

Ameriprise Financial, Inc.
Second Quarter 2007 Earnings
Conference Call Talking Points

Laura Gagnon – VP, Investor Relations

Thank you and welcome to the Ameriprise Financial second quarter earnings call. With me on the call today are Jim Cracchiolo, Chairman and CEO, and Walter Berman, Chief Financial Officer. After their remarks, we'd be happy to take your questions.

During the call, you will hear references 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 operations. The adjusted numbers exclude non-recurring separation costs in all periods.

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 2006. 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 and available on our website as well as furnished under an 8-K filed with the Securities and Exchange Commission.

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 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 2006 Annual Report to Shareholders and the Earnings Release, and under the heading "Risk Factors," and elsewhere in our 2006 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.

Jim Cracchiolo, Chairman and Chief Executive Officer

Thank you, Laura. Good afternoon everyone and thanks for joining us for today's call.

We had another very strong quarter at Ameriprise Financial. I'm extremely pleased with what we've accomplished over the past two years, and the company is in a very good position today.

We've established a strong foundation and we're seeing good results from our investments. It's important to recognize that we have now essentially completed our separation from American Express, which has been a transforming event for this company. While there are still some separation expenses to realize during the remainder of the year, the technology separation, which was one of the most critical and time-consuming factors, is over 98 percent complete.

Today, we're in a much better situation to continue to build on our solid foundation and take advantage of the great opportunity before us.

Let me begin by giving you some highlights of our performance in the second quarter.

- Revenues grew 6 percent, or 10 percent adjusted for the sale of our defined contribution recordkeeping business, in the second quarter last year
- Adjusted earnings per diluted share increased 24 percent, and
- Adjusted return on equity reached 12.5 percent

Each of these targets met or exceeded our on-average, over-time goals. I want to point out that we've changed one of our key metrics to better reflect how we're deploying capital—from earnings growth to earnings per share growth. In the past, our target was 10 to 13 percent earnings growth. Our new EPS growth target is 12 to 15 percent.

Now I'd like to talk in more detail about two areas: increased productivity within our advisor force and growth in assets from strong flows in our fee-based businesses.

Advisor productivity is improving substantially, with 20 percent growth in total GDC during the quarter. Productivity is improving because we are growing our mass affluent and affluent client base, which is up 12 percent over last year, and we're giving our advisors the right platform to deliver a better and more consistent client experience.

Over the course of the year, we've enhanced our marketing programs for advisors, rolled out improvements in advisor technology, and introduced a number of innovative, goal-based solutions that help advisors manage their clients' assets.

For the remainder of the year, we will have significant releases to further improve our technology offering, including the introduction of a new, enhanced suite of integrated financial planning tools. By year-end, we feel that we will have one of the leading advisor desktop technology platforms in the industry.

Our advisors like the investments we're making to support their practices, and they're highly satisfied with the company overall. In fact, our franchisee advisor retention remains quite strong.

As we anticipated, our total advisor force declined in the quarter because we reduced the number of new hires in the employee advisor channel by over 40 percent compared to a year ago. We intend to remain selective in our new employee advisor hiring, with the long-term goal to grow our total advisor force while improving the profitability of our distribution business.

We're confident that the many improvements we're putting into place for our advisors will foster continued growth and further productivity gains.

Another area of focus is growing our asset base, and we're achieving solid momentum in our asset flows in the key areas we're investing in. We ended the quarter with \$484 billion in owned, managed and administered assets, up 13 percent from a year ago.

Product innovation and performance continue to drive asset growth. We've developed a suite of goal-based solutions that have been extremely well received by our advisors and clients. In fact, these products helped drive our first quarter of net inflows in RiverSource Funds in several years. We ended the quarter with more than \$700 million in positive net flows in mutual funds and variable product funds, which is a significant turnaround for the company. It's a reflection of our ongoing investment to strengthen our asset management capabilities.

In addition, we generated \$3.5 billion in net inflows in wrap programs. This growth includes more than \$1.1 billion in ending assets in Active PortfoliosSM, the discretionary mutual fund wrap platform we launched just a few months ago. Active Portfolios is an important addition to our suite of goal-based solutions and is proving to be one of the most successful product launches we've ever had. In total, we ended the quarter with more than \$89 billion in wrap assets under management, which is up 34 percent over a year ago.

We also continue to produce very strong flows in variable annuities, with net inflows of \$1.5 billion in the quarter. At the same time, we're managing outflows in fixed annuities and certificates. We have been focused on growing fixed-rate products because of the current interest rate environment, and we expect outflows to continue for the time being.

Threadneedle is also performing well. They're growing revenues from their higher-margin retail and alternative businesses and controlling expenses, which is driving profit growth. As we've said before, Threadneedle continues to manage outflows in lower-margin institutional assets. During the quarter, Zurich transferred part of its UK annuity business, accounting for the bulk of the outflows. Because these are low-margin assets, this transfer does not have a material impact on our revenues.

The protection business continues to produce solid results, as well. Life insurance in-force grew to \$181 billion, an increase of 8 percent from last year. In addition, we continue to see growth in Auto and Home premiums.

So, I'm feeling very good about asset growth and the increase in productivity within our advisor force for the quarter.

I'm also feeling very good about our future. Our opportunities are significant, and we are focused on realizing them over the long term. We've built a strong foundation, and we're seeing good results from our investments.

To summarize, we've introduced a number of new products and services that are getting very strong uptake from our advisors, and we've improved our technology platform to provide advisors with enhanced tools to serve their clients. And, we believe this will lead to continued gains in advisor productivity and a larger base of mass affluent and affluent clients. Even with this robust investment agenda, we are controlling expenses through a disciplined management and strategic reengineering.

These investments are generating strong performance, which in turn is contributing to our very strong capital position. We currently have more than a billion dollars in excess capital. We are committed to returning capital to shareholders, and we are executing our plans to reinvest for sustainable growth.

Over the past seven quarters since our spin-off, we have delivered consistently strong earnings and business growth. We've established ourselves as an independent public company while executing our separation from American Express. Now, with the right resources and capabilities in place, we're in a great position to continue this momentum and further create shareholder value.

With that I'd like to turn it over to Walter.

Walter Berman, Chief Financial Officer

Thanks Jim - - and good afternoon everyone.

I want to underscore what you just heard from Jim by adding some additional context around our improved PTI margin, growth in fee-based activities, effective expense management and ongoing strength within our balance sheet.

First, the solid performance we experienced during the quarter has resulted in improvement in our PTI margin.

- Excluding separation costs, PTI margin improved to 14.1 percent from 13.2 percent last year.

We have been focused on our equity fee-based businesses and that has been a key contributor to these PTI margin improvements.

- A greater percentage of our revenue and profits is coming from management and distribution fees, which combined, grew 22 percent during the quarter.
- This growth was partially offset by declines in net investment income due to net outflows in annuity fixed accounts and certificates, consistent with prior quarters, and the industry overall.

At the same time, we've been exercising effective expense management.

Now, on a reported basis, total expenses increased 5 percent. Excluding the costs related to the sale of the recordkeeping business last year, expenses rose 7 percent.

So, let me break down the drivers of this growth for you to understand this a bit better.

A large portion of this increase is driven by the strong sales growth, which as you would expect, increased our field compensation and benefits line.

Then, there are two other important line items from an expense perspective: non-field compensation and benefits, as well as other expenses. Combined, these two lines increased 2 percent on a reported basis. However, in the second quarter last year we had a number of special items related to legal fees, the sale of our 401K business and

severance.

This quarter, we also had offsetting expense items, none of which were material. They include:

- costs associated with our bank,
- timing differentials for management incentives,
- severance, and
- accruals for sales and use taxes.

Factoring in these items, underlying expenses are within the ranges for us to generate ongoing improvements in our operating margins. We've been investing in the business at even higher levels than last year, while also keeping overall operating expenses well controlled, so we're confident in our ability to manage expenses and continue to drive margin improvement.

Now, let's move to the final area I wanted to touch on – the ongoing strength in our balance sheet.

There has been a great deal of focus on credit quality in the capital markets so I want to address that up front.

Our exposure to subprime is limited to \$260 million of residential mortgage backed securities – down from approximately \$350 million last quarter due to liquidations and paydowns.

These securities are:

- high quality --- predominantly AAA rated bonds ---
- backed by seasoned, traditional, first lien, subprime collateral,
- they include both floating rate and short-duration, fixed securities, and as of last week, were trading at 99 percent of book.

In total, subprime accounts for less than 1 percent of our portfolio:

- We have no investment in CDOs or CLOs with a subprime component
- We have no investment in hedge funds whose "style" involves subprime
- And, we have no investment in bond funds with a subprime component

Similarly, with respect to Alt-A, we are also comfortable with our exposure.

We own \$1.1 billion in AAA rated bonds and \$177 million in AA and \$12 million in A bonds backed by Alt-A collateral.

- None of our structures are levered.
- The majority of AAA bonds are "super senior," meaning they have more collateral support or credit enhancement than required to get a AAA rating.
- These securities are seasoned as well.
- As of last week, these portfolios were trading at 99 percent of book.

We thought it was important to make sure you have the facts about our total investment portfolio, \$35 billion of cash and investments, given today's environment.

- We continue to be risk / return oriented. We've consistently maintained that the market is not providing adequate compensation for taking additional credit exposure.
 - Our \$3.0 billion traditional commercial mortgage loan portfolio, 8.6 percent of the total investment, is very high quality, with an average loan to value of 55 percent.
 - Our high yield bond portfolio of \$1.8 billion, or 5.1 percent of total investments, is in the top end of that credit spectrum,
 - We continue to avoid the major write-downs in the market – as we have done for several years – and
 - We don't hold any debt related to the subprime mortgage lender bankruptcies.
 - Our residential MBS and CMO portfolio, including our Alt-A exposure, is \$6.5 billion, or 18.6 percent of total investments.
 - From a credit standpoint, it is very high quality with 96 percent rated AAA.

- In addition, we've taken on limited rate risk in this portfolio, with the duration at 2.7 years, with favorable convexity at - 0.5.
- Our Commercial mortgage backed securities of \$3.2 billion are also very high quality and highly structured. Generally, they behave like bullet bonds with very limited prepayment risk. We view these securities as substitutes for corporate bonds.
- Our asset-backed securities of \$1.0 billion, less than 3 percent of total investments, is almost all AAA rated, with approximately \$500 million dollars backed by SBA loans and guaranteed by the US government. This portfolio also includes the subprime bonds previously mentioned. In total, the portfolio is positively convex.

In total, our assets and liabilities are matched based on stochastic modeling, limiting overall interest rate risk for the Company.

In addition to very high asset quality on our balance sheet, we maintain strong leverage ratios. Our debt to capital ratio excluding non-recourse debt and with 75 percent equity credit for the hybrid securities was 16.9 percent and our ratio of earnings to fixed charges, excluding interest on non-recourse debt was 7.6 times. We also have ample liquidity from our diversified business model with substantial dividend capacity from both our insurance and non-insurance subsidiaries.

We continue to generate --- through both earnings and shifting to more fee-based, less capital-intensive products --- which is the direct result of executing our strategy and doing what we told you we would do. This in turn, is freeing up our capital for redeployment.

- During the quarter we repurchased 2.3 million shares, which brought our total repurchase over the past six quarters to 18.9 million shares for about \$964 million.
- We have about \$871 million remaining in our current share repurchase authorization.

In summary,

- We're generating solid results that demonstrate our strategy is working.
- We're growing our fee-based businesses and managing expenses to drive PTI margin expansion.
- Our interest rate risk is well managed.
- Our balance sheet assets are high quality and our capital base is strong.

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