First Quarter 2008
Earnings Conference Call – Talking Points

Jim Cracchiolo – Chairman and Chief Executive Officer
Walter S. Berman – Executive Vice President and CFO

Jim Cracchiolo – Chairman and Chief Executive Officer:

Good afternoon everyone, and thanks for joining us for our first quarter earnings discussion.

I'd like to begin by acknowledging that the markets were very challenging during the quarter and that they did have significant impacts on our results. We're a market-sensitive company, and we derive a large portion of our revenues from fees. So when we experience a 10 percent decline in the equity market, as we did in this quarter, our results suffer.

In addition, as you know, the credit markets were just as challenging. However, we have always taken a conservative approach to managing risk. As a result, we've had minimal impairments and our asset quality remains strong. Our financial foundation is sound.

While our earnings were not as high as we would have liked, we feel good about our business and our ability to grow the company. We serve clients in long-term financial planning relationships, and our core client retention rate remains very high. Client activity has slowed along with the markets, and clients have moved to higher cash positions. Our advisors are working closely with their clients, and we anticipate that they will reinvest when they see signs of stability.

So we remain very focused on executing our strategy and achieving our on-average, over-time growth goals. We've been through tough markets before, and we have emerged from them stronger.

So my message today is this: While the weak markets certainly hurt our earnings, we continue to feel good about our overall positioning.

For the quarter, net revenues were up 3 percent, to $2.1 billion. Earnings per diluted share were $0.82, which was down 8 cents per share compared with adjusted earnings per diluted share for the first quarter of 2007. And our adjusted ROE was 12.2 percent.

We've included a table in the earnings release to spell out several factors that impacted these results, and Walter will take you through some details of this disclosure shortly. We don't anticipate including this table every quarter, but we wanted to help you understand the market and other impacts given that the environment was so turbulent.

Now I want to focus on the strength of our financial foundation and our operating performance.

Our balance sheet continues to perform well. We continue to hold very limited exposure to the most distressed asset classes, and we remain comfortable with our overall exposures in the current environment. In addition to our balance sheet strength, we continue to maintain over $1 billion in excess capital. Since our spin-off, we've returned 90 percent of our adjusted earnings to shareholders through buybacks and dividends, and in 2007 we returned more than 100 percent of our adjusted earnings. Despite that return, we hold more excess capital now than we did a year ago. In addition, we announced today that our board has approved a new $1.5 billion buyback authorization over the next two years. That follows a two-year, $1 billion authorization, announced last March, that we have nearly completed.

We are also leveraging the flexibility we've created to help us navigate through the market downturn. We told you last quarter that we were in the process of implementing a program to reduce expenses, and that effort is now in place. While you can see initial traction from the program in our G&A expenses, the benefit has not yet been fully realized. And it's important to note that these savings are in addition to our normal reengineering programs.

It's also important for you to know that while we are managing expenses tightly so that we can maintain our margins, we continue to invest prudently in our growth prospects. We believe our opportunity continues to be compelling, and we expect to emerge from this downturn in good position.

Now let me review our operating performance for the quarter.

Our basic value proposition is that we serve the mass affluent and affluent in personal financial planning relationships, and financial planning remains important for our clients during all parts of the market cycle. Even with the current challenges, our financial plan activity remained solid, and we continue to achieve good advisor productivity.

Client assets decreased slightly compared with a year ago, and compared with the sequential quarter. These declines are the result of market depreciation.

In the advisor force, we're growing the franchisee channel at a measured pace, and we continue to have very strong franchisee advisor retention. In fact, that number moved higher this quarter, to 94 percent. At the same time, we're improving the profitability of our employee channel by bringing in fewer recruits, instead focusing on candidates who are more likely to succeed. We expect the decreases in our employee advisor count to slow as this program is fully implemented.

We continue to provide improved advisor marketing support and technology tools, as well as the full range of products advisors need to serve their clients. In fact, during the quarter, we announced a significant addition to our product mix—the new Ameriprise Financial debit and credit MasterCards. We also announced a new rewards and recognition program for our clients, which is designed to help advisors deepen relationships with their high-value clients.

As part of our commitment to advisor support, during the first quarter, we conducted our largest training program ever—bringing the majority of our advisors to Minneapolis to help them understand and implement the new tools and enhanced capabilities we're providing them. The program was extremely well received, and we are following the sessions with long-term reinforcement in order to deliver our ultimate goals, which are a consistently compelling client experience, more productive advisor practices, and growth.

Now I'll move on to the product areas.

Owned, managed and administered assets declined 5 percent compared with a year ago and 6 percent compared with the sequential quarter due to market depreciation and the continued outflows of low-margin, Zurich-related assets at Threadneedle.

We continued to generate strong performance in wrap accounts, with assets up 10 percent over a year ago, to $90 billion. Wrap assets were down compared with the sequential quarter, as market depreciation more than offset continued relative strength in flows.

Overall RiverSource Funds flows were a negative $636 million, which we think is primarily the result of clients shying away from the current market volatility and moving to cash.

While our three- and five-year investment performance track records remain strong, short-term RiverSource performance has declined for both equities and fixed income. We have taken a general view that rates will rise as the "flight to quality" loses favor and inflation pressures increase. The portfolios in general are positioned to benefit from a narrowing of risk premiums and to realize the benefits from recent fiscal and monetary stimulus actions. While this has hurt us in the short term, we believe it will positively affect performance over the medium and long term.

Threadneedle generated good results for the quarter, highlighted by strong investment performance. In fact, Threadneedle received two important 2008

Lipper awards, for Best Overall Group and Best U.K. Equity Group. In terms of flows, the outflows of Zurich assets accounted for the bulk of Threadneedle's outflows.

The variable annuities business generated net inflows of $851 million for the quarter, with total variable annuity ending balances of $54 billion. At the same time, we continued to experience outflows in fixed annuities as a result of the low interest rate environment. However, we think we have an opportunity in the current market environment to offer our clients some appealing fixed annuity products while generating good returns on our capital, which should help us slow the outflows.

Our insurance businesses produced another solid quarter, with life insurance in force increasing 6 percent over a year ago and reaching $189 billion. Total Protection segment premiums increased 5 percent despite the generally slow-growth environment for these products.

So overall, our business metrics were clearly affected by the very weak market conditions in the quarter. But it is also clear that our underlying business remains solid.

We're confident that we have a compelling long-term opportunity. Our research clearly indicates that our target market—the mass affluent and affluent—want personalized financial planning, and that's our strength. Since our spin-off two and a half years ago, we've been building our brand, strengthening our foundation and positioning the company for long-term prosperity. We're here to serve our clients across market cycles.

We're managing the company through this economic and market downturn the way we're encouraging our clients to manage their own financial plans: We're being prudent, and we're staying the course. We're investing in our brand, product development, advisor support and in our client experience. Why? Because we have a very significant market opportunity, and we have demonstrated the effectiveness of our strategy. We're committed to executing it for the long-term.

So in total, I continue to feel good about our position and our future.

Now Walter will take you through some more detail from the quarter, and after that we'll take your questions.

Walter S. Berman – Executive Vice President and CFO:

Thanks, Jim.

As you heard from Jim, it was a difficult quarter driven by the significant decrease in the equity markets and compounded by the continued liquidity and credit market dislocation. While we have instituted the appropriate actions to mitigate the impact, a 10 percent equity decline cannot be offset within the timeframe of a quarter.

In my remarks, I am going to address:

- the asset impairment,
- equity and credit market impacts within our results,
- the positive impacts of our tax planning,
- insight into the implementation of our expense plan to improve margins, and
- finally, an overview of the quality of our balance sheet, liquidity and strong capital position.

We're also providing supplemental information in our earnings release to give insight into understanding the market-driven underperformance in the quarter.

Let begin with the asset impairment. In the first quarter, we booked a write-down due to the difficult credit environment. We had $24 million in pretax net investment losses, primarily due to "other than temporary" impairments of three, double-A rated, Alt-A mortgage backed securities – which impacted EPS by 7 cents. This compared to a 2 cent EPS benefit from net realized gains last year, for a net swing of 9 cents.

Remember that this impairment is materially lower than the industry has experienced and represents a small fraction of our overall balance sheet. As we have discussed in prior quarters, while we are subject to mark to market volatility, the quality of our portfolio still remains sound and has held up quite well. We continue to analyze and monitor it and are comfortable with our exposures, which I'll cover in more detail shortly.

Next when we issued our 2007 10-K, we outlined our company's sensitivity to equity market movements. This disclosure reflected a hypothetical 10 percent change in the S&P 500 that happens at one point in time and which remains the same for a one year period. Pretty unlikely…..if this were to happen, we forecasted a $141 million impact to pretax earnings for that 1-year period.

The reality is -- what happened in the first quarter of 2008 is almost as dramatic as our hypothetical case. In the quarter, we experienced a 5 percent year-over-year decrease in the average S&P 500 with a 10 percent decrease within the quarter. The FTSE 100 dropped 8 percent year-over-year and 12 percent within the quarter. This real world scenario generates approximately $130 million negative full year pretax earnings impact versus the $141 million in our 10-K. Now because of the front-loading of the impact from DAC amortization, we incurred almost $50 million in negative impact just within the first quarter, compared to $32 million if you use a simple average.

In addition, not reflected in the 10-K estimated full-year impact, the $141 million, was the market exposure of an additional 9 cents associated with equity market impact to our seed money and owned hedge fund performance, the negative impact of our variable annuity hedging program and the year-over-year impact of yield declines on our $4 billion short-term liquidity pool.
To summarize, the first quarter impacts are:

- 7 cents in after-tax net realized investment losses
- 14 cents related to declines in management fees and the impact of the DAC amortization
- 9 cents related to market impacts on short-term investments, seed and owned hedge fund investments and the net effect of our variable annuity hedging program.

The amount of this impact is 30 cents in the quarter.

Going forward, assuming steady equity markets, we would expect to recognize the remaining $80 million of the full year $130 million equity market impact, as well as approximately $45 million from lower short-term rates. So under this scenario, for the balance of year, the pre-tax earnings impact would be a negative $125 million, not accounting for any proactive actions to improve margins.

Now, as if the markets weren't enough, during the quarter we adopted FAS 157, which had a positive $6 million impact. Beginning in the first quarter of 2008, we are required to use a credit spread in discounting our VA rider liabilities, and given the current wide spreads, this new methodology could significantly increase the volatility of this liability valuation.

Let me now turn to taxes.
On the positive side in the quarter, we generated a reduction in the ongoing tax liability of 16 cents associated with exceptional tax adjustments relating to the release of tax reserves. While this significantly lowered our effective tax rate in the quarter, we expect our effective tax rate for the balance of 2008 and full-year 2009 will be in the 24 to 26 percent range.

With regard to expense management, we initiated additional expense management programs to supplement our planned re-engineering programs. These programs, however, contemplate a continuation of ongoing investment in growth and infrastructure while reducing certain G&A expenses in light of the market conditions. Our G&A expense is under last year, and down substantially sequentially. Going forward, we expect to be very focused on managing expenses to bolster margins during this challenging period.

This leads me to my final point of our consistent balance sheet strength.

As I said, we continue to have a very high-quality portfolio that has performed exceptionally well under these market stresses. We have had no significant portfolio allocation changes since we walked you through the details last quarter.

Despite historical dislocations in the fixed income markets, we remain comfortable with all of our exposures including commercial real estate mortgages, residential mortgages and asset backed securities. We've updated our web site with all the relevant information.

Now, I would like to spend some time talking about our ALT A and sub prime mortgages. The amounts in these categories are $1.1 billion and $247 million, respectively.

There have been material changes in the pricing of various components of these portfolios in the quarter, which we believe is primarily driven by liquidity and technical market issues, and not fundamental credit deterioration.

For these securities, we have an internal risk assessment process. This risk evaluation considers various factors including loan quality, structural protection, collateral enhancement, seasoning, geographic concentration, and our assessment of current and future trend lines.

In the first quarter, we recorded "Other than temporary impairments" of our securities in the highest risk category. As mentioned previously, those were three AA rated ALT A bonds. The remaining book value is approximately $13 million.

Our internal watch list, the next level down, consists primarily of triple-A securities backed by Alt-A collateral, with a book value of $135 million and a market value of $90 million. We did not take impairments in the first quarter based upon our assessment of the integrity of the underlying cash flows and the current market conditions.

The remaining Alt – A and Sub-prime backed securities are primarily triple-A rated securities with strong underlying cash flow integrity These securities have a sound level of credit enhancement versus the collateral risk, which provides ample cushion even in the event that housing market conditions worsen from today's levels.

We remain comfortable with the investment portfolio, and will continue to closely monitor the securities we hold. We have more than adequate liquidity to hold these securities to maturity.

In fact, in terms of our liquidity position, we maintain substantial liquidity with close to $4 billion in cash and cash equivalents on hand, up 60 percent from a year-ago, and essentially where we were last quarter.

Our capital position remains strong – Jim mentioned we have increased our excess capital position even while we've been repurchasing our common stock. Our debt-to-capital ratio is 21.0 percent – 17 percent excluding non-recourse debt and with equity credit for our hybrids.

In closing, I'd like to reiterate that while we have built a diversified business, we remain sensitive to equity markets. It was a tough quarter for us, dealing with a 10 percent drop in the equity markets. That said, I am comfortable with our risk management, our decision framework and our ability to manage through difficult environments.

The strength of our balance sheet and capital position provides us with a unique position and flexibility to weather the volatility of the market. We will continue be prudent in our approach to growing the business over the long-term while diligently controlling our expense base and exposures.

Thank you for your time, I'll now turn it back to Jim before answering your questions.