**3,066.7**
Commercial mortgage-backed securities	**3,940.2**	**4,278.0**
Collateralized debt obligations	**300.3**	**359.8**
Other debt obligations	**3,197.5**	**3,243.8**
Fixed maturities, trading:		
Residential mortgage-backed pass-through securities	**122.4**	**122.4**
Commercial mortgage-backed securities	**47.9**	**47.9**
Collateralized debt obligations	**78.3**	**78.3**
Other debt obligations	**88.3**	**88.3**
December 31, 2010		
Fixed maturities, available-for-sale:		
Corporate	$ 429.0	$ 367.7
Residential mortgage-backed pass-through securities	3,196.2	3,077.9

Commercial mortgage-backed securities	3,842.2	4,424.9
Collateralized debt obligations	293.0	380.5
Other debt obligations	3,114.1	3,184.9
Fixed maturities, trading:		
Residential mortgage-backed pass-through securities	215.5	215.5
Commercial mortgage-backed securities	5.1	5.1
Collateralized debt obligations	87.2	87.2
Other debt obligations	118.8	118.8

(1) Our risk of loss is limited to our initial investment measured at amortized cost for fixed maturities, available-for-sale and to fair value for our fixed maturities, trading.

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Principal Financial Group, Inc.
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2. Variable Interest Entities (continued)

Sponsored Investment Funds

We are the investment manager for certain money market mutual funds that are deemed to be VIEs. We are not the primary beneficiary of these VIEs since our involvement is limited primarily to being a service provider, and our variable interest does not absorb the majority of the variability of the entities net assets. As of March 31, 2011 and December 31, 2010, these VIEs held $1.6 billion and $1.7 billion in total assets, respectively. During 2010, we chose to contribute $3.2 million to these VIEs for competitive reasons and have no contractual obligation to further contribute to the funds.

We provide asset management and other services to certain investment structures that are considered VIEs as we generally earn management fees and in some instances performance-based fees. We are not the primary beneficiary of these entities as we do not have the obligation to absorb losses of the entities that could be potentially significant to the VIE or the right to receive benefits from these entities that could be potentially significant.

3. Investments

Fixed Maturities and Equity Securities

Fixed maturities include bonds, ABS, redeemable preferred stock and certain nonredeemable preferred stock. Equity securities include mutual funds, common stock and nonredeemable preferred stock. We classify fixed maturities and equity securities as either available-for-sale or trading at the time of the purchase and, accordingly, carry them at fair value. See Note 9, Fair Value Measurements, for methodologies related to the determination of fair value. Unrealized gains and losses related to available-for-sale securities, excluding those in fair value hedging relationships, are reflected in stockholders equity, net of adjustments related to deferred policy acquisition costs (DPAC), sales inducements, unearned revenue reserves, derivatives in cash flow hedge relationships and applicable income taxes. Unrealized gains and losses related to hedged portions of available-for-sale securities in fair value hedging relationships and mark-to-market adjustments on certain trading securities are reflected in net realized capital gains (losses). We also have trading securities portfolios that support investment strategies that involve the active and frequent purchase and sale of fixed maturities. Mark-to-market adjustments related to these trading securities are reflected in net investment income.

The cost of fixed maturities is adjusted for amortization of premiums and accrual of discounts, both computed using the interest method. The cost of fixed maturities and equity securities classified as available-for-sale is adjusted for declines in value that are other than temporary.

Impairments in value deemed to be other than temporary are primarily reported in net income as a component of net realized capital gains (losses), with noncredit impairment losses for certain fixed maturities, available-for-sale reported in other comprehensive income (OCI). For loan-backed and structured securities, we recognize income using a constant effective yield based on currently anticipated cash flows.

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3. Investments (continued)

The amortized cost, gross unrealized gains and losses, other-than-temporary impairments in AOCI and fair value of fixed maturities and equity securities available-for-sale are summarized as follows:

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Other-than-temporary impairments in AOCI (1)	Fair value
			(in millions)		
March 31, 2011					
Fixed maturities, available-for-sale:					
U.S. government and agencies	$ 532.6	$ 18.7	$ 0.3	$	$ 551.0
Non-U.S. governments	731.3	99.0	2.1		828.2
States and political subdivisions	2,625.3	63.2	23.4		2,665.1
Corporate	32,227.6	1,860.5	416.5	17.0	33,654.6
Residential mortgage-backed pass-through securities	3,066.7	111.6	9.7		