SECOND QUARTER 2008

EARNINGS CONFERENCE CALL

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

Jim Cracchiolo – Chairman and Chief Executive Officer:

Good evening everyone. Thanks for joining us for our second quarter earnings call.

As you're well aware, market and economic conditions continue to be very challenging. However, our business fundamentals remain solid, and we delivered respectable earnings for the quarter. Of course, many of our earnings streams are market sensitive, and we have clearly been affected by the 13 percent decline in the S&P 500 during the first half of the year.

Despite the conditions, I feel good about our position and outlook. Our business is strong and well-diversified, and we continue to invest for the future. We're focused on serving our clients and emphasizing the core strength of our financial planning model, which serves us well across market cycles.

In addition, we continue to realize benefits from our conservative approach to managing our balance sheet.

Now I'll give you some context for our second quarter results. Net revenues were down 8 percent compared with a year ago primarily due to market impacts on asset balances and the large REIT liquidation in last year's second quarter.

In regard to our results, earnings per diluted share were 93 cents. Excluding capital gains and losses as well as separation costs from the second quarter of last year, we earned $1.01 per share, a 3 percent increase. Our ROE for the trailing 12 months was 12.1 percent excluding separation costs and investment gains and losses.

These results didn't meet our on-average, over-time goals, but given the strong headwinds that are pervasive across our industry, we're in good shape.

Perhaps most important in this environment, our balance sheet continues to perform well. Our strong position is enabling us to pursue opportunities when many others in the industry are retrenching.

We continue to hold very limited exposure to the most distressed asset classes, and we are comfortable with our overall asset mix. Our asset quality remains strong, and we have had minimal balance sheet impairments compared to the rest of the industry.

We also remain in a very solid capital and liquidity position, and we are returning significant capital to our shareholders. During the second quarter, we repurchased 5.2 million shares at a cost of $250 million, and we have returned more than 100 percent of our adjusted earnings over the past two and a half years. In addition, today we announced that our board of directors has authorized an increase of 13 percent in our quarterly dividend, to 17 cents per share.

As evidence of our strong balance sheet and liquidity, our counterparty credit rating was upgraded earlier this month.

We also have the resources necessary to grow the company over the long term, as our agreement to acquire J. & W. Seligman made clear. This transaction is a very good fit, for many reasons. Financially, the acquisition is expected to be accretive to earnings next year, and we will fund the deal with cash on hand. The transaction will not impact our capital position significantly, and we expect to maintain our current share repurchase agenda.

We're also managing expenses tightly, and you can see evidence of that in our general and administrative expense line, which was 13 percent lower than a year ago and 3 percent lower than last quarter. We're seeing the results from the expense program we put in place earlier this year, while we continue to execute our re-engineering agenda and our investment plan.

Our operating results for the quarter demonstrate the weak market environment, but also the strength of our foundation and strategy. Our fundamental value proposition is serving the mass affluent and affluent in long-term, personal financial planning relationships, and these relationships endure across cycles. Even with the current challenges, our financial plan activity remained solid. Financial planning net cash sales were up 8 percent over last year, and we continued to enter into planning relationships with more of our clients.

In regard to our advisor force, we're continuing to grow the franchisee channel at a measured rate, even as we've been re-engineering the employee channel to focus on profitability. This has resulted in a lower employee advisor count. However, we expect the decreases in employee advisors to slow in the second half of the year.

We continue to provide advisors with excellent support, and their satisfaction remains very high as a result. During the second quarter, we began the roll-out of our new financial planning tools, and initial advisor feedback has been very positive. The tools make the process of creating new financial plans much more efficient, which in turn encourages advisors to sell more plans and makes them more productive.

Now I'll move on to the product areas.

Owned, managed and administered assets declined 8 percent compared with a year ago due to market depreciation as well as outflows at both RiverSource and Threadneedle. The Threadneedle outflows continue to come primarily from lower-margin Zurich assets.

We continued to generate strong growth in wrap accounts, with assets up 3 percent over a year ago, to $91 billion. We generated $2.8 billion in wrap net inflows during the quarter

Overall RiverSource Funds flows were a negative $1.2 billion, about half of which came out of money market funds as clients sought to avoid negative real return against inflation. And in turn, this outflow from cash products explains part of our strong inflows in wrap accounts. The outflows were partially offset by good initial traction from our investments in outside distribution.

Another factor contributing to the net outflows is that our overall investment performance is not where we would like it to be. Our performance records remain reasonably strong over the 3 and 5 year periods in many categories, but our 1 and 2-year performance numbers have been weak in a few of our investment strategies. First, in Fixed Income, our portfolios have generally been overweight to credit spreads, especially in commercial mortgage-backed securities as well as non-agency, mortgage-backed securities. These spreads have widened, which, coupled with our portfolios generally being positioned for a faster rise in long-term interest rates, has resulted in weak performance.

And in equities, our emphasis on valuation in a number of our boutiques has led to performance weakness. Valuation as a selection factor has mattered little over the last 18 months, and investment performance has suffered accordingly. We're committed to improving our performance, and we are confident that we can return to consistent, competitive performance over the long term.

Threadneedle's retail sales and performance remained strong, while their results for the quarter were impacted by asset outflows. In addition to the Zurich assets, Threadneedle experienced turnover in the management of some of its alternative assets, which resulted in some of the asset outflows. Threadneedle's culture promotes teamwork among investment professionals, and we have complete confidence in the teams in place. Those teams are working to retain assets in their funds.

While I'm on the topic of asset management, I'd like to highlight the business benefits of the pending Seligman acquisition. The addition of Seligman will significantly increase our third-party distribution capabilities, and it brings us $18 billion of total assets, including over $3 billion in hedge fund assets. We will also bring in several top-performing funds, including the industry-leading Communications and Information Fund, as well as the Seligman Growth Fund, which was Number One in its Lipper category for the second quarter. Overall, the acquisition is exactly what we've told you we've been looking for: financially attractive additions to our higher-margin businesses that are good strategic and cultural fits.

In our other products areas, we continued to drive net inflows in variable annuities, with $800 million in inflows during the quarter. We continued to experience outflows in the fixed annuities business, but those outflows are slowing significantly as we have experienced lower redemptions, and we have begun to market more attractively priced product offerings.

In the insurance businesses, life insurance in force increased 5 percent over a year ago, to $191 billion, while Auto and Home policies also increased by 5 percent. Total Protection segment premiums increased 2 percent despite the generally slow-growth environment for insurance products.

In summary, our business metrics continue to be affected by the tough market conditions, but our underlying business—and our strategy and foundation—remain sound.

We are confident that our long-term opportunity is compelling, and we are continuing to invest in the business to deliver on our vision for growth. We're investing in business growth, advisor support, marketing, product development and our client experience. Overall, of course we would all like better markets, but that said, I feel good about our financial position, as well as our long-term opportunity and the way we're pursuing it.

Now I'll turn it over to Walter, and then we will take questions. Walter?

Walter S. Berman – Executive Vice President and CFO:

Thanks Jim

The external equity, short-term interest rate and credit market environment continued to negatively impact our performance in the second quarter. As anticipated, the equity market P&L impact was less severe, but the negative impact of short-term interest rates increased from last quarter.

Our reported 93 cents in EPS was down 5 cents from last year. The 2nd quarter reflects a year-over-year negative impact of 9 cents related to the following items:

- Weakening credit markets contributed to the after-tax realized losses of 8 cents per diluted share, primarily from other-than-temporary impairments this quarter related to three AAA rated, Alt- A securities;

- Lower market levels resulted 3 cents per diluted share, of impact from amortization of DAC and deferred sales inducement costs, compared to a three cent gain in the year ago quarter – for a swing of 6 cents, AND
- One time tax benefits of 12 cents per diluted share in the current quarter, compared to a benefit of 7 cents in the prior-year period for a net change of 5 cents.

In the quarter, we continued our focus on our ongoing reengineering program to help mitigate the effects of the markets. The first quarter savings accelerated in the current quarter, as evidenced by the 13 percent year-over-year decline in G&A costs.

In addition to our reengineering and cost saving initiatives, we remain focused on the strength of our capital position – maintaining adequate liquidity, preserving our strong balance sheet, and effectively managing risk.

We continue to generate capital through earnings and to benefit from our longer term strategy of shifting to more fee-based and less capital intensive products. As a result, our capital position remains healthy as reflected by our recent announcements of – an additional share repurchase authorization, our agreement to acquire Seligman and the 13 percent increase in our dividend.

Our excess capital position remains strong. Today, we have more than a $1 billion in excess capital and anticipate that we will continue to have more than $1 billion even after the Seligman acquisition.

In terms of liquidity, we remain well positioned. We continue to have over $2 billion in uncommitted cash and cash equivalents, with more than $1 billion at the holding company. We have substantial dividend capacity from both our insurance and non-insurance subsidiaries.

Our leverage ratios remain strong. Our debt-to-capital ratio is 21.6 percent, or 17.4 percent when excluding non-recourse debt and with equity credit for our hybrid securities. And our financial strength was affirmed by a recent upgrade of our debt. Our ratio of earnings to fixed charges was 7.4 times at quarter end.

Our hedging and risk management processes are performing well. The variable annuity hedge impact after-tax, after DAC was $6 million comprised of SFAS 157 valuation benefits and the benefit of hedge effectiveness.

Let me now turn to asset quality.

We continue to have a very high-quality portfolio that has performed well under these market stresses. However, we are not immune to market impacts.

As I mentioned, we announced $18 million in after-tax realized security losses this quarter, primarily related to impairments of three AAA rated, Alt-A securities. Year to date, our after-tax realized losses are $33 million. Over the past four quarters, we've had after-tax realized security losses of about 4 basis points of total invested assets, compared to insurance peers who have announced a minimum of 17 basis points and a median of 40 basis points in realized losses through the first quarter of 2008. This does not include 2nd quarter losses as peers have not yet reported.

While I will highlight several points related to our asset quality, additional details are provided on our website, consistent with prior quarter practices.

Of our $33 billion balance sheet, our positions remain largely unchanged from last quarter.

- Our exposure to financial guarantors modestly increased in the quarter to $734 million, and we continued to look to the integrity of the direct investment cash flows and generally do not rely solely on the guarantee.
- Our exposure to the equity portion of CDOs that we manage for clients declined to $38 million from $42 million last quarter.
- There has been very little change in our residential mortgage-backed portfolio. We continue to own $1.1 billion of Alt-A and $247 million of subprime-backed securities.
    - Our evaluation considers various factors including loan quality, structural protection, collateral enhancement, seasoning, geographic concentration, and our assessment of current and future trend lines and underlying cash flows, including delinquency and severity trends.
    - Based on our underlying cash flow analysis, the highest risk categories include Middle Mezzanine AAA rated Alt-A securities backed by option ARMs, and AA rated Alt-A securities. The Middle Mezzanine bonds have a current unrealized loss position of approximately $75 million. Most of these securities continue to have more than 20 percent collateral enhancement. The AA rated Alt-A securities have an unrealized loss position of about $40 million. These securities are more seasoned, all 2005 and earlier vintages, with collateral enhancements in the mid to high single digits.
- With regard to our commercial mortgage-backed securities, they continue to perform better than the overall market.
- We've selectively added to our asset-backed portfolio, which continues to be primarily AAA-rated.
- Our real estate loan portfolio of $3.0 billion is of very high quality and continues to have no delinquencies.
- Last, we continue to monitor our corporate credit exposures of $13.8 billion carefully.

We are watching credit and market trends closely, and we remain comfortable with our exposures.

As I mentioned, during our last conference call, we saw an opportunity to be rewarded for taking appropriate and prudent risks. Therefore, we invested over $1 billion of our cash into investment grade corporates, non-agency mortgages and high yield bank loans that had attractive valuations relative to the risk. Those investments slightly increased our percentage of below investment grade securities.

When looking forward to the remainder of 2008, there are few things to consider.

As I mentioned earlier we continued to benefit from effective tax planning. While we received a net 5 cent benefit, which lowered our effective tax rate in the quarter, for the remaining two quarters of the year, we expect the tax rate to be 24 to 26 percent.

We are in the process of upgrading our actuarial valuation system, which we expect to implement in the third or fourth quarter depending on when the new valuation system is fully operational. If implementation is in the fourth quarter, we intend to move DAC unlocking to the fourth quarter to allow us to use the new system.

In closing, I'd like to summarize my comments:

- While the market environment is impacting our results, we are taking a prudent approach to manage expenses and optimize our ongoing investment program.
- Our capital and liquidity positions remain strong with a high quality balance sheet and strong capital base, supported by cash flows from our diversified operating model and our prudent decisioning process.
- We believe that we are well positioned for the future both from a business and financial perspective.

And with that, I'd like to open it up for Q&A.