Ameriprise Financial Second Quarter 2009 Earnings Call

July 23, 2009

Forward-looking statement

Some of the statements made in our July 23, 2009 earnings release and/or in this presentation constitute forward-looking statements. These statements reflect management's estimates, beliefs and expectations, and speak only as of July 23, 2009. These forward-looking statements involve a number of risks and uncertainties. A list of certain factors that could cause actual results to be materially different from those expressed or implied by any of these forward-looking statements is set forth under the heading "Forward-Looking Statements" in our July 23, 2009 earnings release, a complete copy of which is available on our website, under the heading "Forward-Looking Statements" in our Form 8-K dated July 23, 2009 on file with the SEC, and under the heading “Risk Factors” and elsewhere in our 2008 10-K report, also on file with the SEC. We undertake no obligation to update publicly or revise these forward-looking statements for any reason. In addition, the financial results and values presented in our July 23, 2009 earnings release and/or in this presentation are based upon asset valuations that represent estimates as of July 23, 2009 and may be revised in our Form 10-Q for the Quarterly Period ended June 30, 2009.

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Jim Cracchiolo, Chairman and CEO

Good afternoon. Thanks for joining us for our second quarter earnings discussion.

As our results demonstrate, conditions appear to be stabilizing, and the market environment finally seems calmer than it has been in quite some time. Our client activity is showing signs of improvement, as retail investors begin to move past a period of fear and regain their focus on the long-term. This initial business momentum, along with the continued improvement in the equity markets, contributed to growth in revenues and asset levels compared to last quarter.

As you know, our balance sheet has remained strong and resilient during the market and economic downturn. In the second quarter, this strength was reinforced—our net unrealized loss position decreased by 68 percent, to $577 million, and we took actions to further boost our financial flexibility. In short, we’ve significantly enhanced our debt maturity ladder and raised equity to pursue opportunities. I’ll come back to this in a moment.

So the message I want you to take away today is this: Our metrics are beginning to show signs of improvement, our balance sheet is very strong, and we are in position to pursue appealing growth opportunities.

With that in mind, I’d like to give you some insight into our results and the performance of the business.

For the quarter, we earned $95 million, or 41 cents per share. Our core operating earnings were $133 million, or 58 cents per share. We generated revenues of $1.9 billion, a sequential improvement of 9 percent. The decrease in our earnings compared with a year ago primarily resulted from the impacts of the 28 percent year-over-year decline in the S&P 500 and lower short-term interest rates.

The core of our franchise, which is long-term, deep relationships between advisors and their clients, remains strong. It's been a very difficult year for financial advisors, but despite the conditions, advisor retention remains near all-time highs. In fact, retention among our most productive advisors remains at 95 percent.

We also recruited more than 200 experienced advisors to our branded platforms during the second quarter, bringing our total for the year to more than 400 recruits. That's ahead of the expectations we set at the beginning of the year.

Our advisors are staying with us—and established professionals are joining us—because of the company's strength and stability, and because of our continued focus on providing excellent advisor support. We've continued to invest to enhance our capabilities, including marketing and technology. In fact, we will begin rolling out a new brokerage platform early next year. And, just as important, our brand has remained strong through the financial crisis.

Our client retention is very good, which is a testament to our advisors' diligent work and, again, to the strength of our relationships. Now that we've had four months of more positive market conditions, clients are beginning to regain confidence. As a result, client activity is beginning to pick up.

You can see evidence of this upswing in our product movements: As our clients move out of defensive cash positions, we're seeing positive momentum in asset flows across our product platform. In the second quarter, we generated particular strength in our wrap accounts, where we had net inflows of $2.8 billion.

Total asset management net flows turned slightly positive, compared with approximately $100 million of net outflows in the first quarter of this year and $4.8 billion of outflows a year ago. Our total managed assets increased by 12 percent, to $214 billion, over the sequential quarter as a result of the inflows and market appreciation.

In the domestic asset management business, total RiverSource net flows improved significantly on a year-over-year basis, driven by slowing net outflows in retail funds, which resulted from a pickup in sales. We also experienced strong inflows in institutional and a return to net inflows in alternative portfolios.

We also returned to overall net inflows at Threadneedle. Slowing Zurich outflows as well as net inflows into retail funds resulted in total net inflows of $470 million. Threadneedle experienced net outflows of $322 million a quarter ago and $2.5 billion a year ago.

In terms of investment performance, RiverSource performance improved during the period across both retail and institutional funds, as most of the portfolios are positioned for an economic recovery. Investment performance at Threadneedle remained quite strong, with 93 percent of equity funds above the three-year median.

We're also continuing to drive positive flows in annuities, with total annuities net inflows of $1.1 billion in the quarter. In the fixed business, sales slowed as we continued to manage our rate offers to ensure favorable economics. Still, our total ending fixed annuities balance is up 23 percent year-over-year, which is helping to generate improved net investment income. In addition, we produced good flows in variable annuities, with $567 million in net inflows in the quarter. We feel comfortable with the profitability of the new business we're writing given the changes we're making to our products and features, as well as the success of our hedging program

In the insurance business, we're seeing some improvement in sales sequentially, but sales are still slower year-over-year. Permanent life insurance cash sales were up 36 percent compared with the sequential quarter, with universal life sales driving the increase. VUL sales were flat compared with last quarter and down over a year ago because clients continue to be reluctant to move back to equity-sensitive insurance products.

The auto and home business continues to grow, with a 7 percent increase in year-over-year policy counts. Overall, the protection businesses remain strongly profitable as we continue to offer clients a wide range of product choices, and as we choose our risks carefully.

Now, before I turn the call over to Walter, I'd like to address three additional points.

First, expenses: you'll see in our numbers that general and administrative expenses were up compared with the sequential quarter. I want to be sure you understand that the increase was driven by acquisition-related costs, as well as several relatively small one-time items, including additional legal expenses. Last quarter we told you that we had increased our goal for run-rate expense savings to $350 million for 2009 and that we intended to deliver a majority of those savings to the bottom line. We're on pace to exceed those savings. In fact, we're now on a run rate of $110 million per quarter in expense saves.

Second, I'd like to help you understand the net losses we're experiencing in the Advice and Wealth Management and Asset Management segments. In addition to the significant market challenges of the past year, both segments absorbed unusual expense items during the quarter, including ongoing costs associated with integrating our recent acquisitions. In addition to the integration costs, we still have redundant expenses from running multiple platforms. Those expenses will go away when we're fully consolidated later this year. Aside from the acquisition costs and some higher one-time legal costs, expenses in both businesses have decreased substantially.

At the same time, as I've said, our business momentum has turned positive, with both client activity and asset flows increasing. We're confident that the lower expense base along with the early signs of business improvement will start to give us additional earnings power in the quarters ahead.

Finally, I would like to help you understand the rationale behind our capital decisions during the quarter. We raised capital not because we had anything to repair, but to be in a position to play offense.

The debt we raised, along with a tender offer currently in progress, improves our overall debt position and pre-funds the majority of our nearest debt maturity, which is in November of 2010. We now have a much stronger maturity ladder, with our next tranche of debt maturing in 2015, and we feel very good about the overall debt positioning.

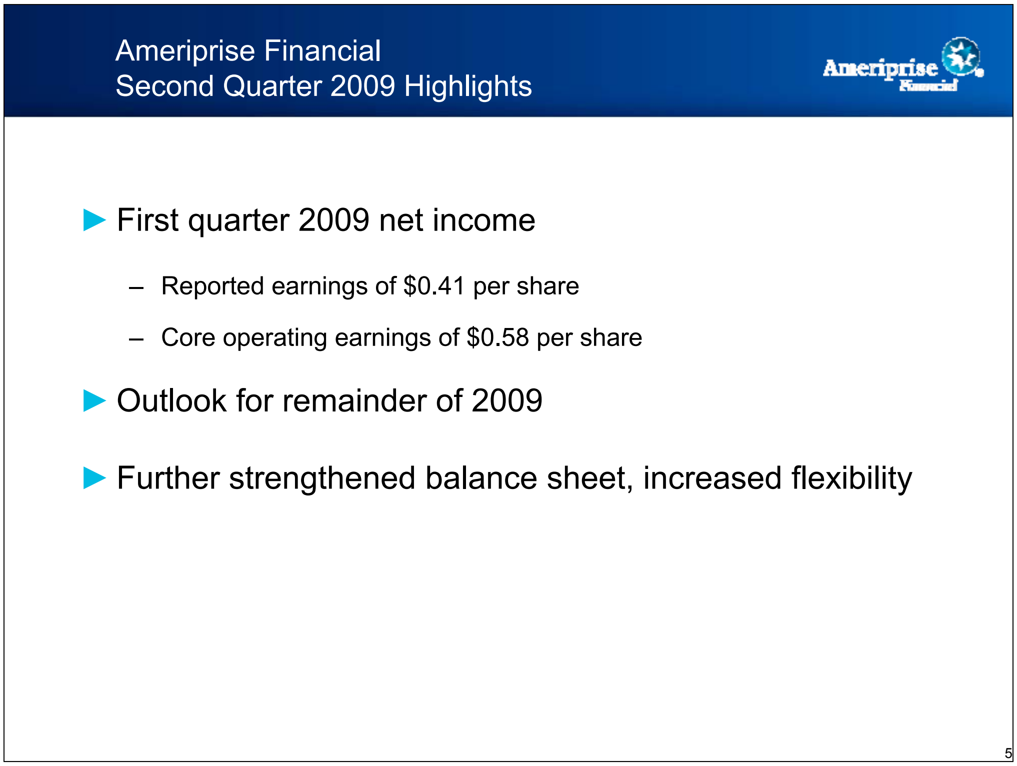
While I know that our equity offering generated some questions, it was a prudent strategic decision. Even when taking into account the estimated new capital requirements for variable annuities, our excess capital was more than $2 billion at the end of the quarter. That provides a strong cushion if we experience any new deterioration in the markets, but just as important, we also now have the capacity to act quickly as we identify opportunities to grow the franchise.

We've often told you that we actively look for opportunities in the asset management and retail distribution businesses, and that continues to be our focus. I want to assure you that we will continue to be prudent as we pursue acquisitions, and that we do not anticipate a need to raise additional capital if we make an acquisition.

To summarize, I feel quite good about the direction and positioning of the company. Our advisor-client relationships remain strong, we're attracting new advisors, and our product areas are beginning to generate improved flows. In addition, the strong financial position we've built now enables us to pursue opportunities to grow the business while many of our competitors are focused on repairing problems.

That's not to say that I'm totally satisfied with our results. We still have work to do to overcome the weaker environment compared with a year ago—we need to build on the early signs of improvement. I'm confident that we will do that, and that we will begin to realize the earnings power inherent in our model.

Now I'll turn it over to Walter for more detail on the quarter, and after that, we'll take your questions.



Walter Berman, CFO

Thanks, Jim.

We've posted slides on our website again this quarter, and they will be updated with my talking points after the call.

Turning to page 5…

My discussion today will focus on three points: earnings, actions we're taking in this challenging environment to drive profitability, and our balance sheet strength and flexibility.

Our second quarter results reflect the continued market challenges we face. We reported a 41 cents per share profit, and we achieved core operating EPS of 58 cents per share.

Turning to page 6

Second Quarter 2009 Results
Reported to Core Reconciliation

	Second Quarter 2009	Second Quarter 2008
Reported EPS	$ 0.41	$ 0.93
Non-core elements		
Net investment gains/(losses)	$ 0.02	$ (0.08)
Integration charges	$ (0.07)	$ -
DAC and DSIC charges	$ 0.12	$ (0.03)
Variable annuity benefits	$ (0.24)	$ 0.01
Total non-core elements	$ (0.17)	$ (0.10)
Core operating EPS	$ 0.58	$ 1.03

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Here we've provided more detail on specific non-core items in the quarter, which are detailed in the press release as well.

In the quarter:

• We recorded 2 cents in net investment gains, compared to 8 cents in realized losses last year.

• We incurred 7 cents of acquisition-related integration charges, which is on track with our plan.

• Favorable market conditions in the quarter drove a 12 cents per share benefit related to DAC and DSIC, mean reversion, compared to a negative impact of 3 cents in the prior year period.

•This DAC benefit was more than offset by a 24 cents per share charge related to variable annuity guarantees, primarily from FAS 157. There are two offsetting components within the 24 cents:

> •First, we realized an after-DAC, after-tax impact of $139 million, or 60 cents per share, relating to FAS 157 non performance risk and a change in the liabilities.
>
> •This was partially offset by an improvement in basis risk and market-driven variable annuity guarantee impacts of $84 million, or 36 cents per share
>
> •It's also important to note that the remaining exposure to FAS 157 on our balance sheet is manageable.

Excluding all these items, core operating EPS was 58 cents per share, compared to $1.03 last year.

Now please turn to slide 7…

Second Quarter 2009 Results
Core Operating Earnings

Core results negatively impacted by challenging environment

Core operating earnings per share	$0.58
Included in core operating earnings:	
Lower equity market impact on fees	$(0.36)
Lower short-term interest rates on liquidity	$(0.15)
Provision for client settlement	$(0.07)
Tax catch-up	$(0.02)
Repurchase of hybrid	$0.02
Subtotal	$(0.58)
Also impacting core operating earnings:	
Lower client activity	
Client driven mix shift to lower margin products	

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To help you clearly understand what is—and is not—in core, we've shown items that ***are*** included in our core earnings.

Core earnings reflect the negative impacts of the markets. In this quarter, the lower year-over-year equity market levels reduced fees by approximately 36 cents per share, and lower short-term interest rates resulted in lower earnings of about 15 cents per share.

We had a 7 cents per share provision for a client settlement.

In addition, our effective tax rate in the quarter was 24.4 percent, basically a catch up to get to our full-year estimated effective tax rate of 20 percent. This resulted is a 2 cents per share negative impact to core. The full year tax rate increase is the result of higher expected pretax profit for this year.

Lastly, we had a 2 cents per share gain on the repurchase of our hybrid debt.

Of course, the changes in client activity and the product mix shift as a result of clients seeking safety are included in core. These elements are difficult to quantify.

In summary, our core earnings were down 45 cents versus last year, and the primary driver of this decline was the market dislocation.

If you'll turn to slide 8…

We continue to focus on executing – managing everything that is under our control—and our outlook for the balance of the year is more favorable.

We continue to recruit experienced advisors, who are bringing clients and assets to the firm. We attracted more than 200 advisors, which was our best quarter ever.

We also saw initial signs of improving client activity. As a result, we generated continued improvement in client asset flows, with $2.8 billion of net wrap inflows in the quarter.

Asset management flows have improved, too, and so has investment performance, both at Threadneedle and in the U.S.

During the quarter, we redeployed approximately $1.5 billion of cash into longer-dated fixed maturities yielding an average of about 6.5 percent.

At the same time, we are continuing to implement our reengineering plans, and with $110 million in savings in the quarter, we are on track to exceed our full year target of $350 million

Turning to slide 9…

Market Impacts Mitigated by Accelerated Reengineering Savings

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Reengineering savings expected to mitigate equity market and short term interest rate impacts for the remainder of 2009

PTI impact ($ in millions)	1st Half 2009	2nd Half 2009
Estimated Market Impact*	$ (394)	$ (121)
Reengineering – Net Expense Reduction**	$ 113	$ 147
Reengineering as a % of Market Impact	29%	121%

*Market impacts assume equity markets flat for the remainder of the year

**Approximately 2/3rds of gross reengineering savings are expected to fall to the bottom line

Other factors impacting results:

- Lower client activity
- Shift to lower margin products
- Acquisition impacts

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Here I'd like to help you understand the benefits we expect to derive from our reengineering work.

For the first half of the year, we experienced $394 million of year-over-year negative market impacts to our PTI. The bottom line impact of reengineering was a $113 million benefit. Therefore, we offset only about 30% of the market impact.

For the balance of the year, assuming the S&P 500 holds at 920, our anticipated market impact is a negative $121 million in pretax earnings.

The decline in year-over-year market impact is driven by the lower markets during the second half of 2008.

We are anticipating reengineering benefits of $147 million to fall to the bottom line during the second half, or 121% of the estimated market impact vs. last year.

However, this table only reflects markets and reengineering. We will still be facing the impacts of lower client activity, the shift to lower margin products and the impacts from our recent acquisitions.

If you'll turn to slide 10…

Strengthened Balance Sheet Fundamentals and Improved Flexibility

- Excess capital more than $2 billion
- Maintaining high liquidity levels
- Good invested asset performance
- Strong capital ratios
- Continued effective variable annuity hedging

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I'd like to give you some further detail on our balance sheet.

We now hold more than $2 billion in excess capital, which includes the $869 million of net equity we raised in the second quarter. It also takes into account the estimated additional capital requirements for variable annuities.

We're also maintaining high levels of liquidity. Even after investing $1.5 billion in cash during the quarter, we still hold $3.8 billion of free cash. This $3.8 billion includes $1.4 billion relating to our equity and debt offerings. However, $450 million of this is committed to the tender offer for our 2010 debt.

We think we made prudent decisions to pre-fund, and then tender for, a majority of our next year debt maturity. As Jim noted, we now have a much longer-dated debt maturity ladder.

Our capital ratios remain strong, with our debt to total capital ratio, pro forma for completing the tender, at 16.2 percent.

And finally, our variable annuity hedging program continued to be extremely effective, with performance in excess of our 95 percent effectiveness target.

Now please turn to slide 11…

Excess Capital

Robust excess capital position : $2+ Billion

- Issued $869 million in equity
- Reflects estimated year-end variable annuity requirements
- Excludes AOCI
- Majority at the holding company level

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Now I'll provide more detail on our excess capital position.

We told you last quarter that we held more than $1 billion of excess. Now we have more than $2 billion after our equity offering and after accounting for the estimated additional capital and reserve requirements for variable annuities. The position also excludes AOCI.

In addition to the equity offering, the net change was driven by several factors:

• First, we estimated requirements for VACARVM and CTE 98

•Second, we adjusted our methodology from factor-based to cash flow testing for all of our products and risks

• And, our June 30th position reflects market improvements during the quarter.

Finally, the majority of the total position is now at the holding company level, which provides us with significant flexibility.

Now turn to slide 12…

Invested Asset Summary

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Invested asset portfolio continues to perform well

- $5.7 billion of asset purchases in the second quarter
- Residential mortgage market fundamentals
  - Improvement in new delinquency rates
  - Loss severities upon liquidation continue to deteriorate
  - $31 million of impairments in the quarter
- Commercial Mortgage Backed Securities
  - Portfolio is nearly 100% AAA-rated and seasoned
  - Underlying collateral is performing within expected parameters
- Direct commercial mortgage loan portfolio
  - Conservatively underwritten, seasoned portfolio
  - No delinquencies as of June 30, 2009
  - Average loan to value ratio of 60%
  - Debt service coverage ratio of 1.86x
  - Trends indicate prospective stress on commercial real estate
  - Reserves increased by $9 million to approximately 1% of the portfolio

Here you'll see detail on our invested assets.

Our purchases during the quarter focused on investment grade corporate bonds, residential mortgage backed securities (which were primarily agency and re-remic non-agency), and asset backed and commercial mortgage backed securities that are short duration and senior in the capital structure

In the residential mortgage portfolio, we recognized $31 million of impairments on mortgage backed securities that had been previously impaired

Mortgage market fundamentals have shown an improvement in the rate of new delinquencies, but loss severities upon liquidation continue to deteriorate

The commercial mortgage backed securities portfolio is nearly 100% AAA-rated, it is seasoned, and the underlying collateral is performing within expected parameters

The direct commercial mortgage loan portfolio ended the quarter with no delinquencies. Trends in the market continue to indicate possible stress on commercial real estate. Our historic conservative underwriting of the portfolio has been critical to maintaining a high quality portfolio to-date, and the portfolio and macro trends are being monitored closely

If you'll turn to slide 13…

Invested Asset Summary
Net Unrealized Losses

Net unrealized losses decreased from $1.8 billion to $577 million, or 4 percent of equity excluding AOCI, during the quarter.

($ millions)	Amortized Cost	Fair Value	% of Total Invested Assets	Unrealized Gain (Loss) last quarter	Unrealized Gain (Loss) this quarter	Change in Unrealized	Q2 Impairment/ Reserve Increases
Cash and cash equivalents	$ 4,469	$ 4,469	11 %	$ -	$ -	$ -	$ -
Corporate debt securities - Investment Grade	13,317	13,456	34 %	(674)	139	813	-
Corporate debt securities - High Yield	1,733	1,560	4 %	(266)	(173)	93	-
Residential Mortgage backed securities - Agency	3,902	3,982	10 %	81	80	(1)	-
Residential Mortgage backed securities - Re-Remic	2,030	2,079	5 %	5	49	44	-
Residential Mortgage backed securities - Prime	899	720	2 %	(212)	(179)	33	(2)
Residential Mortgage backed securities - Alt-A	1,033	653	2 %	(405)	(380)	25	(29)
Asset backed securities - Subprime	346	277	1 %	(68)	(69)	(1)	-
Asset backed securities - Other	1,592	1,632	4 %	(20)	40	60	-
Commercial mortgage backed securities	4,054	4,056	10 %	(109)	2	111	-
State and municipal obligations	1,205	1,089	3 %	(155)	(116)	39	-
US government and agencies obligations	177	185	1 %	9	8	(1)	-
Other AFS	200	222	1 %	(8)	22	30	-
Total cash, cash equivalents and available-for-sale securities	**$ 34,957**	**$ 34,380**	**88 %**	**$ (1,822)**	**$ (577)**	**$ 1,245**	**$ (31)**
Commercial mortgage loans, net of reserve	2,758	2,758	7 %	-	-	-	(9)
Policy loans	715	715	2 %	-	-	-	-
Trading securities	904	904	2 %	-	-	-	-
Other investments (includes bank loans)	505	505	1 %	-	-	-	-
Total Invested Assets	**$ 39,839**	**$ 39,262**	**100 %**	**$ (1,822)**	**$ (577)**	**$ 1,245**	**$ (40)**

Below Investment Grade as a % of Total Invested Assets	**7 %**

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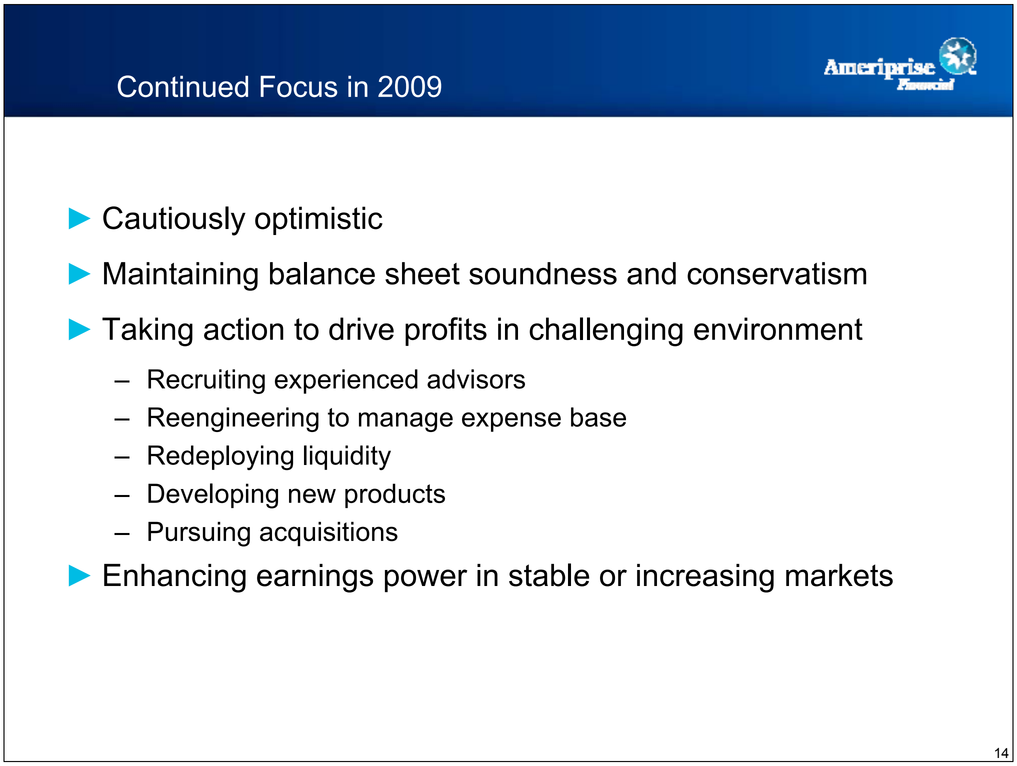
We have once again provided significant detail on our net unrealized loss position, which has decreased substantially.

In fact, the total net unrealized loss position fell to $577 million, a decrease of approximately $1.2 billion compared with the sequential quarter.

Unrealized losses, after tax, as a percentage of equity excluding AOCI, were just 4 percent, down from 16 percent last quarter.

On our web site you can find the underlying detail relating to each of these categories.

To conclude, on slide 14…



While markets remain challenging compared with a year ago, we are cautiously optimistic regarding the environment and our business activity.

We are maintaining our sound and conservatively positioned balance sheet, and we are taking actions to drive profits in this environment. We are confident that these actions will give us improving earnings power as markets continue to stabilize.

With that, we'd be happy to take your questions.

Appendix

VA benefits expenses hurt net income by $55 million or $0.24 per share, primarily as a result of non-performance risk, the impact of RiverSource Life's credit spread on the SFAS 157 liability valuation, a non-economic factor that we do not hedge.

VA Guarantee Impacts ($ in millions)		Offsets				
P&L (benefit)/expense	Benefit - Reserve	Benefit - DSIC	DAC	Pretax Impact	After-tax Impact*	EPS
FAS 157	$ 604	$ (74)	$ (316)	$ 214	$ 139	$ 0.60
Basis Risk	(113)	10	47	(56)	(36)	(0.15)
Subtotal	491	(64)	(269)	158	103	0.45
Other Living Benefits	(131)	15	63	(53)	(35)	(0.15)
Total Living Benefits Impact	360	(49)	(206)	105	68	0.30
Death Benefits Impact	(20)			(20)	(13)	(0.06)
Total VA Impact	**$ 340**	**$ (49)**	**$ (206)**	**$ 85**	**$ 55**	**$ 0.24**

* For this presentation, after-tax is calculated using the statutory tax rate of 35%