First Quarter 2006 Conference Call Talking Points

Laura Gagnon – VP, Investor Relations

Thank you and welcome to the Ameriprise Financial first quarter earnings call. With me on the call today are Jim Cracchiolo, Chairman and CEO and Walter Berman, Chief Financial Officer. We have approximately 20 minutes of prepared remarks, after which we will open the lines for Q&A.

During the call, we will be referring to various non-GAAP financial measures like “adjusted earnings” or “adjusted premiums.” Management believes that the presentation of these adjusted financial measures best reflects the underlying performance of the company’s ongoing operations. The adjusted numbers exclude discontinued operations, AMEX Assurance and non-recurring separation costs as described in today’s earnings release, which was filed in an 8-K report with the Securities and Exchange Commission.

The presentation of adjusted earnings is consistent with the non-GAAP financial information presented in the Company’s annual report and Form 10-K for the year ended 2005. Reconciliations of non-GAAP numbers discussed in this presentation to the respective GAAP numbers can be found in the Earnings Release and Statistical Supplement issued today available on our website.

Some of the statements that we make in this discussion may constitute "forward-looking statements." These statements reflect management's expectations about future events and operating plans and performance and speak only as of today’s date. These forward-looking statements involve a number of risks and uncertainties. A list of the factors that could cause actual results to be materially different from those expressed or implied by any of these forward-looking statements is detailed under the heading “Forward-Looking Statements” in our 2005 Annual Report to Shareholders, a complete copy of which is available on our website, and under the heading "Risk Factors,” and elsewhere in our 2005 10-K report, already on file with the SEC. We undertake no obligation to update publicly or revise these forward-looking statements for any reason.

With that, I'd like to turn the call over to Jim Cracchiolo, Chairman and CEO

James Cracchiolo – Chairman and CEO

Welcome. Thank you for joining us.

Today marks just the second opportunity for us to discuss our results with you as an independent company. As we do so, I think you'll notice our disclosures are more clear and thorough. And we expect this to continue to evolve as we move forward.

In summary, we had a strong first quarter, and I'm pleased with the results.

I'll start with some context for our business results and then Walter Berman will provide insight into the results by segment and other information, and then we'll take your questions.

So let's begin with the key financial results.

As we've stated previously, our on-average, over-time financial targets are:

- Revenue growth of 6 to 8%
- Net income growth of 10 to 13%, and
- ROE of 12 to 15%

While we present both GAAP and "adjusted" results in our Earning Release and Statistical Supplement, Walter and I will speak in terms of "adjusted" results, which we believe best reflect the underlying performance of the business.

- Adjusted revenues for the quarter were up 10% over the same period last year, to over $1.9 billion.
- Adjusted net income for the quarter was up 17%, to $189 million, or $0.75 per share.
- Adjusted ROE for the trailing 12 months was 10.4% -- up from 10.2% that we reported for year-end.

We had a strong start to the year with regard to our key financial targets. Two of our three measures -- revenues and net income – are well above goal. And we're making progress against our ROE goal.

Now, I'd like to highlight and discuss three main drivers of our results…driving mass affluent client acquisition, improving advisor productivity and increasing our owned, managed, and administered assets.

Client Acquisition

A core component of our strategy is to increase the number of mass affluent clients and deepen our relationships with them. There are nearly 30 million US households with $100,000 to $1 million to invest and $50,000 or more in household income, and they hold more than 50% of the nation's investable assets.

Within this segment, the baby boomers represent our largest opportunity. Our research shows boomers rate planning for retirement as one of their biggest needs, and we are well-positioned to serve them. Financial planning is our core value proposition, complemented by a broad range of protection, asset accumulation and income product solutions to help meet their needs.

During the quarter, the number of mass affluent clients with $100,000 or more in assets or comparable product values with the Company increased 11% from the year-ago quarter. In addition, our acquisition of these clients increased 23% year-over-year with approximately 57% having a financial plan.

Our marketing programs are key in driving mass affluent client acquisition, and none have been more critical than our innovative advertising campaign.

As you know the name "Ameriprise Financial" did not exist before we announced it last May. Starting from a base of near "zero" awareness, we are building a significant brand presence with our advertising.

At the end of March, our tracking showed total brand awareness at 40%, which is higher than what we had expected at this point in our campaign.

Establishing a new brand was a concern of many before the spin-off – What would we do without the American Express brand?

I believe that our independence has enabled us to define the company better and more clearly within the retirement space. Our improving overall brand awareness should continue to help drive results both now and going forward.

<u>Increase in Advisor Productivity.</u>

A good measure of advisor productivity is gross dealer concession or GDC, per advisor. For the first quarter, GDC per branded advisor increased by 17% over the same period last year. It's also up more than 10% compared to the fourth quarter of 2005. We attribute the increase in productivity to a favorable market environment, which we don't control, and to a strong set of product and service offerings and advisor support, which we do control.

Meanwhile, our total advisor force, including branded Ameriprise financial advisors, and unbranded, those at Securities America, declined by 58 to 12,339 at the end of the quarter. Part of this resulted from a repositioning of several less productive employee advisor offices during the quarter and increasing employee advisor minimum productivity requirements, which negatively impacted employee advisor retention.

However, our more tenured and productive franchisee advisor force remained stable – up 99 advisors from year-end 2005. Franchisee advisor retention remains high at 91%, down slightly from 92% last year and unchanged over the past three quarters.

While growing the advisor platform over time is an important longer-term goal, our immediate focus is stability of the advisor force and continuing to build upon advisor productivity gains.

<u>Progress in Increasing Owned, Managed and Administered Assets</u>

We continue to emphasize growing our owned, managed, and administered assets by developing innovative product solutions, generating strong investment performance and broadening distribution.

During the quarter, our owned, managed, and administered assets increased to $446 billion, up 11% from the year-ago period and 4% from year-end 2005. This improvement in assets reflects both market appreciation and improved flows including strong flows into our industry leading wrap program and our variable annuities.

Our wrap program saw $1.9 billion in inflows, bringing total assets in wrap within our branded advisor channel to $54.9 billion. This reflects our clients increasingly choosing fee-based, advice products within their portfolios.

In addition, variable annuities remain a popular choice for clients saving for retirement. Variable annuity cash sales were up 44 percent versus the first quarter of 2005 and variable annuity inflows were $1.1 billion in the quarter – reflecting solid growth in both the advisor and third-party channels.

We also saw sequential growth of approximately $700 million in RiverSource mutual fund assets under management reflecting market appreciation and increased sales in the advisor channel. However, this was offset by increased redemptions of our funds in the 401(k) channel largely from RiverSource℠ New Dimensions Fund.

Performance has improved since our Boston-based team has been managing the assets of the Fund. We were pleased that shareholders supported the proposal to merge the Fund into RiverSource℠ Large Cap Equity Fund, which occurred in March.

Though RiverSource Funds remained in net outflows, we saw a 29% improvement in net flows compared to the prior year quarter. The outflows are slowing due largely to our strong investment performance, new product development and improved wholesaling capabilities.

Investment performance at both RiverSource and Threadneedle continues to be quite positive.

Our focus is on building competitive longer-term retail and institutional track records. Importantly, our 1-year equity and taxable fixed income performance at RiverSource is strong and is helping drive improved 3-year numbers.

Threadneedle is an important contributor where we continue to demonstrate solid performance against benchmarks. As an organization, they continue to perform well not only with investment performance in retail, institutional and alternative investment portfolios, but also in managing the business as they execute strategies of shifting its mix to higher margin retail and alternative assets and implementing strict cost controls. While this shift is expected to result in reduced flows, most notably in lower-margin Zurich-related assets, it continues to have the intended effect of driving higher fees and revenues.

Consistent with our efforts to offer clients innovative asset accumulation, income and protection products and advice-based solutions to help them achieve their retirement and other goals, we launched several new products including:

- two new universal life products – RiverSource Foundations℠ and RiverSource Foundations Protector℠ – that add to our broad insurance product set and build on our position as a leading provider of variable universal life insurance

- and, six new mutual funds including RiverSource℠ Income Builder Series, a series of three funds-of-funds that offer investors and advisors a sophisticated and comprehensive income solution designed to deliver high current income, protection against inflation and capital preservation over time.

Lastly, our improved performance, product features and competitive product set allows us to continue to broaden distribution of RiverSource Annuities to banks and other broker-dealers, and we are building our subadvisory, institutional and third party distribution capabilities for Asset Management.

Recap

We've started off the year well. We've had good progress on our financial targets. That progress has been fueled by an 11% increase in our high value clients, a 17% increase in the productivity of our branded advisors, and growth in owned, managed and administered assets driven by strong flows in our variable annuity and wrap products and improving flows in our proprietary mutual funds.

We continue to effectively manage our separation activities and our operating platform is strong. We are prudently managing our separation expenses having spent approximately $360 million of our original $875 million estimate, which is less than we had anticipated at this point in the transition. While there is a significant amount of work yet to accomplish, we have the right teams in place, and I am confident that we will continue to effectively execute against our plans.

Before I turn it over to Walter who will provide some more context about our segments, I want to mention an important event. Last month, the Ameriprise Financial Board of Directors authorized a two-year, $750 million share repurchase program. That amount is in addition to a previous authorization of 2 million shares. As part of these authorizations, we completed a $275 million share repurchase of 6.4 million shares of Ameriprise Financial common stock. I mention this because I believe this is an effective use of our capital to maximize shareholder value creation.

With that, I'd now like to turn it over to Walter Berman, our CFO, to give you some further insights into our results.

Walter Berman – EVP and CFO

Thanks Jim.

Overall, I feel very good about our financial results this quarter. The benefits of our diverse product offerings and revenue streams are reflected in our overall profitability, as well as in our operating segments.

As Jim mentioned, we exceeded two of our three on-average, over-time financial targets and made good progress toward our third financial target.

Our first target, adjusted revenue growth was up 10% versus the first quarter of 2005. This growth was driven by a 17% increase in the Management, financial advice and service fees balanced against a 5% growth in Investment income and Distribution fees.

Our adjusted net income and EPS growth was fueled by the excellent performance in our equity-driven management products, offset by the anticipated slow growth in fixed annuity and certificate activities. In addition, the tight control of our operating expenses contributed to this strong performance.

Adjusted Return on Equity for the trailing 12 months improved sequentially to 10.4% from 10.2%.

It should be noted that since the share repurchase was completed at the end of the first quarter, it had a minimal contribution to the improvement in our EPS and ROE performance.

I will update you on capital management later on, but first, let's review the results in each of the segments.

The Asset Accumulation and Income segment's relative weight in our overall business continues to increase as we focus on shifting to less capital intensive businesses. During the quarter, the AA&I segment contributed 73 percent of the quarter's consolidated revenues. The segment experienced strong net flows including $1.9 billion into wrap products and $1.1 billion into variable annuities. We also benefited from market appreciation during the quarter.

Fixed annuities and certificate products continued to put pressure on net investment income revenues. They represent about 50% of the revenues in this segment and were flat to last year. Overall, AA&I revenues increased by 9 percent or $123 million, $97 million of this increase was in brokerage, banking and other, and revenue relating to variable annuities increased $14 million. While strong business fundamentals were a primary driver of the 31 percent increase in pretax segment profit, the segment also benefited from a $24 million decline in legal and regulatory costs during this period.

I am also comfortable with the underlying performance of our Protection segment. Adjusted revenue grew 9 percent, but pre-tax profit was essentially flat as our segment expenses grew 11 percent. This revenue growth primarily reflects continued success of the Ameriprise Auto and Home Insurance activity. While most of the current period's growth relates to our established Costco alliance, we anticipate our new alliance with Ford Credit will generate growth in subsequent quarters.

There were a couple of specific items that caused this segment's expense growth to outpace its revenue growth. Importantly, we don't believe these items are the beginning of a trend.

- We had higher claims in disability income insurance, primarily in January, but the expected annual loss ratio remains below industry averages and within our anticipated trend lines.
- In addition, in the first quarter of 2005, the disability income business had favorable claims experience which negatively impacted the year-over-year comparison.
- Finally, we also had an increase in claims associated with our long term care insurance business.

Regarding the long term care business, we no longer manufacture or sell a proprietary product. All new business offered by our advisors is primarily underwritten by Genworth. We are, however, committed to managing our in-force block of long term care business, which includes seeking price increases as warranted.

- The final item of note in the Protection segment was an increase in amortization of deferred acquisition costs in the quarter, primarily related to an adjustment to the unearned commission balance.

So aside from these items, Protection has strong fundamentals and the trends are good.

- We continue to be the number one provider of VUL insurance
- In January, we launched new UL products in over 40 states

- Our disability income insurance business has historically outperformed the industry and we have no reason to believe that will not continue, and
- Our auto and home insurance business is showing strong, profitable growth.

I also feel good about our cost containment efforts. Our adjusted expenses were up 9 percent, or $144 million, from a year ago and, we believe that expenses are well contained.

The year over year growth was primarily driven by a $62 million increase in field compensation and benefits and a $41 million increase in other expense lines directly associated with business activities. Non-field compensation and benefits increased $37 million, reflecting higher costs associated with being an independent company, $11 million in severance costs primarily within the technology function, as well as other costs. These increases substantially offset the prior year legal and regulatory costs. In addition, the first quarter included only a small portion of our reengineering benefits expected for the full year. So overall, we feel expenses for the quarter were prudently managed.

Before I pass it back to Jim, I'd also like to quickly address capital management.

On our fourth quarter 2005 conference call, we outlined some examples of how we were working on capital optimization. Here's a quick update.

The consolidation of our 5 insurance entities into 2 is on track, and we expect it will be completed by the end of 2006.

We received our bank charter, and we expect to launch our Ameriprise FSB by mid-year. As we've said, the FSB will enable us to better serve our clients' deposit and credit needs, rounding out our solution set for our customers.

The quality of our balance sheet remains high and our capital ratios are strong.

- The percentage of bonds rated A or above increased to 70% from 66% in the first quarter of 2005, and below investment grade remained at 7%.
- Debt to capital was 17% as of March 31st.
- Our fixed charge coverage was 7.2x

With regard to hedging, as I've mentioned before, we use hedging instruments to manage risk exposure and capital requirements. The hedging program we put in place late in 2005 to manage our exposure related to GMWB on variable annuities has been effective to date in mitigating our exposures and reducing our regulatory capital requirements.

And finally, as Jim mentioned, in late March we announced the Board authorization for the additional share repurchases and the completion of the 6.4 million share repurchase for $275 million. On an ongoing basis, we will continue to evaluate our alternatives for uses of capital.

The impact of the 6.4 million share repurchase is evident within our ending shares outstanding of 244.3 million, but it had no impact on EPS for the quarter and a minimal impact on our Return on Equity calculation. Average diluted shares for the first quarter were 253.5 million.

You should note, because of the unique characteristics of the 2 million vested shares we granted to our advisors as part of their 2005 incentive and retention plan, they are not included in shares outstanding. However, for purposes of both the basic and diluted share counts for the EPS calculation, these shares are included. So, for the second quarter, our starting point for diluted shares is 247.7 million. The second quarter will obviously show the full impact of the 6.4 million shares.

For concluding remarks, I'll now turn it back to Jim…..

James Cracchiolo – Chairman and CEO

Thanks Walter. I think we’ve given you a good perspective on what we obviously think was a strong quarter and some highlights. And with that, I will turn it over for Q&A.