

Bond Market Index Separate Account - Pro as of 06/30/2014

Investment Strategy

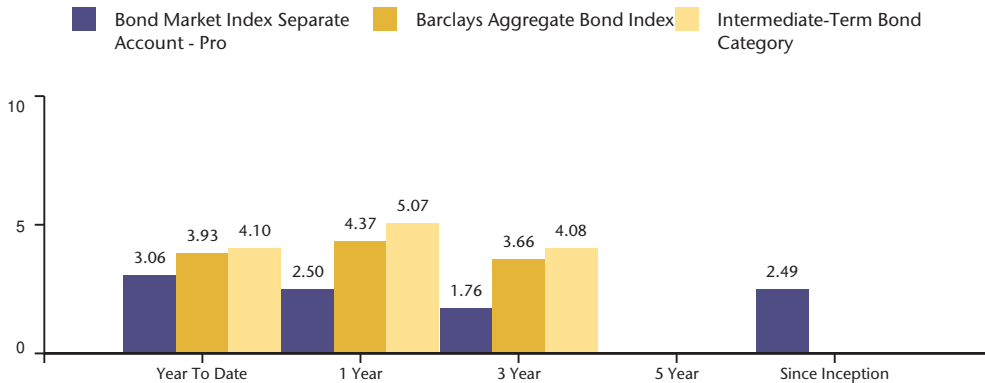
The investment seeks to provide current income. The fund normally invests at least 80% of its net assets, plus any borrowings for investment purposes, in debt securities held by the Barclays U. S. Aggregate Bond Index at the time of purchase. The index is composed of investment grade, fixed rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities, with maturities of one year or more. It employs a passive investment approach designed to attempt to track the performance of the index.



Portfolio managers

David C. Kwan, CFA. Since 12/30/2009. M.B.A., University of California
Zandra Zelaya, CFA. Since 12/30/2009. B.S., California State University
Gregory A. Lee, CFA. Since 12/31/2010. B.S., University of California, Davis

Long-term returns % as of 06/30/2014



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit principal.com, contact your representative of The Principal, or call our Participant Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different or where a contractual cap and/or waiver date is given, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	3.06	2.50	1.76	-	2.49
Barclays Aggregate Bond Index %	3.93	4.37	3.66	4.85	-
Intermediate-Term Bond Category %	4.10	5.07	4.08	6.02	-
Morningstar Percentile Rankings	-	94	97	-	-
# of Funds in Category	1076	1053	931	797	-
Annual Returns	2013	2012	2011	2010	2009
Total Return %	-3.96	2.33	5.86	4.30	-
Barclays Aggregate Bond Index %	-2.02	4.21	7.84	6.54	5.93
Intermediate-Term Bond Category %	-1.42	7.01	5.86	7.72	13.97
Morningstar Percentile Rankings	98	98	60	98	-
# of Funds in Category	1079	1165	1195	1164	1123

Morningstar percentile rankings are based on total returns.

Morningstar category
Intermediate-Term Bond

Risk and Return Statistics as of 06/30/2014 Relative to Barclays Aggregate Bond Index

	3Yr	5Yr
Alpha	-1.89	-
Beta	1.01	-
R-Squared	99.79	-
Standard Deviation	2.79	-
Mean	1.76	-
Sharpe Ratio	0.61	-
Tracking Error	0.13	-
Information Ratio	-14.77	-

Operations

Total Investment Expense Net	1.76%
Total Investment Expense Gross	1.76%
Inception Date	12/30/2009
Total Net Assets (mil)	\$2,657.00



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Risk and return statistical data is calculated by Morningstar, Inc. Excess Return is calculated by Principal Life Insurance Company.

Bond Market Index Separate Account - Pro as of 06/30/2014

Portfolio information†

Composition as of 05/31/2014

Asset Distribution		Asset Type	Net %	Short %	Long %
		U.S. Bonds	84.35	0.00	84.35
		Non-U.S. Bonds	14.13	0.00	14.13
		Cash	1.51	0.00	1.51
		Preferred	0.01	0.00	0.01

Top ten holdings

% of net assets

1. FNMA	1.39
2. FNMA	1.09
3. Ginnie Mae Jumbos TBA 3.5% 2044-06-01	0.97
4. GNMA	0.77
5. Ginnie Mae Jumbos TBA 3% 2044-06-01	0.76
6. FNMA	0.74
7. Fannie Mae Single Family TBA 2.5% 2029-06-01	0.65
8. Ginnie Mae Jumbos TBA 4.5% 2044-06-01	0.61
9. FHLMC 4%	0.60
10. Freddie Mac Gold Single Family TBA 3.5% 2044-06-01	0.57
% of net assets in top ten holdings*	8.15

Analysis

# of Stock Hldgs	0
# of Bond Hldgs	9009
# of Other Hldgs	149
Turnover Ratio	48%

Credit Analysis

As of 05/31/2014

AAA	70.56
AA	5.00
A	11.87
BBB	12.57
BB	0.00
B	0.00
Below B	0.00
Not Rated	0.00

% Bonds

Statistics

Avg Eff Duration (Yrs)	5.56
Avg Eff Maturity (Yrs)	7.65
Avg Weighted Price	106.54

Separate Accounts are available through a group annuity contract with Principal Life Insurance Company. Insurance products and plan administrative services, if applicable, are provided by Principal Life Insurance Company, a member of the Principal Financial Group, Des Moines, IA 50392. Certain investment options may not be available in all states or U.S. commonwealths. Principal Life Insurance Company reserves the right to defer payments or transfers from Principal Life Separate Accounts as described in the group annuity contracts providing access to the Separate Accounts or as required by applicable law. Such deferment will be based on factors that may include situations such as: unstable or disorderly financial markets; investment conditions which do not allow for orderly investment transactions; or investment, liquidity, and other risks inherent in real estate (such as those associated with general and local economic conditions). If you elect to allocate funds to a Separate Account, you may not be able to immediately withdraw them.

The full name of this investment option is Principal Bond Market Index Separate Account - Pro.

Before directing retirement funds to a separate account, investors should carefully consider the investment objectives, risks, charges and expenses of the separate account as well as their individual risk tolerance, time horizon and goals. For additional information contact us at 1-800-547-7754 or by visiting principal.com.

The credit analysis shows the percentage of fixed-income securities that fall within each credit-quality rating, as assigned by Standard & Poor's or Moody's, and depicts the quality of bonds in the portfolio. Higher ratings indicate a lower credit risk, and lower ratings indicate a higher credit risk. Per the Morningstar Fixed Income Survey guidelines, if two rating agencies rate a security, then the lowest rating is used. The credit analysis may not reflect the current portfolio composition. AAA-rated securities include cash and cash equivalents.

Barclays Aggregate Bond Index represents securities that are domestic, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

Past performance is no guarantee of future results. Market indices have been provided for comparison purposes only. They are unmanaged and do not reflect fees or expenses. Individuals cannot invest directly in an index.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 and 5 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Tracking Error** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

Average Effective Duration - A time measure of a bond portfolio's interest-rate sensitivity, based on the weighted average of the time periods over which the cash flows of all of the portfolio's bond holdings accrue to the portfolio. Time periods are weighted by multiplying by the present value of each bond's cash flow divided by that bond's price. (A bond's cash flows consist of coupon payments and repayment of capital.)

† The Portfolio Composition depicts a breakdown of the investment option's portfolio holdings, as of the date listed, into general investment classes. The x-axis represents the percentage each investment group holds, with the y-axis representing a zero value. Values to the right of the y-axis represent long security positions, while values to the left of the y-axis represent short security positions. The table to the right of the bar chart sums these two values to present the net emphasis of each investment group. Due to rounding, the total net position may not equal 100%. Long positions involve buying a security and selling it later, with the hope that the security price rises over time. In contrast, short positions are taken to benefit from anticipated price declines. Portfolio holdings are subject to change and companies referenced in this report may not currently be held. Information is current as of the creation of this piece. Keep in mind that portfolio holdings are subject to risk. For a complete list of the most recent publicly available holdings visit principal.com.

Each index based investment option is invested in the stocks or bonds of the index it tracks. Performance of indexes reflects the unmanaged results for the market segment the selected stocks or bonds represent. There is no assurance an index based investment option will match the performance of the index tracked.

Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Neither the principal of bond investment options nor their yields are guaranteed by the U.S. government.

Fixed-income and asset allocation investment options that invest in mortgage securities are subject to increased risk due to real estate exposure.

* Values may exceed 100% if both long and short positions are included in the portfolio.