

The logo for Principal Bank, featuring the word "Principal" in a bold, sans-serif font above the word "Bank" in a similar font, both in white on a black background.

A member of the Principal  
Financial Group

March 31, 2004

A handwritten mark consisting of a circle with two vertical lines inside, possibly representing the number 11.

Regulation Comments  
Chief Counsel's Office  
Office of Thrift Supervision  
1700 G Street, NW  
Washington, DC 20552  
Attention: 2004-06

Ladies and Gentlemen:

We appreciate the opportunity to comment on the OTS' proposal to change the manner in which it assesses savings and loan holding companies.

The proposed new fee structure would significantly increase the costs associated with the OTS' regulation of Principal Financial Group, Inc. and its affiliated savings and loan holding companies ("PFG"). While we understand and appreciate your concerns regarding the complexity of many holding company structures, the risks associated therewith and the level of supervision required thereby, we do not believe that the extent of the increase is appropriate or warranted.

Last year, the assessment for PFG's annual examination was approximately \$5900. Under the proposal, PFG's annual assessment would be over \$70,000. That is almost a 1200% increase. It seems totally out of proportion to be charged a fee for examining our bank's holding company that exceeds the amount the bank is charged by external auditors for many weeks of work in auditing the bank's financials and reviewing internal controls. The OTS also conducted an IT examination of PFG in 2003, for which we were billed an additional assessment. Another concern we have about the proposal is that it is not clear whether the assessment described therein covers special examinations (such as IT exams). If it does not, the cost of OTS supervision is even higher.



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We have been informed that PFG is a Category II organization. The difference in the annual assessment charged for a PFG-sized organization in Category I and a PFG-sized organization in Category II is approximately \$48,000. We do not believe such a disparity is fair. In some ways, supervising an entity like PFG is made easier by virtue of the fact that is both a public company and is regulated by numerous federal and state regulators. The OTS has the benefit of the regular public reporting performed by PFG and the reports and findings made by such regulators on a regular basis.

We ask that the OTS reconsider its proposal and either maintain the current system, perhaps with an increased hourly rate if necessary, or propose an alternate fee structure that would not unfairly penalize certain large organizations. We understand that the OTS requires the resources needed to fulfill its mission, but the burden of this expense should be borne equitably by all the organizations under its supervision. As you know, our corporate strategic planning has resulted in our periodic review of which bank charter is appropriate for our organization. An increase of fees of this magnitude would clearly be a substantial negative for the thrift charter for us, or for any larger organization.

Sincerely



Brent E. Johnson  
VP-CFO  
Principal Bank  
515-883-9145

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