

AMERIPRISE FINANCIAL INC  
Form 10-Q  
May 02, 2011  
[Table of Contents](#)

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Quarterly Period Ended March 31, 2011**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Transition Period from                      to**

**Commission File No. 1-32525**

**AMERIPRISE FINANCIAL, INC.**

(Exact name of registrant as specified in its charter)

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

**Delaware**

(State or other jurisdiction of incorporation or organization)

**13-3180631**

(I.R.S. Employer Identification No.)

**1099 Ameriprise Financial Center, Minneapolis, Minnesota**

(Address of principal executive offices)

**55474**

(Zip Code)

Registrant's telephone number, including area code: **(612) 671-3131**

Former name, former address and former fiscal year, if changed since last report: **Not Applicable**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer   
(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

**Class**  
Common Stock (par value \$.01 per share)

**Outstanding at April 22, 2011**  
242,284,677 shares

Table of Contents

AMERIPRISE FINANCIAL, INC.

FORM 10-Q

INDEX

Part I. Financial Information:

<u>Item 1.</u>	<u>Financial Statements</u>	
	<u>Consolidated Statements of Operations Three months ended March 31, 2011 and 2010</u>	3
	<u>Consolidated Balance Sheets March 31, 2011 and December 31, 2010</u>	4
	<u>Consolidated Statements of Cash Flows Three months ended March 31, 2011 and 2010</u>	5
	<u>Consolidated Statements of Equity Three months ended March 31, 2011 and 2010</u>	7
	<u>Notes to Consolidated Financial Statements</u>	8
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	40
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	65
<u>Item 4.</u>	<u>Controls and Procedures</u>	65

Part II. Other Information:

<u>Item 1.</u>	<u>Legal Proceedings</u>	66
<u>Item 1A.</u>	<u>Risk Factors</u>	66
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	66
<u>Item 6.</u>	<u>Exhibits</u>	66
<u>Signatures</u>		67
<u>Exhibit Index</u>		E-1

Table of Contents

## AMERIPRISE FINANCIAL, INC.

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(in millions, except per share amounts)

	Three Months Ended March 31,	
	2011	2010
<b>Revenues</b>		
Management and financial advice fees	\$ 1,184	\$ 774
Distribution fees	467	391
Net investment income	515	590
Premiums	292	282
Other revenues	209	255
Total revenues	2,667	2,292
Banking and deposit interest expense	13	21
Total net revenues	2,654	2,271
<b>Expenses</b>		
Distribution expenses	716	525
Interest credited to fixed accounts	207	228
Benefits, claims, losses and settlement expenses	384	354
Amortization of deferred acquisition costs	116	118
Interest and debt expense	75	64
General and administrative expense	885	621
Total expenses	2,383	1,910
Pretax income	271	361
Income tax provision	48	65
Net income	223	296
Less: Net income (loss) attributable to noncontrolling interests	(18)	82
Net income attributable to Ameriprise Financial	\$ 241	\$ 214
<b>Earnings per share attributable to Ameriprise Financial, Inc. common shareholders</b>		
Basic	\$ 0.96	\$ 0.82
Diluted	0.94	0.81
<b>Weighted average common shares outstanding</b>		
Basic	251.6	260.8
Diluted	257.7	265.0
<b>Cash dividends paid per common share</b>	\$ 0.18	\$ 0.17
Supplemental Disclosures:		

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Net investment income:			
Net investment income before impairment losses on securities	\$	517	\$ 620
Total other-than-temporary impairment losses on securities			(32)
Portion of loss recognized in other comprehensive income		(2)	2
Net impairment losses recognized in net investment income		(2)	(30)
Net investment income	\$	515	\$ 590

*See Notes to Consolidated Financial Statements.*

Table of Contents

## AMERIPRISE FINANCIAL, INC.

## CONSOLIDATED BALANCE SHEETS

(in millions, except share amounts)

	March 31, 2011 (unaudited)	December 31, 2010
<b>Assets</b>		
Cash and cash equivalents	\$ 2,460	\$ 2,861
Investments	37,457	37,053
Separate account assets	70,260	68,330
Receivables	5,505	5,037
Deferred acquisition costs	4,638	4,619
Restricted and segregated cash	1,472	1,516
Other assets	4,767	4,905
Total assets before consolidated investment entities	126,559	124,321
Consolidated Investment Entities:		
Cash	906	472
Investments, at fair value	5,363	5,444
Receivables (includes \$60 and \$33, respectively, at fair value)	84	60
Other assets, at fair value	920	895
Total assets of consolidated investment entities	7,273	6,871
Total assets	\$ 133,832	\$ 131,192
<b>Liabilities and Equity</b>		
<b>Liabilities:</b>		
Future policy benefits and claims	\$ 29,817	\$ 30,208
Separate account liabilities	70,260	68,330
Customer deposits	8,911	8,779
Short-term borrowings	497	397
Long-term debt	2,298	2,317
Accounts payable and accrued expenses	885	1,137
Other liabilities	3,882	3,015
Total liabilities before consolidated investment entities	116,550	114,183
Consolidated Investment Entities:		
Debt (includes \$5,333 and \$5,171, respectively, at fair value)	5,712	5,535
Accounts payable and accrued expenses	22	22
Other liabilities (includes \$346 and \$154, respectively, at fair value)	359	167
Total liabilities of consolidated investment entities	6,093	5,724
Total liabilities	122,643	119,907
<b>Equity:</b>		
Ameriprise Financial, Inc.:		
Common shares (\$.01 par value; shares authorized, 1,250,000,000; shares issued, 302,773,507 and 301,366,044, respectively)	3	3
Additional paid-in capital	6,043	6,029
Retained earnings	6,385	6,190
Appropriated retained earnings of consolidated investment entities	530	558
Treasury shares, at cost (59,865,027 and 54,668,152 shares, respectively)	(2,952)	(2,620)
Accumulated other comprehensive income, net of tax	542	565

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Total Ameriprise Financial, Inc. shareholders' equity	10,551	10,725
Noncontrolling interests	638	560
Total equity	11,189	11,285
Total liabilities and equity	\$ 133,832	\$ 131,192

*See Notes to Consolidated Financial Statements.*

Table of Contents

## AMERIPRISE FINANCIAL, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in millions)

	Three Months Ended March 31,	
	2011	2010
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 223	\$ 296
Adjustments to reconcile net income to net cash provided by operating activities:		
Capitalization of deferred acquisition and sales inducement costs	(126)	(119)
Amortization of deferred acquisition and sales inducement costs	129	130
Depreciation, amortization and accretion, net	30	22
Deferred income tax expense (benefit)	(19)	437
Share-based compensation	42	39
Net realized investment gains	(1)	(32)
Other-than-temporary impairments and provision for loan losses	3	34
Net loss (income) attributable to noncontrolling interests	18	(82)
Changes in operating assets and liabilities before consolidated investment entities:		
Restricted and segregated cash	6	(59)
Trading securities and equity method investments, net	(3)	5
Future policy benefits and claims, net	57	8
Receivables	(348)	(267)
Brokerage deposits	12	8
Accounts payable and accrued expenses	(256)	(161)
Derivatives collateral, net	9	(79)
Other, net	639	(5)
Changes in operating assets and liabilities of consolidated investment entities, net	(400)	(56)
Net cash provided by operating activities	15	119
<b>Cash Flows from Investing Activities</b>		
Available-for-Sale securities:		
Proceeds from sales	538	825
Maturities, sinking fund payments and calls	1,516	1,842
Purchases	(2,379)	(1,809)
Proceeds from sales, maturities and repayments of commercial mortgage loans	54	62
Funding of commercial mortgage loans	(26)	(49)
Proceeds from sales of other investments	50	36
Purchase of other investments	(80)	(9)
Purchase of investments by consolidated investment entities	(629)	(405)
Proceeds from sales, maturities and repayments of investments by consolidated investment entities	1,017	454
Return of capital in investments of consolidated investment entities	4	1
Purchase of land, buildings, equipment and software	(47)	(21)
Change in policy and certificate loans, net	2	
Change in consumer banking loans and credit card receivables, net	(91)	(75)
Other, net	(2)	(1)
Net cash provided by (used in) investing activities	(73)	851



*See Notes to Consolidated Financial Statements.*

Table of Contents

## AMERIPRISE FINANCIAL, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (continued)

(in millions)

	Three Months Ended March 31,	
	2011	2010
<b>Cash Flows from Financing Activities</b>		
Investment certificates and banking time deposits:		
Proceeds from additions	\$ 294	\$ 294
Maturities, withdrawals and cash surrenders	(431)	(607)
Change in other banking deposits	244	384
Policyholder and contractholder account values:		
Consideration received	291	430
Net transfers to separate accounts	(46)	(39)
Surrenders and other benefits	(371)	(358)
Deferred premium options, net	(58)	(36)
Issuance of debt, net of issuance costs		744
Repayments of debt	(6)	
Change in short-term borrowings, net	100	
Dividends paid to shareholders	(46)	(45)
Repurchase of common shares	(393)	(15)
Exercise of stock options	39	32
Excess tax benefits from share-based compensation	14	1
Borrowings by consolidated investment entities	15	
Repayments of debt by consolidated investment entities	(32)	(1)
Noncontrolling interests investments in subsidiaries	64	1
Distributions to noncontrolling interests	(27)	(23)
Other, net	2	(3)
Net cash provided by (used in) financing activities	(347)	759
Effect of exchange rate changes on cash	4	(10)
Net increase (decrease) in cash and cash equivalents	(401)	1,719
Cash and cash equivalents at beginning of period	2,861	3,097
Cash and cash equivalents at end of period	\$ 2,460	\$ 4,816
Supplemental Disclosures:		
Interest paid on debt before consolidated investment entities	\$ 24	\$ 4
Income taxes paid, net	10	154
Non-cash investing activity:		
Affordable housing partnership commitments not yet remitted		12

See Notes to Consolidated Financial Statements.

Table of Contents

## AMERIPRISE FINANCIAL, INC.

## CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)

(in millions, except share data)

	Ameriprise Financial, Inc.									
	Number of Outstanding Shares	Common Shares	Additional Paid-In Capital	Retained Earnings	Appropriated Retained Earnings of Consolidated Investment Entities	Treasury Shares	Accumulated Other Comprehensive Income	Non- controlling Interests	Total	
<b>Balances at January 1, 2010</b>	255,095,491	\$ 3	\$ 5,748	\$ 5,282	\$	\$ (2,023)	\$ 263	\$ 603	\$	9,876
Change in accounting principle					473					473
Comprehensive income:										
Net income				214				82		296
Net income reclassified to appropriated retained earnings					35			(35)		
Other comprehensive income, net of tax:										
Change in net unrealized securities gains							164			164
Change in noncredit related impairments on securities and net unrealized securities losses on previously impaired securities								(24)		(24)
Change in net unrealized derivatives losses							(7)			(7)
Foreign currency translation adjustment							(31)	(36)		(67)
Total comprehensive income										362
Dividends paid to shareholders				(45)						(45)
Noncontrolling interests investments in subsidiaries								1		1
Distributions to noncontrolling interests								(23)		(23)
Repurchase of common shares	(429,318)					(15)				(15)
Share-based compensation plans	2,739,315		71							71
<b>Balances at March 31, 2010</b>	257,405,488	\$ 3	\$ 5,819	\$ 5,451	\$ 508	\$ (2,038)	\$ 365	\$ 592	\$	10,700
<b>Balances at January 1, 2011</b>	246,697,892	\$ 3	\$ 6,029	\$ 6,190	\$ 558	\$ (2,620)	\$ 565	\$ 560	\$	11,285
Comprehensive income:										
Net income (loss)				241				(18)		223
Net loss reclassified to appropriated retained					(28)			28		

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

earnings																	
Other comprehensive loss, net of tax:																	
Change in net unrealized securities gains									(50)					(50)			
Change in noncredit related impairments on securities and net unrealized securities losses on previously impaired securities									16					16			
Change in net unrealized derivatives gains									(3)					(3)			
Foreign currency translation adjustment									14	14				28			
Total comprehensive income														214			
Dividends paid to shareholders									(46)					(46)			
Noncontrolling interests investments in subsidiaries										64				64			
Distributions to noncontrolling interests										(27)				(27)			
Repurchase of common shares	(6,863,309)								(413)					(413)			
Share-based compensation plans	3,073,897		14					81		17				112			
<b>Balances at March 31, 2011</b>	242,908,480	\$	3	\$	6,043	\$	6,385	\$	530	\$	(2,952)	\$	542	\$	638	\$	11,189

See Notes to Consolidated Financial Statements.

Table of Contents

**AMERIPRISE FINANCIAL, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**1. Basis of Presentation**

Ameriprise Financial, Inc. is a holding company, which primarily conducts business through its subsidiaries to provide financial planning, products and services that are designed to be utilized as solutions for clients' cash and liquidity, asset accumulation, income, protection and estate and wealth transfer needs. The foreign operations of Ameriprise Financial, Inc. are conducted primarily through its subsidiary, Threadneedle Asset Management Holdings Sàrl ( "Threadneedle" ).

The accompanying Consolidated Financial Statements include the accounts of Ameriprise Financial, Inc., companies in which it directly or indirectly has a controlling financial interest and variable interest entities ( "VIEs" ) in which it is the primary beneficiary (collectively, the "Company" ). The income or loss generated by consolidated entities which will not be realized by the Company's shareholders is attributed to noncontrolling interests in the Consolidated Statements of Operations. Noncontrolling interests are the ownership interests in subsidiaries not attributable, directly or indirectly, to Ameriprise Financial, Inc. and are classified as equity within the Consolidated Balance Sheets. The Company excluding noncontrolling interests is defined as Ameriprise Financial. All material intercompany transactions and balances have been eliminated in consolidation. See Note 3 for additional information related to VIEs.

The interim financial information in this report has not been audited. In the opinion of management, all adjustments necessary for a fair presentation of the consolidated results of operations and financial position for the interim periods have been made. All adjustments made were of a normal recurring nature.

The accompanying Consolidated Financial Statements are prepared in accordance with U.S. generally accepted accounting principles ( "GAAP" ). Certain reclassifications of prior period amounts have been made to conform to the current presentation. Results of operations reported for interim periods are not necessarily indicative of results for the entire year. These Consolidated Financial Statements and Notes should be read in conjunction with the Consolidated Financial Statements and Notes in the Company's Annual Report on Form 10-K for the year ended December 31, 2010, filed with the Securities and Exchange Commission ( "SEC" ) on February 28, 2011.

The Company evaluated events or transactions that may have occurred after the balance sheet date for potential recognition or disclosure through the date the financial statements were issued.

**2. Recent Accounting Pronouncements**

**Adoption of New Accounting Standards**

*How Investments Held through Separate Accounts Affect an Insurer's Consolidation Analysis of Those Investments*

In April 2010, the Financial Accounting Standards Board ( FASB ) updated the accounting standards regarding investment funds determined to be VIEs. Under this standard an insurance enterprise would not be required to consolidate a voting-interest investment fund when it holds the majority of the voting interests of the fund through its separate accounts. In addition, the enterprise would not consider the interests held through separate accounts in evaluating its economic interests in a VIE, unless the separate account contract holder is a related party. The standard is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2010. The adoption of the standard did not have any effect on the Company's consolidated results of operations and financial condition.

*Fair Value*

In January 2010, the FASB updated the accounting standards related to disclosures on fair value measurements. The standard expands the current disclosure requirements to include additional detail about significant transfers between Levels 1 and 2 within the fair value hierarchy and presents activity in the rollforward of Level 3 activity on a gross basis. The standard also clarifies existing disclosure requirements related to the level of disaggregation to be used for assets and liabilities as well as disclosures on the inputs and valuation techniques used to measure fair value. The standard is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosure requirements related to the Level 3 rollforward, which are effective for interim and annual periods beginning after December 15, 2010. The Company adopted the standard in the first quarter of 2010, except for the additional disclosures related to the Level 3 rollforward, which the Company adopted in the first quarter of 2011. The adoption did not have any effect on the Company's consolidated results of operations and financial condition. See Note 3 and Note 11 for the required disclosures.

*Consolidation of Variable Interest Entities*

In June 2009, the FASB updated the accounting standards related to the consolidation of VIEs. The standard amends the guidance on the determination of the primary beneficiary of a VIE from a quantitative model to a qualitative model and requires additional disclosures about an enterprise's involvement in VIEs. Under the new qualitative model, the primary

Table of Contents

**AMERIPRISE FINANCIAL, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

beneficiary must have both the power to direct the activities of the VIE and the obligation to absorb losses or the right to receive gains that could be potentially significant to the VIE. In February 2010, the FASB amended this guidance to defer application of the consolidation requirements for certain investment funds. The standards are effective for interim and annual reporting periods beginning after November 15, 2009. The Company adopted the standards effective January 1, 2010 and as a result consolidated certain consolidated debt obligations ( CDOs ). At adoption, the Company recorded a \$5.5 billion increase to assets and a \$5.1 billion increase to liabilities. The difference between the fair value of the assets and liabilities of the CDOs was recorded as a cumulative effect increase of \$473 million to appropriated retained earnings of consolidated investment entities. Such amounts are recorded as appropriated retained earnings as the CDO note holders, not Ameriprise Financial, ultimately will receive the benefits or absorb the losses associated with the assets and liabilities of the CDOs. Subsequent to the adoption, the net change in fair value of the assets and liabilities of the CDOs will be recorded as net income attributable to noncontrolling interests and as an adjustment to appropriated retained earnings of consolidated investment entities. See Note 3 for additional information related to the application of the amended VIE consolidation model and the required disclosures.

**Future Adoption of New Accounting Standards**

*Receivables*

In April 2011, the FASB updated the accounting standards for troubled debt restructurings. The new standard includes indicators that a lender should consider in determining whether a borrower is experiencing financial difficulties and provides clarification for determining whether the lender has granted a concession to the borrower. The standard sets the effective dates for troubled debt restructuring disclosures required by recent guidance on credit quality disclosures. The standard is effective for interim and annual periods beginning on or after June 15, 2011, and is to be applied retrospectively to modifications occurring on or after the beginning of the annual period of adoption. For purposes of measuring impairments of receivables that are considered impaired as a result of applying the new guidance, the standard should be applied prospectively for the interim or annual period beginning on or after June 15, 2011. The adoption of the standard is not expected to have a material impact on the Company's consolidated results of operations and financial condition.

*Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts*

In October 2010, the FASB updated the accounting standards for deferred acquisition costs ( DAC ). Under this new standard, only the following costs incurred in the acquisition of new and renewal insurance contracts would be capitalizable as DAC: (i) incremental direct costs of a successful contract acquisition, (ii) portions of employees' salaries and benefits directly related to time spent performing specified acquisition activities (that is, underwriting, policy issuance and processing, medical and inspection, and sales force contract selling) for a contract that has actually been acquired, (iii) other costs related to the specified acquisition activities that would not have been incurred had the acquisition contract not occurred, and (iv) advertising costs that meet the capitalization criteria in other GAAP guidance for certain direct-response marketing. All other costs are to be expensed as incurred. The standard is effective for interim and annual periods beginning after December 15, 2011, with earlier adoption permitted if it is at the beginning of an entity's annual reporting period. The standard is to be applied prospectively; however, retrospective application to all prior periods presented is permitted but not required. The Company will adopt the standard on January 1, 2012. The Company is currently evaluating the impact of the standard on its consolidated results of operations and financial condition.

### 3. Consolidated Investment Entities

The Company provides asset management services to various CDOs and other investment products (collectively, "investment entities"), which are sponsored by the Company for the investment of client assets in the normal course of business. Certain of these investment entities are considered to be VIEs while others are considered to be voting rights entities ("VREs"). The Company consolidates certain of these investment entities.

The CDOs managed by the Company are considered VIEs. These CDOs are asset backed financing entities collateralized by a pool of assets, primarily syndicated loans and, to a lesser extent, high-yield bonds. Multiple tranches of debt securities are issued by a CDO, offering investors various maturity and credit risk characteristics. The debt securities issued by the CDOs are non-recourse to the Company. The CDO's debt holders have recourse only to the assets of the CDO. The assets of the CDOs cannot be used by the Company. Scheduled debt payments are based on the performance of the CDO's collateral pool. The Company generally earns management fees from the CDOs based on the par value of outstanding debt and, in certain instances, may also receive performance-based fees. In the normal course of business, the Company has invested in certain CDOs, generally an insignificant portion of the unrated, junior subordinated debt.



Table of Contents**AMERIPRISE FINANCIAL, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

For certain of the CDOs, the Company has determined that consolidation is required as it has power over the CDOs and holds a variable interest in the CDOs for which the Company has the potential to receive significant benefits or the potential obligation to absorb significant losses. For other CDOs managed by the Company, the Company has determined that consolidation is not required as the Company does not hold a variable interest in the CDOs.

The Company provides investment advice and related services to private, pooled investment vehicles organized as limited partnerships, limited liability companies or foreign (non-U.S.) entities. Certain of these pooled investment vehicles are considered VIEs while others are VREs. For investment management services, the Company generally earns management fees based on the market value of assets under management, and in certain instances may also receive performance-based fees. The Company provides seed money occasionally to certain of these funds. For certain of the pooled investment vehicles, the Company has determined that consolidation is required as the Company stands to absorb a majority of the entity's expected losses or receive a majority of the entity's expected residual returns. For other VIE pooled investment vehicles, the Company has determined that consolidation is not required because the Company is not expected to absorb the majority of the expected losses or receive the majority of the expected residual returns. For the pooled investment vehicles which are VREs, the Company consolidates the structure when it has a controlling financial interest.

The Company also provides investment advisory, distribution and other services to the Columbia and Threadneedle mutual fund families. The Company has determined that consolidation is not required for these mutual funds.

In addition, the Company may invest in structured investments including VIEs for which it is not the sponsor. These structured investments typically invest in fixed income instruments and are managed by third parties and include asset backed securities, commercial mortgage backed securities, and residential mortgage backed securities. The Company includes these investments in Available-for-Sale securities. The Company has determined that it is not the primary beneficiary of these structures due to its relative size, position in the capital structure of these entities, and the Company's lack of power over the structures. The Company's maximum exposure to loss as a result of its investment in structured investments that it does not consolidate is limited to its carrying value. The Company has no obligation to provide further financial or other support to these structured investments nor has the Company provided any support to these structured investments. See Note 4 for additional information about these structured investments.

The following tables reflect the impact of consolidated investment entities on the Consolidated Balance Sheets and the Consolidated Statements of Operations:

	<b>March 31, 2011</b>				<b>Total</b>
	<b>Before Consolidation</b>	<b>Consolidated Investment Entities</b>	<b>Eliminations</b>		
	(in millions)				
Total assets	\$ 126,617	\$ 7,273	\$ (58)		\$ 133,832
Total liabilities	\$ 116,550	\$ 6,093	\$ (58)		\$ 122,643
	10,050	559	(58)		10,551

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Total Ameriprise Financial shareholders equity

Noncontrolling interests equity		17		621				638
Total liabilities and equity	\$	126,617	\$	7,273	\$	(58)	\$	133,832

	December 31, 2010							
	Before Consolidation	Consolidated Investment Entities	Eliminations		Total			
	(in millions)							
Total assets	\$	124,379	\$	6,871	\$	(58)	\$	131,192
Total liabilities	\$	114,183	\$	5,724	\$		\$	119,907
Total Ameriprise Financial shareholders equity		10,196		587		(58)		10,725
Noncontrolling interests equity				560				560
Total liabilities and equity	\$	124,379	\$	6,871	\$	(58)	\$	131,192

Table of Contents

## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

	Before Consolidation	Three Months Ended March 31, 2011			Total
		Consolidated Investment Entities	Eliminations	(in millions)	
Total net revenues	\$ 2,617	\$ 47	\$ (10)	\$ 2,654	
Total expenses	2,328	65	(10)	2,383	
Pretax income (loss)	289	(18)		271	
Income tax provision	48			48	
Net income (loss)	241	(18)		223	
Net loss attributable to noncontrolling interests		(18)		(18)	
Net income attributable to Ameriprise Financial	\$ 241	\$	\$	\$ 241	

	Before Consolidation	Three Months Ended March 31, 2010			Total
		Consolidated Investment Entities	Eliminations	(in millions)	
Total net revenues	\$ 2,144	\$ 136	\$ (9)	\$ 2,271	
Total expenses	1,865	54	(9)	1,910	
Pretax income	279	82		361	
Income tax provision	65			65	
Net income	214	82		296	
Net income attributable to noncontrolling interests		82		82	
Net income attributable to Ameriprise Financial	\$ 214	\$	\$	\$ 214	

The following tables present the balances of assets and liabilities held by consolidated investment entities measured at fair value on a recurring basis:

	Level 1	March 31, 2011			Total
		Level 2	Level 3	(in millions)	
<b>Assets</b>					
<b>Investments</b>					
Corporate debt securities	\$	\$ 373	\$ 6	\$	\$ 379
Common stocks	33	78	26		137
Other structured investments		66			66
Syndicated loans		4,565	216		4,781
Total investments	33	5,082	248		5,363
Receivables		60			60
Other assets			920		920
Total assets at fair value	\$ 33	\$ 5,142	\$ 1,168	\$	\$ 6,343
<b>Liabilities</b>					
Debt	\$	\$	\$ 5,333	\$	\$ 5,333

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Other liabilities			346				346
Total liabilities at fair value	\$	\$	346	\$	5,333	\$	5,679

Table of Contents

## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

	December 31, 2010			Total
	Level 1	Level 2	Level 3	
	(in millions)			
<b>Assets</b>				
Investments				
Corporate debt securities	\$	\$ 418	\$ 6	\$ 424
Common stocks	26	53	11	90
Other structured investments		39	22	61
Syndicated loans		4,867		4,867
Trading securities		2		2
Total investments	26	5,379	39	5,444
Receivables		33		33
Other assets		8	887	895
Total assets at fair value	\$ 26	\$ 5,420	\$ 926	\$ 6,372
<b>Liabilities</b>				
Debt	\$	\$	\$ 5,171	\$ 5,171
Other liabilities		154		154
Total liabilities at fair value	\$	\$ 154	\$ 5,171	\$ 5,325

The following tables provide a summary of changes in Level 3 assets and liabilities held by consolidated investment entities measured at fair value on a recurring basis:

	Corporate Debt Securities	Common Stocks	Other Structured Investments	Syndicated Loans	Other Assets	Debt
	(in millions)					
Balance, January 1, 2011	\$ 6	\$ 11	\$ 22	\$	\$ 887	\$ (5,171)
Total gains (losses) included in:						
Net income		5(1)		4(1)	4(2)	(184)(1)
Other comprehensive income					24	
Purchases				26	12	
Sales	(1)			(2)	(15)	
Issuances						(10)
Settlements				(3)	1	32
Transfers in to (out of) of Level 3	1(3)	10(4)	(22)(5)	191(3)	7(3)	
Balance, March 31, 2011	\$ 6	\$ 26	\$	\$ 216	\$ 920	\$ (5,333)
Changes in unrealized gains (losses) included in income relating to assets held at March 31, 2011	\$	\$ 5(1)	\$	\$ 4(1)	\$ 13(6)	\$ (184)(1)

(1) Included in net investment income in the Consolidated Statements of Operations.

(2) Represents a \$3 million gain included in other revenues and a \$1 million gain included in net investment income in the Consolidated Statements of Operations.

(3) Represents securities that were transferred to Level 3 as the fair value of these securities is now based on a single broker quote.

(4)

## Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Represents securities with a fair value of \$1 million that were transferred to Level 2 as the fair value of the securities is now obtained from a nationally-recognized pricing service with observable inputs and securities with a fair value of \$11 million that were transferred to Level 3 as the fair value of the securities is now based on a single broker quote.

(5) Represents securities that were transferred to Level 2 as the fair value of these securities is now obtained from a nationally-recognized pricing service with observable inputs.

(6) Represents a \$12 million gain included in other revenues and a \$1 million gain included in net investment income in the Consolidated Statements of Operations.

Table of Contents

## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

	Corporate Debt Securities	Other Structured Investments	(in millions)		Other Assets	Debt
Balance, January 1, 2010	\$	\$			831	\$
Cumulative effect of accounting change	15	5				(4,962)
Total gains (losses) included in:						
Net income		2(1)			37(2)	(183)(1)
Other comprehensive income					(50)	
Purchases, sales, issuances and settlements, net		(1)			52	1
Balance, March 31, 2010	\$ 15	\$ 6	\$	\$	870	\$ (5,144)
Changes in unrealized gains (losses) including in income relating to assets held at March 31, 2010	\$	\$	2(1)	\$	37(2)	\$ (183)(1)

(1) Included in net investment income in the Consolidated Statements of Operations.

(2) Included in other revenues in the Consolidated Statements of Operations.

The Company has elected the fair value option for the financial assets and liabilities of the consolidated CDOs. Management believes that the use of the fair value option better matches the changes in fair value of assets and liabilities related to the CDOs.

For receivables, other assets and other liabilities of the consolidated CDOs, the carrying value approximates fair value as the nature of these assets and liabilities has historically been short term and the receivables have been collectible. The fair value of these assets and liabilities is classified as Level 2. Other liabilities consist primarily of securities purchased not yet settled held by consolidated CDOs. The fair value of syndicated loans obtained from nationally-recognized pricing services is classified as Level 2. The fair value of syndicated loans obtained from a single broker quote is classified as Level 3. Other assets consist primarily of properties held in consolidated pooled investment vehicles managed by Threadneedle. The fair value of these properties is determined using discounted cash flows and market comparables. Inputs into the valuation of these properties include: rental cash flows, current occupancy, historical vacancy rates, tenant history and assumptions regarding how quickly the property can be occupied and at what rental rates. Given the significance of the unobservable inputs to these measurements, these assets are classified as Level 3. The fair value of the CDO's debt is valued using a discounted cash flow methodology. Inputs used to determine the expected cash flows include assumptions about default and recovery rates of the CDO's underlying assets. Given the significance of the unobservable inputs to this fair value measurement, the CDO debt is classified as Level 3. See Note 11 for a description of the Company's determination of the fair value of investments.

The following table presents the fair value and unpaid principal balance of assets and liabilities carried at fair value under the fair value option:

March 31, 2011                      December 31, 2010  
(in millions)

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

<b>Syndicated loans</b>			
Unpaid principal balance	\$	4,894	\$ 5,107
Excess estimated unpaid principal over fair value		(113)	(240)
Fair value	\$	4,781	\$ 4,867
<b>Fair value of loans more than 90 days past due</b>			
Fair value of loans more than 90 days past due	\$	40	\$ 71
Fair value of loans in non-accrual status		40	71
Difference between fair value and unpaid principal of loans more than 90 days past due, loans in non-accrual status or both		31	62
<b>Debt</b>			
Unpaid principal balance	\$	5,871	\$ 5,893
Excess estimated unpaid principal over fair value		(538)	(722)
Fair value	\$	5,333	\$ 5,171



Table of Contents**AMERIPRISE FINANCIAL, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

Interest income from syndicated loans, bonds and structured investments is recorded based on contractual rates in net investment income. Gains and losses related to changes in the fair value of investments and gains and losses on sales of investments are recorded in net investment income. Interest expense on debt is recorded in interest and debt expense with gains and losses related to changes in the fair value of debt recorded in net investment income.

Total net gains and (losses) recognized in net investment income related to changes in the fair value of financial assets and liabilities for which the fair value option was elected were \$(33) million and \$28 million for the three months ended March 31, 2011 and 2010, respectively. The majority of the syndicated loans and debt have floating rates; as such, changes in their fair values are primarily attributable to changes in credit spreads.

Debt of the consolidated investment entities and the stated interest rates were as follows:

	Carrying Value		Stated Interest Rate	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
	(in millions)			
Debt of consolidated CDOs due 2012-2021	\$ 5,333	\$ 5,171	1.0%	1.0%
Floating rate revolving credit borrowings due 2014	196	191	5.9	5.9
Floating rate revolving credit borrowings due 2014	142	138	5.1	5.1
Floating rate revolving credit borrowings due 2015	29	28	5.0	5.0
Floating rate revolving credit borrowings due 2015	12	7	3.8	6.0
Total	\$ 5,712	\$ 5,535		

The debt of the consolidated CDOs has both fixed and floating interest rates. The stated interest rate of the debt of consolidated CDOs is a weighted average rate based on the principal and stated interest rate according to the terms of each CDO structure, which range from 0% to 14.1%. The carrying value of the debt of the consolidated CDOs represents the fair value of the aggregate debt as of March 31, 2011 and December 31, 2010. The carrying value of the floating rate revolving credit borrowings represents the outstanding principal amount of debt of certain consolidated pooled investment vehicles managed by Threadneedle. The fair value of this debt was \$379 million and \$364 million as of March 31, 2011 and December 31, 2010, respectively.

**4. Investments**

The following is a summary of Ameriprise Financial investments:

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

	March 31, 2011	December 31, 2010
	(in millions)	
Available-for-Sale securities, at fair value	\$ 33,030	\$ 32,619
Commercial mortgage loans, net	2,546	2,577
Trading securities	578	565
Policy loans	731	733
Other investments	572	559
Total	\$ 37,457	\$ 37,053

Available-for-Sale securities distributed by type were as follows:

Description of Securities	Amortized Cost	Gross Unrealized Gains	March 31, 2011	Fair Value	Non-Credit OTTI (1)
			Gross Unrealized Losses (in millions)		
Corporate debt securities	\$ 15,574	\$ 1,156	\$ (54)	\$ 16,676	\$
Residential mortgage backed securities	7,519	333	(290)	7,562	(93)
Commercial mortgage backed securities	4,436	274	(8)	4,702	
Asset backed securities	1,973	74	(32)	2,015	(15)
State and municipal obligations	1,924	23	(111)	1,836	
U.S. government and agencies obligations	86	7		93	
Foreign government bonds and obligations	93	15		108	
Common and preferred stocks	6	4		10	
Other debt obligations	28			28	
Total	\$ 31,639	\$ 1,886	\$ (495)	\$ 33,030	\$ (108)

Table of Contents

## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

Description of Securities	Amortized Cost	Gross Unrealized Gains	December 31, 2010		Fair Value	Noncredit OTTI (1)
			Gross Unrealized Losses	(in millions)		
Corporate debt securities	\$ 15,433	\$ 1,231	\$ (58)		\$ 16,606	\$
Residential mortgage backed securities	7,213	368	(323)		7,258	(117)
Commercial mortgage backed securities	4,583	293	(8)		4,868	
Asset backed securities	1,982	78	(40)		2,020	(16)
State and municipal obligations	1,666	21	(105)		1,582	
U.S. government and agencies obligations	135	8			143	
Foreign government bonds and obligations	91	17			108	
Common and preferred stocks	6	4			10	
Other debt obligations	24				24	
Total	\$ 31,133	\$ 2,020	\$ (534)		\$ 32,619	\$ (133)

(1) Represents the amount of other-than-temporary impairment losses in Accumulated Other Comprehensive Income. Amount includes unrealized gains and losses on impaired securities subsequent to the initial impairment measurement date. These amounts are included in gross unrealized gains and losses as of the end of the period.

At both March 31, 2011 and December 31, 2010, fixed maturity securities comprised approximately 88% of Ameriprise Financial investments. Rating agency designations are based on the availability of ratings from Nationally Recognized Statistical Rating Organizations ( NRSROs ), including Moody's Investors Service ( Moody's ), Standard & Poor's Ratings Services ( S&P ) and Fitch Ratings Ltd. ( Fitch ). The Company uses the median of available ratings from Moody's, S&P and Fitch, or, if fewer than three ratings are available, the lower rating is used. When ratings from Moody's, S&P and Fitch are unavailable, the Company may utilize ratings from other NRSROs or rate the securities internally. At both March 31, 2011 and December 31, 2010, the Company's internal analysts rated \$1.2 billion of securities, using criteria similar to those used by NRSROs. A summary of fixed maturity securities by rating was as follows:

Ratings	March 31, 2011			December 31, 2010		
	Amortized Cost	Fair Value	Percent of Total Fair Value	Amortized Cost	Fair Value	Percent of Total Fair Value
AAA	\$ 12,382	\$ 12,983	39%	\$ 12,142	\$ 12,809	39%
AA	1,830	1,877	6	1,843	1,899	6
A	4,471	4,677	14	4,449	4,670	14
BBB	11,010	11,824	36	10,536	11,408	35
Below investment grade	1,940	1,659	5	2,157	1,823	6
Total fixed maturities	\$ 31,633	\$ 33,020	100%	\$ 31,127	\$ 32,609	100%

At March 31, 2011 and December 31, 2010, approximately 32% and 29%, respectively, of the securities rated AAA were GNMA, FNMA and FHLMC mortgage backed securities. No holdings of any other issuer were greater than 10% of total equity.



Table of Contents

## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

The following tables provide information about Available-for-Sale securities with gross unrealized losses and the length of time that individual securities have been in a continuous unrealized loss position:

Description of Securities	Less than 12 months			March 31, 2011 12 months or more			Number of Securities	Total Fair Value	Unrealized Losses
	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses			
	(in millions, except number of securities)								
Corporate debt securities	151	\$ 2,395	\$ (46)	9	\$ 139	\$ (8)	160	\$ 2,534	\$ (54)
Residential mortgage backed securities	129	1,384	(15)	133	746	(275)	262	2,130	(290)
Commercial mortgage backed securities	33	472	(8)				33	472	(8)
Asset backed securities	27	284	(4)	26	127	(28)	53	411	(32)
State and municipal obligations	207	762	(37)	59	231	(74)	266	993	(111)
U.S. government and agencies obligations	2	35					2	35	
Common and preferred stocks	3	2		3			6	2	
Total	552	\$ 5,334	\$ (110)	230	\$ 1,243	\$ (385)	782	\$ 6,577	\$ (495)

Description of Securities	Less than 12 months			December 31, 2010 12 months or more			Number of Securities	Total Fair Value	Unrealized Losses
	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses			
	(in millions, except number of securities)								
Corporate debt securities	115	\$ 1,859	\$ (46)	13	\$ 157	\$ (12)	128	\$ 2,016	\$ (58)
Residential mortgage backed securities	108	782	(12)	133	712	(311)	241	1,494	(323)
Commercial mortgage backed securities	30	498	(7)	1	23	(1)	31	521	(8)
Asset backed securities	29	354	(8)	25	123	(32)	54	477	(40)
State and municipal obligations	206	696	(31)	60	232	(74)	266	928	(105)
U.S. government and agencies obligations	3	58					3	58	
Common and preferred stocks	5	2		3			8	2	
Total	496	\$ 4,249	\$ (104)	235	\$ 1,247	\$ (430)	731	\$ 5,496	\$ (534)

As part of Ameriprise Financial's ongoing monitoring process, management determined that a majority of the gross unrealized losses on its Available-for-Sale securities are attributable to movement in credit spreads.

Table of Contents**AMERIPRISE FINANCIAL, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

The following table presents a rollforward of the cumulative amounts recognized in the Consolidated Statements of Operations for other-than-temporary impairments related to credit losses on securities for which a portion of the securities total other-than-temporary impairments was recognized in other comprehensive income:

	2011	(in millions)	2010
Beginning balance of credit losses on securities held as of January 1 for which a portion of other-than-temporary impairment was recognized in other comprehensive income	\$	297	\$ 263
Additional amount related to credit losses for which an other-than-temporary impairment was not previously recognized			15
Reductions for securities sold during the period (realized)		(16)	
Additional increases to the amount related to credit losses for which an other-than-temporary impairment was previously recognized		2	12
Ending balance of credit losses on securities held as of March 31 for which a portion of other-than-temporary impairment was recognized in other comprehensive income	\$	283	\$ 290

The change in net unrealized securities gains (losses) in other comprehensive income includes three components, net of tax: (i) unrealized gains (losses) that arose from changes in the market value of securities that were held during the period; (ii) (gains) losses that were previously unrealized, but have been recognized in current period net income due to sales of Available-for-Sale securities and due to the reclassification of noncredit other-than-temporary impairment losses to credit losses and (iii) other items primarily consisting of adjustments in asset and liability balances, such as DAC, deferred sales inducement costs ( DSIC ), benefit reserves and reinsurance recoverables, to reflect the expected impact on their carrying values had the unrealized gains (losses) been realized as of the respective balance sheet dates.

The following table presents a rollforward of the net unrealized securities gains (losses) on Available-for-Sale securities included in accumulated other comprehensive income:

	Net Unrealized Securities Gains (Losses)	Deferred Income Tax (in millions)	Accumulated Other Comprehensive Income Related to Net Unrealized Securities Gains (Losses)
Balance at January 1, 2010	\$ 474	\$ (164)	\$ 310
Net unrealized securities gains arising during the period (2)	342	(120)	222
Reclassification of gains included in net income	(2)	1	(1)
Impact of DAC, DSIC, benefit reserves and reinsurance recoverables	(125)	44	(81)
Balance at March 31, 2010	\$ 689	\$ (239)	\$ 450(1)
Balance at January 1, 2011	\$ 946	\$ (331)	\$ 615
	(96)	34	(62)

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Net unrealized securities losses arising during the period (2)

Reclassification of losses included in net income	1			1
Impact of DAC, DSIC, benefit reserves and reinsurance recoverables	42		(15)	27
Balance at March 31, 2011	\$ 893	\$	(312)	\$ 581(1)

(1) At March 31, 2011 and 2010, Accumulated Other Comprehensive Income Related to Net Unrealized Securities Gains included \$(50) million and \$(84) million, respectively, of noncredit related impairments on securities and net unrealized securities losses on previously impaired securities.

(2) Net unrealized securities gains (losses) arising during the period include other-than-temporary impairment losses on Available-for-Sale securities related to factors other than credit that were recognized in other comprehensive income during the period.

Net realized gains and losses on Available-for-Sale securities, determined using the specific identification method, recognized in earnings were as follows:

	Three Months Ended March 31,	
	2011	2010
	(in millions)	
Gross realized gains from sales	\$ 18	\$ 33
Gross realized losses from sales	(17)	(1)
Other-than-temporary impairments	(2)	(30)

The other-than-temporary impairments for the three months ended March 31, 2011 and 2010 primarily related to credit losses on non-agency residential mortgage backed securities.

Table of Contents**AMERIPRISE FINANCIAL, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

Available-for-Sale securities by contractual maturity at March 31, 2011 were as follows:

	<b>Amortized Cost</b>		<b>Fair Value</b>
	<b>(in millions)</b>		
Due within one year	\$	1,104	\$ 1,123
Due after one year through five years		5,603	5,911
Due after five years through 10 years		6,318	6,795
Due after 10 years		4,680	4,912
		17,705	18,741
Residential mortgage backed securities		7,519	7,562
Commercial mortgage backed securities		4,436	4,702
Asset backed securities		1,973	2,015
Common and preferred stocks		6	10
Total	\$	31,639	\$ 33,030

Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations. Residential mortgage backed securities, commercial mortgage backed securities and asset backed securities are not due at a single maturity date. As such, these securities, as well as common and preferred stocks, were not included in the maturities distribution.

*Trading Securities*

Net recognized gains related to trading securities held at March 31, 2011 and 2010 were \$3 million and \$10 million, respectively, for the three months then ended.

**5. Financing Receivables**

The Company's financing receivables include commercial mortgage loans, syndicated loans, consumer bank loans, policy loans and margin loans. The Company does not hold any loans acquired with deteriorated credit quality.

**Allowance for Loan Losses**



Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

The following tables present a rollforward of the allowance for loan losses and the ending balance of the allowance for loan losses by impairment method and type of loan:

	March 31, 2011			Total
	Commercial Mortgage Loans	Syndicated Loans	Consumer Bank Loans	
	(in millions)			
Beginning balance	\$ 38	\$ 10	\$ 16	\$ 64
Charge-offs	(2)		(3)	(5)
Provisions		(1)	3	2
Ending balance	\$ 36	\$ 9	\$ 16	\$ 61
Ending balance: Individually evaluated for impairment	\$ 9	\$ 1	\$ 2	\$ 12
Ending balance: Collectively evaluated for impairment	27	8	14	49

	March 31, 2010			Total
	Commercial Mortgage Loans	Syndicated Loans	Consumer Bank Loans	
	(in millions)			
Beginning balance	\$ 32	\$ 26	\$ 13	\$ 71
Charge-offs			(2)	(2)
Provisions	7	(9)	4	2
Ending balance	\$ 39	\$ 17	\$ 15	\$ 71
Ending balance: Individually evaluated for impairment	\$ 4	\$ 1	\$ 2	\$ 7
Ending balance: Collectively evaluated for impairment	35	16	13	64

Table of Contents**AMERIPRISE FINANCIAL, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

The recorded investment in financing receivables by impairment method and type of loan was as follows:

	March 31, 2011			Total
	Commercial Mortgage Loans	Syndicated Loans	Consumer Bank Loans	
	(in millions)			
Ending balance: Individually evaluated for impairment	\$ 70	\$ 2	\$ 12	\$ 84
Ending balance: Collectively evaluated for impairment	2,512	327	1,130	3,969
Ending balance	\$ 2,582	\$ 329	\$ 1,142	\$ 4,053

	December 31, 2010			Total
	Commercial Mortgage Loans	Syndicated Loans	Consumer Bank Loans	
	(in millions)			
Ending balance: Individually evaluated for impairment	\$ 75	\$ 1	\$ 12	\$ 88
Ending balance: Collectively evaluated for impairment	2,540	310	1,054	3,904
Ending balance	\$ 2,615	\$ 311	\$ 1,066	\$ 3,992

As of March 31, 2011 and December 31, 2010, the Company's recorded investment in financing receivables individually evaluated for impairment for which there was no related allowance for loan losses was \$16 million and \$19 million, respectively. Unearned income, unamortized premiums and discounts, and net unamortized deferred fees and costs are not material to the Company's total loan balance. During the three months ended March 31, 2011 and 2010, the Company purchased \$113 million and \$57 million, respectively, and sold \$95 million and \$103 million, respectively, of consumer bank loans. During the three months ended March 31, 2011 and 2010, the Company purchased \$63 million and nil, respectively, and sold \$1 million and \$4 million, respectively, of syndicated loans.

**Credit Quality Information**

Nonperforming loans, which are generally loans 90 days or more past due, were \$9 million and \$15 million as of March 31, 2011 and December 31, 2010, respectively. All other loans were considered to be performing.

*Commercial Mortgage Loans*

The Company reviews the credit worthiness of the borrower and the performance of the underlying properties in order to determine the risk of loss on commercial mortgage loans. Based on this review, the commercial mortgage loans are assigned an internal risk rating, which

## Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

management updates as necessary. Commercial mortgage loans which management has assigned its highest risk rating were 3% of commercial mortgage loans as of both March 31, 2011 and December 31, 2010. Loans with the highest risk rating represent distressed loans which the Company has identified as impaired or expects to become delinquent or enter into foreclosure in the next six months. In addition, the Company reviews the concentrations of credit risk by region and property type.

Concentrations of credit risk of commercial mortgage loans by U.S. region were as follows:

	Loans		Percentage	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
	(in millions)			
East North Central	\$ 237	\$ 242	9%	9%
East South Central	65	66	3	3
Middle Atlantic	219	215	9	8
Mountain	293	301	11	11
New England	147	156	6	6
Pacific	547	541	21	21
South Atlantic	619	625	24	24
West North Central	266	271	10	10
West South Central	189	198	7	8
	2,582	2,615	100%	100%
Less: allowance for loan losses	(36)	(38)		
Total	\$ 2,546	\$ 2,577		

Table of Contents

## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

Concentrations of credit risk of commercial mortgage loans by property type were as follows:

	Loans		Percentage	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
	(in millions)			
Apartments	\$ 349	\$ 351	14%	13%
Hotel	56	57	2	2
Industrial	471	475	18	18
Mixed Use	42	43	2	2
Office	718	747	28	29
Retail	836	843	32	32
Other	110	99	4	4
	2,582	2,615	100%	100%
Less: allowance for loan losses	(36)	(38)		
Total	\$ 2,546	\$ 2,577		

*Syndicated Loans*

The primary credit indicator for syndicated loans is whether the loans are performing in accordance with the contractual terms of the syndication. Total nonperforming syndicated loans at both March 31, 2011 and December 31, 2010 were \$3 million.

*Consumer Bank Loans*

The Company considers the credit worthiness of borrowers (FICO score), collateral characteristics such as loan-to-value ( LTV ) and geographic concentration in determining the allowance for loan loss for residential mortgage loans, credit cards and other consumer bank loans. At a minimum, management updates FICO scores and LTV ratios semiannually.

As of March 31, 2011 and December 31, 2010, approximately 5% and 7%, respectively, of residential mortgage loans and credit cards and other consumer bank loans had FICO scores below 640. At both March 31, 2011 and December 31, 2010, approximately 3% of the Company's residential mortgage loans had LTV ratios greater than 90%. The Company's most significant geographic concentration for the consumer bank loans is in California representing 36% and 33% of the portfolio as of March 31, 2011 and December 31, 2010, respectively. No other state represents more than 10% of the total consumer bank loan portfolio.

**6. Deferred Acquisition Costs and Deferred Sales Inducement Costs**

The balances of and changes in DAC were as follows:

	2011	(in millions)	2010
Balance at January 1	\$	4,619	\$ 4,334
Capitalization of acquisition costs		123	104
Amortization		(116)	(118)
Impact of change in net unrealized securities losses (gains)		12	(77)
Balance at March 31	\$	4,638	\$ 4,243

The balances of and changes in DSIC, which is included in other assets, were as follows:

	2011	(in millions)	2010
Balance at January 1	\$	545	\$ 524
Capitalization of sales inducement costs		3	15
Amortization		(13)	(12)
Impact of change in net unrealized securities losses (gains)		1	(13)
Balance at March 31	\$	536	\$ 514

Table of Contents

## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

**7. Future Policy Benefits and Claims and Separate Account Liabilities**

Future policy benefits and claims consisted of the following:

	March 31, 2011	December 31, 2010
	(in millions)	
Fixed annuities	\$ 16,395	\$ 16,520
Equity indexed annuity accumulated host values	86	100
Equity indexed annuity embedded derivatives	3	3
Variable annuity fixed sub-accounts	4,795	4,868
Variable annuity guaranteed minimum withdrawal benefits ( GMWB )	164	337
Variable annuity guaranteed minimum accumulation benefits ( GMAB )	49	104
Other variable annuity guarantees	12	13
Total annuities	21,504	21,945
Variable universal life ( VUL )/ universal life ( UL ) insurance	2,590	2,588
VUL/UL insurance additional liabilities	152	143
Other life, disability income and long term care insurance	5,042	5,004
Auto, home and other insurance	395	394
Policy claims and other policyholders funds	134	134
Total	\$ 29,817	\$ 30,208

Separate account liabilities consisted of the following:

	March 31, 2011	December 31, 2010
	(in millions)	
Variable annuity variable sub-accounts	\$ 60,018	\$ 57,862
VUL insurance variable sub-accounts	6,104	5,887
Other insurance variable sub-accounts	46	46
Threadneedle investment liabilities	4,092	4,535
Total	\$ 70,260	\$ 68,330

**8. Variable Annuity and Insurance Guarantees**

The majority of the variable annuity contracts offered by the Company contain guaranteed minimum death benefit ( GMDB ) provisions. The Company also offers variable annuities with death benefit provisions that gross up the amount payable by a certain percentage of contract earnings, which are referred to as gain gross-up ( GGU ) benefits. In addition, the Company offers contracts with GMWB and GMAB provisions. The Company previously offered contracts containing guaranteed minimum income benefit ( GMIB ) provisions.

Certain UL contracts offered by the Company provide secondary guarantee benefits. The secondary guarantee ensures that, subject to specified conditions, the policy will not terminate and will continue to provide a death benefit even if there is insufficient policy value to cover the monthly deductions and charges.

Table of Contents

## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

The following table provides information related to variable annuity guarantees for which the Company has established additional liabilities:

Variable Annuity Guarantees by Benefit Type(1)	Total Contract Value	March 31, 2011			Weighted Average Attained Age (in millions, except age)	Total Contract Value	December 31, 2010		
		Contract Value in Separate Accounts	Net Amount at Risk(2)				Contract Value in Separate Accounts	Net Amount at Risk(2)	
<b>GMDB:</b>									
Return of premium	\$ 39,612	\$ 37,951	\$ 109	62	\$ 37,714	\$ 36,028	\$ 173	62	
Five/six-year reset	13,638	11,127	226	62	13,689	11,153	312	62	
One-year ratchet	7,885	7,404	184	64	7,741	7,242	287	63	
Five-year ratchet	1,525	1,474	5	60	1,466	1,414	8	60	
Other	721	694	51	67	680	649	61	67	
<b>Total GMDB</b>	<b>\$ 63,381</b>	<b>\$ 58,650</b>	<b>\$ 575</b>	<b>62</b>	<b>\$ 61,290</b>	<b>\$ 56,486</b>	<b>\$ 841</b>	<b>62</b>	
<b>GGU death benefit</b>	<b>\$ 997</b>	<b>\$ 940</b>	<b>\$ 83</b>	<b>64</b>	<b>\$ 970</b>	<b>\$ 912</b>	<b>\$ 79</b>	<b>64</b>	
<b>GMIB</b>	<b>\$ 585</b>	<b>\$ 551</b>	<b>\$ 62</b>	<b>64</b>	<b>\$ 597</b>	<b>\$ 561</b>	<b>\$ 76</b>	<b>64</b>	
<b>GMWB:</b>									
GMWB	\$ 4,367	\$ 4,345	\$ 58	65	\$ 4,341	\$ 4,317	\$ 106	64	
GMWB for life	21,899	21,804	62	64	20,374	20,259	129	63	
<b>Total GMWB</b>	<b>\$ 26,266</b>	<b>\$ 26,149</b>	<b>\$ 120</b>	<b>64</b>	<b>\$ 24,715</b>	<b>\$ 24,576</b>	<b>\$ 235</b>	<b>63</b>	
<b>GMAB</b>	<b>\$ 3,677</b>	<b>\$ 3,665</b>	<b>\$ 9</b>	<b>56</b>	<b>\$ 3,540</b>	<b>\$ 3,523</b>	<b>\$ 22</b>	<b>56</b>	

(1) Individual variable annuity contracts may have more than one guarantee and therefore may be included in more than one benefit type. Variable annuity contracts for which the death benefit equals the account value are not shown in this table.

(2) Represents the current guaranteed benefit amount in excess of the current contract value. GMIB, GMWB and GMAB benefits are subject to waiting periods and payment periods specified in the contract.

Changes in additional liabilities for variable annuity and insurance guarantees were as follows:

	GMDB & GGU		GMIB		GMWB (in millions)		GMAB		UL	
Liability balance at January 1, 2010	\$	6	\$	6	\$	204	\$	100	\$	15
Incurred claims		3				(83)		(22)		4



Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Paid claims		(5)						(2)		
Liability balance at March 31, 2010	\$	4	\$	6	\$	121	\$	78	\$	17
Liability balance at January 1, 2011	\$	5	\$	8	\$	337	\$	104	\$	68
Incurring claims		2				(173)		(55)		12
Paid claims		(2)		(1)						(2)
Liability balance at March 31, 2011	\$	5	\$	7	\$	164	\$	49	\$	78

The liabilities for guaranteed benefits are supported by general account assets.

The following table summarizes the distribution of separate account balances by asset type for variable annuity contracts providing guaranteed benefits:

	March 31, 2011		December 31, 2010	
	(in millions)			
Mutual funds:				
Equity	\$	33,777	\$	32,310
Bond		23,020		22,319
Other		2,185		2,208
Total mutual funds	\$	58,982	\$	56,837

Table of Contents

## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

**9. Customer Deposits**

Customer deposits consisted of the following:

	March 31, 2011	December 31, 2010
	(in millions)	
Fixed rate certificates	\$ 2,193	\$ 2,313
Stock market based certificates	771	790
Stock market embedded derivative reserve	12	14
Other	41	43
Less: accrued interest classified in other liabilities	(16)	(19)
Total investment certificate reserves	3,001	3,141
Brokerage deposits	2,128	2,116
Banking deposits	3,782	3,522
Total	\$ 8,911	\$ 8,779

**10. Debt**

The balances and the stated interest rates of outstanding debt of Ameriprise Financial were as follows:

	Outstanding Balance		Stated Interest Rate	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
	(in millions)			
Senior notes due 2015	\$ 722(1)	\$ 728(1)	5.7%	5.7%
Senior notes due 2019	309(1)	312(1)	7.3	7.3
Senior notes due 2020	759(1)	763(1)	5.3	5.3
Senior notes due 2039	200	200	7.8	7.8
Junior subordinated notes due 2066	308	308	7.5	7.5
Municipal bond inverse floater certificates due 2021		6		0.3
Total long-term debt	2,298	2,317		
Short-term borrowings	497	397	0.3	0.3
Total	\$ 2,795	\$ 2,714		

(1) Amounts include adjustments for fair value hedges on the Company's long-term debt and any unamortized discounts. See Note 12 for information on the Company's fair value hedges.

*Long-term debt*

During the first quarter of 2011, the Company extinguished \$6 million of its municipal bond inverse floater certificates funded through the call of a \$10 million portfolio of municipal bonds.

*Short-term borrowings*

The Company enters into repurchase agreements in exchange for cash, which it accounts for as secured borrowings. The Company has pledged Available-for-Sale securities consisting of agency residential mortgage backed securities and commercial mortgage backed securities to collateralize its obligation under the repurchase agreements. The fair value of the securities pledged is recorded in investments and was \$521 million and \$412 million at March 31, 2011 and December 31, 2010, respectively. The stated interest rate of the short-term borrowings is a weighted average annualized interest rate on repurchase agreements held as of the balance sheet date.

Table of Contents

**AMERIPRISE FINANCIAL, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

**11. Fair Values of Assets and Liabilities**

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; that is, an exit price. The exit price assumes the asset or liability is not exchanged subject to a forced liquidation or distressed sale.

**Valuation Hierarchy**

The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input that is significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- Level 1      Unadjusted quoted prices for identical assets or liabilities in active markets that are accessible at the measurement date.
  
- Level 2      Prices or valuations based on observable inputs other than quoted prices in active markets for identical assets and liabilities.
  
- Level 3      Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

**Determination of Fair Value**

The Company uses valuation techniques consistent with the market and income approaches to measure the fair value of its assets and liabilities. The Company's market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The Company's income approach uses valuation techniques to convert future projected cash flows to a single discounted present value amount. When applying either approach, the Company maximizes the use of observable inputs and minimizes the use of unobservable inputs.

## Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

The following is a description of the valuation techniques used to measure fair value and the general classification of these instruments pursuant to the fair value hierarchy.

### Assets

#### *Cash Equivalents*

Cash equivalents include highly liquid investments with original maturities of 90 days or less. Actively traded money market funds are measured at their net asset value ( NAV ) and classified as Level 1. The Company's remaining cash equivalents are classified as Level 2 and measured at amortized cost, which is a reasonable estimate of fair value because of the short time between the purchase of the instrument and its expected realization.

#### *Investments (Trading Securities and Available-for-Sale Securities)*

When available, the fair value of securities is based on quoted prices in active markets. If quoted prices are not available, fair values are obtained from nationally-recognized pricing services, broker quotes, or other model-based valuation techniques. Level 1 securities include U.S. Treasuries and seed money in funds traded in active markets. Level 2 securities primarily include agency mortgage backed securities, commercial mortgage backed securities, asset backed securities, municipal and corporate bonds, U.S. and foreign government and agency securities, and seed money and other investments in certain hedge funds. The fair value of these Level 2 securities is based on a market approach with prices obtained from nationally-recognized pricing services. Observable inputs used to value these securities can include: reported trades, benchmark yields, issuer spreads and broker/dealer quotes. Level 3 securities primarily include non-agency residential mortgage backed securities, asset backed securities and corporate bonds. The fair value of these Level 3 securities is typically based on a single broker quote, except for the valuation of non-agency residential mortgage backed securities. The Company uses prices from nationally-recognized pricing services to determine the fair value of non-agency residential mortgage backed securities. The Company continues to classify its non-agency residential mortgage backed securities as Level 3 because it believes the market for these securities is still inactive and their valuation includes significant unobservable inputs.

Table of Contents

**AMERIPRISE FINANCIAL, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

*Separate Account Assets*

The fair value of assets held by separate accounts is determined by the NAV of the funds in which those separate accounts are invested. The NAV represents the exit price for the separate account. Separate account assets are classified as Level 2 as they are traded in principal-to-principal markets with little publicly released pricing information.

*Other Assets*

Derivatives that are measured using quoted prices in active markets, such as foreign exchange forwards, or derivatives that are exchange-traded are classified as Level 1 measurements. The fair value of derivatives that are traded in less active over-the-counter markets are generally measured using pricing models with market observable inputs such as interest rates and equity index levels. These measurements are classified as Level 2 within the fair value hierarchy and include swaps and the majority of options.

**Liabilities**

*Future Policy Benefits and Claims*

The Company values the embedded derivative liability attributable to the provisions of certain variable annuity riders using internal valuation models. These models calculate fair value by discounting expected cash flows from benefits plus margins for profit, risk and expenses less embedded derivative fees. The projected cash flows used by these models include observable capital market assumptions (such as, market implied equity volatility and the LIBOR swap curve) and incorporate significant unobservable inputs related to contractholder behavior assumptions (such as withdrawals and lapse rates) and margins for risk, profit and expenses that the Company believes an exit market participant would expect. The fair value of these embedded derivatives also reflects a current estimate of the Company's nonperformance risk specific to these liabilities. Given the significant unobservable inputs to this valuation, these measurements are classified as Level 3. The embedded derivative liability attributable to these provisions is recorded in future policy benefits and claims. The Company uses various Black-Scholes calculations to determine the fair value of the embedded derivative liability associated with the provisions of its equity indexed annuities. The inputs to these calculations are primarily market observable and include interest rates, volatilities, and equity index levels. As a result, these measurements are classified as Level 2.

*Customer Deposits*

## Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

The Company uses various Black-Scholes calculations to determine the fair value of the embedded derivative liability associated with the provisions of its stock market certificates. The inputs to these calculations are primarily market observable and include interest rates, volatilities and equity index levels. As a result, these measurements are classified as Level 2.

### *Other Liabilities*

Derivatives that are measured using quoted prices in active markets, such as foreign exchange forwards, or derivatives that are exchange-traded are classified as Level 1 measurements. The fair value of derivatives that are traded in less active over-the-counter markets are generally measured using pricing models with market observable inputs such as interest rates and equity index levels. These measurements are classified as Level 2 within the fair value hierarchy and include swaps and the majority of options.

Securities sold not yet purchased include highly liquid investments which are short-term in nature. Level 1 securities include U.S. Treasuries and securities traded in active markets. The remaining securities sold not yet purchased are measured using amortized cost, which is a reasonable estimate of fair value because of the short time between the purchase of the instrument and its expected realization and are classified as Level 2.

Table of Contents

## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

The following tables present the balances of assets and liabilities of Ameriprise Financial measured at fair value on a recurring basis:

	March 31, 2011				
	Level 1	Level 2	Level 3		Total
	(in millions)				
<b>Assets</b>					
Cash equivalents	\$ 21	\$ 2,096	\$	\$	2,117
Available-for-Sale securities:					
Corporate debt securities		15,361	1,315		16,676
Residential mortgage backed securities		3,469	4,093		7,562
Commercial mortgage backed securities		4,676	26		4,702
Asset backed securities		1,527	488		2,015
State and municipal obligations		1,836			1,836
U.S. government and agencies obligations	42	51			93
Foreign government bonds and obligations		108			108
Common and preferred stocks	2	3	5		10
Other debt obligations		28			28
Total Available-for-Sale securities	44	27,059	5,927		33,030
Trading securities:					
Seed money	166	57	13		236
Investments segregated for regulatory purposes	2	14			16
Other		323			323
Total trading securities	168	394	13		575
Separate account assets		70,260			70,260
Other assets:					
Interest rate derivative contracts		412			412
Equity derivative contract	43	336			379
Foreign currency contracts	1	1			2
Total other assets	44	749			793
Total assets at fair value	\$ 277	\$ 100,558	\$ 5,940	\$	106,775
<b>Liabilities</b>					
Future policy benefits and claims:					
EIA embedded derivatives	\$	\$ 3	\$	\$	3
GMWB and GMAB embedded derivatives			190		190
Total future policy benefits and claims		3	190		193
Customer deposits		12			12
Other liabilities:					
Interest rate derivatives contacts		410			410
Equity derivative contracts	52	858			910
Credit derivatives		1			1
Foreign currency contracts	1				1
Other		5			5
Total other liabilities	53	1,274			1,327
Total liabilities at fair value	\$ 53	\$ 1,289	\$ 190	\$	1,532





Table of Contents

## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

	December 31, 2010				Total
	Level 1	Level 2	Level 3	(in millions)	
<b>Assets</b>					
Cash equivalents	\$ 42	\$ 2,496			\$ 2,538
Available-for-Sale securities:					
Corporate debt securities		15,281	1,325		16,606
Residential mortgage backed securities		3,011	4,247		7,258
Commercial mortgage backed securities		4,817	51		4,868
Asset backed securities		1,544	476		2,020
State and municipal obligations		1,582			1,582
U.S. government and agencies obligations	64	79			143
Foreign government bonds and obligations		108			108
Common and preferred stocks	2	3	5		10
Other debt obligations		24			24
Total Available-for-Sale securities	66	26,449	6,104		32,619
Trading securities:					
Seed money	133	71	19		223
Investments segregated for regulatory purposes	2	14			16
Fixed income trading		323			323
Total trading securities	135	408	19		562
Separate account assets		68,330			68,330
Other assets:					
Interest rate derivatives		438			438
Equity derivatives	32	420			452
Credit derivatives		4			4
Foreign currency contracts	1				1
Other		2			2
Total other assets	33	864			897
Total assets at fair value	\$ 276	\$ 98,547	\$ 6,123	\$	104,946
<b>Liabilities</b>					
Future policy benefits and claims:					
EIA embedded derivatives	\$	\$ 3	\$	\$	3
GMWB and GMAB embedded derivatives			421		421
Total future policy benefits and claims		3	421		424
Customer deposits		14			14
Other liabilities:					
Interest rate derivatives		379			379
Equity derivatives	18	722			740
Credit derivatives		1			1
Foreign currency contracts	1				1
Other		2			2
Total other liabilities	19	1,104			1,123
Total liabilities at fair value	\$ 19	\$ 1,121	\$ 421	\$	1,561

Table of Contents

**AMERIPRISE FINANCIAL, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

The following tables provide a summary of changes in Level 3 assets and liabilities of Ameriprise Financial measured at fair value on a recurring basis:

Balance, January 1, 2011	\$	1,325	\$	4,247	\$	51	\$	476	\$	5	\$	6,104	\$	19	\$	(421)
Total gains included in:																
Net income				7				2				9(1)		1(1)		263(2)
Other comprehensive income		1		13				5				19		1		
Purchases		37		149		14		29				229		2		
Sales				(2)								(2)		(10)		
Issuances																(32)
Settlements		(38)		(321)				(24)				(383)				
Transfers in to (out of) of Level 3		(10)				(39)						(49)(3)				
Balance, March 31, 2011	\$	1,315	\$	4,093	\$	26	\$	488	\$	5	\$	5,927	\$	13	\$	(190)
Changes in unrealized gains (losses) included in:																
Net investment income	\$		\$	18	\$		\$	2	\$		\$	20	\$	1	\$	
Benefits, claims, losses and settlement expenses																257

(1) Included in net investment income in the Consolidated Statements of Operations.

(2) Included in benefits, claims, losses and settlement expenses in the Consolidated Statements of Operations.

(3) Represents securities with a fair value of \$50 million that were transferred to Level 2 as the fair value of the securities is now obtained from a nationally-recognized pricing service with observable inputs and a security with a fair value of \$1 million that was transferred to Level 3 as the fair value of the security is now based on a single broker quote.

**Available-for-Sale Securities**

	Corporate Debt Securities	Residential Mortgage Backed Securities	Commercial Mortgage Backed Securities	Asset Backed Securities	Common and Preferred Stocks	Other Structured Investments	Total	Trading Securities	Future Policy Benefits and Claims: GMWB and GMAB Embedded Derivatives	
Balance, January 1, 2010	\$ 1,252	\$ 3,982	\$ 72	\$ 455	\$ 4	\$ 58	\$ 5,823	\$ 16	\$ (299)	
Total gains (losses) included in:										
Net income		(5)		4		1		(1)	1(1)	134(2)

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Other comprehensive income	19	76	8	18	5	126	(1)
Purchases, sales, issuances and settlements, net	(13)	(168)		(18)	(64)	(263)	(28)
Balance, March 31, 2010	\$ 1,258	\$ 3,885	\$ 80	\$ 459	\$ 4	\$ 5,686	\$ 16
							\$ (193)
Changes in unrealized gains (losses) included in:							
Net investment income	\$	\$ (6)	\$	\$ 4	\$	\$ (2)	\$
Benefits, claims, losses and settlement expenses							132

---

(1) Included in net investment income in the Consolidated Statements of Operations.

(2) Included in benefits, claims, losses and settlement expenses in the Consolidated Statements of Operations.

Table of Contents**AMERIPRISE FINANCIAL, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

The Company recognizes transfers between levels of the fair value hierarchy as of the beginning of the quarter in which each transfer occurred.

During the reporting periods, there were no material assets or liabilities measured at fair value on a nonrecurring basis.

The following table provides the carrying value and the estimated fair value of financial instruments that are not reported at fair value. All other financial instruments that are reported at fair value have been included above in the table with balances of assets and liabilities Ameriprise Financial measured at fair value on a recurring basis.

	March 31, 2011		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(in millions)			
<b>Financial Assets</b>				
Commercial mortgage loans, net	\$ 2,546	\$ 2,635	\$ 2,577	\$ 2,671
Policy loans	731	746	733	808
Receivables	2,067	1,881	1,870	1,584
Restricted and segregated cash	1,472	1,472	1,516	1,516
Other investments and assets	350	357	331	338
<b>Financial Liabilities</b>				
Future policy benefits and claims	\$ 15,206	\$ 15,571	\$ 15,328	\$ 15,768
Investment certificate reserves	2,989	2,989	3,127	3,129
Banking and brokerage customer deposits	5,910	5,912	5,638	5,642
Separate account liabilities	4,497	4,497	4,930	4,930
Debt and other liabilities	3,071	3,290	2,710	2,907

*Investments*

The fair value of commercial mortgage loans, except those with significant credit deterioration, is determined by discounting contractual cash flows using discount rates that reflect current pricing for loans with similar remaining maturities and characteristics including loan-to-value ratio, occupancy rate, refinance risk, debt-service coverage, location, and property condition. For commercial mortgage loans with significant credit deterioration, fair value is determined using the same adjustments as above with an additional adjustment for the Company's estimate of the amount recoverable on the loan.

The fair value of policy loans is determined using discounted cash flows.

*Receivables*

The fair value of consumer bank loans is determined by discounting estimated cash flows and incorporating adjustments for prepayment, administration expenses, severity and credit loss estimates, with discount rates based on the Company's estimate of current market conditions.

Loans held for sale are measured at the lower of cost or market and fair value is based on what secondary markets are currently offering for loans with similar characteristics.

Brokerage margin loans are measured at outstanding balances, which are a reasonable estimate of fair value because of the sufficiency of the collateral and short term nature of these loans.

*Restricted and Segregated Cash*

Restricted and segregated cash is generally set aside for specific business transactions and restrictions are specific to the Company and do not transfer to third party market participants; therefore, the carrying amount is a reasonable estimate of fair value.

Amounts segregated under federal and other regulations may also reflect resale agreements and are measured at the cost at which the securities will be sold. This measurement is a reasonable estimate of fair value because of the short time between entering into the transaction and its expected realization and the reduced risk of credit loss due to pledging U.S. government-backed securities as collateral.

Table of Contents

**AMERIPRISE FINANCIAL, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

*Other Investments and Assets*

Other investments and assets primarily consist of syndicated loans. The fair value of syndicated loans is obtained from a nationally-recognized pricing service.

*Future Policy Benefits and Claims*

The fair value of fixed annuities, in deferral status, is determined by discounting cash flows using a risk neutral discount rate with adjustments for profit margin, expense margin, early policy surrender behavior, a provision for adverse deviation from estimated early policy surrender behavior, and the Company's nonperformance risk specific to these liabilities. The fair value of other liabilities including non-life contingent fixed annuities in payout status, equity indexed annuity host contracts and the fixed portion of a small number of variable annuity contracts classified as investment contracts is determined in a similar manner.

*Customer Deposits*

The fair value of investment certificate reserves is determined by discounting cash flows using discount rates that reflect current pricing for assets with similar terms and characteristics, with adjustments for early withdrawal behavior, penalty fees, expense margin and the Company's nonperformance risk specific to these liabilities.

Banking and brokerage customer deposits are liabilities with no defined maturities and fair value is the amount payable on demand at the reporting date.

*Separate Account Liabilities*

Certain separate account liabilities are classified as investment contracts and are carried at an amount equal to the related separate account assets. Carrying value is a reasonable estimate of the fair value as it represents the exit value as evidenced by withdrawal transactions between contractholders and the Company. A nonperformance adjustment is not included as the related separate account assets act as collateral for these liabilities and minimize nonperformance risk.

*Debt and Other Liabilities*

The fair value of long-term debt is based on quoted prices in active markets, when available. If quoted prices are not available fair values are obtained from nationally-recognized pricing services, broker quotes, or other model-based valuation techniques such as present value of cash flows.

The fair value of short-term borrowings is obtained from a nationally-recognized pricing service. A nonperformance adjustment is not included as collateral requirements for these borrowings minimize the nonperformance risk.

The fair value of future funding commitments to affordable housing partnerships is determined by discounting cash flows.



Table of Contents

## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

**12. Derivatives and Hedging Activities**

Derivative instruments enable the Company to manage its exposure to various market risks. The value of such instruments is derived from an underlying variable or multiple variables, including equity, foreign exchange and interest rate indices or prices. The Company primarily enters into derivative agreements for risk management purposes related to the Company's products and operations.

The Company uses derivatives as economic hedges and accounting hedges. The following table presents the balance sheet location and the gross fair value of derivative instruments, including embedded derivatives:

Derivatives designated as hedging instruments	Balance Sheet Location	Asset		Balance Sheet Location	Liability		
		March 31, 2011	December 31, 2010		March 31, 2011	December 31, 2010	
		(in millions)				(in millions)	
<b>Cash flow hedges</b>							
Asset-based distribution fees	Other assets	\$ 5	\$ 10	Other liabilities	\$	\$	
<b>Fair value hedges</b>							
Fixed rate debt	Other assets	53	61	Other liabilities			
Total qualifying hedges		58	71				
<b>Derivatives not designated as hedging instruments</b>							
<b>GMWB and GMAB</b>							
Interest rate contracts	Other assets	354	366	Other liabilities	410	379	
Equity contracts	Other assets	271	354	Other liabilities	825	665	
Credit contracts	Other assets		4	Other liabilities	1	1	
Foreign currency contracts	Other assets	1		Other liabilities			
Embedded derivatives(1)	N/A			Future policy benefits and claims	190	421	
Total GMWB and GMAB		626	724		1,426	1,466	
<b>Other derivatives:</b>							
<b>Interest rate</b>							
Interest rate lock commitments	Other assets		1	Other liabilities			
<b>Equity</b>							
EIA	Other assets	1	1	Other liabilities			
EIA embedded derivatives				Future policy benefits and claims			
	N/A				3	3	

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Stock market certificates	Other assets	97	89	Other liabilities	85	75
Stock market certificates embedded derivatives	N/A			Customer deposits	12	14
Ameriprise Financial Franchise Advisor Deferred Equity Plan	Other assets	10	8	Other liabilities		
<b>Foreign exchange</b>						
Foreign currency	Other assets	1	1	Other liabilities		1
Seed money	Other assets			Other liabilities	1	
Total other		109	100		101	93
Total non-designated hedges		735	824		1,527	1,559
Total derivatives		\$ 793	\$ 895		\$ 1,527	\$ 1,559

N/A Not applicable.

---

(1) The fair values of GMWB and GMAB embedded derivatives fluctuate based on changes in equity, interest rate and credit markets.

See Note 11 for additional information regarding the Company's fair value measurement of derivative instruments.

Table of Contents

## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

**Derivatives Not Designated as Hedges**

The following table presents a summary of the impact of derivatives not designated as hedging instruments on the Consolidated Statements of Operations for the three months ended March 31:

<b>GMWB and GMAB</b>				
Interest rate contracts	Benefits, claims, losses and settlement expenses	\$	(25)	\$ 26
Equity contracts	Benefits, claims, losses and settlement expenses		(255)	(173)
Credit contracts	Benefits, claims, losses and settlement expenses		(2)	(10)
Foreign currency contracts	Benefits, claims, losses and settlement expenses		(2)	
Embedded derivatives(1)	Benefits, claims, losses and settlement expenses		230	106
Total GMWB and GMAB			(54)	(51)
<b>Other derivatives:</b>				
<b>Interest</b>				
Interest rate lock commitments	Other revenues		(1)	
<b>Equity</b>				
GMDB	Benefits, claims, losses and settlement expenses			(3)
EIA	Interest credited to fixed accounts		1	1
EIA embedded derivatives	Interest credited to fixed accounts			2
Stock market certificates	Banking and deposit interest expense		3	3
Stock market certificates embedded derivatives	Banking and deposit interest expense		(3)	4
Seed money	Net investment income		(3)	(2)
Ameriprise Financial Franchise Advisor Deferred Equity Plan	Distribution expenses		2	
<b>Foreign exchange</b>				
Seed money	General and administrative expense			2
Total other			(1)	7
Total derivatives		\$	(55)	\$ (44)

(1) The fair values of GMWB and GMAB embedded derivatives fluctuate based on changes in equity, interest rate and credit markets.

The Company holds derivative instruments that either do not qualify or are not designated for hedge accounting treatment. These derivative instruments are used as economic hedges of equity, interest rate, credit and foreign currency exchange rate risk related to various products and transactions of the Company.

The majority of the Company's annuity contracts contain GMDB provisions, which may result in a death benefit payable that exceeds the contract accumulation value when market values of customers' accounts decline. Certain annuity contracts contain GMWB or GMAB provisions, which guarantee the right to make limited partial withdrawals each contract year regardless of the volatility inherent in the underlying

## Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

investments or guarantee a minimum accumulation value of consideration received at the beginning of the contract period, after a specified holding period, respectively. The Company economically hedges the exposure related to non-life contingent GMWB and GMAB provisions primarily using various futures, options, total return swaps, interest rate swaptions, interest rate swaps, variance swaps and credit default swaps. At March 31, 2011 and December 31, 2010, the gross notional amount of derivative contracts for the Company's GMWB and GMAB provisions was \$59.7 billion and \$55.5 billion, respectively. The Company had previously entered into a limited number of derivative contracts to economically hedge equity exposure related to GMDB provisions on variable annuity contracts written in 2009. As of both March 31, 2011 and December 31, 2010, the Company did not have any outstanding hedges on its GMDB provisions.

Table of Contents**AMERIPRISE FINANCIAL, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

The deferred premium associated with some of the above options is paid or received semi-annually over the life of the option contract. The following is a summary of the payments the Company is scheduled to make and receive for these options:

	<b>Premiums Payable</b>	<b>Premiums Receivable</b>
	<b>(in millions)</b>	
2011(1)	\$ 217	\$ 19
2012	262	23
2013	239	18
2014	213	16
2015	189	14
2016-2026	647	26

(1) 2011 amounts represent the amounts payable and receivable for the period from April 1, 2011 to December 31, 2011.

Actual timing and payment amounts may differ due to future contract settlements, modifications or exercises of options prior to the full premium being paid or received.

Equity indexed annuities and stock market certificate products have returns tied to the performance of equity markets. As a result of fluctuations in equity markets, the obligation incurred by the Company related to equity indexed annuities and stock market certificate products will positively or negatively impact earnings over the life of these products. As a means of economically hedging its obligations under the provisions of these products, the Company enters into index options and occasionally enters into futures contracts. The gross notional amount of these derivative contracts was \$1.4 billion and \$1.5 billion at March 31, 2011 and December 31, 2010, respectively.

The Company enters into forward contracts, futures and total return swaps to manage its exposure to price risk arising from seed money investments in proprietary investment products. The gross notional amount of these contracts was \$152 million and \$174 million at March 31, 2011 and December 31, 2010, respectively.

The Company enters into foreign currency forward contracts to economically hedge its exposure to certain receivables and obligations denominated in non-functional currencies. The gross notional amount of these contracts was \$20 million and \$21 million at March 31, 2011 and December 31, 2010, respectively.

In the first quarter of 2010, the Company entered into a total return swap to economically hedge its exposure to equity price risk of Ameriprise Financial, Inc. common stock granted as part of its Ameriprise Financial Franchise Advisor Deferred Equity Plan. In the fourth quarter of 2010, the Company extended the contract through 2011. As part of the contract, the Company expects to cash settle the difference between the value of

a fixed number of shares at the contract date (which may be increased from time to time) and the value of those shares over an unwind period ending on December 31, 2011. The gross notional value of this contract was \$37 million and \$35 million at March 31, 2011 and December 31, 2010, respectively.

### **Embedded Derivatives**

Certain annuities contain GMAB and non-life contingent GMWB provisions, which are considered embedded derivatives. In addition, the equity component of the equity indexed annuity and stock market certificate product obligations are also considered embedded derivatives. These embedded derivatives are bifurcated from their host contracts and reported on the Consolidated Balance Sheets at fair value with changes in fair value reported in earnings. As discussed above, the Company uses derivatives to mitigate the financial statement impact of these embedded derivatives.

### **Cash Flow Hedges**

The Company has designated and accounts for the following as cash flow hedges: (i) interest rate swaps to hedge certain asset-based distribution fees (ii) interest rate swaps to hedge interest rate exposure on debt, (iii) interest rate lock agreements to hedge interest rate exposure on debt issuances and (iv) swaptions used to hedge the risk of increasing interest rates on forecasted fixed premium product sales.

Table of Contents**AMERIPRISE FINANCIAL, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

No hedge relationships were discontinued during the three months ended March 31, 2011 and 2010 due to forecasted transactions no longer being expected to occur according to the original hedge strategy. For the three months ended March 31, 2011 and 2010, amounts recognized in earnings related to cash flow hedges due to ineffectiveness were not material. The estimated net amount of existing pretax losses on March 31, 2011 that the Company expects to reclassify to earnings within the next twelve months is \$1 million, which consists of \$5 million of pretax gains to be recorded as a reduction to interest and debt expense and \$6 million of pretax losses to be recorded in net investment income. The following tables present the impact of the effective portion of the Company's cash flow hedges on the Consolidated Statements of Operations and the Consolidated Statements of Equity for the three months ended March 31:

<b>Derivatives designated as hedging instruments</b>	<b>Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivatives</b>	
	<b>2011</b>	<b>2010</b>
	(in millions)	
Interest on debt	\$	\$ (10)
Asset-based distribution fees	1	
Total	\$ 1	\$ (10)

<b>Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Income</b>	<b>Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Income</b>	
	<b>2011</b>	<b>2010</b>
	(in millions)	
Interest and debt expense	\$ 1	\$ 2
Distribution fees	5	
Net investment income	(1)	(2)
Total	\$ 5	\$

Currently, the longest period of time over which the Company is hedging exposure to the variability in future cash flows is 25 years and relates to forecasted debt interest payments.

**Fair Value Hedges**

During the first quarter of 2010, the Company entered into and designated as fair value hedges three interest rate swaps to convert senior notes due 2015, 2019 and 2020 from fixed rate debt to floating rate debt. The swaps have identical terms as the underlying debt being hedged so no ineffectiveness is expected to be realized. The Company recognizes gains and losses on the derivatives and the related hedged items within interest and debt expense. The following table presents the amounts recognized in income related to fair value hedges for the three months ended March 31:

**Amount of Gain Recognized  
in Income on Derivatives**

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Derivatives designated as hedging instruments	Location of Gain Recorded into Income	2011		2010	
		(in millions)			
Fixed rate debt	Interest and debt expense	\$	10	\$	6
Total		\$	10	\$	6

**Credit Risk**

Credit risk associated with the Company's derivatives is the risk that a derivative counterparty will not perform in accordance with the terms of the applicable derivative contract. To mitigate such risk, the Company has established guidelines and oversight of credit risk through a comprehensive enterprise risk management program that includes members of senior management. Key components of this program are to require preapproval of counterparties and the use of master netting arrangements and collateral arrangements whenever practical. As of March 31, 2011 and December 31, 2010, the Company held \$66 million and \$98 million, respectively, in cash and cash equivalents and recorded a corresponding liability in other liabilities for collateral the Company is obligated to return to counterparties. As of March 31, 2011 and December 31, 2010, the Company had accepted additional collateral consisting of various securities with a fair value of \$7 million and \$23 million, respectively, which are not reflected on the Consolidated Balance Sheets. As of March 31, 2011 and December 31, 2010, the Company's maximum credit exposure related to derivative assets after considering netting arrangements with counterparties and collateral arrangements was approximately \$20 million and \$45 million, respectively.



Table of Contents

**AMERIPRISE FINANCIAL, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

Certain of the Company's derivative instruments contain provisions that adjust the level of collateral the Company is required to post based on the Company's debt rating (or based on the financial strength of the Company's life insurance subsidiaries for contracts in which those subsidiaries are the counterparty). Additionally, certain of the Company's derivative contracts contain provisions that allow the counterparty to terminate the contract if the Company's debt does not maintain a specific credit rating (generally an investment grade rating) or the Company's life insurance subsidiary does not maintain a specific financial strength rating. If these termination provisions were to be triggered, the Company's counterparty could require immediate settlement of any net liability position. At March 31, 2011 and December 31, 2010, the aggregate fair value of all derivative instruments in a net liability position containing such credit risk features was \$654 million and \$412 million, respectively. The aggregate fair value of assets posted as collateral for such instruments as of March 31, 2011 and December 31, 2010 was \$630 million and \$406 million, respectively. If the credit risk features of derivative contracts that were in a net liability position at March 31, 2011 and December 31, 2010 were triggered, the additional fair value of assets needed to settle these derivative liabilities would have been \$24 million and \$6 million, respectively.

**13. Income Taxes**

The Company's effective tax rates were 17.8% and 17.9% for the three months ended March 31, 2011 and 2010, respectively. The effective tax rate for the three months ended March 31, 2011 reflects benefits from tax planning and completion of certain audits of the Company's life insurance subsidiaries, offset by the impact of the level of non-controlling interests income (loss) for the three months ended March 31, 2011 compared to the three months ended March 31, 2010.

The Company is required to establish a valuation allowance for any portion of the deferred tax assets that management believes will not be realized. Included in deferred tax assets is a significant deferred tax asset relating to capital losses that have been recognized for financial statement purposes but not yet for tax return purposes. Under current U.S. federal income tax law, capital losses generally must be used against capital gain income within five years of the year in which the capital losses are recognized for tax purposes. Significant judgment is required in determining if a valuation allowance should be established, and the amount of such allowance if required. Factors used in making this determination include estimates relating to the performance of the business including the ability to generate capital gains. Consideration is given to, among other things in making this determination, (i) future taxable income exclusive of reversing temporary differences and carryforwards, (ii) future reversals of existing taxable temporary differences, (iii) taxable income in prior carryback years, and (iv) tax planning strategies. Based on analysis of the Company's tax position, management believes it is more likely than not that the results of future operations and implementation of tax planning strategies will generate sufficient taxable income to enable the Company to utilize all of its deferred tax assets. Accordingly, no valuation allowance for deferred tax assets has been established as of March 31, 2011 and December 31, 2010.

Included in the Company's deferred income tax assets are tax benefits related to capital loss carryforwards of \$36 million which will expire beginning December 31, 2015. As a result of the Company's ability to file a consolidated U.S. federal income tax return including the Company's life insurance subsidiaries starting in 2010, as well as the expected level of taxable income, management believes the Company's net operating loss carryforwards and tax credit carryforwards will be utilized in the current year.

## Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

As of March 31, 2011 and December 31, 2010, the Company had \$164 million and \$75 million, respectively, of gross unrecognized tax benefits. If recognized, approximately \$37 million and \$54 million, net of federal tax benefits, of unrecognized tax benefits as of March 31, 2011 and December 31, 2010, respectively, would affect the effective tax rate.

The Company recognizes interest and penalties related to unrecognized tax benefits as a component of the income tax provision. The Company recognized \$16 million of interest and penalties for the three months ended March 31, 2011. At March 31, 2011 and December 31, 2010, the Company had a receivable of \$13 million and \$29 million, respectively, related to accrued interest and penalties.

It is reasonably possible that the total amounts of unrecognized tax benefits will change in the next 12 months. Based on the current audit position of the Company, it is estimated that the total amount of gross unrecognized tax benefits may decrease by \$65 million to \$70 million in the next 12 months.

The Company or one or more of its subsidiaries files income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 1997. The Internal Revenue Service ( IRS ) completed its field examination of the Company's U.S. income tax returns for 2005 through 2007 during the third and fourth quarters of 2010. The IRS had previously completed its field examination of the 1997 through 2004 tax returns in recent years as part of the overall examination of the American Express Company consolidated returns. However, for federal income tax purposes these

Table of Contents

**AMERIPRISE FINANCIAL, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

years continue to remain open as a consequence of certain issues under appeal. In the fourth quarter of 2010, the IRS commenced an examination of the Company's U.S income tax returns for 2008 and 2009. The Company's or certain of its subsidiaries' state income tax returns are currently under examination by various jurisdictions for years ranging from 1998 through 2008.

On September 25, 2007, the IRS issued Revenue Ruling 2007-61 in which it announced that it intends to issue regulations with respect to certain computational aspects of the Dividends Received Deduction ( DRD ) related to separate account assets held in connection with variable contracts of life insurance companies. Any regulations that the IRS ultimately proposes for issuance in this area will be subject to public notice and comment, at which time insurance companies and other members of the public will have the opportunity to raise legal and practical questions about the content, scope and application of such regulations. As a result, the ultimate timing and substance of any such regulations are unknown at this time, but they may result in the elimination of some or all of the separate account DRD tax benefit that the Company receives.

**14. Guarantees and Contingencies**

*Guarantees*

Owing to conditions then-prevailing in the credit markets and the isolated defaults of unaffiliated structured investment vehicles held in the portfolios of money market funds advised by its Columbia Management Investment Advisers, LLC subsidiary (the 2a-7 Funds ), the Company closely monitored the net asset value of the 2a-7 Funds during 2008 and through the date of this report and, as circumstances warranted from time to time, injected capital into one or more of the 2a-7 Funds. Management believes that the market conditions which gave rise to those circumstances have significantly diminished. The Company has not provided a formal capital support agreement or net asset value guarantee to any of the 2a-7 Funds.

*Contingencies*

The Company and its subsidiaries are involved in the normal course of business in legal, regulatory and arbitration proceedings, including class actions, concerning matters arising in connection with the conduct of its activities as a diversified financial services firm. These include proceedings specific to the Company as well as proceedings generally applicable to business practices in the industries in which it operates. The Company can also be subject to litigation arising out of its general business activities, such as its investments, contracts, leases and employment relationships. Uncertain economic conditions, heightened volatility in the financial markets, such as those which have been experienced from the latter part of 2007 through 2009, and significant recently enacted financial reform legislation may increase the likelihood that clients and other persons or regulators may present or threaten legal claims or that regulators increase the scope or frequency of examinations of the Company or the financial services industry generally.

## Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

As with other financial services firms, the level of regulatory activity and inquiry concerning the Company's businesses remains elevated. From time to time, the Company receives requests for information from, and/or has been subject to examination or claims by, the SEC, the Financial Industry Regulatory Authority (FINRA), the Office of Thrift Supervision, state insurance and securities regulators, state attorneys general and various other domestic or foreign governmental and quasi-governmental authorities on behalf of themselves or clients concerning the Company's business activities and practices, and the practices of the Company's financial advisors. During recent periods, the Company has received information requests or inquiries regarding certain pending matters, including: sales and product or service features of, or disclosures pertaining to, mutual funds, annuities, equity and fixed income securities, insurance products, brokerage services, financial plans and other advice offerings; trading practices within the Company's asset management business; supervision of the Company's financial advisors; supervisory practices in connection with financial advisors' outside business activities; sales practices and supervision associated with the sale of fixed and variable annuities and non-exchange traded (or private placement) securities; information security; the delivery of financial plans and the suitability of investments and product selection processes. The number of reviews and investigations has increased in recent years with regard to many firms in the financial services industry, including Ameriprise Financial. The Company has cooperated and will continue to cooperate with the applicable regulators regarding their inquiries.

These legal and regulatory proceedings and disputes are subject to uncertainties and, as such, the Company is unable to predict the ultimate resolution or range of loss that may result. An adverse outcome in one or more of these proceedings could result in adverse judgments, settlements, fines, penalties or other relief, in addition to further claims, examinations or adverse publicity that could have a material adverse effect on the Company's consolidated financial condition or results of operations.

Certain legal and regulatory proceedings are described below.

In June 2004, an action captioned John E. Gallus et al. v. American Express Financial Corp. and American Express Financial Advisors Inc., was filed in the United States District Court for the District of Arizona, and was later transferred to the United States District Court for the District of Minnesota. The plaintiffs alleged that they were investors in several of the Company's

Table of Contents**AMERIPRISE FINANCIAL, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

mutual funds and they purported to bring the action derivatively on behalf of those funds under the Investment Company Act of 1940 (the '40 Act). The plaintiffs alleged that fees allegedly paid to the defendants by the funds for investment advisory and administrative services were excessive. Plaintiffs seek an order declaring that defendants have violated the '40 Act and awarding unspecified damages including excessive fees allegedly paid plus interest and other costs. On July 6, 2007, the district court granted the Company's motion for summary judgment, dismissing all claims with prejudice. Plaintiffs appealed the district court's decision, and on April 8, 2009, the U.S. Court of Appeals for the Eighth Circuit reversed the district court's decision, and remanded the case for further proceedings. The Company filed with the United States Supreme Court a Petition for Writ of Certiorari to review the judgment of the Court of Appeals in this case in light of the Supreme Court's anticipated review of a similar excessive fee case captioned Jones v. Harris Associates. On March 30, 2010, the Supreme Court issued its ruling in Jones v. Harris Associates, and on April 5, 2010, the Supreme Court vacated the Eighth Circuit's decision in this case and remanded it to the Eighth Circuit for further consideration in light of the Supreme Court's decision in Jones v. Harris Associates. Without any further briefing or argument, on June 4, 2010, the Eighth Circuit remanded the case to the district court for further consideration in light of the Supreme Court's decision in Jones v. Harris Associates. The district court ordered briefing and heard oral argument on September 22, 2010 on the impact of the Jones v. Harris Associates decision. On December 8, 2010, the district court re-entered its July 2007 order granting summary judgment in favor of the Company. Plaintiffs filed a notice of appeal with the Eighth Circuit on January 10, 2011, and filed their opening brief on March 21, 2011. Ameriprise's response brief will be filed on May 4, 2011, and Plaintiffs' reply brief will be due on or before June 3, 2011.

In July 2009, two issuers of private placement interests (Medical Capital Holdings, Inc./Medical Capital Corporation and affiliated corporations and Provident Shale Royalties, LLC and affiliated corporations) sold by the Company's subsidiary Securities America, Inc. (SAI) were the subject of SEC actions (brought against those entities and individuals associated with them), which has resulted in the filing of several putative class action lawsuits naming both SAI and Ameriprise Financial, as well as related regulatory inquiries. Approximately \$400 million of Medical Capital and Provident Shale investments made by SAI clients are outstanding and currently in default. Medical Capital and Provident Royalties are both in receivership. On January 26, 2010, the Commonwealth of Massachusetts filed an Administrative Complaint against SAI, which is being adjudicated in an administrative hearing that is expected to conclude during the second quarter of 2011. A significant volume of FINRA arbitrations were brought against SAI. Several of them were individually settled, and there was one adverse ruling. The putative class actions and arbitrations generally allege violations of state and/or federal securities laws in connection with SAI's sales of these private placement interests. These actions were commenced in September 2009 and thereafter. The Medical Capital-related class actions were centralized and moved to the Central District of California by order of the United States Judicial Panel on Multidistrict Litigation under the caption *In re: Medical Capital Securities Litigation*. The Provident Shale-related class actions remain pending in Texas federal court. On June 22, 2010, the Liquidating Trustee of the Provident Liquidating Trust filed an adversary action (Liquidating Trustee Action) in the Provident bankruptcy proceeding naming SAI on behalf of both the Provident Liquidating Trust and a number of individual Provident investors who are alleged to have assigned their claims. The Liquidating Trustee Action generally alleges the same types of claims as are alleged in the Provident class actions as well as a claim under the Bankruptcy Code. The Liquidating Trustee Action has been moved from bankruptcy court to the Texas federal court with the other Provident class actions. On January 24, 2011 the Medical Capital Class Action was temporarily transferred to the federal court for the Northern District of Texas (the Court), where the Provident class action is pending, so that coordinated settlement negotiations can be conducted under that single Court's supervision. On February 17, 2011, the named plaintiffs to the class actions filed with the Court a Settlement Agreement and Motion for Preliminary Approval of Class Action Settlement, seeking the Court's approval of agreed-upon settlement terms. That settlement was recorded as a subsequent event to the 2010 fourth quarter and reflected in the Company's audited 2010 financial statements. On March 18, 2011, the Court declined to grant preliminary approval of that settlement. On April 15, 2011, SAI and its holding company, Securities America Financial Corporation, entered into new settlement agreements which, in exchange for release of pending arbitration and litigation claims (including certain class action claims pending against the Company and the claims brought by the Liquidating Trustee), provide for the payment of a total of \$150 million, \$40 million of which was previously reported and charged to the Company's fourth quarter 2010 results as described above. The combined settlements, together with other provisions for claims relating to Medical Capital or Provident Royalties resulted in a \$118 million pre-tax expense in the Company's first quarter 2011 results. The new settlements are subject to certain conditions, including participation requirements for claimants to be covered by the settlements, and preliminary and final review and Court approval of the class action settlement. A preliminary approval hearing was held by the Court on April 29, 2011, and the judge indicated that a final approval hearing would be scheduled for July 25, 2011.

In November 2010, the Company's J. & W. Seligman & Co. Incorporated subsidiary ( Seligman ) received a governmental inquiry regarding an industry insider trading investigation, as previously stated by the Company in general media reporting. The Company continues to cooperate fully with that inquiry. Neither the Company nor Seligman has been accused of any wrongdoing, and the government has confirmed that neither the Company nor any of its affiliated entities is a target of its investigation into potential insider trading.

Table of Contents

## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

**15. Earnings per Share Attributable to Ameriprise Financial, Inc. Common Shareholders**

The computations of basic and diluted earnings per share attributable to Ameriprise Financial, Inc. common shareholders are as follows:

	<b>Three Months Ended March 31,</b>	
	<b>2011</b>	<b>2010</b>
	<b>(in millions, except per share amounts)</b>	
<b>Numerator:</b>		
Net income attributable to Ameriprise Financial	\$ 241	\$ 214
<b>Denominator:</b>		
Basic: Weighted-average common shares outstanding	251.6	260.8
Effect of potentially dilutive nonqualified stock options and other share-based awards	6.1	4.2
Diluted: Weighted-average common shares outstanding	257.7	265.0
<b>Earnings per share attributable to Ameriprise Financial, Inc. common shareholders:</b>		
Basic	\$ 0.96	\$ 0.82
Diluted	\$ 0.94	\$ 0.81

**16. Segment Information**

The Company's segments are Advice & Wealth Management, Asset Management, Annuities, Protection and Corporate & Other.

As a result of the Company's decision to pursue a sale of Securities America, results of operations attributable to Securities America have been transferred to the Corporate & Other segment from the Advice & Wealth Management segment beginning in the first quarter of 2011. Prior period assets by segment and segment results have been restated to reflect this change. See Note 14 and Note 18 for additional information on events related to Securities America.

The following is a summary of assets by segment:

	<b>March 31, 2011</b>	<b>December 31, 2010</b>
	<b>(in millions)</b>	
Advice & Wealth Management	\$ 11,366	\$ 11,297
Asset Management	7,610	7,854

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Annuities		87,231		84,836
Protection		18,893		18,571
Corporate & Other		8,732		8,634
Total assets		\$ 133,832	\$	131,192

The following is a summary of segment results:

	Three Months Ended March 31, 2011							Consolidated
	Advice & Wealth Management	Asset Management	Annuities (in millions)	Protection	Corporate & Other	Eliminations		
Revenue from external customers	\$ 695	\$ 717	\$ 608	\$ 482	\$ 165	\$	\$ 2,667	
Intersegment revenue	232	21	32	37		(322)		
Total revenues	927	738	640	519	165	(322)	2,667	
Banking and deposit interest expense	13	1				(1)	13	
Net revenues	914	737	640	519	165	(321)	2,654	
Pretax income (loss)	\$ 100	\$ 107	\$ 154	\$ 107	\$ (197)	\$	271	
Income tax provision							48	
Net income							223	
Less: Net loss attributable to noncontrolling interests							(18)	
Net income attributable to Ameriprise Financial							\$ 241	



Table of Contents

## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

	Three Months Ended March 31, 2010							Consolidated
	Advice & Wealth Management	Asset Management	Annuities (in millions)	Protection	Corporate & Other	Eliminations		
Revenue from external customers	\$ 602	\$ 349	\$ 580	\$ 490	\$ 271	\$	\$ 2,292	
Intersegment revenue	184	21	22	17		(244)		
Total revenues	786	370	602	507	271	(244)	2,292	
Banking and deposit interest expense	21						21	
Net revenues	765	370	602	507	271	(244)	2,271	
Pretax income	\$ 48	\$ 18	\$ 120	\$ 119	\$ 56	\$	361	
Income tax provision							65	
Net income							296	
Less: Net income attributable to noncontrolling interests							82	
Net income attributable to Ameriprise Financial							\$ 214	

**17. Common Share Repurchases**

In May 2010, the Company's Board of Directors authorized the expenditure of up to \$1.5 billion for the repurchase of the Company's common stock through the date of its 2012 annual meeting. During the three months ended March 31, 2011, the Company repurchased a total of 6.5 million shares of its common stock for an aggregate cost of \$395 million. There were no share repurchases during the three months ended March 31, 2010. As of March 31, 2011, the Company had \$531 million remaining under the share repurchase authorization.

The Company may also reacquire shares of its common stock under its 2005 Incentive Compensation Plan (the "2005 ICP") related to restricted stock awards. Restricted shares that are forfeited before the vesting period has lapsed are recorded as treasury shares. In addition, the holders of restricted shares may elect to surrender a portion of their shares on the vesting date to cover their income tax obligations. These vested restricted shares reacquired by the Company and the Company's payment of the holders' income tax obligations are recorded as a treasury share purchase. For the three months ended March 31, 2011 and 2010, the restricted shares forfeited under the 2005 ICP and recorded as treasury shares were 0.1 million and nil, respectively. For the three months ended March 31, 2011 and 2010, the Company reacquired 0.3 million and 0.4 million shares, respectively, of its common stock through the surrender of restricted shares upon vesting and paid in the aggregate \$17 million and \$15 million, respectively, related to the holders' income tax obligations on the vesting date.

During the three months ended March 31, 2011, the Company reissued 1.7 million treasury shares for restricted stock award grants and issuance of shares vested under the Ameriprise Financial Franchise Advisor Deferred Equity Plan.

**18. Subsequent Event**

On April 15, 2011, Securities America entered into settlement agreements which provide for the payment of a total of \$150 million; \$40 million was recorded in the fourth quarter of 2010 and the Company recorded a \$118 million pre-tax expense in the first quarter of 2011. See Note 14 for additional information on the Securities America settlements. In addition, management has decided to identify an appropriate buyer for Securities America. Management believes that a sale would allow Securities America to focus on growth opportunities in the independent channel and would allow the Company to devote its resources to the Ameriprise branded advisor business. Management believes the sale of Securities America will meet the required criteria to be presented as discontinued operations beginning in the second quarter of 2011 and for prior periods.

Table of Contents

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis of our consolidated financial condition and results of operations should be read in conjunction with the Forward-Looking Statements that follow and our Consolidated Financial Statements and Notes presented in Item 1. Our Management's Discussion and Analysis should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2010, filed with the Securities and Exchange Commission (SEC) on February 28, 2011 (2010 10-K), as well as our current reports on Form 8-K and other publicly available information. Certain reclassifications of prior year amounts have been made to conform to the current presentation.

**Overview**

We provide financial planning, products and services that are designed to be utilized as solutions for our clients' cash and liquidity, asset accumulation, income, protection and estate and wealth transfer needs. Our model for delivering these solutions is centered on building long-term personal relationships between our branded advisors and clients, and in the case of our products distributed through unaffiliated advisors, by supporting those advisors in building strong client relationships. We believe that our focus on personal relationships, together with our strengths in financial planning and product development and distribution, allow us to fully address the evolving financial needs of our clients and our primary target market segment, the mass affluent and affluent, which we define as households with investable assets of more than \$100,000.

Our branded advisors use a financial planning and advisory process designed to provide comprehensive advice that focuses on all aspects of our clients' finances. This approach allows us to recommend actions and a broad range of product solutions consisting of investment, annuity, insurance, banking and other financial products that can help clients attain over time a return or form of protection while accepting what they determine to be an appropriate range and level of risk. Our approach puts us in a strong position to capitalize on significant demographic and market trends, which we believe will continue to drive increased demand for our financial planning and other financial services. Our emphasis on deep client-advisor relationships has been central to the success of our business model through the extreme market conditions of the past few years, and we believe it will help us to navigate future market and economic cycles.

As of March 31, 2011, we had a network of more than 9,600 financial advisors and registered representatives affiliated with us and doing business under our brand name (Ameriprise advisors). The financial product solutions we offer through Ameriprise advisors include both our own products and services and the products of other companies. The Ameriprise advisor network is the primary distribution channel through which we offer our life insurance and annuity products and services, as well as a range of banking and protection products. We offer our advisors training, tools, leadership, marketing programs and other field and centralized support to assist them in delivering advice and product solutions to clients. We support unaffiliated advisors with sales and service support and our solutions which they provide to clients. We believe our approach not only improves the products and services we provide to their clients, but also allows us to reinvest in enhanced services for clients and increase support for financial advisors. Our integrated model of financial planning, diversified product manufacturing and affiliated and non-affiliated product distribution affords us a deep understanding of our clients, which allows us to better manage the risk profile of our businesses. We believe our focus on meeting clients' needs through personal financial planning results in more satisfied clients with deeper, longer lasting relationships with our company and higher retention of our experienced financial advisors.

We continue to establish Ameriprise Financial as a financial services leader as we focus on meeting the financial needs of the mass affluent and affluent, as evidenced by our continued leadership in financial planning, a client retention percentage rate of 92% and our status as a top ten ranked firm within core portions of our four main operating segments, including the size of our U.S. advisor force, long-term U.S. mutual funds, variable annuities and variable universal life (VUL) insurance.

Additionally, our Securities America business provides a platform for affiliation of independent financial advisors and registered representatives who do not conduct business under the Ameriprise brand. Securities America operates under its own name, management and legal entity organization, and operating, compliance and technology infrastructure, and historically its results of operations have been included in our Advice & Wealth Management segment. During the first quarter of 2011, we determined to identify an appropriate buyer for the Securities America business. We believe a sale would allow Securities America to focus on growth opportunities in the independent channel and would allow us to devote resources to the Ameriprise branded advisor business. Accordingly, results of operations attributable to Securities America have been transferred to our Corporate & Other segment from the Advice & Wealth Management segment beginning in the first quarter of 2011. All prior periods have been restated. We believe we will meet all required criteria to present Securities America as discontinued operations beginning in the second quarter of 2011 and for prior periods.

We have four main operating segments: Advice & Wealth Management, Asset Management, Annuities and Protection, as well as our Corporate & Other segment. Our four main operating segments are aligned with the financial solutions we offer to address our clients' needs. The products and services we provide retail clients and, to a lesser extent, institutional clients, are the primary source of our revenues and net income. Revenues and net income are significantly affected by investment performance and the total value and composition of assets we manage and administer for our retail and institutional clients as well as the distribution fees we receive from other companies. These factors, in turn, are largely determined by overall investment market performance and the depth and breadth of our individual client relationships.

Table of Contents

Equity price, credit market and interest rate fluctuations can have a significant impact on our results of operations, primarily due to the effects they have on the asset management and other asset-based fees we earn, the spread income generated on our annuities, banking and deposit products and universal life ( UL ) insurance products, the value of deferred acquisition costs ( DAC ) and deferred sales inducement costs ( DSIC ) assets associated with variable annuity and VUL products, the values of liabilities for guaranteed benefits associated with our variable annuities and the values of derivatives held to hedge these benefits.

In June 2009, the Financial Accounting Standards Board ( FASB ) updated the accounting standards related to the required consolidation of certain variable interest entities ( VIEs ). We adopted the accounting standard effective January 1, 2010 and recorded as a cumulative change in accounting principle an increase to appropriated retained earnings of consolidated investment entities of \$473 million and consolidated approximately \$5.5 billion of client assets and \$5.1 billion of liabilities in VIEs onto our Consolidated Balance Sheets that were not previously consolidated. Management views the VIE assets as client assets and the liabilities have recourse only to those assets. While the economics of our business have not changed, the financial statements were impacted. Prior to adoption, we consolidated certain property funds and hedge funds. These entities and the VIEs consolidated as of January 1, 2010, are defined as consolidated investment entities ( CIEs ). Changes in the valuation of the CIE assets and liabilities impact pretax income. The net income of the CIEs is reflected in net income attributable to noncontrolling interests. The results of operations of the CIEs are reflected in the Corporate & Other segment. On a consolidated basis, the management fees we earn for the services we provide to the CIEs and the related general and administrative expenses are eliminated and the changes in the assets and liabilities related to the CIEs, primarily debt and underlying syndicated loans, are reflected in net investment income. We continue to include the fees in the management and financial advice fees line within our Asset Management segment.

Table of Contents

Management believes that operating measures, which exclude net realized gains or losses; the market impact on variable annuity guaranteed living benefits, net of hedges, DSIC and DAC amortization; integration and restructuring charges; and the impact of consolidating CIEs, best reflect the underlying performance of our core operations and facilitate a more meaningful trend analysis. Management uses certain of these non-GAAP measures to evaluate our financial performance on a basis comparable to that used by some securities analysts and investors. Also, certain of these non-GAAP measures are taken into consideration, to varying degrees, for purposes of business planning and analysis and for certain compensation-related matters. Throughout our Management's Discussion and Analysis, these non-GAAP measures are referred to as operating measures. While the consolidation of the CIEs impacts our balance sheet and income statement, our exposure to these entities is unchanged and there is no impact to the underlying business results. The CIEs we manage have the following characteristics:

- They were formed on behalf of institutional investors to obtain a diversified investment portfolio and were not formed in order to obtain financing for Ameriprise Financial.
- Ameriprise Financial receives customary, industry standard management fees for the services it provides to these CIEs and has a fiduciary responsibility to maximize the investors' returns.
- Ameriprise Financial does not have any obligation to provide financial support to the CIEs, does not provide any performance guarantees of the CIEs and has no obligation to absorb the investors' losses.
- Management excludes the impact of consolidating the CIEs on assets, liabilities, pretax income and equity for setting our financial performance targets and annual incentive award compensation targets.

It is management's priority to increase shareholder value over a multi-year horizon by achieving our on-average, over-time financial targets.

Our financial targets are:

- Operating total net revenue growth of 6% to 8%,
- Operating earnings per diluted share growth of 12% to 15%, and
- Operating return on equity excluding accumulated other comprehensive income of 12% to 15%.

## Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

On April 30, 2010, we acquired the long-term asset management business of Columbia Management Group from Bank of America (the Columbia Management Acquisition). The acquisition, the integration of which is expected to be completed in 2011, is expected to further enhance the scale and performance of our retail mutual fund and institutional asset management businesses. We incurred pretax non-recurring integration costs related to the Columbia Management Acquisition of \$29 million for the three months ended March 31, 2011. In total, we have incurred \$136 million of pretax non-recurring integration costs through March 31, 2011. We previously reported we expected to incur between \$130 million and \$160 million in total of such costs through 2011. We now expect integration costs to modestly exceed the top-end of this range. These costs include system integration costs, proxy and other regulatory filing costs, employee reduction and retention costs, and investment banking, legal and other acquisition costs. We realized integration net expense synergies of approximately \$31 million for the three months ended March 31, 2011. We expect annualized net synergies to reach the upper end of our range of \$130 million to \$150 million in 2012. The rate of decline in costs from such synergies may vary by quarter. Since closing the Columbia acquisition in 2010, we have realized approximately \$102 million of total net expense synergies.

### **Critical Accounting Policies**

The accounting and reporting policies that we use affect our Consolidated Financial Statements. Certain of our accounting and reporting policies are critical to an understanding of our consolidated results of operations and financial condition and, in some cases, the application of these policies can be significantly affected by the estimates, judgments and assumptions made by management during the preparation of our Consolidated Financial Statements. These accounting policies are discussed in detail in Management's Discussion and Analysis Critical Accounting Policies in our 2010 10-K.

### **Recent Accounting Pronouncements**

For information regarding recent accounting pronouncements and their expected impact on our future consolidated results of operations and financial condition, see Note 2 to our Consolidated Financial Statements.

Table of Contents**Assets Under Management and Administration**

Assets under management ( AUM ) include assets for which we provide investment management services, such as the assets of the Columbia funds and Threadneedle funds, assets of institutional clients and assets of clients in our Ameriprise advisor branded platform held in wrap accounts ( branded client wrap assets ) as well as assets managed by sub-advisors selected by us. AUM also includes certain assets on our Consolidated Balance Sheets for which we provide investment management services and recognize management fees in our Asset Management segment, such as the assets of the general account, RiverSource Variable Product funds held in separate accounts of our life insurance subsidiaries and client assets of CIEs. These assets do not include assets under advisement, for which we provide model portfolios but do not have full discretionary investment authority.

Assets under administration ( AUA ) include assets for which we provide administrative services such as client assets invested in other companies products that we offer outside of our wrap accounts. These assets include those held in clients' brokerage accounts. We generally record fees received from administered assets as distribution fees. We do not exercise management discretion over these assets and do not earn a management fee. These assets are not reported on our Consolidated Balance Sheets. AUA also includes certain assets on our Consolidated Balance Sheets for which we do not provide investment management services and do not recognize management fees, such as investments in non-affiliated funds held in the separate accounts of our life insurance subsidiaries. These assets do not include assets under advisement, for which we provide model portfolios but do not have full discretionary investment authority.

The following table presents detail regarding our AUM and AUA:

	2011	March 31, (in billions)	2010	Change	
<b>Assets Under Management and Administration</b>					
Advice & Wealth Management AUM	\$	103.1	\$	85.9	20%
Asset Management AUM		465.4		246.0	89
Corporate AUM		15.5		14.1	10
Eliminations		(13.1)		(8.1)	(62)
<b>Total Assets Under Management</b>		570.9		337.9	69
<b>Total Assets Under Administration</b>		121.7		122.7	(1)
<b>Total AUM and AUA</b>	\$	692.6	\$	460.6	50%

Total AUM increased \$233.0 billion, or 69%, to \$570.9 billion as of March 31, 2011 compared to the prior year period primarily due to the Columbia Management Acquisition, market appreciation, branded client wrap account net inflows and the impact of the implementation of changes to the Portfolio Navigator program ( PN program ) in the second quarter of 2010. With these changes to the PN program, assets of clients participating in the PN program were reallocated, pursuant to their consent. This reallocation in part resulted in a shift of assets from assets under administration to assets under management. Total AUA decreased \$1.0 billion, or 1%, to \$121.7 billion as of March 31, 2011 compared to the prior year period due to the impact of the implementation of changes to the PN program partially offset by market appreciation.



Table of Contents**Consolidated Results of Operations for the Three Months Ended March 31, 2011 and 2010**

In June 2009, the FASB updated the accounting standards related to the required consolidation of certain VIEs. We adopted the accounting standard effective January 1, 2010 and recorded as a cumulative change in accounting principle an increase to appropriated retained earnings of consolidated investment entities of \$473 million and consolidated approximately \$5.5 billion of client assets and \$5.1 billion of liabilities in VIEs onto our Consolidated Balance Sheets that were not previously consolidated. Management views the VIE assets as client assets and the liabilities have recourse only to those assets. While the economics of our business have not changed, the financial statements were impacted. Prior to adoption, we consolidated certain property funds and hedge funds. These entities and the VIEs consolidated as of January 1, 2010, are defined as CIEs. Changes in the valuation of the CIE assets and liabilities impact pretax income. The net income of the CIEs is reflected in net income attributable to noncontrolling interests. On a consolidated basis, the management fees we earn for the services we provide to the CIEs and the related general and administrative expenses are eliminated and the changes in the assets and liabilities related to the CIEs, primarily debt and underlying syndicated loans, are reflected in net investment income.

Management believes that operating measures, which exclude net realized gains or losses; the market impact on variable annuity guaranteed living benefits, net of hedges, DSIC and DAC amortization; integration and restructuring charges; and the impact of consolidating CIEs, best reflect the underlying performance of our core operations and facilitate a more meaningful trend analysis. See our discussion on the use of these non-GAAP measures in the Overview section above.

The following table presents our consolidated results of operations:

	Three Months Ended March 31,								
	GAAP	2011 Less: Adjustments(1)	Operating	GAAP	2010 Less: Adjustments(1)	Operating	Operating Change		
	(in millions, unaudited)								
<b>Revenues</b>									
Management and financial advice fees	\$ 1,184	\$ (10)	\$ 1,194	\$ 774	\$ (9)	\$ 783	\$ 411	52%	
Distribution fees	467		467	391		391	76	19	
Net investment income	515	28	487	590	84	506	(19)	(4)	
Premiums	292		292	282		282	10	4	
Other revenues	209	20	189	255	57	198	(9)	(5)	
Total revenues	2,667	38	2,629	2,292	132	2,160	469	22	
Banking and deposit									
interest expense	13		13	21		21	(8)	(38)	
Total net revenues	2,654	38	2,616	2,271	132	2,139	477	22	
<b>Expenses</b>									
Distribution expenses	716		716	525		525	191	36	
Interest credited to fixed accounts	207		207	228		228	(21)	(9)	
Benefits, claims, losses and settlement expenses	384	27	357	354	23	331	26	8	
Amortization of deferred acquisition costs	116	(10)	126	118	(6)	124	2	2	
Interest and debt expense	75	50	25	64	40	24	1	4	
General and administrative expense	885	34	851	621	12	609	242	40	

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Total expenses	2,383	101	2,282	1,910	69	1,841	441	24
Pretax income	271	(63)	334	361	63	298	36	12
Income tax provision (benefit)	48	(16)	64	65	(7)	72	(8)	(11)
Net income	223	(47)	270	296	70	226	44	19
Less: Net income (loss) attributable to non- controlling interests	(18)	(18)		82	82			
Net income attributable to Ameriprise Financial	\$ 241	\$ (29)	\$ 270	\$ 214	\$ (12)	\$ 226	\$ 44	19%

(1) Includes the elimination of management fees we earn for services provided to the CIEs and the related expense, revenues and expenses of the CIEs, net realized gains or losses, the market impact on variable annuity living benefits, net of hedges, DSIC and DAC amortization and integration charges. Income tax provision is calculated using the statutory tax rate of 35% on applicable adjustments.

Table of Contents

The following table presents the components of the adjustments in the table above:

	Three Months Ended March 31,					
	CIEs	2011 Other Adjustments (1)	Total Adjustments (in millions, unaudited)	CIEs	2010 Other Adjustments (1)	Total Adjustments
<b>Revenues</b>						
Management and financial advice fees	\$ (10)	\$	\$ (10)	\$ (9)	\$	\$ (9)
Distribution fees						
Net investment income	27	1	28	79	5	84
Premiums						
Other revenues	20		20	57		57
Total revenues	37	1	38	127	5	132
Banking and deposit interest expense						
Total net revenues	37	1	38	127	5	132
<b>Expenses</b>						
Distribution expenses						
Interest credited to fixed accounts						
Benefits, claims, losses and settlement expenses		27	27		23	23
Amortization of deferred acquisition costs		(10)	(10)		(6)	(6)
Interest and debt expense	50		50	40		40
General and administrative expense	5	29	34	5	7	12
Total expenses	55	46	101	45	24	69
Pretax income (loss)	(18)	(45)	(63)	82	(19)	63
Income tax benefit		(16)	(16)		(7)	(7)
Net income (loss)	(18)	(29)	(47)	82	(12)	70
Less: Net income (loss) attributable to noncontrolling interests	(18)		(18)	82		82
Net loss attributable to Ameriprise Financial	\$	\$ (29)	\$ (29)	\$	\$ (12)	\$ (12)

(1) Other adjustments include net realized gains or losses, the market impact to variable annuity living benefits, net of hedges, DSIC and DAC amortization and integration charges.

*Overall*

Net income attributable to Ameriprise Financial increased \$27 million, or 13%, to \$241 million for the three months ended March 31, 2011 compared to \$214 million for the prior year period. Operating net income attributable to Ameriprise Financial excludes net realized gains or losses; the market impact on variable annuity guaranteed living benefits, net of hedges, DSIC and DAC amortization; integration and restructuring charges; and the impact of consolidating CIEs. Operating net income attributable to Ameriprise Financial increased \$44 million, or

## Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

19%, to \$270 million for the three months ended March 31, 2011 compared to \$226 million for the prior year period driven by market appreciation and net inflows in branded client wrap assets, as well as improved scale from the Columbia Management Acquisition, partially offset by a \$77 million after-tax charge related to previously disclosed legal expenses at SAI.

### *Net Revenues*

Net revenues increased \$383 million, or 17%, to \$2.7 billion for the three months ended March 31, 2011 compared to \$2.3 billion for the prior year period. Operating net revenues exclude net realized gains or losses and revenues of the CIEs and include the fees we earn from services provided to the CIEs. Operating net revenues increased \$477 million, or 22%, to \$2.6 billion for the three months ended March 31, 2011 compared to \$2.1 billion for the prior year period primarily due to growth in asset-based fees resulting from the Columbia Management Acquisition, market appreciation and net inflows in branded client wrap assets.

Table of Contents

Management and financial advice fees increased \$410 million, or 53%, to \$1.2 billion for the three months ended March 31, 2011 compared to \$774 million for the prior year period. Operating management and financial advice fees include the fees we earn from services provided to the CIEs. Operating management and financial advice fees increased \$411 million, or 52%, to \$1.2 billion for the three months ended March 31, 2011 compared to \$783 million for the prior year period primarily due to higher asset levels reflecting the Columbia Management Acquisition, market appreciation and net inflows in branded client wrap assets. The daily average S&P 500 Index increased 16% compared to the prior year period. Branded client wrap assets increased \$17.2 billion, or 20%, to \$103.1 billion at March 31, 2011 compared to the prior year period due to net inflows and market appreciation. Average variable annuities contract accumulation values increased \$9.6 billion, or 19%, from the prior year period due to higher equity market levels and net inflows. Total Asset Management AUM increased \$219.4 billion, or 89%, to \$465.4 billion at March 31, 2011 compared to the prior year period primarily due to the Columbia Management Acquisition and market appreciation, partially offset by net outflows.

Distribution fees increased \$76 million, or 19%, to \$467 million for the three months ended March 31, 2011 compared to \$391 million in the prior year period primarily due to higher asset-based fees driven by growth in assets from the Columbia Management Acquisition, market appreciation and net inflows in branded client wrap assets, as well as increased client activity.

Net investment income decreased \$75 million, or 13%, to \$515 million for the three months ended March 31, 2011 compared to \$590 million in the prior year period. Net investment income for the first quarter of 2011 included a \$27 million gain for changes in the assets and liabilities of CIEs, primarily debt and underlying syndicated loans, compared to \$79 million in the prior year period. Operating net investment income excludes net realized gains or losses and changes in the assets and liabilities of CIEs, primarily debt and underlying syndicated loans. Operating net investment income decreased \$19 million, or 4%, to \$487 million for the three months ended March 31, 2011 compared to \$506 million for the prior year period primarily due to an \$11 million decrease in investment income on fixed maturity securities driven by lower invested assets resulting from net outflows in certificates driven by lower interest crediting rates.

Premiums increased \$10 million, or 4%, to \$292 million for the three months ended March 31, 2011 compared to \$282 million for the prior year period primarily due to growth in Auto and Home premiums driven by higher volumes, as well as higher sales of immediate annuities with life contingencies. Auto and Home policy counts increased 9% period-over-period.

Other revenues decreased \$46 million, or 18%, to \$209 million for the three months ended March 31, 2011 compared to \$255 million in the prior year period. Operating other revenues exclude revenues of consolidated property funds. Operating other revenues decreased \$9 million, or 5%, to \$189 million for the three months ended March 31, 2011 compared to \$198 million in the prior year period primarily due to a \$20 million benefit from payments related to the Reserve Funds matter in the first quarter of 2010, partially offset by higher fees from variable annuity guarantees driven by higher in force amounts.

Banking and deposit interest expense decreased \$8 million, or 38%, to \$13 million for the three months ended March 31, 2011 compared to \$21 million in the prior year period primarily due to lower certificate balances and a decrease in crediting rates on certificate products.

*Expenses*

## Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Total expenses increased \$473 million, or 25%, to \$2.4 billion for the three months ended March 31, 2011 compared to \$1.9 billion for the prior year period. Operating expenses exclude the market impact on variable annuity guaranteed living benefits, net of hedges, DSIC and DAC amortization; integration and restructuring charges; and expenses of the CIEs. Operating expenses increased \$441 million, or 24%, to \$2.3 billion for the three months ended March 31, 2011 compared to \$1.8 billion for the prior year period primarily due to increases in distribution expenses and general and administrative expense. Total expenses in the first quarter of 2011 included a pre-tax charge of \$118 million related to SAI legal expenses.

Distribution expenses increased \$191 million, or 36%, to \$716 million for the three months ended March 31, 2011 compared to \$525 million in the prior year period as a result of market appreciation and the Columbia Management Acquisition, as well as higher advisor compensation from business growth.

Interest credited to fixed accounts decreased \$21 million, or 9%, to \$207 million for the three months ended March 31, 2011 compared to \$228 million for the prior year period driven by lower average variable annuities fixed sub-account balances and a lower average crediting rate on interest sensitive fixed annuities, as well as lower average fixed annuity account balances. Average variable annuities fixed sub-account balances decreased \$1.3 billion, or 21%, to \$4.8 billion for the first quarter of 2011 compared to the prior year period primarily due to the implementation of changes to the Portfolio Navigator program in the second quarter of 2010. The average fixed annuity crediting rate excluding capitalized interest decreased to 3.7% in the first quarter of 2011 compared to 3.9% in the prior year period. Average fixed annuities contract accumulation values decreased \$229 million, or 2%, to \$14.4 billion for the first quarter of 2011 compared to the prior year period.

Table of Contents

Benefits, claims, losses and settlement expenses increased \$30 million, or 8%, to \$384 million for the three months ended March 31, 2011 compared to \$354 million for the prior year period. Operating benefits, claims, losses and settlement expenses, which exclude the market impact on variable annuity guaranteed living benefits, net of hedges and DSIC amortization, increased \$26 million, or 8%, to \$357 million for the three months ended March 31, 2011 compared to \$331 million for the prior year period. Benefits, claims, losses and settlement expenses related to our Auto and Home business increased from the prior year period primarily due to higher claims. Benefits, claims, losses and settlement expenses related to our immediate annuities with life contingencies increased compared to the prior year period primarily due to higher premiums. In addition, benefits, claims, losses and settlement expenses increased as a result of higher long term care insurance claims and higher reserves for universal life products with secondary guarantees compared to the prior year period.

Interest and debt expense increased \$11 million, or 17%, to \$75 million for the three months ended March 31, 2011 compared to \$64 million in the prior year period. Operating interest and debt expense, which excludes interest expense on CIE debt, increased \$1 million, or 4%, to \$25 million for the three months ended March 31, 2011 compared to \$24 million in the prior year period.

General and administrative expense increased \$264 million, or 43%, to \$885 million for the three months ended March 31, 2011 compared to \$621 million for the prior year period. Operating general and administrative expense excludes integration and restructuring charges and expenses of the CIEs. Integration and restructuring charges increased \$22 million to \$29 million in the first quarter of 2011 compared to \$7 million in the prior year period. Operating general and administrative expense increased \$242 million, or 40%, to \$851 million for the three months ended March 31, 2011 compared to \$609 million for the prior year period primarily reflecting ongoing expenses from the Columbia Management Acquisition and a \$118 million pre-tax charge for SAI legal expenses in the first quarter of 2011.

*Income Taxes*

Our effective tax rate on net income including net income attributable to noncontrolling interests was 17.8% for the three months ended March 31, 2011, compared to 17.9% for the three months ended March 31, 2010. Our effective tax rate on net income excluding net income attributable to noncontrolling interests was 16.7% for the three months ended March 31, 2011, compared to 23.2% for the three months ended March 31, 2010.

On September 25, 2007, the Internal Revenue Service ( IRS ) issued Revenue Ruling 2007-61 in which it announced that it intends to issue regulations with respect to certain computational aspects of the Dividends Received Deduction ( DRD ) related to separate account assets held in connection with variable contracts of life insurance companies. Any regulations that the IRS ultimately proposes for issuance in this area will be subject to public notice and comment, at which time insurance companies and other members of the public will have the opportunity to raise legal and practical questions about the content, scope and application of such regulations. As a result, the ultimate timing and substance of any such regulations are unknown at this time, but they may result in the elimination of some or all of the separate account DRD tax benefit that we receive.

Table of Contents**Results of Operations by Segment for the Three Months Ended March 31, 2011 and 2010**

The following table presents summary financial information by segment:

	Three Months Ended March 31,					
	GAAP	2011 Less: Adjustments(1)	Operating	GAAP	2010 Less: Adjustments(1)	Operating
	(in millions, unaudited)					
<b>Advice &amp; Wealth Management</b>						
Net revenues	\$ 914	\$ 1	\$ 913	\$ 765	\$ (1)	\$ 766
Expenses	814		814	717	2	715
Pretax income	\$ 100	\$ 1	\$ 99	\$ 48	\$ (3)	\$ 51
<b>Asset Management</b>						
Net revenues	\$ 737	\$	\$ 737	\$ 370	\$ 1	\$ 369
Expenses	630	29	601	352	5	347
Pretax income	\$ 107	\$ (29)	\$ 136	\$ 18	\$ (4)	\$ 22
<b>Annuities</b>						
Net revenues	\$ 640	\$ (3)	\$ 643	\$ 602	\$ 3	\$ 599
Expenses	486	17	469	482	17	465
Pretax income	\$ 154	\$ (20)	\$ 174	\$ 120	\$ (14)	\$ 134
<b>Protection</b>						
Net revenues	\$ 519	\$ 1	\$ 518	\$ 507	\$ 1	\$ 506
Expenses	412		412	388		388
Pretax income	\$ 107	\$ 1	\$ 106	\$ 119	\$ 1	\$ 118
<b>Corporate &amp; Other</b>						
Net revenues	\$ 165	\$ 49	\$ 116	\$ 271	\$ 137	\$ 134
Expenses	362	65	297	215	54	161
Pretax income (loss)	\$ (197)	\$ (16)	\$ (181)	\$ 56	\$ 83	\$ (27)
Less: Pretax income (loss) attributable to noncontrolling interests	(18)	(18)		82	82	
Pretax loss attributable to Ameriprise Financial	\$ (179)	\$ 2	\$ (181)	\$ (26)	\$ 1	\$ (27)
<b>Eliminations</b>						
Net revenues	\$ (321)	\$ (10)	\$ (311)	\$ (244)	\$ (9)	\$ (235)
Expenses	(321)	(10)	(311)	(244)	(9)	(235)
Pretax income	\$	\$	\$	\$	\$	\$

(1) Includes the elimination of management fees we earn for services provided to the CIEs and the related expense, revenues and expenses of the CIEs, net realized gains or losses, the market impact on variable annuity living benefits, net of hedges, DSIC and DAC amortization and integration charges.

**Advice & Wealth Management**



## Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Our Advice & Wealth Management segment provides financial planning and advice, as well as full service brokerage and banking services, primarily to retail clients through our Ameriprise financial advisors. Ameriprise financial advisors utilize a diversified selection of both affiliated and non-affiliated products to help clients meet their financial needs. A significant portion of revenues in this segment is fee-based, driven by the level of client assets, which is impacted by both market movements and net asset flows. We also earn net investment income on invested assets primarily from certificate and banking products. This segment earns revenues (distribution fees) for distributing non-affiliated products and earns intersegment revenues (distribution fees) for distributing our affiliated products and services to our retail clients. Intersegment expenses for this segment include expenses for investment management services provided by the Asset Management segment.

In addition to purchases of affiliated and non-affiliated mutual funds and other securities on a stand-alone basis, clients may purchase mutual funds, among other securities, in connection with investment advisory fee-based wrap account programs or services, and pay fees based on a percentage of their assets.

As a result of our decision to pursue a sale of Securities America, results of operations attributable to Securities America have been transferred to the Corporate & Other segment from the Advice & Wealth Management segment beginning in the first quarter of 2011. All prior periods have been restated.

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Table of Contents

The following table presents the changes in branded client wrap assets:

	Three Months Ended March 31,			
	2011	(in billions)		2010
Balance at January 1	\$	97.5	\$	81.3
Net flows		2.8		2.3
Market appreciation		2.8		2.3
Balance at March 31	\$	103.1	\$	85.9

Branded client wrap assets increased \$17.2 billion, or 20%, to \$103.1 billion compared to the prior year period due to market appreciation and net inflows.

Management believes that operating measures, which exclude net realized gains or losses and integration and restructuring charges for our Advice & Wealth Management segment, best reflect the underlying performance of our core operations and facilitate a more meaningful trend analysis. See our discussion on the use of these non-GAAP measures in the Overview section above.

The following table presents the results of operations of our Advice & Wealth Management segment:

	Three Months Ended March 31,							
	GAAP	2011 Less: Adjustments(1)	Operating	GAAP	2010 Less: Adjustments(1)	Operating	Operating Change	
(in millions, unaudited)								
<b>Revenues</b>								
Management and financial advice fees	\$ 386	\$	\$ 386	\$ 326	\$	\$ 326	\$ 60	18%
Distribution fees	461		461	370		370	91	25
Net investment income	64	1	63	73	(1)	74	(11)	(15)
Other revenues	16		16	17		17	(1)	(6)
Total revenues	927	1	926	786	(1)	787	139	18
<b>Banking and deposit</b>								
interest expense	13		13	21		21	(8)	(38)
Total net revenues	914	1	913	765	(1)	766	147	19
<b>Expenses</b>								
Distribution expenses	541		541	446		446	95	21
General and administrative expense	273		273	271	2	269	4	1
Total expenses	814		814	717	2	715	99	14
Pretax income	\$ 100	\$ 1	\$ 99	\$ 48	\$ (3)	\$ 51	\$ 48	94%

(1) Adjustments include net realized gains or losses and integration and restructuring charges.

## Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Our Advice & Wealth Management segment pretax income was \$100 million for the three months ended March 31, 2011 compared to \$48 million in the prior year period. Our Advice & Wealth Management segment pretax operating income, which excludes net realized gains or losses and integration and restructuring charges, increased \$48 million, or 94%, to \$99 million for the three months ended March 31, 2011 compared to \$51 million in the prior year period driven by higher asset-based fees partially offset by higher distribution expenses. Pretax margin was 10.9% for the first quarter of 2011 compared to 6.3% for the prior year period. Pretax operating margin was 10.8% for the first quarter of 2011 compared to 6.7% for the prior year period.

### *Net Revenues*

Net revenues increased \$149 million, or 19%, to \$914 million for the three months ended March 31, 2011 compared to \$765 million in the prior year period. Operating net revenues exclude net realized gains or losses. Operating net revenues increased \$147 million, or 19%, to \$913 million for the three months ended March 31, 2011 compared to \$766 million in the prior year period driven by higher management and distribution fees from increased client activity and higher assets under management.

Table of Contents

Management and financial advice fees increased \$60 million, or 18%, to \$386 million for the three months ended March 31, 2011 compared to \$326 million for the prior year period driven by growth in assets under management resulting from market appreciation and net inflows in branded client wrap assets. The daily average S&P 500 Index increased 16% compared to the prior year period. Branded client wrap assets increased \$17.2 billion, or 20%, to \$103.1 billion at March 31, 2011 compared to the prior year period due to net inflows and market appreciation.

Distribution fees increased \$91 million, or 25%, to \$461 million for the three months ended March 31, 2011 compared to \$370 million for the prior year period primarily driven by growth in assets under management resulting from market appreciation and net inflows in branded client wrap assets and increased client activity.

Net investment income decreased \$9 million, or 12%, to \$64 million for the three months ended March 31, 2011 compared to \$73 million for the prior year period. Operating net investment income, which excludes net realized gains or losses, decreased \$11 million, or 15%, to \$63 million for the three months ended March 31, 2011 compared to \$74 million for the prior year period driven by lower invested assets resulting from net outflows in certificates driven by lower interest crediting rates.

Banking and deposit interest expense decreased \$8 million, or 38%, to \$13 million for the three months ended March 31, 2011 compared to \$21 million for the prior year period primarily due to lower certificate balances, as well as a decrease in crediting rates on certificate products.

*Expenses*

Total expenses increased \$97 million, or 14%, to \$814 million for the three months ended March 31, 2011 compared to \$717 million for the prior year period. Operating expenses, which exclude integration and restructuring charges, increased \$99 million, or 14%, to \$814 million for the three months ended March 31, 2011 compared to \$715 million for the prior year period due to an increase in distribution expenses.

Distribution expenses increased \$95 million, or 21%, to \$541 million for the three months ended March 31, 2011 compared to \$446 million for the prior year period primarily due to higher advisor compensation from business growth.

**Asset Management**

Our Asset Management segment provides investment advice and investment products to retail and institutional clients. Columbia Management Investment Advisers, LLC (formerly RiverSource Investments, LLC) predominantly provides U.S. domestic products and services and Threadneedle Asset Management Holdings Sàrl ( Threadneedle ) predominantly provides international investment products and services. Columbia retail products are distributed through unaffiliated third party financial institutions, through our Advice & Wealth Management segment and also through Bank of America and its affiliates. Institutional products and services are primarily sold through our institutional sales force. Threadneedle retail products are primarily distributed through third parties. Retail products include mutual funds, variable product funds underlying insurance and annuity separate accounts, separately managed accounts and collective funds. Institutional asset management services are designed to meet specific client objectives and may involve a range of products including those that focus on traditional asset classes,

## Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

separate accounts, individually managed accounts, collateralized loan obligations, hedge funds and property funds. Revenues in this segment are primarily earned as fees based on managed asset balances, which are impacted by both market movements and net asset flows. In addition to the products and services provided to third party clients, management teams serving our Asset Management segment provide all intercompany asset management services. The fees for all such services are reflected within the Asset Management segment results through intersegment transfer pricing. Intersegment expenses for this segment include distribution expenses for services provided by the Advice & Wealth Management, Annuities and Protection segments.

On April 30, 2010, we completed the acquisition of the long-term asset management business of the Columbia Management Group from Bank of America. The acquisition significantly enhanced the capabilities of the Asset Management segment by increasing its scale, broadening its retail and institutional distribution capabilities and strengthening and diversifying its lineup of retail and institutional products. The integration of the Columbia Management business, which is ongoing and is expected to be completed in 2011, has involved organizational changes to our portfolio management and analytical teams and to our operational, compliance, sales and marketing support staffs. This integration has also involved the streamlining of our U.S. domestic product offerings, a process that is ongoing. As a result of the integration, we combined RiverSource Investments, our legacy U.S. asset management business, with Columbia Management, under the Columbia brand. Total U.S. assets and number of funds under the Columbia brand as of March 31, 2011 were \$226.4 billion and 227 funds, respectively.

Table of Contents

Threadneedle will remain our primary international investment management platform. Threadneedle manages four Open Ended Investment Companies ( OEICs ) and one Societe d Investissement A Capital Variable ( SICAV ) offering. The four OEICs are Threadneedle Investment Funds ICVC ( TIF ), Threadneedle Specialist Investment Funds ICVC ( TSIF ), Threadneedle Focus Investment Funds ( TFIF ) and Threadneedle Advantage Portfolio Funds ( TPAF ). TIF, TSIF, TFIF and TPAF are structured as umbrella companies with a total of 52 (33, 14, 2 and 3, respectively) sub funds covering the world s bond and equity markets. The SICAV is the Threadneedle (Lux) SICAV ( T(Lux) ). T(Lux) is structured as an umbrella company with a total of 30 sub funds covering the world s bond, commodities and equity markets. In addition, Threadneedle manages 13 unit trusts, 10 of which invest into the OEICs, 6 property unit trusts and 1 property fund of funds.

The following table presents the mutual fund performance of our retail Columbia and Threadneedle funds:

	2011	March 31, 2010
<b>Mutual Fund Performance</b>		
<b>Columbia</b>		
Equal Weighted Mutual Fund Rankings in top 2 Lipper Quartiles(1)		
Equity - 12 month	58%	58%
Fixed income - 12 month	72%	50%
Equity - 3 year	52%	45%
Fixed income - 3 year	82%	68%
Equity - 5 year	62%	71%
Fixed income - 5 year	78%	63%
Asset Weighted Mutual Fund Rankings in top 2 Lipper Quartiles(2)		
Equity - 12 month	52%	78%
Fixed income - 12 month	65%	51%
Equity - 3 year	69%	56%
Fixed income - 3 year	83%	59%
Equity - 5 year	75%	75%
Fixed income - 5 year	77%	58%
<b>Threadneedle</b>		
Equal Weighted Mutual Fund Rankings in top 2 Morningstar Quartiles(1)		
Equity - 12 month	86%	31%
Fixed income - 12 month	30%	60%
Equity - 3 year	85%	93%
Fixed income - 3 year	60%	80%
Equity - 5 year	93%	93%
Fixed income - 5 year	60%	78%

(1) Equal Weighted Rankings in Top 2 Quartiles: Counts the number of funds (RiverSource Class A and Columbia Class Z) with above median ranking divided by the total number of funds. Asset size is not a factor.

(2) Asset Weighted Rankings in Top 2 Quartiles: Sums the assets of the funds with above median ranking (RiverSource Class A and Columbia Class Z) divided by the total sum of RiverSource Class A assets and Columbia Class Z assets. Funds with more assets will receive a greater share of the total percentage above or below median.

## Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Beginning in the second quarter of 2010, mutual fund performance rankings for Columbia are based on the performance of Class A fund shares for legacy RiverSource (including Seligman and Threadneedle) branded funds and on Class Z fund shares for legacy Columbia branded funds, as the majority of fund assets managed within the funds of each fund family are generally held in the designated share class. Prior to the second quarter of 2010, the mutual fund performance rankings were based solely on the performance of the legacy RiverSource Class A fund shares. Aggregated data show only actively-managed mutual funds by affiliated investment managers as well as certain index funds. Aggregated data do not include mutual funds sub-advised by advisors not affiliated with Ameriprise Financial, Inc., RiverSource S&P 500 Index Fund and Columbia Money Market Fund. Aggregated equity rankings include Columbia Portfolio Builder Series and other balanced and asset allocation funds that invest in both equities and fixed income securities. Columbia Portfolio Builder Series funds are funds of mutual funds that may invest in third-party sub-advised funds.

Table of Contents

We also offer Separately Managed Accounts, Individually Managed Accounts, management of Institutional Owned Assets, management of collateralized debt obligations, sub-advisory services for certain Columbia and Threadneedle mutual funds, hedge funds and RiverSource Trust Collective Funds and separate accounts for Ameriprise Trust Company clients.

The following tables present the changes in Columbia (formerly RiverSource Investments branded funds) and Threadneedle managed assets:

	December 31, 2010	Net Flows	Market Appreciation & Other (in billions)	Foreign Exchange	March 31, 2011
<b>Columbia Managed Assets:</b>					
Retail Funds	\$ 218.5	\$ (0.6)	\$ 8.5	\$	\$ 226.4
Institutional Funds	127.2	(1.0)	0.9		127.1
Alternative Funds	10.0	(0.4)	0.1		9.7
Less: Eliminations	(0.2)				(0.2)
Total Columbia Managed Assets	355.5	(2.0)	9.5		363.0
<b>Threadneedle Managed Assets:</b>					
Retail Funds	33.4	(0.6)	0.5	1.0	34.3
Institutional Funds	70.9	(2.4)	0.7	1.9	71.1
Alternative Funds	1.3			0.1	1.4
Total Threadneedle Managed Assets	105.6	(3.0)	1.2	3.0	106.8
Less: Sub-Advised Eliminations	(4.3)	0.1	(0.2)		(4.4)
Total Managed Assets	\$ 456.8	\$ (4.9)	\$ 10.5	\$ 3.0	\$ 465.4

	December 31, 2009	Net Flows	Market Appreciation & Other (in billions)	Foreign Exchange	March 31, 2010
<b>Columbia Managed Assets: (1)</b>					
Retail Funds	\$ 76.9	\$ (0.8)	\$ 2.5	\$	\$ 78.6
Institutional Funds	62.3	0.1	1.6		64.0
Alternative Funds	9.9	0.2			10.1
Less: Eliminations	(0.1)				(0.1)
Total Columbia Managed Assets	149.0	(0.5)	4.1		152.6
<b>Threadneedle Managed Assets:</b>					
Retail Funds	29.1	1.3	1.8	(1.8)	30.4
Institutional Funds	66.8	(1.3)	3.4	(3.9)	65.0
Alternative Funds	1.9			(0.2)	1.7
Total Threadneedle Managed Assets	97.8		5.2	(5.9)	97.1
Less: Sub-Advised Eliminations	(3.6)		(0.1)		(3.7)
Total Managed Assets	\$ 243.2	\$ (0.5)	\$ 9.2	\$ (5.9)	\$ 246.0

(1) Prior to the Columbia Management Acquisition, the domestic managed assets of our Asset Management segment, which are now included in Columbia Managed Assets, were managed by RiverSource Investments.





Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Table of Contents

Columbia assets under management were \$363.0 billion at March 31, 2011 compared to \$152.6 billion a year ago, driven by the Columbia Management Acquisition and market appreciation, partially offset by net outflows. Threadneedle assets under management were \$106.8 billion at March 31, 2011, up 10% from a year ago reflecting period-over-period market appreciation and positive foreign currency translation, partially offset by net outflows. Threadneedle net outflows of \$3.0 billion in the first quarter of 2011 were driven by institutional outflows mainly in lower-margin Zurich portfolios and higher redemptions from European retail investors reflecting market volatility. Equity and fixed income investment performance at Columbia Management and Threadneedle continues to be strong.

Management believes that operating measures, which exclude net realized gains or losses and integration charges for our Asset Management segment, best reflect the underlying performance of our core operations and facilitate a more meaningful trend analysis. See our discussion on the use of these non-GAAP measures in the Overview section above.

The following table presents the results of operations of our Asset Management segment:

	Three Months Ended March 31,								Operating Change	
	GAAP	2011 Less: Adjustments(1)	Operating	GAAP (in millions, unaudited)	2010 Less: Adjustments(1)	Operating				
<b>Revenues</b>										
Management and financial advice fees	\$ 620	\$	\$ 620	\$ 307	\$	\$ 307	\$ 313	NM		
Distribution fees	115		115	58		58	57	98%		
Net investment income	1		1	4	1	3	(2)	(67)		
Other revenues	2		2	1		1	1	100		
Total revenues	738		738	370	1	369	369	100		
<b>Banking and deposit</b>										
interest expense	1		1				1	NM		
Total net revenues	737		737	370	1	369	368	100		
<b>Expenses</b>										
Distribution expenses	258		258	106		106	152	NM		
Amortization of deferred acquisition costs	4		4	6		6	(2)	(33)		
General and administrative expense	368	29	339	240	5	235	104	44		
Total expenses	630	29	601	352	5	347	254	73%		
Pretax income	\$ 107	\$ (29)	\$ 136	\$ 18	\$ (4)	\$ 22	\$ 114	NM		

NM Not Meaningful.

(1) Adjustments include net realized gains or losses and integration charges.

## Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Our Asset Management segment pretax income was \$107 million for the three months ended March 31, 2011 compared to \$18 million for the prior year period. Our Asset Management segment pretax operating income, which excludes net realized gains or losses and integration charges, was \$136 million for the three months ended March 31, 2011 compared to \$22 million for the prior year period reflecting earnings from business acquired in the Columbia Management Acquisition and market appreciation. Pretax margin was 14.5% for the first quarter of 2011 compared to 4.9% for the prior year period. Pretax operating margin was 18.5% for the first quarter of 2011 compared to 6.0% for the prior year period. This margin improvement is primarily attributable to an increase in volume from business acquired in the Columbia Management Acquisition.

### *Net Revenues*

Net revenues increased \$367 million, or 99%, to \$737 million for the three months ended March 31, 2011 compared to \$370 million for the prior year period driven by an increase in management fees due to growth in assets from the Columbia Management Acquisition, market appreciation and a continued shift to higher revenue yielding asset classes.

Table of Contents

Management and financial advice fees were \$620 million for the three months ended March 31, 2011 compared to \$307 million for the prior year period primarily due to growth in assets from the Columbia Management Acquisition, market appreciation and a continued shift to higher revenue yielding asset classes. The daily average S&P 500 Index increased 16% compared to the prior year period. Total Asset Management AUM increased \$219.4 billion, or 89%, to \$465.4 billion at March 31, 2011 compared to the prior year period primarily due to the Columbia Management Acquisition and market appreciation, partially offset by net outflows.

Distribution fees increased \$57 million, or 98%, to \$115 million for the three months ended March 31, 2011 compared to \$58 million for the prior year period primarily driven by growth in assets from the Columbia Management Acquisition and market appreciation.

*Expenses*

Total expenses increased \$278 million, or 79%, to \$630 million for the three months ended March 31, 2011 compared to \$352 million for the prior year period. Operating expenses, which exclude integration charges, increased \$254 million, or 73%, to \$601 million for the three months ended March 31, 2011 compared to \$347 million for the prior year period due to an increase in distribution expenses and general and administrative expense. We realized integration net expense synergies of approximately \$31 million for the three months ended March 31, 2011. Since closing the Columbia Management Acquisition in 2010, we have realized approximately \$102 million of total net expense synergies.

Distribution expenses increased \$152 million to \$258 million for the three months ended March 31, 2011 compared to \$106 million for the prior year period primarily due to growth in assets from the Columbia Management Acquisition and market appreciation.

General and administrative expense increased \$128 million, or 53%, to \$368 million for the three months ended March 31, 2011 compared to \$240 million for the prior year period. Integration charges increased \$24 million to \$29 million for the three months ended March 31, 2011 compared to \$5 million in the prior year period. Operating general and administrative expense, which excludes integration charges, increased \$104 million, or 44%, to \$339 million for the three months ended March 31, 2011 compared to \$235 million for the prior year period primarily due to increased operating costs of Columbia Management, as well as investments at Columbia Management and Threadneedle.

**Annuities**

Our Annuities segment provides variable and fixed annuity products of RiverSource Life companies to retail clients. Prior to the fourth quarter of 2010, our variable annuity products were distributed through affiliated financial advisors as well as unaffiliated advisors through third-party distribution. During the fourth quarter of 2010, we discontinued new sales of our variable annuities in non-Ameriprise channels to further strengthen the risk and return characteristics of the business. Our fixed annuity products are distributed through affiliated advisors as well as unaffiliated advisors through third-party distribution. Revenues for our variable annuity products are primarily earned as fees based on underlying account balances, which are impacted by both market movements and net asset flows. Revenues for our fixed annuity products are primarily earned as net investment income on invested assets supporting fixed account balances, with profitability significantly impacted by the spread between net investment income earned and interest credited on the fixed account balances. We also earn net investment income on invested assets supporting reserves for immediate annuities and for certain guaranteed benefits offered with variable annuities and on capital supporting the business. Intersegment revenues for this segment reflect fees paid by the Asset Management segment for marketing support and other services provided in connection with the availability of RiverSource Variable Series Trust, Columbia Funds Variable Insurance Trust,

## Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Columbia Funds Variable Insurance Trust I and Wanger Advisors Trust funds under the variable annuity contracts. Intersegment expenses for this segment include distribution expenses for services provided by the Advice & Wealth Management segment, as well as expenses for investment management services provided by the Asset Management segment.

Management believes that operating measures, which exclude net realized gains or losses and the market impact on variable annuity guaranteed living benefits, net of hedges, DSIC and DAC amortization, for our Annuities segment, best reflect the underlying performance of our core operations and facilitate a more meaningful trend analysis. See our discussion on the use of these non-GAAP measures in the Overview section above.

Table of Contents

The following table presents the results of operations of our Annuities segment:

	Three Months Ended March 31,							
	GAAP	2011 Less: Adjustments(1)	Operating	GAAP (in millions, unaudited)	2010 Less: Adjustments(1)	Operating	Operating Change	
<b>Revenues</b>								
Management and financial advice fees	\$ 155	\$	\$ 155	\$ 127	\$	\$ 127	\$ 28	22%
Distribution fees	76		76	70		70	6	9
Net investment income	320	(3)	323	330	3	327	(4)	(1)
Premiums	34		34	31		31	3	10
Other revenues	55		55	44		44	11	25
Total revenues	640	(3)	643	602	3	599	44	7
Banking and deposit interest expense								
Total net revenues	640	(3)	643	602	3	599	44	7
<b>Expenses</b>								
Distribution expenses	76		76	61		61	15	25
Interest credited to fixed accounts	172		172	192		192	(20)	(10)
Benefits, claims, losses and settlement expenses	123	27	96	118	23	95	1	1
Amortization of deferred acquisition costs	63	(10)	73	60	(6)	66	7	11
General and administrative expense	52		52	51		51	1	2
Total expenses	486	17	469	482	17	465	4	1
Pretax income	\$ 154	\$ (20)	\$ 174	\$ 120	\$ (14)	\$ 134	\$ 40	30%

(1) Adjustments include net realized gains or losses and the market impact on variable annuity living benefits, net of hedges, DSIC and DAC amortization.

Our Annuities segment pretax income increased \$34 million, or 28%, to \$154 million for the three months ended March 31, 2011 compared to \$120 million for the period year period. Our Annuities segment pretax operating income, which excludes net realized gains or losses and the market impact on variable annuity guaranteed living benefits, net of hedges, DSIC and DAC amortization, increased \$40 million, or 30%, to \$174 million for the three months ended March 31, 2011 compared to \$134 million in the prior year period.

*Net Revenues*

Net revenues increased \$38 million, or 6%, to \$640 million for the three months ended March 31, 2011 compared to \$602 million for the prior year period. Operating net revenues, which exclude net realized gains or losses, increased \$44 million, or 7%, to \$643 million for the three months ended March 31, 2011 compared to \$599 million for the prior year period reflecting increased management fees from higher separate account balances and higher fees from variable annuity guarantees.

Management and financial advice fees increased \$28 million, or 22%, to \$155 million for the three months ended March 31, 2011 compared to \$127 million for the prior year period due to higher fees on variable annuities driven by higher separate account balances. Average variable annuities contract accumulation values increased \$9.6 billion, or 19%, from the prior year period due to higher equity market levels and net inflows. Variable annuity net inflows in the first quarter of 2011 included strong sales in the Ameriprise channel. We discontinued new sales of variable annuities through non-Ameriprise channels in the fourth quarter of 2010 to further strengthen the risk return characteristics of the business, and the resulting outflows were in line with expectations.

Distribution fees increased \$6 million, or 9%, to \$76 million for the three months ended March 31, 2011 compared to \$70 million for the prior year period primarily due to higher fees on variable annuities driven by higher separate account balances.

Table of Contents

Net investment income decreased \$10 million, or 3%, to \$320 million for the three months ended March 31, 2011 compared to \$330 million in the prior year period. Operating net investment income, which excludes net realized gains or losses, decreased \$4 million, or 1%, to \$323 million for the three months ended March 31, 2011 compared to \$327 million for the prior year period due to a decrease in investment income on fixed maturity securities reflecting lower investments in the general account due to the implementation of changes to the Portfolio Navigator program in the second quarter of 2010, partially offset by higher investment yields.

Premiums increased \$3 million, or 10%, to \$34 million for the three months ended March 31, 2011 compared to \$31 million for the prior year period due to higher sales of immediate annuities with life contingencies.

Other revenues increased \$11 million, or 25%, to \$55 million for the three months ended March 31, 2011 compared to \$44 million for the prior year period due to higher fees from variable annuity guarantees driven by higher in force amounts.

*Expenses*

Total expenses increased \$4 million, or 1%, to \$486 million for the three months ended March 31, 2011 compared to \$482 million for the prior year period. Operating expenses, which exclude the market impact on variable annuity guaranteed living benefits, net of hedges, DSIC and DAC amortization, increased \$4 million, or 1%, to \$469 million for the three months ended March 31, 2011 compared to \$465 million for the prior year period primarily due to an increase in distribution expenses and amortization of DAC partially offset by a decrease in interest credited to fixed accounts.

Distribution expenses increased \$15 million, or 25%, to \$76 million for the three months ended March 31, 2011 compared to \$61 million for the prior year period primarily due to higher variable annuity compensation.

Interest credited to fixed accounts decreased \$20 million, or 10%, to \$172 million for the three months ended March 31, 2011 compared to \$192 million for the prior year period driven by lower average variable annuities fixed sub-account balances and a lower average crediting rate on interest sensitive fixed annuities, as well as lower average fixed annuity account balances. Average variable annuities fixed sub-account balances decreased \$1.3 billion, or 21%, to \$4.8 billion for the first quarter of 2011 compared to the prior year period primarily due to the implementation of changes to the Portfolio Navigator program in the second quarter of 2010. The average fixed annuity crediting rate excluding capitalized interest decreased to 3.7% in the first quarter of 2011 compared to 3.9% in the prior year period. Average fixed annuities contract accumulation values decreased \$229 million, or 2%, to \$14.4 billion for the first quarter of 2011 compared to the prior year period.

Amortization of DAC increased \$3 million, or 5%, to \$63 million for the three months ended March 31, 2011 compared to \$60 million in the prior year period. Operating amortization of DAC, which excludes the DAC offset to the market impact on variable annuity guaranteed living benefits, increased \$7 million, or 11%, to \$73 million for the three months ended March 31, 2011 compared to \$66 million in the prior year period primarily due to higher variable annuity gross profits.

**Protection**



Our Protection segment offers a variety of protection products to address the protection and risk management needs of our retail clients including life, disability income and property-casualty insurance. Life and disability income products are primarily distributed through Ameriprise advisors. Our property-casualty products are sold direct, primarily through affinity relationships. We issue insurance policies through our life insurance subsidiaries and the property casualty companies. The primary sources of revenues for this segment are premiums, fees, and charges we receive to assume insurance-related risk. We earn net investment income on invested assets supporting insurance reserves and capital supporting the business. We also receive fees based on the level of assets supporting variable universal life separate account balances. This segment earns intersegment revenues from fees paid by the Asset Management segment for marketing support and other services provided in connection with the availability of RiverSource Variable Series Trust, Columbia Funds Variable Insurance Trust, Columbia Funds Variable Insurance Trust I and Wanger Advisors Trust funds under the variable universal life contracts. Intersegment expenses for this segment include distribution expenses for services provided by the Advice & Wealth Management segment, as well as expenses for investment management services provided by the Asset Management segment.

Management believes that operating measures, which exclude net realized gains or losses for our Protection segment, best reflect the underlying performance of our core operations and facilitate a more meaningful trend analysis. See our discussion on the use of these non-GAAP measures in the Overview section above.

Table of Contents

The following table presents the results of operations of our Protection segment:

	Three Months Ended March 31,							
	GAAP	2011 Less: Adjustments(1)	Operating	GAAP (in millions, unaudited)	2010 Less: Adjustments(1)	Operating	Operating Change	
<b>Revenues</b>								
Management and financial advice fees	\$ 14	\$	\$ 14	\$ 13	\$	\$ 13	\$ 1	8%
Distribution fees	23		23	24		24	(1)	(4)
Net investment income	108	1	107	103	1	102	5	5
Premiums	264		264	257		257	7	3
Other revenues	110		110	110		110		
Total revenues	519	1	518	507	1	506	12	2
Banking and deposit interest expense								
Total net revenues	519	1	518	507	1	506	12	2
<b>Expenses</b>								
Distribution expenses	6		6	8		8	(2)	(25)
Interest credited to fixed accounts	35		35	36		36	(1)	(3)
Benefits, claims, losses and settlement expenses	261		261	236		236	25	11
Amortization of deferred acquisition costs	49		49	52		52	(3)	(6)
General and administrative expense	61		61	56		56	5	9
Total expenses	412		412	388		388	24	6
Pretax income	\$ 107	\$ 1	\$ 106	\$ 119	\$ 1	\$ 118	\$ (12)	(10)%

(1) Adjustments include net realized gains or losses.

Our Protection segment pretax income decreased \$12 million, or 10%, to \$107 million for the three months ended March 31, 2011, compared to \$119 million for the prior year period. Our Protection segment pretax operating income, which excludes net realized gains or losses, decreased \$12 million, or 10%, to \$106 million for the three months ended March 31, 2011, compared to \$118 million for the prior year period.

*Net Revenues*

Net revenues increased \$12 million, or 2%, to \$519 million for the three months ended March 31, 2011 compared to \$507 million for the prior year period. Operating net revenues, which exclude net realized gains or losses, increased \$12 million, or 2%, to \$518 million for the three months ended March 31, 2011 compared to \$506 million for the prior year period primarily due to Auto and Home premium growth and higher investment income driven by growth in assets.

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Net investment income increased \$5 million, or 5%, to \$108 million for the three months ended March 31, 2011 compared to \$103 million for the prior year period. Operating net investment income, which excludes net realized gains or losses, increased \$5 million, or 5%, to \$107 million for the three months ended March 31, 2011 compared to \$102 million for the prior year period primarily due to growth in assets.

Premiums increased \$7 million, or 3%, to \$264 million for the three months ended March 31, 2011 compared to \$257 million for the prior year period due to growth in Auto and Home premiums driven by higher volumes. Auto and Home policy counts increased 9% period-over-period.

Table of Contents

*Expenses*

Total expenses increased \$24 million, or 6%, to \$412 million for the three months ended March 31, 2011 compared to \$388 million for the prior year period due to an increase in benefits, claims, losses and settlement expenses.

Benefits, claims, losses and settlement expenses increased \$25 million, or 11%, to \$261 million for the three months ended March 31, 2011 compared to \$236 million for the prior year period reflecting \$5 million in higher ongoing reserve levels for universal life products with secondary guarantees and \$8 million in higher auto liability reserves.

**Corporate & Other**

Our Corporate & Other segment consists of net investment income on corporate level assets, including excess capital held in our subsidiaries and other unallocated equity and other revenues from various investments as well as unallocated corporate expenses. The Corporate & Other segment also includes revenues and expenses of CIEs. As a result of our decision to pursue a sale of Securities America, results of operations attributable to Securities America have been transferred to the Corporate & Other segment from the Advice & Wealth Management segment beginning in the first quarter of 2011. All prior periods have been restated.

On April 15, 2011, Securities America entered into settlement agreements relating to SAI's sale of private placements issued by Medical Capital Holdings, Inc./Medical Capital Corporation and affiliated corporations ( Medical Capital ) and Provident Shale Royalties, LLC and affiliated corporations ( Provident Royalties ). Medical Capital and Provident Royalties are both in receivership and have been charged by the SEC for the frauds that led to SAI client losses. SAI was one of many companies that sold the securities. In exchange for release of pending arbitration and litigation claims (including certain class action claims pending against Ameriprise Financial, Inc.), the settlement agreements provide for the payment of a total of \$150 million; \$40 million was recorded in the fourth quarter of 2010 and we recorded a \$118 million pre-tax expense in the first quarter of 2011. Securities America's participation in the settlements does not indicate any wrongdoing.

Management believes that operating measures, which exclude net realized gains or losses, integration and restructuring charges and the impact of consolidating CIEs for our Corporate & Other segment, best reflect the underlying performance of our core operations and facilitate a more meaningful trend analysis. See our discussion on the use of these non-GAAP measures in the Overview section above.

The following table presents the results of operations of our Corporate & Other segment:

Three Months Ended March 31,						
	2011			2010		
	Less:			Less:		
GAAP	Adjustments(1)	Operating	GAAP	Adjustments(1)	Operating	Operating Change
(in millions, unaudited)						
<b>Revenues</b>						

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Management and financial advice fees	\$	47	\$		\$	47	\$	42	\$		\$	42	\$	5	12%
Distribution fees		70				70		66				66		4	6
Net investment income (loss)		22		29		(7)		80		80				(7)	NM
Other revenues		26		20		6		83		57		26		(20)	(77)
Total revenues		165		49		116		271		137		134		(18)	(13)
Banking and deposit interest expense															
Total net revenues		165		49		116		271		137		134		(18)	(13)
<b>Expenses</b>															
Distribution expenses		97				97		90				90		7	8
Interest and debt expense		75		50		25		64		40		24		1	4
General and administrative expense		190		15		175		61		14		47		128	NM
Total expenses		362		65		297		215		54		161		136	84
Pretax income (loss)		(197)		(16)		(181)		56		83		(27)		(154)	NM
Less: Net income (loss) attributable to noncontrolling interests		(18)		(18)				82		82					%
Pretax loss attributable to Ameriprise Financial	\$	(179)	\$	2	\$	(181)	\$	(26)	\$	1	\$	(27)	\$	(154)	NM

NM Not Meaningful.

(1) Includes revenues and expenses of the CIEs, net realized gains or losses and integration charges.

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Table of Contents

The following table presents the components of the adjustments in the table above:

	Three Months Ended March 31,					
	CIEs	2011 Other Adjustments (1)	Total Adjustments	CIEs	2010 Other Adjustments (1)	Total Adjustments
(in millions, unaudited)						
<b>Revenues</b>						
Net investment income	\$ 27	\$ 2	\$ 29	\$ 79	\$ 1	\$ 80
Other revenues	20		20	57		57
Total revenues	47	2	49	136	1	137
Banking and deposit interest expense						
Total net revenues	47	2	49	136	1	137
<b>Expenses</b>						
Distribution expenses						
Interest and debt expense	50		50	40		40
General and administrative expense	15		15	14		14
Total expenses	65		65	54		54
Pretax income (loss)	(18)	2	(16)	82	1	83
Less: Net income (loss) attributable to noncontrolling interests						
	(18)		(18)	82		82
Pretax income attributable to Ameriprise Financial	\$	\$ 2	\$ 2	\$	\$ 1	\$ 1

(1) Other adjustments include net realized gains or losses.

Our Corporate & Other segment pretax loss attributable to Ameriprise Financial was \$179 million for the three months ended March 31, 2011 compared to \$26 million in the prior year period. Our Corporate & Other segment pretax operating loss attributable to Ameriprise Financial excludes net realized gains or losses, integration and restructuring charges and the impact of consolidating CIEs. Our Corporate & Other segment pretax operating loss attributable to Ameriprise Financial was \$181 million for the three months ended March 31, 2011 compared to \$27 million in the prior year period. Corporate & Other results for the first quarter of 2011 included a \$118 million pretax charge for SAI legal expenses.

Net revenues decreased \$106 million, or 39%, to \$165 million for the three months ended March 31, 2011 compared to \$271 million for the prior year period primarily reflecting a decrease in revenues of CIEs. Operating net revenues, which exclude revenues of CIEs and net realized gains or losses, decreased \$18 million, or 13%, to \$116 million for the three months ended March 31, 2011 compared to \$134 million for the prior year period primarily due to a decrease in other revenues.

Other revenues decreased \$57 million, or 69%, to \$26 million for the three months ended March 31, 2011 compared to \$83 million for the prior year period. Operating other revenues, which exclude revenues of consolidated property funds, decreased \$20 million, or 77%, to \$6 million for the three months ended March 31, 2011 compared to \$26 million for the prior year period due to a \$20 million benefit from the payments related to the Reserve Funds matter in the first quarter of 2010.

## Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Total expenses increased \$147 million, or 68%, to \$362 million for the three months ended March 31, 2011 compared to \$215 million for the prior year period. Operating expenses, which exclude expenses of CIEs and integration and restructuring charges, increased \$136 million, or 84%, to \$297 million for the three months ended March 31, 2011 compared to \$161 million for the prior year period primarily due to a \$118 million charge for SAI legal expenses in the first quarter of 2011.

Interest and debt expense increased \$11 million, or 17%, to \$75 million for the three months ended March 31, 2011 compared to \$64 million for the prior year period. Operating interest and debt expense, which excludes interest expense on CIE debt, increased \$1 million, or 4%, to \$25 million for the three months ended March 31, 2011 compared to \$24 million for the prior year period.

General and administrative expense increased \$129 million to \$190 million for the three months ended March 31, 2011 compared to \$61 million for the prior year period. Operating general and administrative expense, which excludes expenses of the CIEs and integration and restructuring charges, increased \$128 million to \$175 million for the three months ended March 31, 2011 compared to \$47 million for the prior year period primarily due to a \$118 million charge for SAI legal expense in the first quarter of 2011.

Table of Contents**Fair Value Measurements**

We report certain assets and liabilities at fair value; specifically, separate account assets, derivatives, embedded derivatives, properties held by our consolidated property funds, and most investments and cash equivalents. Fair value assumes the exchange of assets or liabilities occurs in orderly transactions. Companies are not permitted to use market prices that are the result of a forced liquidation or distressed sale. We include actual market prices, or observable inputs, in our fair value measurements to the extent available. Broker quotes are obtained when quotes from pricing services are not available. We validate prices obtained from third parties through a variety of means such as: price variance analysis, subsequent sales testing, stale price review, price comparison across pricing vendors and due diligence reviews of vendors.

***Non-Agency Residential Mortgage Backed Securities Backed by Sub-prime, Alt-A or Prime Collateral***

Sub-prime mortgage lending is the origination of residential mortgage loans to customers with weak credit profiles. Alt-A mortgage lending is the origination of residential mortgage loans to customers who have credit ratings above sub-prime but may not conform to government-sponsored standards. Prime mortgage lending is the origination of residential mortgage loans to customers with good credit profiles. We have exposure to each of these types of loans predominantly through mortgage backed and asset backed securities. The slowdown in the U.S. housing market, combined with relaxed underwriting standards by some originators, has led to higher delinquency and loss rates for some of these investments. Market conditions have increased the likelihood of other-than-temporary impairments for certain non-agency residential mortgage backed securities. As a part of our risk management process, an internal rating system is used in conjunction with market data as the basis of analysis to assess the likelihood that we will not receive all contractual principal and interest payments for these investments. For the investments that are more at risk for impairment, we perform our own assessment of projected cash flows incorporating assumptions about default rates, prepayment speeds and loss severity to determine if an other-than-temporary impairment should be recognized.

The following table presents, as of March 31, 2011, our non-agency residential mortgage backed and asset backed securities backed by sub-prime, Alt-A or prime mortgage loans by credit rating and vintage year:

	AAA		AA		A		BBB		BB & Below		Total	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(in millions)											
<b>Sub-prime</b>												
2003 & prior	\$ 6	\$ 6									\$ 6	\$ 6
2004	10	10			6	6	7	4	8	7	31	27
2005	53	53	42	42	20	20	6	6	21	18	142	139
2006							8	8	53	40	61	48
2007					3	3			6	1	9	4
2008			6	5							6	5
Re-Remic(1)	35	37			4	4	7	7			46	48
<b>Total</b>												
Sub-prime	\$ 104	\$ 106	\$ 48	\$ 47	\$ 33	\$ 33	\$ 28	\$ 25	\$ 88	\$ 66	\$ 301	\$ 277
<b>Alt-A</b>												
2003 & prior	\$ 2	\$ 2	11	12	2	3	1	1			16	18
2004			36	33	16	19	31	26	26	22	109	100
2005					2	1	10	8	290	223	302	232



Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

2006						138	102	138	102
2007						187	115	187	115
2008									
2009									
2010	80	80						80	80
Re-Remic(1)	118	119			4	4		122	123
Total Alt-A	\$ 200	\$ 201	\$ 47	\$ 45	\$ 24	\$ 27	\$ 42	\$ 35	\$ 641 \$ 462 \$ 954 \$ 770

**Prime**

2003 & prior	\$ 316	\$ 318	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 316	\$ 318
2004	115	118	25	24	24	22	27	24	27	15	218	203	
2005	14	19	30	34	31	34	39	39	179	131	293	257	
2006			16	18					35	34	51	52	
2007	54	58							13	10	67	68	
Re-Remic(1)	2,078	2,238	74	89	21	21			10	21	2,183	2,369	
Total Prime	\$ 2,577	\$ 2,751	\$ 145	\$ 165	\$ 76	\$ 77	\$ 66	\$ 63	\$ 264	\$ 211	\$ 3,128	\$ 3,267	
<b>Grand Total</b>	\$ 2,881	\$ 3,058	\$ 240	\$ 257	\$ 133	\$ 137	\$ 136	\$ 123	\$ 993	\$ 739	\$ 4,383	\$ 4,314	

(1) Re-Remics of mortgage backed securities are prior vintages with cash flows structured into senior and subordinated bonds. Credit enhancement has been increased through the Re-Remic process on the securities we own.

Table of Contents

*Fair Value of Liabilities and Nonperformance Risk*

Companies are required to measure the fair value of liabilities at the price that would be received to transfer the liability to a market participant (an exit price). Since there is not a market for our obligations of our variable annuity riders, we consider the assumptions participants in a hypothetical market would make to reflect an exit price. As a result, we adjust the valuation of variable annuity riders by updating certain contractholder assumptions, adding explicit margins to provide for profit, risk and expenses, and adjusting the rates used to discount expected cash flows to reflect a current market estimate of our nonperformance risk. The nonperformance risk adjustment is based on broker quotes for credit default swaps that are adjusted to estimate the risk of our life insurance company subsidiaries not fulfilling these liabilities. Consistent with general market conditions, this estimate resulted in a spread over the LIBOR swap curve as of March 31, 2011. As our estimate of this spread widens or tightens, the liability will decrease or increase. If this nonperformance credit spread moves to a zero spread over the LIBOR swap curve, the reduction to net income would be approximately \$59 million, net of DAC and DSIC amortization and income taxes, based on March 31, 2011 credit spreads.

**Liquidity and Capital Resources**

*Overview*

We maintained substantial liquidity during the three months ended March 31, 2011. At March 31, 2011, we had \$2.5 billion in cash and cash equivalents compared to \$2.9 billion at December 31, 2010. We have additional liquidity available through an unsecured revolving credit facility for up to \$500 million that we entered into on September 30, 2010 and which expires in September 2011. Under the terms of the underlying credit agreement, we can increase this facility to \$750 million upon satisfaction of certain approval requirements. Available borrowings under this facility are reduced by any outstanding letters of credit. We have had no borrowings under this credit facility and had \$1 million of outstanding letters of credit at March 31, 2011.

In March 2010, we issued \$750 million of 5.30% senior notes due 2020. A portion of the proceeds was used to retire \$340 million of debt that matured in November 2010. On April 30, 2010, we closed on the Columbia Management Acquisition and paid \$866 million in the second quarter with cash on hand and assumed liabilities of \$30 million. Our subsidiaries, Ameriprise Bank, FSB and RiverSource Life Insurance Company ( RiverSource Life ), are members of the Federal Home Loan Bank ( FHLB ) of Des Moines, which provides these subsidiaries with access to collateralized borrowings. As of March 31, 2011, we had no borrowings from the FHLB. Beginning in 2010, we entered into repurchase agreements to reduce reinvestment risk from higher levels of expected annuity net cash flows. Repurchase agreements allow us to receive cash to reinvest in longer-duration assets, while paying back the short-term debt with cash flows generated by the fixed income portfolio. The balance of repurchase agreements at March 31, 2011 was \$497 million, which is collateralized with agency residential mortgage backed securities and commercial mortgage backed securities from our investment portfolio. We believe cash flows from operating activities, available cash balances and our availability of revolver borrowings will be sufficient to fund our operating liquidity needs.

*Dividends from Subsidiaries*

Ameriprise Financial is primarily a parent holding company for the operations carried out by our wholly owned subsidiaries. Because of our holding company structure, our ability to meet our cash requirements, including the payment of dividends on our common stock, substantially

## Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

depends upon the receipt of dividends or return of capital from our subsidiaries, particularly our life insurance subsidiary, RiverSource Life, our face-amount certificate subsidiary, Ameriprise Certificate Company ( ACC ), AMPF Holding Corporation, which is the parent company of our retail introducing broker-dealer subsidiary, Ameriprise Financial Services, Inc. ( AFSI ) and our clearing broker-dealer subsidiary, American Enterprise Investment Services, Inc. ( AEIS ), our Auto and Home insurance subsidiary, IDS Property Casualty Insurance Company ( IDS Property Casualty ), doing business as Ameriprise Auto & Home Insurance, our transfer agent subsidiary, Columbia Management Investment Services Corp., our investment advisory company, Columbia Management Investment Advisers, LLC, and Threadneedle. The payment of dividends by many of our subsidiaries is restricted and certain of our subsidiaries are subject to regulatory capital requirements.

## Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

### Table of Contents

Actual capital and regulatory capital requirements for our wholly owned subsidiaries subject to regulatory capital requirements were as follows:

	Actual Capital		Regulatory Capital Requirements	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
	(in millions)			
RiverSource Life(1)(2)	\$ 3,779	\$ 3,813	N/A	\$ 652
RiverSource Life of NY(1)(2)	302	291	N/A	38
IDS Property Casualty(1)(3)	417	411	\$ 142	141
Ameriprise Insurance Company(1)(3)	44	44	2	2
ACC(4)(5)	175	184	166	173
Threadneedle(6)	264	182	174	104
Ameriprise Bank, FSB(7)	319	302	313	294
AFSI(3)(4)	109	119	2	1
Ameriprise Captive Insurance Company(3)	39	38	18	12
Ameriprise Trust Company(3)	44	41	41	40
AEIS(3)(4)	111	115	37	35
Securities America, Inc.(3)(4)	5	2	#	#
RiverSource Distributors, Inc.(3)(4)	21	24	#	#
Columbia Management Investment Distributors, Inc.(3)(4)	41	27	#	#

# Amounts are less than \$1 million.

- (1) Actual capital is determined on a statutory basis.
- (2) Regulatory capital requirement is based on the statutory risk-based filing.
- (3) Regulatory capital requirement is based on the applicable regulatory requirement, calculated as of March 31, 2011 and December 31, 2010.
- (4) Actual capital is determined on an adjusted GAAP basis.
- (5) ACC is required to hold capital in compliance with the Minnesota Department of Commerce and SEC capital requirements.
- (6) Actual capital and regulatory capital requirements are determined in accordance with U.K. regulatory legislation. The actual capital and the regulatory capital requirements for March 31, 2011 represent management's preliminary internal assessment of the risk based requirement specified by FSA regulations.
- (7) Ameriprise Bank is required to hold capital in compliance with the Office of Thrift Supervision (OTS) regulations and policies, which currently require a Tier 1 (core) capital ratio of not less than 7.5%.

In addition to the particular regulations restricting dividend payments and establishing subsidiary capitalization requirements, we take into account the overall health of the business, capital levels and risk management considerations in determining a dividend strategy for payments to our company from our subsidiaries, and in deciding to use cash to make capital contributions to our subsidiaries.

## Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

During the three months ended March 31, 2011, the parent holding company received cash dividends or a return of capital from its subsidiaries of \$295 million (including \$200 million from RiverSource Life) and contributed cash to its subsidiaries of \$27 million. During the three months ended March 31, 2010, the parent holding company received cash dividends or a return of capital from its subsidiaries of \$530 million (including \$425 million from RiverSource Life) and contributed cash to its subsidiaries of \$15 million.

### *Dividends Paid to Shareholders and Share Repurchases*

We paid regular quarterly cash dividends to our shareholders totaling \$46 million and \$45 million for the three months ended March 31, 2011 and 2010, respectively. On April 25, 2011, our Board of Directors declared a quarterly cash dividend of \$0.23 per common share. The dividend will be paid on May 20, 2011 to our shareholders of record at the close of business on May 6, 2011.

On May 11, 2010, we announced that our board of directors authorized an expenditure of up to \$1.5 billion for the repurchase of shares of our common stock through the date of our 2012 annual shareholders meeting. We intend to fund share repurchases through existing working capital, future earnings and other customary financing methods. The share repurchase program does not require the purchase of any minimum number of shares, and depending on market conditions and other factors, these purchases may be commenced or suspended at any time without prior notice. Acquisitions under the share repurchase program may be made in the open market, through privately negotiated transactions or block trades or other means. During the three months ended March 31, 2011, we repurchased a total of 6.5 million shares of our common stock at an average price of \$61.17 per share. As of March 31, 2011, we had \$531 million remaining under our share repurchase authorization.

Table of Contents

***Cash Flows***

Cash flows of CIEs are reflected in our cash flows provided by (used in) operating activities, investing activities and financing activities. Cash held by CIEs is not available for general use by Ameriprise Financial, nor is Ameriprise Financial cash available for general use by its CIEs. As such, the operating, investing and financing cash flows of the CIEs have no impact to the change in cash and cash equivalents.

***Operating Activities***

Net cash provided by operating activities for the three months ended March 31, 2011 decreased \$104 million to \$15 million compared to \$119 million for the three months ended March 31, 2010. Net cash provided by operating activities in the first quarter of 2011 included a negative impact of \$400 million related to CIEs compared to \$56 million in the prior year period. Net cash provided by operating activities in the first quarter of 2011 included an increase in cash generated from higher asset-based fee revenue, partially offset by higher payments for distribution, as well as an increase in integration related payments and performance based compensation compared to the prior year period. In addition, income taxes paid decreased \$144 million in the first quarter of 2011 compared to the prior year period.

***Investing Activities***

Our investing activities primarily relate to our Available-for-Sale investment portfolio. Further, this activity is significantly affected by the net flows of our investment certificate, fixed annuity and universal life products reflected in financing activities.

Net cash used in investing activities was \$73 million for the three months ended March 31, 2011 compared to net cash provided by investing activities of \$851 million for the three months ended March 31, 2010. Cash used to purchase Available-for-Sale securities increased \$570 million compared to the prior year period and cash proceeds from sales and maturities, sinking fund payments and calls of Available-for-Sale securities decreased \$613 million compared to the prior year period.

***Financing Activities***

Net cash used in financing activities was \$347 million for the three months ended March 31, 2011 compared to net cash provided by financing activities of \$759 million for the three months ended March 31, 2010, a decrease in cash of \$1.1 billion driven by a \$378 million increase in repurchases of common stock compared to the prior year period and cash proceeds of \$744 million from the issuance of our senior notes in March 2010.

**Contractual Commitments**

There have been no material changes to our contractual obligations disclosed in our 2010 10-K.

#### **Off-Balance Sheet Arrangements**

There have been no material changes in our off-balance sheet arrangements disclosed in our 2010 10-K.

#### **Forward-Looking Statements**

This report contains forward-looking statements that reflect management's plans, estimates and beliefs. Actual results could differ materially from those described in these forward-looking statements. Examples of such forward-looking statements include:

- statements of the Company's plans, intentions, positioning, expectations, objectives or goals, including those relating to asset flows, mass affluent and affluent client acquisition strategy, client retention and growth of our client base, financial advisor productivity, retention, recruiting and enrollments, acquisition integration, general and administrative costs; consolidated tax rate, return of capital to shareholders, and excess capital position and financial flexibility to capture additional growth opportunities;
- other statements about future economic performance, the performance of equity markets and interest rate variations and the economic performance of the United States and of global markets; and
- statements of assumptions underlying such statements.

The words believe, expect, anticipate, optimistic, intend, plan, aim, will, may, should, could, would, likely, forecast, expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from such statements.

Table of Contents

Such factors include, but are not limited to:

- changes in the valuations, liquidity and volatility in the interest rate, credit default, equity market, and foreign exchange environments;
- changes in relevant accounting standards, as well as changes in the litigation and regulatory environment, including ongoing legal proceedings and regulatory actions, the frequency and extent of legal claims threatened or initiated by clients, other persons and regulators, and developments in regulation and legislation, including the rules and regulations implemented or to be implemented in connection with the Dodd-Frank Wall Street Reform and Consumer Protection Act;
- investment management performance and consumer acceptance of the Company's products;
- effects of competition in the financial services industry and changes in product distribution mix and distribution channels;
- changes to the Company's reputation that may arise from employee or affiliated advisor misconduct, legal or regulatory actions, improper management of conflicts of interest or otherwise;
- the Company's capital structure, including indebtedness, limitations on subsidiaries to pay dividends, and the extent, manner, terms and timing of any share or debt repurchases management may effect as well as the opinions of rating agencies and other analysts and the reactions of market participants or the Company's regulators, advisors, distribution partners or customers in response to any change or prospect of change in any such opinion;
- changes to the availability of liquidity and the Company's credit capacity that may arise due to shifts in market conditions, the Company's credit ratings and the overall availability of credit;
- risks of default, capacity constraint or repricing by issuers or guarantors of investments the Company owns or by counterparties to hedge, derivative, insurance or reinsurance arrangements or by manufacturers of products the Company distributes, experience deviations from the Company's assumptions regarding such risks, the evaluations or the prospect of changes in evaluations of any such third parties published by rating agencies or other analysts, and the reactions of other market participants or the Company's regulators, advisors, distribution partners or customers in response to any such evaluation or prospect of changes in evaluation;
- with respect to VIE pooled investments the Company has determined do not require consolidation under GAAP, the Company's assessment that it does not have the power over the VIE or hold a variable interest in these investments for which the Company has the potential



## Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

to receive significant benefits or to absorb significant losses;

- experience deviations from the Company's assumptions regarding morbidity, mortality and persistency in certain annuity and insurance products, or from assumptions regarding market returns assumed in valuing DAC and DSIC or market volatility underlying the Company's valuation and hedging of guaranteed living benefit annuity riders; or from assumptions regarding anticipated claims and losses relating to the Company's automobile and home insurance products;
- changes in capital requirements that may be indicated, required or advised by regulators or rating agencies;
- the impacts of the Company's efforts to improve distribution economics and to grow third-party distribution of its products;
- the Company's ability to pursue and complete strategic transactions and initiatives, including acquisitions, divestitures, joint ventures and the development of new products and services;
- the Company's ability to realize the financial, operating and business fundamental benefits or to obtain regulatory approvals regarding integrations we plan for the acquisitions we have completed or may pursue and contract to complete in the future, as well as the amount and timing of integration expenses;
- the ability and timing to realize savings and other benefits from re-engineering and tax planning;
- changes in the capital markets and competitive environments induced or resulting from the partial or total ownership or other support by central governments of certain financial services firms or financial assets; and
- general economic and political factors, including consumer confidence in the economy, the ability and inclination of consumers generally to invest as well as their ability and inclination to invest in financial instruments and products other than cash and cash equivalents, the costs of products and services the Company consumes in the conduct of its business, and applicable legislation and regulation and changes therein, including tax laws, tax treaties, fiscal and central government treasury policy, and policies regarding the financial services industry and publicly-held firms, and regulatory rulings and pronouncements.

Management cautions the reader that the foregoing list of factors is not exhaustive. There may also be other risks that management is unable to predict at this time that may cause actual results to differ materially from those in forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. Management undertakes no obligation to update publicly or revise any forward-looking statements. The foregoing list of factors should be read in conjunction with the Risk Factors discussion included in Part I, Item 1A of our 2010 10-K.



Table of Contents

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There have been no material changes in the Quantitative and Qualitative Disclosures About Market Risk discussion included as Part II, Item 7A of our 2010 10-K.

**ITEM 4. CONTROLS AND PROCEDURES**

**Disclosure Controls and Procedures**

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act )) designed to provide reasonable assurance that the information required to be reported in the Exchange Act filings is recorded, processed, summarized and reported within the time periods specified in and pursuant to SEC regulations, including controls and procedures designed to ensure that this information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding the required disclosure. It should be noted that, because of inherent limitations, our company's disclosure controls and procedures, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the disclosure controls and procedures are met.

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, our company's Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective at a reasonable level of assurance as of March 31, 2011.

**Changes in Internal Control over Financial Reporting**

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our company's internal control over financial reporting.

Table of Contents

## PART II. OTHER INFORMATION

**ITEM 1. LEGAL PROCEEDINGS**

The information set forth in Note 14 to the Consolidated Financial Statements in Part I, Item 1 is incorporated herein by reference.

**ITEM 1A. RISK FACTORS**

There have been no material changes in the risk factors provided in Part I, Item 1A of our 2010 10-K.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

The following table presents the information with respect to purchases made by or on behalf of Ameriprise Financial, Inc. or any affiliated purchaser (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934), of our common stock during the first quarter of 2011:

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as part of Publicly Announced Plans or Programs(1)	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs(1)
January 1 to January 31, 2011				
Share repurchase program(1)	545,343	\$ 59.53	545,343	\$ 894,216,516
Employee transactions(2)	130,418	\$ 59.46	N/A	N/A
February 1 to February 28, 2011				
Share repurchase program(1)	1,727,676	\$ 61.82	1,727,676	\$ 787,416,718
Employee transactions(2)	153,883	\$ 61.11	N/A	N/A
March 1 to March 31, 2011				
Share repurchase program(1)	4,188,794	\$ 61.11	4,188,794	\$ 531,425,219
Employee transactions(2)	605	\$ 64.00	N/A	N/A
Totals				
Share repurchase program	6,461,813	\$ 61.17	6,461,813	
Employee transactions	284,906	\$ 60.36	N/A	
	6,746,719		6,461,813	

N/A Not applicable.

- (1) On May 11, 2010, we announced that our Board of Directors authorized us to repurchase up to \$1.5 billion worth of our common stock through the date of the company's 2012 annual shareholders meeting. The share repurchase program does not require the purchase of any

## Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

minimum number of shares, and depending on market conditions and other factors, these purchases may be commenced or suspended at any time without prior notice. Acquisitions under the share repurchase program may be made in the open market, through privately negotiated transactions or block trades or other means.

- (2) Restricted shares withheld pursuant to the terms of awards under the amended and revised Ameriprise Financial 2005 Incentive Compensation Plan (the Plan ) to offset tax withholding obligations that occur upon vesting and release of restricted shares. The Plan provides that the value of the shares withheld shall be the closing price of common stock of Ameriprise Financial, Inc. on the date the relevant transaction occurs.

### **ITEM 6. EXHIBITS**

The list of exhibits required to be filed as exhibits to this report are listed on page E-1 hereof, under Exhibit Index, which is incorporated herein by reference.

Table of Contents

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMERIPRISE FINANCIAL, INC.  
(Registrant)

Date: May 2, 2011

By /s/ Walter S. Berman  
Walter S. Berman  
Executive Vice President and  
Chief Financial Officer

Date: May 2, 2011

By /s/ David K. Stewart  
David K. Stewart  
Senior Vice President and  
Controller  
(Principal Accounting Officer)

Table of Contents**EXHIBIT INDEX**

Pursuant to the rules and regulations of the Securities and Exchange Commission, we have filed certain agreements as exhibits to this Quarterly Report on Form 10-Q. These agreements may contain representations and warranties by the parties. These representations and warranties have been made solely for the benefit of the other party or parties to such agreements and (i) may have been qualified by disclosures made to such other party or parties, (ii) were made only as of the date of such agreements or such other date(s) as may be specified in such agreements and are subject to more recent developments, which may not be fully reflected in our public disclosure, (iii) may reflect the allocation of risk among the parties to such agreements and (iv) may apply materiality standards different from what may be viewed as material to investors. Accordingly, these representations and warranties may not describe our actual state of affairs at the date hereof and should not be relied upon.

The following exhibits are filed as part of this Quarterly Report on Form 10-Q. The exhibit numbers followed by an asterisk (\*) indicate exhibits electronically filed herewith. All other exhibit numbers indicate exhibits previously filed and are hereby incorporated herein by reference.

<b>Exhibit</b>	<b>Description</b>
3.1	Amended Restated Certificate of Incorporation of Ameriprise Financial, Inc. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K, File No. 1-32525, filed on April 30, 2010).
3.2	Amended and Restated Bylaws of Ameriprise Financial, Inc. (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K, File No. 1-32525, filed on April 30, 2010).
4.1	Form of Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to Amendment No. 3 to Form 10 Registration Statement, File No. 1-32525, filed on August 19, 2005).
	Other instruments defining rights of holders of long-term debt securities of the registrant are omitted pursuant to Section (b)(4)(iii)(A) of Item 601 of Regulation S-K. The registrant agrees to furnish copies of these instruments to the SEC upon request.
10.1*	Ameriprise Financial Performance Cash Unit Plan Supplement to the Long-Term Incentive Award Program Guide.
10.2*	Ameriprise Financial Form of Award Certificate Performance Cash Unit Plan Award.
10.3*	Ameriprise Financial Performance Share Unit Plan Supplement to the Long-Term Incentive Award Program Guide.
10.4*	Ameriprise Financial Form of Award Certificate Performance Share Unit Plan Award.
31.1*	Certification of James M. Cracchiolo pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
31.2*	Certification of Walter S. Berman pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
32*	Certification of James M. Cracchiolo and Walter S. Berman pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	The following materials from Ameriprise Financial, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2011, formatted in XBRL: (i) Consolidated Statements of Operations for the three months ended March 31, 2011 and 2010; (ii) Consolidated Balance Sheets at March 31, 2011 and December 31, 2010; (iii) Consolidated Statements of Cash Flows for the three months ended March 31, 2011 and 2010; (iv) Consolidated Statements of Equity for the three months ended March 31, 2011 and 2010; and (v) Notes to the Consolidated Financial Statements.

